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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The registrant has the following number of shares outstanding of each of the registrant's classes of common stock as of November 5, 2018:

Common Stock: 91,706,419

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
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AND OTHER INFORMATION
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

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Glossary of
Terms

The following terms or acronyms used in this Quarterly Report on Form 10-Q are defined below:

Term or Acronym	Definition
2017 10-K	2017 Annual Report on Form 10-K filed with the SEC on March 1, 2018
2018 Notes	8.125% senior subordinated notes due 2018 issued by SGC
2020 Notes	6.250% senior subordinated notes due 2020 issued by SGI
2021 Notes	6.625% senior subordinated notes due 2021 issued by SGI
2022 Secured Notes	7.000% senior secured notes due 2022 issued by SGI
2025 Secured Notes	5.000% senior secured notes due 2025 issued by SGI
2026 Secured Euro Notes	3.375% senior secured notes due 2026 issued by SGI
2026 Unsecured Euro Notes	5.500% senior unsecured notes due 2026 issued by SGI
AEBITDA	Attributable EBITDA, our performance measure of profit or loss for our business segments (see Note 3)
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
B2C	business to consumer model
CSP	Cooperative Services Program
D&A	depreciation, amortization and impairments (excluding goodwill)
FASB	Financial Accounting Standards Board
Guarantor Subsidiaries	substantially all of SGC's 100%-owned U.S. subsidiaries other than SGC's 100%-owned U.S. Social gaming subsidiaries
LNS	Lotterie Nazionali S.r.l.
Non-Guarantor Subsidiaries	SGC's U.S. subsidiaries that are not Guarantor Subsidiaries and SGC's foreign subsidiaries
Note	a note in the Notes to Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, unless otherwise indicated
NYX	NYX Gaming Group Limited
NYX acquisition	the acquisition of 100% of the ordinary shares of NYX by SGC on January 5, 2018 with respect to our Gaming business, refers to gaming machines provided to customers through service or leasing arrangements in which we earn revenues and are paid based on: (1) a percentage of the amount wagered less payouts; (2) fixed daily-fees; (3) a percentage of the amount wagered; or (4) a combination of (2) and (3), and with respect to our Lottery business, refers to a contract or arrangement in which we earn revenues and are paid based on a percentage of retail sales
Participation	percentage of retail sales
POS	price-per-unit
PPU	proprietary table games
PTG	research and development
R&D	request for proposal
RFP	real-money gaming
RMG	restricted stock unit
RSU	Securities and Exchange Commission
SEC	refers to the 2022 Secured Notes, 2025 Secured Notes, and 2026 Secured Euro Notes, collectively
Secured Notes	

SG&A	selling, general and administrative
SGC	Scientific Games Corporation
SIG	Scientific Games International, Inc., a wholly-owned subsidiary of SGC
Shufflers	various models of automatic card shufflers, deck checkers and roulette chip sorters
Subordinated Notes	refers to the 2020 Notes and 2021 Notes, collectively
Unsecured Notes	10.000% senior unsecured notes due 2022 issued by SGI
U.S. GAAP	accounting principles generally accepted in the U.S.
U.S. jurisdictions	the 50 states in the U.S. plus the District of Columbia and Puerto Rico
VGT	video gaming terminal
VLT	video lottery terminal
WAP	wide-area progressive

Intellectual Property Rights

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FORWARD-LOOKING STATEMENTS

Throughout this Quarterly Report on Form 10-Q, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect," "anticipate," "target," "should," "could," "potential," "opportunity," "goal" or similar terminology. The forward-looking statements contained in this Quarterly Report on Form 10-Q are generally located in the material set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" but may be found in other locations as well. These statements are based upon management's current expectations, assumptions and estimates and are not guarantees of timing, future results or performance. Therefore, you should not rely on any of these forward-looking statements as predictions of future events. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- competition;
- U.S. and international economic and industry conditions;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- ownership changes and consolidation in the gaming industry;
- opposition to legalized gaming or the expansion thereof;
- inability to adapt to, and offer products that keep pace with, evolving technology, including any failure of our investment of significant resources in our R&D efforts;
- inability to develop successful products and services and capitalize on trends and changes in our industries, including the expansion of internet and other forms of interactive gaming;
- laws and government regulations, including those relating to gaming, data privacy, and environmental laws;
- legislative interpretation and enforcement, regulatory perception and regulatory risks with respect to gaming and sports wagering;
- reliance on technological blocking systems;
- expectations of shift to regulated online gaming or sports wagering;
- dependence upon key providers in our Social gaming business;
- inability to win, retain or renew, or unfavorable revisions of, existing contracts, and the inability to enter into new contracts;
- protection of our intellectual property, inability to license third-party intellectual property and the intellectual property rights of others;
- security and integrity of our products and systems;
- reliance on or failures in information technology and other systems;
- security breaches and cyber-attacks, challenges or disruptions relating to the implementation of a new global enterprise resource planning system;
- failure to maintain adequate internal control over financial reporting;
- natural events that disrupt our operations or those of our customers, suppliers or regulators;
- inability to benefit from, and risks associated with, strategic equity investments and relationships;
- failure to achieve the intended benefits of our acquisitions, including the NYX acquisition and the Don Best acquisition;

- the ability to successfully integrate our acquisitions, including the NYX acquisition;
- incurrence of restructuring costs;
- implementation of complex new accounting standards;
- changes in estimates or judgments related to our impairment analysis of goodwill or other intangible assets;
- fluctuations in our results due to seasonality and other factors;
- dependence on suppliers and manufacturers;
- risks relating to foreign operations, including anti-corruption laws, fluctuations in F/X rates, restrictions on the payment of dividends from earnings, restrictions on the import of products and financial instability, including the potential impact to our business resulting from the affirmative vote in the U.K. to withdraw from the EU, and the potential impact to our instant lottery game concession or VLT lease arrangements resulting from the economic and political conditions in Greece;
- possibility that the renewal of LNS' concession to operate the Italian instant games lottery is not finalized (including as the result of a protest or any right of appeal on a court ruling on a protest);
- changes in tax laws or tax rulings (including the recent comprehensive U.S. tax reform), or the examination of our tax positions;
- difficulty predicting what impact, if any, new tariffs imposed by and other trade actions taken by the U.S. and foreign jurisdictions could have on our business;
- dependence on key employees;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees (including labor disputes), intellectual property, environmental laws and our strategic relationships;
- level of our indebtedness, higher interest rates, availability or adequacy of cash flows and liquidity to satisfy indebtedness, other obligations or future cash needs;
- inability to reduce or refinance our indebtedness;
- restrictions and covenants in debt agreements, including those that could result in acceleration of the maturity of our indebtedness;
- influence of certain stockholders, including decisions that may conflict with the interests of other stockholders; and
- stock price volatility.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under Part I, Item 1A "Risk Factors" in our 2017 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no and expressly disclaim any obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

You should also note that this Quarterly Report on Form 10-Q may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international gaming, lottery, social and digital gaming industries than the same industries in the U.S.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(Unaudited, in millions, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue:				
Services	\$438.9	\$386.7	\$1,314.5	\$1,135.0
Product sales	240.2	240.6	720.8	694.4
Instant products	141.9	141.6	442.2	431.2
Total revenue	821.0	768.9	2,477.5	2,260.6
Operating expenses:				
Cost of services ⁽¹⁾	124.4	105.5	370.5	307.7
Cost of product sales ⁽¹⁾	109.9	116.9	335.4	332.2
Cost of instant products ⁽¹⁾	67.0	68.4	208.0	209.8
Selling, general and administrative	169.7	158.8	515.2	445.4
Research and development	49.5	47.8	152.5	138.3
Depreciation, amortization and impairments	166.3	173.1	527.1	513.2
Restructuring and other	338.7	7.8	424.4	18.1
Operating (loss) income	(204.5)	90.6	(55.6)	295.9
Other (expense) income:				
Interest expense	(147.4)	(148.9)	(448.3)	(459.5)
Earnings from equity investments	4.3	7.5	16.2	20.1
Loss on debt financing transactions	—	(8.4)	(93.2)	(38.1)
(Loss) gain on remeasurement of debt	(4.0)	—	29.4	—
Other (expense) income, net	(0.4)	(4.3)	(1.9)	1.3
Total other expense, net	(147.5)	(154.1)	(497.8)	(476.2)
Net loss before income taxes	(352.0)	(63.5)	(553.4)	(180.3)
Income tax benefit (expense)	0.4	4.2	(5.8)	(18.9)
Net loss	\$(351.6)	\$(59.3)	\$(559.2)	\$(199.2)
Other comprehensive (loss) income:				
Foreign currency translation (loss) gain, net of tax	(8.5)	73.4	(45.8)	139.1
Pension and post-retirement (loss) gain, net of tax	—	(1.3)	0.3	(2.0)
Derivative financial instruments unrealized gain, net of tax	3.3	0.7	9.0	3.5
Other comprehensive (loss) income	(5.2)	72.8	(36.5)	140.6
Comprehensive (loss) income	\$(356.8)	\$13.5	\$(595.7)	\$(58.6)
Basic and diluted net loss per share:				
Basic	\$(3.85)	\$(0.66)	\$(6.15)	\$(2.24)
Diluted	\$(3.85)	\$(0.66)	\$(6.15)	\$(2.24)
Weighted average number of shares used in per share calculations:				
Basic shares	91.4	89.6	90.9	88.9
Diluted shares	91.4	89.6	90.9	88.9

(1) Exclusive of D&A.

See accompanying notes to condensed consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited, in millions, except par value)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 113.5	\$ 788.8
Restricted cash	37.1	29.0
Accounts receivable, net	526.7	540.9
Notes receivable, net	124.4	143.5
Inventories	238.4	243.1
Prepaid expenses, deposits and other current assets	269.7	131.1
Total current assets	1,309.8	1,876.4
Non-current assets:		
Restricted cash	15.2	16.3
Notes receivable, net	40.2	52.8
Property and equipment, net	542.4	568.2
Goodwill	3,308.2	2,956.1
Intangible assets, net	1,725.7	1,604.6
Software, net	301.2	339.4
Equity investments	206.0	253.9
Other assets	80.2	57.6
Total assets	\$7,528.9	\$ 7,725.3
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	\$46.8	\$ 40.3
Accounts payable	215.4	190.4
Accrued liabilities	810.2	509.1
Total current liabilities	1,072.4	739.8
Deferred income taxes	140.0	73.1
Other long-term liabilities	200.1	203.1
Long-term debt, excluding current portion	8,735.0	8,736.3
Total liabilities	10,147.5	9,752.3
Commitments and contingencies (see Note 15)		
Stockholders' deficit:		
Common stock, par value \$0.001 per share ⁽¹⁾ : 199.3 shares authorized; 108.6 and 107.1 shares issued and 91.4 and 89.9 shares outstanding, respectively	1.1	1.1
Additional paid-in capital	822.8	807.8
Accumulated loss	(3,031.1)	(2,461.0)
Treasury stock, at cost, 17.2 shares	(175.2)	(175.2)
Accumulated other comprehensive loss	(236.2)	(199.7)
Total stockholders' deficit	(2,618.6)	(2,027.0)
Total liabilities and stockholders' deficit	\$7,528.9	\$ 7,725.3

(1) Following the consummation of the reincorporation merger on January 10, 2018, each authorized, issued and outstanding share of Class A common stock of SGC, par value \$0.01 per share, automatically converted into one share of common stock of the surviving corporation, par value \$0.001 per share. The change in par value had no impact on total number of authorized, issued and outstanding shares.

See accompanying notes to condensed consolidated financial statements.

