

INTRALOT

Report of the Board of Directors of the Company
to the Annual General Assembly of the Shareholders for the fiscal year
01/01/2005 – 31/12/2005

Dear Shareholders,

Year 2005 was very important for INTRALOT as the Company continued successfully its global expansion with strong growth in countries where it already has presence like Turkey, Bulgaria, Romania, Malta, and with new agreements expanded, among others, in two new continents: Africa and Oceania. After these developments, the company has a presence in five Continents, with subsidiaries and business offices in 33 countries.

Indicative of the growth of the Company is the fact that in 2005, 74.7% of the consolidated sales came from international businesses, compared to 62.7% in 2004 and only 6.5% in 2002, since the Company's investments in subsidiaries yielded high returns to its shareholders. Moreover, the strategic alliance with Ladbrokes, the assumption of new projects, the acquisition of a betting company in Poland and the significant increase of its participation in its Turkish subsidiary in 2005, strengthened further its international presence.

Particularly, in January 2005 the Company announced a strategic alliance with the British gaming company Ladbrokes¹, in order for both parties to cooperate globally on important projects concerning State Lottery privatizations, to participate in tenders issued by state and private lotteries, etc.

In April 2005, the Company signed two fixed-odds betting agreements: one with the Lottery Organization of FYROM and another with the Football Federation of Peru. Moreover, in the same month INTRALOT signed an agreement for the supply of an integrated on-line system to the Lagos State Lottery in Nigeria, marking the beginning of the Company's expansion in Africa.

¹ For more information regarding the Company's new projects, the shareholders can visit the site of the Athens Exchange where they can find the respective new releases.

In May 2005, the Company signed an important agreement with the Department of Internal Affairs of New Zealand for the provision and operation of an integrated on-line system that will monitor more than 20.000 video-lottery terminals.

In June 2005, the Company, through its subsidiary Betting Company SA, signed an agreement with OPAP concerning a number of measures for the upgrade and improvement of the content, the terms and the infrastructure of the sports betting game “Stihima”, as well as the overall technological upgrade of the Organization’s central systems. In addition, part of the agreement was the supply of 2.000 new terminals free of charge, that will help to decongest the agent sales network. The measures proved efficient since the game’s slowdown in the first six months (-32%) reversed in the second semester (+15%), ending up the year with a decrease of 11%, while in the first months of 2006 the game exhibits robust rates of growth.

In July 2005, the Company announced the acquisition of a betting company in Poland, in accordance with INTRALOT’s strategy of acquiring companies that are in the early growth stages and possess gaming operation licenses and/or significant sales networks in the countries they operate. During the same month, the Company signed an agreement with the Egypt Posts concerning the development of a modern national network for the provision of value added services and games organization.

In August 2005, the Company signed an agreement with the Israel National Lottery, Mifal Hapayis, regarding the supply and maintenance of a new interactive system based on INTRALOT’s new platform B-ON for alternative channels (Internet, i-TV and interactive voice interface).

In October 2005, the Company signed its second contract in the demanding US market with the State Lottery Organization of Montana for the supply and implementation of a system that combines the management of numerical and instant lottery games.

Finally, in November 2005 the Company announced the important agreement for the increase of its participation in its subsidiary INTELTEK, which manages the Betting game in Turkey, to 45%.

Capital Structure

Following the approval of the Repeat Annual General Assembly of the shareholders on 04/05/2005 and taking advantage of the low interest rates, the Company during 2005, in accordance with the decision of the Assembly for the capability of obtaining bond loans up to € 30 mil., signed an agreement for the issuance of a € 15 mil. common bond loan. In the beginning of 2006 the bank debt of the Company increased by €68 mil., in order to finance the acquisition of its additional participation in the Turkish subsidiary. In this way, the Company's weighted average cost of capital - WACC - improved noticeably, increasing substantially the return to its shareholders.

The share

In the period 01.01.2005 – 31.12.2005, the Company's share price increased by 64.5%. Moreover, for the fiscal year 2005, the Company will distribute to its shareholders a total dividend per share of €0.55 (€0.23 interim dividend and €0.32 remaining dividend for FY 2005). If we include in the calculation the dividend yield of 6.1%, the total return to shareholders was shaped at 70.6% in 2005. The strong increase of the share price continued in the beginning of 2006, posting an additional 34.5% increase in the first two months of the year. Finally, in June 2005, after the approval of the Repeat AGM, the Company distributed a stock bonus issue (issuance of one new bonus share for each existing one) in order to improve the share's trading volume following the significant increase of its price at that time.

Growth prospects – The international gaming sector and INTRALOT

There are two main trends in the gaming sector: the first is the increasing tendency of National Lotteries to seek for high added value partners, like INTRALOT, to manage their lottery games (outsourcing to value added suppliers) or to grant operating licenses (licensing). Countries that they have already issued requests for proposals for the exclusive operating license of Lotto type games are Russia, UK, South Africa, and Turkey is expected to follow. The second trend is the concentration of the sector through mergers and acquisitions: the examples of the US-based GTECH acquisition

from the Italian Lottomatica and the acquisition of the systems division of Swedish Essnet from the US-based Scientific Games were the most important recent agreements, in order for companies to cope with the sector's increasing demands.

INTRALOT is the only company globally that provides a full range of lottery services, constituting a one-stop-shop for National Lotteries since it owns systems and software for the operation of the games, it offers high value added services like risk management for betting games and it has the experience and the know-how in order to undertake the full operation of lottery games in various countries through licenses. Moreover, the new platform of distribution and management of lottery games through alternative channels (Internet, mobile, interactive TV) B-ON and the new generation games GameWare that embody entertainment in the lottery games, strengthens the competitiveness of the Company. Together with the established strategic alliances of the Company, we believe that INTRALOT is very well placed in the sector to continue to compete with success given the future challenges of the global gaming market.

Finally, I would like to thank, on behalf of the members of the Board of Directors of INTRALOT, the Management and its personnel for the good performance and the shareholders for their trust in the Company.

With honor,

The President of the
Board of Directors

Socrates P. Kokkalis