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CREDIT OPINION
5 August 2016

Update

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RATINGS

Intralot S.A.

Domicile	Athens, Greece
Long Term Rating	B1
Type	LT Corporate Family Ratings
Outlook	Negative

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Intralot S.A.

Update following Q1 2016 trading

Summary Rating Rationale

Intralot's corporate family rating (CFR) primarily reflects (1) its weakened credit metrics from the drawing of the syndicated bank facility and the near-term uncertainty whether the revolving portion of such facility will be repaid ahead of maturity; (2) the reduced company's size following recent M&A activity; (3) significant exposure to certain emerging markets including Argentina, Azerbaijan and Turkey; (4) lack of historical growth track record combined with ongoing weak or negative free cash flow generation as a result of the capital expenditures required to grow the business and new contract wins, and dividends payments to minorities; (5) exposure to regulatory and fiscal headwinds inherent to the gaming industry and to foreign exchange fluctuations resulting from the discrepancy between the main currency of the debt and its cash flow generation.

Conversely, the B1 rating takes into account (1) Intralot's leading market position as a global supplier of integrated gaming systems and services; (2) a diversified contract portfolio with 78 contracts and licences; (3) its broad geographical presence; (4) good revenue visibility as a result of a large number of long-term contracts; (5) a proven track record of renewing existing contracts and winning new business, with growth potential from further liberalisation of the gaming sector in less mature markets.

Credit Strengths

» Expectation for profitability improvement over time and better 2016 cash flow

» Broad geographic presence in 57 jurisdictions and 44 countries

» Good revenue visibility and proven track record of renewing existing contracts and winning new business

» Diversified contract portfolio with 78 contracts and licences

» Majority of revenues, cash resources and debt obligations outside Greece, thereby mitigating impact of weak sovereign

Credit Challenges

» Weakened leverage and interest cover ratios from the drawing of the EUR200 million syndicated bank facility in December 2014

» Reduced size with the recent M&A activity

» Large presence in emerging markets including Turkey

» Lack of historical growth track record and weak free cash flow

» Exposure to various regulatory and tax regimes and foreign exchange fluctuations

Rating Outlook

The negative outlook reflects Intralot's weak positioning in its rating category, together with our expectation of weak free cash flow generation in the coming years.

Factors that Could Lead to an Upgrade

Given the negative outlook, we anticipate no upward pressure on the ratings. A stabilisation of the negative outlook could result if (1) Intralot delivers on its growth strategy whilst demonstrating sustained positive free cash flow and maintaining an adequate liquidity profile; and (2) adjusted debt/EBITDA decreases towards 3.5x.

Factors that Could Lead to a Downgrade

Downward pressure on the ratings could result from (1) debt/EBITDA (as adjusted by Moody's) exceeding 4x in any year going forward; (2) interest coverage (measured as EBIT/interest expense, and as adjusted by Moody's) falling below 2x; (3) the inability to generate positive free cash flow (as adjusted by Moody's) from 2015 onwards; and (4) a weakening of the company's short-term liquidity.

Key Indicators

Exhibit 1

Intralot S.A.

	3/31/2016(L)	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Net Revenues (USD Billion)	$2.1	$2.1	$2.5	$2.0	$1.8
Debt / EBITDA	3.9x	3.9x	4.1x	3.0x	3.0x
EBIT / Interest	1.3x	1.5x	1.6x	1.9x	2.3x
RCF / Debt	4.0%	4.7%	10.3%	16.3%	19.9%

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. Ratios at 31/03/2016 are based on audited figures.
Source: Moody's Financial Metrics™

Detailed Rating Considerations

CREDIT METRICS HAVE WEAKENED WITH THE DRAWING OF THE EUR200 MILLION SYNDICATED BANK FACILITY BUT LIQUIDITY HAS TEMPORARILY IMPROVED

In December 2014, Intralot cautiously drew the entire EUR200 million syndicated bank facility due May 2017 and placed the cash in a UK bank account.

The drawing of this facility caused the weakening of the company's credit metrics (as adjusted by Moody's, hence on a gross basis), particularly the interest cover ratio (which is below 2x on a Moody's adjusted basis) but improved the liquidity by bringing the cash balances to approximately EUR417 million at the end of fiscal year (FY) 2014, and by reducing Intralot's reliance on cash upstreamed from subsidiaries located in certain emerging markets to meet its debt obligations.

