

Intralot

Reuters: INLr.AT, Bloomberg: INLOT GA

Sector: Global Gaming

Ownership Structure:

S. Kokkalis	20.56%
K. Dimitriadis	13.00%
Free Float & Institutional Investors	66.44%

Stock Data

Price (31/10/2006)	€ 21.58
Mkt Cap (in mn)	€ 1,679.3
Shares (in mn)	77.819

Stock Ratios

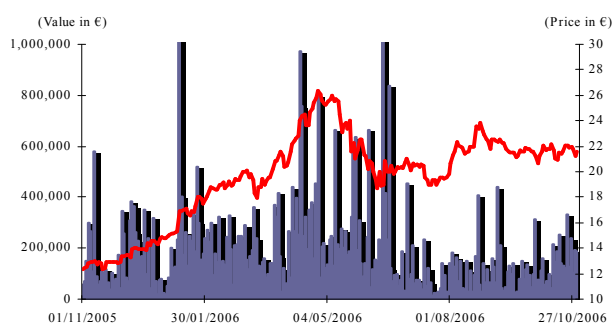
	2004	2005	2006 E	2007 E
P / E	30.90	24.03	14.23	17.33
P / BV	14.61	10.88	7.99	6.86
EV / EBITDA	15.20	9.87	6.64	7.08
D / Y	4.45%	2.55%	3.71%	3.71%
ROE	47.28%	51.90%	64.76%	42.60%
ROIC	35.59%	38.34%	40.56%	25.17%
Net debt / Equity	-0.71	-0.65	-0.28	-0.42

Summary Financials

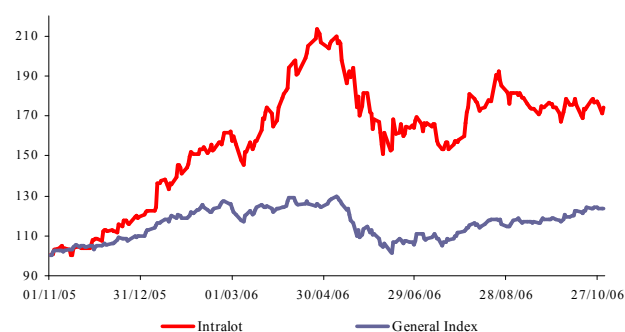
P&L (in mil €)	2004	2005	2006 E	2007 E
Revenues	314.22	522.96	779.79	767.75
Gross Profit	147.70	244.00	359.61	349.91
OPEX	44.18	71.18	114.47	125.96
EBITDA	105.12	160.01	244.14	222.95
Financial Results	2.69	8.28	0.90	0.96
Depreciation	8.62	17.79	19.80	21.41
EBT	99.19	150.49	225.24	202.51
EAT & Minorities	54.36	69.89	118.02	96.90

Source: Company Data & VRS Projections

Stock Graph (52 weeks)
Min: € 12.38, Max: € 26.40



Relative performance with G.I. (52 weeks)
Stock Return: 74.3% - G.I. Return: 24.0%



KEY INVESTMENT POINTS

- Intralot is a leading gaming operator that we believe is well positioned to capture the strong growth trend of the international gaming market. The Company generates revenues from full operation of games, management contracts and from sale of hardware or facilities management. The Company's Capex reaches up to € 40 million per annum, depending on new projects granted.
- Intralot is active in every continent with operations ranging from pure facility provision up to full operation services. The contribution of international revenues is estimated by the Management at 77% of the total consolidated turnover at the end of 2006. Full operation contracts contributed 46.6% in total consolidated revenues in the first half of 2006, with management contracts and facilities management generating additional stakes of 46.6% and 6.8% respectively.
- Intralot's subsidiary, Betting Company SA, is the largest fixed odds betting operator worldwide, with gaming sales exceeding € 4.5 billion for fiscal 2006. The Group's expertise in sports betting games should remain a major growth driver in future. Furthermore, Intralot's benefits from two key international trends observed in the global gaming market -the privatization of state entities, and the liberalization of local markets- should not be underestimated.
- By applying our forecasts for the coming 5-years in the DCF model, we derive a fair price of Intralot stock at € 25.55 implying an outperform rating. In addition, the stock is fairly valued compared to international peers.

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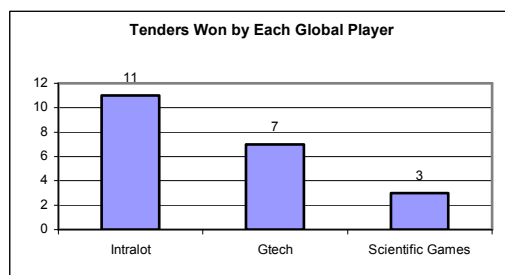
INVESTMENT CASE

Intralot is a leading gaming operator that we believe is well positioned to capture the strong growth trend of the international gaming market. The Company generates revenues from the full operation of games, the management contracts and from the sale of hardware or provision of facilities management. The Company's Capex reaches up to € 40 million per annum, depending on new projects granted. The following table illustrates the extent to which Intralot engages in the various business segments of the global gaming market:

Game	Sports Betting	Instant Lottery	National Lotteries	Video Lottery	Casinos	Horse Racing	Digital Entertainment
Intralot	Holding contracts in 12 countries (excl. Greece)	Holds management contracts	Holds full operation contracts	Operation in 4 countries with 28,000 video lottery terminals	Plans entrance – Has developed technological solutions (software)	Develops and provides IT infrastructure	Entrance in markets such as Turkey Chile, Moldavia

Historically, Intralot has a favorable track record in winning tenders in the international gaming markets. The Company's winning chance currently stands at 30% and is one of the three leading players worldwide (the other two being Lottomatica / Gtech, and Scientific Games) competing for full operation or management contracts in the gaming market.

