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CREDIT OPINION
20 September 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 the issuance of EUR250 million senior unsecured notes due 2021

Summary Rating Rationale

On 15 September 2016, we affirmed all B1 ratings of the Greek gaming company Intralot S.A.. as well as the negative outlook. Concurrently we assigned provisional (P)B1 rating to the EUR250 million senior unsecured due 2021 issued by Intralot Capital Luxembourg S.A..

The affirmation of the ratings reflects Intralot's solid operating performance during the first six months of fiscal year (FY) 2016 in terms of company reported EBITDA growth (+10%) and improved free cash flow generation, the extension of the debt maturity wall and the reduced interest costs in conjunction with the refinancing. We also understand that, Intralot must receive minimum commitments of EUR200 million by 30 September for new three-year syndicated facilities as condition for this issuance, and the company is intended to reduce the outstanding bank debt by at least EUR70 million with the proceeds from some asset disposals by year-end. We are aware that the condition for this issuance has now been met.

These positives are, however, counterbalanced by the company's reduced size following certain M&A transactions such as the disposal of 80% of its Italian and Peruvian operations, and the prospective sale of the Australian/New Zealand business, which will offset short-term benefits from the anticipated debt reduction.

Additionally, Intralot's B1 Corporate Family Rating (CFR) continues to reflect (1) the company's significant presence in certain emerging markets including Argentina, Azerbaijan and Turkey; (2) 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; (3) exposure to regulatory and fiscal headwinds inherent to the gaming industry; and (4) to foreign exchange fluctuations resulting from the discrepancy between the main currency of the debt and its cash flow generation. The existence of significant minority interests also results in pro-rata leverage being materially higher than reported (fully consolidated) leverage, as well as substantial group cash leakage through dividend outflows to the minorities.

Conversely, the B1 CFR 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 87 contracts and licences; (3) its broad geographical presence in 55 jurisdictions; (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

- The refinancing will enhance liquidity
- Expectation for improvement in profitability and cash flow over time following recent asset disposals
- Broad geographic presence in 55 jurisdictions and diversified contract portfolio with 87 contracts and licences
- Good revenue visibility and proven track record of renewing existing contracts and winning new business
- Majority of revenues, cash resources and debt obligations outside Greece, thereby mitigating impact of weak sovereign

Credit Challenges

- Uncertainty over completion of pending disposals and use of proceeds to reduce outstanding debt
- Future deleveraging contingent on Intralot's operating performance
- Smaller size following recent M&A activity
- Large presence in emerging markets including Turkey and Argentina
- Lack of historic growth until end of 2015 and weak free cash flow
- Exposure to various regulatory and tax regimes and foreign exchange fluctuations

Rating Outlook

The negative outlook reflects the weak position of Intralot in its rating category due to ongoing changes in the company's business profile, weak free cash flow generation albeit improving, and the uncertainty related to the timing of pending asset disposal and the use of the sale proceeds for future debt reductions, which could hinder any positive movements in its credit metrics.

Factors that Could Lead to an Upgrade

Given the negative outlook, Moody's anticipates no upward pressure on the ratings. A stabilisation of the negative outlook could result if (1) Intralot delivers on its growth strategy for the remaining core business whilst demonstrating sustained positive free cash flow and an adequate liquidity profile; (2) it reduces its debt from disposal proceeds, including the sale of the Australian and New Zealand; and (3) it maintains an adjusted debt/EBITDA of 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 2.0x post refinancing; (3) the inability to generate positive free cash flow (as adjusted by Moody's) from 2016 onwards; and (4) a weakening of the company's liquidity.

Key Indicators

Exhibit 1
Intralot S.A.

