FORM 8−K

GTECH HOLDINGS CORP − GTK

Filed: April 14, 2005 (period: April 14, 2005)

Report of unscheduled material events or corporate changes. e.g acquisition bankruptcy resignation

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8−K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): April 14, 2005

GTECH Holdings Corporation
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

1−11250	05−0450121
(Commission file number)	(IRS Employer Identification Number)

55 Technology Way, West Greenwich, Rhode Island 02817
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 401−392−1000

Check the appropriate box below if the Form 8−K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

[] Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

[] Soliciting material pursuant to Rule 14a−12 under the Exchange Act (17 CFR 204.14a−12)

[] Pre−commencement communications pursuant to Rule 14d−2(b) under the Exchange Act (17 CFR 240.14d−2(b))

[] Pre−commencement communications pursuant to Rule 13e−4(c) under the Exchange Act (17 CFR 240.13e−4(c))

Item 2.02. Results of Operations and Financial Condition.

This Report incorporates by reference the: (a) press release issued by GTECH Holdings Corporation ("GTECH") on April 14, 2005 announcing GTECH's fiscal 2005 fourth quarter and year−end results, providing an update on certain developments in Brazil, and providing guidance for the full year and first quarter of fiscal 2006 (which ends on February 25, 2006), the text of which press release is included as Exhibit 99(a) hereto, (b) script for GTECH's fiscal 2005 fourth quarter and year end earnings conference call held on April 14, 2005, which is included as Exhibit 99(b) hereto, and (c) slides for GTECH's fiscal 2005 fourth quarter and year end earnings conference call, which are included as Exhibit 99(c) hereto.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, GTECH Holdings Corporation has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GTECH HOLDINGS CORPORATION

By: /s/ Michael K. Prescott

Michael K. Prescott
Vice President and Deputy General Counsel

Dated: April 14, 2005

Exhibit Index

Exhibit Number	Description
Exhibit 99(a)	Press Release dated April 14, 2005
Exhibit 99(b)	April 14, 2005 Earnings Conference Call Script
Exhibit 99(c)	Slides for April 14, 2005 Earnings Conference Call

55 Technology Way ● West Greenwich, Rhode Island 02817 USA ● Telephone: 401 392−1000
● Fax: 401 392−1234 ● Website: WWW.GTECH.COM

For Immediate Release
April 14, 2005

Contact:

Robert K. Vincent
Public Affairs
GTECH Corporation
401−392−7452

GTECH ANNOUNCES RECORD REVENUES AND EARNINGS FOR FISCAL 2005
Company Provides Update on Recent Developments in Brazil

WEST GREENWICH, RI – (April 14, 2005) – GTECH Holdings Corporation (NYSE: GTK) today announced fourth quarter and year−end earnings for the fiscal year ended February 26, 2005.

"GTECH's fourth quarter and full−year results provide further validation that our business is operationally sound, financially strong, and strategically on track," said GTECH President and CEO W. Bruce Turner. "We enjoyed significant growth in total revenues in both the quarter and the year, driven by the continued strength in same store sales and strong product sales. We also met our overall financial goals and objectives, despite the unexpected revenue holdback in Brazil."

−more−

“We are pleased with the strong operating performance of the business in fiscal 2005, despite several challenges,” said GTECH Senior Vice President and CFO Jaymin B. Patel. “The outlook for fiscal 2006 is promising, and we remain excited about the future. Our significant successes in the marketplace over the past 12 months position us well for continued growth, and provide confidence in our ability to achieve our long−term goals of profitability and value creation for our shareholders.”

Operating Results

Revenues for the fourth quarter of fiscal 2005 were $337.9 million, up 20.9% over revenues of $279.6 million in the fourth quarter of fiscal 2004. Net income was $43.8 million, or $0.34 per diluted share, down 8.3% from net income of $47.8 million, or $0.36 per diluted share for the same period last year.

Revenues for fiscal 2005 were $1.26 billion, up 19.6% over revenues of $1.05 billion in fiscal 2004. Net income was $196.4 million, or $1.50 per diluted share, up 7.2% over net income of $183.2 million, or $1.40 per diluted share, for the same period last year.

Net income in fiscal 2005 includes a one−time, after−tax gain of $7.0 million, or approximately $0.05 per diluted share, associated with the sale of the Company’s 50% interest in Gaming Entertainment (Delaware) L.L.C. Net income in fiscal 2004 includes a one−time, after−tax gain of $3.3 million, or approximately $0.03 per diluted share, from the consolidation of the partnership that owns the Company’s corporate headquarters in West Greenwich, Rhode Island.

−more−

Earnings per share and dividends per share have been restated to reflect the 2−for−1 common stock split effected in the form of a stock dividend, which was distributed on July 30, 2004, to shareholders of record as of July 1, 2004.

As required by EITF 04−8, “The Effect of Contingently Convertible Debt on Diluted Earnings Per Share,” which became effective in December 2004, diluted earnings per share for fiscal 2004 and 2003 have been restated from $1.42 per share to $1.40 per share and $1.21 per share to $1.11 per share, respectively. EITF 04−8 requires that all 12.7 million shares underlying the Company’s 1.75% Convertible Debentures be included in diluted earnings per share computations, if dilutive, regardless of whether the contingency has been met.

Cash Flow and Investments

During fiscal 2005, the Company generated $375.2 million of cash from operations. This cash, along with cash generated by the sale of available−for−sale investment securities, was principally used to fund the Spielo Manufacturing Incorporated, Leeward Islands Lottery Holding Company, Inc. (LILHCo), and BillBird S.A. acquisitions of $200.7 million and to fund $245.6 million of systems, equipment, and other assets relating to contracts. In addition, the Company issued $300 million of Senior Notes during fiscal 2005; repaid the remaining $90.0 million of the Company’s 7.87% Senior Notes; repurchased $120.7 million, or 5.3 million shares of the Company’s common stock; and paid cash dividends of $39.8 million. At February 26, 2005, the Company had $94.4 million of cash and cash equivalents and $196.8 million of short−term investment securities on hand.

At the end of fiscal 2005, the Company had no borrowings under its $500 million senior revolving credit facility.

Developments in Brazil

The Company has recently received written confirmation of an appellate court decision concerning an appeal of a lower court's order freezing GTECH's Brazilian assets and imposing a 30% withholding of GTECH's fees from Caixa Economica Federal (Caixa) as indemnification for potential future liabilities should a civil suit brought by the Public Ministry prevail. GTECH has aggressively defended against the civil suit which the Company believes is based on outdated and faulty information. The three judge panel that heard the appeal issued a unanimous ruling granting partial relief to GTECH that reverses a substantial portion of the withhold−and−freeze order and discontinues future withholding. At the end of fiscal 2005, the amount withheld by Caixa from GTECH was approximately BRR68 million or US$26 million. The court ordered amounts in excess of BRR40 million should be returned to the Company. As of today, the Company is awaiting the return of withholdings which amount to BRR38 million or US$14 million, representing excess funds held in escrow as of April 8, 2005.

The appellate court decision is subject to appeal by the Federal Attorneys through a motion for clarification. If such a motion is not granted, the next level of appeal is to the Supreme Judicial Court, the highest level appellate court for civil matters.

−more−

As background, GTECH’s contract with Caixa expires on May 14, 2005. Caixa has announced an aggressive plan to implement a new business model that includes the in−house development of its own central system application, a phased de−installation of GTECH retailer terminals, and the eventual takeover of operations from GTECH. Caixa has conducted four commodities auctions for various products and services and is completing its vendor contracting process.

GTECH elected not to participate in the commodity procurements. Caixa has also publicly expressed its intent to enter into a new contract with GTECH or extend its current contract to assist in the migration process. Negotiations have recently begun.

The Company will issue updates as appropriate with respect to developments on the recent court ruling and contract negotiations.

Financial Outlook

The Company provided guidance for the full year and first quarter of fiscal 2006.

For the fiscal year ending February 25, 2006, the Company expects service revenue growth in the range of 8% to 10%, reflecting a 5% to 6% increase in same store sales, the net effect of contract wins and the impact of acquisitions, offset by a number of factors, including contractual rate changes and fluctuations in certain foreign exchange rates against the U.S. Dollar. The Company expects product sales in the range of $180 million to $210 million.

GTECH expects service margins of approximately 40% and product margins in the range of 38% to 40%.

−more−

The Company expects the full year tax rate to be approximately 35%.

Based upon this outlook, the Company believes that earnings per share will be in the range of $1.53 to $1.58 for fiscal year 2006, excluding the impact of the adoption of SFAS 123R, share−based payment, which may require companies to expense stock options beginning in the third quarter of the Company's current fiscal year. If GTECH were to adopt this new accounting mandate at that time, it believes fully diluted earnings per share would be in the range of $1.50 and $1.55 per share.

For the first quarter of fiscal 2006, ending May 28, 2005, the Company expects service revenues to increase 5% to 7%, versus the first quarter of last year, and product sales in the range of $30 million to $35 million. GTECH expects both service and product margins in the range of 38% to 40%. The Company expects the effective tax rate to be 36% in the first quarter. Based upon this outlook, the Company expects earnings per share to be in the range of $0.33 to $0.36 per share. This compares to the $0.40 per share reported in the first quarter of fiscal 2005, which included a one−time gain associated with the sale of the Company's interest in Harrington Raceway in Delaware. Excluding that gain, recurring earnings per share for the first quarter of fiscal 2005 were $0.35.