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SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Nine Months Ended September 30, 2018 2017	
Cash flows from operating activities:		
Net loss	\$(559.2)	\$(199.2)
Adjustments to reconcile net loss to cash provided by operating activities	678.0	589.4
Changes in working capital accounts, net of acquisitions	236.9	(6.0)
Changes in deferred income taxes and other	0.2	4.8
Net cash provided by operating activities	355.9	389.0
Cash flows from investing activities:		
Capital expenditures	(293.1)	(214.1)
Acquisitions of businesses and assets, net of cash acquired	(274.1)	(57.7)
Distributions of capital from equity investments	24.6	23.9
Additions to equity method investments	(76.2)	—
Other	—	10.0
Net cash used in investing activities	(618.8)	(237.9)
Cash flows from financing activities:		
Borrowings under revolving credit facility	185.0	125.0
Repayments under revolving credit facility	(490.0)	(170.0)
Proceeds from issuance of senior notes and term loans	2,512.4	1,762.4
Repayment of senior notes and term loans (inclusive of redemption premium)	(2,210.3)	(1,693.4)
Repayment of assumed NYX debt	(288.2)	—
Payments on long-term debt	(26.7)	(13.1)
Payments of debt issuance and deferred financing costs	(38.5)	(52.3)
Payments on license obligations	(22.3)	(29.0)
Net redemptions of common stock under stock-based compensation plans and other	(24.3)	(2.7)
Net cash used in financing activities	(402.9)	(73.1)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2.5)	4.8
(Decrease) increase in cash, cash equivalents and restricted cash	(668.3)	82.8
Cash, cash equivalents and restricted cash, beginning of period	834.1	156.9
Cash, cash equivalents and restricted cash, end of period	\$165.8	\$239.7
Supplemental cash flow information:		
Cash paid for interest	\$441.8	\$423.1
Income taxes paid	24.9	27.8
Supplemental non-cash transactions:		
Non-cash rollover and refinancing of term loans (see Note 11)	3,274.6	6,030.4
Non-cash interest expense	18.8	17.4
Non-cash additions to intangible assets related to license agreements	—	28.1
NYX non-cash consideration transferred (inclusive of 2017 acquisition of ordinary shares) (see Note 1)	93.2	—
See accompanying notes to condensed consolidated financial statements.		

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in USD, table amounts in millions, except per share amounts)

(1) Description of the Business and Summary of Significant Accounting Policies

Description of the Business

We are a leading developer of technology-based products and services and associated content for the worldwide gaming, lottery, social, and digital gaming industries. Our portfolio of revenue-generating activities primarily includes supplying gaming machines and game content, casino-management systems, and table game products and services to licensed gaming entities; providing instant and draw-based lottery games, lottery systems, and lottery content and services to lottery operators; providing social casino solutions to retail consumers and regulated gaming entities, as applicable; and providing a comprehensive suite of digital RMG and sports betting solutions, distribution platforms, content, products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments. Following the NYX acquisition and subsequent review of our business segments reporting structure, we now report our operations in four business segments—Gaming, Lottery, Social and Digital— with prior periods being recast to align with the current presentation.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying condensed consolidated financial statements include the accounts of SGC and its wholly owned subsidiaries, and those subsidiaries in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in our condensed consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

In the opinion of SGC and its management, we have made all adjustments necessary to present fairly our consolidated financial position, results of operations and comprehensive loss and cash flows for the periods presented. Such adjustments are of a normal, recurring nature. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2017 10-K. Interim results of operations are not necessarily indicative of results of operations to be expected for a full year.

Significant Accounting Policies

There have been no changes to our significant accounting policies described within the Notes of our 2017 10-K other than adoption of ASC 606 described in Note 2.

Computation of Basic and Diluted Net Loss Per Share

Basic and diluted net loss per share were the same for all periods presented as all common stock equivalents would be anti-dilutive. We excluded 2.6 million of stock options from the diluted weighted-average common shares outstanding for the three and nine months ended September 30, 2018 and 2017, respectively. We excluded 2.9 million of RSUs from the calculation of diluted weighted-average common shares outstanding for the three and nine months ended September 30, 2018, respectively, and 4.2 million RSUs from such calculation for the three and nine months ended September 30, 2017, respectively.

Acquisition of NYX Gaming Group Limited and Preliminary Purchase Price Allocation

On January 5, 2018, we completed the acquisition of all outstanding ordinary shares of NYX, creating a leading digital provider of sports betting, iGaming and iLottery technologies, platforms, content, products and services. We paid \$665.8 million in cash to acquire ordinary shares and other securities and to redeem NYX's outstanding debt inclusive of \$91.9 million paid during the fourth quarter of 2017 to acquire NYX ordinary shares and other securities. The fair value of our NYX non-controlling equity interest held immediately before the acquisition date was \$90.4 million.

We accounted for this acquisition using the acquisition method of accounting allocating the total consideration transferred to acquired tangible and intangible assets and assumed liabilities based on estimated fair values. The fair value determination of the acquired assets and assumed liabilities (including the related determination of estimated

lives of depreciable and amortizable tangible and intangible assets) requires significant judgments and estimates. The estimated fair values of the acquired assets and assumed liabilities and resulting goodwill are subject to adjustment as we finalize our purchase price accounting, and such adjustments could be material.

We incurred \$7.7 million of NYX acquisition-related costs which were recorded in Restructuring and other for the nine months ended September 30, 2018.

The following table summarizes the preliminary allocation of the purchase price expected to be finalized by the end of 2018:

	January 5, 2018
Cash, cash equivalents and restricted cash	\$23.3
Accounts receivable and other current assets ⁽¹⁾	55.2
Property and equipment and other non-current assets ⁽¹⁾	22.1
Goodwill	376.4
Intangible assets	350.0
Total assets	\$827.0
Current liabilities ⁽²⁾	\$82.0
Deferred income taxes	66.3
Assumed debt and other liabilities	299.7
Total liabilities	\$448.0
Total consideration transferred	\$379.0

(1) Inclusive of \$43.0 million and \$12.9 million of receivables and contract assets, respectively.

(2) Inclusive of \$15.7 million of contract liabilities.

Cash, cash equivalents and restricted cash, accounts receivable and other current assets and most liabilities (other than as primarily related to deferred income taxes) were valued at the existing carrying values which approximated the estimated fair values. The estimated preliminary fair value of deferred income taxes was determined by applying the applicable enacted statutory tax rate to the temporary differences that arose on the differences between the financial reporting value and tax basis of the acquired assets and assumed liabilities.

The fair value of intangible assets that have been preliminarily identified was determined using a combination of the relief from royalty method and the excess earnings method using level 3 inputs in the hierarchy as established by ASC 820. The discount rates used in the valuation analysis ranged between 10% and 14%, and the royalty rate used was 0.5%. The following table details the intangible assets that have been preliminarily identified:

	Fair Value	Weighted Average Useful Life (Years)
Customer relationships	\$214.0	7-10
Intellectual property ⁽¹⁾	126.5	7
Trade names	9.5	7

(1) Primarily consists of core technology and content.

The factors contributing to the recognition of acquisition goodwill are based on enhanced financial and operational scale, market diversification, expected cost and operational synergies, assembled workforce, and other strategic benefits. None of the resultant goodwill is expected to be deductible for income tax purposes.

NYX revenue and net loss since the acquisition date included in our consolidated results were as follows:

Three	Nine
Month	Months
Ended	Ended

September 30,
2018

Revenue \$46.5 \$ 146.3

Net loss 10.9 26.4

The acquired NYX business was combined with the business-to-business component of our previous Interactive business segment, forming the new Digital business segment.

The following unaudited pro forma financial information for the three and nine months ended September 30, 2018 and 2017 give effect to the NYX acquisition as if it had been completed on January 1, 2017:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Revenue	\$821.0	\$ 814.5	\$2,477.5	\$ 2,393.8
Net loss	351.6	76.1	551.5	244.8

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been if the NYX acquisition had taken place on January 1, 2017, nor is it indicative of future operating results. The pro forma amounts include the historical operating results of SGC and NYX prior to the acquisition, with adjustments factually supportable and directly attributable to the NYX acquisition, primarily related to the effect of fair value adjustments and related depreciation and amortization, acquisition-related fees and expenses, interest expense related to additional borrowings used to complete the acquisition, and the effect of repayments of NYX historical debt as a result of the acquisition.

Other Acquisitions

On January 23, 2018, we acquired privately held Tech Art, Inc. and related entities (collectively, "Tech Art") for \$9.6 million cash consideration. The transaction was accounted for as an asset acquisition, with substantially all of the cash consideration transferred allocated to intellectual property, which was assigned a 15-year useful life. Tech Art has been integrated into our Gaming business segment.

On November 1, 2018, we completed the acquisition of privately-held Don Best Sports Corporation and DBS Canada Corporation (collectively, "Don Best"), a leading global supplier of real-time betting data and pricing for North American sporting events, for \$26.5 million in cash with the potential for additional contingent consideration. We are in the process of completing the preliminary purchase price accounting and expect that a substantial portion of the purchase price will be allocated to acquired intellectual property and customer relationships. Don Best was integrated into our Digital business segment.

New Accounting Guidance - Recently Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 combined with all subsequent amendments (collectively, ASC 606) provides guidance outlining a single comprehensive revenue model in accounting for revenue from contracts with customers. ASC 606 supersedes existing revenue recognition guidance, including industry-specific guidance, and replaces it with a five-step revenue model with a core principle that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." This guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. We adopted this guidance effective January 1, 2018 using a modified retrospective application approach. See our 2017 10-K Note 1 for the anticipated annual impact on our consolidated financial statements and Note 2 in this Quarterly Report on Form 10-Q for our revenue recognition policy and the quarterly impact of our adoption of ASC 606. The FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business in 2017. The new guidance clarifies the definition of a business in order to allow for the evaluation of whether transactions should be accounted for as acquisitions or disposals of assets or businesses. We adopted this guidance effective January 1, 2018, and this adoption did not have a material effect on our consolidated financial statements.

The FASB issued ASU No. 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost in 2017. We adopted this guidance effective January 1, 2018. This guidance requires an employer to report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of operating income, if one is presented, which for us means that certain immaterial amounts will be classified within interest expense as compared to the previous classification within SG&A. We are also required to describe which line items are used to present the other components of net benefit cost if such financial statement line items are separately presented; otherwise, we must disclose the line items in which such costs are presented.

The FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities in 2017. We early adopted this guidance during the first quarter of 2018, which simplifies the application of hedge accounting guidance, and creates greater transparency for results presented on the face of the financial statements and footnotes. Our adoption did not have a material effect on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This guidance requires that such capitalized implementation costs for hosting arrangements are expensed over the term of the hosting arrangement and presented in the same line item in the statement of operations and comprehensive (loss) income as the fees associated with the hosting service. We early adopted this guidance prospectively effective the third quarter of 2018, and this adoption did not have a material effect on our consolidated financial statements.

New Accounting Guidance - Not Yet Adopted

The FASB issued ASU No. 2016-02, Leases (Topic 842) in 2016. ASU 2016-02 combined with all subsequent amendments (collectively, ASC 842) requires balance sheet recognition for all leases with a lease term greater than one year to be recorded as a lease liability (on a discounted basis) with a corresponding right-of-use asset. This guidance also expands the required quantitative and qualitative disclosures for lease arrangements and gives rise to other changes impacting certain aspects of lessor accounting. We will adopt this guidance at the beginning of the first quarter of 2019 using the optional transition method provided by ASU 2018-11, and we anticipate applying both the lessee package of practical expedients and the available lessor practical expedients.