	6/30/2016(L)	12/31/2015	12/31/2014	12/31/2013	12/31/2012
Net Revenues (USD Billion)	$2.2	$2.1	$2.5	$2.0	$1.8
Debt / EBITDA	3.7x	3.9x	4.1x	3.0x	3.0x
EBIT / Interest	1.4x	1.5x	1.6x	1.9x	2.3x
RCF / Debt	9.6%	4.7%	10.3%	16.3%	19.9%

Source: Moody's Financial Metrics™

Detailed Rating Considerations

THE REFINANCING WILL ENHANCE LIQUIDITY BUT FUTURE DELEVERAGING CONTINGENT ON COMPANY'S OPERATING PERFORMANCE

The refinancing of the EUR277 million senior secured notes due 2018 with the issuance of EUR250 million notes due 2021 is credit positive as it will improve the company's liquidity by pushing the debt maturity wall ahead and by reducing future interest costs by approximately EUR10 million per annum. Such issuance is also conditional to the refinancing of the existing syndicated bank facilities, otherwise maturing in May 2017. According to the bond documentation, the company must receive commitments of at least EUR200 million for new three-year facilities by 30 September in order to issue the new notes. We are aware that this condition has now been met.

We also understand that Intralot intends to reduce the outstanding bank debt by at least EUR70 million by year-end using cash proceeds from the sale of the Peruvian operations and the Australian and New Zealand business, the latter still pending.

The potential benefits in the leverage metric from a total debt reduction of EUR97 million will be however offset by the company's reduced size in terms of revenues and EBITDA following the completed and anticipated disposal of the regional businesses in Italy, Peru and Oceania. We therefore expect Moody's adjusted financial leverage to remain at approximately 3.7x at the end of FY2016 in line with the last twelve months (LTM) to 30 June 2016. Future deleveraging (on a gross basis) is therefore contingent on the company's ability to deliver its growth strategy for the remaining operations.

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

During the part of 2016, 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 reached an agreement with Nexus Group to sell 80% of its Peruvian operations while continuing 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. The transaction is pending regulatory approvals but expected to close in September - October 2016.

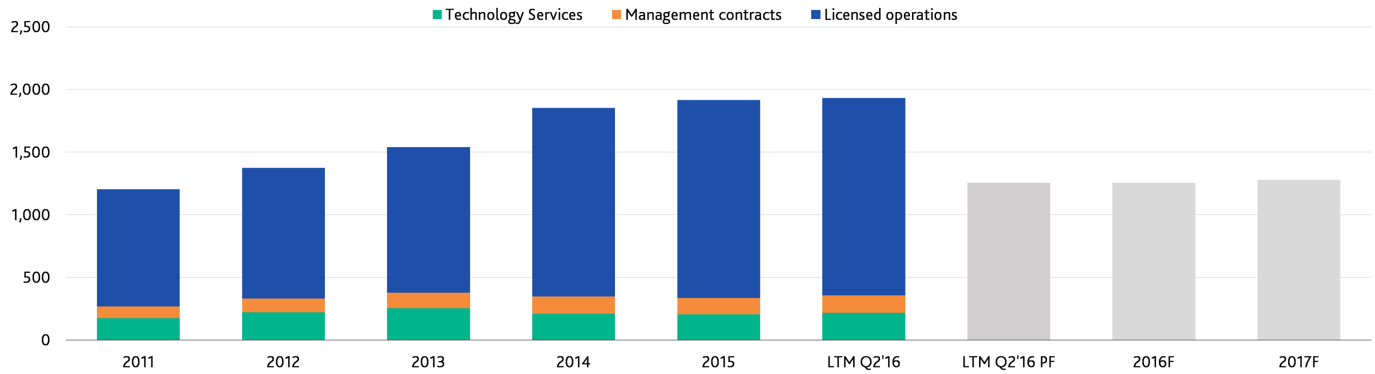
In June 2016, Intralot completed the disposal of its Italian operations to Gamenet (Gamenet Group S.p.A., B1 stable) in exchange for 20% share of the group and EUR17 million in cash.

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 acquisition Intralot is strengthening its position in the country where it is already present with a 49% stake in Eurofootball, a company offering betting since 2002, through a network of 850 shops.

Lastly, in August 2016, the company entered into exclusive discussions with Tatts Group Limited (unrated) regarding a potential sale of its Australian and New Zealand businesses.