In giving guidance, the Company noted that ongoing developments in Brazil could positively impact both the outlook for the first quarter and full fiscal year. As the situation is fluid, the Company indicated it would not include the potential impact in current guidance until the situation becomes more certain. However, it noted that under certain assumptions, incremental service revenues for the fiscal year ending February 25, 2006 could be in the range of $25 million to $35 million, and incremental earnings per share in the range of $0.07 to $0.12. Those assumptions include:

- Receipt of 100% of its Caixa−related service revenues during the fiscal year;
- Release of $14 million from the escrow account, including $11 million relating to the fiscal 2005 holdback;
- Negotiating a one−year extension with Caixa that would conform to Caixa's public goals to accelerate the de−installation of GTECH terminals; and
- Impact of potential incremental (non−Brazil) investments currently being contemplated, in the range of $8 million to $10 million.

In the event that the court order is upheld and the Company receives all monies due by the end of May, $15 million to $20 million in incremental service revenues would occur in the first quarter and the impact to fully diluted earnings per share would be $0.06 to $0.08. The balance would accrue evenly throughout the remainder of the fiscal year. The Company will provide updates as appropriate.

Fourth Quarter and Full Year Highlights

In the fourth quarter and full year of fiscal 2005, GTECH reasserted its technology leadership and made significant strategic progress on all sides of the business – Lottery, Gaming Solutions, and Commercial Services.

During the quarter, GTECH was selected by the New Zealand Lottery as the lead bidder for a complete lottery system conversion to include a new integrated online and instant lottery system and new terminals, following a competitive procurement. The Company also signed a two−year contract extension to provide online lottery products and services for the Argentine National Lottery. In addition, GTECH's subsidiary Spielo will provide Sweden's Svenska Spel with 2,000 next−generation wide area video lottery terminals (VLTs).

Also in the quarter, GTECH further strengthened its corporate leadership and governance with the appointments of Walter DeSocio as Senior Vice President, General Counsel, and Corporate Secretary; and Paget Alves as a new member of its Board of Directors. In addition, GTECH's Board was named the Top Performing Board of Directors in Gaming by HVS Executive Search, an international executive recruiting and compensation consulting firm specializing in the gaming, lodging, and restaurant/retail industries.

During fiscal 2005, GTECH was awarded online lottery contracts in Missouri, Thailand, Mexico, Finland, Switzerland, and Germany (Thuringen). ONCE in Spain ordered a total of 12,000 additional handhelds terminals, adding to the existing base of 7,000 handhelds. Singapore Pools also signed a five−year contract with GTECH for ES Connect™ and ES Connect™ B2B. In addition, lottery contracts were extended in Minnesota, Oregon, Colorado, Luxembourg, South Australia, and Turkey.

Also during the fiscal year, customers in Atlantic (Canada), Jamaica, and Italy awarded GTECH contracts to supply video lottery (or gaming) central system solutions and related services. In December, the Multi State Lottery Association (MUSL) selected GTECH to supply equipment and service for the first ever multi−vendor, multi−state video lottery Wide Area Progressive (WAP) solution. Spielo was also selected to provide the Oregon Lottery with approximately 2,000 PowerStation 5™ VLTs. Shortly after the close of the fiscal year, GTECH was chosen to supply the video central control system by the Pennsylvania Department of Revenue in a highly competitive procurement process.

GTECH received contracts for Instant Ticket Vending Machines (ITVMs) from lotteries in Virginia, Illinois, Washington, and Maine, further validating the Interlott brand. Moreover, the Arizona and New Mexico lotteries extended the Company's ITVM contracts for three years and two years, respectively.

Also in the year, GTECH successfully implemented new online systems for lotteries in Tennessee, Florida, Germany (WestLotto), and Sri Lanka.

In the Commercial Services vertical, GTECH continued to expand its services offerings around the globe. GTECH's subsidiary PolCard exceeded expectations on all fronts, signing on with three new bank customers and three additional national merchant accounts. In the third quarter of the year, GTECH acquired BillBird, a leading bill payment and prepay company in Poland. Since that time, BillBird has increased transactions per retailer 21%, and grown the overall retail base from 1,849 to approximately 6,600 VIA™ branded retail points−of−presence.

Additionally, GTECH began selling prepaid mobile phone top−ups through lottery terminals in Barbados and in Lithuania. In Trinidad and Tobago, the sale of prepaid mobile phone top−ups and bill payments also commenced.

“GTECH scored major successes across all three vertical markets: Lottery, Gaming Solutions, and Commercial Services, in fiscal 2005,” continued Mr. Turner. “All told, we won a record 32 new contracts, including extensions and re−bids, the total contract revenue value of which is estimated to be between $635 million and $690 million.”

Fiscal 2005 was a year of major strategic progress, as well, with successful acquisitions in all three vertical markets.

“In addition to BillBird, we strengthened our lottery presence in the Caribbean with the acquisition of LILHCo, and our Gaming Solutions strategy took a big leap forward when we entered into an agreement with the Gauselmann Group of Germany to purchase a 50 percent controlling equity interest in Atronic, one of the world’s leading video slot machine manufacturers,” said Mr. Turner.

Certain statements contained in this press release are forward looking statements within the meaning of the United States Private Litigation Reform Act of 1995. We identify forward looking statements by words such as “may,” “will,” “should,” “could,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “continue,” “project,” or similar words that refer to the future. Such statements include, without limitation, statements related to: (i) the future prospects for and stability of the lottery industry and other businesses in which we are engaged or expect to be engaged, (ii) our future operating and financial performance (including, without limitation, expected future growth in revenues, profit margins and earnings per share), (iii) our ability to retain existing business and to obtain and retain new business; (iv) our ability to realize the anticipated benefits of our acquisitions and (v) the results and effects of legal proceedings. Such forward looking statements reflect management’s assessment based on information currently available, but are not guarantees and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in the forward looking statements.

These risks and uncertainties include, but are not limited to, those set forth above, in our subsequent press releases and on reports by the Company on Forms 10−K, 10−Q and 8−K, and other reports and filings with the Securities and Exchange Commission, as well as risks and uncertainties respecting: (i) government regulations and other actions affecting the online lottery industry could have a negative effect on our business and sales; (ii) we may be subject to adverse determinations in legal proceedings (including previously announced legal proceedings in Brazil) which could result in substantial monetary judgments or reputational damage; (iii) our lottery operations are dependent upon our continued ability to retain and extend our existing contracts and win new contract; (iv) slow growth or declines in sales of online lottery goods and services could lead to lower revenues and cash flows; (v) we derive over half of our revenues from foreign jurisdictions (including over 7.4% in fiscal 2005 from Brazilian operations) and are subject to the economic, political and social instability risks of doing business in foreign jurisdictions; (vi) our results of operations are exposed to foreign currency exchange rate fluctuations which could result in lower revenues, net income and cash flows when such results are translated into U.S. Dollar accounts; (vii) we have a concentrated customer base and the loss of any of our larger customers (or lower sales from any of these customers) could lead to lower revenue; (viii) our quarterly operating results may fluctuate significantly; (ix) we operating in a highly competitive environment and increased competition may cause us to experience lower net cash flows or to lose contracts; (x) we are subject to substantial penalties for failure to perform under our contracts; (xi) we may not be able to respond to technological changes or to satisfy future technology demands of our customers in which case we could fall behind our competitors; (xii) if we are unable to manage potential risks related to acquisitions, our business and growth prospects could suffer; (xiii) expansion of the gaming industry faces opposition which could limit our access to some markets; (xiv) our business prospects and future success depend upon our ability to attract and retain qualified employees; (xv) our business prospects and future success rely heavily upon the integrity of our employees and executives and the security of our systems; (xvi) our dependence on certain suppliers creates a risk of implementation delays if the supply contract is terminated or breached, and any delays may result in substantial penalties and (xvii) our non−lottery ventures, which are an increasingly important aspect of our business, may fail.

•••

GTECH, a leading global information technology company with over $1 billion in revenues and 5,300 people in over 50 countries, provides software, networks, and professional services that power high−performance, transaction processing solutions. The Company's core market is the lottery industry, with a growing presence in commercial gaming technology and financial services transaction processing. For more information about the Company, please visit GTECH's website at http://www.gtech.com.

−000−

Consolidated financial statements to follow:

GTECH HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

	Fourth Quarter Fiscal Year Ended February 26, 2005	Fourth Quarter Fiscal Year Ended February 28, 2004
	(Dollars in thousands, except per share amounts)	
Revenues:		
Services	$ 264,298	$ 264,689
Sales of products	73,570	14,887
	337,868	279,576
Costs and expenses:		
Costs of services	164,897	146,246
Costs of sales	53,996	8,693
	218,893	154,939
Gross profit	118,975	124,637
Selling, general and administrative	29,989	29,594
Research and development	13,818	15,896
Operating expenses	43,807	45,490
Operating income	75,168	79,147
Other income (expense):		
Interest income	1,657	2,030
Equity in earnings of unconsolidated affiliates	403	116
Other expense	(1,175)	(1,448)
Interest expense	(7,470)	(3,922)
	(6,585)	(3,224)
Income before income taxes	68,583	75,923
Income taxes	24,740	28,092
Net income	$ 43,843	$ 47,831
Basic earnings per share	$ 0.38	$ 0.40
Diluted earnings per share	$ $0.34	$ 0.36
Weighted average shares outstanding − basic	115,555	118,280
Weighted average shares outstanding − diluted	131,075	134,735
Dividends per share − common stock	$ $0.085	$ 0.085