The following chart presents the number of tenders won from each of the leading gaming operators worldwide since 2004. Intralot has won 11 out of the last 21 tenders that took place during the past 2-3 years.



Source: Intralot.

The following table presents a selection of prospective lottery privatization projects, which Intralot intends to bid for. It is noted that the Company has already won a tender concerning supplies of IT infrastructure to a lottery in Taiwan, whereas it has won the operation of lottery in South Africa.

Country	Tender	Start Year	Duration Years	Targeted Revenues € million per annum
Turkey	2006-07	2007	10	800
UK	2006	2009	10	6500
Russia	2006	2007	8	3000
Taiwan	2006	2007	7	3000
Victoria	2006	2007	8	400

- **Full Operation of Games**

Intralot acquires licenses for the full operation of lottery games in a certain country, and records the full revenues – and not a percentage as in the case of management contracts - of the undertaken games in the financial statements. This activity implies an EBITDA margin of 8% - 20% range, however, out of larger revenue pool compared to the one generated in the case of a management contract. The management's guidance calls for a greater contribution of the particular revenue stream in the total turnover, with the future target standing at 70%. The Company also anticipates that most of the upcoming tenders internationally will be relating to full operation contracts.

Intralot's business model targets greater shifting to agreements with independent operating entities in liberalized markets. At this stage, the shifting is not an easy task and depends on the progress of global market's liberalization.

Operation activity contributed 46.6% in total consolidated revenues in the first half of 2006. It is noted that almost half of the operation revenues came from liberalized gaming markets where Intralot activated as full operator of games, receiving at the same time its own license from the state, whereas the other half came from contractual agreements with state entities.

- **Management Contracts**

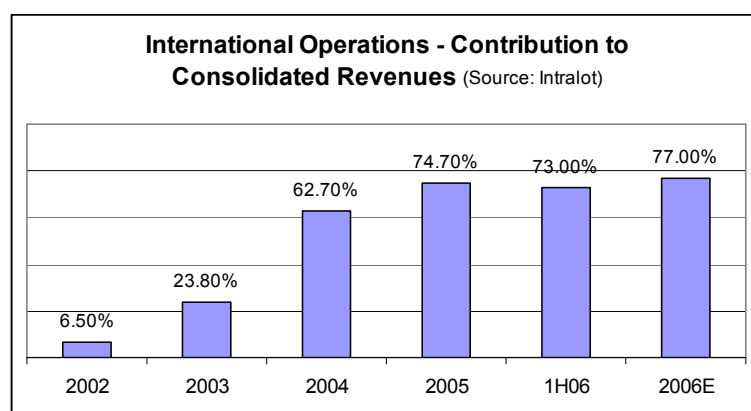
By gaming management we mean that state lotteries outsource to Intralot the management of lottery games. The Company in turn provides various value added services such as marketing, promotion, game design, risk-management, such as in fixed-odds sports betting, etc. This revenue stream implies an EBITDA margin of 35% - 60% approximately, with Intralot's revenues recorded as a percentage of the total gaming turnover. Under this scheme, and particularly in the case of sports betting, the Company would undertake the risk management of the game, ensuring the paying back to the players does not exceed a predetermined threshold. Otherwise, the Company's profit margin would significantly contract. Gaming management contributed an additional 46.6% in total consolidated revenues in the first half of 2006.

- **System Supplier – Facilities Management**

Intralot also deals with the provision of hardware, software and telecom solutions for lotteries and other gaming entities to operate on-line games. System supplies and facilities management contributed an additional 6.8% in total consolidated revenues in the first half of 2006.

- **International Operations**

Intralot is active in every continent with operations ranging from pure facility provision up to full operation services. The contribution of international revenues is estimated by the Management at 77% of the total at the end of 2006.



Intralot's Type of Engagement in Each Geographic Region

Regions	M. East & Africa	Asia & Oceania	North America	Latin America	Other Europe
Activity	Full Operation	Full Operation	Management (Full Operation is Forbidden by Law)	Full Operation	Management / Full Operation

A. European Markets

Bulgaria (Operation Contract / Liberalized Market): Intralot's fully owned subsidiary, Bilot EOOD holds 49% in Eurofootball, which is the country's fixed odds betting operator with a market share greater than 60% of the total gaming market. The contract expires in 2015 and has an option for time extension.

Cyprus (Operation Contract / Liberalized Market): Intralot controls Royal Highgate (51% stake), which is Cyprus second largest sports betting operator. The Greek Company provides operation and organization services as well as risk management.

FYROM: In 2005, Intralot signed a 6-year agreement with country's National Lottery Organization for the operation and management of fixed odds betting games, whereas another agreement followed concerning the upgrade of LOTTO game.

Germany: Following an international tender in 2005, Intralot signed a 5-year agreement with Schleswig-Holstein State Lottery for the supply, maintenance and technical support of 200-400 advanced terminals. Currently, the Company has completed the pilot phase of the project.

Greece: Intralot provides Greek Football Prognostics Organization (OPAP, listed on Athens Exchange) with management services for the operation of fixed-odds betting in Greece. Relative to the country's population, the revenues generated from this contract for OPAP have made sports betting in Greece one of the most profitable business stories worldwide. The contract expires in January 2007. Intralot also operates the totalizator system of Greek Horse Racing Organization (ODIE) based on a 2-year maintenance agreement up to September 2007.

Malta (Management Contract / Monopoly): The Greek Company owns an exclusive license for the operation of all state lottery games, via its local subsidiary Maltco Lotteries, which is jointly owned with local businessmen.

Moldova: Since 1992, Intralot owns a license for the operation and offering of numerical, instant lottery, fixed-odds betting and video lottery games. Only recently, the Company signed a co-operation agreement with mobile operator Moldcell (subsidiary of Turkcell) for the introduction of SMS-based lottery games. Furthermore, Intralot extended a similar agreement with Voxtel, covering now all mobile subscribers in the country.