We continue to assess the anticipated impact of adopting this guidance, and the following is our preliminary assessment completed to date:

Lessee Accounting: Based on the preliminary analysis completed to date, we estimate the adoption will result in the addition of \$175.0 million to \$225.0 million of assets and liabilities (on undiscounted basis) to our consolidated balance sheet, primarily related to real estate leases, with no significant change to our consolidated statements of operations and comprehensive (loss) income or cash flows. We also anticipate our quantitative and qualitative disclosures for lease arrangements will increase under ASC 842.

Lessor Accounting: Certain of our international gaming operations arrangements and domestic lottery systems arrangements may contain identified equipment that is conveyed to our customers as a part of a comprehensive service solution. For these arrangements, we are predominantly compensated on a participation basis (variable payments). While most of these arrangements may contain operating leases, depending on the terms of these arrangements, either at inception or upon modification, certain of these arrangements could potentially be classified as sales-type financing leases. For such arrangements classified as sales-type financing leases and because payments are variable, a loss would be recorded from derecognition of the carrying amount of the underlying equipment that is greater than the net investment in the lease, even though the arrangement is expected to ultimately be profitable. The timing of rental income for these arrangements would not be impacted.

The FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326) in 2016. The new guidance replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected

credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans and other financial instruments, we will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. The new guidance will be effective for us beginning January 1, 2020, with early adoption permitted beginning January 1, 2018. Application of the amendments is through a cumulative-effect adjustment to retained earnings as of the effective date. We are currently evaluating the impact of adopting this guidance.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The new guidance amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures on fair value measurements in ASC 820. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement

uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The new guidance will be effective for us beginning January 1, 2020, with early adoption permitted upon issuance of this updated guidance. We do not plan to early adopt this ASU, and we are currently evaluating the impact of adopting this guidance.

We do not expect that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

(2) Revenue Recognition

As described in Note 1, on January 1, 2018, we adopted ASC 606 using the modified retrospective method, which was applied to customer contracts that were not completed as of January 1, 2018. In accordance with the modified retrospective transition method, our results of operations beginning with the first quarter of 2018 are presented in accordance with ASC 606, while prior periods continue to be reported in accordance with the historical revenue recognition guidance as disclosed in our 2017 10-K.

The following table disaggregates our revenues by type within each of our business segments:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Gaming				
Gaming operations	\$ 159.2	\$ 176.0	\$ 480.5	\$ 526.8
Gaming machine sales	167.2	163.1	479.6	482.6
Gaming systems	69.7	62.0	229.0	190.6
Table products	51.8	53.5	172.5	151.8
Total	\$ 447.9	\$ 454.6	\$ 1,361.6	\$ 1,351.8
Lottery				
Instant products	\$ 142.0	\$ 142.7	\$ 442.3	\$ 435.7
Lottery systems	64.8	60.2	173.3	158.6
Total	\$ 206.8	\$ 202.9	\$ 615.6	\$ 594.3
Social				
Social gaming	\$ 105.1	\$ 95.1	\$ 302.2	\$ 266.4
Digital				
Sports and platform	\$ 20.8	\$ —	\$ 67.2	\$ —
Gaming and other	40.4	16.3	130.9	48.1
Total	\$ 61.2	\$ 16.3	\$ 198.1	\$ 48.1

General

We evaluate the recognition of revenue and rental income based on the criteria set forth in ASC 606 or ASC 840, as appropriate. Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. This condition normally is met when the product has been delivered or upon performance of services. Revenue is reported net of incentive rebates and discounts. We made an accounting policy election to exclude from the measurement of the

transaction price sales taxes and all other items of a similar nature, and also elected to account for shipping and handling activities as a fulfillment of our promise to transfer the goods. Accordingly, shipping and handling costs are included in cost of sales.

Our credit terms are predominately short term in nature. We also grant extended payment terms under certain contracts, primarily where the sale is secured by the related equipment sold, and generally only in certain Gaming segment contracts with customers. For these contracts with customers for which the financing component is determined to be significant to the contract, the contract transaction price is adjusted for the effect of a financing component (time value of money). We have not applied the significant financing component guidance to transactions with financing terms of 12 months or less.

Any sales commissions associated with the sale or placement of our products and services are expensed as incurred as contracts associated with sales commissions are generally completed within a one-year period.

The primary types of revenue impacted by the adoption of ASC 606 were Gaming operations and Lottery instant products. Each of these is described separately below. We had other balance sheet adoption impacts that, combined with the preceding, resulted in a net increase to opening accumulated loss of \$10.9 million as of January 1, 2018. As part of the adoption of ASC 606, we increased contract liabilities by \$9.7 million primarily associated with Lottery instant products licensing and player loyalty contracts for which we determined that the promises in the related contracts were part of a single performance obligation under ASC 606. In addition, we reduced previously recorded deferred costs net of newly established contract assets by \$11.4 million related to licensing in certain customized lottery software contracts for which we concluded that we were unable to recognize revenue for delivered elements under ASC 985-605 due to the lack of vendor-specific objective evidence for undelivered elements and for which we were required to estimate the standalone selling price of delivered performance obligations under ASC 606. Combined, we expect all other adoption impacts other than Gaming operations and Lottery instant products to have less than a \$10.0 million impact on revenue and operating income in the aggregate for the remainder of 2018.

Contracts with Customers with Multiple Promised Goods and Services

We enter into contracts with customers that include multiple promises (such as gaming machines, gaming systems hardware and software, installation, service and maintenance, product support or lottery systems and hardware, installation and maintenance bundled promises). For such contracts, the transaction price is allocated to each distinct performance obligation using an estimate of stand-alone selling price. The stand-alone selling price is generally based on observable prices or a cost plus margin approach. We also use the residual method when observable prices are uncertain or highly variable, primarily with respect to certain of our software licenses. The establishment of stand-alone selling price requires judgment as to whether there is a sufficient quantity of items sold or substantively renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a stand-alone selling price exists.

The guidance in ASC 606 requires that we apply judgments or estimates to determine both the performance obligations and the stand-alone selling prices of identified performance obligations. Contracts with multiple promised goods and services described above will often involve significant judgment in determining whether each promise is distinct or should be combined with other promises in such contracts in concluding on the distinct performance obligations for such contracts. Such judgment generally requires an assessment of the level of integration and interdependency between individual components particularly in our gaming systems and certain digital contracts with customers. Associated with these same contracts, we also apply significant judgment to determine the stand-alone selling prices of the identified performance obligations. In certain contracts with customers, we bundle the selling price for multiple promised goods or services or we may license systems for which the solutions we provide are highly customized and therefore the prices we charge are either uncertain, highly variable, or both.

Gaming Operations

Gaming operations revenues are generated by providing customers access to proprietary land-based gaming equipment, table game products and VLTs under a variety of recurring operating, service, or rental contracts, for which consideration is based upon a percentage of Coin-in, a percentage of Net win, or a fixed daily/monthly fee, with variability generally resolved in the reporting period. For these contracts with customers, we generally transfer control and recognize revenue or rental income over time based on the amount we expect to receive as described and classify such revenue or rental income as services revenue. Payments from customers under these contracts are typically due on a monthly basis. Jackpot expense for our WAP services is recorded as a reduction to revenue, which decreased

revenue and cost of services by \$4.5 million and \$15.4 million for the three and nine months ended September 30, 2018, respectively. This change in classification has no impact on operating income or net loss. There was \$5.5 million and \$17.9 million of such amounts presented as cost of services for the three and nine months ended September 30, 2017, respectively. The amount of rental income revenue that is outside the scope of ASC 606 was \$66.0 million and \$202.1 million for the three-and-nine months ended September 30, 2018, respectively.

Gaming Machine Sales

These contracts with customers include the sale of gaming machines, including game content, electronic table game products and parts (including game themes and conversion kits). We transfer control and recognize revenue from the sale of gaming machines at a point in time upon delivery of gaming machines to our customers or distributors pursuant to the terms of the contract. If the sale of gaming machines includes multiple promised goods and services, these contracts are accounted for as

described in the "Contracts with Customers with Multiple Promised Goods and Services" section above. Our credit terms are predominately short term in nature.

Gaming Systems

Gaming systems contracts with customers can include a comprehensive suite of technology solutions provided to gaming operators, including perpetual licenses to core system solutions and non-core system solutions and other applications and tools. Gaming systems products also include the iVIEW® touch screen display, which facilitates the player experience, bonus features, customer service, and employee functions and ongoing hardware and software maintenance services and upgrades.

Determination of performance obligations and timing of the transfer of control varies by contract. Generally, these contracts contain multiple promised goods and services, including the following: (i) core system software license; (ii) non-core system software license(s); (iii) professional services; (iv) system-based hardware; (v) in-game hardware products; and (vi) software and hardware maintenance and product support.

Control transfers and we recognize revenue from the sale of perpetual gaming systems licenses and various hardware products at a point in time when the gaming system is available for use by a customer which is no earlier than the commencement of the license term, and for the hardware products upon delivery. For contracts that include new core gaming system installations, control is not considered transferred until control of the core gaming system license is transferred as the additional promises are generally highly dependent on the core gaming system. Software and hardware maintenance and product support services are considered stand-ready obligations, therefore control transfers and revenue is recognized over time over the term of the maintenance and support period. If a gaming systems contract includes multiple promised goods and services, these contracts are accounted for as described in the "Contracts with Customers with Multiple Promised Goods and Services" section above.

Table Products

Table products revenue is generated from supplying and maintaining or selling table game products, primarily including automatic card shufflers, deck checkers, table roulette chip sorters and other land-based table gaming equipment. We transfer control and recognize revenue from the sale of table products at a point in time upon delivery to our customers or distributors pursuant to the terms of the contract. Supply and maintenance contracts, for which consideration is primarily based on a fixed monthly fee, are considered stand-ready obligations, therefore control transfers and revenue is recognized over time over the term of the supply and maintenance period. Such contracts are generally short-term in nature. We also license our proprietary table games content, for which revenue is recognized at a point in time under the licensing of intellectual property guidance as such licenses are functional licenses.

Lottery Instant Products

Our instant products revenue is primarily generated under long-term contracts to supply instant products and provide related services to our Lottery customers. For instant products that are sold on a PPU and POS basis, we generally have a single performance obligation of a promise to supply the instant products. Control transfers and we recognize revenue from the sale of such instant products when the lotteries have taken delivery of shipments of instant products pursuant to the terms of the contract. For instant products that are sold on a POS basis, we are compensated based on retail sales, therefore the timing difference between the recognition of revenue, the billing of our customers and the receipt of payments depends on retail sales. Contract assets resulting from these contracts remain until we have the contractual ability to invoice and collect from customers (which occurs upon retail sales).

For our CSP contracts in which we perform all of the services necessary to operate the associated lottery's integrated instant product operations and for which we are compensated based on retail sales, our single performance obligation is a promise to perform a series of stand-ready services to operate and manage instant gaming programs for the lotteries in their entirety. Revenue is recognized over time as measured by an appropriate measure of progress toward satisfying our performance obligation, which we have determined to be when a lottery retailer activates any associated instant tickets, as this is the point at which we have transferred control over the associated instant tickets and perform no more services related to such instant tickets.

The guidance in ASC 606 requires that we apply judgment to determine the timing of control transfer of performance obligations in our Lottery instant products contracts. For instant products that are sold under POS contracts, we generally have

a single performance obligation of a promise to supply the instant products. The determination of when control transfers requires significant judgment because lotteries take delivery of shipments of instant products, but we retain the risk of such inventory until retail sales of such tickets takes place. We have determined control transfers upon delivery to a lottery-controlled warehouse, because we do not have the ability to direct the use of such instant products subsequent to delivery.