GTECH HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

	Fiscal Year Ended		
	February 26, 2005	February 28, 2004	February 22, 2003
	(Dollars in thousands, except per share amounts)		
Revenues:			
Services	$ 1,017,683	$ $957,471	$ $868,896
Sales of products	239,552	93,859	109,894
	1,257,235	1,051,330	978,790
Costs and expenses:			
Costs of services	616,633	537,839	535,041
Costs of sales	157,974	59,226	78,943
	774,607	597,065	613,984
Gross profit	482,628	454,265	364,806
Selling, general and administrative	117,253	109,092	96,130
Research and development	52,559	57,318	42,852
Special credit	–	–	(1,121)
Operating expenses	169,812	166,410	137,861
Operating income	312,816	287,855	226,945
Other income (expense):			
Interest income	4,615	5,733	3,837
Equity in earnings of unconsolidated affiliates	2,812	6,236	7,376
Other income	5,356	1,889	2,175
Interest expense	(19,213)	(10,919)	(11,267)
	(6,430)	2,939	2,121
Income before income taxes	306,386	290,794	229,066
Income taxes	109,992	107,594	87,045
Net income	$ 196,394	$ $183,200	$ $142,021
Basic earnings per share	$ 1.68	$ 1.57	$ 1.24
Diluted earnings per share	$ 1.50	$ 1.40	$ 1.11
Weighted average shares outstanding − basic	116,739	116,464	114,162
Weighted average shares outstanding − diluted	132,559	132,625	129,509
Dividends per share − common stock	$ 0.34	$ $0.255	$ –

GTECH HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended February 26, 2005	February 28, 2004	February 22, 2003
	(Dollars in thousands)		
OPERATING ACTIVITIES			
Net income	$ 196,394	$ 183,200	$ 142,021
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	145,999	115,324	133,452
Intangibles amortization	12,616	3,735	4,733
Deferred income taxes benefit (provision)	34,740	59,457	(1,567)
Tax benefit related to stock award plans	11,254	10,432	8,037
Minority interest	3,799	4,502	578
Equity in earnings of unconsolidated affiliates, net of dividends received	3,461	1,672	316
Gain on sale of investment	(10,924)	−	−
Non−cash gain from consolidation of West Greenwich Technology Associates, L.P.	−	(5,292)	−
Termination of interest rate swaps	−	−	11,357
Other	16,438	10,726	2,740
Changes in operating assets and liabilities:			
Trade accounts receivable	(48,207)	3,788	(12,007)
Inventories	28,522	3,030	14,387
Accounts payable	14,248	2,186	13,734
Employee compensation	(15,118)	(4,231)	(1,022)
Advance payments from customers	(33,994)	51,601	(10,109)
Deferred revenue and advance billings	15,037	(2,979)	6,954
Income taxes payable	11,484	(27,649)	5,590
Other assets and liabilities	(10,540)	5,565	13,062
NET CASH PROVIDED BY OPERATING ACTIVITIES	375,209	415,067	332,256
INVESTING ACTIVITIES			
Acquisitions (net of cash acquired)	(200,730)	(74,442)	−
Purchases of systems, equipment and other assets relating to contracts	(245,592)	(268,010)	(155,556)
Purchases of available−for−sale investment securities	(246,975)	(242,050)	−
Maturities and sales of available−for−sale investment securities	272,000	20,200	−
Proceeds from sale of investments	11,773	−	2,560
Purchases of property, plant and equipment	(12,875)	(12,772)	(5,612)
Increase in restricted cash	(5,112)	−	−
Investments in and advances to unconsolidated subsidiaries	(2,071)	(2,885)	−
Refundable performance deposit	−	(20,000)	−
License fee	−	(12,500)	−
NET CASH USED FOR INVESTING ACTIVITIES	(429,582)	(612,459)	(158,608)
FINANCING ACTIVITIES			
Net proceeds from issuance of long−term debt	343,254	252,588	−
Principal payments on long−term debt	(167,692)	(33,293)	(47,416)
Purchases of treasury stock	(120,658)	−	(64,032)
Dividends paid	(39,830)	(29,977)	−
Premiums and fees paid in connection with the early retirement of debt	(10,610)	(731)	(3,434)
Proceeds from stock options	13,546	23,943	16,867
Other	(505)	(6,324)	1,822
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	17,505	206,206	(96,193)
Effect of exchange rate changes on cash	1,975	4,351	3,624
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,893)	13,165	81,079
Cash and cash equivalents at beginning of year	129,339	116,174	35,095
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 94,446	$ 129,339	$ 116,174

GTECH HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	February 26, 2005	February 28, 2004
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 94,446	$ 129,339
Investment securities available−for−sale	196,825	221,850
Trade accounts receivable, net	168,706	118,902
Sales−type lease receivables	3,461	7,705
Refundable performance deposit	8,000	−
Inventories	61,135	76,784
Deferred income taxes	31,435	34,396
Other current assets	26,646	24,426
TOTAL CURRENT ASSETS	590,654	613,402
SYSTEMS, EQUIPMENT AND OTHER ASSETS RELATING TO CONTRACTS, net	720,438	591,362
GOODWILL, net	331,022	188,612
PROPERTY, PLANT AND EQUIPMENT, net	74,558	57,576
INTANGIBLE ASSETS, net	70,839	28,231
REFUNDABLE PERFORMANCE DEPOSIT	12,000	20,000
SALES−TYPE LEASE RECEIVABLES	4,756	17,653
OTHER ASSETS	50,874	42,295
TOTAL ASSETS	$ 1,855,141	$ 1,559,131
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 99,234	$ 80,004
Accrued expenses	54,227	47,428
Employee compensation	21,862	33,981
Advance payments from customers	42,865	104,128
Deferred revenue and advance billings	29,705	14,459
Income taxes payable	16,499	12,394
Taxes other than income taxes	16,572	19,459
Short−term borrowings	334	−
Current portion of long−term debt	2,476	106,319
TOTAL CURRENT LIABILITIES	283,774	418,172
LONG−TERM DEBT, less current portion	726,329	463,215
OTHER LIABILITIES	83,260	53,736
DEFERRED INCOME TAXES	106,010	61,719
COMMITMENTS AND CONTINGENCIES	−	−
SHAREHOLDERS' EQUITY:		
Preferred Stock, par value $.01 per share − 20,000,000 shares authorized, none issued	−	−
Common Stock, par value $.01 per share − 200,000,000 shares authorized, 116,551,144 and 184,590,808 shares issued; 115,006,751 and 118,395,168 shares outstanding at February 26, 2005 and February 28, 2004, respectively	1,166	923
Additional paid−in capital	278,204	266,320
Accumulated other comprehensive loss	(43,227)	(70,508)
Retained earnings	455,537	839,270
	691,680	1,036,005
Less cost of 1,544,393 and 66,195,640 shares in treasury at February 26, 2005 and February 28, 2004, respectively	(35,912)	(473,716)
	655,768	562,289
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,855,141	$ 1,559,131

GTECH Holdings Corporation
Q4 FY05 Conference Call Script
Final– 14 April 2005

Mary Norton: Good morning. And welcome to our fourth quarter conference call.

Joining me this morning are Bruce Turner, our President and Chief Executive Officer, and Jaymin Patel, our Chief Financial Officer.

In conjunction with today's call, we will webcast a slide presentation highlighting our quarterly and year−to−date results. You can find the call, and the presentation, under "Conference Calls and Calendar" in the "Investors" section of our website at www.gtech.com.

You will also find supplemental financial data, consisting of non−GAAP reconciliations, in the same section. All of this material will be archived. And, for your convenience, the slide presentation will also be available in a PDF format that you can download if you like.

Before we begin today's call, I would like to inform you that comments on this call may contain forward−looking statements including, without limitation, statements relating to the future operations and financial performance of the Company and the Company's future strategies.

Such forward−looking statements reflect management's assessment based on information currently available, but are not guarantees and are subject to risks and uncertainties which would cause the results to differ materially from those contemplated in the forward−looking statements. These risks and uncertainties include, but are not limited to, those set forth here and in the Company's filings with the SEC.

Now I would like to turn the call over to our host, Bruce Turner.

Bruce Turner: Good morning, everyone. Thank you for joining us. I would like to start off with a brief review of our fourth quarter and full fiscal year performance before turning the call over to Jaymin for a closer look at the financials.

GTECH’s fourth−quarter and full−year results provide further validation that our business is operationally sound ... financially strong ... and strategically on track.

We enjoyed significant growth in total revenues in both the quarter and the year, driven by the continued strength in same store sales and strong product sales. And we met our overall financial goals and objectives, despite the unexpected revenue holdback in Brazil.

We scored major successes across all three vertical markets – Lottery, Gaming Solutions, and Commercial Services – in fiscal 2005. All told, we won a record 32 new contracts, including extensions and rebids, the total contract revenue value of which is estimated to be between $635 and $690 million dollars.

In the past three months alone, we won a new, seven−year integrated services lottery contract in Missouri ... and a new, five−year interactive lottery contract in Finland, both in competitive bid situations. GTECH also won new online lottery and instant ticket validation contracts with the New Zealand Lottery and the Thuringen Lottery in Germany. . . and we won ITVM contract extensions in Arizona and New Mexico

We were also honored to be chosen from among four vendors by the Multi−State Lottery Association to supply the world's first−ever multi−vendor, multi−state video lottery Wide Area Progressive (WAP) solution, and more recently, we were chosen to supply the video central system to Pennsylvania in a highly competitive procurement process. Both of these awards were strategically significant for us, as they reaffirmed our conviction that a convergence is taking place between the government sponsored and commercial gaming markets. As more and more governments look to the introduction of video lottery as an effective way to increase non−tax revenues we believe we are in the unique position to take advantage of these developments ... a position that has been further advanced by the acquisition of Spielo and the pending Atronic transaction.

We also view these recent wins as a validation of our superior technology offering and believe they clearly establish GTECH as a strong competitor in the government−sponsored gaming systems market. It is also important to note that in both of these procurements, GTECH prevailed despite premium pricing, reflecting a continuation of the trend we have enjoyed in the online lottery markets for the past several years.

Fiscal 2005 was a year of major strategic progress, as well, with successful acquisitions in all three vertical markets. We strengthened our lottery presence in the Caribbean with the acquisition of LILHCo ... we furthered our Commercial Services leadership in Poland by acquiring BillBird, the leading provider of electronic bill payments in that country ... and our Gaming Solutions strategy took a big leap forward when we purchased Spielo and entered into an agreement with the Gauselmann Group of Germany to purchase a 50 percent controlling equity interest in Atronic, one of the world's leading video slot machine manufacturers.

