



FIRST HALF 2011 REPORT

**FOR THE PERIOD ENDING
JUNE 30, 2011**

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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 June 30, 2011: €181,482,744 authorized ordinary shares, €1.00 par value per share; 172,015,373 shares underwritten and paid up
Registered Office	Roma - Viale del Campo Boario 56/d
Board of Directors (1)	
<i>Chairman</i>	Lorenzo PELLICIONI
<i>C.E.O.</i>	Marco SALA
Board Members	Pietro BOROLI Paolo CERETTI Alberto DESSY* Marco DRAGO Jaymin PATEL Severino SALVEMINI * Gianmario TONDATO DA RUOS **
* <i>Denotes Independent Directors</i> ** <i>Denotes Lead Independent Director</i>	
General Manager (2)	Renato ASCOLI
Board of Statutory Auditors : (1)	
<i>Chairman</i>	Sergio DUCA
<i>Regular Members</i>	Angelo GAVIANI Francesco MARTINELLI
<i>Substitute Members</i>	Gian Piero BALDUCCI Giulio GASLOLI Umile Sebastiano IACOVINO Guido MARTINELLI Marco SGUAZZINI VISCONTINI

Independent Auditors

Reconta Ernst & Young S.p.A.

Members of the Audit and Compliance Committee (3)

Severino SALVEMINI (Chairman)
Alberto DESSY
Gianmario TONDADO DA RUOS

Members of the Remuneration Committee (3)

Gianmario TONDATO DA RUOS (Chairman)
Paolo CERETTI
Alberto DESSY

Note:

- (1) As enacted by the shareholders at a meeting held on April 28, 2011.
- (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 29, 2011.

LOTTOMATICA GROUP

Lottomatica Group S.p.A. is one of the leading gaming operators in the world based on total wagers and, through its subsidiaries, including GTECH Corporation, is a leading provider of lottery and gaming technology solutions and services worldwide. The Group's goal is 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 integrity, responsibility and growth. Lottomatica is listed on the Mercato Telematico Azionario, the Italian screen-based trading system managed by Borsa Italiana S.p.A. (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".

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.

The Group's segments are as follows:

- The **Italian Operations segment** operates and provides a full range of gaming services, including online, instant and traditional lotteries, Scratch & 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 terminals ("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 the real-time transaction processing and information systems for the sports-betting market.

The Group has operations in approximately 60 countries worldwide on six continents and had 8,025 employees at June 30, 2011.

Italian Operations Segment

The Italian Operations segment offers all five product lines of the Group: Lottery, Sports Betting, Machine Gaming, Interactive and Commercial Services.

Lottery

Lottomatica is the sole concessionaire for the Italian Lotto game. Lottomatica manages 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 online lotteries and games, which are conducted through computerized systems in which lottery or gaming terminals are connected to a central computer system, with games where players select their own numbers, such as Lotto, and off-line lotteries, with games involving pre-printed paper tickets.

Lottomatica also operates instant lotteries (Scratch & Win game) and traditional lotteries as a member of the consortium Lotterie Nazionali S.r.l., in which it directly and indirectly holds a 51.5% interest.

Sports Betting

Lottomatica has a number of concessions to operate sports and horse betting, and the right to operate sports betting over the internet. Sporting events (including basketball, soccer, cycling, downhill skiing, cross country skiing, tennis, sailing and volleyball), motor sports (car and motorcycle racing), and non-sports events connected with the world of entertainment, music, culture, and current affairs of primary national and international importance are the subject of betting in the Republic of Italy.

Machine Gaming

Lottomatica operates in the machine gaming market, including the direct management of amusement with prize machines ("AWPs") and video lottery terminals ("VLTs") that are installed in various outlets linked to a central system.

Interactive

Lottomatica provides online skill games such as poker and other board and soft games.

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, and ticketing for sporting and musical events. Lottomatica also 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. Additionally, Lottomatica provides a processing and network service on behalf of third parties, without collecting amounts due. The most significant of these services are telephone top-ups and digital terrestrial TV cards, payment of car road taxes, fidelity card services and stamp duty services.

GTECH Lottery Segment

GTECH is the world's leading operator of highly-secure, online lottery transaction processing systems. 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 is also a rapidly growing and technologically advanced instant game supplier. As an end-to-end provider of instant tickets and related services, GTECH 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, GTECH 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.

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. GTECH looks to leverage its technology, distribution and transaction processing competence to provide commercial and financial transaction processing services by delivering reliable, secure, high volume transaction processing solutions to financial institutions and retailers over its existing online lottery networks.

Gaming Solutions Segment

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 market. Gaming Solutions operates in the gaming machine market through Spielo, a leading provider of VLTs, content, systems and services throughout North America and Europe, and Atronic, a leading video slot machine and system provider in Europe, Asia and the Americas. The combination of GTECH's video central systems business, Spielo and Atronic, creates an organisation that is well-positioned to become a leading end-to-end solutions provider for the global gaming industry.

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 video central systems, VLTs, video slot machines and games. Gaming Solutions also sells products or recognizes service revenue from government wide area and operator markets as well as commercial and Native American casinos.

GTECH G2 Segment

The GTECH G2 segment, through GTECH's subsidiaries Finsoft Limited, Boss Media AB and its subsidiaries, and St. Minver Limited, provides digitally-distributed, multi-channel gaming entertainment products and services that are delivered across interactive channels as well as retail solutions and information systems that support real time transaction processing for the sports betting market.

Finsoft Limited is a provider of real-time transaction and information management systems for the lotteries' and commercial sports betting market, both interactive and retail.

Boss Media AB and its subsidiaries ("Boss Media") is a leading developer of innovative software and systems for digitally-distributed gaming entertainment. Boss Media customers are licensed gaming operators who use Boss Media platforms to support their interactive gaming services. A large number of these operators are partners within Boss Media's International Poker Network ("IPN"), the fifth largest European poker network hosting more than 7,000 players at peak times.

St. Minver Limited ("St. Minver ") is a leading provider of end-to-end white label gaming services. St. Minver does not offer products and services to end customers under its own brand name, but designs, operates and markets casino, bingo and poker websites for clients under their own well-known brand names. In addition, St. Minver supports Boss Media's IPN.

For additional information on the Group, please refer to the "Business Overview" section of its 2010 Annual Report or visit its website at: www.gruppolottomatica.it/eng/aboutus/index.htm.

MANAGEMENT REPORT

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

In the second quarter of 2011, revenue, EBITDA and operating income experienced substantial growth over the same quarter of 2010, highlighted by the strength of the performance in the Italian Operations segment.

Revenue in the Italian Operations segment increased over 55% in the second quarter of 2011 compared to the same quarter in 2010, principally driven by significant contributions from Machine Gaming in Italy which benefited from the deployment of VLTs. Revenue growth was further fueled by the performance of the Italian Lotto options game "10 and Lotto", higher instant ticket sales, and the increase in the Scratch & Win concession fee.

This growth has been sustained by some important strategic initiatives. Investments in the machine gaming sector in Italy, particularly the new VLTs, are generating returns above expectations with less than expected cannibalization of our AWP revenues. Further, having been first to market with VLTs, we expected to experience some erosion once the market was more fully exploited. However, so far we have maintained our market share in terms of total wagers.

Lotto wagers, driven by the "10 and Lotto" game, were up approximately 34% over the comparable quarter last year. Scratch & Win wagers also maintained a growth pattern that began last quarter with the launch of new games and the €20 ticket. Scratch & Win wagers grew approximately 13% over the second quarter in 2010.

Overall, revenues in the GTECH Lottery segment during the second quarter of 2011 were €192.2 million compared to €230.5 million in the same period last year, mainly due to foreign currency fluctuations, product sale cyclicity, and changes in GTECH's contract portfolio mix. Despite relatively low jackpot activity, same store revenue in the GTECH Lottery segment has continued a growth trend that began late last year. Same store revenue growth was primarily driven by improvements in instant ticket sales, particularly in California, given the prize payout increase. International sales performance was negatively impacted by poor sales in the Czech Republic, where our customer Sazka was declared bankrupt.

The Gaming Solutions segment enjoyed revenue growth of approximately 24% over the same quarter in 2010, primarily driven by software sales to customers in the Italian AWP market and Spielo's market leading performance in Italy.

The GTECH G2 segment also contributed €20.0 million of revenues to the Group in the second quarter of 2011, an increase of approximately 7% when compared to the second quarter of 2010.

Our focus on deleveraging is paying off with an improvement to our net financial position, which totaled €2.88 billion at June 30, 2011 compared to €2.98 at December 31, 2010. The fundamentals of our business are sound and growing. We have been able to sustain the positive momentum we created during the end of last year and the first quarter of 2011. The second quarter results provide more evidence of that positive movement.

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

	For the three months ended			
	June 30,		Increase	
	2011	2010	€	%
Revenue	702,635	574,519	128,116	22.3
EBITDA	245,411	200,000	45,411	22.7
Operating income	140,041	110,398	29,643	26.9
EBIT	139,979	124,540	15,439	12.4
Net income	54,701	45,665	9,036	19.8
Diluted earnings per share	0.27	0.21	0.06	28.6

	For the six months ended			
	June 30,		Increase	
	2011	2010	€	%
Revenue	1,404,709	1,119,167	285,542	25.5
EBITDA	501,290	397,337	103,953	26.2
Operating income	292,708	228,488	64,220	28.1
EBIT	255,434	242,503	12,931	5.3
Net income	90,678	87,003	3,675	4.2
Diluted earnings per share	0.40	0.38	0.02	5.3

Consolidated revenue for the three and six months ended June 30, 2011 increased 22.3% and 25.5%, respectively, over the same periods in 2010. Service revenue grew 26.3% to €663.8 million during the second quarter of 2011 and 28.1% to €1.339 billion during the first six months of 2011. Service revenue in both periods grew on the strength of the performance in the Italian Operations segment, highlighted by increased revenue in Machine Gaming and Lottery. These increases were tempered by the strengthening euro against the US dollar in the GTECH Lottery segment.

Higher revenue from Machine Gaming during both periods resulted from the deployment of VLTs while Lottery benefited from Lotto's performance, higher instant ticket sales and the increased percentage fee for the Scratch & Win concession.

EBITDA increased €45.4 million and €104.0 million during the second quarter of 2011 and the first six months of 2011, respectively, driven by the improved performance of Lotto and the continued growth from Scratch & Win in Italy, along with higher revenues and profits from Machine Gaming in Italy. These improvements were partially offset by the bankruptcy of GTECH's customer in the Czech Republic and the impact of foreign currency fluctuations.

COMPARISON OF THE THREE MONTH PERIODS ENDED JUNE 30, 2011 AND 2010

Consolidated revenue for the three months ended June 30, 2011 increased 22.3% over the same period last year as detailed by operating segment below.

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Italian Operations	451,888	290,697	161,191	55.4
GTECH Lottery	192,215	230,463	(38,248)	(16.6)
Gaming Solutions	45,308	36,445	8,863	24.3
GTECH G2	19,665	18,358	1,307	7.1
	<u>709,076</u>	<u>575,963</u>	<u>133,113</u>	<u>23.1</u>
Elimination of intersegment revenue	(6,505)	(1,519)	(4,986)	>200.0
Other	64	75	(11)	(14.7)
Total revenue	<u><u>702,635</u></u>	<u><u>574,519</u></u>	<u><u>128,116</u></u>	<u><u>22.3</u></u>

Italian Operations segment

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

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Lotto	103,524	77,353	26,171	33.8
Instant tickets	103,387	81,964	21,423	26.1
Other	471	547	(76)	(13.9)
Lottery	<u>207,382</u>	<u>159,864</u>	<u>47,518</u>	<u>29.7</u>
Sports Betting	38,962	42,444	(3,482)	(8.2)
Machine Gaming	160,831	50,903	109,928	>200.0
Interactive	12,420	12,599	(179)	(1.4)
Commercial Services	32,293	24,887	7,406	29.8
Total revenue	<u><u>451,888</u></u>	<u><u>290,697</u></u>	<u><u>161,191</u></u>	<u><u>55.4</u></u>

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

A 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 three months ended June 30, 2011 for each product line and service reported within the Italian Operations segment as compared to the same period last year is described below.

Lotto

Lotto revenue increased 33.8% in the three months ended June 30, 2011 compared to the same period in 2010 due to a corresponding increase in Lotto wagers, which was partially offset by a decrease in late number wagers as detailed below. The increase in core wagers was due to higher wagers from the Lotto options game "10 and Lotto".

<i>(millions of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	Wagers	%
Core wagers	1,460.8	1,043.8	417.0	40.0
Wagers for late numbers	150.0	155.1	(5.1)	(3.3)
	<u>1,610.8</u>	<u>1,198.9</u>	<u>411.9</u>	<u>34.4</u>

Instant tickets

Instant ticket revenue in the three months ended June 30, 2011 increased 26.1% compared to the same period in 2010 principally due to an increase in the Scratch & Win concession fee and higher instant ticket sales as detailed below.

	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	Amount	%
Total tickets sold (in millions)	614.4	615.9	(1.5)	(0.2)
Total sales (in millions)	€ 2,638.5	€ 2,343.6	€ 294.9	12.6
Average price point	€ 4.29	€ 3.81	€ 0.48	12.6

Sports Betting

Sports betting revenue in the three months ended June 30, 2011 decreased 8.2% from the same period in 2010 due to a decrease in wagers as detailed below. Wagers in the second quarter of 2010 were higher, driven by World Cup soccer. As of June 30, 2011, our market share (in terms of total wagers) with respect to fixed odds sports betting operations was 21.6% (20.6% as of June 30, 2010) with 1,154 fixed odds sports betting and 454 sports pool points of sale locations operational.

<i>(millions of euros)</i>	For the three months ended			
	June 30,		Decrease	
	2011	2010	Wagers	%
Fixed odds sports and horse betting wagers	190.7	228.5	(37.8)	(16.5)
Sports pool wagers	17.2	22.8	(5.6)	(24.6)
	<u>207.9</u>	<u>251.3</u>	<u>(43.4)</u>	<u>(17.3)</u>

Machine Gaming

Machine Gaming revenue in the three months ended June 30, 2011 increased significantly over the same period in 2010 driven by a 134.4% increase in wagers and the deployment of VLTs (beginning in July 2010), partially offset by the decreased placement of AWP machines, as detailed below.

	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	Amount	%
Wagers (in millions)	€ 2,654.9	€ 1,132.6	€ 1,522.3	134.4
AWP machines installed (end of June)	53,008	53,614	(606)	(1.1)
VLTs installed (end of June)	6,626	-	6,626	-

Interactive

Interactive revenue in the three months ended June 30, 2011 decreased 1.4% from the same period in 2010 principally driven by a higher payout percentage during the first three months of 2011 compared to the same period of the prior year. This decrease was partially offset by an increase in skill game wagers (primarily bingo) as detailed below.

<i>(millions of euros)</i>	For the three months ended			
	June 30,		Increase	
	2011	2010	Wagers	%
Skill game wagers	107.6	102.9	4.7	4.6

Commercial Services

Commercial Services revenue in the three months ended June 30, 2011 increased 29.8% over the same period in 2010 principally due to an increase in bill payments, electronic top-up services for prepaid mobile, and ticketing services for sporting and musical events.

GTECH Lottery segment

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

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Service revenue				
United States	106,355	120,268	(13,913)	(11.6)
International	71,673	81,912	(10,239)	(12.5)
	<u>178,028</u>	<u>202,180</u>	<u>(24,152)</u>	<u>(11.9)</u>
Product sales				
United States	4,179	3,877	302	7.8
International	10,008	24,406	(14,398)	(59.0)
	<u>14,187</u>	<u>28,283</u>	<u>(14,096)</u>	<u>(49.8)</u>
Total revenue				
United States	110,534	124,145	(13,611)	(11.0)
International	81,681	106,318	(24,637)	(23.2)
	<u>192,215</u>	<u>230,463</u>	<u>(38,248)</u>	<u>(16.6)</u>

GTECH Lottery revenue is principally comprised of service revenue derived primarily from long-term lottery service contracts. 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 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.

Service Revenue

United States lottery service revenue in the three months ended June 30, 2011 decreased 11.6% from the same period in 2010 primarily due to the weakening US dollar against the euro and contract portfolio changes, which was partially offset by contract and effective rate changes and an increase in same store revenue. Same store revenue growth was driven by increased instant ticket sales in California, given the prize payout increase.

International lottery service revenue in the three months ended June 30, 2011 decreased 12.5% from the same period in 2010 primarily due to fluctuations in foreign currency exchange rates against the euro and net contract portfolio changes. International sales performance was also negatively impacted by poor sales in the Czech Republic, where GTECH's lottery customer was declared bankrupt. The Group is closely monitoring this contract as further described in the Commitments and Contingencies section of this report.

Product Sales

Product sale revenue from year to year fluctuates due to the mix, volume and timing of product sale transactions. Lottery product sale revenue in the three months ended June 30, 2011 decreased €14.1 million from the same period in 2010. There were no individually material product sales that were recorded in the three months ended June 30, 2011. Product sales during the three months ended June 30, 2010 included the sale of a new central system and lottery terminals to our customer in South Australia and the sale of lottery terminals and project implementation services to our customer in Spain.

Gaming Solutions segment

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

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase	
	2011	2010	€	%
Service Revenue	19,963	16,488	3,475	21.1
Product Sales	25,345	19,957	5,388	27.0
Total revenue	45,308	36,445	8,863	24.3

Gaming Solutions product sale revenue in the three months ended June 30, 2011 increased €5.4 million over the same period in 2010 principally due to software sales to customers in the Italian AWP market.

GTECH G2 segment

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

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Service Revenue	18,536	16,988	1,548	9.1
Product Sales	1,129	1,370	(241)	(17.6)
Total revenue	19,665	18,358	1,307	7.1

Consolidated operating costs

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Raw materials, services and other costs	368,977	282,905	86,072	30.4
Personnel	113,135	116,047	(2,912)	(2.5)
Depreciation	59,137	60,976	(1,839)	(3.0)
Amortization	45,204	25,030	20,174	80.6
Impairment loss (reversal)	(274)	2,148	(2,422)	(112.8)
Capitalization of internal construction costs - labor and overhead	(23,585)	(22,985)	(600)	(2.6)
Total operating costs	562,594	464,121	98,473	21.2
Percentage of total revenue	80.1%	80.8%		

Consolidated operating costs in the three months ended June 30, 2011 increased €98.5 million over the same period in 2010 principally due to higher costs related to the 22.3% increase in revenue and higher amortization resulting from the €800 million upfront payment for the Italian Scratch & Win license renewal which started amortizing over nine years beginning in October 2010.

Foreign exchange gain (loss), net

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

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Cash foreign exchange gain (loss)	574	(722)	(1,296)	(179.5)
Non-cash foreign exchange gain	2,174	16,210	14,036	86.6
	<u>2,748</u>	<u>15,488</u>	<u>12,740</u>	<u>82.3</u>

Non-cash foreign exchange gain

Non-cash foreign exchange gain was comprised of the following:

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Intragroup loan	9,093	-	(9,093)	-
GTECH euro denominated debt	(6,789)	-	6,789	-
GTECH Senior Credit Facilities hedges	-	14,110	14,110	100.0
Other	(130)	2,100	2,230	106.2
	<u>2,174</u>	<u>16,210</u>	<u>14,036</u>	<u>86.6</u>

Intragroup loan

In connection with the refinancing of €2.65 billion of Group debt in December 2010, Lottomatica loaned €150 million to GTECH. Management determined that this loan will be replaced with capital.

Accordingly, the €9.1 million of non-cash foreign exchange loss recorded to foreign exchange in the consolidated income statement during the first quarter of 2011 was reclassified to other comprehensive income.

GTECH euro denominated debt

GTECH borrows in euro to better match the Group's liabilities with euro denominated cash flows. As of June 30, 2011, €435.0 million of euro borrowings were outstanding under GTECH's €500 million revolver facility which resulted in a non-cash foreign exchange loss during the three months ended June 30, 2011 due to fluctuations in the US dollar to euro exchange rate.

GTECH Senior Credit Facilities hedges

Approximately 47% of the Group's debt at June 30, 2010 was US dollar denominated and therefore exposed to fluctuations in the euro versus the US dollar exchange rate. At June 30, 2010, approximately 50% of this US dollar debt was hedged with collar structures that provided protection at an average euro to US dollar exchange rate of 1.27. Revenues and cash flow from US based contracts provided a natural hedge for the remaining US dollar denominated debt.