As disclosed in the first quarter of 2018, there was an \$8.1 million and \$6.3 million increase in revenue and Lottery Business Segment AEBITDA, respectively, associated with instant products sold on a POS basis due to adopting the new revenue recognition guidance in the first interim period of adoption. We expect this favorable impact will be largely offset during the three quarters following the initial adoption. The impact for the second and third quarters of 2018 was in line with these expectations. We continue to expect the adoption of the new revenue recognition guidance will have less than a \$10.0 million impact on POS revenue in the aggregate for 2018.

Revenue from any tickets sold under these arrangements that were in the lottery distribution channel at December 31, 2017 will not be recognized as retail sales occur, as both the revenue value of such tickets and the historical cost of such inventory at December 31, 2017 was reflected directly into shareholders' deficit at adoption. The adoption of ASC 606 related to inventory in the distribution channel at December 31, 2017 resulted in an increase to contract assets (included in Prepaid expenses, deposits and other current assets) totaling \$52.0 million, a reduction to inventory totaling \$33.0 million and a decrease to accumulated net loss totaling \$19.0 million. The impact of ASC 606 on our September 30, 2018 consolidated balance sheet was a \$37.9 million decrease to inventories and a \$40.7 million increase to contract assets included in Prepaid expenses, deposits and other current assets.

Lottery Systems

Our Lottery business segment offers our customers a number of related, value-added services as part of an integrated product offering. These services include lottery systems, including point-of-sale terminals and other equipment, software, data communication services and support and instant game validation systems, and software, hardware and related services for sports wagering and keno systems.

For our integrated lottery systems service contracts (described above), our single performance obligation is a promise to perform a series of stand-ready services to operate a fully-functional draw lottery. Revenue is recognized over time in an amount generally based on a percentage of sales of the related games, which represents our measure of progress toward satisfying our performance obligation.

For our perpetual licensing of customized lottery software contracts, we generally recognize revenue over time using costs incurred to date relative to total estimated completion costs to measure progress toward satisfying our performance obligations, which we believe best depicts the transfer of control to the customer.

Maintenance on lottery software and lottery terminals is considered a stand-ready obligation, with control transferring and revenue being recognized over time ratably over the maintenance and support period. If a lottery systems contract includes multiple promised goods and services, these contracts are accounted for as described in the "Contracts with Customers with Multiple Promised Goods and Services" section above.

Social Gaming

Social gaming revenues are generated from the sale of virtual coins, chips or bingo cards (collectively referred to as "virtual currency"), which players can use to play casino-style slot and table games or bingo games (i.e., spin in the case of slot games, bet in the case of table games and use of bingo cards in the case of bingo games). Control transfers and we recognize revenues from player purchases of virtual currency as the virtual currency is consumed for game play, which is based on a historical data analysis. Because we have control over the content and functionality of games before they are accessed by the end user, we have determined we are the principal and, as a result, revenues are

recorded on a gross basis. Payment processing fees paid to platform providers (such as Facebook, Apple, Amazon and Google) on a revenue participation basis are recorded within cost of services. All social gaming revenue is classified as services revenue.

Digital

Digital revenue is generated from professional services related to highly customized software design, development, licensing, maintenance and support services associated with a comprehensive suite of technology solutions, including sports books and betting markets across both fixed-odds and pari-mutuel betting styles. Additionally, through our integrated suite of

various platform and technology solutions, we provide gaming operators optional portals for reporting and administrative functions, and access to a wide portfolio of content, including casino, lottery and bingo style games. Determination of performance obligations and timing of the transfer of control vary based on the nature of the contract. Generally, these contracts contain multiple promises, including the following: (i) implementation of customized software solution and the associated software license; (ii) support services and unspecified software updates; (iii) professional development services; and (iv) access to the game content. Generally control transfers and we recognize revenue from the implementation of a customized software solution and the associated software license over time using costs incurred to date relative to total estimated completion costs to measure progress toward satisfying our performance obligations, which we believe best depicts the transfer of control to the customer. Support services and unspecified software updates are considered stand-ready obligations, therefore control transfers and revenue is recognized over time ratably over the term of the support period. Professional development services generally relate to post-go live development, and control transfers and revenue is recognized over time as services are rendered.

We also generate revenue from various content aggregation platforms, remote gaming servers, our SG Universe® platform and various other platforms, which deliver a wide spectrum of internally developed and branded games and popular third-party provided games to gaming operators. We provide daily access to these platforms and are typically compensated based on variable consideration, such as a percentage of net gaming revenue with variability generally resolved in the reporting period. All Digital revenue is classified as services revenue.

Contract Liabilities and Other Disclosures

The following table summarizes the activity in our contract liabilities for the reporting period:

	Nine Months Ended September 30, 2018
Contract liability balance, beginning of period ⁽¹⁾	\$ 88.2
Liabilities recognized during the period	54.5
Amounts recognized in revenue from beginning balance	(55.9)
Contract liability balance, end of period ⁽¹⁾	\$ 86.8

(1) Contract liabilities are included within accrued liabilities and other long-term liabilities in our consolidated balance sheet.

The timing of revenue recognition, billings and cash collections results in billed receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on our consolidated balance sheet. Other than contracts with customers with financing arrangements exceeding 12 months, revenue recognition is generally proximal to conversion to cash, except for Lottery instant products sold under percentage of sale contracts. As disclosed in "Lottery Instant Products" above, revenue is recognized for such contracts upon delivery to our customers, while conversion to cash is based on the retail sale of the underlying ticket to end consumers. As a result, revenue recognition under ASC 606 does not approximate conversion to cash in any periods post-adoption. Total revenue recognized under such contracts was \$26.0 million and \$83.8 million in the three and nine months ended September 30, 2018, respectively. The following table summarizes our opening and closing balances in these accounts (other than contract liabilities disclosed above):

	Receivables	Contract Assets ⁽¹⁾
Opening balance, January 1, 2018	\$ 724.7	\$ 66.4
Closing balance, September 30, 2018	691.3	109.1

(1) Contract assets are included primarily within Prepaid expenses, deposits and other current assets in our September 30, 2018 consolidated balance sheet.

Other than acquired contract assets and receivables and assumed contract liabilities resulting from the NYX acquisition (described in Note 1), we did not have any changes in these balances other than normal, recurring activity during the interim period ended September 30, 2018.

As of September 30, 2018, other than as described above, we did not have material unsatisfied performance obligations for contracts expected to be long-term or contracts for which we recognize revenue at an amount other than for which we have the right to invoice for goods or services delivered or performed.

(3) Business Segments

In connection with the NYX acquisition (see Note 1), in the first quarter of 2018, we reviewed our operating and business segments in light of certain changes in the organizational and operational structure of SGC. Based on this review, we determined that our Social gaming business, previously included in our Interactive business segment, is a separate business segment and the remaining business-to-business Interactive business component was integrated with the acquired NYX business, collectively forming the new Digital business segment.

As a result of the above changes, we now report our operations in four business segments—Gaming, Lottery, Social and Digital—representing our different products and services. A detailed discussion regarding the products and services from which our Gaming and Lottery business segments generally derive their revenue is included in our 2017 10-K Note 2. Our Social business segment provides social gaming services through our own B2C applications. Our Digital business segment provides highly customizable software design, development, licensing, maintenance and support services from a comprehensive suite of technology solutions to enable our customers to operate sports books, including betting markets across both fixed-odds and pari-mutuel betting styles, a distribution platform, full gaming process support services, brand and player management, including SG Universe services, and RMG services to online casino operators through our remote game servers. The products and services from which each reportable segment derives its revenues are further discussed in Note 2.

We also reviewed and considered the change in our Chief Executive Officer during the second quarter of 2018, who is also our Chief Operating Decision Maker (CODM), and how resources are allocated and financial information is regularly reviewed to evaluate operating results and performance of our business segments. As a result of this change and starting with the second quarter of 2018, we changed our business segment performance measure of profit or loss from operating income (loss) to Attributable EBITDA (AEBITDA), which we have described below. Business segment information for the three and nine months ended September 30, 2017 has been recast to reflect these changes. The accounting policies of our business segments are the same as those described within the Notes in our 2017 10-K and in Note 1 and Note 2 (for revenue recognition) in this Quarterly Report on Form 10-Q. The following tables present our segment information:

	Three Months Ended September 30, 2018					
	Gaming	Lottery	Social	Digital	Unallocated and Reconciling Items ⁽¹⁾	Total
Total revenue	\$447.9	\$206.8	\$105.1	\$61.2	\$ —	\$821.0
AEBITDA ⁽²⁾	232.5	92.3	27.0	11.9	(38.0)	\$325.7
Reconciling items to consolidated net loss before income taxes:						
D&A	(119.3)	(15.0)	(2.5)	(16.2)	(13.3)	(166.3)
Restructuring and other	(3.8)	(2.9)	(9.0)	(4.4)	(318.6)	(338.7)
EBITDA from equity investments ⁽²⁾					(13.8)	(13.8)
Earnings from equity investments					4.3	4.3
Interest expense					(147.4)	(147.4)
Loss on remeasurement of debt					(4.0)	(4.0)
Other expense, net					(2.4)	(2.4)
Stock-based compensation					(9.4)	(9.4)
Net loss before income taxes						\$(352.0)
Assets as of September 30, 2018	\$5,119.7	\$1,165.7	\$188.1	\$851.8	\$203.6	\$7,528.9

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA is net income (loss) before the following adjustments: (1) restructuring and other, which includes charges or expenses attributable to: (i) employee severance; (ii) management changes; (iii) restructuring and integration; (iv) M&A and other, which includes: (a) M&A transaction costs, (b) purchase accounting, (c) unusual items (including certain litigation), and (d) other non-cash items;

and (v) cost savings initiatives; (2) depreciation and amortization expense and impairment charges (including goodwill impairment charges); (3) change in fair value of investments and remeasurement of debt; (4) interest expense; (5) income taxes expense (benefit); (6) stock-based compensation; and (7) loss (gain) on debt financing transactions. In addition to the preceding adjustments, we exclude earnings from equity method investments and add (without duplication) our pro rata share of EBITDA of our equity investments, which represents our share of earnings (whether or not distributed to us) before income tax expense, depreciation and amortization expense, and interest (income) expense, net. AEBITDA is presented exclusively as our segment measure of profit or loss.

Three Months Ended September 30, 2017

	Gaming	Lottery	Social	Digital	Unallocated and Reconciling Items ⁽¹⁾	Total
Total revenue	\$454.6	\$202.9	\$95.1	\$16.3	\$ —	\$768.9
AEBITDA ⁽²⁾	221.2	89.2	20.1	3.1	(34.6)	\$299.0
Reconciling items to consolidated net loss before income taxes:						
D&A	(129.8)	(10.0)	(5.7)	(2.2)	(25.4)	(173.1)
Restructuring and other	(0.3)	0.1	(0.6)	0.1	(7.1)	(7.8)
EBITDA from equity investments ⁽²⁾					(17.9)	(17.9)
Earnings from equity investments					7.5	7.5
Interest expense					(148.9)	(148.9)
Loss on debt financing transactions					(8.4)	(8.4)
Other expense, net					(6.4)	(6.4)
Stock-based compensation					(7.5)	(7.5)
Net loss before income taxes						\$(63.5)
Assets as of December 31, 2017	\$5,401.6	\$1,070.6	\$219.1	\$61.2	\$ 972.8	\$7,725.3

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 3.