Poland (Operation Contract / Liberalized Market): Intralot holds a 10-year agreement with the state lottery organization Polski Monopol Loteryjni for the operation of instant lottery. In 2005, via its subsidiaries Pollot and Intralot International, the Company acquired control of Totolotek, a fixed odds gaming operator with 400 retail outlets.

Romania (Management Contract / Liberalized Market): Via its Romanian subsidiary Lotrom, Intralot is active in this country since 1992. The Company supports the lottery gaming systems of the Romanian State Lottery (CNLR). There is a full operation agreement for the video lottery games, whereas in 2004, they launched sports betting games.

Serbia & Montenegro (Management Contract / Monopoly): Intralot's subsidiary Yugolot co-operates with BEOLOT (formerly known as Lutrija Beograda) for the supply of an integrated lottery system and the provision of related services, based on a 12-year agreement. Yugolot is also the leading distributor of Telekom Srbija in phone cards.

Turkey (Management Contract / Monopoly): Intralot has two co-operation agreements with the country's leading mobile operator Turkcell. Intralot owns 45% of Inteltek, which is a joint venture with Turkcell, holding an 8-year agreement (expires in 2012) for the operation of fixed-odds games for the account of Turkey's National Football Prognostics Organization (Sportoto). Furthermore, Libero, which is a joint venture of Intralot and Turkcell, offers sports betting services via alternative networks.

B. North and Latin American Markets

Chile (Management Contract / Monopoly): Intralot de Chile supports the gaming operations of Polla Chilena de Beneficencia by providing the required infrastructure and computer services. Intralot's subsidiary has launched "XPERTO", which is a fixed-odds betting games and the country's second most successful game in terms of sales, and it has developed an alternative sales network (via Internet, SMS, etc.) for the same organization.

Colombia (Operation Contract / Liberalized Market): Intralot launched sports betting operations ("Canagol" game) as part of a 5-year agreement –with a 2.5 years extension option- signed in mid 2004 with ETESA, a ministry level agency responsible for monitoring gaming operations in Colombia.

Peru (Operation Contract / Liberalized Market): In April 2005, Intralot signed a 5-year agreement with Sports Association of Professional Soccer of Peru for the development and sale of fixed odds betting games. Intralot de Peru subsidiary offers a line of 7 games, accounting for 95% of the country's total gaming sales.

USA: At this stage, Intralot runs three US projects. The first is with Nebraska State Lottery (7-year duration up to 2011), the second with Montana Lottery (7-year duration up to 2013), and the third with Idaho Lottery (7-year up to 2014). All three contracts have extensions ranging from 1-3 years.

C. African Markets

Egypt: Intralot signed an important agreement with Egypt Post for the development of an advanced nationwide network, supporting transaction processing (utility bills, credit cards, etc.) and other value added services.

Nigeria: In 2005, as part of the co-operation agreement with ORION Technologies Nigeria Ltd, Intralot proceeded with the supply of an integrated on-line system. ORION holds an exclusive 10-year license to operate and manage lottery games from the regional government of Lagos.

South Africa: The Gidani consortium, in which Intralot South Africa participates with an 18% stake, was recently chosen as the new operator of the local lottery after an international tender. The contract has duration of 7 years, up to March 2014.

D. Other International Markets:

Israel: Intralot has signed an agreement with Mifal Hapayis, the national lottery organization, for the design, development, supply and maintenance of an interactive system offering internet and cell-phone access to the organization's on-line games.

Malaysia: During this year, Intralot signed an agreement with Magnum Corporation Berhad, which is the leader of the local gaming market, for the supply and maintenance of an integrated lottery system.

New Zealand: Following an international tender, Intralot signed a 6-year agreement (with 1-year extension option) with the New Zealand Department of Internal affairs for the supply and operation of one of the largest Video Lottery networks worldwide.

Philippines: In 2004, Total Gaming Technologies Inc. (which is majority owned by Intralot) signed an exclusive 10-year agreement with the state gaming organization Philippines Charities Sweepstakes Office for the supply of an on-line gaming system and the operation of the on-line KINO game. During this year, came another agreement on behalf of PCSO with Pacific-on-Line, a games operator in Southern Philippines.

Russia: Since 2004, and in co-operation with Malaysian Tanjong Group, Intralot has undertaken the operation of lottery games in the broader Moscow area, via their joint participation (by 49%) in Yuvenga, the exclusive on-line gaming licensee up to 2013. Only recently, there was an announcement according to which the gaming operations would be terminated.

Furthermore, there are other markets, such as China, Uruguay, Argentina, Brazil and Mexico, where Intralot has established offices and subsidiaries in order to monitor developments in the gaming market of each country and take advantage of business opportunities, such as tenders and privatization projects. In early 2006, Intralot was selected through a joint venture as the preferred bidder of ChinaTrust Commercial Bank, owner of the governmental license to operate the Public Welfare lottery of Taiwan. In August 2006, Lotterywest, the State Lottery of Western Australia named Intralot preferred bidder for the provision of organization's gaming operations.

- **Future Growth Scenarios & Investment Considerations**

The gradual liberalization of the international gaming market is a trend that positively affects Intralot looking forward. The trend facilitates Intralot to focus its activities on the full operation of games in any of the liberalized markets and achieve stronger revenues. At this stage however, we do not incorporate such an effect in our projections, since it appears that liberalization of markets, especially in Europe, is a painful process.

As governments examine full privatization projects, Intralot has formed international alliances in order to participate in the respective international tenders. By this way, Intralot should increase probability of gaining new contracts, however on the basis of a partnership.

The Company has developed a modern multi-platform (“b on”) for the operation of games, providing access through all alternative channels (such as personal computers, mobiles, interactive TV, etc.). The technological infrastructure facilitates the provision of value added services, supporting at the same time multiple payment methods.