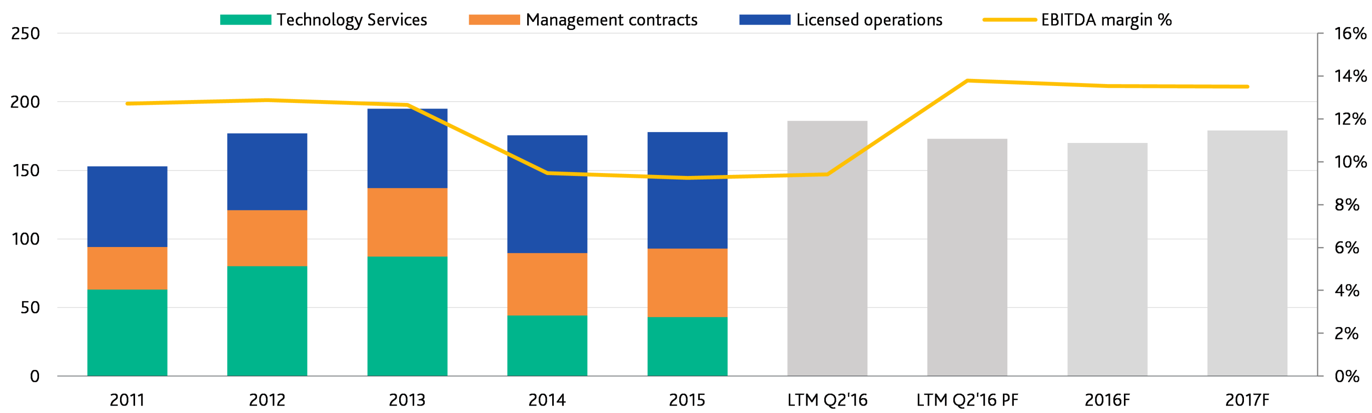
The combination of these four transactions will ultimately reduce the company's size by approximately EUR690 million of reported revenues and EUR20 million of reported EBITDA, based on 2015 figures, but will improve the profit margins over time, provided that all the contracts maturing in 2017-2018 are successfully renewed at current terms. We expect that the growth in the rest of the business will partially compensate for the resulted EBITDA loss. Furthermore, these transactions will improve Intralot's cash flow generation, albeit remaining weak, because the company will benefit from (1) lower capital expenditure as it will not have to pay for the renewal of its Italian betting licence estimated to be approximately EUR30 million; and (2) cash proceeds from asset disposals, albeit to be allocated to debt reduction.

Exhibit 2
Historic and forecast reported revenues (€m)



Note: LTM Q2 2016 pro forma figures exclude the Italian and Peruvian operations.
Source: Company's reporting, Moody's forecasts

Exhibit 3
Historic and forecast reported EBITDA (€m) and EBITDA margin (%)



Note: LTM Q2 2016 pro Forma figures exclude the Italian and Peruvian operations.
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.

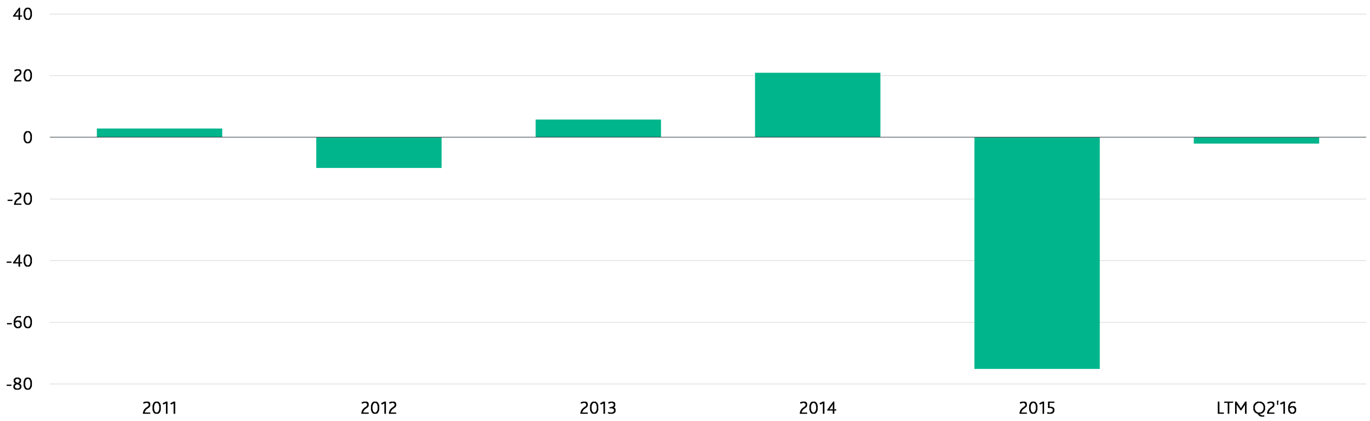
LACK OF HISTORIC GROWTH AND WEAK FREE CASH FLOW