Nine Months Ended September 30, 2018

	Gaming	Lottery	Social	Digital	Unallocated and Reconciling Items ⁽¹⁾	Total
Total revenue	\$1,361.6	\$615.6	\$302.2	\$198.1	\$ —	\$2,477.5
AEBITDA ⁽²⁾	686.3	285.8	78.4	42.3	(106.6)	\$986.2
Reconciling items to consolidated net loss before income taxes:						
D&A	(379.7)	(43.1)	(15.6)	(48.9)	(39.8)	(527.1)
Restructuring and other	(6.7)	(0.5)	(27.6)	(14.5)	(375.1)	(424.4)
EBITDA from equity investments ⁽²⁾					(49.1)	(49.1)
Earnings from equity investments					16.2	16.2
Interest expense					(448.3)	(448.3)
Loss on debt financing transactions					(93.2)	(93.2)
Gain on remeasurement of debt					29.4	29.4
Other expense, net					(9.3)	(9.3)
Stock-based compensation					(33.8)	(33.8)
Net loss before income taxes						\$(553.4)

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 3.

	Nine Months Ended September 30, 2017				Unallocated and Reconciling Items ⁽¹⁾	Total
	Gaming	Lottery	Social	Digital		
Total revenue	\$1,351.8	\$594.3	\$266.4	\$48.1	\$ —	\$2,260.6
AEBITDA ⁽²⁾	657.8	270.1	59.9	10.9	(98.3)	\$900.4
Reconciling items to consolidated net loss before income taxes:						
D&A	(389.1)	(37.2)	(11.4)	(4.9)	(70.6)	(513.2)
Restructuring and other	(4.8)	0.9	(1.6)	—	(12.6)	(18.1)
EBITDA from equity investments ⁽²⁾					(47.0)	(47.0)
Earnings from equity investments					20.1	20.1
Interest expense					(459.5)	(459.5)
Loss on debt financing transactions					(38.1)	(38.1)
Other expense, net					(4.4)	(4.4)
Stock-based compensation					(20.5)	(20.5)
Net loss before income taxes						\$(180.3)

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 3.

(4) Restructuring and other

Restructuring and other includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi) acquisition costs and other unusual items. The following table summarizes pre-tax restructuring and other costs for the periods presented:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
Employee severance ⁽¹⁾	\$10.9	\$1.7	\$31.8	\$4.4
Acquisitions and related costs ⁽²⁾	—	4.0	7.6	8.2
Contingent consideration adjustment ⁽³⁾	8.4	—	26.4	—
Legal and related ⁽⁴⁾	309.6	—	335.6	—
Restructuring, integration and other	9.8	2.1	23.0	5.5
Total	\$338.7	\$7.8	\$424.4	\$18.1

(1) Inclusive of employee severance and termination costs associated with restructuring and integration activities.

(2) Nine months ended September 30, 2018 includes \$7.7 million related to the NYX acquisition.

(3) Represents contingent consideration fair value adjustment (see Note 12).

(4) Primarily represents legal reserve related to the Shuffle Tech Matter (see Note 15), which is included in accrued liabilities.

(5) Accounts and Notes Receivable and Credit Quality of Receivables Accounts and Notes Receivable

The following table summarizes the components of current and long-term accounts and notes receivable, net:

	September 30, December 31,	
	2018	2017
Current:		
Accounts receivable	\$ 541.2	\$ 551.5
Notes receivable	147.4	164.1
Allowance for doubtful accounts and notes	(37.5)	(31.2)
Current accounts and notes receivable, net	\$ 651.1	\$ 684.4
Long-term:		
Notes receivable, net of allowance of \$0.1 and \$0.2	40.2	52.8
Total accounts and notes receivable, net	\$ 691.3	\$ 737.2

Credit Quality of Receivables

The interest rates on our outstanding receivables bearing interest ranged from 3.0% to 10.0% at September 30, 2018, and 3.0% to 10.4% at December 31, 2017.

We have certain concentrations of outstanding accounts and notes receivable in international locations that impact our assessment of the credit quality of those receivables. We monitor the macroeconomic and political environment in each of these locations in our assessment of the credit quality of our receivables. We have not identified changes in the aforementioned factors during the nine months ended September 30, 2018 that require a reassessment of our receivable balances. The international locations with significant concentrations (generally deemed to be exceeding 10%) of our accounts and notes receivable are as follows:

Mexico - Our notes receivable, net, from certain customers in Mexico at September 30, 2018 was \$25.5 million. We collected \$25.3 million of outstanding receivables from these customers during the nine months ended September 30, 2018.

Peru - Our notes receivable, net, from certain customers in Peru at September 30, 2018 was \$16.9 million. We collected \$9.2 million of outstanding receivables from these customers during the nine months ended September 30, 2018.

Argentina - Our notes receivable, net, from customers in Argentina at September 30, 2018 was \$21.4 million denominated in USD. Our customers are required to, and have continued to, pay us in pesos at the spot exchange rate on the date of payment. We collected \$24.8 million of outstanding receivables from customers in Argentina during the nine months ended September 30, 2018.

In addition to the macroeconomic and political factors noted above, we also evaluated recent payments, receivables aging, any additional security or collateral we had (bills of exchange, pledge agreements, etc.) and other facts and circumstances relevant to our customers' ability to pay.

The following summarizes the components of total notes receivable, net:

	September 30, 2018	Balances over 90 days past due	December 31, 2017	Balances over 90 days past due
Notes receivable:				
Domestic	\$ 70.2	\$ 3.5	\$ 93.5	\$ 9.2
International	117.4	25.2	123.6	33.2
Total notes receivable	187.6	28.7	217.1	42.4
Notes receivable allowance				
Domestic	(5.1)	(5.1)	(4.0)	(4.0)
International	(18.0)	(18.0)	(16.8)	(16.8)
Total notes receivable allowance	(23.1)	(23.1)	(20.8)	(20.8)
Notes receivable, net	\$ 164.5	\$ 5.6	\$ 196.3	\$ 21.6

At September 30, 2018, 3.4% of our total notes receivable, net, was past due by over 90 days, compared to 11.0% at December 31, 2017.

We evaluate our exposure to credit loss on notes receivable on both a collective and individual basis. In addition, we evaluate such notes receivable on a geographic basis and take into account any other factors (such as general economic conditions, other macroeconomic considerations, etc.) that could impact our collectability of notes receivable individually or in the aggregate. Accordingly, notes receivable may be evaluated under multiple methodologies, and the resulting allowance is not determined based on one specific methodology taking all factors into consideration. The activity in our allowance for notes receivable for each of the nine month periods ended September 30, 2018 and 2017 is as follows:

	Nine Months Ended September 30,	
	2018	2017
Beginning allowance for notes receivable	\$(20.8)	\$(15.0)
Provision	(3.9)	(4.8)
Charge-offs and recoveries	1.6	1.2
Ending allowance for notes receivable	\$(23.1)	\$(18.6)

The fair value of notes receivable is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of September 30, 2018 and December 31, 2017, the fair value of notes receivable, net, approximated the carrying value due to contractual terms of notes receivable generally being under 24 months.

(6) Inventories

Inventories consisted of the following as of the dates presented below:

	September 30, December 31,	
	2018	2017
Parts and work-in-process	\$ 147.3	\$ 128.7
Finished goods	91.1	114.4
Total inventories	\$ 238.4	\$ 243.1

Parts and work-in-process include parts for gaming machines, lottery terminals and instant lottery ticket materials, as well as labor and overhead costs for work-in-process associated with the manufacturing of instant lottery games and lottery terminals. Our finished goods inventory primarily consists of gaming machines for sale, instant products primarily for our Participation arrangements and our licensed branded merchandise.

(7) Property and Equipment, net

Property and equipment, net consisted of the following:

	September 30, December 31,	
	2018	2017
Land	\$ 20.4	\$ 35.7
Buildings and leasehold improvements	125.6	183.6
Gaming and lottery machinery and equipment	1,029.7	962.2
Furniture and fixtures	30.3	33.2
Construction in progress	22.2	27.7
Other property and equipment	245.9	236.9
Less: accumulated depreciation	(931.7)	(911.1)
Total property and equipment, net	\$ 542.4	\$ 568.2

Depreciation expense is excluded from Cost of services, Cost of product sales, Cost of instant products and Other operating expenses and is separately presented within D&A.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Depreciation expense	\$51.2	\$69.0	\$159.0	\$205.9

Assets Held For Sale

As of September 30, 2018, we had \$55.1 million of assets held for sale, and none as of December 31, 2017. Assets held for sale primarily relate to our Gaming business segment and consist of certain properties in Las Vegas and Chicago that are actively being marketed for sale as a result of recent facility rationalization and integration activities. These assets are included within Prepaid expenses, deposits and other current assets and are reported at the lower of the carrying value or fair market value, less expected costs to sell. We measured the fair value of assets held for sale under a market approach and have categorized such measurements as Level 3 in the fair value hierarchy. Based on our fair value measurement during the first quarter of 2018, the book value related to our assets held for sale was reduced by approximately \$19.0 million, which was recorded within D&A, with no material changes to such fair value through the third quarter of 2018. Subsequent to September 30, 2018, we sold certain of our properties held for sale with net cash proceeds of approximately \$40.0 million.

(8) Intangible Assets, net and Goodwill

Intangible Assets, net

The following tables present certain information regarding our intangible assets as of September 30, 2018 and December 31, 2017.

	September 30, 2018			December 31, 2017		
	Gross Carrying Value	Accumulated Amortization	Net Balance	Gross Carrying Value	Accumulated Amortization	Net Balance
Amortizable intangible assets:						
Customer relationships	\$1,083.6	\$(278.7)	\$804.9	\$881.4	\$(214.8)	\$666.6
Intellectual property	919.3	(427.5)	491.8	788.1	(332.7)	455.4
Licenses	421.4	(251.6)	169.8	419.5	(206.9)	212.6
Brand names	124.1	(56.2)	67.9	125.7	(46.5)	79.2
Trade names	107.8	(20.6)	87.2	98.7	(14.7)	84.0
Patents and other	23.2	(13.3)	9.9	27.1	(14.5)	12.6
	2,679.4	(1,047.9)	1,631.5	2,340.5	(830.1)	1,510.4
Non-amortizable intangible assets:						
Trade names	96.3	(2.1)	94.2	96.3	(2.1)	94.2
Total intangible assets	\$2,775.7	\$(1,050.0)	\$1,725.7	\$2,436.8	\$(832.2)	\$1,604.6

The following reflects intangible amortization expense included within D&A:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Amortization expense	\$72.9	\$62.3	\$225.6	\$193.1

Goodwill

Following the NYX acquisition, in the first quarter of 2018, we revised our operating segments as described in Note 3. As a result of our resegmentation during the first quarter of 2018, we reviewed our operating segments in accordance with ASC 350 to determine if additional reporting units exist within our operating segments based on the availability of discrete financial information that is regularly reviewed by segment management. We determined that we have nine reporting units:

Instant Products, U.S. Lottery Systems, International Lottery Systems, SG Gaming, legacy U.K. Gaming, Casino Management Systems, Table Products, Social Gaming, and SG Digital. The change in our reporting units resulted in the allocation of \$116.9 million of the previous Interactive reporting unit goodwill balance to the new Social Gaming reporting unit with the remaining \$7.5 million allocated to the new SG Digital reporting unit, which allocation was determined based on the relative fair value approach in accordance with ASC 350.

The table below reconciles the change in the carrying value of goodwill by business segment for the period from December 31, 2017 to September 30, 2018.