Intralot is planning to enter dynamically the digital entertainment gaming market in an effort to enrich the spectrum of games offered, attract new players and take advantage of new segment of populations. However, we do not expect this revenue stream to become significant (over 10% of total group revenues) before 2010.

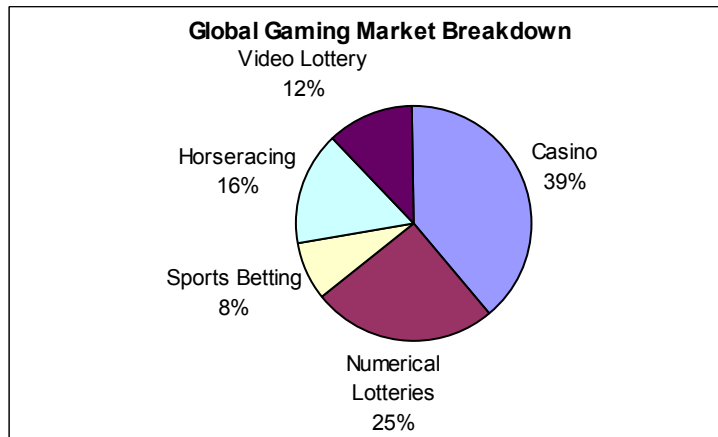
According to a recent statement made by the Management, Intralot plans to enter the casino gaming market by the end of 2007.

GAMING SECTOR

Intralot’s key competitors internationally include Lottomatica / GTech, Scientific Games International and various internet gaming operators. The two players along with Intralot comprise the leading global players, whereas the sector is more an oligopoly rather than a competitive environment. This is good news for pricing and profit margins as far as the leading players are concerned.

According to Global Betting & Gaming Consultants, the global gaming market is estimated at € 670 billion. Intralot has expressed an interest of entering the casino business, which is the largest contributor in global revenues.

On the other hand, sports-betting is a highly fragmented market internationally due to numerous internet operators, with Intralot expecting to hold more than 5% in turnover and 11% in gross win as of 2006. The market share concerns contracts in 13 countries including the management of OPAP sports betting in Greece.



Source: Global Betting & Gaming Consultants

The design, operation and management of multi-jurisdictional games are a strong trend worldwide, with game system operators competing fiercely to provide clients with the most efficient solutions and services. We believe that Intralot's history implies a strong ability to take advantage of this trend.

Another area of increasing activity in the global market place concerns the alternative distribution networks that will prevail in the following 2-3 years. Internet, mobile telephony and digital TV have become an integral part of gaming organization and operation worldwide in order to meet the requirements of younger target groups (20-35 years old) that seek for modern entertainment.

In terms of legal framework and structural reforms, there is an international tendency of governments curtailing illegal gambling in order to maximize tax revenues. At a future stage though, it is expected governments to gradually liberalize their gaming markets, leaving room for gaming operators such as Intralot to assume an independent role in each country's market.

CORPORATE PROFILE

Listed on Athens Exchange, Intralot is one of the leading gaming solutions providers in the global market place, offering a wide range of products and services, ranging from technology sale to game management services to full operation of games. The Group of Companies on international basis deals with a variety of games, such as numerical games, sports pools, pari-mutuel games, sport betting games, video lotteries or virtual monitor games, etc. As far as products and services are concerned, Intralot provides its clients with games content management, games design, organization, operation, marketing services, and risk management, as well as technical support and training.

On aggregate, Intralot Group operates 37 subsidiaries with 8 representative offices across the world, employing more than 3,500 people. As of 2005, Intralot ranked 3rd among integrated lottery system suppliers worldwide based on market share and total revenues and 2nd based on pre-tax profits.

Intralot's subsidiary, Betting Company SA is the largest fixed odds betting operator worldwide, with gaming sales exceeding € 4.5 billion in fiscal 2006. The subsidiary is currently active in Greece, Turkey, Romania, Moldova, Bulgaria, Serbia, Chile, etc.

Intralot's Global Presence



Source: Intralot

RISK FACTORS

	Investment Risks / Concerns	Mitigating Factors / Important Notes
1	Financial visibility is considered to be low, thus placing in doubt the credibility of forecasts.	Good track record in generating strong revenues out of each contract implies that history may be a good guidance for future performance.
2	Contract renewal is unpredictable creating volatility in financial performance, such as in the case of Greek OPAP's sports betting.	Rapid expansion in the international gaming market might alleviate this effect.
3	Risk factor is an issue due to penetration of various (developed, developing and emerging) markets with different risk profiles.	Historically, the Management has demonstrated high skills in risk control.
4	Gaming activity is socially, politically and economically sensitive creating various conflicts that may affect the Company's operations in a country.	The geographic diversification of activity portfolio is steadily expanding.
5	Fixed-odds betting winners-payout should not exceed a certain threshold. Otherwise Intralot pays the difference. This is the case in management contracts.	Intralot shows a good track record in managing this particular risk.

Source: Company Data, Research Department.

VALUATION

Based on our estimations for the next 5-years, and the application of the discounted free cash flow methodology, the fair price of Intralot stock is € 25.55 (implying a total value € 1,988 million).