The revenue impact of the acquisitions completed to date has been significant, and even without Atronic, which will not start contributing directly to our revenues until December of 2006, we expect the revenue contribution from acquisitions to increase sizably in the current fiscal year.

And despite spending $201 million dollars on growth−related acquisitions ... committing another $100 to $150 million to the Atronic transaction ... and dealing with the multi−million−dollar revenue holdback from Brazil ... we were still able to return a significant amount of cash to our shareholders in fiscal 2005. In addition to our regular dividend payments, which total $40 million annually, we repurchased approximately 5.3 million shares of GTECH stock at a total cost of $121 million. Over the past five years, we have repurchased 44 million shares, or 28 percent of the total shares outstanding, for a total cost of $423 million.

As of today, we have approximately $80 million available under our current authorization and we remain committed to returning cash to our shareholders through this program.

Despite the level of capital spending in fiscal ’05, we have significant financial flexibility and access to capital. Between our senior notes offering and the renegotiation of our credit facility, we now have access to approximately $800 million of funding for future growth−related investments – and we can raise additional capital if necessary while still maintaining our investment−grade credit rating.

We also took steps to strengthen our corporate leadership and governance with the appointments of Walter DeSocio as Senior Vice President, General Counsel and Corporate Secretary... and Paget Alves as a new member of our Board of Directors. And our Board was named the Top Performing Board of Directors in Gaming by HVS Executive Search, an international executive recruiting and compensation consulting firm specializing in the gaming, lodging, and restaurant/retail industries.

So it was a very good year all around ... and we look forward to more of the same in fiscal 2006.

While we do not anticipate the same level of new−contract activity in the Lottery business, simply due to the timing of contract renewals, we do expect to see a number of new opportunities in the coming months. As all of you know, voters in Oklahoma approved a state lottery in November of last year and we expect them to issue an RFP in mid summer.

More recently, the North Carolina House of Representatives approved lottery enabling legislation, and if the state Senate approves it in the coming weeks, we could see an RFP from them by the fall of this year.

We believe that Oklahoma and North Carolina could represent approximately $20 to $25 million of recurring revenue to the winning vendors.

And while less than ten percent of our recurring revenue is up for rebid in the next 24 months, we will have the opportunity to bid on several of our competitors’ contracts around the globe. Domestic contracts coming up for bid include Maryland and West Virginia, Outside of the United States, opportunities include Hamburg and Lower Saxony in Germany, Greece, Malaysia and Shanghai. Based upon our recent successes in the marketplace, we are confident in our ability to add further wins to the GTECH portfolio.

In addition to pursing new customer opportunities, much of our focus this year will be on helping our customers generate continuing same−store growth. Key to that effort is the development and deployment of new games.

In fiscal 2005, we launched HotTrax® ... Bingo™ ... Crossword™ ... Tic Tac Cash™ and more than fifteen e−scratch™ games. We also signed an agreement with Hasbro to offer our first branded lottery games and we plan to launch our first Monopoly−themed game in Kansas in May. We plan to
launch it first as an e−scratch game and make it available as an instant on−line game later in the fiscal year. Monopoly will be the first branded on−line game introduced in US lottery history.

In fiscal 2005, new content generated an incremental $5 million dollars in service revenue. That pace will accelerate this year. We currently have more than 50 new games under development – and more than 90 if you count Atronic – across all channels of our business.
As we roll those games out, we are looking for new content to contribute another incremental $15 to $20 million dollars in fiscal 2006.

On top of that, several developments in the Lottery and Gaming markets should also help stimulate revenue growth. The state of California will be joining the multi−state Mega−Millions game in June and we currently expect
that game to generate net incremental sales of approximately $325 to $450 million for California, on an annual basis, which would translate into

approximately $4 to $6 million in incremental revenues for us ... and the state of Florida is currently considering a similar initiative.

We expect an expansion of video lottery terminals here in Rhode Island, starting with the addition of approximately 500 new machines in our first quarter. An additional 1700 terminals have been proposed for Lincoln Park and as you know, under our 20−year master agreement, GTECH would be awarded 50% of any additional machines, for which we would receive 5% of the net win per machine. As the central system provider, we would also participate in 2% of the net win on all additional units, so this expansion would be meaningful for us. In fact, with the proposed expansion in Rhode Island, GTECH's participation business will increase to more than 5,700 units system wide. And, as states continue to look for new ways to raise revenues, several states, including Kentucky and Texas continue to consider gaming expansion legislation.

On the Gaming Solutions front, we are aggressively pursuing the licenses required to close the Atronic transaction. In fact, applications for three major US jurisdictions ... Nevada, New Jersey and Mississippi ... will be submitted this week. Today, GTECH holds 62 commercial gaming licenses worldwide and has 13 applications pending including those I just mentioned.

Now, before I turn the call over to Jaymin, let me give you a brief update on the situation in Brazil. As you are all aware, our customer, Caixa, issued four RFP's in early January for terminals, communications networks, consumables (such as tickets), and the storage and distribution of those consumables.

Based on the nature of the procurement process ... which was essentially a commodity auction process ... combined with the revenue restrictions imposed on us by the Brazilian courts, we elected not to participate.

Caixa completed the vendor selection process in mid−March and is now working on an integration plan that includes a central system and operating platform being developed in−house. Our current contract with Caixa expires on May 14th of this year, but as we have previously discussed, we expect to either enter into an extension or sign a new contract with them that will support their migration to a new business model. While recent press reports indicate Caixa may be contemplating a more aggressive de−installation schedule than we previously anticipated, extension discussions are at a very early stage.

It bears mentioning that our current contract provides only for a one−year extension of the contract at current terms and conditions. Consequently, a phased approach to de−installation will need to be negotiated. We expect to have completed those negotiations by mid−May, when our current contract expires.

Most of you also are aware that GTECH appealed the Brazilian court's decision to withhold 30% of our revenues and freeze our assets in the country. At the end of fiscal 2005, approximately BRR68M or $26 million dollars was held in escrow. Today, the amount is closer to BRR78 million or $29 million dollars.

This week we received written confirmation of an appellate court decision that reverses a substantial portion of the withhold−and−freeze order and orders that the withholding be discontinued. The court also ordered all funds currently held in escrow in excess of BRR40M be returned to GTECH. At current exchange rates, that would amount to approximately $14 million, which reflects the $11 million withheld in fiscal 2005 and $3 million withheld this fiscal year. And in fact, late last night, we were informed by our Brazilian office that Caixa has remitted all of the monies due us under this new order. Of course, this decision can be appealed. Thus we believe it would be premature to reflect this new development in our outlook for fiscal 2006. Just the same, we view this as a positive development in what has been a troubling issue for us. And clearly, if the recent court order is upheld, it would result in an improved outlook for this fiscal year.

We should have improved clarity within the next 4 to 6 weeks and we will advise accordingly. Jaymin will provide a range of possible increases to current fiscal ’06 guidance in just a few minutes.

But clearly this is good news. A panel of three judges ruled unanimously to reverse the lower courts decision ... and while we recognize that the decision could be appealed ... we feel vindicated by the strong and clear decision of the Federal Court. The decision calls into question the basis for the 30% withholding, and while not ruling on the merits of the case, casts doubts as to the federal prosecutor’s ability to recover an amount remotely close to the BRR1.6 billion alleged in the complaint.

The Federal Court further noted ... and I quote...”In a globalized world, especially as to economic relations, the prejudice against a foreign company, especially one that is established and has large investments within Brazil territory – and appellant states, ... is but an anachronism.” We believe we are now one step closer to a successful resolution of this unfortunate set of circumstances. We appreciate the patience and understanding of our loyal shareholders and the more than 400 GTECH professionals and their families in Brazil.

And now I would like to turn the call over to Jaymin Patel to review the financials. Jaymin . . .

Jaymin Patel: Thank you Bruce. Good morning, everyone.

I would like to start by reviewing GTECH’s fourth−quarter performance.

In a quarter characterized by challenging year−over year comparisons, we are pleased to report results that are in line with the expectations we laid out for you in December.

Service revenues in the fourth quarter of fiscal 2005 were comparable to the fourth quarter of the previous year. This is a result of a number of factors.

Starting with lottery service revenues, we continued to enjoy strength in same store sales in the United States, with an increase of approximately six percent (6%). This increase in same store sales was driven by new games such as the Double Draw promotion on Illinois' Pick 3 game and Badger 5 in Wisconsin, as well as the continued deployment of instant ticket vending machines in Ohio and Illinois.

We also benefited from the launch of the Florida contract, as well as the continued ramp up of the Tennessee contract. This was offset by the impact of the 53rd week in the fourth quarter of fiscal year '04, combined with significantly lower jackpot activity.
In the fourth quarter of fiscal year '04, we had the benefit of several large jackpots, with a total jackpot pool for MegaMillions and PowerBall of approximately seven hundred million ($700M) dollars. This compares to a large−jackpot pool for the multi−state games totaling approximately four hundred million dollars ($400M) in the fourth quarter of fiscal year '05.

In aggregate, domestic service revenues were one hundred and thirty−six million dollars ($136M).

International same store lottery sales grew approximately two percent (2%) on a constant currency basis. While many jurisdictions enjoyed strong increases quarter−over−quarter, they were partially offset by weakness in the Czech Republic and Poland. Factoring in the impact of the 53rd week, contractual rate changes, foreign exchange rates, and the thirty percent (30%) holdback in Brazil, our international lottery service revenues declined slightly, to approximately ninety−eight million dollars ($98M).

Total service revenues included approximately seven million dollars ($7M) from gaming solutions, an increase of two million dollars ($2M) over the same period last year. This was driven by the addition of approximately 200 new video lottery terminals and contractual rate changes in Rhode Island and the acquisition of Spielo.