However, this cash was consequently utilised partially to buy back bonds (EUR41 million) but the majority was absorbed by operational requirements resulting in a cash position of EUR254 million at the end of March 2016.

As of August 2016, the revolving portion of this facility is still drawn but there is uncertainty regarding its repayment ahead of maturity (May 2017 with 7 month extension under negotiation), which could take Intralot's credit metrics to a level more appropriate for this rating category.

RECENT M&A ACTIVITY WILL REDUCE SIZE BUT IMPROVE PROFITABILITY AND 2016 CASH FLOW

During the first half of FY2016, Intralot completed several M&A transactions in line with the company's strategy to create, in selected countries, strategic partnerships with strong local operators that offer substantial synergies and local market know-how.

On that respect, in May 2016, Intralot announced it had reached an agreement with Nexus Group to sell 80% of its Peruvian operations but will continue to be the company's technological provider. Intralot's Peruvian business consisted in the operation of numerical games and sports betting through a network of 3,700 point of sales and dedicated websites. With this disposal, which is pending regulatory approvals.

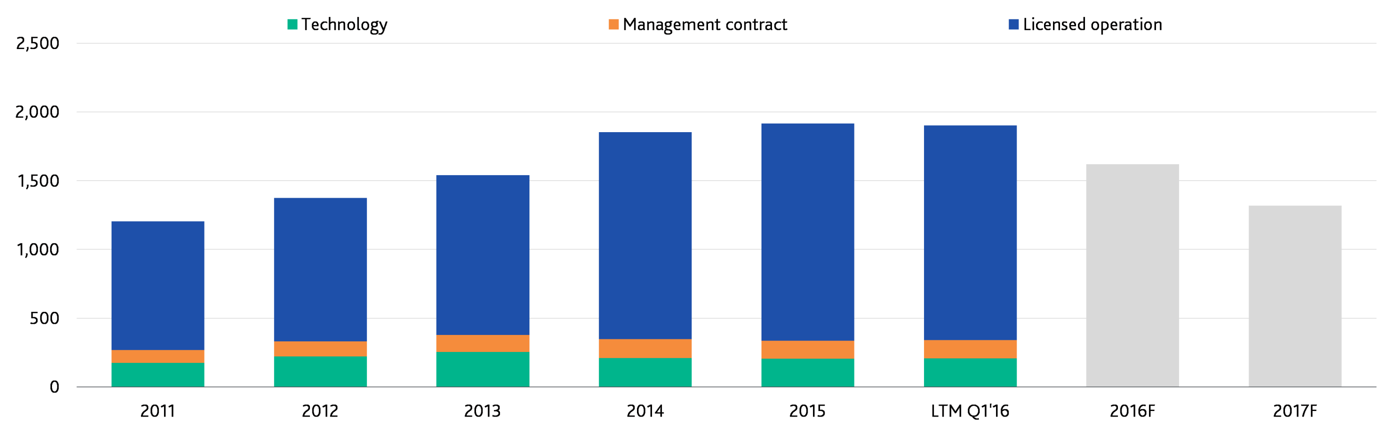
In June 2016, Intralot completed the disposal of its Italian operations to Gamenet (Gamenet Group S.p.A., B1 stable) in exchange for 20% share of the group and EUR10 million in cash.

In July 2016, Intralot completed the acquisition of 49% stake in Eurobet, a Bulgarian lottery company with 1,100 point of sales for EUR19.5 million (EUR5.7 million upfront and dividends of Eurofootball and target for 18 months). With this transaction Intralot is strengthening its position in the country where is already present with the 49% stake in Eurofootball, a company offering betting through a network of 850 shops, since 2002.

The combination of these three transactions will ultimately reduce the company's size by approximately EUR650 million of reported revenues and EUR10 million of reported EBITDA, based on 2015 figures, with full effect in FY2017, thus improving the profit margins over time, provided that all the contracts maturing in 2017-2018 are successfully renewed at current terms. We expect that the growth in the rest of the business will marginally compensate for the resulted EBITDA loss. Therefore any decrease in prospective leverage metric will be triggered by debt reduction likely to be funded from disposal proceeds.

Conversely, these transactions will improve the 2016 cash flow generation, albeit remaining weak, because Intralot will benefit from lower capital expenditure as the company will not have to pay for the renewal of its Italian betting licence estimated to be approximately EUR30 million, and from the expected cash inflow related to the sale of its Peruvian business. Furthermore, we understand that the company intends to allocate these proceeds to debt reduction.