	2006 E	2007 E	2008 E	2009 E	2010 E	L-Term Assumptions
ASSUMPTIONS						
Growth Rate (Sales)	49.1%	-1.5%	16.2%	12.8%	10.7%	1.5%
EBIT Margin	21.7%	15.9%	16.3%	18.1%	19.3%	20.0%
Tax Rate	28.0%	20.0%	18.0%	18.0%	18.0%	18.0%
Working Capital (% of sales)	5.0%	3.0%	2.2%	1.4%	1.2%	1.0%
Capex (% of sales)	7.8%	3.1%	2.5%	2.1%	1.7%	2.0%
Cost of Capital	7.3%	7.9%	8.3%	8.6%	8.9%	8.9%
Depreciation (% of sales)	3.9%	2.5%	2.8%	2.5%	2.3%	2.0%
CASH FLOW STATEMENT						
Turnover	779.8	767.8	892.1	1,005.9	1,113.6	1,130.3
EBIT	169.1	122.2	145.4	182.2	214.7	226.1
Less: Adjusted Tax	47.4	24.4	26.2	32.8	38.7	40.7
Adjusted Operating Profit	121.8	97.7	119.2	149.4	176.1	185.4
Plus: Depreciation	19.8	21.4	21.9	23.2	24.8	22.6
Operating Cash Flow	141.6	119.1	141.1	172.7	200.8	208.0
Less: Change in Working Capital	39.4	23.2	19.3	14.0	12.9	11.3
Less: Capex	60.6	23.8	22.3	20.8	19.3	22.6
Cash Flow to the Firm (FCFF)	41.6	72.2	99.6	137.9	168.7	174.1
Discount Factor	0.93	0.86	0.79	0.72	0.65	0.65
Present Value of Cash Flows	38.79	61.99	78.43	98.96	110.00	
Accumulated Present Value	38.79	100.79	179.21	278.17	388.17	
Residual Value						2,358.5
Present Value of Residual Value						1,541.3

VALUATION

Enterprise Value	1,929.45
% Residual Value of Total	79.9%
Less: Net Debt	-59.02

Value of firm (€ million)	1,988.47
Outstanding # of shares (000)	77,819
Value of share (€)	25.55

WACC CALCULATION

Risk Free Rate	4.5%
Beta Factor	1.2
Market risk Premium	5.0%
Cost of Equity	10.5%
Debt / Debt + Equity	26.0%
Cost of Debt	5.2%
Tax Rate	18.0%
Weighted Average Cost of Capital	8.9%

Source: VRS Estimates

We have applied the following important assumptions in our model:

- Average cost of capital at 8.9% for the infinite period.
- We have estimated sustained growth in all countries during the examined period and infinity sales growth of 1.5%. Even though the majority of Group's contracts have certain duration, its successful track record provides positive momentum for the renewal of many of the existing projects or the undertaking of new contracts in the future ensuring to a large extent sustained long term growth.
- Infinite EBIT margin of 20%.

Applying a sensitivity analysis to the above DCF model, trying different growth rates and different values for weighted average cost of capital (WACC), we end up with the following table:

		WACC				
		6.9%	7.9%	8.9%	9.9%	10.9%
GROWTH	0.75%	29.41	27.06	23.59	20.93	18.82
	1.25%	34.16	28.78	24.86	21.89	19.57
	1.50%	35.55	29.74	25.55	22.41	19.97
	2.00%	38.77	31.91	27.10	23.55	20.85
	2.50%	42.72	34.48	28.88	24.85	21.83

Intralot is close to reach an agreement over the Taiwanese lottery (it has already undertaken the provision of technological equipment) for the next 7 years (the total market size is estimated at € 3 billion), and according to our estimates the agreement could add about € 0.86 per share to the total valuation.

	2007 E	2008 E	2009 E	2010 E	2011 E	2012 E	2013 E
Operating Cash Flow	1,332	15,846	16,638	17,470	18,344	19,261	20,224
Less: Change in Working Capital	180	228	239	251	264	277	291
Less: Capex	600	684	359	377	396	416	436
Cash Flow to the Firm (FCFF)	552	14,934	16,040	16,842	17,684	18,568	19,496
Discount Factor	0.90	0.80	0.72	0.64	0.58	0.58	0.58
Present Value of Cash Flows	494	11,969	11,509	10,819	10,170	10,678	11,212
Accumulated Present Value	494	12,464	23,973	34,791	44,961	55,639	66,852
Enterprise Value	66,852						
Less: Net Debt	180						
Value of firm	66,672						
Value of share	€ 0.86						

Source: VRS Estimates

PEER GROUP VALUATION

We compare Intralot with a peer group of international gaming companies. The analysis demonstrates that its earnings multiple trades significantly lower compared to its peers (based on projected fiscal 2006 multiples P/E).

Company	Country	Capitalization	P/E '06 E	P/BV '06 E
Scientific Games	US	2,599	26.25x	5.36x
Ladbrokes	UK	2,508	16.10x	na
Stanley Leisure	UK	604	25.11x	2.56x
William Hill	UK	2,309	14.69x	10.66x
Intralot	GR	1,679.3	14.23x	7.99x

Source: Bloomberg estimates for fiscal 2006. Share prices as of October 31st 2006.

Stock Data (historic & projected figures)

	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Price (in €, as of 31/10/2006)	€ 21.58					
Shares Outstanding	77,818,780					
Market Capitalization (in € ,000)	1,679,329					
EPS (in €)	0.90	1.52	1.25	1.54	1.93	2.27
Book Value / Share (x)	2.0	2.7	3.1	3.8	4.7	5.9
EV (in € mn)	1,579	1,620	1,578	1,504	1,389	1,242
P/E (a.t.& m.i.)	24.03x	14.23x	17.33x	14.02x	11.18x	9.49x
P/BV	10.88x	7.99x	6.86x	5.70x	4.58x	3.66x
EV/EBITDA	9.87x	6.64x	7.08x	5.54x	4.16x	3.17x
EV/Sales	3.02x	2.08x	2.05x	1.69x	1.38x	1.12x
Dividend / Share (in €)	0.55	0.80	0.80	0.90	1.00	1.10
Dividend Yield	2.5%	3.7%	3.7%	4.2%	4.6%	5.1%

Source: Company Data & VRS Projections

FINANCIAL ANALYSIS**• Revenue Growth Assumptions**

The Group's long term strategy assumes international expansion with operations in more than 30 countries. For the period that we examine, 2006-2010, we expect Group turnover CAGR of 16.32%, making the following key assumptions:

- We have not assumed any new contract for the Group from the forthcoming tenders.
- Greek Stihima gross revenues are projected at € 2.25 billion in 2006 following the World Cup event, and the introduction of Greek football games from September 2006. We have also assumed 1 month net revenues of about € 16 million for the fiscal 2007 (the contract with OPAP ends on January 2007).
- We have estimated earnings of approximately € 63 million from management fees and H/W sales & facilities management for the Parent Intralot from fiscal 2007 and on (conservative approach).
- We expect € 1.15 billion gross revenues from the management of fixed odds betting in Turkey in 2006, and we estimate 5-year average growth of about 25%.
- We have included South Africa operations, estimating about € 12 million net revenues for fiscal 2007, € 23 million net revenues for fiscal 2008 and an average annual growth of 8% for the next 2 years.
- Revenues for the operations in America will account for 12.17% of total Group turnover at the end of fiscal 2010 from 6.4% at the end of fiscal 2006, assuming annual average growth of 28.3% and including from fiscal 2007 revenues of € 25 million (growing to € 45 million in fiscal 2010) from Colombia operations.
- We have estimated sustained growth in all countries during the period under consideration.

• Revenue Growth Potential

Apart from contracts Intralot is currently targeting, the Group is seeking opportunities all over the world utilizing the advantage of its strong track record and expertise. As mentioned earlier, the Group is expected to benefit from the gradual liberalization of the European lottery market in the next 5-year period, undertaking full operation of betting or other games in various countries.

Geographic Turnover Breakdown (historic & projected figures)

	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Greece (Stihima + Net Intralot Parent)	149.2	242.8	69.3	63.0	63.0	63.0
% of total	28.5%	31.1%	9.0%	7.1%	6.3%	5.7%
Cyprus	9.8	10.0	10.5	11.0	11.6	12.2
% of total	1.9%	1.3%	1.4%	1.2%	1.2%	1.1%
Malta	71.4	74.0	77.7	81.6	85.7	89.9
% of total	13.6%	9.5%	10.1%	9.1%	8.5%	8.1%
Bulgaria	91.2	174.8	209.8	230.7	242.3	247.1
% of total	17.4%	22.4%	27.3%	25.9%	24.1%	22.2%
Turkey (Inteltek)	105.5	155.3	212.7	276.5	345.6	414.8
% of total	20.2%	19.9%	27.7%	31.0%	34.4%	37.2%
Poland	30.6	52.0	62.4	68.6	73.4	77.1
% of total	5.8%	6.7%	8.1%	7.7%	7.3%	6.9%
Romania	13.4	14.0	15.4	18.2	20.4	22.0
% of total	2.6%	1.8%	2.0%	2.0%	2.0%	2.0%
TOTAL EUROPE	471.0	722.8	657.8	749.6	841.9	926.1
% of total	90.1%	92.7%	85.7%	84.0%	83.7%	83.2%
USA	5.0	7.0	10.0	10.5	11.0	11.5
% of total	0.9%	0.9%	1.3%	1.2%	1.1%	1.0%
Chile	7.5	8.0	10.0	13.0	17.0	20.0
% of total	1.4%	1.0%	1.3%	1.5%	1.7%	1.8%
Peru	29.8	35.0	43.0	48.0	54.0	59.0
% of total	5.7%	4.5%	5.6%	5.4%	5.4%	5.3%
Colombia	0.0	0.0	25.0	35.0	40.0	45.0
% of total	0.0%	0.0%	3.3%	3.9%	4.0%	4.0%
TOTAL AMERICA	42.21	50.00	88.00	106.50	122.00	135.50
% of total	8.07%	6.41%	11.46%	11.94%	12.13%	12.17%
South Africa	0.0	0.0	12.0	23.0	25.0	27.0
% of total	0.0%	0.0%	1.6%	2.6%	2.5%	2.4%
Other (Serbia, FYROM, Moldova, Oceania, Moscow)	9.7	7.0	10.0	13.0	17.0	25.0
% of total	1.9%	0.9%	1.3%	1.5%	1.7%	2.2%
Total Turnover	523.0	779.8	767.8	892.1	1,005.9	1,113.6

Source: Company Data & VRS Projections

Geographic EBITDA Breakdown (projected figures)