We also recorded approximately twenty−three million dollars ($23M) of service revenue from commercial transaction processing, reflecting a four percent (4%) increase over the fourth quarter of last year. This was driven by a thirteen percent (13%) increase in same store sales coupled with the benefit of the BillBird acquisition and favorable foreign exchange rates. Once again, this was partially offset by the impact of the 53rd week and thirty percent (30%) withholding of revenues in Brazil.

Excluding the benefit of the 53rd week in fiscal ’04, service revenues increased approximately fourteen million dollars ($14M) or approximately five point six percent (5.6%) quarter over quarter.

If we were to also add back the thirty percent (30%) withholding in Brazil, service revenues in the most recent quarter would have increased approximately twenty−four million dollars ($24M) or more than nine percent (9%) quarter over quarter.

Product sales in the fourth quarter were approximately seventy−four million dollars ($74M), driven by lottery equipment sales to Westlotto in Germany and video lottery terminals to Spielo customers in Oregon, Montana and Sweden.

Service gross profit margins were approximately thirty−eight percent (38%) reflecting higher depreciation and amortization and lower jackpot activity quarter over quarter, as well as the holdback in Brazil.

In comparing service profit margins quarter over quarter, we also must allow for the benefit of the 53rd week in the fourth quarter of last year, as that, combined with the significant jackpot activity, contributed to the record−high margins recorded in that period. Product margins were lower than anticipated at approximately twenty−seven percent (27%). This was primarily a function of product mix.

Our operating expenses for the quarter were approximately forty−four million dollars ($44M), or thirteen percent (13%) of total revenue.

Due to the actions taken in the third quarter value assessment initiative, we were able to hold SG&A expenses constant quarter−over−quarter, despite the consolidation of acquisitions and the increased activity in the Gaming Solutions vertical.

The net impact of higher depreciation, lower jackpot activity, the impact of the 53rd week and the holdback in Brazil resulted in a slight decline in operating profit quarter over quarter, to seventy−five million dollars ($75M).

Below operating income, interest expense increased by approximately three point five million dollars ($3.5M), reflecting higher average debt balances quarter−over−quarter.
Fully diluted earnings per share were slightly ahead of our expectations, at thirty−four cents per share ($0.34).

During the quarter, we generated approximately ninety−seven million dollars ($97M) in cash flows from operations. This financed approximately fifty−nine million dollars ($59M) of investments in new contract assets.

Also in the quarter, we:

- repurchased approximately eight hundred and fifty−three thousand shares (853K) of GTECH stock at a cost of approximately twenty million dollars ($20M)
- paid dividends of approximately ten million dollars ($10M)
- and repaid the loan on our world headquarters facilities which totaled twenty−eight million dollars ($28M).

At the end of the quarter, we had cash balances and short term investments of approximately two hundred and ninety−one million dollars ($291M).

Now, let’s turn to GTECH’s performance for the full fiscal year.

Service revenues for the year ended February 26th were up approximately sixty million dollars ($60M) or six percent (6%) over fiscal year 2004. This was driven by a number of factors including continued strength in same store sales growth around the world, new contracts, the impact of acquisitions and more favorable exchange rates. These factors were, again, partially offset by the impact of the 53rd week, contractual rate changes and the holdback in Brazil.

At the end of the fourth quarter, the total amount held in escrow was approximately sixty−eight million Brazilian reais (BRR68M), which translates to approximately twenty−six million dollars ($26M) at current exchange rates.

Product sales were higher by one hundred and forty−six million dollars ($146M) or one hundred and fifty−five percent (155%) year over year. This was driven by a large central system delivery to Westlotto in Germany, equipment sales to ONCE in Spain and the Belgian National Lottery, combined with the acquisition of Spielo.

In the last fiscal year, we recorded five hundred and forty million dollars ($540M) in revenue from our US lottery group −−− five hundred and forty−eight million dollars ($548M) from the international lottery group −−− eighty−one million ($81M) in gaming solutions −−− and eighty−eight million dollars ($88M) in commercial and other services.

The two percent (2%) increase in operating expenses year−over−year was driven by the consolidation of acquisitions and investments in growth initiatives.

In fiscal year 2005, we generated approximately three hundred and seventy−five million dollars ($375M) in cash from operations.

This, together with cash on hand, funded investing activity totaling four hundred and fifty million dollars ($450M), including approximately one hundred and thirty−five million dollars ($135M) of maintenance capital, one hundred and fourteen million dollars ($114M) of growth capital for opportunities within our core businesses and approximately two hundred and one million dollars ($201M) in acquisitions.

Average capital employed grew by approximately three hundred and sixty million dollars ($360M), or thirty−eight percent (38%), year−over−year and we generated returns on capital employed of approximately sixteen percent (16%).

In view of the pace of capital investment, we are pleased to maintain returns on the overall portfolio that are significantly higher than our weighted average cost of capital.

It is important to note that in the fiscal years ending February 2004 and February 2005, we had cash balances resulting from debt offerings. If we were to exclude this cash from the calculations, return on capital employed for both periods would have been more than three hundred basis points higher.

Again, our calculation of Return on Capital Employed is provided in the Supplemental Financial Data File posted on our website.

Those are the key financial highlights of our fourth quarter and fiscal year 2005. Now I would like to turn our attention to the outlook for fiscal year 2006.

We expect year−over−year service revenue growth in the range of eight to ten percent (8% − 10%), based on the following drivers:

- Same store sales growth of five to six percent (5% − 6%),
- The net effect of contract wins and contractual rate changes, and

- The impact of the recently completed acquisitions.

With respect to the acquisitions, we have assumed a full year of revenues from Spielo, LILHCo. and Billbird.

As Bruce indicated, in our current forecast we have maintained our original set of assumptions for Brazil, which include the following:

- First, we assumed that the Company will either enter into an extension or sign a new contract with the Caixa that will extend to the end of this fiscal year.
- Based on that assumption, we have forecast a full year of revenues from Brazil, and we continue to expect a ramp−down of revenues beginning in our third quarter, driven by the de−installation of terminals.
- We also assumed that the thirty percent (30%) revenue withholding continues.

- Finally, we have assumed an average exchange rate of approximately two point nine real to the dollar (BZ 2.9) for this fiscal year. This compares to the current exchange rate of approximately two point six five (BZ 2.65) real to the dollar.

Based on this set of assumptions, we continue to expect US Dollar revenues from Brazil to be approximately eighty to eighty−five million dollars ($80M − $85M) this fiscal year. This compares to ninety−three million dollars ($93M) last fiscal year.

We now expect product sales in the range of one hundred and eighty to two hundred and ten million dollars ($180M to $210M) this fiscal year.

With regard to margins, we expect to maintain service margins of approximately forty percent (40%), despite a year−over−year increase in depreciation of approximately thirty million dollar ($30M) in cost of services.

We expect product margins in the range of thirty−eight to forty percent (38% to 40%), which is somewhat higher than last year due to product mix.

We currently expect operating expenses to be in the range of thirteen point five to fourteen point five percent (13.5% to 14.5%) of total revenue. This outlook includes increased investments in Gaming Solutions, including the pursuit of commercial gaming licenses and new business development activities.

We continue to expect the full year tax rate to be approximately thirty−five percent (35%)

Based upon our expected operating performance, we continue to believe that diluted earnings per share will be in the range of one dollar and fifty−three cents to one dollar and fifty−eight cents ($1.53 to $1.58) for fiscal year 2006, excluding the impact of the adoption of SFAS 123R, share−based payments, which requires companies to expense stock options, potentially beginning in the third quarter of our fiscal year.

If required to adopt this new accounting mandate in that timeframe, we would expect earnings per share in the range of one dollar and fifty cents to one dollar and fifty five cents per share ($1.50 − $1.55).

As Bruce indicated, there are many moving parts to the Brazil situation ... the timing and terms of the contract extension, the likelihood of an appeal, and/or a stay of the favorable court decision ... so quantifying the impact at this juncture is difficult. However, if you were to assume that:

- The recent court order prevails and we receive one hundred percent of our revenues this year;
- plus a release of fourteen million dollars ($14M) of the amount currently held in escrow, which reflects eleven million dollars ($11M) withheld in fiscal ’05 plus three million dollars ($3M) withheld in fiscal ’06, year−to−date;
- and you allow for an accelerated de−installation schedule per Caixa’s public position, and

- potential incremental investments outside of Brazil that we are contemplating in the business, in the range of eight to ten million dollars ($8M − $10M),

you could expect incremental revenues in the range of twenty−five to thirty−five million dollars ($25M − $35M) and incremental earnings in the range of seven to twelve cents (0.07 − $0.12) per share, resulting in a full year range of one dollar and sixty cents to one dollar and seventy cents per share ($1.60 − $1.70), excluding the impact of expensing options.

Please note that if the court order is upheld and we receive all monies due us by the end of May, approximately fifteen to twenty million dollars ($15 – $20M) of the incremental service revenues and six to eight cents ($0.06 − $0.08) of the incremental earnings per share would be reflected in the first quarter, resulting in earnings per share in the range of thirty−nine to forty−four cents ($0.39 − $0.44), with the balance accruing evenly throughout the remainder of the year.

Whilst it is not our normal practice to provide such a wide earnings range, we felt it was prudent to do so at this time, given the number of moving parts we are dealing with in Brazil. We will keep you informed of any developments as they arise. However, until we are more certain of the outcome of each of these events, we will not include them in our outlook.

In fiscal year 2006, we plan to invest between two hundred and forty and two hundred and fifty million dollars ($240M − $250M) in new contract assets, and growth opportunities. Approximately one hundred and forty million dollars ($140M) will be for maintenance capital requirements within the core business and the balance will be invested in growth opportunities.

Given this investment outlook, we expect to generate free cash flows in the range of one hundred and sixty to one hundred and eighty million dollars ($160M to $180M), prior to financing any dividends, stock repurchases or acquisitions.