Exhibit 2
Historic and forecast reported revenues (€m)

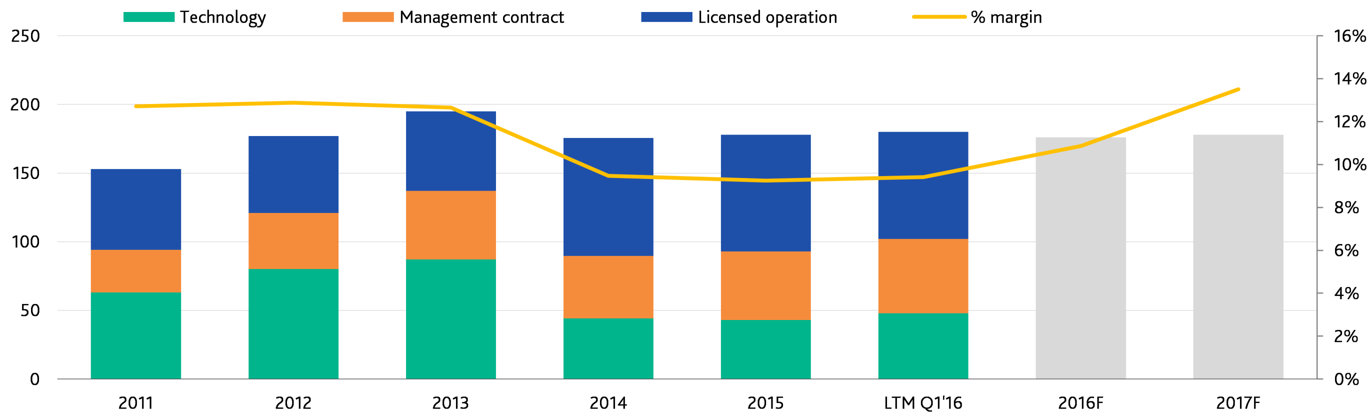


Source: Company's reporting, Moody's forecasts

It is worth noting that Intralot's consolidated EBITDA is overstated to some extent from an analytical point of view. Since the company holds majority ownership positions in various contracts, with some of its key partners as minority shareholders, earnings derived from these contracts are fully consolidated but actually need to be shared. Accordingly, this is not adequately reflected in the calculation of Intralot's leverage metrics based on consolidated results and which also applies to the company's reported cash balance, of which a part is located in subsidiaries with substantial minority interests.

Exhibit 3

Historic and forecast reported EBITDA (€m) and EBITDA margin (%)



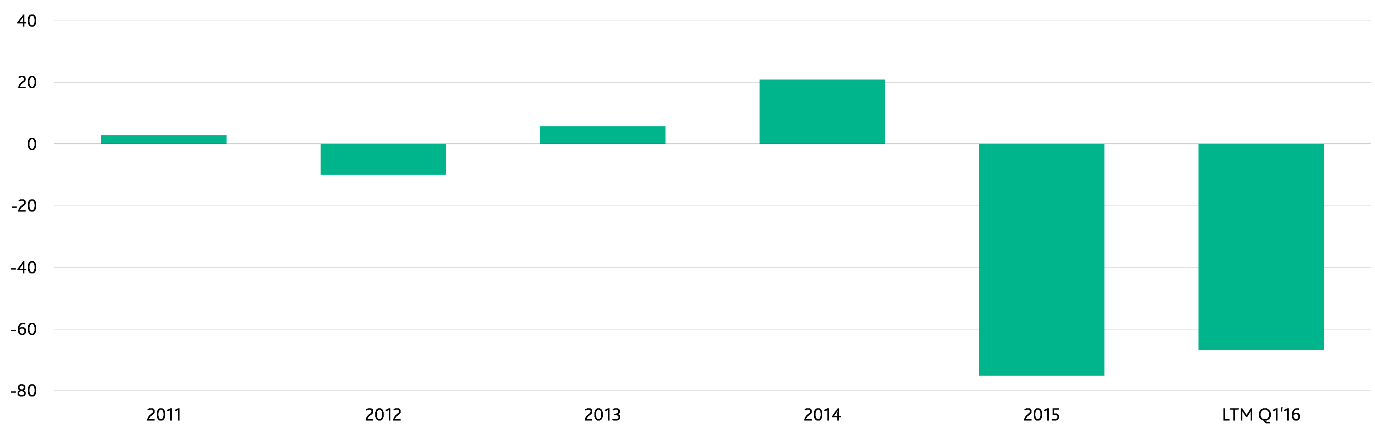
Source: Source: Company's reporting, Moody's forecasts

LACK OF HISTORIC GROWTH AND WEAK FREE CASH FLOW

We view Intralot's ability to generate free cash flow as weak. Since 2007, the company generated negative or marginally positive free cash flow owing mainly to substantial capital investments, fluctuations in working capital as well as dividend payments to minorities that historically exceeded Intralot's internal cash generation.