Goodwill	Gaming	Lottery	Interactive	Social	Digital	Totals
Balance as of December 31, 2017	\$2,475.5	\$356.2	\$ 124.4	\$—	\$—	\$2,956.1
Reporting unit reallocation adjustment	—	—	(124.4)	116.9	7.5	—
Acquired goodwill ⁽¹⁾	—	—	—	—	376.4	376.4
Foreign currency adjustments	(11.3)	(1.2)	—	(1.8)	(10.0)	(24.3)
Balance as of September 30, 2018	\$2,464.2	\$355.0	\$—	\$115.1	\$373.9	\$3,308.2

(1) Tentative and preliminary based on our preliminary purchase price allocation as described in Note 1.

(9) Software, net

Software, net consisted of the following:

	September 30, 2018	December 31, 2017
Software	\$ 1,083.0	\$1,003.2
Accumulated amortization	(781.8)	(663.8)
Software, net	\$ 301.2	\$339.4

The following reflects amortization of software included within D&A:

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Amortization expense	\$42.2	\$41.8	\$123.5	\$114.2

(10) Equity Investments

Equity investments totaled \$206.0 million and \$253.9 million as of September 30, 2018 and December 31, 2017, respectively. We received distributions and dividends totaling \$48.9 million and \$44.1 million during the nine months ended September 30, 2018 and 2017, respectively, primarily related to our LNS equity investment. During the second quarter of 2018, we made our second pro-rata concession funding payment to LNS of \$74.3 million (€60.0 million) relating to extension of the concession for a period of up to nine years.

(11) Long-Term and Other Debt

Revolving Credit Facility

On October 18, 2018, we entered into a lender joinder agreement to the credit agreement with an additional revolving commitment lender. Pursuant to the joinder agreement, the amount of the revolving credit facility under the credit agreement was increased by \$50.0 million through October 18, 2020. As a result, the amount of the revolving credit facility as of October 18, 2018 was \$495.7 million until it matures on October 18, 2020.

February 2018 Refinancing Transaction

On February 14, 2018, we successfully completed a series of financing transactions, including a private offering of an additional \$900.0 million principal amount of our 2025 Secured Notes, €325.0 million of new 2026 Secured Euro Notes and €250.0 million of new 2026 Unsecured Euro Notes, and an amendment to our credit agreement to refinance our existing term loan B-4 facility and increase the term loans outstanding by \$900.0 million under a new term loan B-5 facility (collectively referred to as the "February 2018 Refinancing"). We used the net proceeds of the February 2018 Refinancing to redeem \$2,100.0 million of our outstanding 2022 Secured Notes, prepay a portion of our revolver borrowings under our credit agreement and pay accrued and unpaid interest thereon plus related premiums, fees and expenses. In connection with the amendment to our credit agreement, the interest rate on our term loans was decreased from LIBOR plus 3.25% to LIBOR plus 2.75%. We also increased the amount of the revolving credit agreement by \$24.0 million to \$620.2 million through October 18, 2018, with a step-down in availability at that time to \$445.7 million until the extended maturity on October 18, 2020.

In connection with the February 2018 Refinancing, we reflected \$25.8 million in financing costs presented primarily as a reduction to long-term debt.

Outstanding Debt and Capital Leases

The following table reflects our outstanding debt:

	As of				December	
	September 30, 2018				31, 2017	
	Final Maturity	Rate(s)	Face value	Unamortized debt discount/premium and deferred financing costs, net	Book value	Book value
Senior Secured Credit Facilities:						
2018 Revolver, varying interest rate	2018	variable	\$12.2	\$ —	\$12.2	\$100.5
2020 Revolver, varying interest rate	2020	variable	32.8	—	32.8	249.5
Term Loan B-4	2024	variable	—	—	—	3,193.6
Term Loan B-5	2024	variable	4,153.7	(75.2)	4,078.5	—
Senior Notes:						
2022 Secured Notes	2022	7.000 %	—	—	—	2,130.7
2025 Secured Notes ⁽²⁾	2025	5.000 %	1,250.0	(18.0)	1,232.0	343.7
2026 Secured Euro Notes ⁽³⁾	2026	3.375 %	382.2	(5.5)	376.7	—
Unsecured Notes	2022	10.000 %	2,200.0	(25.4)	2,174.6	2,170.1
2026 Unsecured Euro Notes ⁽³⁾	2026	5.500 %	294.0	(4.3)	289.7	—
Subordinated Notes:						
2020 Notes	2020	6.250 %	243.5	(1.2)	242.3	241.8
2021 Notes	2021	6.625 %	340.6	(3.6)	337.0	336.0
Capital lease obligations as of September 30, 2018 payable monthly through 2019	2019	3.900 %	6.0	—	6.0	10.7
Total long-term debt outstanding			\$8,915.0	\$ (133.2)	\$8,781.8	\$8,776.6
Less: current portion of long-term debt					(46.8)	(40.3)
Long-term debt, excluding current portion					\$8,735.0	\$8,736.3
Fair value of debt ⁽¹⁾			\$8,935.0			

(1) Fair value of our fixed rate and variable interest rate debt is classified within level 2 in the fair value hierarchy and has been calculated based on the quoted market prices of our securities.

(2) In connection with the February 2018 Refinancing, we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting a portion of the fixed-rate, \$460.0

million U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. These cross-currency swaps have been designated as a hedge of our net investment in certain subsidiaries.

(3) We designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the change in foreign currency

exchange rates of the Euro relative to the U.S. Dollar (see Note 12 for additional information). The total change in the face value of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes due to changes in foreign currency exchange rates since the issuance was a reduction of \$36.1 million, of which a \$4.0 million loss and a \$29.4 million gain were recognized on remeasurement of debt in the Consolidated Statements of Operations and Comprehensive Loss for the three and nine months ended September 30, 2018, respectively.

We were in compliance with the financial covenants under our debt agreements as of September 30, 2018.
Term Loan B-5

The new term B-5 loans that were entered into as part of the February 2018 Refinancing mature in August 2024 and will amortize in quarterly installments in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. The applicable margin for the new term B-5 loans is 2.75% per annum for eurocurrency (LIBOR) loans and 1.75% per annum for base rate loans, compared to 3.25% per annum for eurocurrency (LIBOR) loans and 2.25% per annum for base rate loans under the previous term B-4 loan facility.

2026 Secured and Unsecured Euro Notes

In connection with the February 2018 Refinancing, SGI issued €325.0 million aggregate principal amount of its new 2026 Secured Euro Notes and €250.0 million aggregate principal amount of its new 2026 Unsecured Euro Notes. Interest on both of these notes is payable semiannually in arrears on February 15 and August 15 of each year, which began on August 15, 2018. Both issuances were made at a price equal to 100.0% of the principal amount.

The 2026 Secured Euro Notes were issued pursuant to an indenture dated as of February 14, 2018 (the "2026 Secured Notes Indenture"). SGI may redeem some or all of the 2026 Secured Euro Notes at any time prior to February 15, 2021 at a redemption price equal to 100% of the principal amount of the 2026 Secured Euro Notes plus accrued and unpaid interest, if any, to the date of redemption plus a "make whole" premium. SGI may redeem some or all of the 2026 Secured Euro Notes at any time on or after February 15, 2021 at the prices specified in the 2026 Secured Notes indenture.

The 2026 Secured Euro Notes are senior secured obligations of SGI and are equally and ratably secured with SGI's obligations under the credit agreement and the 2025 Secured Notes. The 2026 Secured Euro Notes are equal in rank to all of SGI's existing and future senior debt and rank senior to all of SGI's existing and future senior subordinated debt. The 2026 Secured Euro Notes are guaranteed on a senior secured basis by SGC and all of its wholly owned U.S. subsidiaries (other than SGI, the unrestricted social gaming business entities and immaterial subsidiaries). The 2026 Secured Euro Notes are structurally subordinated to all of the liabilities of our non-guarantor subsidiaries.

The 2026 Unsecured Euro Notes were issued pursuant to an indenture dated as of February 14, 2018 (the "2026 Unsecured Notes Indenture"). SGI may redeem some or all of the 2026 Unsecured Euro Notes at any time prior to February 15, 2021 at a redemption price equal to 100% of the principal amount of the 2026 Unsecured Euro Notes plus accrued and unpaid interest, if any, to the date of redemption plus a "make whole" premium. SGI may redeem some or all of the 2026 Unsecured Euro Notes at any time on or after February 15, 2021 at the prices specified in the 2026 Unsecured Notes indenture.

The 2026 Unsecured Euro Notes are senior unsecured obligations of SGI and rank equally to all of SGI's existing and future senior debt and rank senior to all of SGI's existing and future senior subordinated debt. The 2026 Unsecured Euro Notes are guaranteed on a senior unsecured basis by SGC and all of its wholly owned U.S. subsidiaries (other than SGI, the unrestricted social gaming business entities and immaterial subsidiaries). The 2026 Unsecured Euro Notes are structurally subordinated to all of the liabilities of our non-guarantor subsidiaries.

Effective April 30, 2018, the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes are listed on the Official List of The International Stock Exchange.

2025 Senior Secured Notes

In connection with the February 2018 Refinancing, SGI issued \$900.0 million in aggregate principal amount of additional 2025 Secured Notes under the existing indenture governing the 2025 Secured Notes. Therefore the additional 2025 Secured Notes have the same terms as the previously issued \$350.0 million in aggregate principal amount of 2025 Secured Notes initially issued in October 2017 except for the issue date and offering price. The additional 2025 Secured Notes and the initial 2025 Secured Notes are treated as a single series of debt securities for all other purposes under the indenture governing the 2025 Secured Notes.

For additional information regarding terms of our credit agreement and 2025 Secured Notes, see Note 16 in our 2017 10-K.

Loss on Debt Financing Transactions

The following are components of the loss on debt financing transactions resulting from debt extinguishment and modification accounting for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018	2017
Repayment and cancellation of principal balance at premium	\$ —	\$ 110.3	\$ —
Unamortized debt (premium) discount and deferred financing costs, net	— 0.6	(29.8)	26.4
Third party debt issuance fees	— 7.8	12.7	11.7
Total loss on debt financing transactions	\$ — 8.4	\$ 93.2	\$ 38.1

(12) Fair Value Measurements

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and accrued liabilities, approximates their recorded values. Our assets and liabilities measured at fair value on a recurring basis are described below.

Derivative Financial Instruments

We record derivative financial instruments on the balance sheet at their respective fair values. As described in Note 1, during the first quarter of 2018, we adopted ASU 2017-12. As of September 30, 2018, we held the following derivative instruments that were accounted for pursuant to ASC 815:

Interest Rate Swap Contracts

We currently use interest rate swap contracts as described below to mitigate gains or losses associated with the change in expected cash flows due to fluctuations in interest rates on our variable rate debt. Our interest rate swaps that we held as of December 31, 2017 expired in January 2018.

In February 2018, we entered into interest rate swap contracts to hedge a portion of our interest expense associated with our variable rate debt to effectively fix the interest rate that we pay. These interest rate swap contracts are designated as cash flow hedges under ASC 815. We pay interest at a weighted-average fixed rate of 2.4418% and receive interest at a variable rate equal to one-month LIBOR. The total notional amount of interest rate swaps outstanding was \$800.0 million as of September 30, 2018. These hedges mature in February 2022.

These hedges are highly effective in offsetting changes in our future expected cash flows due to the fluctuation in the one-month LIBOR rate associated with our variable rate debt. We qualitatively monitor the effectiveness of these hedges on a quarterly basis. As a result of the effective matching of the critical terms on our variable rate interest expense being hedged to the hedging instruments being used, we expect these hedges to remain highly effective. All gains and losses from these hedges are recorded in Other comprehensive income (loss) until the future underlying payment transactions occur. Any realized gains or losses resulting from the hedges are recognized (together with the hedged transaction) as interest expense. We estimate the fair value of our interest rate swap contracts by discounting the future cash flows of both the fixed rate and variable rate interest payments based on market yield curves. The inputs used to measure the fair value of our interest rate swap contracts are categorized as Level 2 in the fair value

hierarchy as established by ASC 820.