Now let’s look at the outlook for our first quarter, which ends May 28th, 2005.

We expect service revenue growth in the range of five to seven percent (5% − 7%) quarter over quarter. This outlook reflects the impact of the Brazil hold back.

We expect product sales in the range of thirty to thirty−five million dollars ($30M − $35M).

We expect both service and product sale margins to be in the range of thirty−eight to forty percent (38% − 40%).

We expect the tax rate in the first quarter to be thirty−six percent (36%), compared to thirty−seven percent (37%) in the first quarter of last fiscal year and the thirty−five percent (35%) we expect for the full fiscal year. Similar to last year, we expect tax rates to fluctuate quarterly. For planning purposes, I suggest you use the same quarterly patterns as those reported in fiscal 2005.

Based upon this outlook, we expect fully diluted earnings per share to be in the range of thirty−three to thirty−six cents ($0.33 to $0.36) per share. This compares to the forty cents ($0.40) per share we reported in the first quarter of last fiscal year, which included a one−time gain associated with the sale of our interest in Harrington Raceway in Delaware. Excluding that gain, recurring earnings per share in the first quarter of last fiscal year were thirty−five cents ($0.35) per share, as reported by First Call.

To summarize ... we are pleased with the strong operating performance of the business in fiscal 2005, despite several challenges. The outlook for fiscal 2006 is promising and we remain excited about the future. Our significant successes in the marketplace over the past twelve months position us well for continued growth − − − and provide confidence in our ability to achieve our long−term goals of profitability and value creation for our shareholders.

Now Bruce and I will be happy to take your questions.

[AFTER Q&A]

Bruce Turner: If there are no further questions, I would like to close today's call with a quick summary.

GTECH's results for the fourth quarter and the full fiscal year demonstrate our continuing leadership in the Lottery industry ... the success of our recent acquisitions ... and the significant strategic progress we have made in our three vertical markets: Lottery, Gaming Solutions, and Commercial Services.

As we look ahead to the remainder of fiscal 2006 and beyond, we expect continued strength in all three markets as we focus our efforts on generating same−store sales growth and pursuing new growth opportunities ... at the same time, we will continue to return value to our shareholders. While there are no guarantees, recent developments in Brazil have also given us reason to hope that the situation there will be favorably resolved in the near future. All of these factors suggest that GTECH is still in the early stages of what will be an extended period of growth.

Thanks again for joining us. We will be back in touch in June.

W. Bruce Turner
President & Chief Executive Officer

Jaymin B. Patel
Senior Vice President & Chief Financial Officer

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

April 14, 2005

8:30 AM

Comments made during this presentation may contain forward−looking statements, including, without limitation, statements relating to the future operations and financial performance of the Company and the Company's future strategies. Such forward−looking statements reflect management's assessment based on information currently available, but are not guarantees and are subject to risks and uncertainties, which would cause the results to differ materially from those contemplated in the forward−looking statements. These risks and uncertainties include, but are not limited to, those set forth here and in the Company's filings with the SEC.

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Safe Harbor Act. . .

W. Bruce Turner, Chief Executive Officer

Welcome

Q4 and FY’05 Performance Review

Strategy Update

Brazil Update

Jaymin B. Patel, Chief Financial Officer

Review of Q4 and FY’05 Financial Results

Guidance for FY’06 and Q1 FY’06

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Agenda. . .

Q4 & FY'05 Business Review. . .

Financial Performance

Strength in same store sales and strong product sales

FY'05 32 new contracts – total revenue $635M − $690M (over contract lives)

Recent Successes

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Finland

Germany − Thuringen

New Mexico

Pennsylvania

Missouri

New Zealand

Arizona

MUSL

New Win

Extension

Rebid

Successful acquisitions in all three verticals

Lottery: LILHCo

Commercial Services: BillBird

Gaming Solutions: Spielo & *Atronic

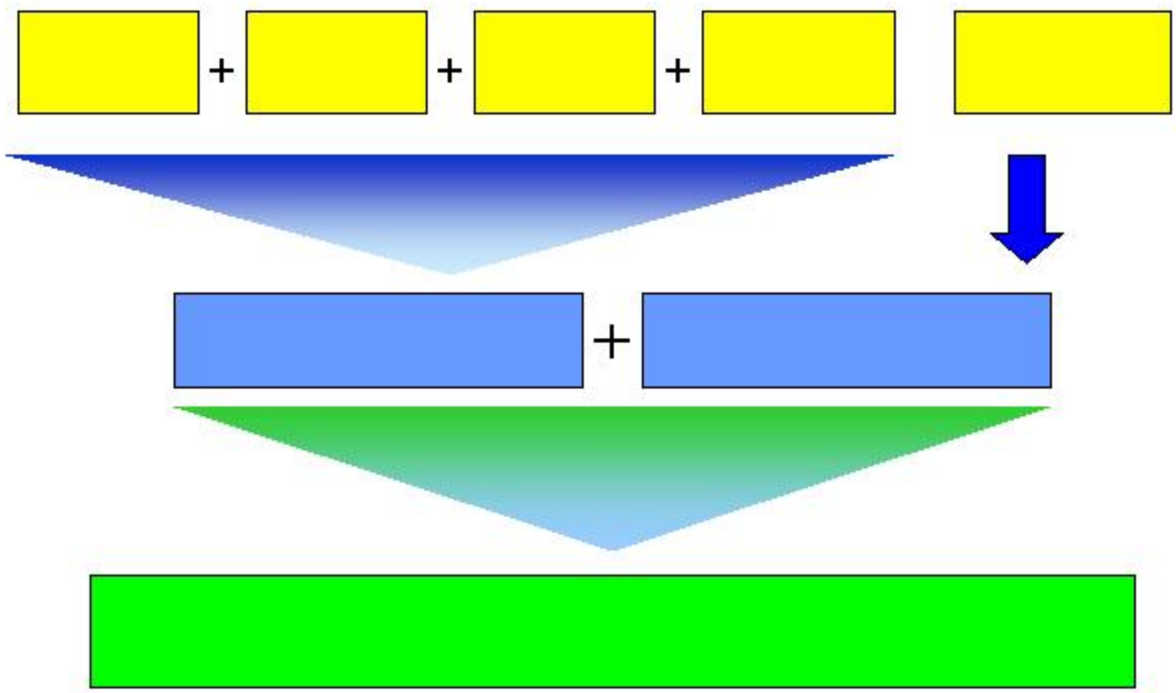
Approximately $800M available for incremental investment

Additional debt capacity – still maintain investment−grade credit

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

FY’05 Strategic Progress. . .

** GTECH will acquire 50% controlling interest on 12/31/2006*



Share Repurchase Program

Authorization increased by $100M in Q3 FY’05

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Returning Value to Shareholders. . .

FY’05

5.3M shares for $121M

Q1 FY’05

1.0M shares

$28M

Q2 FY’05

2.6M shares

$55M

Q3 FY’05
0.8M shares

$18M

FY’05

Dividends of $40M

Total Value Returned to Shareholders in FY'05

$161M

$10M

in dividends

per quarter

Q4 FY'05

0.9M shares

$20M

New contract opportunities – next 24 months

Greenfield – North Carolina & Oklahoma

Competitor contracts – Maryland, West Virginia, Germany, Greece, Hamburg, Lower Saxony, Malaysia and Shanghai

Continue to drive same store sales growth with new content

Monopoly−themed game – 1st branded game in U.S. lottery history

More than 50 new games under development and 40 at Atronic

Gaming Expansion

California – joining Mega−Millions in June

Florida – considering multi−state game

Rhode Island – 500 new VLTs in Q1, additional 1700 proposed; 50% to GTECH

Other potential opportunities – Kentucky and Texas

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

FY'06 Outlook. . .

- Elected not to participate in new procurement process
  - Complex solutions not adequately evaluated in commodity auction process
  - Revenue withholding restricts ability to generate value for shareholders
- Committed to supporting Caixa’s migration to new business model
  - Extension negotiations ongoing
- Civil case update
  - 30% withholding to be discontinued
  - Funds in escrow in excess of BRR40M to be returned
    (as of April 8, approximately BRR38M/$14M)
  - Decision can be appealed
  - Improved clarity 4 – 6 weeks
- Maintaining current outlook

Brazil Update. . .

	U.S. Lottery $M	% (1)	International Lottery $M	% (1)	Gaming Solutions $M	% (1)	Commercial Svcs. / Other $M	% (1)	GTECH Total $M	% (1)
FY'04	137.0		100.2		4.7		22.8		264.7	
Same Store Sales	8.0	+6%	2.0	+2%	0.4	+9%	2.9	+13%	13.3	+5%
Net, All Other[(2)]	-9.1	-7%	-4.3	-4%	1.9	+40%	-2.2	-10%	-13.7	-5%
FY'05	135.9	-1%	97.9	-2%	7.0	+49%	23.5	+3%	264.3	0%

[(1)]All percentage points are rounded to the nearest percent

[(2)]Reflects impact of 53 [rd] week in FY'04, contract wins/losses, jackpot activity, contractual rate changes, foreign exchange changes, the impact of acquisitions, and revenue withheld in Brazil.