Interest expense

<i>(thousands of euros)</i>	For the three months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Capital Securities	(16,090)	(16,090)	-	-
2009 Notes (due 2016)	(9,691)	(9,510)	181	1.9
2010 Notes (due 2018)	(6,908)	-	6,908	-
Facilities	(6,756)	-	6,756	-
Interest Accretion on Swap Liability	(471)	(785)	(314)	(40.0)
GTECH Senior Credit Facilities	-	(14,614)	(14,614)	(100.0)
Other	(2,064)	(1,524)	540	35.4
	<u>(41,980)</u>	<u>(42,523)</u>	<u>(543)</u>	<u>(1.3)</u>

The decrease in interest expense was principally due to lower interest rates which was partially offset by higher average debt balances.

COMPARISON OF THE SIX MONTH PERIODS ENDED JUNE 30, 2011 AND 2010

Consolidated revenue for the six months ended June 30, 2011 increased 25.5% over the same period last year as detailed by operating segment below.

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Italian Operations	911,775	591,869	319,906	54.1
GTECH Lottery	381,774	423,428	(41,654)	(9.8)
Gaming Solutions	93,962	69,675	24,287	34.9
GTECH G2	38,857	36,733	2,124	5.8
	<u>1,426,368</u>	<u>1,121,705</u>	<u>304,663</u>	<u>27.2</u>
Elimination of intersegment revenue	(21,789)	(2,685)	(19,104)	>200.0
Other	130	147	(17)	(11.6)
Total revenue	<u>1,404,709</u>	<u>1,119,167</u>	<u>285,542</u>	<u>25.5</u>

Italian Operations segment

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

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Lotto	217,353	155,692	61,661	39.6
Instant tickets	210,193	170,412	39,781	23.3
Other	1,022	1,103	(81)	(7.3)
Lottery	<u>428,568</u>	<u>327,207</u>	<u>101,361</u>	<u>31.0</u>
Sports Betting	97,705	91,642	6,063	6.6
Machine Gaming	297,083	100,301	196,782	196.2
Interactive	27,058	24,023	3,035	12.6
Commercial Services	61,361	48,696	12,665	26.0
Total revenue	<u>911,775</u>	<u>591,869</u>	<u>319,906</u>	<u>54.1</u>

A detailed analysis of the performance during the first six months of 2011 for each product line and service reported within the Italian Operations segment as compared to the same period last year is described below.

Lotto

Lotto revenue increased 39.6% in the first six months of 2011 compared to the same period in 2010 due to a corresponding increase in Lotto and late number wagers as detailed below. The increase in core wagers was due to higher wagers from the Lotto options game "10 and Lotto".

<i>(millions of euros)</i>	For the six months ended			
	June 30,		Increase	
	2011	2010	Wagers	%
Core wagers	2,898.4	2,200.6	697.8	31.7
Wagers for late numbers	462.6	202.2	260.4	128.8
	<u>3,361.0</u>	<u>2,402.8</u>	<u>958.2</u>	<u>39.9</u>

Instant tickets

Instant ticket revenue in the first six months of 2011 increased 23.3% compared to the same period in 2010 principally due to an increase in the Scratch & Win concession fee and higher instant ticket sales as detailed below.

	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	Amount	%
Total tickets sold (in millions)	1,220.6	1,252.0	(31.4)	(2.5)
Total sales (in millions)	€ 5,370.9	€ 4,833.3	€ 537.6	11.1
Average price point	€ 4.40	€ 3.86	€ 0.54	14.0

Sports Betting

Sports betting revenue in the first six months of 2011 increased 6.6% over the same period in 2010 due to a lower payout percentage, partially offset by a decrease in wagers as detailed below.

<i>(millions of euros)</i>	For the six months ended			
	June 30,		Decrease	
	2011	2010	Wagers	%
Fixed odds sports and horse betting wagers	466.3	511.3	(45.0)	(8.8)
Sports pool wagers	38.1	48.7	(10.6)	(21.8)
	<u>504.4</u>	<u>560.0</u>	<u>(55.6)</u>	<u>(9.9)</u>

Machine Gaming

Machine Gaming revenue in the first six months of 2011 increased 196.2% over the same period in 2010 driven by a 121.9% increase in wagers and the deployment of VLTs (beginning in July 2010), partially offset by the decreased placement of AWP machines, as detailed below.

	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	Amount	%
Wagers (in millions)	€ 4,986.6	€ 2,247.1	€ 2,739.5	121.9
AWP machines installed (end of June)	53,008	53,614	(606)	(1.1)
VLTs installed (end of June)	6,626	-	6,626	-

Interactive

Interactive revenue in the first six months of 2011 increased 12.6% over the same period in 2010 principally driven by an increase in skill game wagers (primarily poker and bingo) as detailed below.

<i>(millions of euros)</i>	For the six months ended			
	June 30,		Increase	
	2011	2010	Wagers	%
Skill game wagers	225.0	205.6	19.4	9.4

Commercial Services

Commercial Services revenue in the first six months of 2011 increased 26.0% over the same period in 2010 principally due to an increase in bill payments, electronic top-up services for prepaid mobile, and ticketing services for sporting and musical events.

GTECH Lottery segment

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

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Decrease	
	2011	2010	€	%
Service revenue				
United States	217,124	229,263	(12,139)	(5.3)
International	142,890	160,470	(17,580)	(11.0)
	<u>360,014</u>	<u>389,733</u>	<u>(29,719)</u>	<u>(7.6)</u>
Product sales				
United States	6,036	7,130	(1,094)	(15.3)
International	15,724	26,565	(10,841)	(40.8)
	<u>21,760</u>	<u>33,695</u>	<u>(11,935)</u>	<u>(35.4)</u>
Total revenue				
United States	223,160	236,393	(13,233)	(5.6)
International	158,614	187,035	(28,421)	(15.2)
	<u>381,774</u>	<u>423,428</u>	<u>(41,654)</u>	<u>(9.8)</u>

Service Revenue

United States lottery service revenue in the first six months of 2011 decreased 5.3% from the same period in 2010 primarily due to the weakening US dollar against the euro and contract portfolio changes, which was partially offset by contract and effective rate changes and an increase in same store revenue. Same store revenue growth was driven by increased instant ticket sales in California, given the prize payout increase.

International lottery service revenue in the first six months of 2011 decreased 11.0% from the same period in 2010 primarily due to effective rate changes, net contract portfolio changes and fluctuations in foreign currency exchange rates against the euro. International sales performance was also negatively impacted by poor sales in the Czech Republic, where GTECH's lottery customer was declared bankrupt. The Group is closely monitoring this contract as further described in the Commitments and Contingencies section of this report.

Product Sales

Product sale revenue from year to year fluctuates due to the mix, volume and timing of product sale transactions. Lottery product sale revenue in the first six months of 2011 decreased €11.9 million from the same period in 2010. There were no individually material product sales that were recorded in the first six months of 2011. Product sales during the first six months of 2010 included the sale of a new central system and lottery terminals to our customer in South Australia and the sale of lottery terminals and project implementation services to our customer in Spain.

Gaming Solutions segment

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

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase	
	2011	2010	€	%
Service Revenue	38,744	31,398	7,346	23.4
Product Sales	55,218	38,277	16,941	44.3
Total revenue	93,962	69,675	24,287	34.9

Gaming Solutions product sale revenue in the first six months of 2011 increased €16.9 million over the same period in 2010 principally due to intersegment sales of VLTs to the Italian Operations segment along with software sales to customers in the Italian AWP market.

GTECH G2 segment

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

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Service Revenue	36,691	34,174	2,517	7.4
Product Sales	2,166	2,559	(393)	(15.4)
Total revenue	38,857	36,733	2,124	5.8

Consolidated operating costs

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Raw materials, services and other costs	719,503	540,785	178,718	33.0
Personnel	230,696	223,733	6,963	3.1
Depreciation	116,560	118,156	(1,596)	(1.4)
Amortization	89,508	46,759	42,749	91.4
Impairment loss (reversal)	(274)	2,148	(2,422)	(112.8)
Capitalization of internal construction costs - labor and overhead	(43,992)	(40,902)	(3,090)	(7.6)
Total operating costs	1,112,001	890,679	221,322	24.8
Percentage of total revenue	79.2%	79.6%		

Consolidated operating costs in the first six months of 2011 increased €221.3 million over the same period in 2010 principally due to higher costs related to the 25.5% increase in revenue and higher amortization resulting from the €800 million upfront payment for the Italian Scratch & Win license renewal which started amortizing over nine years beginning in October 2010.

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 in the six months ended June 30, 2011 and 2010 was €28.2 million and €27.8 million, respectively.

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

Personnel Description	Number of employees		
	As of		2011 Average
	June 30, 2011	December 31, 2010	
Executives	425	413	419
Middle Management	1,067	1,015	1,049
All Other Permanent Employees	6,137	5,836	5,957
Employees with Temporary Employment Contracts	396	338	375
	<u>8,025</u>	<u>7,602</u>	<u>7,800</u>

Foreign exchange gain (loss), net

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

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Cash foreign exchange gain (loss)	1,035	(650)	(1,685)	>200.0
Non-cash foreign exchange gain (loss)	(32,780)	17,051	49,831	>200.0
	<u>(31,745)</u>	<u>16,401</u>	<u>48,146</u>	<u>>200.0</u>

Non-cash foreign exchange gain (loss)

Non-cash foreign exchange gain (loss) was comprised of the following:

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase	
	2011	2010	€	%
GTECH euro denominated debt	(30,128)	-	30,128	-
GTECH Senior Credit Facilities hedges	-	15,581	15,581	100.0
Other	(2,652)	1,470	4,122	>200.0
	<u>(32,780)</u>	<u>17,051</u>	<u>49,831</u>	<u>>200.0</u>

GTECH euro denominated debt

GTECH borrows in euro to better match the Group's liabilities with euro denominated cash flows. As of June 30, 2011, €435.0 million of euro borrowings were outstanding under GTECH's €500 million revolver facility which resulted in a non-cash foreign exchange loss during the first six months of 2011 due to fluctuations in the US dollar to euro exchange rate.

GTECH Senior Credit Facilities hedges

Approximately 47% of the Group's debt at June 30, 2010 was US dollar denominated and therefore exposed to fluctuations in the euro versus the US dollar exchange rate. At June 30, 2010, approximately 50% of this US dollar debt was hedged with collar structures that provided protection at an average euro to US dollar exchange rate of 1.27. Revenues and cash flow from US based contracts provided a natural hedge for the remaining US dollar denominated debt.

Interest expense

<i>(thousands of euros)</i>	For the six months ended			
	June 30,		Increase (decrease)	
	2011	2010	€	%
Capital Securities	(32,011)	(32,011)	-	-
2009 Notes (due 2016)	(19,377)	(19,137)	240	1.3
2010 Notes (due 2018)	(13,814)	-	13,814	-
Facilities	(13,175)	-	13,175	-
Interest Accretion on Swap Liability	(1,077)	(1,671)	(594)	(35.5)
GTECH Senior Credit Facilities	-	(27,806)	(27,806)	(100.0)
Other	(4,263)	(3,156)	1,107	35.1
	<u>(83,717)</u>	<u>(83,781)</u>	<u>(64)</u>	<u>(0.1)</u>

The decrease in interest expense was principally due to lower interest rates which was offset by higher average debt balances.

Weighted Average Diluted Shares

Weighted average diluted shares during the first six months of 2011 totaled 172.0 million shares, an increase of 3.9 million shares over the same period of the prior year primarily due to the May 2011 distribution of 3.4 million treasury shares to Lottomatica shareholders in lieu of a cash dividend.

Income Taxes

The Group's effective income tax rate during the first six months of 2011 was 47.5% compared to 45.7% during the same period of the prior year primarily due to the write-down of deferred tax assets associated with the forecasted expiration of certain state tax loss carryforwards. This effective tax rate increase had no impact on cash taxes paid during the first six months of 2011.

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 and bank facilities. 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. 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 Investors Service and BBB- from Standard and Poor's Rating Service contribute to our ability to access capital markets at attractive prices. Maintaining our investment-grade credit rating remains a top priority of the Group's plan.

Summary Statements of Cash Flows

	For the six months ended	
	June 30,	
<i>(thousands of euros)</i>	<u>2011</u>	<u>2010</u>
Net cash flows from operating activities	420,415	405,683
Purchases of systems, equipment and other assets related to contracts	(193,514)	(121,218)
Realized gain (loss) on net investment hedge	(7,631)	7,912
Purchases of intangible assets	(5,075)	(526,969)
Medströms Invest AB put right payment	-	(20,415)
Investment in government securities	-	(18,537)
Other investments	-	(9,761)
Other investing activities, net	(6,685)	(10,789)
Net cash flows used in investing activities	<u>(212,905)</u>	<u>(699,777)</u>
Interest paid	(93,358)	(106,270)
Dividends paid - non-controlling interest	(38,420)	(45,638)
Cash paid on derivative instruments	(16,465)	-
Capital increase (return of capital) - non-controlling interest	(8,000)	187,200
Capital increase - Northstar Lottery Group LLC	7,038	-
Net proceeds from debt	91,967	29,110
Dividends paid	-	(124,815)
Other financing activities, net	(7,616)	(6,039)
Net cash flows used in financing activities	<u>(64,854)</u>	<u>(66,452)</u>
Net cash flows	<u><u>142,656</u></u>	<u><u>(360,546)</u></u>

Analysis of Cash Flows

During the first six months of 2011, we generated €420.4 million of net cash flows from operating activities, an increase of €14.7 million over the same period of 2010, primarily due to higher EBITDA generated by the Italian Operations segment.

Investing activities

The €193.5 million of capital additions for systems, equipment and other assets were principally related to spending in Italy for Gaming Solutions and Lotto, as well as lottery system implementations in Texas, Illinois and Poland.

Financing activities

Interest paid of €93.4 million principally relates to the Capital Securities and Swap Liability. Capital contributions of €7.0 million were received from the 20% non-controlling shareholder in Northstar Lottery Group LLC, a consortium in which GTECH holds an 80% controlling interest, that signed a 10-year private management agreement with the Illinois Lottery to manage the day-to-day operations of the lottery and its core functions. Net proceeds from debt principally relates to borrowings under GTECH's €500 million revolving credit facility. At June 30, 2011, we had €293.9 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 €900 million of committed revolver facilities. At June 30, 2011, there was €448.9 million of committed undrawn capacity under the revolver facilities. These facilities have covenants and restrictions including, among other things, requirements relating to the maintenance of certain financial ratios and limitations on acquisitions and dividends, none of which are expected to impact the Group's liquidity or capital resources. At June 30, 2011, 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 capital expenditure needs, to service our debt obligations and to fund organic growth. Our strategy is to maintain committed undrawn capacity under existing borrowing facilities to allow us the flexibility to fund unforeseen investment opportunities. We do not anticipate any major acquisitions within the next three years.

Summary Statements of Financial Position

<i>(thousands of euros)</i>	June 30,	December 31,	Increase (decrease)	
	2011	2010	€	%
Systems, equipment and other assets related to contracts, net	913,090	887,132	25,958	2.9
Goodwill	2,980,630	3,157,279	(176,649)	(5.6)
Intangible assets, net	1,512,883	1,639,198	(126,315)	(7.7)
Other non-current assets	131,318	141,981	(10,663)	(7.5)
Total non-current assets	5,537,921	5,825,590	(287,669)	(4.9)
Inventories	183,923	165,314	18,609	11.3
Trade and other receivables	676,473	712,239	(35,766)	(5.0)
Other current assets	85,340	80,369	4,971	6.2
Cash and cash equivalents	293,893	152,405	141,488	92.8
Non-current assets classified as held for sale	27,000	27,000	-	-
Total assets	6,804,550	6,962,917	(158,367)	(2.3)
Equity	2,204,987	2,358,885	(153,898)	(6.5)
Long-term debt, less current portion	2,855,876	2,825,412	30,464	1.1
Deferred income taxes	129,667	133,578	(3,911)	(2.9)
Non-current financial liabilities	56,634	113,619	(56,985)	(50.2)
Other non-current liabilities	71,772	77,086	(5,314)	(6.9)
Total non-current liabilities	3,113,949	3,149,695	(35,746)	(1.1)
Accounts payable	867,533	978,509	(110,976)	(11.3)
Short-term borrowings	35,475	7,458	28,017	>200.0
Current financial liabilities	108,928	69,200	39,728	57.4
Current portion of long-term debt	117,230	118,822	(1,592)	(1.3)
Income taxes payable	86,086	19,410	66,676	>200.0
Other current liabilities	270,362	260,938	9,424	3.6
Total equity and liabilities	6,804,550	6,962,917	(158,367)	(2.3)

The €26.0 million increase in systems, equipment and other assets related to contracts, net was principally due to €183.3 million of capital additions which was partially offset by €110.3 million of depreciation and €47.0 million of foreign currency translation.

The €176.6 million decrease in goodwill was principally due to foreign currency translation.

The €126.3 million decrease in intangible assets, net was principally due to €89.5 million of amortization and €42.0 million of foreign currency translation.

The €18.6 million increase in inventories was principally due to higher work in progress and finished goods primarily related to ongoing system implementations in the GTECH Lottery segment.

The €35.8 million decrease in trade and other receivables was principally due to the timing of collections, partially offset by increased sales in the Italian Operations segment.

The €153.9 million decrease in equity was primarily due to €195.0 million of foreign currency translation and €38.4 million of dividends paid to non-controlling shareholders. These decreases were partially offset by €90.7 million of net income.

The €30.5 million increase in long-term debt, less current portion was principally due to US\$20.0 million of borrowings under GTECH's €500 million revolving credit facility along with foreign currency translation.

The €57.0 million decrease in non-current financial liabilities was principally due to the reclassification of interest rate swap liabilities that expire in June 2012 to current financial liabilities.

The €111.0 million decrease in accounts payable was principally due to the timing of payments to suppliers in the Italian Operations and GTECH Lottery segments.

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

The €39.7 million increase in current financial liabilities was principally due to the reclassification of interest rate swap liabilities that expire in June 2012.

The €66.7 million increase in income taxes payable was principally due to the timing of estimated tax payments.

Consolidated Net Financial Position

The Group's consolidated net financial position at June 30, 2011 changed by €100.0 million when compared to December 31, 2010. This change was principally due to higher EBITDA generated by the Italian Operations segment which was partially offset by capital expenditures in the GTECH Lottery segment for lottery system implementations in Texas, Illinois and Poland. Consolidated net financial position is calculated as follows:

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010	Change
Cash on hand	839	430	409
Cash at bank	293,054	151,975	141,079
Cash and cash equivalents	293,893	152,405	141,488
Current financial receivables	4,864	6,673	(1,809)
Facilities	48,659	51,950	(3,291)
Short-term borrowings	35,475	7,458	28,017
Swap Liability	31,161	32,410	(1,249)
Interest rate swaps	29,836	-	29,836
2009 Notes (due 2016)	23,082	2,926	20,156
2010 Notes (due 2018)	15,677	2,240	13,437
Capital Securities	15,426	46,618	(31,192)
Other	62,316	51,878	10,438
Current financial debt	261,632	195,480	66,152
Net current financial debt (cash)	(37,125)	36,402	(73,527)
Facilities	878,705	848,888	29,817
2009 Notes (due 2016)	744,840	746,016	(1,176)
Capital Securities	737,164	735,836	1,328
2010 Notes (due 2018)	494,172	493,797	375
Swap Liability	15,706	29,953	(14,247)
Interest rate swaps	-	47,414	(47,414)
Other	41,923	37,127	4,796
Non current financial debt	2,912,510	2,939,031	(26,521)
Net financial position	2,875,385	2,975,433	(100,048)

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:

<i>(thousands of euros)</i>	Attributable to owners of the parent			Non-Controlling interests	Consolidated
	Lottomatica Group S.p.A.	All other subsidiaries	-		
Balance at January 1, 2011	2,145,847	(231,454)	444,492	2,358,885	
Net income for the period	67,232	845	22,601	90,678	
Amortization of gain on interest rate swap on discontinued cash flow hedge	(286)	-	-	(286)	
Unrecognized net loss on derivative instruments	-	(6,887)	(376)	(7,263)	
Unrecognized net gain on available for sale investment	-	29	-	29	
Foreign currency translation	-	(195,021)	-	(195,021)	
Other comprehensive loss	(286)	(201,879)	(376)	(202,541)	
Treasury shares purchased (208,655 shares)	(2,940)	-	-	(2,940)	
Share-based payment	287	-	-	287	
Dividend distribution	-	-	(38,420)	(38,420)	
Return of capital	-	-	(8,000)	(8,000)	
Capital increase - Northstar Lottery Group LLC	-	-	7,038	7,038	
Balance at June 30, 2011	2,210,140	(432,488)	427,335	2,204,987	

Transactions with Related Parties

During the first six months of 2011 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 28 of the Interim Consolidated Financial Statements included herein.

COMMITMENTS AND CONTINGENCIES

Northstar Lottery Group LLC

In January 2011, the Northstar Lottery Group LLC ("Northstar"), a consortium in which GTECH holds an 80% controlling interest, signed a 10-year private management agreement with the Illinois Lottery (the "State"). Under the agreement, Northstar, subject to the State's oversight, will manage the day-to-day operations of the lottery and its core functions.