Exhibit 4

Historic free cash flow (€m), as adjusted by Moody's



Source: Moody's Financial Metrics™

Moreover, the capital investments spent to grow the business did not translate in any uplift in its EBITDA, which remained broadly flat in the historical period despite growing revenues, thus reducing the company profit margins since 2013. This was partially due to unfavourable renewal of certain key contracts and the roll out of lower margin operations (i.e. video lottery terminals in Italy).

While we anticipate improvements in the company's EBITDA margin following recent M&A transactions, free cash flow will continue to be weak or negative in FY2016-2017 but largely offset by exceptional cash proceeds from the expected disposal of the Peruvian operations.

GOOD REVENUE VISIBILITY AND PROVEN TRACK RECORD OF RENEWING EXISTING CONTRACTS AND WINNING NEW BUSINESS

Given the long-term nature of Intralot's contracts with its customers (up to 15 years in length with average maturities of eight years) and its historical success in renewing these contracts upon expiration (98%) or winning new ones, the company benefits from a good visibility of its future revenues stream.

According to the management, as of March 2016, 89% of the revenues are attributable to contracts that do not expire before 2020, or are periodically renewable provided the licensee conforms with the applicable contractual requirements, or are in liberalised markets where the contracts are extended or renewed through a non-competitive process.

However, for contracts maturing in 2017 and 2018 (Morocco, Greece, Turkey and Argentina), no tenders have been issued to date, and therefore there is no visibility regarding their renewal.

BROAD GEOGRAPHICAL PRESENCE BUT HIGH EXPOSURE TO EMERGING MARKETS AND VARIOUS REGULATORY AND TAX REGIMES

While historically being strongly reliant on Greece (Caa3 stable), the company has successfully expanded its operations over the past years and benefits today from a broad geographic reach with presence in 57 jurisdictions and 44 countries but at the same time it has increased its exposure to different regulatory and tax regimes. In FY2015, revenues and EBITDA from Greek gaming operations (OPAP) and excluding corporate costs represented less 5% of total revenues and EBITDA.

Although the geographical diversification is credit positive, a substantial portion of Intralot's group EBITDA derives from operations in emerging markets countries that pose additional risks to the company as economic conditions in these regions are generally much more fragile as reflected in the low sovereign ratings of several of these countries, including Argentina (B3 stable), Azerbaijan (Ba1 negative), Jamaica (Caa2 positive) and Morocco (Ba1 stable). Intralot also generated more than 16% of its FY2015 EBITDA from Turkey (Baa3, possible downgrade). Further, the company lacks significant scale in more regulated and stable gaming markets such as the US (Aaa stable), Australia (Aaa stable) and Western Europe.

Nevertheless, the ability to operate in several jurisdictions and deal with different regulators, combined with an adaptable product offering and scalable business model, could enable Intralot to benefit from the liberalisation trends of the global gaming markets.

GREEK SOVEREIGN RISK BALANCED BY INTERNATIONAL DIVERSIFICATION AND AVAILABILITY OF OFFSHORE LIQUIDITY

Despite the fact that Intralot's parent company (Intralot S.A.) has its headquarters in Greece, the company's B1 CFR is above the Greek country ceiling (Caa2) reflecting marginal exposure to its domestic market in terms of revenues and operating assets. Additionally, Intralot's financing sources, which primarily consist of senior unsecured notes and a syndicated bank facility, are issued/borrowed by Luxembourg and UK entities and governed by New York and English law respectively. The majority of the lenders of the bank facility are however Greek banks, but since the facility is fully drawn, there is limited risk for Intralot to the Greek banking system. Moreover, the company generates most of its cash flows outside of Greece and uses them to service the interests and principal payments before being passed to the Greek parent company.