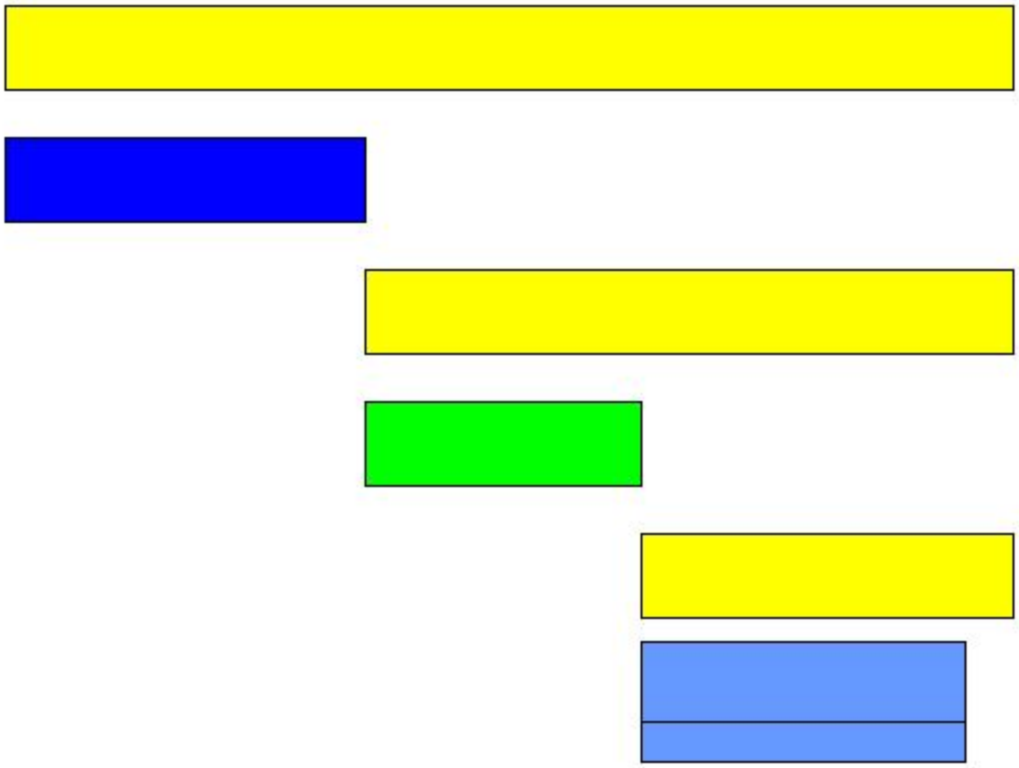
Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Service Revenue Analysis. . .
Q4 FY'05 vs. FY'04

Total Revenue	+21%
Service Revenues	In line with Q4 FY'04
Same Store Sales	+5%
Operating Expense Ratio	13% *300+ BP Improvement*
Diluted Earnings Per Share	Ahead of Expectations
Free Cash Flow	$37M
Stock Repurchases	0.9M Shares, $20M

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Key Financial Highlights. . .
Q4 FY'05 vs. FY'04



Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

(1)

For a calculation, explanation, and reconciliation to GAAP measure, see Supplemental Financial Data in the Investor Presentation section of our Website www.gtech.com

Cash Flow. . .
Q4 FY'05

Cash from

Operations

Maintenance

Capital (1)

Investing for

Growth (1)

Recurring Free

Cash Flow

Free Cash Flow

$96.7M

$33.5M

$63.2M

$26.0M

$10M Dividends

$20M Share Repurchases

$30M Total

$37.2M

Cash Returned

to Shareholders

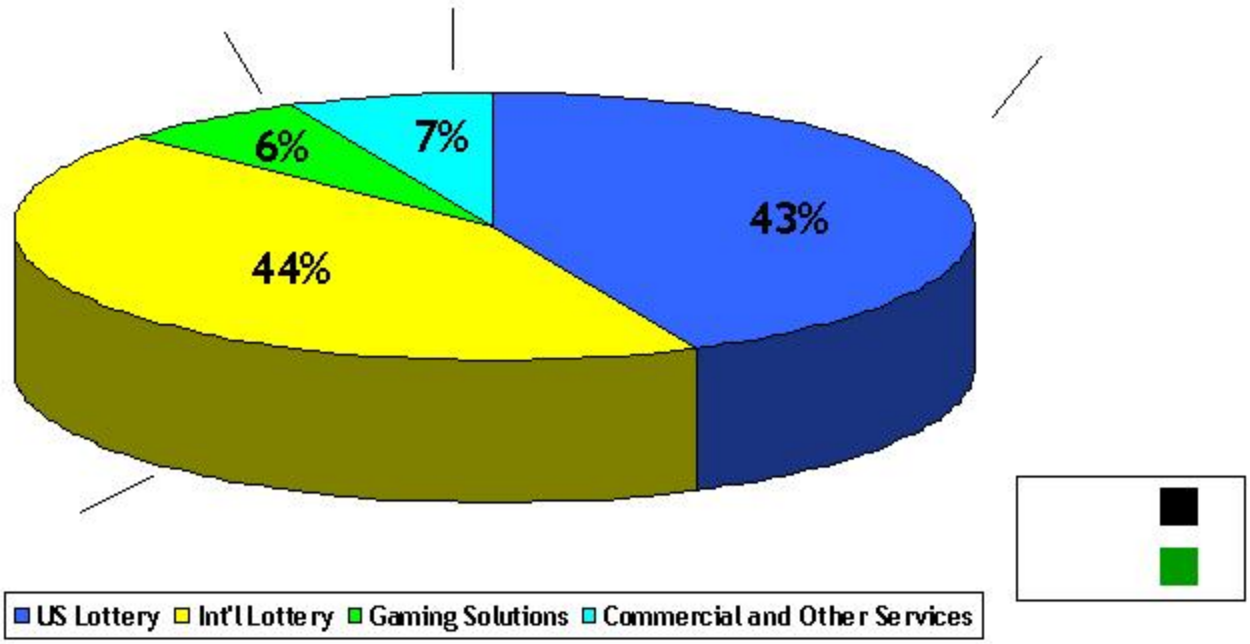
	U.S. Lottery $M	%[1]	International Lottery $M	%[1]	Gaming Solutions $M	%[1]	Commercial Svcs. / Other $M	%[1]	GTECH Total $M	%[1]
FY'04	504.2		359.5		16.9		76.9		957.5	
Same Store Sales	31.0	+6%	8.8	+2%	2.0	+12%	11.3	+15%	53.1	+6%
Net, All Other[2]	-14.6	-3%	13.6	+4%	8.5	+51%	-0.4	-1%	7.1	+0%
FY'05	520.6	+3%	381.9	+6%	27.4	+63%	87.8	+14%	1,017.7	+6%

(1) All percentage points are rounded to the nearest percent

(2) Reflects impact of 53 rd week in FY'04, contract wins/losses, jackpot activity, contractual rate changes, foreign exchange changes, the impact of acquisitions, and revenue withheld in Brazil.

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Service Revenue Analysis. . .
FY'05 vs. FY'04



Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Total Revenue. . .
FY'05

$88M

$77M

$81M

$18M

$540M

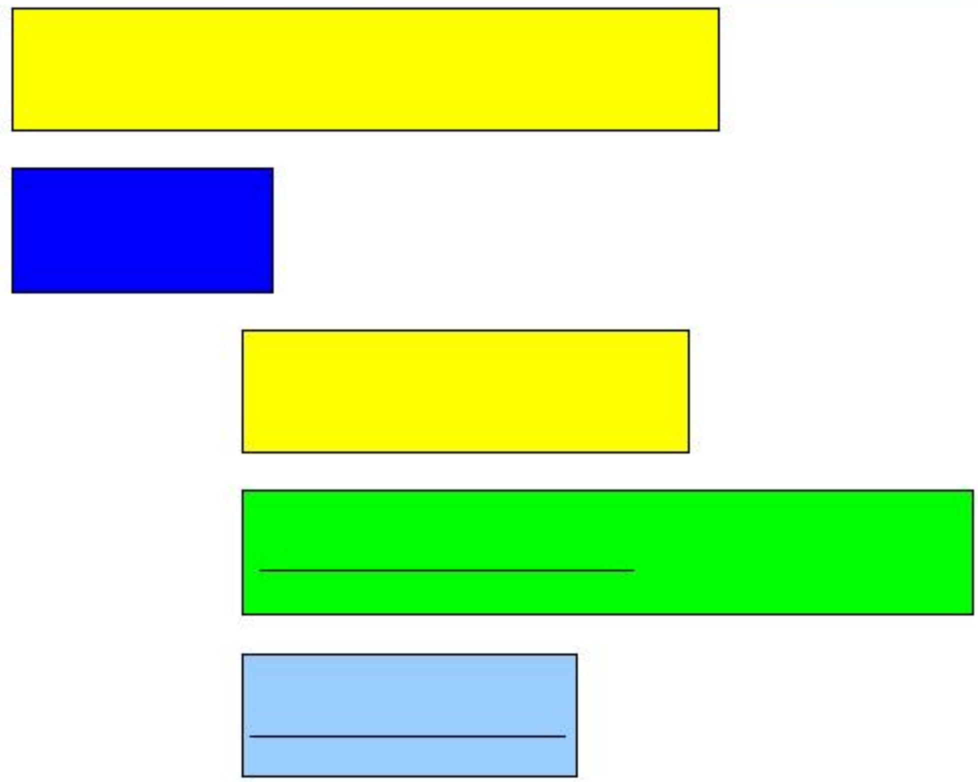
$513M

$548M

$443M

FY'05

FY'04



Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

[(1)] *For a calculation, explanation, and reconciliation to GAAP measure, see* *__Supplemental Financial Data__* *in the Investor Presentation section of our Website www.gtech.com*

Cash Flow. . .
FY'05

Cash from

Operations

Maintenance

Capital [(1)]

Investing for

Growth [(1)]