The following table shows the gains and interest expense recognized on our interest rate swap contracts:

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	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
Gains recorded in accumulated other comprehensive loss, net of tax	\$3.3	\$0.8	\$9.0	\$3.6
Interest expense recorded related to interest rate swap contracts	0.7	1.7	2.3	5.8

We do not expect to reclassify material amounts from Accumulated other comprehensive loss to interest expense in the next twelve months.

The following table shows the effect of interest rate swap contracts designated as cash flow hedges on the consolidated statements of operations and comprehensive loss:

	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Total amounts of expense line item presented in the statements of operations and comprehensive loss in which the effects of cash flow hedges are recorded	\$(147.4)	\$(448.3)
Hedged item	(4.9)	(11.5)
Derivative designated as hedging instrument	4.2	9.2

Cross-Currency Interest Rate Swaps

In connection with the February 2018 Refinancing (see Note 11), we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting \$460.0 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment hedge. Under this method, for each reporting period, the change in the fair value of the \$460.0 million cross-currency interest rate swaps is reported in foreign currency translation gain (loss) in Accumulated other comprehensive loss. The cross-currency basis spread (along with other components of the cross-currency swap's fair value excluded from the spot method effectiveness assessment) are amortized and recorded to interest expense. We evaluate the effectiveness of our net investment hedge at the beginning of each quarter.

The following table shows the fair value of our hedges:

Balance Sheet Line Item	September 30, 2018	December 31, 2017
Interest rate swaps ⁽¹⁾⁽³⁾	\$ 11.8	\$ (0.2)
Cross-currency interest rate swaps ⁽²⁾⁽³⁾	6.1	—

(1) The gains of \$4.2 million and \$11.8 million for the three and nine months ended September 30, 2018, respectively, are reflected in Derivative financial instrument unrealized gain, net of tax in Other comprehensive income.

(2) The gains of \$3.3 million and \$6.1 million for the three and nine months ended September 30, 2018, respectively, are reflected in Foreign currency translation loss in Other comprehensive income.

(3) The inputs used to measure the fair value of our interest rate swap contracts are categorized as Level 2 in the fair value hierarchy.

Net Investment Non-derivative Hedge - 2026 Secured Euro Notes

For the third quarter of 2018, we designated \$135.0 million of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment non-derivative hedge. Under this method, for each reporting period, the change in the hedged portion of the carrying value of the 2026 Secured Euro Notes due to

remeasurement is reported in foreign currency translation gain (loss) in Other comprehensive income, and the remaining remeasurement change is recognized in Loss on remeasurement of debt in our consolidated statements of operations and comprehensive loss. We evaluate the effectiveness of our net investment non-derivative hedge at the beginning of each quarter and the inputs used to measure the fair value of this non-derivative hedge are categorized as Level 2 in the fair value hierarchy.

Contingent Consideration Liabilities

In connection with our 2017 acquisitions, we have recorded certain contingent consideration liabilities, of which the values are primarily based on reaching certain earnings-based metrics, with a maximum payout of up to \$38.5 million. The related liabilities were recorded at fair value on the acquisition date as part of the consideration transferred and are remeasured each reporting period. The inputs used to measure the fair value of our liabilities are categorized as Level 3 in the fair value hierarchy.

Based on the first and third quarter of 2018 remeasurements and as a result of changes in significant unobservable inputs primarily consisting of projected earnings-based measures and probability of achievement (categorized as Level 3 in the fair value hierarchy as established by ASC 820), we increased the fair value of certain long-term contingent consideration by \$18.0 million and \$8.4 million, respectively, which changes were included in Restructuring and other. Contingent consideration liabilities as of September 30, 2018 and December 31, 2017 were \$33.9 million and \$7.5 million, respectively, of which \$20.9 million as of September 30, 2018 is included in accrued liabilities with the remaining balance included in other long-term liabilities and the entire balance as of December 31, 2017 included in other long-term liabilities.

We did not have assets and liabilities measured at fair value on a non-recurring basis as of September 30, 2018.

(13) Stockholders' Deficit

Stock Based Compensation

The following reflects total stock-based compensation expense recognized under all programs:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
Related to stock options	\$2.1	\$1.1	\$10.8	\$2.6
Related to RSUs	7.3	6.4	23.0	17.9
Total	\$9.4	\$7.5	\$33.8	\$20.5

(14) Income Taxes

We consider new evidence (both positive and negative) at each reporting date that could affect our view of the future realization of deferred tax assets. Based upon the evaluation of all available evidence, and considering the projected U.S. pre-tax losses for 2018, we maintain a valuation allowance for our U.S. operations as of September 30, 2018. We maintained other valuation allowances for certain non-U.S. jurisdictions with cumulative losses.

The effective income tax rates for the three and nine months ended September 30, 2018 were 0.1% and (1.0%), respectively, and 6.6% and (10.5%) for the three and nine months ended September 30, 2017, respectively, and were determined using an estimated annual effective tax rate after considering any discrete items for such periods. Due to the aforementioned valuation allowance against our U.S. deferred tax assets, the effective tax rate for the nine months ended September 30, 2018 does not include the benefit of the current year U.S. tax losses. In the nine months ended September 30, 2017, we recorded an overall tax expense due to the application of a full valuation allowance against the U.S. pre-tax losses coupled with a tax expense on foreign pre-tax earnings. The change in the effective tax rates relates primarily to the overall mix of income in our foreign jurisdictions.

As disclosed in our 2017 10-K Note 21, our accounting for the Tax Cuts and Jobs Act (the "Tax Act") is incomplete; however, we were able to reasonably estimate certain effects, and consequently we recorded provisional adjustments associated with: (1) impact on deferred tax assets (DTAs) and deferred tax liabilities (DTLs) from reduction of U.S. federal corporate income tax rate; (2) the deemed repatriation transition tax; and (3) impact on valuation allowances. Additionally, as disclosed in our 2017 10-K Note 21, we were not yet able to reasonably estimate the effects of the Tax Act for the Global Intangible Low Income Tax (GILTI). There were no changes to these items during the third quarter of 2018, as we continue to evaluate the impacts of the Tax Act.

Because of the complexity of the new GILTI tax rules, we are continuing to evaluate this provision of the Tax Act and the application of ASC 740. Under U.S. GAAP, we are allowed to make an accounting policy election of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the “period cost method”) or (2) factoring such amounts into our measurement of deferred taxes (the “deferred method”). Our selection of an accounting policy related to the new GILTI tax rules will depend, in part, on analyzing projections of our global overall mix of income to determine whether we expect to have future U.S. inclusions in taxable income related to GILTI and, if so, the expected impact. Because whether we expect to have future U.S. inclusions in taxable income related to GILTI depends on a number of different aspects of our estimated future global overall mix of income, we are not yet able to reasonably estimate the long-term effects of this provision of the Tax Act; therefore, we have not recorded any potential deferred tax effects related to GILTI in the consolidated financial statements and have not made a policy decision regarding whether to record deferred taxes on GILTI or to use the period cost method. We expect to complete our accounting within the prescribed measurement period.

(15) Litigation

We are involved in various routine and other specific legal proceedings, including the following which are described in Note 22 within our 2017 10-K: Colombia litigation and SNAI litigation. There have been no material changes to these matters since the 2017 10-K was filed with the SEC, except as described below.

We record an accrual for legal contingencies when it is both probable that a liability has been incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of \$338.4 million and \$4.7 million for all of our legal matters that were contingencies as of September 30, 2018 and December 31, 2017, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against us or our subsidiaries, even when the amount of damages claimed against us or our subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed in Note 22 in our 2017 10-K and this Note 15 as well as those related to the previously disclosed settlement agreement entered into in February 2015 with SNAI S.p.a., as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately \$14.1 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management’s estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is

attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which we are not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, cash flows or financial condition. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Shuffle Tech Matter

In April 2015, Shuffle Tech International, LLC, Aces Up Gaming, Inc. and Poydras-Talrick Holdings LLC brought a civil action in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc., and

Bally Gaming, Inc., alleging monopolization of the market for card shufflers in violation of federal antitrust laws, fraudulent procurement of patents on card shufflers, unfair competition and deceptive trade practices. Specifically, the plaintiffs claim that the defendants used certain shuffler patents in a predatory manner to create and maintain a monopoly in the relevant shuffler market. The plaintiffs' complaint seeks no less than \$100.0 million in compensatory damages (which is subject to trebling), attorneys' fees and costs, as well as injunctive and declaratory relief. In June 2015, the defendants filed a motion to dismiss. In October 2015, the district court dismissed all of the plaintiffs' claims against the defendants with prejudice, except for the claims of violation of antitrust laws related to the fraudulent procurement of patents on card shufflers. In September 2017, the district court denied defendants' motion for summary judgment, and the matter was scheduled for trial. On April 23, 2018, a court-ordered settlement conference before a magistrate judge was held, but no settlement was reached. On April 25, 2018, plaintiffs filed with the U.S. District Court an itemization of claimed damages, pursuant to which the plaintiffs, at trial, would seek to recover compensatory damages ranging from approximately \$105.2 million to \$139.5 million (which is subject to trebling), and also their reasonable attorneys' fees and costs. Trial began July 16, 2018 and ended on August 7, 2018. On August 7, 2018, the jury returned a verdict for the plaintiffs. The jury awarded plaintiffs \$105.0 million in compensatory damages, which is subject to trebling, as well as attorneys' fees and costs, all of which we have accrued as of September 30, 2018. We believe the jury reached the wrong result, and the defendants have sought review in the trial court of both the finding of liability and the damages award, and, if necessary, will also do so on appeal.

Washington State Matter

On April 17, 2018, plaintiff Sheryl Fife filed a putative class action complaint against SGC in the United States District Court for the Western District of Washington. In her complaint, plaintiff seeks to represent a putative class of all persons in the State of Washington who purchased and allegedly lost virtual coins playing SGC's online social casino games, including but not limited to Jackpot Party[®] Social Casino and Gold Fish[®] Casino. The complaint asserts claims for alleged violations of Washington's Recovery of Money Lost at Gambling Act, Washington's consumer protection statute, and for unjust enrichment, and seeks unspecified money damages (including treble damages as appropriate), the award of reasonable attorneys' fees and costs, pre- and post-judgment interest, and injunctive and/or declaratory relief. On July 2, 2018, SGC filed a motion to dismiss the plaintiff's complaint with prejudice. Due to the very early nature of this litigation, we are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible loss.

Raqqa Matter

On May 4, 2018, plaintiffs Raqqa, Inc., Pittsburg Liquors, Inc., Omdev, Inc., Om Riya, Inc., E and B Liquors, Inc., Michael Cairo, and Jason Van Lente (collectively, "plaintiffs") filed a putative class action complaint against Northstar Lottery Group LLC, IGT Global Solutions Corporation, and Scientific Games International, Inc. (collectively, "defendants"), in the United States District Court for the Southern District of Illinois. In their complaint, plaintiffs seek to represent two putative classes of persons: (1) all persons who were or are parties to a contract to sell at retail Illinois Lottery instant game tickets at any time between July 1, 2011 and the present; and (2) all natural persons who purchased one or more Illinois Lottery instant game tickets at any time between July 1, 2011 and the present. The complaint alleges that Northstar Lottery Group LLC discontinued certain Illinois Lottery instant game tickets before all grand prizes were awarded, and further alleges that those discontinuations caused economic harm to lottery players, and to lottery retailers who receive commissions on winning tickets. The complaint asserts claims for alleged tortious interference with contract, alleged tortious interference with prospective economic advantage, alleged common law fraud, alleged violation of Illinois' Consumer Fraud and Deceptive Business Practices Act, alleged unjust enrichment and alleged civil conspiracy. The complaint seeks unspecified money damages and the award of plaintiffs' attorneys' fees and costs. On June 18, 2018, the defendants filed a motion to dismiss the plaintiffs' complaint with prejudice. Due to the very early nature of this litigation, we are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible loss.