As compensation for its management services, Northstar will receive annual fees for reimbursement of certain operating and lottery expenses. Northstar is also entitled to receive annual incentive compensation payments should it achieve certain sales targets but is also subject to provide payments to the State if a minimum, agreed-upon performance level is not achieved.

To the extent net income earned by the State each year exceeds the State established base net income levels for such year, Northstar will earn incentive compensation that is awarded based on various levels of performance, up to an annual maximum of 5% of the actual net income earned by the State.

Northstar's proposal guaranteed a minimum profit level for each of the first five years of the agreement, commencing with the State's fiscal year ending June 30, 2012. The incentive compensation Northstar may earn could be reduced by a shortfall payment in the event Northstar's performance does not achieve the levels it has guaranteed. The annual shortfall payment may not exceed 5% of the net income for such contract year. Given that this agreement is in its early stages, management is currently unable to estimate the financial impact of the minimum profit level guarantee.

Czech Republic

GTECH's lottery customer in the Czech Republic was declared insolvent on March 29, 2011 and on May 27, 2011 was declared bankrupt by the municipal court of Prague. Throughout the insolvency proceedings and in bankruptcy the lottery has been operated under the management of the court appointed Insolvency Trustee (the Trustee). GTECH has a long-term relationship with this customer which began in 1992. Under the terms of the current facility management contract, which was confirmed by the Trustee and has over ten years remaining, GTECH provides facilities management services, including approximately 7,000 terminals, central system hardware and software, ongoing lottery support services, communication services and operational support to this customer. At June 30, 2011, trade receivables, net of reserves from this customer were €4.4 million, €2.7 million of which was collected in July. The recoverability of outstanding trade receivables will depend on the resolution of certain future events which are outside the Group's control, however, both GTECH and the Trustee share a common goal of continued generation of revenues. The Group also has approximately €12.3 million of systems, equipment and other assets related to contracts and approximately €15.7 million of intangible assets on its consolidated statement of financial position related to its contracts with this customer. Although the lottery is operating, its revenues have been impacted materially. Future events will determine the recoverability of these assets, and therefore the financial impact to the Group is not currently estimable.

SIGNIFICANT DEVELOPMENTS

Since the start of the second quarter of 2011, the Group has reported a number of significant developments.

Developments During the Second Quarter of 2011

Contract Developments

In April 2011, GTECH entered into a ten (10) year contract extension with Supreme Ventures Limited to continue providing online lottery technology and ongoing services in Jamaica through January 10, 2026. GTECH has been the online lottery technology and services provider to Supreme Ventures since it began selling online games in 2001.

In May 2011, GTECH signed a ten (10) year contract to provide 500 Gemini™ Compact Instant Ticket Vending Machines (ITVMs) and related services to La Française des Jeux, the operator of the French National Lottery. The Gemini ITVMs are scheduled for delivery in the fourth quarter of 2011.

In June 2011, GTECH signed a five (5) year contract extension with the Georgia Lottery Corporation to continue providing online lottery technology, as well as new lottery-related products and services, through September 2018.

In June 2011, GTECH signed a new five (5) year private operator contract to run the online lotto game "Baloto" for ETESA En Liquidacion, the agency responsible for authorizing gaming operations throughout Colombia. The private operator contract was awarded after a public bidding process during the first quarter of 2011. GTECH was initially awarded a 10-year concession contract to bring the Baloto game to Colombian online lottery players in December 1999. Under the new concession contract, GTECH will continue operating the online Loto-Baloto game and will transfer 32.32% of all sales back to the Colombian health sector. GTECH will also extend its point-of-sale network to 10,000 and plans to include new innovations to the Baloto game. The concession contract will commence in April 2012.

In June 2011, Lottomatica's subsidiary Spielo International Canada ULC (Spielo) entered into an agreement to provide 5,500 prodiGi Vu® Video Lottery Terminals (VLTs) to the Société des lotteries video du Québec (SLVQ), a subsidiary of Loto-Québec, following a competitive procurement. The initial five (5) year contract also includes options for extensions. The VLTs will be delivered and installed in 2013. In addition to the VLT contract, following a separate competitive procurement process, Spielo was awarded the contract for the provision of a VLT central monitoring system for managing SLVQ's entire network of VLTs.

Other Business Developments

On April 28, 2011, the ordinary Shareholders' Meeting approved the proposals of the Lottomatica Group S.p.A. Board of Directors to carry forward the annual profit and to assign free of charge to shareholders one (1) Lottomatica treasury share for every fifty (50) shares owned, commencing on May 26, 2011, with an ex-date of May 23, 2011, for a total amount of 3,372,851 treasury shares. The Shareholders' Meeting previously supplemented the April 30, 2010 shareholders' authorization for the acquisition and disposal of treasury shares currently in force, with the express purpose of including the free assignment to shareholders among the possible purposes and procedures already authorized at that meeting.

The ordinary Shareholders' Meeting, after having set the number of members of the Board of Directors at nine (9) for the 2011-2013 term, appointed Pietro Boroli, Paolo Ceretti, Alberto Dessy, Marco Drago, Jaymin Patel, Lorenzo Pelliccioli, Marco Sala, Severino Salvemini and Gianmario Tondato Da Ruos as Directors, all drawn from the only list submitted by the majority shareholders De Agostini S.p.A. The Directors Alberto Dessy, Severino Salvemini and Gianmario Tondato Da Ruos certified that they meet the requirements of independence set forth in article 148, paragraph 3, of the so-called "Unified Financial Act" (applicable pursuant to article 147-ter, last paragraph), as well as in the Code of Conduct adopted by Borsa Italiana S.p.A. Lorenzo Pelliccioli was re-appointed as Chairman of the Board of Directors.

In addition, the ordinary Shareholders' Meeting appointed the Board of Statutory Auditors, who will also be in office for the 2011-2013 term. Sergio Duca, Angelo Gaviani and Francesco Martinelli were appointed as effective statutory auditors, and Marco Sguazzini Viscontini, Giulio Gasloli, Gian Piero Balducci, Umile Sebastiano Iacovino and Guido Martinelli as alternate statutory auditors, all drawn from the only list submitted by majority shareholders De Agostini S.p.A. Sergio Duca was re-appointed as Chairman of the Board of Statutory Auditors.

The same ordinary Shareholders' Meeting also approved the 2011-2017 stock option plan and the 2011-2015 stock allocation plan, both reserved for employees of Lottomatica and/or its subsidiaries.

On April 28, 2011, the extraordinary Shareholders' Meeting also approved the proposal to authorize the Board of Directors, pursuant to article 2443 of the Civil Code, to increase the share capital, on one or more occasions and even in tranches, (i) against payment and/or for free with no preemption rights pursuant to the fourth paragraph, second sentence of article 2441, by a maximum nominal amount of €17,201,537, serving stock-based incentive plans and/or extraordinary transactions, further to revocation of existing revocation, and (ii) against payment and even under article 2441, fifth paragraph of the Civil Code, by a maximum nominal amount of €125,000,000 to cover certain provisions of the hybrid bond issued in 2006 and maturing in 2066, further to the expiration of existing authorization.

On April 12, 2011, Lottomatica Scemme S.r.l. acquired the remaining 5% interest in LS Alpha S.r.l., at a value of €50,000, increasing its ownership interest to 100%.

Developments Following the Second Quarter of 2011

Contract Developments

In July 2011, after the end of the second quarter, Spielo entered into a five (5) year contract to provide the INTELLIGEN™ video lottery terminal central system to the Alberta Gaming and Liquor Commission in Canada. This contract signing followed a competitive procurement process. The system is expected to be installed in late 2011 and be deployed by mid-2012. The contract includes the potential for five (5) one-year extensions.

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. 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 the Group's results of operations, business, financial condition or prospects.

The Group 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 concessions in Italy have required a significant upfront payment. Further, GTECH contracts typically require upfront capital expenditures. The ability of the Group to maintain existing contracts upon their renewal and invest in new contract opportunities depends on the ability of the Group to access new sources of capital to fund these investments. There can be no assurance that the Group will be able to access sources of capital on favorable or reasonable terms.

(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. The Group is a global business and derives a substantial portion of its revenues from operations outside of Italy. Risks associated with the Group's international operations include increased governmental regulation of the online lottery industry in the markets where it operates, exchange controls or other currency restrictions and significant political instability. Other economic risks that the Group'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 or court 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 the Group operates due to poor economic and political conditions, riots, unemployment and poor health conditions. These factors may affect the Group's work force as well as the general business environment in a country. The materialization of such risks could have a negative impact on the Group's results of operations, business, financial condition or prospects.

(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 inquiries related to its ongoing operations. The outcome of these proceedings and similar future proceedings cannot be predicted with certainty. It is difficult to accurately estimate the outcome of any proceeding. As such, the amounts of the Group's provision for litigation risk, which has been accrued on the basis of assessments made by external counsel, could vary significantly from the amounts the Group would ultimately pay in any such proceeding. In addition, unfavorable resolution of or significant delay in adjudicating such proceedings could require the Group to pay substantial monetary damages or penalties and/or incur costs which may exceed any provision for litigation risks or, under certain circumstances, cause the termination or revocation of the relevant concession, license or authorization and thereby have a material adverse effect on the Group's results of operations, business, financial condition or prospects.

(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 anti-money laundering compliance procedures. The Group believes that it has developed procedures designed to comply with such regulatory requirements. However, any failure by the Group to so comply 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 and gaming businesses. Authorities generally conduct such investigations prior to or after the award of a lottery contract or issuance of a gaming license. Such investigations frequently include individual suitability standards for officers, directors, major shareholders and key employees. 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 the Group's efforts to obtain 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.

PREDICTABLE DEVELOPMENTS

In the first half of 2011, markets were challenged by a new wave of political instability originating from North Africa and the Middle East. Trade and global growth may continue to be impacted by higher energy costs and lingering post economic crisis difficulties.

Governments around the globe continued to support a strategy of increased liquidity to ease credit conditions; these policies, which have proven to be effective on the financial markets, have left unresolved the issue of employment levels in several countries. While deficits require tighter financial discipline, increased spending may be necessary to create new job opportunities.

Expectations are for interest rates to remain low in the US, while the European Central bank has increased interest rates 50 basis points this year to address signs of inflation. The Group serves many customers around the world (mostly governments or government-related entities) that are considering opportunities to grow their funding sources during a period when tax revenues are substantially reduced, generating severe budget shortfalls.

The Group has the necessary 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, while further developing the initiatives already identified.

The Group's strategy is summarized as follows:

- Continue to promote same-store sales growth of current portfolio;
- Bid for operator opportunities and win new jurisdictions;
- Complete deployment of VLTs in Italy, while delivering turnkey solutions to other concessionaires; and
- Roll out new distribution platforms, focusing particularly on interactive channels.
-

We expect growth of revenues and EBITDA and a reduction of net debt in 2011. Austerity programs of one form or another are being enacted in most if not all of the places in which we do business. Discretionary entertainment spending is coming under pressure. Despite some of these concerns, GTECH same store sales are doing well both internationally and in the US driven primarily by new initiatives. Spielo and GTECH G2 are meeting expectations.

In Italy, our new products and games are enjoying very high player acceptance and participation. VLTs, the Lotto options game "10 and Lotto" and new Scratch & Win games are all producing very positive results.

LOTTOMATICA STOCK INFORMATION

SHAREHOLDING STRUCTURE

Based on most recent information available to the Company as of June 30, 2011

<u>Shareholder</u>	<u>Numbers of Shares</u>	<u>% of Outstanding Shares</u>
De Agostini Group	90,705,192	52.731
DeA Partecipazioni	9,871,546	5.739
Mediobanca ¹	21,918,941	12.742
Assicurazioni Generali	4,901,354	2.849

Lottomatica owns no treasury shares.

As of June 30, 2011, the authorized share capital amounts to €181,482,744, underwritten and paid up for €172,015,373, composed of 172,015,373 ordinary shares with a nominal value of €1 each with equal voting rights.

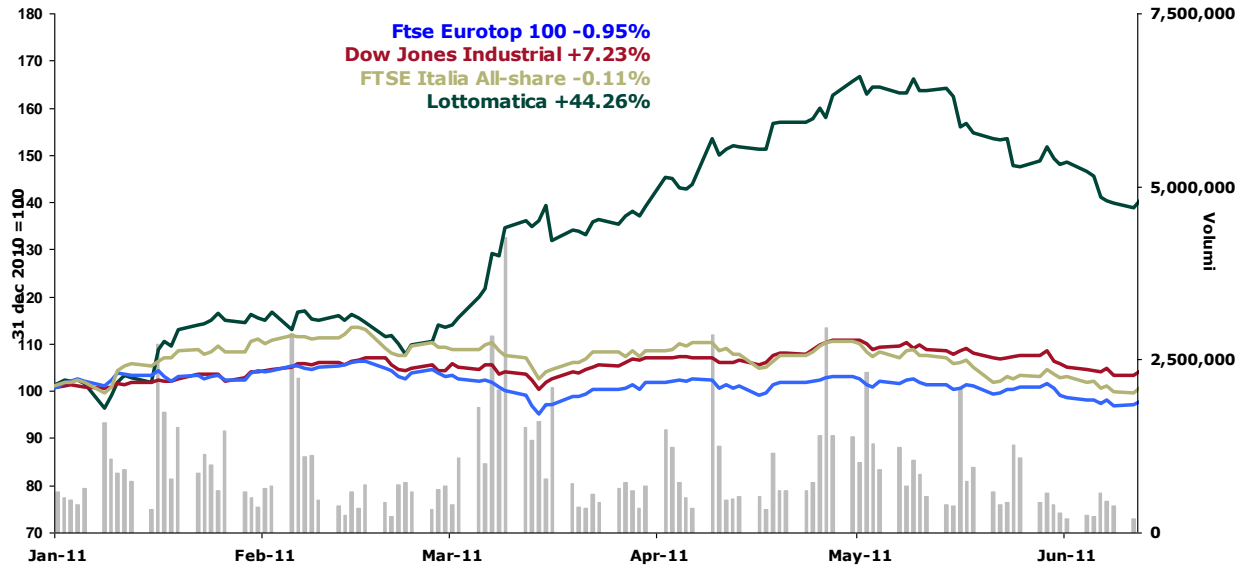
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LOTTOMATICA STOCK PERFORMANCE FOR THE PERIOD ENDED JUNE 30, 2011

The average price of the stock for the six months ended June 30, 2011 was €12.4. Approximately 116 million shares were traded in the period, with a daily exchange of approximately 912,030 shares.

Lottomatica's market capitalization was approximately €2.3 billion on June 30, 2011.

⁽¹⁾ 11.469% of Mediobanca's 12.742% share ownership is being held solely and exclusively to serve the conversion of a certain Mandatory Exchangeable Bond issued by UBI Banca International SA in 2009. Mediobanca has relinquished all of the voting, administrative, beneficial and economic rights related to that 11.469% interest.



(Source: Bloomberg Borsa Italiana)

Tables of Customer Contracts

Table 1 Italian Concessions
The table below sets forth Lottomatica's Italian Concessions as of June 2011.

Holder	Purpose	Date of Commencement of Current Contract¹	Date of Expiration of Current Contract	Current Extension Options
<i>Lottomatica Group S.p.A.</i>	Activation and operation of the network for the Lotto Game	March 1993	June 2016 ²	Not renewable
<i>Lotterie Nazionali S.r.l.</i>	Operation of the National Instant Lotteries, also through interactive channels	October 2010	September 2019	Renewable
<i>Lottomatica Videolot Rete S.p.A.</i>	Activation and operation of the network for the telematic operation of legalized amusement with price machine (Video Lotteries)	July 2004	December 2011, or, if earlier, date of execution of the new concessions to be granted by AAMS with a new tender to be issued starting from May 2011 and not later than September 2011.	Not renewable
<i>Lottomatica Scommesse S.r.l.</i>	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. N. 4032	March 2007	June 2016	Not renewable
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of the new horse gaming, toto betting and horse betting. N. 4313.	March 2007	June 2016	Not renewable

¹ Reflects the date upon which the contract became effective

² As discussed in Note 30 to the Notes to the Consolidated Financial Statements concerning litigation, the indicated expiration date is under dispute with AAMS

<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of the new horse gaming, toto betting and horse betting. N. 4803.	August 2009	June 2016	Not renewable
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of sports betting. Twenty-three concessions ³	From the date of execution of each concession	June 2012	Not renewable
<i>Lottomatica Scommesse S.r.l.</i>	Activation and operation of horse betting. Concession no. 1056.	May 2009	June 2012	Not renewable
<i>Toto Carovigno S.p.A.</i>	Activation and operation of horse betting. Concession no. 1100.	January 2007	June 2012	Not renewable
<i>Toto Carovigno S.p.A.</i>	Activation and operation of sports betting. Two concessions. ⁴	April and August 2007	June 2012	Not renewable
<i>L.S. ALPHA S.r.l.</i>	Activation and operation of sports betting. Nine concessions. ⁵	November 2008	June 2012	Not renewable
<i>LABET S.r.l.</i>	Activation and operation of sports betting. Seventeen concessions. ⁶	June 2009	June 2012	Not renewable
<i>SIDERBET S.r.l.</i>	Activation and operation of the new horse gaming, toto betting and horse betting. N. 4850.	August 2009	June 2016	Not renewable

³ Concessions no. 3055, 3146, 3155, 3165, 3169, 3180, 3184, 3192, 3199, 3264, 3480, 3483, 3613, 3674, 3672, 3705, 3732, 3733, 3742, 3302, 3055, 3613 and 3483

⁴ Concessions no. 3067 and 3673 also through interactive channel

⁵ Concessions no. 3173, 3413, 3414, 3416, 3475, 3558, 3559, 3651 and 3751

⁶ Concessions no. 3064, 3065, 3066, 3103, 3119, 3167, 3504, 3514, 3515, 3516, 3517, 3519, 3520, 3521, 3522, 3523 and 3621

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 June 30, 2011 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 June 30, 2011, the approximate number of terminals installed in each jurisdiction.