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

Moreover, the capital investment spent to grow the business did not translate in any uplift in Intralot EBITDA, which remained broadly flat since 2012 despite growing revenues, thus reducing the company profit margins. 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 organic growth trajectory and EBITDA margin following H1 2016 results and recent M&A transactions, free cash flow will continue to be weak or negative in FY2016-2017.

Exhibit 4
Historic free cash flow (€m), as adjusted by Moody's



Note: 2015 free cash flow was negatively impacted by exceptional working capital movements and dividends to the Turkish JV.
Source: Moody's Financial Metrics™

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 (94%) 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 55 jurisdictions 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) but excluding corporate costs represented less 3% of total revenues.

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 risk 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 facilities will be successfully refinanced. The majority of the cash is held outside of Greece and 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 existing bank facilities, 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.

Liquidity Analysis

We consider Intralot's liquidity as being adequate for its near-term requirements including working capital needs, capital expenditures, dividend payments to minorities, and the consideration to be paid for the Bulgarian acquisition, assuming the successful refinancing of the existing syndicated facilities.

The liquidity is underpinned by EUR213 million of cash balances at the end of June 2016 and Moody's expectation that it will remain broadly at the same level at the end of FY2016 as anticipated debt reductions will be primarily funded by disposal proceeds. We also note that the company needs at least EUR60 million of cash for basic operational needs and therefore continues to partially rely on being able to access cash and cash flow from certain emerging markets.

The current syndicated facilities agreement includes a maximum net leverage ratio of 3.25x and minimum net interest cover ratio of 3.25x as financial maintenance covenants. The company was in compliance with both ratios as of March 2016 with 17-19% headroom. We expect the company to maintain satisfactory covenant headroom under the new prospective syndicated facilities.

Furthermore, the company announced a 10% share buy-back programme over 24 months in May 2016. Given the current market capitalisation of EUR155 million (as of 12 September 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

The (P)B1 rating of the new senior unsecured notes due 2021 is the same as that of the existing notes, as they rank pari passu (also with the existing and prospective syndicated bank facilities). New and existing notes and the bank facilities share the same guarantee package, set at a minimum of 70% of the consolidated assets and EBITDA in the syndicated facilities agreement.

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 14 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 55 jurisdictions worldwide, employing approximately 5,200 people.

For the last twelve months ended 30 June 2016, Intralot generated revenues of approximately EUR1.2 billion and reported an EBITDA of EUR173 million pro forma for the disposal of the Italian and Peruvian operations.

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%).

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]	LTM 6/30/2016		As of 9/12/2016 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Net Revenues (USD Billion)	$2.2	Ba	$1.4	B
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	3.7x	Ba	3.5x - 3.7x	Ba
b) EBIT / Interest	1.4x	B	1.7x - 2.6x	Ba
c) RCF / Debt	9.6%	B	5.7% - 9.9%	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 CAPITAL LUXEMBOURG S.A.	
Outlook	Negative
Bkd Senior Unsecured -Dom Curr	(P)B1/LGD4
INTRALOT FINANCE LUXEMBOURG S.A.	
Outlook	Negative
Bkd Senior Unsecured -Dom Curr	B1/LGD4

Source: Moody's Investors Service

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