Recurring Free

Cash Flow

$375M

$135M

$240M

Cash Returned

to Shareholders

$201M Spielo, LILHCo, and Billbird

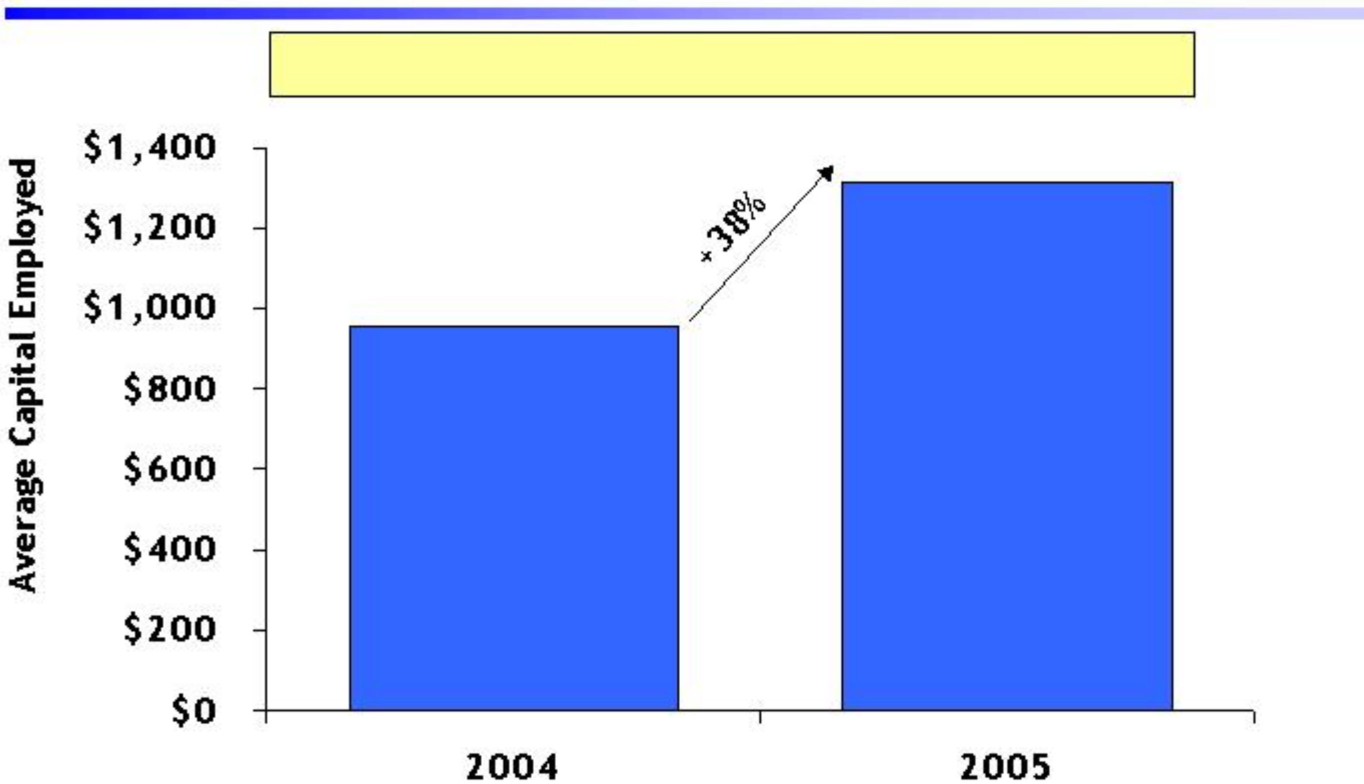
$114M Other Growth Capital

$315M Total Growth Capital

$40MDividends

$121MShare Repurchases

$161MTotal



Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

For a calculation and an explanation of ROCE, see Supplemental Financial Data in the Investor Presentation section of our Website www.gtech.com

Return on Capital Employed. . .
FY'05 vs. FY'04

$M

ROCE	**19.9%**	**15.9%**

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

FY'06[1]

FY'06 Guidance. . .
As of April 14, 2005

Service Revenue Growth

8% − 10%

Same store sales growth 5% − 6%

Net effect of contract wins and contractual rate changes

Impact of recent acquisitions

Contract extension through May 2006

Forecast full year of revenues with ramp down beginning in third quarter FY’06

30% withholding continues

Average exchange rate for FY’06 − 2.9BRR to 1USD

Revenues from Brazil

FY’06	~$80M − $85M
FY’05	$93M

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Brazil Assumptions. . .

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

FY'06[1]

[(1)] *Assumes full year of revenue from Brazil with 30% hold back*

[(2)] *Based on a diluted share estimate of 132M shares*

FY'06 Guidance Continued. . .
As of April 14, 2005

Service Revenue Growth

8% − 10%

Product Sales

$180M − $210M

Service Margins

~40%

Product Margins

38% − 40%

Full−Year Effective Tax Rate

35%

Earnings per Share[2]; *Excluding impact of SFAS 123R*

$1.53 – $1.58

Earnings per Share[2]; *Including impact of SFAS 123R*

$1.50 – $1.55

Net Cash Invested

$240M – $250M

Free Cash Flow

$160M – $180M

EBITDA

$520M – $530M

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Revenue **$15M − $20M** **$25M − $35M**

Earnings per Share (1) **$0.06 − $0.08** **$0.07 − $0.12**

Reflects or includes impact of

Collection of 100% of Caixa revenues

Release of $14M from escrow ($11M relating to FY’05; $3M to FY’06)

Accelerated de−installation schedule

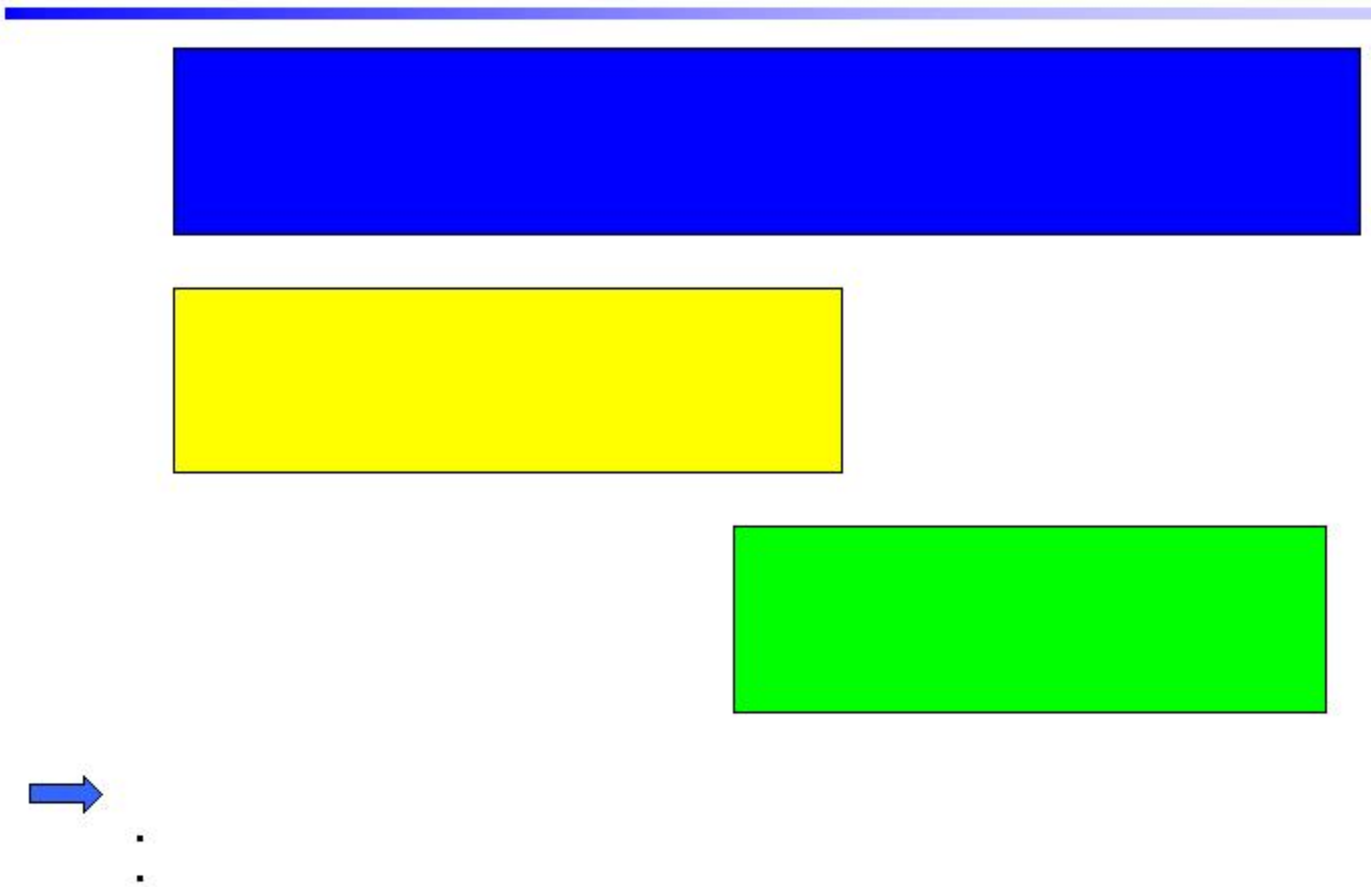
Potential incremental (Non−Brazil) investments of $8M − $10M

1st Quarter

(1) *Based on diluted share estimate of 131M shares for Q1; 132M shares for FY’06*

Net Potential Upside. . .

Full Year



Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Cash Flow. . .
FY'06 Preliminary Guidance

Cash from

Operations

Capital

Expenditures

Free Cash Flow

Cash returned to shareholders

$40M in dividends

Ongoing share repurchase program

$240M – $250M

$410M – $420M

$160M – $180M

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Q1 FY'06

(1) *Based on Diluted Share Estimate of 131M Shares*

Q1 FY'06 Guidance. . .
As of April 14, 2005

Service Revenue Growth

5% – 7%

Product Sales

$30M – $35M

Service Margins

38% – 40%

Product Margins

38% – 40%

Effective Tax Rate

36%

Earnings per Share [1]

$0.33 – $0.36

Fiscal Year 2005 – Fourth Quarter Earnings Conference Call

Closing. . .