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
United States:				
Arizona (2)	2,900	November 2005	August 2014	2 one-year
California	21,100	October 2003	October 2019	(3)
Florida	13,700	January 2005	March 2015	---
Georgia	9,600	September 2003	September 2018	---
Illinois	7,300	April 2000	June 2011 (4)	---
Kansas	1,900	July 2008	June 2018	---
Kentucky	2,800	April 1997	July 2011 (5)	---
Michigan	11,200	January 2009	January 2015	6 one-year
Minnesota	3,100	June 2002	February 2016	---
Missouri	4,800	December 2004	June 2012	3 one-year and additional 5 years
Nebraska	1,250	December 2010	June 2017	4 one-year
New Jersey	6,200	January 2009	October 2017	Up to 3 years
New York	18,450	September 2009	August 2017	Up to 3 years
North Carolina	6,400	January 2006	March 2017	---
Oregon (6)	3,550	October 2007	November 2015	3 one-year
Rhode Island	1,200	July 2003	June 2023	---
South Dakota	620	August 2009	August 2014	5 one-year
Tennessee	4,800	January 2004	April 2015	---
Texas	17,400	October 2001	August 2011 (7)	---
Virginia	5,400	June 2006	October 2014	3 one-year or 1 three-year
Washington	4,100	July 2006	June 2016	---
West Virginia	1,700	June 2009	June 2014	2 one-year
Wisconsin	3,200	November 2003	June 2012 (8)	(8)
International:				
Anguilla -LILHCo	15	May 2007	May 2017	---

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
Antigua/ Barbuda -LILHCo	57	September 1996	September 2016	---
Argentina -Boldt S.A.(Buenos Aires Lottery/IPLC) (9)	4,300	November 1999	November 2012	---
Barbados - LILHCo	238	June 2005	June 2023	---
Bermuda - LILHCo	2	---	---	Automatic annual renewal
Chile - Pollo Chilena de Beneficencia	2,600	September 2008	August 2016	Up to 24 months
China - Beijing Welfare Lottery	2,452	February 2004	December 2015	Automatic 3 one- year unless a party gives at least 180 days notice before end of initial or extension term
- Shenzhen Welfare Lottery	1,500	July 2010	April 2021	Automatic 2 eighteen month terms unless a party gives at least 180 days notice before the end of the initial or extension term
Colombia - ETESA (10)	5,000	December 1999	April 2012	---
- Apuestas En Linea, S.A.	3,000	March 2007	September 2012	---

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
Czech Republic - SAZKA	7,000	October 1992	December 2022	---
Dominican Republic - Loto Real Del Cibao, C.X.A.	1,500	August 2008	August 2028	---
Ireland -An Post Nat'l Lottery Company	3,700	June 2002	December 2011	---
Jamaica -Supreme Ventures Limited	1,100	November 2000	January 2026	---
Luxembourg -Loterie Nationale (11)	530	June 2001	October 2012	---
Mexico -Pronosticos Para La Asistencia Publica	9,400	September 2005	September 2014	---
Nigeria -Secure Electronic Technology plc.	3,500 (12)	November 2008	December 2016 (12)	10 years (12)
Poland -Totalizator Sportowy	12,500	May 2001	December 2011 (13)	1 one-year
Slovak Republic -TIPOS, National Lottery Company, a.s.	2,450	March 1996	December 2018	---

<u>Jurisdiction</u>	<u>Approximate Number of Lottery Terminals Installed (1)</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract Term</u>	<u>Current Extension Options**</u>
Spain - Organizacion Nacional de Ciegos Espanoles (ONCE) (14)	8,000	May 2010	December 2020	5 years and subsequently for biannual periods unless either party elects to terminate
St. Kitts/Nevis -LILHCo	54	(15) February 2004 (16)	(15) February 2014 (16)	--- 1 ten-year (16)
St. Maarten -LILHCo	47	September 2007	September 2017	1 ten-year (17)
Taiwan - Taiwan Sport Lottery Corp. (18)	1,064	April 2008	December 2013	---
Trinidad & Tobago -National Lotteries Control Board	800	December 1993	September 2011	---
Turkey -Turkish National Lottery (19)	4,000	February 1996	November 2012 (19)	(19)
United Kingdom - The National Lottery (20)	29,000	February 2009	January 2019	---
U.S. Virgin Islands -LILHCo	85	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) In February 2009, GTECH and the Arizona Lottery entered into a separate contract for the provision of an instant ticket management and distribution system and related services. The agreement is for a 5 year term with 5 one-year extension options.
- (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) On January 2011, Northstar Lottery Group LLC, a consortium in which GTECH holds an 80 percent controlling interest, signed a 10 year private management agreement with the Illinois Department of Revenue. Scientific Games International, Inc., a wholly-owned subsidiary of Scientific Games Corporation, holds the remaining 20 percent interest in the consortium. Under the agreement, Northstar, subject to the Department of Revenue's oversight, will manage the day-to-day operations of the Illinois Lottery and its core functions. GTECH's contract with the Department of Revenue, Lottery Division, expired on June 30, 2011, and Northstar commenced operations under its contract with the Department of Revenue on July 1, 2011, after the close of the second quarter.
- (5) In August 2010 GTECH entered into a contract with the Kentucky Lottery Corporation for the provision of online lottery products and services. The term of the contract is 7 years from the date of conversion to the new system, which is expected to occur in July 2011, and allows for 8 one-year extension options.
- (6) In November 2010, GTECH entered into a separate contract with the Oregon State Lottery Commission for the provision of a hosted player loyalty program, marketing and gaming management system services. The contract is effective through December 2012 and may be extended by the parties' written agreement.
- (7) In December 2010, GTECH signed a new lottery operator contract with the Texas Lottery for the provision of lottery products and solutions. The contract will commence operations in September 2011 and continue through August 2020, with 3 additional two-year extension periods that may be exercised by the Lottery.
- (8) Pursuant to a July 2009 amendment to contract between GTECH and the Wisconsin Department of Revenue, Lottery Division, effective June 2012 the term of the contract will be extended to June 2013.
- (9) Under this contractual arrangement, Boldt, as operator for the lottery authorities, purchased the lottery system and related software license from GTECH at the commencement of the contract.
- (10) GTECH's December 1999 contract with the Colombia ETESA lottery authority is not a true facilities management contract in that title to the equipment vested in ETESA in January 2011. In April 2012, GTECH will commence a new 5 year private operator contract with ETESA. As with the December 1999 contract, the title to the additional terminals installed will vest in ETESA at the end of the new contract term.
- (11) In January 2011, GTECH entered into a contract with Loterie Nationale in Luxembourg to provide a full range of solutions, including a new online/instant lottery system and terminals, self-service vending machines, a digital multimedia system, new games and player/ongoing services. The 8 year contract is expected to commence in November 2012 when the new system becomes operational, and includes the option to extend for an additional 5 years.
- (12) The terminals in use in this contract are not GTECH terminals, but are Secure Electronic Technology plc's (SET) handheld terminals. GTECH's contract expires on the date of expiry of SET's license, which is in December 2016 with an option to extend for 10 years.
- (13) In July 2010, a consortium of GTECH companies signed an agreement with Totalizator Sportowy Sp. z o.o. to provide a wide array of lottery technology and services. The 7 year contract will commence in December 2011 and includes the option for 3 extension years.

- (14) In October 2009, GTECH Global Lottery SLU, jointly with its Spanish partner Logista SA, created a UTE (Temporary Union of Companies) called UTE Logista GTECH, Law 18/1982, No. 1. In October 2009, the UTE signed an agreement with ONCE to create a complementary channel of non-blind ONCE retailers, which was launched in May 2010.
- (15) The St. Kitts license contract is currently operating on an annual basis. A new 3 year contract has been approved by the government and is awaiting finalization.
- (16) 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.
- (17) The extension option for this contract may be exercised on mutual agreement of the parties.
- (18) 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.
- (19) 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.
- (20) Operated by Camelot Group plc on a facilities management basis.

Table 3 Product Sales Contracts

The table below lists certain of GTECH's direct and indirect customers that since January 2009 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.

<u>Jurisdiction</u>	<u>Customer</u>
Argentina	Boldt – Instituto Provincial de Loterías y Casinos de la Provincia de Buenos Aires
Australia	New South Wales Lotteries Corporation 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 Française des Jeux
Germany	Sachsisch Lotto - GmbH Westdeutsche Lotterie GmbH & Co. Lotterietreuhandgesellschaft mbH Thüringen
Indiana	Hoosier Lottery
Israel	Mifal Hapayis
Lithuania	UAB Olifeja
Luxembourg	Loterie Nationale
Madagascar	Reel Mada SA, Damalot Technical Services LTD and Gamlot Technologies LTD
Malaysia	Pan Malaysian Pools
Maryland	Maryland State Lottery Commission
Massachusetts	Massachusetts State Lottery Commission
Mauritius	Lottotech Ltd.
New Zealand	New Zealand Lotteries Commission
Pennsylvania	Scientific Games International, Inc.
Poland	Totalizator Sportowy Sp. z o.o.
Portugal	Santa Casa de Misericordia de Lisboa
Russia	Russkoe Lotte
Singapore	Singapore Pools (Pte) Ltd.
Spain	Organizacion Nacional de Ciegos Espanoles (ONCE) UTE Logista GTECH, Law 18/1982, No. 1 Ibermatica S.A.
Switzerland	Loterie de la Suisse Romande
Ukraine	Ukraine National Lottery
United Kingdom	Camelot Group plc.
Virginia	Virginia Lottery

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 June 30, 2011.

<u>Jurisdiction</u>	<u>FMC or PSC</u>	<u>Approximate Number of ITVMs In Service</u>	<u>Date of Commencement of Current FMC Contract*</u>	<u>Date of Expiration of Current FMC Contract Term</u>	<u>Current Extension Options**</u>
Arizona	FMC	850	February 2009	January 2015	5 one-year
Belgium	PSC	20	--	--	--
California	(1)	4,200	--	--	--
Connecticut	(2)	200	July 2010	September 2013	3 one-year
Florida	(1)	1,500	--	--	--
France	PSC	575	--	--	--
Georgia	(1)	850	--	--	--
Iceland	PSC	25	--	--	--
Illinois	FMC	3,470	July 2004	June 2011	--
Indiana	PSC	1,570	--	--	--
Italy	PSC	500	--	--	--
Kentucky	FMC	1,500	December 2007	June 2011 (3)	--
Luxembourg	FMC	120	September 2005	October 2012 (4)	--
Maine	(5)	150	September 2004	June 2012	--
Maryland	PSC	850	--	--	--
Massachusetts	PSC	1,600	--	--	--
Michigan	(1)	1,550	--	--	--
Minnesota	(1)	300	--	--	--
Missouri	FMC	1,120	March 2007	June 2012	(6)
New Jersey	(1)	1,000	--	--	--
New York	(7)	4,500	(7)	(7)	--
North Carolina	(1)	1,230	--	--	--
Oregon	PSC	500	--	--	--
Pennsylvania	PSC	4,150	--	--	--
Rhode Island	(1)	150	--	--	--
Singapore Pools	PSC	48	--	--	--

<u>Jurisdiction</u>	<u>FMC or PSC</u>	<u>Approximate Number of ITVMs In Service</u>	<u>Date of Commencement of Current FMC Contract*</u>	<u>Date of Expiration of Current FMC Contract Term</u>	<u>Current Extension Options**</u>
South Dakota	(1)	50	--	--	--
Switzerland	PSC	75	--	--	--
Tennessee	(1)	600	--	--	--
Texas	(1)	1,320	--	--	--
Virginia	(8)	2,170	June 2004	June 2014	--
Washington	(1)	960	--	--	--
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) GTECH's contract with the Connecticut Lottery Corporation is not a traditional facilities management contract, but rather is a lease agreement for a monthly fee in which GTECH provides related services.
- (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 equipment lease expired in March 2011, at which time title to the leased equipment passed to the Lottery. The contract term expired on June 30, 2011.
- (4) In January 2011, GTECH entered into a new facilities management contract with Loterie Nationale in Luxembourg to provide a full range of online and instant lottery solutions, including self-serving vending machines. The 8 year contract is expected to commence in November 2012 when the new system becomes operational, and includes the option to extend for an additional 5 years.
- (5) 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.
- (6) The contract is renewable on a year-to-year basis following the initial term on mutual agreement of the parties.
- (7) GTECH provides maintenance services for ITVMs which are owned by the New York lottery authority. The term of this agreement expired with regard to certain ITVMs in August 2010 when the new on-line system was fully implemented. The agreement may be extended beyond June 2011 for any non-interconnected ITVMs owned by the New York Lottery for a 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.

- (8) The Virginia Lottery has contracted with Scientific Games International, Inc. (successor in interest to Oberthur Gaming Technologies Corporation), pursuant to which contract GTECH has subcontracted to provide 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.

Tables 5A – 5D Gaming Solutions Contracts

The four tables below set forth the jurisdictions in which SPIELO, ATRONIC and GTECH have contracts to provide customers with gaming products.

Table 5A SPIELO Jurisdictions

Casino Customers

The table below lists jurisdictions in which since January 2009, SPIELO’s casino customers have purchased (or have agreed to purchase) from SPIELO software and/or gaming machines.

Jurisdiction	Number of Casinos
Arizona	4
California	13
Connecticut	2
Florida	4
Indiana	6
Iowa	6
Maryland	2
Michigan	8
Minnesota	7
Mississippi	2
Missouri	4
New Brunswick	1
New Mexico	5
New Mexico Tracks	1
New York	2
North Carolina	1
Nova Scotia	1
Oregon	3
Pennsylvania	4
Prince Edward Island	1
South Dakota	3
Wisconsin	2

Government Sponsored Customers

The table below lists jurisdictions in which SPIELO has agreements with government sponsored customers to provide gaming machines and/or video central systems and, as of June 30, 2011, the approximate number of gaming machines installed by SPIELO in each jurisdiction.

<u>Jurisdiction</u>	<u>Nature of Contract</u>	<u>Approximate Number of Gaming Machines</u>
Maryland	Gaming Machine Product Sale	940
Oregon	Gaming Machine Product Sale	2,341
Quebec	Gaming Machine Product Sale (1)	--
Sweden	Gaming Machine and Central System Product Sales	6,336

Table 5B ATRONIC INTERNATIONAL Jurisdictions

The table below lists jurisdictions in which since January 2009, ATRONIC INTERNATIONAL's casino customers have purchased (or have agreed to purchase) from ATRONIC INTERNATIONAL software and/or gaming machines.

Jurisdiction	Number of Casinos
Africa	29
Asia	37
Europe	367
Latin America	265
North America	6

Table 5C ATRONIC AMERICAS Jurisdictions

Casino Customers

The table below lists jurisdictions in which since January 2009, ATRONIC AMERICAS' casino customers have purchased (or have agreed to purchase) from ATRONIC AMERICAS software and/or gaming machines.

Jurisdiction	Number of Casinos
Alberta	1
Arizona	17
British Columbia	1
California	46
Colorado	25
Connecticut	2
Florida	15
Idaho	4
Illinois	3
Indiana	11
Iowa	17
Kansas	3
Manitoba	1
Michigan	17
Minnesota	18
Mississippi	22
Missouri	11
Nevada	123
New Brunswick	1
New Jersey	11
New Mexico	17
New York	3
North Carolina	1
North Dakota	2
Nova Scotia	2
Oklahoma	8
Ontario	5
Oregon	8
Pennsylvania	9
Prince Edward Island	1
Puerto Rico	6
Saskatchewan	1
South Dakota	12
Wisconsin	16

Government Sponsored Customers

The table below lists jurisdictions in which ATRONIC AMERICAS has agreements with government sponsored customers to provide gaming machines. The table also provides information regarding the term of each contract and, as of June 30, 2011, the approximate number of gaming machines installed by ATRONIC AMERICAS in each jurisdiction.

<u>Jurisdiction</u>	<u>Nature of Contract</u>	<u>Approximate Number of Gaming Machines</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract</u>	<u>Current Extension Options**</u>
Delaware	Participation	783	May 2002	June 2011	1 two-year upon mutual agreement (2)
New York	Participation	1,263	May 2003	December 2017	--

Table 5D GTECH Gaming Machine and/or Systems Jurisdictions

The table below lists jurisdictions in which GTECH has agreements to provide gaming machines and video central systems. The table also provides information regarding the term of each fixed fee and participation contract and, as of June 30, 2011, the approximate number of gaming machines installed by GTECH in the gaming machine jurisdiction.

<u>Jurisdiction</u>	<u>Nature of Contract</u>	<u>Approximate Number of Gaming Machines</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract</u>	<u>Current Extension Options**</u>
<u>Gaming Machines</u>					
Rhode Island	Participation	2,859	July 2003	July 2023	--
<u>Central Systems</u>					
Maryland	Fixed Fee	--	January 2010	September 2015 (3)	1 five-year
Oregon	Fixed Fee	--	November 1995	October 2012	1 one-year upon mutual agreement
Argentina	Participation	--	March 2010	April 2021	2 two-year

<u>Jurisdiction</u>	<u>Nature of Contract</u>	<u>Approximate Number of Gaming Machines</u>	<u>Date of Commencement of Current Contract*</u>	<u>Date of Expiration of Current Contract</u>	<u>Current Extension Options**</u>
Kansas	Participation	--	December 2009	December 2019	2 two-year upon mutual agreement
Pennsylvania	Participation	--	June 2006	June 2011 (4)	--
Rhode Island	Participation	--	July 2003	July 2023	--
Louisiana	Product Sale	--	--	--	--
Sweden (AB Svenska Spel)	Product Sale	--	--	--	--
Canada:					
Alberta Gaming & Liquor Commission	Product Sale (5)	--	--	--	--
Atlantic Lottery Corporation	Product Sale (5)	--	--	--	--
Manitoba Lottery Corporation	Product Sale (5)	--	--	--	--
Saskatchewan Liquor and Gaming Authority	Product Sale (5)	--	--	--	--

* Reflects the date upon which the contract became effective.

**Reflects extensions available to the customer under the same terms as the current contract. Customers occasionally negotiate extensions on different terms and conditions.

- (1) In June 2011, SPIELO entered into a contract to provide 5,500 prodiGi Vu® video lottery terminals (VLTs) to the Société des lotteries video du Québec, a subsidiary of Loto-Québec. The initial 5 year contract also includes options for extensions. The VLTs will be delivered and installed in 2013.
- (2) Currently negotiating with the Lottery to exercise the remaining 2-year extension option.

- (3) The operational period of the contract will be 5 years from the date when the first video lottery terminal facility commences live operations, and the contract expiration date will be adjusted accordingly if necessary.
- (4) GTECH has been granted a 1 year temporary extension.
- (5) Represents video central system maintenance agreement.

Interim Consolidated Financial Statements and Footnotes

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(thousands of euros)</i>	<i>Notes</i>	June 30, 2011	December 31, 2010
ASSETS			
Non-current assets			
Systems, equipment and other assets related to contracts, net	8	913,090	887,132
Property, plant and equipment, net	9	83,530	91,496
Goodwill	10	2,980,630	3,157,279
Intangible assets, net	11	1,512,883	1,639,198
Investments in associates	9	9	237
Other non-current assets	12	24,152	25,611
Non-current financial assets		15,094	15,626
Deferred income taxes		8,533	9,011
Total non-current assets		5,537,921	5,825,590
Current assets			
Inventories	13	183,923	165,314
Trade and other receivables	14	676,473	712,239
Other current assets	12	64,939	64,169
Current financial assets		4,864	6,673
Income taxes receivable		15,537	9,527
Cash and cash equivalents	15	293,893	152,405
Total current assets		1,239,629	1,110,327
Non-current assets classified as held for sale	16	27,000	27,000
TOTAL ASSETS		6,804,550	6,962,917
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Issued capital		172,015	172,015
Share premium		1,702,688	1,705,628
Treasury shares		-	(60,113)
Retained earnings (deficit)		11,790	(56,287)
Other reserves	17	(108,841)	153,150
		1,777,652	1,914,393
Non-controlling interests		427,335	444,492
Total equity		2,204,987	2,358,885
Non-current liabilities			
Long-term debt, less current portion	18	2,855,876	2,825,412
Deferred income taxes		129,667	133,578
Long-term provisions		18,770	19,334
Other non-current liabilities	19	53,002	57,752
Non-current financial liabilities		56,634	113,619
Total non-current liabilities		3,113,949	3,149,695
Current liabilities			
Accounts payable		867,533	978,509
Short-term borrowings	18	35,475	7,458
Other current liabilities	19	268,499	259,130
Current financial liabilities		108,928	69,200
Current portion of long-term debt	18	117,230	118,822
Short-term provisions		1,863	1,808
Income taxes payable		86,086	19,410
Total current liabilities		1,485,614	1,454,337
TOTAL EQUITY AND LIABILITIES		6,804,550	6,962,917

LOTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED INCOME STATEMENTS

	Notes	For the six months ended June 30	
		2011	2010
<i>(thousands of euros)</i>			
Service revenue		1,339,240	1,045,422
Product sales		65,469	73,745
Total revenue	7	<u>1,404,709</u>	<u>1,119,167</u>
Raw materials, services and other costs	20	719,503	540,785
Personnel	21	230,696	223,733
Depreciation	22	116,560	118,156
Amortization	11	89,508	46,759
Impairment loss (reversal)		(274)	2,148
Capitalization of internal construction costs - labor and overhead		(43,992)	(40,902)
Total costs		<u>1,112,001</u>	<u>890,679</u>
Operating income	7	292,708	228,488
Interest income		1,003	1,513
Equity loss		(53)	(205)
Other income		797	657
Other expense		(6,273)	(2,838)
Foreign exchange gain (loss), net	23	(31,745)	16,401
Interest expense	24	(83,717)	(83,781)
		<u>(119,988)</u>	<u>(68,253)</u>
Income before income tax expense		172,720	160,235
Income tax expense	25	82,042	73,232
Net income		<u>90,678</u>	<u>87,003</u>
Attributable to:			
Owners of the parent		68,077	64,292
Non-controlling interests		22,601	22,711
		<u>90,678</u>	<u>87,003</u>
Earnings per share/ADRs			
Basic - net income attributable to owners of the parent		€ 0.40	€ 0.38
Diluted - net income attributable to owners of the parent		€ 0.40	€ 0.38

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED INCOME STATEMENTS

	Notes	For the three months ended June 30	
		2011	2010
<i>(thousands of euros)</i>			
Service revenue		663,772	525,533
Product sales		38,863	48,986
Total revenue	7	<u>702,635</u>	<u>574,519</u>
Raw materials, services and other costs	20	368,977	282,905
Personnel	21	113,135	116,047
Depreciation	22	59,137	60,976
Amortization		45,204	25,030
Impairment loss (reversal)		(274)	2,148
Capitalization of internal construction costs - labor and overhead		(23,585)	(22,985)
Total costs		<u>562,594</u>	<u>464,121</u>
Operating income	7	140,041	110,398
Interest income		542	806
Equity loss		-	(104)
Other income		630	353
Other expense		(3,440)	(1,595)
Foreign exchange gain, net	23	2,748	15,488
Interest expense	24	(41,980)	(42,523)
		<u>(41,500)</u>	<u>(27,575)</u>
Income before income tax expense		98,541	82,823
Income tax expense	25	43,840	37,158
Net income		<u>54,701</u>	<u>45,665</u>
Attributable to:			
Owners of the parent		46,168	34,853
Non-controlling interests		8,533	10,812
		<u>54,701</u>	<u>45,665</u>
Earnings per share/ADRs			
Basic - net income attributable to owners of the parent		€ 0.27	€ 0.21
Diluted - net income attributable to owners of the parent		€ 0.27	€ 0.21