		2006 E	2007 E	2008 E	2009 E	2010 E
Greece (Stihima + Net Intralot Parent)		119.7	46.0	35.5	35.5	35.5
	% of total	49.0%	20.6%	13.1%	10.6%	9.1%
	% margin	49.3%	66.4%	56.3%	56.3%	56.3%
Cyprus		0.6	0.8	1.1	1.2	1.3
	% of total	0.2%	0.4%	0.4%	0.4%	0.3%
	% margin	6.0%	8.0%	10.0%	10.5%	11.0%
Malta		7.4	8.0	8.6	9.0	9.4
	% of total	3.0%	3.6%	3.2%	2.7%	2.4%
	% margin	10.0%	10.3%	10.5%	10.5%	10.5%
Bulgaria		23.6	29.4	34.6	37.6	39.5
	% of total	9.7%	13.2%	12.7%	11.2%	10.1%
	% margin	13.5%	14.0%	15.0%	15.5%	16.0%
Turkey (Inteltek)		83.8	119.1	154.8	193.6	232.3
	% of total	34.3%	53.4%	57.0%	57.9%	59.3%
	% margin	54.0%	56.0%	56.0%	56.0%	56.0%
Poland		0.3	3.1	6.9	9.5	11.6
	% of total	0.1%	1.4%	2.5%	2.9%	3.0%
	% margin	0.6%	5.0%	10.0%	13.0%	15.0%
Romania		6.3	6.9	8.2	9.2	9.9
	% of total	2.6%	3.1%	3.0%	2.7%	2.5%
	% margin	45.0%	45.0%	45.0%	45.0%	45.0%
TOTAL EUROPE		241.8	213.4	249.6	295.5	339.5
	% of total	99.0%	95.7%	92.0%	88.4%	86.7%
	% margin	33.5%	32.4%	33.3%	35.1%	36.7%
USA		0.1	0.5	1.3	1.9	2.3
	% of total	0.0%	0.2%	0.5%	0.6%	0.6%
	% margin	1.0%	5.0%	12.0%	17.0%	20.0%
Chile		1.0	1.4	2.3	4.3	6.6
	% of total	0.4%	0.6%	0.9%	1.3%	1.7%
	% margin	12.0%	14.0%	18.0%	25.0%	33.0%
Peru		1.9	2.3	3.1	5.8	10.0
	% of total	0.8%	1.0%	1.1%	1.7%	2.5%
	% margin	5.5%	5.4%	6.5%	10.7%	16.9%
Colombia		0.0	1.3	3.5	4.8	6.8
	% of total	0.0%	0.6%	1.3%	1.4%	1.7%
	% margin		5.0%	10.0%	12.0%	15.0%
TOTAL AMERICA		2.96	5.46	10.22	16.68	25.61
	% of total	1.21%	2.45%	3.76%	4.99%	6.54%
	% margin	5.9%	6.2%	9.6%	13.7%	18.9%
South Africa		0.0	3.6	10.4	20.0	21.6
	% of total	0.0%	1.6%	3.8%	6.0%	5.5%
	% margin		30.0%	45.0%	80.0%	80.0%
Other (Serbia, FYROM, Moldova, Oceania, Moscow)		-0.6	0.5	1.3	2.0	5.0
	% of total	-0.2%	0.2%	0.5%	0.6%	1.3%
	% margin	-8.6%	5.0%	9.8%	11.6%	20.2%
Total EBITDA		244.1	223.0	271.5	334.2	391.8
% margin		31.31%	29.04%	30.43%	33.22%	35.18%

Source: VRS Projections

- **Profit Margin Improvement**

According to our forecasts, EBITDA margin should decrease to 29.04% at the end of fiscal 2007 from 31.31% in fiscal 2006 and 30.6% in fiscal 2005. This reduction is attributed to:

1. The termination of the Greek betting game contract.
2. The Group's entrance in new contracts (assuming initial expenditures and almost zero or even negative EBITDA margin) during fiscal 2006 and fiscal 2007.
3. Higher payouts incurred during the 2006 World Cup (an outcome expected in such major sports events) and higher payout in Turkey from fiscal 2006.

On the other hand, the gradual change of revenue stream to more management and operating contracts that leave higher EBITDA margins to the Group and the maximization of the benefits from new contracts should boost operating margins in the years 2008-1010.

- **Bank Debt / Equity Improvement**

Total bank debt is expected to range in the neighborhood of € 150 million. The ratio 'bank debt / equity' is expected to sustain well below 1x (0.2x at end 2010 from 0.3x at end 2005) based on current conditions. However, if the Group participates in large contracts like the potential in U.K. it will need more cash. For that reason, the shareholders of the Group approved on September 2006 the issue of a bonded loan, which will be convertible to shares. The amount of the loan will be up to € 200,000,000, and the duration 7 years.

- **CAPEX**

Investments for the Group depend on the new contracts that will emerge. Intralot is seeking to undertake licenses for the full operation of betting or other lottery games that assumes strong cash outflow and high distribution expenses.

6-MONTH 2006 FINANCIAL RESULTS

During the first 6-months of fiscal 2006, consolidated revenues reached € 382.0 million, posting 80.8% increase compared to 1H05. Total international revenues for the Intralot Group amounted to € 279.0 million, or 73.0% of total group sales, compared with € 159.2 million, or 75.4% of total group sales in 1H05.

International operations contributed a total of € 79.3 million or 69.5% to group EBT vs. € 43.0 million or 54.0% in 1H05.

EBITDA increased by 55.4% to €122.7 million, compared to the same period last year. Earnings before taxes recorded an increase of 43.4% y-o-y reaching € 114.1 million compared to € 79.5 million in 1H05. EBITDA and EBT were weighed by reasonably higher payouts incurred during the 2006 World Cup, an outcome expected in such major sports events. Earnings after taxes and after minorities increased by 51.1% y-o-y to € 55.2 million from € 36.6 m in 1H05.

	6-months 2006	6-months 2005	% change
Turnover	382	211.2	80.87%
EBITDA	122.7	79	55.32%
EBITDA margin	32.12%	37.41%	
EBT	114.1	79.5	43.52%
EBT Margin	29.87%	37.64%	
EAT (a.m.)	55.2	36.6	50.82%
EAT margin	14.45%	17.33%	