The company has sufficient available liquidity for the near term requirements, provided that the syndicated bank facility will be extended until December 2017. The majority of the cash is held outside of Greece. The funds kept in Greek banks are modest and used to cover local office expenses and payroll. The company also has developed contingency plans to move key personnel to locations outside of Greece as needed to ensure continued operations. According to the senior facility agreement the company has to comply with the requirement to maintain less than 40% of the total consolidated cash on deposit with Greek banks and less than 20% with a single Greek bank. Should Greece exit the euro or the situation deteriorate, ratings will be however reassessed.

Liquidity Analysis

We consider Intralot's liquidity profile sufficient to the expected cash requirements resulting from working capital needs, capital expenditures, dividend payments, and debt maturities over the next 12-18 months and the consideration to be paid for the Bulgarian acquisition. The liquidity is underpinned by EUR254 million of cash balances at the end of March 2016 and expected cash proceeds from the prospective disposal of the Peruvian operations. We also assume that Intralot will extend the maturity of the syndicated bank facilities due May 2017 until December 2017.

The bank facility agreement includes a maximum net leverage of 3.25x and minimum net interest cover ratio of 3.25x (as amended in February 2015) as financial maintenance covenants. The company was in compliance with both ratios as of March 2016 with 17--19% headroom which we expect to be maintained.

Furthermore, the company announced a 10% share buy back program over 24 months in May 2016. Given the current market capitalisation of EUR137 million (as of 3 August 2016), if the company succeeds in its plan, the cash expected to be utilised to purchase its own shares would not be not material.

Structural Considerations

Both the EUR250 million senior unsecured notes due 2021 and the EUR325 million senior unsecured notes due 2018 are rated B1 in line with the CFR, because they rank pari passu (also with the syndicated bank facilities) and share the same guarantor coverage set for a minimum of 70% in the senior facility agreement. Furthermore, the opco liabilities are insufficient in size to result in downward notching.

Profile

Headquartered in Athens, Greece, Intralot, a publicly listed company, is a leading vendor in the gaming sector as well as a licensed gaming operator with 28 individual licenses across 16 jurisdictions. Intralot designs, develops, operates and supports custom-made gaming solutions and provides innovative content, services and technology to lottery and gaming organisation on a global scale with presence across 57 jurisdictions in 44 countries worldwide, employing approximately 5,400 people.

For the last twelve month (LTM) ended 31 March 2016, Intralot generated revenues of approximately EUR1.9 billion and reported an EBITDA of EUR179 million.

The company operates three business activities: (1) **Licensed operations** (82% of LTM March 2016 group revenues; 43% of EBITDA); (2) **Technology and support services** (11%; 30%); and **Management contracts** (7%; 27%).

In May 2014 Intralot completed the issuance of a EUR250 million bond maturing in 2021 while in the following month it signed a EUR200 million syndicated bank facility that replaced a previous syndicated facility of EUR230 million. The facility has a three year duration (extendable for a further year) split between EUR120 million in the form of revolving facility and EUR80 million as term loan.

Rating Methodology and Scorecard Factors

The principal methodology used in rating Intralot was the Global Gaming Industry methodology published in June 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Exhibit 5

Rating Factors

Intralot S.A.

Gaming Industry Grid [1][2]	Current LTM 3/31/2016		Moody's 12-18 Month Forward View As of 8/3/2016 [3]	
Factor 1 : Scale (10%)	Measure	Score	Measure	Score
a) Net Revenues (USD Billion)	$2.1	Ba	$1.6	Ba
Factor 2 : Business Profile (30%)				
a) Business Profile	B	B	B	B
Factor 3 : Financial Policy (20%)				
a) Financial Policy	B	B	B	B
Factor 4 : Leverage & Coverage (40%)				
a) Debt / EBITDA	3.9x	Ba	3.6x	Ba
b) EBIT / Interest	1.3x	B	1.6x	B
c) RCF / Debt	4.0%	Caa	5.3%	B
Rating:				
a) Indicated Rating from Grid		B1		B1
b) Actual Rating Assigned				B1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 3/31/2016(L); Source: Moody's Financial Metrics™
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Ratings

Exhibit 6

Category	Moody's Rating
INTRALOT S.A.	
Outlook	Negative
Corporate Family Rating	B1
INTRALOT FINANCE LUXEMBOURG S.A.	
Outlook	Negative
Bkd Senior Unsecured -Dom Curr	B1
INTRALOT CAPITAL LUXEMBOURG S.A.	
Outlook	Negative
Bkd Senior Unsecured -Dom Curr	B1

Source: Moody's Investors Service

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