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(thousands of euros)</i>	Notes	For the six months ended June 30	
		2011	2010
Net income		<u>90,678</u>	<u>87,003</u>
Other comprehensive income			
Net loss on interest rate swaps (cash flow hedges)		-	(1,278)
Income tax benefit		-	536
		-	(742)
Amortization of gain on interest rate swap on discontinued cash flow hedge		(286)	(285)
Net gain (loss) on derivative instruments (cash flow hedges)	26	(10,536)	11,079
Income tax benefit (expense)		3,273	(4,069)
		(7,263)	7,010
Net gain on available-for-sale financial assets		29	73
Net gain (loss) on translation of foreign operations		(199,421)	368,500
Income tax benefit		4,400	104
		(195,021)	368,604
Other comprehensive income (loss) for the period, net of tax		<u>(202,541)</u>	<u>374,660</u>
Total comprehensive income (loss) for the period, net of tax		<u>(111,863)</u>	<u>461,663</u>
Attributable to:			
Owners of the parent		(134,088)	438,952
Non-controlling interests		22,225	22,711
		<u>(111,863)</u>	<u>461,663</u>

LOTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(thousands of euros)</i>	Notes	For the three months ended June 30	
		2011	2010
Net income		<u>54,701</u>	<u>45,665</u>
Other comprehensive income			
Net gain on interest rate swaps (cash flow hedges)		75	994
Income tax expense		-	(384)
		<u>75</u>	<u>610</u>
Amortization of gain on interest rate swap on discontinued cash flow hedge		(143)	(143)
Net gain (loss) on derivative instruments (cash flow hedges)	26	(1,320)	8,801
Income tax expense		(35)	(3,385)
		<u>(1,355)</u>	<u>5,416</u>
Net gain (loss) on available-for-sale financial assets		44	(18)
Net gain (loss) on translation of foreign operations		(52,303)	215,058
Income tax benefit		4,400	104
		<u>(47,903)</u>	<u>215,162</u>
Other comprehensive income (loss) for the period, net of tax		<u>(49,282)</u>	<u>221,027</u>
Total comprehensive income for the period, net of tax		<u>5,419</u>	<u>266,692</u>
Attributable to:			
Owners of the parent		(2,738)	255,880
Non-controlling interests		8,157	10,812
		<u>5,419</u>	<u>266,692</u>

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the six months ended	
		June 30	
		2011	2010
<i>(thousands of euros)</i>			
	Notes		
Cash flows from operating activities			
Income before income tax expense		172,720	160,235
Adjustments for:			
Depreciation	22	116,560	118,156
Intangibles amortization	11	89,508	46,759
Impairment loss (reversal)		(274)	2,148
Interest income		(1,003)	(1,513)
Interest expense	24	83,717	83,781
Non-cash foreign exchange (gain) loss	23	32,780	(17,051)
Share-based payment expense	27	287	2,031
Non-cash loss on interest rate swaps		2,364	-
Other non-cash items		7,024	(2,984)
Cash foreign exchange (gain) loss, net	23	(1,035)	650
Income tax paid		(11,725)	(13,558)
Cash flows before changes in operating assets and liabilities		<u>490,923</u>	<u>378,654</u>
Changes in operating assets and liabilities:			
Inventories		(24,184)	(10,383)
Trade and other receivables		23,267	149,554
Current financial assets		530	9,275
Accounts payable		(85,044)	(112,979)
Accrued expenses		11,089	9,655
Advance payments from customers		15,572	(6,500)
Employee compensation		(10,183)	(16,098)
Other assets and liabilities		(1,555)	4,505
Net cash flows from operating activities		<u>420,415</u>	<u>405,683</u>
Cash flows from investing activities			
Purchases of systems, equipment and other assets related to contracts		(193,514)	(121,218)
Realized gain (loss) on net investment hedge		(7,631)	7,912
Purchases of intangible assets	11	(5,075)	(526,969)
Purchases of property, plant and equipment		(3,984)	(5,651)
Italian operations contingent consideration	29	(2,866)	(8,260)
Interest received		1,002	1,392
Medstroms Invest AB put right payment		-	(20,415)
Investment in government securities		-	(18,537)
Other investments		-	(9,761)
Other		(837)	1,730
Net cash flows used in investing activities		<u>(212,905)</u>	<u>(699,777)</u>
Cash flows from financing activities			
Interest paid		(93,358)	(106,270)
Dividends paid - non-controlling interest		(38,420)	(45,638)
Cash paid on derivative instruments		(16,465)	-
Capital increase (return of capital) - non-controlling interest		(8,000)	187,200
Treasury shares purchased		(2,940)	-
Principal payments on long-term debt		(566)	(2,007)
Capital increase - Northstar Lottery Group LLC		7,038	-
Net proceeds from short-term borrowings		29,144	24,837
Proceeds from issuance of long-term debt		63,389	6,280
Dividends paid		-	(124,815)
Other		(4,676)	(6,039)
Net cash flows used in financing activities		<u>(64,854)</u>	<u>(66,452)</u>
Net increase (decrease) in cash and cash equivalents		142,656	(360,546)
Effect of exchange rate changes on cash		(1,168)	444
Cash and cash equivalents at the beginning of the period		<u>152,405</u>	<u>469,335</u>
Cash and cash equivalents at the end of the period	15	<u>293,893</u>	<u>109,233</u>

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2011

	Attributable to owners of the parent					Total	Non-Controlling Interests	Total Equity
	Issued Capital	Share Premium	Treasury Shares	Retained Earnings (Deficit)	Other Reserves (Note 17)			
<i>(thousands of euros)</i>								
Balance at January 1, 2011	172,015	1,705,628	(60,113)	(56,287)	153,150	1,914,393	444,492	2,358,885
Net income for the period	-	-	-	68,077	-	68,077	22,601	90,678
Other comprehensive loss	-	-	-	-	(202,165)	(202,165)	(376)	(202,541)
Total comprehensive income (loss)	-	-	-	68,077	(202,165)	(134,088)	22,225	(111,863)
Treasury shares issued in lieu of a cash dividend (3,372,851 shares)	-	-	62,989	-	(62,989)	-	-	-
Treasury shares purchased (208,655 shares)	-	(2,940)	(2,940)	-	2,940	(2,940)	-	(2,940)
Share-based payment (Note 27)	-	-	-	-	287	287	-	287
Shares issued under stock award plans	-	-	64	-	(64)	-	-	-
Dividend distribution	-	-	-	-	-	-	(38,420)	(38,420)
Return of capital	-	-	-	-	-	-	(8,000)	(8,000)
Capital increase - Northstar Lottery Group LLC	-	-	-	-	-	-	7,038	7,038
Balance at June 30, 2011	172,015	1,702,688	-	11,790	(108,841)	1,777,652	427,335	2,204,987

LOTTOMATICA GROUP AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2010

	Attributable to owners of the parent					Total	Non-Controlling Interests	Total Equity
	Issued Capital	Share Premium	Treasury Shares	Retained Earnings	Other Reserves (Note 17)			
<i>(thousands of euros)</i>								
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	-	-	-	64,292	-	64,292	22,711	87,003
Other comprehensive income	-	-	-	-	374,660	374,660	-	374,660
Total comprehensive income	-	-	-	64,292	374,660	438,952	22,711	461,663
Dividend distribution (€0.74 per share)	-	(3,637)	-	(121,178)	-	(124,815)	-	(124,815)
Appropriation of 2009 income in accordance with Italian law	-	-	-	(3,946)	3,946	-	-	-
Share-based payment (Note 27)	-	-	-	-	2,031	2,031	-	2,031
Shares issued under stock award plans	-	-	1,807	-	(1,807)	-	-	-
Change in fair value of put/call option arising from business combination	-	-	-	(209)	-	(209)	-	(209)
Purchase of non-controlling interest	-	-	-	-	(3,078)	(3,078)	-	(3,078)
Capital increase	-	-	-	-	-	-	187,200	187,200
Dividend distribution	-	-	-	-	-	-	(45,638)	(45,638)
Expiration of share buy-back program	-	307,266	-	-	(307,266)	-	-	-
Other movements in equity	-	200	-	(304)	-	(104)	-	(104)
Balance at June 30, 2010	172,015	1,708,081	(61,695)	5,462	326,648	2,150,511	223,346	2,373,857

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 subsidiaries, including GTECH Corporation, is a leading provider of lottery and gaming technology solutions and services worldwide. 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.

We operate 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. Our principal activities are described in Note 7.

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 De Agostini S.p.A., a century-old publishing, media, and financial services company and is listed on the Mercato Telematico Azionario, the Italian screen-based trading system managed by Borsa Italiana S.p.A. (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 interim consolidated financial statements for the six months ended June 30, 2011 were approved for issuance in accordance with a resolution of the Board of Directors on July 28, 2011.

2. Basis of preparation

The interim consolidated financial statements for the six months ended June 30, 2011 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, 2010.

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 six months ended June 30, 2011 is unaudited and for the year ended December 31, 2010 is audited.

The interim consolidated financial statements for June 30, 2011 are consistent with the December 31, 2010 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 separately. Comprehensive income is presented in two statements; a separate interim consolidated income statement and interim consolidated statement of comprehensive income.

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

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, 2010, except for the adoption of new and amended International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) Standards and Interpretations as of January 1, 2011 noted below. Adoption of these Standards and Interpretations did not have a material effect on the financial position or performance of the Group.

IAS 24 Related Party Disclosures (Revised)

The Revised IAS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application and introduces a partial exemption of disclosure requirements for government-related entities.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 changes the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRIC 14 Prepayments of a Minimum Funding Requirement

The amendment to IFRIC 14 provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. If this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to IFRSs issued in May 2010

In May 2010 the IASB issued an omnibus of amendments to its standards, primarily with a view of removing inconsistencies and clarifying wording. The effect of each standard is described below.

- ***IFRS 3 Business Combinations*** – This amendment clarifies the measurement method for non-controlling interests, specifies how to measure unreplaced and voluntary replaced share-based payment awards, and clarifies the transitional requirements for contingent consideration from a business combination that occurred before the July 1, 2009 effective date of IFRS 3.
- ***IFRS 7 Financial Instruments: Disclosures*** - This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.
- ***IAS 1 Presentation of Financial Statements*** - This amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

- **IAS 27 Consolidated and Separate Financial Statements (Revised)** - This amendment clarifies the transitional requirements for the consequential amendments made to other standards as a result of IAS 27.
- **IAS 34 Interim Financial Reporting** - This amendment clarifies the disclosures required for significant events and transactions and financial instruments and their fair values.
- **IFRIC 13 Customer Loyalty Programmes** - This amendment clarifies the accounting for the fair value of award credits.

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 June 30, 2011 and December 31, 2010 was €913.1 million and €887.1 million, respectively. Further details are provided in Note 8.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Significant accounting judgments, estimates and assumptions (continued)

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 June 30, 2011 and December 31, 2010 was €3.0 billion and €3.2 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 June 30, 2011 and December 31, 2010 was €1.5 billion and €1.6 billion, respectively. Further details are provided in Note 11.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

4. Significant accounting judgments, estimates and assumptions (continued)

Deferred tax assets are recognized for all unused tax losses and tax credits to the extent that it is probable that taxable income will be available against which the losses and tax credits 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. Based upon the consideration of these factors, the value of deferred tax assets related to operating losses and tax assets related to tax credits are as follows (in millions of euros):

	June 30, 2011	December 31, 2010
Recognized deferred tax assets related to operating losses	98.4	112.9
Unrecognized deferred tax assets related to operating losses	26.8	22.1
Recognized tax assets related to tax credits	0.5	1.3
Unrecognized tax assets related to tax credits	17.8	22.8

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, a 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.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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, and neither endorsed nor adopted by the European Union, are described below.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendments to IFRS 1 regarding severe hyperinflation were issued in December 2010 and become effective for annual periods beginning on or after July 1, 2011 but do not apply to the Group.

IFRS 7 Financial Instruments – Disclosures

The amendments to IFRS 7 were issued in October 2010 and become effective for annual periods beginning on or after July 1, 2011. The amendments increase the disclosure requirements for transactions involving transfers of financial assets. The amendments require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognized and introduce new disclosure for assets that are derecognized but the entity continues to have a continuing exposure to the asset after the sale. 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, 2012.

IFRS 9 Financial Instruments – Classification and Measurement

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 phase in the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and introduces new requirements for classifying and measuring financial assets. In subsequent phases, the IASB will address classifying and measuring financial liabilities, hedge accounting and derecognition. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

IFRS 9 Financial Instruments (Revised)

The Revised IFRS 9 was issued in October 2010 and becomes effective for annual periods beginning on or after January 1, 2013. The revised standard retains the requirements for classification and measurement of financial assets that were published in November 2009 but adds guidance on the classification and measurement of financial liabilities. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

IFRS 10 Consolidated Financial Statements

IFRS 10 was issued in May 2011 and will be applied retrospectively for annual periods beginning on or after January 1, 2013. The standard establishes a single control model that applies to all entities, including "special purpose entities", that will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. Therefore, the standard may change which entities are within a group. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 was issued in May 2011 and will be applied retrospectively for annual periods beginning on or after January 1, 2013. The standard describes the accounting for a "joint arrangement", which is defined as a contractual arrangement over which two or more parties have joint control. In addition, the standard removes the option to account for jointly controlled entities using proportionate consolidation and instead must be accounted for using the equity method. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 was issued in May 2011 and will be applied retrospectively for annual periods beginning on or after January 1, 2013. The standard requires enhanced disclosures related to an entity's interest in subsidiaries, joint arrangements, associates and special purpose entities so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. One of the most significant changes introduced by the standard is that an entity is now required to disclose the judgments made to determine whether it controls another entity. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 was issued in May 2011 and becomes effective for annual periods beginning on or after January 1, 2013. The standard defines fair value, provides guidance on how to determine fair value, and requires disclosures about fair value measurements. However, the standard does not change the requirements regarding which items should be measured or disclosed at fair value but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Group is evaluating the impact the standard will have on the consolidated financial statements when adopted on January 1, 2013.

IAS 1 Presentation of Financial Statements (Amended)

The amendments to IAS 1 were issued in June 2011 and become effective for annual periods beginning on or after July 1, 2012. The amendments require the grouping of items presented within other comprehensive income (OCI) that may be reclassified to the income statement at a future point in time. The amendments also reaffirm existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. 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, 2013.

IAS 12 Deferred Tax: Recovery of Underlying Assets (Amended)

The amendments to IAS 12 were issued in December 2010 and become effective for annual periods beginning on or after January 1, 2012. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property*. 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, 2012.

IAS 19 Employee Benefits (Amended)

The amendments to IAS 19 were issued in June 2011 and will be applied retrospectively for annual periods beginning on or after January 1, 2013. The amendments improve the accounting for pensions and other post-employment benefits by eliminating an option to defer the recognition of gains and losses, known as the "corridor method"; streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in OCI; and enhancing the disclosure requirements for defined benefit plans. 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, 2013.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

IAS 27 Separate Financial Statements (Amended)

The amended IAS 27 was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12 and becomes effective for annual periods beginning on or after January 1, 2013. The amended standard contains accounting and disclosure requirement for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The amended standard requires an entity preparing separate financial statement to account for those investments at cost or in accordance with IFRS 9 *Financial Instruments*. The adoption of the amended standard is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures (Amended)

The amended IAS 28 was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12 and becomes effective for annual periods beginning on or after January 1, 2013. The amended standard prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of the amended standard is not expected to have a material impact on the financial position or performance of the Group when adopted on January 1, 2013.

6. Acquisition of non-controlling interests

St. Enodoc Holdings Limited

In January 2011, GTECH Global Services Corporation Limited ("GGSC") acquired the remaining ten percent interest in St. Enodoc Holdings Limited and its subsidiaries including St. Minver Limited (collectively "St. Minver"), increasing its ownership interest to 100%.

Under the terms of the 2008 sale agreement, ten percent of St. Minver was to remain with Gary Shaw, Founder and Chairman, until at least 2012, at which point both Mr. Shaw and GGSC had 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. We accounted for the acquisition on the basis that we did not have present ownership interest to the shares owned by Mr. Shaw which were subject to the put/call option. Accordingly, a charge to equity was recorded 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 as of December 31, 2010 was included in current financial liabilities in our consolidated statement of financial position.

In January 2011, GGSC and Gary Shaw entered into a new agreement (terminating the original sale agreement) whereby GGSC agreed to (i) acquire the remaining ten percent of St. Minver and (ii) sell its 30% ownership in St. Endellion Limited ("St. Endellion") to Gary Shaw (St. Endellion's 70% shareholder) for a net cash purchase price of €1.9 million. The purchase price was paid in two installments; €0.5 million that was paid in January 2011 and €1.4 million that was paid in March 2011.

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 & 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 terminals ("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 and are eliminated in consolidation.

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.

LOTOMATICA 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 and six months ended June 30, 2011 and 2010, respectively.

<i>(thousands of euros)</i>	For the three months ended June 30, 2011			
	Total revenue	Intersegment revenue	Third-party revenue	Operating income (loss)
Operating Segments				
Italian Operations	451,888	-	451,888	137,934
GTECH Lottery	192,215	(1,479)	190,736	17,928
Gaming Solutions	45,308	(3,268)	42,040	2,629
GTECH G2	19,665	(1,758)	17,907	(574)
	<u>709,076</u>	<u>(6,505)</u>	<u>702,571</u>	<u>157,917</u>
Eliminations	(6,505)	6,505	-	(894)
Corporate overhead	-	-	-	(2,709)
Other	64	-	64	(14,273)
	<u>702,635</u>	<u>-</u>	<u>702,635</u>	<u>140,041</u>

<i>(thousands of euros)</i>	For the three months ended June 30, 2010			
	Total revenue	Intersegment revenue	Third-party revenue	Operating income (loss)
Operating Segments				
Italian Operations	290,697	-	290,697	100,580
GTECH Lottery	230,463	(625)	229,838	36,831
Gaming Solutions	36,445	-	36,445	(4,219)
GTECH G2	18,358	(894)	17,464	(1,888)
	<u>575,963</u>	<u>(1,519)</u>	<u>574,444</u>	<u>131,304</u>
Eliminations	(1,519)	1,519	-	(619)
Corporate overhead	-	-	-	(1,895)
Other	75	-	75	(18,392)
	<u>574,519</u>	<u>-</u>	<u>574,519</u>	<u>110,398</u>

Other principally represents the amortization of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

LOT TOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

	For the six months ended June 30, 2011			
	Total revenue	Intersegment revenue	Third-party revenue	Operating income (loss)
<i>(thousands of euros)</i>				
Operating Segments				
Italian Operations	911,775	-	911,775	289,255
GTECH Lottery	381,774	(3,297)	378,477	38,848
Gaming Solutions	93,962	(15,745)	78,217	4,204
GTECH G2	38,857	(2,747)	36,110	(2,084)
	1,426,368	(21,789)	1,404,579	330,223
Eliminations	(21,789)	21,789	-	(3,611)
Corporate overhead	-	-	-	(5,317)
Other	130	-	130	(28,587)
	1,404,709	-	1,404,709	292,708

	For the six months ended June 30, 2010			
	Total revenue	Intersegment revenue	Third-party revenue	Operating income (loss)
<i>(thousands of euros)</i>				
Operating Segments				
Italian Operations	591,869	-	591,869	212,587
GTECH Lottery	423,428	(792)	422,636	65,639
Gaming Solutions	69,675	-	69,675	(6,279)
GTECH G2	36,733	(1,893)	34,840	(2,685)
	1,121,705	(2,685)	1,119,020	269,262
Eliminations	(2,685)	2,685	-	40
Corporate overhead	-	-	-	(4,629)
Other	147	-	147	(36,185)
	1,119,167	-	1,119,167	228,488

Other principally represents the amortization of acquired tangible and intangible assets in connection with the August 2006 acquisition of GTECH by Lottomatica.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM 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 three and six months ended June 30, 2011 and 2010, respectively.