Source: Intralot accounts based on IFRS

Historic & Projected Profit & Loss Account

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Turnover	314.22	522.96	779.79	767.75	892.14	1,005.92	1,113.55
y-o-y Change. %		66.43%	49.11%	-1.54%	16.20%	12.75%	10.70%
Cost of Sales	166.52	278.97	420.18	417.84	480.18	534.38	584.88
% of Turnover	52.99%	53.34%	53.88%	54.42%	53.82%	53.12%	52.52%
y-o-y Change. %		67.53%	50.62%	-0.56%	14.92%	11.29%	9.45%
Other operating income / expense	1.60	-12.81	1.00	1.00	1.00	1.00	1.00
Operating Expenses	44.18	71.18	114.47	125.96	139.46	136.37	135.90
% of Turnover	14.06%	13.61%	14.68%	16.41%	15.63%	13.56%	12.20%
y-o-y Change. %		61.10%	60.82%	10.04%	10.72%	-2.22%	-0.35%
EBITDA	105.12	160.01	244.14	222.95	271.49	334.17	391.78
EBITDA Margin	33.45%	30.60%	31.31%	29.04%	30.43%	33.22%	35.18%
y-o-y Change. %		52.22%	52.58%	-8.68%	21.77%	23.08%	17.24%
Depreciation	8.62	17.79	19.80	21.41	21.94	23.23	24.76
% of Turnover	2.74%	3.40%	2.54%	2.79%	2.46%	2.31%	2.22%
EBIT	96.50	142.22	224.34	201.54	249.55	310.94	367.01
% of Turnover	30.71%	27.19%	28.77%	26.25%	27.97%	30.91%	32.96%
y-o-y Change. %		47.38%	57.74%	-10.16%	23.82%	24.60%	18.03%
Net Financial Results	2.69	8.28	0.90	0.96	0.73	0.90	1.07
Net Results Before Taxes	99.19	150.49	225.24	202.51	250.29	311.84	368.09
EBT Margin	31.57%	28.78%	28.88%	26.38%	28.05%	31.00%	33.06%
y-o-y Change. %		51.72%	49.67%	-10.09%	23.60%	24.59%	18.04%
Tax income	35.70	46.36	63.07	40.50	45.05	56.13	66.26
Effective Tax Rate	35.99%	30.81%	28.00%	20.00%	18.00%	18.00%	18.00%
Net Results After Taxes	63.49	104.13	162.17	162.00	205.24	255.71	301.83
EAT Margin	20.21%	19.91%	20.80%	21.10%	23.00%	25.42%	27.11%
y-o-y Change. %		64.00%	55.74%	-0.10%	26.68%	24.59%	18.04%
Proportion of Minority rights	9.14	34.24	44.15	65.10	85.43	105.53	124.87
Net Results (a.t.&m.i.)	54.36	69.89	118.02	96.90	119.81	150.18	176.96
Net Margin	17.30%	13.36%	15.13%	12.62%	13.43%	14.93%	15.89%
y-o-y Change. %		28.58%	68.87%	-17.89%	23.63%	25.35%	17.83%

Source: Company Data & VRS Projections

Historic & Projected Balance Sheet

	2004	2005	2006 E	2007 E	2008 E	2009 E	2010 E
Assets							
Net Intangible Assets	41.24	46.98	55.42	48.99	42.96	37.34	31.71
Net Tangible Assets	42.03	71.13	103.45	112.23	118.56	121.71	121.83
Investments in Associates	14.19	4.81	52.00	53.30	54.63	56.00	57.40
Other L-term assets	30.00	33.65	26.92	24.23	21.80	19.62	17.66
Total Non-Current Assets	127.46	156.56	237.79	238.74	237.96	234.67	228.60
% Total Assets	46.87%	36.81%	39.09%	36.21%	31.36%	26.29%	21.68%
Inventories	6.97	13.31	20.72	21.75	26.31	29.28	32.05
Trade Receivables	18.23	38.54	64.09	67.31	83.10	96.46	106.78
Other Receivables	0.00	59.55	66.70	74.70	80.68	87.13	94.97
Cash in bank and at hand	119.31	157.33	219.02	256.81	330.75	445.15	592.10
Total Current Assets	144.51	268.72	370.53	420.57	520.84	658.02	825.90
% Total Assets	53.13%	63.19%	60.91%	63.79%	68.64%	73.71%	78.32%
TOTAL ASSETS	271.97	425.28	608.33	659.31	758.80	892.69	1,054.49
Equity & Liabilities							
Shareholder's Equity	114.97	154.37	210.13	244.78	294.55	366.91	458.27
Minority Rights	15.73	46.87	71.16	103.71	146.42	199.19	261.62
Total Equity	130.70	201.24	281.29	348.49	440.97	566.10	719.89
% Total Equity & Liabilities	48.06%	47.32%	46.24%	52.86%	58.11%	63.41%	68.27%
L-Term Bank Loans	27.19	36.39	150.00	150.00	150.00	150.00	150.00
Provisions for Staff Retirement	0.00	1.10	1.12	1.15	1.18	1.21	1.24
Deferred Tax Liabilities	0.00	0.98	0.88	0.79	0.78	0.76	0.75
Other long term debts	0.00	9.50	9.31	9.12	9.12	9.12	9.12
Total L-Term Liabilities	27,194	47,961	161,312	161,066	161,079	161,093	161,108
Suppliers	40.00	42.68	46.05	45.79	52.62	58.56	64.10
Banks	10.56	21.10	10.00	5.00	5.00	5.00	5.00
Taxes-duties	0.00	26.13	25.23	16.20	18.02	22.45	26.50
Other Payables	63.52	86.18	84.46	82.77	81.11	79.49	77.90
Total Current Liabilities	114.08	176.08	165.73	149.76	156.76	165.50	173.50
Total Liabilities	141.27	224.04	327.04	310.82	317.83	326.60	334.61
% Total Equity & Liabilities	51.94%	52.68%	53.76%	47.14%	41.89%	36.59%	31.73%
TOTAL EQUITY & LIABILITIES	271.97	425.28	608.33	659.31	758.80	892.69	1,054.49

Source: Company Data & VRS Projections

NOTES

Dynamic Securities Rating System

Rating	Ratings Breakdown	Definition of Rating System
Outperformed	100%	Expected to Outperform the Index by more than 10%
Neutral	0%	Expected to perform relative to the Index by +/- 5%
Underperform	0%	Expected to Underperform the Index by more than 10%

Notes: 1/ Ratings refer to a 12-month period.
2/ Benchmark Index: ASE General Index.
3/ Stock Universe: 40 Companies.
4/ Current Stocks Covered: 2 Companies.

Ratings History

Company	Date	Rating	Target Price
SARANTIS	27/07/2006	Outperform	€ 9.10
INTRALOT	31/10/2006	Outperform	€ 25.55

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