<i>(thousands of euros)</i>	For the three months ended		
	June 30, 2011		
	Depreciation	Amortization	Impairment reversal
Operating Segments			
Italian Operations	18,191	32,213	-
GTECH Lottery	33,010	464	(274)
Gaming Solutions	3,605	383	-
GTECH G2	981	1,056	-
	<u>55,787</u>	<u>34,116</u>	<u>(274)</u>
Corporate overhead	15	-	-
Other	3,335	11,088	-
	<u>59,137</u>	<u>45,204</u>	<u>(274)</u>

<i>(thousands of euros)</i>	For the three months ended		
	June 30, 2010		
	Depreciation	Amortization	Impairment
Operating Segments			
Italian Operations	16,367	7,703	-
GTECH Lottery	35,239	677	-
Gaming Solutions	4,036	1,287	2,148
GTECH G2	761	1,492	-
	<u>56,403</u>	<u>11,159</u>	<u>2,148</u>
Corporate overhead	18	-	-
Other	4,555	13,871	-
	<u>60,976</u>	<u>25,030</u>	<u>2,148</u>

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

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

7. Operating segment information (continued)

<i>(thousands of euros)</i>	For the six months ended		
	June 30, 2011		
	Depreciation	Amortization	Impairment reversal
Operating Segments			
Italian Operations	34,678	63,458	-
GTECH Lottery	65,949	1,052	(274)
Gaming Solutions	6,957	1,058	-
GTECH G2	1,965	2,155	-
	<u>109,549</u>	<u>67,723</u>	<u>(274)</u>
Corporate overhead	30	-	-
Other	6,981	21,785	-
	<u>116,560</u>	<u>89,508</u>	<u>(274)</u>

<i>(thousands of euros)</i>	For the six months ended		
	June 30, 2010		
	Depreciation	Amortization	Impairment
Operating Segments			
Italian Operations	31,598	13,887	-
GTECH Lottery	67,605	1,295	-
Gaming Solutions	7,643	2,536	2,148
GTECH G2	1,512	2,541	-
	<u>108,358</u>	<u>20,259</u>	<u>2,148</u>
Corporate overhead	28	-	-
Other	9,770	26,500	-
	<u>118,156</u>	<u>46,759</u>	<u>2,148</u>

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

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

<i>(thousands of euros)</i>	Land and Buildings	Terminals and Systems	Furniture and Equipment	Contracts in Progress	Total
Net book value					
Balance at January 1, 2011	26,084	738,160	56,476	66,412	887,132
Additions	1,341	23,298	4,200	154,443	183,282
Depreciation (Note 22)	(3,541)	(98,524)	(8,209)	-	(110,274)
Impairment reversal	-	274	-	-	274
Disposals	-	(1,455)	(113)	(1,236)	(2,804)
Foreign currency translation	(28)	(41,140)	(1,352)	(4,436)	(46,956)
Transfers	-	65,311	7,192	(70,067)	2,436
Balance at June 30, 2011	<u>23,856</u>	<u>685,924</u>	<u>58,194</u>	<u>145,116</u>	<u>913,090</u>
Balance at January 1, 2011					
Cost	52,647	1,679,752	110,602	66,412	1,909,413
Accumulated depreciation	<u>(26,563)</u>	<u>(941,592)</u>	<u>(54,126)</u>	-	<u>(1,022,281)</u>
Net book value	<u>26,084</u>	<u>738,160</u>	<u>56,476</u>	<u>66,412</u>	<u>887,132</u>
Balance at June 30, 2011					
Cost	53,946	1,678,815	118,023	145,116	1,995,900
Accumulated depreciation	<u>(30,090)</u>	<u>(992,891)</u>	<u>(59,829)</u>	-	<u>(1,082,810)</u>
Net book value	<u>23,856</u>	<u>685,924</u>	<u>58,194</u>	<u>145,116</u>	<u>913,090</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

9. Property, plant and equipment, net

<i>(thousands of euros)</i>	Land	Buildings	Furniture and Equipment	Construction in Progress	Total
Net book value					
Balance at January 1, 2011	1,934	28,184	60,569	809	91,496
Additions	-	95	6,551	595	7,241
Depreciation (Note 22)	-	(776)	(5,510)	-	(6,286)
Disposals	-	(31)	(116)	-	(147)
Transfers	-	-	(2,318)	(118)	(2,436)
Foreign currency translation	(94)	(1,866)	(4,311)	(67)	(6,338)
Balance at June 30, 2011	<u>1,840</u>	<u>25,606</u>	<u>54,865</u>	<u>1,219</u>	<u>83,530</u>
Balance at January 1, 2011					
Cost	1,934	36,352	103,281	809	142,376
Accumulated depreciation	-	(8,168)	(42,712)	-	(50,880)
Net book value	<u>1,934</u>	<u>28,184</u>	<u>60,569</u>	<u>809</u>	<u>91,496</u>
Balance at June 30, 2011					
Cost	1,840	33,977	100,139	1,219	137,175
Accumulated depreciation	-	(8,371)	(45,274)	-	(53,645)
Net book value	<u>1,840</u>	<u>25,606</u>	<u>54,865</u>	<u>1,219</u>	<u>83,530</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

10. Goodwill

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Balance at beginning of period	3,157,279	3,006,783
Acquisitions	-	6,658
Adjustments:		
Foreign currency translation	(176,288)	179,432
Revisions to fair value of other assets and liabilities acquired	(361)	(183)
Subsequent changes in fair value of contingent liabilities	-	2,274
Impairment loss	-	(37,685)
	<u>(176,649)</u>	<u>143,838</u>
Balance at end of period	<u>2,980,630</u>	<u>3,157,279</u>
Balance at beginning of period		
Cost	3,270,013	3,079,155
Accumulated impairment loss	<u>(112,734)</u>	<u>(72,372)</u>
	<u>3,157,279</u>	<u>3,006,783</u>
Balance at end of period		
Cost	3,091,059	3,270,013
Accumulated impairment loss	<u>(110,429)</u>	<u>(112,734)</u>
	<u>2,980,630</u>	<u>3,157,279</u>

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 six months of 2011. The €37.7 million impairment loss recorded during 2010 relates to the GTECH G2 segment.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets, net

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Balance at beginning of period	1,639,198	822,886
Intangible assets acquired during the period:		
Purchase business combination related:		
Sports betting rights and horse racing betting rights	-	2,740
Other	-	29
	<u>-</u>	<u>2,769</u>
All other intangible assets acquired:		
Patents	2,298	12,328
Concessions and licenses	1,623	888,709
Sports betting rights and horse racing betting rights	649	314
Other	505	1,666
	<u>5,075</u>	<u>903,017</u>
Total intangible assets acquired	5,075	905,786
Foreign currency translation	(42,007)	49,436
Revisions to fair value of assets and liabilities acquired	125	18,522
Impairment loss	-	(13,217)
Non-current assets classified as held for sale (Note 16)	-	(27,000)
Amortization	(89,508)	(117,215)
Balance at end of period	<u>1,512,883</u>	<u>1,639,198</u>
Balance at beginning of period		
Cost	2,072,604	1,131,426
Accumulated amortization	(433,406)	(308,540)
	<u>1,639,198</u>	<u>822,886</u>
Balance at end of period		
Cost	2,008,375	2,072,604
Accumulated amortization	(495,492)	(433,406)
	<u>1,512,883</u>	<u>1,639,198</u>

In 2010, the Group paid €800 million for the Italian Scratch & Win license renewal (which is being amortized over nine years beginning October 2010) and €80.7 million for the final 50% of 10,761 video lottery terminal ("VLT") rights in Italy. Capital contributions of €288.0 million and €100.0 million were received from our partners and an investor in the Scratch & Win concession, respectively.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

12. Other assets (non-current and current)

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Other non-current assets		
Deferred asset	6,486	7,475
Deposits	4,917	4,482
Customer receivables	4,695	3,303
Prepaid expenses	4,242	4,685
Sales-type lease receivables	1,047	2,603
Other	2,765	3,063
	<u>24,152</u>	<u>25,611</u>

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Other current assets		
Value-added tax receivable	15,286	12,529
Prepaid expenses	11,485	10,936
Restricted cash	11,182	1,001
Other tax receivables	10,602	10,368
Other receivables	10,484	26,552
Other	5,900	2,783
	<u>64,939</u>	<u>64,169</u>

13. Inventories

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Raw materials	21,862	25,564
Work in progress	97,488	84,352
Finished goods	64,573	55,398
	<u>183,923</u>	<u>165,314</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

14. Trade and other receivables

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
	<u> </u>	<u> </u>
Trade receivables	522,067	568,974
Receivables from intermediaries	202,635	182,883
Related party receivables (Note 28)	21,574	21,667
Sales-type lease receivables	2,601	2,553
Allowance for doubtful accounts (including related party)	(72,404)	(63,838)
	<u>676,473</u>	<u>712,239</u>

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

15. Consolidated net financial position

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Cash on hand	839	430
Cash at bank	293,054	151,975
Cash and cash equivalents	<u>293,893</u>	<u>152,405</u>
Current financial receivables	4,864	6,673
Facilities	48,659	51,950
Short-term borrowings	35,475	7,458
Swap Liability	31,161	32,410
Interest rate swaps	29,836	-
2009 Notes (due 2016)	23,082	2,926
2010 Notes (due 2018)	15,677	2,240
Capital Securities	15,426	46,618
Other	62,316	51,878
Current financial debt	<u>261,632</u>	<u>195,480</u>
Net current financial debt (cash)	(37,125)	36,402
Facilities	878,705	848,888
2009 Notes (due 2016)	744,840	746,016
Capital Securities	737,164	735,836
2010 Notes (due 2018)	494,172	493,797
Interest rate swaps	-	47,414
Swap Liability	15,706	29,953
Other	41,923	37,127
Non current financial debt	<u>2,912,510</u>	<u>2,939,031</u>
Net financial position	<u><u>2,875,385</u></u>	<u><u>2,975,433</u></u>
Total indebtedness included in net financial position	<u><u>3,008,581</u></u>	<u><u>2,951,692</u></u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. Non-current assets classified as held for sale

VLT rights

The Company recently implemented a commercial strategy whereby it will offer VLT rights, machines, and systems to other operators in the Italian machine gaming market in return for a percentage of net sales. The Company is in ongoing discussions with other operators in the Italian machine gaming market under which these operators would purchase VLT rights held by the Company. These assets were previously classified as intangible assets within the Italian Operations segment. The Company expects these transactions to close in 2011 and has classified €27 million as an asset held for sale.

17. Other reserves

Other reserves at June 30, 2011 consist of the following:

<i>(thousands of euros)</i>	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, 2011	34,403	60,706	2,193	1,834	(1,227)	(1,794)	60,113	(3,078)	153,150
Amortization of gain on interest rate swap on discontinued cash flow hedge	-	-	-	-	(286)	-	-	-	(286)
Unrecognized net loss on derivative instruments	-	-	-	-	(6,887)	-	-	-	(6,887)
Unrecognized net gain on available for sale investment	-	-	-	-	29	-	-	-	29
Foreign currency translation	-	-	-	-	-	(195,021)	-	-	(195,021)
Other comprehensive loss	-	-	-	-	(7,144)	(195,021)	-	-	(202,165)
Treasury shares issued in lieu of a cash dividend (3,372,851 shares)	-	-	-	-	-	-	(62,989)	-	(62,989)
Treasury shares purchased (208,655 shares)	-	-	-	-	-	-	2,940	-	2,940
Share-based payment	-	-	287	-	-	-	-	-	287
Shares issued under stock award plans	-	72	(72)	-	-	-	(64)	-	(64)
Balance at June 30, 2011	<u>34,403</u>	<u>60,778</u>	<u>2,408</u>	<u>1,834</u>	<u>(8,371)</u>	<u>(196,815)</u>	<u>-</u>	<u>(3,078)</u>	<u>(108,841)</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

17. Other reserves (continued)

Other reserves at June 30, 2010 consist of the following:

<i>(thousands of euros)</i>	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	-	-	-	-	(742)	-	-	-	(742)
Amortization of gain on interest rate swap on discontinued cash flow hedge	-	-	-	-	(285)	-	-	-	(285)
Unrecognized net gain on derivative instruments	-	-	-	-	7,010	-	-	-	7,010
Unrecognized net gain on available for sale investment	-	-	-	-	73	-	-	-	73
Foreign currency translation	-	-	-	-	-	368,604	-	-	368,604
Other comprehensive income	-	-	-	-	6,056	368,604	-	-	374,660
Appropriation of 2009 income in accordance with Italian law	3,946	-	-	-	-	-	-	-	3,946
Share-based payment	-	-	2,031	-	-	-	-	-	2,031
Shares issued under stock award plans	-	3,705	(3,705)	-	-	-	(1,807)	-	(1,807)
Purchase of non-controlling interest	-	-	-	-	-	-	-	(3,078)	(3,078)
Expiration of share buy-back program	-	20,632	(9,304)	-	-	-	(318,594)	-	(307,266)
Balance at June 30, 2010	34,403	55,795	9,404	1,834	(26,164)	192,759	61,695	(3,078)	326,648

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Long-term debt, less current portion		
Facilities	878,705	848,888
2009 Notes (due 2016)	744,840	746,016
Capital Securities	737,164	735,836
2010 Notes (due 2018)	494,172	493,797
Other	995	875
	<u>2,855,876</u>	<u>2,825,412</u>
Short-term borrowings		
Short-term borrowings	35,475	7,458
	<u>35,475</u>	<u>7,458</u>
Current portion of long-term debt		
Facilities	48,659	51,950
2009 Notes (due 2016)	23,082	2,926
2010 Notes (due 2018)	15,677	2,240
Capital Securities	15,426	46,618
Other	14,386	15,088
	<u>117,230</u>	<u>118,822</u>
Total indebtedness	<u>3,008,581</u>	<u>2,951,692</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

Facilities

In December 2010, Lottomatica and GTECH entered into an agreement with a syndicate of financial institutions for the following facilities:

<u>Facility</u>	<u>Borrower</u>
\$700 million term loan (the "Term Loan Facility")	GTECH
€500 million multi-currency revolving credit facility ("Revolving Facility A")	GTECH
€400 million multi-currency revolving credit facility ("Revolving Facility B")	Lottomatica

Revolving Facility A and Revolving Facility B are collectively referred to as the "Revolving Facilities" and the Term Loan Facility and the Revolving Facilities are collectively referred to as the "Facilities".

The Facilities are unsecured and unsubordinated and expire on December 20, 2015. The Term Loan Facility and Revolving Facility A 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 as the "Other Guarantors").

Revolving Facility B is fully and unconditionally guaranteed by GTECH and the Other Guarantors. GTECH is required to repay the Term Loan Facility pursuant to the following schedule (US dollars in thousands):

2011	70,000
2012	105,000
2013	140,000
2014	175,000
2015	<u>210,000</u>
Total	<u><u>700,000</u></u>

At June 30, 2011, the euro equivalent of the US\$700 million Term Loan Facility was €484.3 million.

Interest on the Facilities is generally payable between one and six months in arrears. Interest rates are determined by reference to LIBOR for the Term Loan Facility and either LIBOR or EURIBOR for the Revolving Facilities, 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 37.5% of margin per annum on the total available commitment under the Facilities. A utilization fee is payable quarterly at a rate between 0% and 0.4% per annum based on the average daily amount outstanding under the Revolving Facilities. At June 30, 2011, the effective interest rate on the Facilities was 2.13%.

The agreement for the Facilities has covenants and restrictions, among other things, requirements relating to the maintenance of certain financial ratios, limitations on acquisitions, and limitations on dividends. Violation of these covenants may result in the full principal amounts of the Facilities being immediately payable upon written notice. At June 30, 2011 and December 31, 2010, we were in compliance with all covenants and restrictions.

Debt issuance costs associated with the Facilities are being amortized over approximately five years beginning January 2011.

As of June 30, 2011, €451.1 million of borrowings and letters of credit are outstanding under the Revolving Facilities.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

2009 Notes (due 2016)

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

Interest on the 2009 Notes is payable annually in arrears on each December 5, commencing 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 2009 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 2009 Notes will be redeemed at 100% of their principal amount on December 5, 2016. The 2009 Notes may be redeemed at any time after January 4, 2010 by Lottomatica, 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 of the 2009 Notes. The 2009 Notes may also be redeemed in whole, but not in part, at 100% of their principal amount at the option of Lottomatica in the event of certain changes affecting taxation in Italy, the United States or Luxembourg. Holders of the 2009 Notes may require Lottomatica to redeem the 2009 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 2009 Notes.

Debt issuance costs associated with the 2009 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, which have received ratings of Ba2 and BB by Moody's Investors Service and Standard & Poor's Rating Service, respectively, 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 10 years beginning May 2006.

The terms of 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 trust deed for the Capital Securities. Under circumstances described in the trust deed for the Capital Securities, Lottomatica is required to settle deferred interest payments with cash or equity. Lottomatica paid €61.9 million of interest on the Capital Securities in the first six months of 2011 and 2010.

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 June 30, 2011, the authorization was in place for the issuance of capital up to €125 million. Interest payments over the next two years are approximately €124 million.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

18. Debt (continued)

2010 Notes (due 2018)

In December 2010, Lottomatica issued €500 million of guaranteed notes due February 2, 2018 (the "2010 Notes"). The 2010 Notes are unconditionally and irrevocably guaranteed by GTECH and the Other Guarantors. The 2010 Notes, which have received ratings of Baa3 and BBB- by Moody's Investors Service and Standard & Poor's Rating Service, respectively, are listed on the Luxembourg Stock Exchange.

Interest on the 2010 Notes is payable annually in arrears on each February 2, commencing on February 2, 2012, 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 2010 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 2010 Notes will be redeemed at 100% of their principal amount on February 2, 2018. The 2010 Notes may be redeemed at any time after January 3, 2011 by Lottomatica, 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 of the 2010 Notes. The 2010 Notes may also be redeemed in whole, but not in part, at 100% of their principal amount at the option of Lottomatica in the event of certain changes affecting taxation in Italy, the United States or Luxembourg. Holders of the 2010 Notes may require Lottomatica to redeem the 2010 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 2010 Notes.

Debt issuance costs associated with the 2010 Notes are being amortized over approximately seven years beginning December 2010.

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 June 30, 2011, €607.0 million of letters of credit were outstanding with a weighted average annual cost of 0.79%. At December 31, 2010, €570.5 million of letters of credit were outstanding with a weighted average annual cost of 0.74%.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

19. Other liabilities (non-current and current)

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Other non-current liabilities		
Deferred revenue	24,234	27,874
Contingent liabilities related to GTECH acquisition	12,379	13,514
Staff severance fund	7,487	7,491
Other	8,902	8,873
	<u>53,002</u>	<u>57,752</u>

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010
Other current liabilities		
Accrued expenses	78,694	72,506
Taxes other than income taxes	57,746	64,932
Employee compensation	45,649	57,958
Deferred revenue	40,066	39,998
Advance payments from customers	32,020	17,894
Advance billings	13,207	5,842
Other	1,117	-
	<u>268,499</u>	<u>259,130</u>

20. Raw materials, services and other costs

<i>(thousands of euros)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Operating expenses	215,215	121,742	418,236	242,338
Outside services	44,238	43,180	85,780	78,163
Consumables	31,276	29,233	64,506	58,099
Insurance, miscellaneous taxes and other	25,193	20,332	51,606	43,172
Cost of product sales	19,520	31,094	34,200	46,599
Telecommunications	13,118	15,903	25,496	32,415
Occupancy	12,470	13,526	25,110	26,238
Travel	7,680	7,683	13,923	13,287
Write-down of inventories	267	212	646	474
	<u>368,977</u>	<u>282,905</u>	<u>719,503</u>	<u>540,785</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

21. Personnel

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Payroll	85,888	89,427	176,122	173,514
Statutory benefits	9,234	9,047	18,660	18,295
Company benefits	6,967	6,589	13,940	13,244
Incentive compensation	6,406	6,386	14,968	11,652
Net benefits for staff severance fund	1,885	1,750	2,015	1,914
Share-based payment (Note 27)	149	693	287	2,031
Other	2,606	2,155	4,704	3,083
	<u>113,135</u>	<u>116,047</u>	<u>230,696</u>	<u>223,733</u>

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

Personnel Description	Number of employees		
	As of		2011 Average
	June 30, 2011	December 31, 2010	
Executives	425	413	419
Middle Management	1,067	1,015	1,049
All Other Permanent Employees	6,137	5,836	5,957
Employees with Temporary Employment Contracts	396	338	375
	<u>8,025</u>	<u>7,602</u>	<u>7,800</u>

22. Depreciation

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Systems, equipment and other assets related to contracts, net (Note 8)	55,972	57,435	110,274	111,286
Property, plant and equipment, net (Note 9)	3,165	3,541	6,286	6,870
	<u>59,137</u>	<u>60,976</u>	<u>116,560</u>	<u>118,156</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

23. Foreign exchange gain (loss), net

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

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Cash foreign exchange gain (loss)	574	(722)	1,035	(650)
Non-cash foreign exchange gain (loss)	2,174	16,210	(32,780)	17,051
	<u>2,748</u>	<u>15,488</u>	<u>(31,745)</u>	<u>16,401</u>

Non-cash foreign exchange gain (loss)

Non-cash foreign exchange gain (loss) was comprised of the following:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Intragroup loan	9,093	-	-	-
GTECH euro denominated debt	(6,789)	-	(30,128)	-
GTECH Senior Credit Facilities hedges	-	14,110	-	15,581
Other	(130)	2,100	(2,652)	1,470
	<u>2,174</u>	<u>16,210</u>	<u>(32,780)</u>	<u>17,051</u>

Intragroup loan

In connection with the refinancing of €2.65 billion of Group debt in December 2010, Lottomatica loaned €150 million to GTECH. Management determined that this loan will be replaced with capital. Accordingly, the €9.1 million of non-cash foreign exchange loss recorded to foreign exchange in the consolidated income statement during the first quarter of 2011 was reclassified to other comprehensive income.

GTECH euro denominated debt

GTECH borrows in euro to better match the Group's liabilities with euro denominated cash flows. As of June 30, 2011, €435.0 million of euro borrowings were outstanding under GTECH's €500 million Revolving Facility A which resulted in a non-cash foreign exchange loss during the three and six month period ended June 30, 2011 due to fluctuations in the US dollar to euro exchange rate.

GTECH Senior Credit Facilities hedges

Approximately 47% of the Group's debt at June 30, 2010 was US dollar denominated and therefore exposed to fluctuations in the euro versus the US dollar exchange rate. At June 30, 2010, approximately 50% of this US dollar debt was hedged with collar structures that provided protection at an average euro to US dollar exchange rate of 1.27. Revenues and cash flow from US based contracts provided a natural hedge for the remaining US dollar denominated debt.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

24. Interest expense

The Group incurred interest expense on the following:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Capital Securities	(16,090)	(16,090)	(32,011)	(32,011)
2009 Notes (due 2016)	(9,691)	(9,510)	(19,377)	(19,137)
2010 Notes (due 2018)	(6,908)	-	(13,814)	-
Facilities	(6,756)	-	(13,175)	-
Interest accretion on Swap Liability	(471)	(785)	(1,077)	(1,671)
GTECH Senior Credit Facilities	-	(14,614)	-	(27,806)
Other	(2,064)	(1,524)	(4,263)	(3,156)
	<u>(41,980)</u>	<u>(42,523)</u>	<u>(83,717)</u>	<u>(83,781)</u>

See Note 18 for details of the debt related components.

25. Income tax

The significant components of income tax expense are as follows:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Current				
Italy	25,842	18,217	67,558	45,346
Foreign	(451)	(2,224)	5,021	1,898
Total Current	<u>25,391</u>	<u>15,993</u>	<u>72,579</u>	<u>47,244</u>
Deferred				
Italy	27,401	8,658	15,337	13,898
Foreign	(8,952)	12,507	(5,874)	12,090
Total Deferred	<u>18,449</u>	<u>21,165</u>	<u>9,463</u>	<u>25,988</u>
Income tax expense	<u><u>43,840</u></u>	<u><u>37,158</u></u>	<u><u>82,042</u></u>	<u><u>73,232</u></u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

26. Components of other comprehensive income

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Derivative instruments (cash flow hedges):				
Gains (losses) arising during the period	(2,060)	9,778	(11,734)	12,534
Reclassification adjustments for (gains) losses included in the income statement	740	(977)	1,198	(1,455)
	<u>(1,320)</u>	<u>8,801</u>	<u>(10,536)</u>	<u>11,079</u>

27. Share-based payment plans

The expense recognized during the three and six months ended June 30, 2011 and 2010 arising from employee share-based payment plans and included in personnel in our consolidated income statement was as follows:

<i>(thousands of euros)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Time based restricted shares	149	281	287	547
Performance based stock option plans	-	140	-	494
Performance based restricted shares	-	272	-	990
	<u>149</u>	<u>693</u>	<u>287</u>	<u>2,031</u>

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures

<i>(thousands of euros)</i>	June 30, 2011	December 31, 2010		
Accounts receivable				
De Agostini Group	19,425	19,333		
Spain UTE	2,018	2,331		
Taiwan Sports Lottery Corporation	130	3		
CLS-GTECH Company Limited	1	-		
	<u>21,574</u>	<u>21,667</u>		
Accounts payable				
De Agostini Group	<u>49,120</u>	<u>53,025</u>		
<i>(thousands of euros)</i>	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
Service revenue and product sales				
Spain UTE	1,733	8,647	3,362	8,648
Taiwan Sports Lottery Corporation	445	707	582	1,061
De Agostini Group	72	-	193	3
CLS-GTECH Company Limited	68	63	115	122
	<u>2,318</u>	<u>9,417</u>	<u>4,252</u>	<u>9,834</u>
Raw materials, services and other costs				
De Agostini Group	<u>466</u>	<u>101</u>	<u>2,030</u>	<u>206</u>

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 June 30, 2011 and December 31, 2010 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 provided to the National Organization of the Spanish Blind ("ONCE"), end-to-end lottery technology, marketing services, logistics, and retailer services for a 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. In July 2011 (after the close of the second quarter), GTECH transferred its 24.5% interest in TSLC to another shareholder in TSLC for nominal consideration.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures (continued)

CLS-GTECH Company Limited

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.

29. Commitments and contingencies

Northstar Lottery Group LLC

In January 2011, the Northstar Lottery Group LLC ("Northstar"), a consortium in which GTECH holds an 80% controlling interest, signed a 10-year private management agreement with the Illinois Lottery (the "State"). Under the agreement, Northstar, subject to the State's oversight, will manage the day-to-day operations of the lottery and its core functions.

As compensation for its management services, Northstar will receive annual fees for reimbursement of certain operating and lottery expenses. Northstar is also entitled to receive annual incentive compensation payments should it achieve certain sales targets but is also subject to provide payments to the State if a minimum, agreed-upon performance level is not achieved.

To the extent net income earned by the State each year exceeds the State established base net income levels for such year, Northstar will earn incentive compensation that is awarded based on various levels of performance, up to an annual maximum of 5% of the actual net income earned by the State.

Northstar's proposal guaranteed a minimum profit level for each of the first five years of the agreement, commencing with the State's fiscal year ending June 30, 2012. The incentive compensation Northstar may earn could be reduced by a shortfall payment in the event Northstar's performance does not achieve the levels it has guaranteed. The annual shortfall payment may not exceed 5% of the net income for such contract year. Given that this agreement is in its early stages, management is currently unable to estimate the financial impact of the minimum profit level guarantee.

Czech Republic

GTECH's lottery customer in the Czech Republic was declared insolvent on March 29, 2011 and on May 27, 2011 was declared bankrupt by the municipal court of Prague. Throughout the insolvency proceedings and in bankruptcy the lottery has been operated under the management of the court appointed Insolvency Trustee (the Trustee). GTECH has a long-term relationship with this customer which began in 1992. Under the terms of the current facility management contract, which was confirmed by the Trustee and has over ten years remaining, GTECH provides facilities management services, including approximately 7,000 terminals, central system hardware and software, ongoing lottery support services, communication services and operational support to this customer. At June 30, 2011, trade receivables, net of reserves from this customer were €4.4 million, €2.7 million of which was collected in July. The recoverability of outstanding trade receivables will depend on the resolution of certain future events which are outside the Group's control, however, both GTECH and the Trustee share a common goal of continued generation of revenues. The Group also has approximately €12.3 million of systems, equipment and other assets related to contracts and approximately €15.7 million of intangible assets on its consolidated statement of financial position related to its contracts with this customer. Although the lottery is operating, its revenues have been impacted materially. Future events will determine the recoverability of these assets, and therefore the financial impact to the Group is not currently estimable.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

29. Commitments and contingencies (continued)

Acquisitions in the Italian Operations segment

The Group has made a number of acquisitions in the Italian Operations segment consisting of strategic investments to exploit growth opportunities in the Sports Betting and Machine Gaming markets. Some of these acquisitions include provisions for the payment of contingent consideration if certain wager or network performance conditions are achieved. Contingent consideration of €2.9 million and €8.3 million, respectively, was paid during the first six months of 2011 and 2010. If the performance conditions continue to be achieved, the Group expects to pay the following additional amounts:

<i>(thousands of euros)</i>	As of June 30,	
	2011	2010
Within one year	7,744	20,402
After one year but not more than five years	924	1,900
	<u>8,668</u>	<u>22,302</u>

CLS-GTECH Company Limited

As described above, GGSC has a 50% interest in CLS-GTECH. 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 June 30, 2011, the outstanding commitment was US\$3.8 million (€2.6 million at the June 30, 2011 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 at a price equal to 4.5 times calendar 2012 EBITDA.

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 June 30, 2011, 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 December 31, 2011. At June 30, 2011, the maximum amount guaranteed and outstanding is Baht 375 million (€8.4 million).

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.

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, on January 24, 2005 Lottomatica Group S.p.A. ("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 notified the Italian Government 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's conclusion had been confirmed by an opinion given by Professor Guarino and declared in the 2001 Lottomatica Listing Prospectus.

The Arbitration Award issued by the Board of Arbitrators accepted Lottomatica's request by lodging its award on August 1, 2005 stating that the Lotto Concession became operative only once the infringement procedure initiated by the European Commission was closed. In addition the Board of Arbitrators stated that during the European Litigation there was a so-called stand still period and that the approval by the European Commission was a so-called "*condicio juris*". 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. 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.

On June 18, 2007 Stanley International Betting Limited served upon AAMS and Lottomatica a summons before TAR of Lazio seeking the annulment and/or the non-application of the note of April 19, 2007, as well as the acts of the Lotto Concession, in connection with which AAMS, on the assumption that the Concession is still in force in favor of Lottomatica, has rejected the request of the plaintiff's co-management of the service of the Lotto. Similar summons were also served by Sisal S.p.A., which also intervened in the appeal of Stanley Betting. Lottomatica appeared in the proceeding and demanded the dismissal of appeals.

TAR of Lazio rejected the two appeals for procedural reasons. Notice of the judgment of the TAR of Lazio was provided by Lottomatica to both Sisal and Stanley on June 24, 2010. Stanley Betting appealed against the decision before the Council of State (Consiglio di Stato) and Lottomatica appeared in the proceeding while Sisal did not, and so for that company the term for the appeal expired on October 8, 2010 (60 days from notification).

As of the date of this report a hearing date was not yet set for the said appeal.

Given the judgment of the TAR of Lazio which seems correctly and adequately motivated, the risk that the action brought by Stanley will be successful seems to be remote.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

2. *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 S.p.A. ("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 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 be ordered, jointly and severally, to pay directly to the plaintiffs' damages totaling €37.2 million in the aggregate.

Lottomatica contested a number of prejudicial issues concerning, inter alia, plaintiff legitimacy and stated that the documents of the proceedings initiated by the Italian Antitrust do not indicate that Lottomatica's conduct was prejudicial and detrimental to Formula Giochi. On the contrary, 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 before the Court of Appeal 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 Court of Appeal 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 appearance of Formula Giochi S.p.A., admitted the entrance into a settlement agreement between Formula Giochi and Sisal 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, in addition 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. 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 stated that:

- “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 concluded 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 determined that it was not necessary to submit any additional brief 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. At the closing hearing of July 4, 2011, the cases were held for decision. To date no rulings have been notified to Lottomatica.

3. "LAS VEGAS" *Instant Lottery Petition*

Non-winning “Las Vegas” instant lottery (Scratch & Win) tickets have been presented to the Consorzio Lotterie Nazionali (“Consorzio”) for payment starting in April 2006.

To the date of June 30, 2011, 837 petitions and 102 requests for injunctive payments for alleged prizes and liquidated damages, for a total sum of about €5.9 million, have been presented to the Consorzio Lotterie Nazionali. There have also been numerous requests for out-of-court payments with the same demand.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

The claims relate to:

- a) payment of prizes for non-winning tickets. In particular, the players claim that, according to their interpretation of the Rules of the games established by Decree of the Ministry of Economy and Finance dated February 16, 2005, the amounts corresponding to the prizes listed in the various areas of the game tickets are to be paid every time the cards from 10 to K appear assuming that these cards have the same value. The Consorzio considers unfounded the claims of the applicants, being contrary to the Rules of the games that are explicit regarding the qualification of the winning ticket; and
- b) claims for damages, since the Consorzio, following the bulk of the judgments undertaken by players referred to in subparagraph a), has released a series of tickets bearing the words "The card K, Q, J, A have different scores" and so changing the rules. Consorzio contends that the wording inserted later on tickets released for sale is merely a clarification, not an amendment.

At June 30, 2011, 301 sentences were handed down with judgment as positive, and 236 as negative (the latter referring to all judgments made by "Judges of the Peace").

The Consorzio Lotterie Nazionale has instructed its counsel to file an appeal against the unfavorable rulings.

The Court of Cervinara has recently issued the first appeal judgments, overruling the first degree judgments made by the "Judges of the Peace" for lack of jurisdiction and ordering the reimbursement of the sums paid by the Consorzio. The Consorzio has initiated the procedures necessary for the recovery of said sums.

4. *TOTOBIT – Navale Assicurazione 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.

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.

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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

The amount referred 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 and for this reason ordered Totobit to pay the sum of €200,654.19.

Totobit and its counsels filed the appeal against the arbitration award. At the June 6, 2008 hearing the Court of Appeals of Rome set the pre-trial evidentiary hearing to November 18, 2011.

5. 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. ("Videolot") 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 Videolot, 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 Videolot, in conjunction with said AAMS officials, is alleged to add up to approximately €4.0 billion.

Videolot 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 Videolot 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.

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

Through an order dated July 25, 2007 the TAR of Lazio accepted the appeals brought forth by Videolot 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. Videolot presented a technical report prepared by sector experts demonstrating its complete adherence to the concession contract obligations. The report illustrates how Videolot 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 Videolot.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

On January 8, 2008, the Regional Public Prosecutor for the Audit Department served notice to Videolot 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 Videolot signed an amendment to the original Concession contract, amending, among others, the first 3 penalties.

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 Videolot of 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. The Ministry of Finance nominated an ad hoc technical commission for the calculation of the fourth penalty.

Through letters dated September 2, 2008, October 1 and October 16, 2008, AAMS communicated the completion of the investigation and application of the following penalties:

- 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.

Videolot filed the appeals against the above indicated 3 fines before the TAR of Lazio.

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

At the hearing of May 17, 2011 the cases were held for decision. To date no rulings have been notified to Videolot.

The Council of State (Consiglio di Stato), upheld the similar appeals filed by the concessionaire "B PLUS GIOCO LEGALE LTD" (with ruling of November 23, 2010), Codere Network S.p.A. and G. Matica S.r.l. (with ruling of April 5, 2011). In particular, the Appeals Judge said that there was no damage (and in addition not proof of damage) and also considered that the breach of contract ascribed to the concessionaires did not have any impact in the eventual delay of starting of the public service under the concession, since the delay would depend on a number of factors (technical and administrative) largely unrelated to the sphere of control of the concessionaires themselves. On the contrary, the concessionaires were "passive" to the technical changes introduced by AAMS through Sogei S.p.A. ("Sogei"), the information and communication technology company of the Ministry of Economy and Finance.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

Sogei objected to the Council of State ruling of November 23, 2010 and filed an appeal to said ruling on March 31, 2011 on the grounds that in its opinion the aforesaid ruling is erroneous insofar as it suggests that the delay in the launch of the online network was partially determined by the behaviour of Sogei. Specifically, Sogei underlines its third party relation in the concession contract (AAMS – Concessionaire).

In the meantime, Videolot filed before the Supreme Court a motion whether the application of the penalties provided for the concession fall within the “administrative reserve” of AAMS.

On December 4, 2009 the Supreme Court declared the jurisdiction to be that of the Audit Department. After the judgment of the Supreme Court, Videolot was notified of the resumption of the proceedings before the Audit Department. A hearing was held on October 11, 2010 at which the case was discussed and held for decision.

With a partial ruling and order notified to Videolot on November 17, 2010, the Auditors Court decided: (i) that the damage (if any) to be paid by the concessionaires to the Italian state treasury is different from the fine claimed by AAMS on the basis of non-compliance by the concessionaires with certain service levels under the concession; and (ii) to appoint Digit PA as consultant to verify:

- a) whether the difficulties reported by AAMS, in particular relating to the delay, even intentionally, with which the managers of "the Apparatus" of the transitional period have required concessionaires to be contracted for the connection of the computer system of the concessionaires themselves, the shortage of dedicated communications lines to be used by concessionaires and the presence of gaming machines with different communication ports, may have played a predominant role in the verification of the delay in activating the system;
- b) whether the above circumstances could be predictable and preventable and whether in the concession or in the Rules could have been introduced clauses or provision to take account of these circumstances;
- c) if the concessionaires, in fulfilling their obligations, have complied with all the technical requirements necessary to the proper and timely activation of the communication network, of its completion, of the connection of all gaming machines and the subsequent running of the network;
- d) if the technical characteristics of the Central System AAMS-Sogei were appropriate to the type of service and whether, more generally, network design and equipment connections are adequate to perform the function of control over the legal gaming and ultimately, whether failures are detected and/or inefficiencies in the system or network.

Digit PA was granted a period of 9 months from the date of publication of the above sentence for filing answers to the questions raised and so its term will expire on August 11, 2011.

The Auditors Court also sued Sogei which filed an appeal against such a decision asking for the dismissal of the case against it by saying that no evidence has been given by the Regional Prosecutor of any default or noncompliance of Sogei. As a consequence of the appeal of Sogei, all the 10 concessionaires filed their partial appeal against the ruling by asking for a dismissal of the case. Videolot filed its appeal against the same decision requesting its annulment, asserting that the ruling issued by the Auditors Court is affected by various flaws, asserting also that no damages arising from SLA breaches of the Concession exist and denouncing that the liquidated damages requested by the Auditors Court are an illegal duplication with the fines claimed by AAMS against the concessionaires.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

Digit PA has completed its round of hearings with the concessionaires, AAMS, AAMS management at the time of the launch, and Sogei. Upon completion, on June 17, 2011 AAMS and the concessionaires, including Videolot, filed with the Auditors Court and Digit PA the documentation requested by the latter together with the additional documentation deemed useful. Digit PA is expected to file its report regarding the questions raised by the above specified term of August 11, 2011.

It should, however, be noted that in the meantime (July 2009) the Technical Committee appointed by the Minister of Economy for the determination of the fourth penalty has reversed its own conclusions. Such findings showed the non-proportionality and unreasonableness of the criteria set forth in the Convention and therefore AAMS sought advice on how to proceed from the Avvocatura dello Stato (that is, the Attorney General of the Government) and then from the Consiglio di Stato (that is, the Council of State). The Council of State transmitted its legal opinion to Videolot on October 8, 2010 (very close to the hearing set before the Court of Auditors). In this document the Council of State declared that it shared AAMS' opinion regarding the need to bring fairness and reasonableness to the fourth penalty as already had been done for the first three penalties, under the provision of art. 1, Law n. 40/2010. The Council of State also expressed a positive opinion regarding AAMS' intention to use a special addendum to the Convention to bring back reasonableness and fairness in the concession agreement and above all in the fourth penalty.

On October 22, 2010, AAMS and Videolot executed a new addendum to the concession. This addendum specifies the new rules for the calculation of the fourth penalty for non-compliance with service levels for the period July 2005 – March 2008. The addendum also sets forth the maximum annual penalty that may be paid by a concessionaire as equal to 11% of its annual remuneration to be calculated in accordance with article 6 of paragraph 3 of the AAMS network decree. Videolot has specified that its execution of the addendum does not imply any default on its part and has stated that the concessionaire's remuneration must be its actual compensation.

On February 24, 2011 AAMS notified Videolot of the calculation of the fourth penalty, keeping to the maximum annual penalty amount that may be paid by a concessionaire as equal to 11% of its annual remuneration, for a total of €9,737,625.44. The calculation was carried out based on the Council of State's presumed acceptance of the October 16, 2008 appeal brought forth by Videolot requesting the annulment of the AAMS penalties (€216,565.00). If the Council of State formally accepts said appeal, the fourth penalty will therefore be reduced to €9,521,060.44.

On May 11, 2011, Videolot accessed and reviewed part of the documentation regarding the proceeding related to the fourth penalty notified by AAMS. Consequently, Videolot deposited its conclusions on June 10, 2011 and requested the annulment of the fourth penalty. Videolot has also reserved the right to integrate its own conclusions following the second access requested to AAMS in order to address the further documentation regarding the fourth penalty proceeding, held by Sogei and not available during the first access.

Videolot considered the penalty imposed by AAMS as illegitimate, insofar as (i) it duly carried out its requirements, (ii) no damage was incurred, and no proof presented of any damage, (iii) no proportionality between the fourth penalty compared to the first three which, according to the Council of State, may be considered penalties beyond the extent of possible damages resulting from not adhering to the service levels, and (iv) incorrect calculations.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

6. SUPERENALOTTO Tender Appeal

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 filed 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. The next hearing has not been set.

7. Auditing Court – Judicial Account Appeal (years 2004-2005)

The Regional Public Prosecutor of the Auditing Court ("Corte dei Conti") served Lottomatica Videolot Rete S.p.A ("Videolot") and the other nine concessionaires, a summons for the rendering of the judicial accounts related to 2004-2005 years.

Videolot appeared before the Court on March 2, 2009 by submitting a regulation of jurisdiction in order to challenge the Auditing Court's jurisdiction due to the fact that Videolot is not an accounting agent but a "fiscal passive subject" as so also qualified by the rules in PREU ("Prelievo Erariale Unico") sector.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

On April 20, 2010 the Supreme Court of Cassation declared the jurisdiction of the Auditing Court.

On April 13, 2010 the Regional Prosecutor of the Auditing Court (irrespective of the fact that at that time was still pending the decision of the Supreme Court), having considered definitely expired the term for delivery of the rendering of accounts (May 2009), notified Videolot with a new summons ordering Videolot to pay a penalty of €80 million because of its failure to submit the rendering of account.

The new penalty has been set in the amount of 50% of the profit assumed to be obtained by Videolot, and calculated in the amount of 11.5% of the wagers for the years 2004-2006 as registered by AAMS ("Amministrazione Autonoma dei Monopoli"). The hearing was held on October 7, 2010 after the parties filed their written defences and also the judicial accounts related to 2004-2009 years duly approved by AAMS.

With a ruling notified to Videolot on November 18, 2010, the Auditors Court rejected the instance of the Prosecutor. Videolot was also acquitted in that (i) the same cannot be accused of the subjective element of intent or gross negligence, because he could legitimately be presumed not to be subject to the filing of the judicial accounts; (ii) Videolot has always deposited promptly the above accounts to AAMS by transmitting electronic data of the amounts played; and (iii) Videolot has also deposited the accounts to the Auditors Court as soon as it learned that there was an obligation to do so.

Because of that acquittal, the Auditors Court ordered the liquidation of legal costs of €1,000 in favor of Videolot.

The Regional Prosecutor at the Auditors Court, on April 13, 2011, appealed the ruling of the Judicial Section of the Lazio Region Auditors Court which rejected, for gross negligence, the motion to rule negatively against Videolot for failing to pay the penalties as provided by Article 46 of Decree 1214 of 1934.

As of the date of this report, a hearing date was not yet set for the said appeal.

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.

LOTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

Criminal Allegations Against Certain Employees

a. 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 in GTECH's Latin America Group ("Denuncia 1").

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 were 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 the charges in Denuncia 1 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 then requested that the Brazilian Federal Police reopen their investigation. We understand that the Federal Police subsequently completed their investigation and, in August 2010 issued a report, based entirely upon the June 21, 2006 Brazilian congressional report described below, and sent the report to the Public Ministry Attorneys.

b. 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.

c. 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.

The U.S. SEC began an informal inquiry in February 2004, which informal 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 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. In August 2009, GTECH was advised by the SEC that the SEC had concluded its investigation and did not intend to recommend enforcement action.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

d. These favorable developments notwithstanding, in September 2010, GTECH received a copy of new criminal charges that Public Ministry Attorneys recommend to a Brazilian Federal judge be filed against 16 individuals, including 14 current or former CEF officers and employees, Antonio Carlos Rocha and Marcos Andrade, a former officer of GTECH Brazil ("Denuncia 2"). The Public Ministry Attorneys assert that the defendants "swindled public money" through entering into successive illegal price changes, contract extensions and other amendments to CEF's contracts with Racimec and GTECH Brazil, and agreeing to reduce or eliminate contractual fines and penalties that should properly have been imposed upon Racimec and GTECH Brazil. Such allegations echo charges, discussed below, which have been made in the past by the: (i) Public Ministry Attorneys in their April 2004 civil action, and (ii) Federal Court of Accounts in their 2003 TCU Audit Report. These more recent allegations by the Public Ministry Attorneys include the claim made in the April 2004 civil action that a consulting company in which a former CEF director held an interest served as an intermediary in contract negotiations between CEF and a Brazilian public utility pursuant to which CEF allowed the public utility to provide prepaid cellular phone cards through the CEF lottery network operated by GTECH Brazil. GTECH Brazil was not a party to this agreement, entered into in 1999. The Public Ministry Attorneys advance the theory that the consulting company received the 1999 contract in consideration for the former CEF director's assistance in influencing CEF negotiations to the advantage of GTECH Brazil. The Public Ministry Attorneys advance no facts (old or new) that would support this new allegation. The charges in Denuncia 2 must be approved by a Brazilian Federal judge prior to their being filed. As part of this process, the judge has allowed each of the defendants, including Messrs. Rocha and Andrade, an opportunity to present a defense prior to his decision to accept or reject Denuncia 2.

e. In November 2010, GTECH received a copy of criminal charges that Public Ministry Attorneys recommend to a Brazilian Federal judge be filed against nine individuals, including Antonio Carlos Rocha, Marcelo Rovai and Marcos Andrade ("Denuncia 3"). The Public Ministry Attorneys assert that the defendants be charged with corruption for using improper influence and offering undue advantage as a form of payment to obtain the 2003 Contract Extension. The Public Ministry Attorneys advance no new facts that would support this new allegation.

GTECH finds nothing in these charges that would lead it to believe that any present or former employee of GTECH or GTECH Brazil committed any criminal offense involving any contract between Racimec or GTECH Brazil and CEF. Neither GTECH nor GTECH Brazil is named as a defendant in these criminal charges and, as noted above, under Brazilian law entities cannot be subject to criminal charges in connection with these matters.

The Brazilian Federal judge has approved the filing of the charges in Denuncia 3 to be brought against all but one defendant in this matter. The judge is allowing one defendant, because he was a former government employee, the opportunity to present a defense prior to determining whether to accept Denuncia 3. The Company believes Mr. Rocha is appealing the decision to deny certain defendants from presenting a defense at this point in the process.

Messrs. Rocha, Rovai and Andrade have not yet been served with any Denuncia setting forth charges against them. GTECH believes that its two former employees and one current employee involved have strong substantive and procedural defenses and that the assertions made against them are groundless.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

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 €663.8 million at currency exchange rates in effect as of June 30, 2011). 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 €531.1 million and €619.6 million at currency exchange rates in effect as of June 30, 2011) in aggregate; however, these investment costs could be disputed by CEF, and are ultimately subject to approval by the court.

The civil action relies heavily on a June 2003 audit (the "2003 TCU Audit Report") by the Federal Court of Accounts ("TCU"), the court charged with auditing agencies of the Brazilian federal government and its subdivisions. The TCU summoned GTECH Brazil, together with several then 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 (or approximately €40.7 million at currency exchange rates in effect as of June 30, 2011), duly indexed for inflation and interest as of May 26, 2000 (Decision No. 692/2003). The central allegation of the 2003 TCU 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 TCU 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 TCU Audit Report did not allege that GTECH Brazil acted improperly. In April 2008, a panel of judges at the TCU ruled in GTECH Brazil's favour to dismiss this matter. In the panel's decision, it ruled that CEF actually received savings from the contract amendments as GTECH Brazil had argued.

GTECH has been advised by Brazilian counsel that civil matter proceedings brought by the Public Ministry Attorneys 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.

LOTTOMATICA GROUP AND SUBSIDIARIES

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

30. Litigation (continued)

TCU Audit

In June 2005, the TCU issued a preliminary report (the "2005 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 2005 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 2005 TCU Audit Report alleges that as a result of these considerations, CEF overpaid GTECH Brazil under the 1997 Contract and the 2000 Contract. The 2005 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 €177.03 million at currency exchange rates in effect as of June 30, 2011).

In October 2010, a panel of judges at the TCU ruled in GTECH Brazil's favour to dismiss the charges contained in the 2005 TCU Audit Report without liability to GTECH Brazil.

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 amounting to 22,910,722 Brazilian Reals (approximately €10.1 million at exchange rates in effect as of June 30, 2011) plus statutory interest, penalties and fees of approximately 67.2 million Brazilian Reals for a total obligation of approximately 90.1 million Brazilian Reals (approximately €39.8 million at exchange rates in effect as of June 30, 2011). 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.



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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Lottomatica Group S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes, of Lottomatica Group S.p.A. and its subsidiaries (the "Lottomatica Group") as of June 30, 2011. Management of Lottomatica Group S.p.A. is responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.
2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we expressed on the annual consolidated financial statements.

With respect to the consolidated financial statements of the prior year and the interim condensed consolidated financial statements of the corresponding period of the prior year, reference should be made to our reports issued on March 25, 2011 and on August 4, 2010, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Lottomatica Group as of June 30, 2011 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Rome, August 5, 2011

Reconta Ernst & Young S.p.A.
Signed by: Salvatore Florena, Partner

This report has been translated into the English language solely for the convenience of international readers

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A member firm of Ernst & Young Global Limited

Additional Required Disclosures

EXHIBIT 3C-ter

Certification of the first half 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, Chief Executive Officer and Interim 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, certifies:
 - the adequacy – with respect to the characteristic of Lottomatica Group S.p.A., and;
 - the effective application,of the administrative and accounting procedures relating to the preparation of the simplified half-year financial statements throughout the half year period ended as of June 30, 2011.
2. With reference to the above, no material issues were identified.
3. It is further certified that:
 - 3.1 The simplified half-year financial statements:
 - a. are prepared in accordance with the applicable international accounting standards admitted by the European Community pursuant to European Regulation (CE) no. 1606/2002 of July 19, 2002, of the European Parliament and of the Council;
 - b. are consistent with entries in the accounting books and records; and
 - c. are capable of providing a true and fair representation of the assets and liabilities, profits and losses and financial position of Lottomatica Group S.p.A. and of the group of companies included in the consolidation.
 - 3.2 The interim management report includes a reliable analysis of the significant events that took place in the first six months of the financial year and their impact on the half yearly simplified financial statements, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The interim management report also includes a reliable analysis of the disclosure on significant related party transactions.

Date: August ____, 2011

CEO, Interim Manager in charge of preparing
corporate reports and financial documents

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Marco Sala

Lottomatica Group and Subsidiaries

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
Atronic Americas LLC	Nevada, USA	4,076	100	Lottomatica Group S.p.A.
Atronic Argentina S.r.l.	Argentina	30	80	Atronic International GmbH
Atronic Australia Pty Ltd.	Australia	2,000	100	Atronic Australien GmbH
Atronic Australien GmbH	Germany	1,120	100	Lottomatica Group S.p.A.
Atronic Austria GmbH	Austria	300	100	Atronic Austria Holding GmbH
Atronic Austria Holding GmbH	Austria	300	100	Atronic International GmbH
Atronic International GmbH	Germany	302	100	GTECH German Holdings Corporation GmbH
Atronic Peru S.A.	Peru	**	98	Atronic International GmbH
Atronic Russia o.o.o.	Russia	3,018.20	50	Atronic Austria Holding AG
Atronic Systems B.V.	Netherland	18	100	Atronic International GmbH
Atronic Systems GmbH	Austria	36.4	100	Atronic Austria Holding GmbH
Atronic Systems S.A.M.	Monaco	147	98	Atronic Systems B.V.
Banca ITB S.p.A. ****	Italy	25,120	13.33	Lottomatica Group S.p.A.
CartaLIS Imel S.p.A.	Italy	10,000	85	Lottomatica Italia Servizi S.p.A.
Consel Consorzio Ellis ****	Italy	51	0.1	Lottomatica Group S.p.A.
Consorzio Lotterie Nazionali (3)	Italy	16,000	63	Lottomatica Group S.p.A.
Consorzio Lottomatica Giochi Sportivi (3)	Italy	100	90	Lottomatica Group S.p.A. (85%); Totobit Informatica Software e Sistemi S.p.A. (5%)
D&D Electronic & Software GmbH	Germany	26	50	Atronic International GmbH
Easy Nolo S.p.A. ****	Italy	1,900	10	Totobit Informatica Software e Sistemi S.p.A.
Grips RSA	South Africa	**	100	Atronic Systems GmbH
GTECH German Holdings Corporation GmbH	Germany	25	100	Lottomatica Group S.p.A.

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
Invest Games S.A.	Luxembourg	92,100	100	Lottomatica Group S.p.A.
L-Gaming S.A.	United Kingdom	60	50	Lottomatica International Greece S.r.l.
L.S. Alpha S.r.l. (4)	Italy	118	100	Lottomatica Scommesse S.r.l.
Labet S.r.l.	Italy	100	100	Lottomatica Scommesse S.r.l.
LIS Istituto di Pagamento S.p.A.	Italy	1,000	100	Totobit Informatica Software e Sistemi S.p.A.
SW Holding S.p.A. (formally Lotterie Nazionali Holding S.p.A.) (5)	Italy	350	71.43	Lottomatica Group S.p.A.
Lotterie Nazionali S.r.l.	Italy	31,000	51.50	Lottomatica Group S.p.A. (20.25%); SW Holding S.p.A. (31.25%)
Lottomatica International Greece S.r.l.	Italy	10	84	Lottomatica Group S.p.A.
Lottomatica Italia Servizi S.p.A.	Italy	2,582	100	Lottomatica Group S.p.A.
Lottomatica Scommesse S.r.l.	Italy	20,000	100	Lottomatica Group S.p.A.
Lottomatica Videolot Rete S.p.A.	Italy	3,226	100	Lottomatica Group S.p.A.
MIS International France SAS	France	40	100	Atronic Systems B.V.
Neurosoft S.A.****	United Kingdom	8,750	16.58	Lottomatica Group S.p.A.
PCC Giochi e Servizi S.p.A.	Italy	21,000	100	Lottomatica Group S.p.A.
SED Multitel S.r.l.	Italy	800	100	Lottomatica Group S.p.A.
Siderbet S.r.l.	Italy	10	100	Lottomatica Scommesse S.r.l.
Spielo Italia S.r.l.	Italy	10	100	Lottomatica Group S.p.A.
Spielo International Canada ULC (6)	Nova Scotia, Canada	54,261	100	Lottomatica Group S.p.A.
Spielo USA Incorporated (7)	Delaware, USA	**	100	Lottomatica Group S.p.A.
Toto Carovigno S.p.A.	Italy	500	100	Lottomatica Scommesse S.r.l.

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
Totobit Informatica Software e Sistemi S.p.A.	Italy	3,043	100	Lottomatica Italia Servizi S.p.A.
GTECH Holdings Corporation	Delaware, USA	3,147,515.382	100	Invest Games S.A.
GTECH Corporation	Delaware, USA	**	100	GTECH Holdings Corporation
Aitken Spence GTECH (Private) Limited (8)	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.
BG Monitoring Center Holding Company Limited	Cyprus	20	100	GTECH Global Services Corporation Limited
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	10	100	Boss Media AB
Boss Media Canada Gaming Services Ltd.	Canada	10	100	Boss Media AB
Boss Holdings Ltd.	Malta	15	99.99	Boss Media AB
Boss Media Investment 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	30,000	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

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
Caribbean Lottery Services, Inc.	U.S. Virgin Islands	**	100	Leeward Islands Lottery Holding Company, Inc.
CJSC "Universal Monitoring Center" (9)	Belarus	603,800	95	BG Monitoring Center Holding Company
Curacao Lottery Company, N.V.	Netherlands Antilles	200	100	Leeward Islands Lottery Holding Company, Inc.
DataTrans Sp. z o.o. (10)	Poland	5,000	100	GTECH Global Services Corporation Limited (99%); GTECH Corporation (.8%); GTECH Polska Sp. z o.o. (.2%)
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) Limited	United Kingdom	20	100	Europrint Holdings Ltd.
Europrint Holdings Limited	United Kingdom	90.908	100	Cam Galaxy Group (40%); JSJ Ltd. (60%)
Europrint (Promotions) Limited	United Kingdom	**	100	Europrint Holdings Ltd.
Finsoft Limited	United Kingdom	1.172	100	GTECH Sports Betting Solutions Limited
GEMed AB	Sweden	100	100	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. (11)	Turkey	278.88	99.6	GTECH Corporation

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
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	Delaware, USA	3,000	37	GTECH Corporation
GTECH Espana Corporation	Delaware, USA	**	100	GTECH Corporation
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	8	100	GTECH Foreign Holdings Corporation
GTECH GmbH	Germany	500	100	GTECH Global Services Corporation Limited
GTECH Global Lottery S.L.	Spain	2,146	100	GTECH Global Services Corporation Limited
GTECH Global Services Corporation Limited	Cyprus	486,574.326	100	GTECH Corporation
GTECH Ireland Operations Limited	Ireland	100	100	GTECH Global Services Corporation Limited
GTECH Latin America Corporation	Delaware, USA	**	100	GTECH Corporation

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
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 SAS ⁽¹²⁾	Colombia	25,000	100	GTECH Global Services Corporation Limited (80%); GTECH Comunicaciones Ltda. (10%); GTECH Foreign Holdings Corporation (10%)
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	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 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

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
GTECH Worldwide Services Corporation	Delaware, USA	**	100	GTECH Corporation
Innoka Oy	Finland	16.2	81	GTECH Global Services Corporation Limited
Interactive Games International Limited	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	20,000	100	GTECH Global Services Corporation Limited
Lottery Equipment Company	Ukraine	**	100	GTECH Asia Corporation (99.994%); GTECH Management P.I. Corporation (.006%)
Loxley GTECH Technology Co., Ltd. (2)	Thailand	1,470	49	GTECH Global Services Corporation Limited (39%); GTECH Corporation (10%)
Northstar Lottery Group, LLC	Illinois, USA	9,810	80	GTECH Corporation
On-Line Lottery License and Lease B.V.	Netherlands	18	100	GTECH Corporation
Online Transaction Technologies SARL à Associé Unique	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.
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	19.993	99.97	GTECH Corporation
Springboard Technologies Private Limited (13)	India	10,000	100	GTECH Global Services Corporation Limited
St. Endellion Limited ***** (1) (14)	Gibraltar	**	30	GTECH Global Services Corporation Limited
St. Enodoc Holdings Limited (15)	Gibraltar	15.701	100	GTECH Global Services Corporation Limited

List of Lottomatica Group S.p.A. Subsidiaries and Affiliates

<u>Name</u>	<u>Jurisdiction</u>	<u>Share Capital*</u>	<u>Ownership %</u>	<u>Shareholder</u>
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 **** (1)	Republic of China	12,250	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.
UTE Logista-GTECH, Law 18/1982, No. 1	Spain	2,000	50	GTECH Global Lottery S.L.U.
VIA TECH Servicios SpA	Chile	5,000	100	GTECH Global Services Corporation Limited
West Greenwich Technology Associates, L.P.	Rhode Island, USA	**	100	GTECH Corporation (50%); GTECH West Greenwich Technology Associates GP, LLC (50%)

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) Accounted for by the equity method of accounting.

(2) The consolidation method is proportionate consolidation.

(3) Consorzio Giochi Sportivi and Consorzio Lotterie Nazionali are in liquidation.

(4) On April 12, 2011, Lottomatica Scemme S.r.l. acquired the remaining 5% interest in LS Alpha S.r.l. increasing its ownership interest to 100%.

(5) On March 24, 2011 Lotterie Nazionali Holding S.p.A. changed his name in SW Holding S.p.A.

(6) On March 28, 2011, Spielo Manufacturing ULC changed its name to Spielo International Canada ULC.

(7) As of January 1, 2011, Spielo USA Incorporated was merged into Atronic Americas, LLC.

- (8) As of June 2, 2011, Aitken Spence GTECH (Private) Limited was liquidated.
- (9) Closed Joint-Stock Company "Universal Monitoring Center", also known as CJSC "Universal Monitoring Center", was formed in Belarus on March 10, 2011.
- (10) By resolution dated February 8, 2011, the share capital of DataTrans Sp. z o.o. was increased to PLN5,000,000 and 4,950 additional shares were issued to GTECH Global Services Corporation, changing the ownership interest of DataTrans.
- (11) On May 23, 2011, On-Line Lottery License and Lease B.V. transferred its 99.6 % ownership of GTECH Avrasya Teknik Hizmetler Ve Musavirlik A.S. to GTECH Corporation.
- (12) GTECH SAS was formed in Colombia on June 10, 2011.
- (13) On January 10, 2011, GTECH Global Services Corporation Limited acquired the remaining 10% interest in Springboard Technologies Private Limited increasing its ownership interest to 100%.
- (14) On January 10, 2011, GTECH Global Services Corporation Limited sold its 30% interest in St. Endellion Limited.
- (15) On January 10, 2011, GTECH Global Services Corporation Limited acquired the remaining 10% interest in St. Enodoc Holdings Limited, increasing its ownership interest to 100%.