For additional information regarding our pending litigation matters, see Note 22 in our 2017 10-K.

(16) Financial Information for Guarantor Subsidiaries and Non-Guarantor Subsidiaries

We conduct substantially all of our business through our U.S. and foreign subsidiaries. As of September 30, 2018, SGI's obligations under the 2020 Notes, the 2021 Notes, the 2025 Secured Notes, the 2026 Secured Euro Notes, the Unsecured Notes and the 2026 Unsecured Euro Notes were fully and unconditionally and jointly and severally guaranteed by SGC and the Guarantor Subsidiaries other than SGI. We redeemed all of the outstanding 2022 Secured Notes during the first quarter of 2018, which were previously issued by SGI and fully and unconditionally and jointly and severally guaranteed by SGC and the Guarantor Subsidiaries other than SGI. The guarantees of our 2022 Secured Notes were released in connection with the redemption of the 2022 Secured Notes. We redeemed all of the outstanding 2018 Notes on March 17, 2017, which were previously issued by SGC and fully and unconditionally and jointly and severally guaranteed by the Guarantor Subsidiaries.

The guarantees of our 2020 Notes, 2021 Notes, 2025 Secured Notes, 2026 Secured Euro Notes, Unsecured Notes, and 2026 Unsecured Euro Notes will terminate under the following customary circumstances: (1) the sale or disposition of the capital stock of the guarantor (including by consolidation or merger of the guarantor into another person); (2) the liquidation or dissolution of the guarantor; (3) the defeasance or satisfaction and discharge of the notes; (4) the release of the guarantor from any guarantees of indebtedness of SGC and SGI; and (5) the proper designation of the guarantor as an unrestricted subsidiary pursuant to the indenture governing the respective Notes.

Presented below is condensed consolidating financial information for (1) SGC, (2) SGI, (3) the Guarantor Subsidiaries and (4) the Non-Guarantor Subsidiaries as of September 30, 2018 and December 31, 2017 and for the three and nine months ended September 30, 2018 and 2017. The condensed consolidating financial information has been presented to show the nature of assets held, results of operations and cash flows of SGC, SGI, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries assuming the current guarantee structures of the 2018 Notes, the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, the Unsecured Notes, the 2025 Secured Notes, the 2026 Secured Euro Notes, and the 2026 Unsecured Euro Notes were in effect at the beginning of the periods presented.

The condensed consolidating financial information reflects the investments of SGC in SGI and in the Guarantor Subsidiaries and Non-Guarantor Subsidiaries using the equity method of accounting. They also reflect the investments of the Guarantor Subsidiaries in the Non-Guarantor Subsidiaries. Net changes in intercompany due from/due to accounts are reported in the accompanying Supplemental Condensed Consolidating Statements of Cash Flows as investing activities if the applicable entities have a net investment (asset) in intercompany accounts and as a financing activity if the applicable entities have a net intercompany borrowing (liability) balance.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET

As of September 30, 2018

	SGC (Parent)	SIG (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	\$38.6	\$—	\$—	\$ 79.9	\$(5.0)	\$ 113.5
Restricted cash	—	0.6	31.0	5.5	—	37.1
Accounts receivable, net	—	58.0	189.3	279.4	—	526.7
Notes receivable, net	—	—	109.6	14.8	—	124.4
Inventories	—	39.0	88.7	130.7	(20.0)	238.4
Prepaid expenses, deposits and other current assets	12.6	76.8	102.0	78.1	0.2	269.7
Property and equipment, net	32.4	112.1	232.6	196.5	(31.2)	542.4
Investment in subsidiaries	2,996.9	950.0	1,025.7	—	(4,972.6)	—
Goodwill	—	240.2	1,886.1	1,181.9	—	3,308.2
Intangible assets, net	10.8	34.3	1,199.4	481.2	—	1,725.7
Intercompany balances	—	5,812.7	27.8	—	(5,840.5)	—
Software, net	61.9	38.1	142.7	58.5	—	301.2
Other assets ⁽²⁾	234.2	413.1	48.2	228.7	(582.6)	341.6
Total assets	\$3,387.4	\$7,774.9	\$ 5,083.1	\$ 2,735.2	\$(11,451.7)	\$ 7,528.9
Liabilities and stockholders' (deficit) equity						
Current portion of long-term debt	\$—	\$41.8	\$—	\$ 5.0	\$—	\$ 46.8
Other current liabilities	417.6	195.5	200.4	249.0	(36.9)	1,025.6
Long-term debt, excluding current portion	—	8,734.1	—	0.9	—	8,735.0
Other long-term liabilities	93.4	8.7	610.3	197.6	(569.9)	340.1
Intercompany balances	5,495.0	—	—	345.5	(5,840.5)	—
Stockholders' (deficit) equity	(2,618.6)	(1,205.2)	4,272.4	1,937.2	(5,004.4)	(2,618.6)
Total liabilities and stockholders' (deficit) equity	\$3,387.4	\$7,774.9	\$ 5,083.1	\$ 2,735.2	\$(11,451.7)	\$ 7,528.9

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes, the 2025 Secured Notes, which were issued in October 2017, and the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes, which were issued in February 2018.

(2) Includes \$14.5 million and \$0.7 million in non-current restricted cash for Guarantor Subsidiaries and Non-Guarantor Subsidiaries, respectively.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET

As of December 31, 2017

	SGC (Parent)	SIG (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Assets						
Cash and cash equivalents	\$732.6	\$—	\$—	\$ 59.4	\$(3.2)	\$ 788.8
Restricted cash	—	0.6	28.3	0.1	—	29.0
Accounts receivable, net	0.4	68.1	192.6	279.8	—	540.9
Notes receivable, net	—	—	121.1	22.4	—	143.5
Inventories	—	40.7	91.8	131.8	(21.2)	243.1
Prepaid expenses, deposits and other current assets	6.5	30.3	41.6	52.7	—	131.1
Property and equipment, net	28.8	91.5	295.6	179.9	(27.6)	568.2
Investment in subsidiaries	3,098.7	867.9	987.7	—	(4,954.3)	—
Goodwill	—	240.3	1,880.4	835.4	—	2,956.1
Intangible assets, net	15.7	34.9	1,335.3	218.7	—	1,604.6
Intercompany balances	—	5,889.8	—	222.5	(6,112.3)	—
Software, net	67.2	24.7	199.0	48.5	—	339.4
Other assets ⁽²⁾	234.4	388.8	62.0	270.3	(574.9)	380.6
Total assets	\$4,184.3	\$7,677.6	\$ 5,235.4	\$ 2,321.5	\$(11,693.5)	\$ 7,725.3
Liabilities and stockholders' (deficit) equity						
Current portion of long-term debt	\$—	\$32.8	\$—	\$ 7.5	\$—	\$ 40.3
Other current liabilities	67.6	199.0	254.2	206.4	(27.7)	699.5
Long-term debt, excluding current portion	—	8,733.0	—	3.3	—	8,736.3
Other long-term liabilities	68.8	11.3	650.3	110.9	(565.1)	276.2
Intercompany balances	6,074.9	—	37.4	—	(6,112.3)	—
Stockholders' (deficit) equity	(2,027.0)	(1,298.5)	4,293.5	1,993.4	(4,988.4)	(2,027.0)
Total liabilities and stockholders' (deficit) equity	\$4,184.3	\$7,677.6	\$ 5,235.4	\$ 2,321.5	\$(11,693.5)	\$ 7,725.3

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, the 2025 Secured Notes and the Unsecured Notes.

(2) Includes \$16.1 million and \$0.7 million in non-current restricted cash for Guarantor Subsidiaries and Non-Guarantor Subsidiaries, respectively.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF
OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

Three Months Ended September 30, 2018

	SGC (Parent)	SGI (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	\$—	\$ 138.4	\$ 404.3	\$ 361.3	\$ (83.0)	\$ 821.0
Cost of services, cost of product sales and cost of instant products ⁽²⁾	—	90.4	119.1	159.7	(67.9)	301.3
SG&A	38.3	12.1	57.1	76.2	(14.0)	169.7
R&D	—	0.2	21.3	28.0	—	49.5
D&A	10.8	8.7	105.9	44.9	(4.0)	166.3
Restructuring and other	318.5	2.8	4.2	13.2	—	338.7
Operating (loss) income	(367.6)	24.2	96.7	39.3	2.9	(204.5)
Interest expense	—	(147.4)	—	—	—	(147.4)
Gain on remeasurement of debt	—	(4.0)	—	—	—	(4.0)
Other income (expense), net	16.3	129.7	(122.8)	(19.3)	—	3.9
Net (loss) income before equity in income of subsidiaries and income taxes	(351.3)	2.5	(26.1)	20.0	2.9	(352.0)
Equity in (loss) income of subsidiaries	(1.7)	4.3	(10.1)	—	7.5	—
Income tax benefit (expense)	1.4	(0.6)	5.5	(5.9)	—	0.4
Net (loss) income	\$(351.6)	\$ 6.2	\$ (30.7)	\$ 14.1	\$ 10.4	\$ (351.6)
Other comprehensive (loss) income	(5.2)	11.2	(9.6)	(2.0)	0.4	(5.2)
Comprehensive (loss) income	\$(356.8)	\$ 17.4	\$ (40.3)	\$ 12.1	\$ 10.8	\$ (356.8)

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes, the 2025 Secured Notes, which were issued in October 2017, and the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes, which were issued in February 2018.

(2) Exclusive of D&A.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF
OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Three Months Ended September 30, 2017

	SGC (Parent)	SGI (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	\$—	\$ 129.3	\$ 400.0	\$ 311.6	\$(72.0)	\$ 768.9
Cost of services, cost of product sales and cost of instant products ⁽²⁾	—	88.1	120.7	152.7	(70.7)	290.8
SG&A	30.8	11.1	60.9	70.1	(14.1)	158.8
R&D	0.5	2.6	26.0	18.7	—	47.8
D&A	22.3	8.8	111.6	33.5	(3.1)	173.1
Restructuring and other	7.0	(0.1)	0.1	0.8	—	7.8
Operating (loss) income	(60.6)	18.8	80.7	35.8	15.9	90.6
Interest expense	(0.1)	(148.5)	—	(0.3)	—	(148.9)
Loss on debt financing transactions	—	(8.4)	—	—	—	(8.4)
Other (expense) income, net	(21.2)	59.4	(14.5)	(20.5)	—	3.2
Net (loss) income before equity in income of subsidiaries and income taxes	(81.9)	(78.7)	66.2	15.0	15.9	(63.5)
Equity in income of subsidiaries	26.1	22.5	15.5	—	(64.1)	—
Income tax (expense) benefit	(3.5)	29.4	(31.0)	9.3	—	4.2
Net (loss) income	\$(59.3)	\$(26.8)	\$ 50.7	\$ 24.3	\$(48.2)	\$(59.3)
Other comprehensive income	72.8	4.6	53.2	67.0	(124.8)	72.8
Comprehensive income (loss)	\$ 13.5	\$(22.2)	\$ 103.9	\$ 91.3	\$(173.0)	\$ 13.5

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes and the 2025 Secured Notes, which were issued in October 2017.

(2) Exclusive of D&A.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF
OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Nine Months Ended September 30, 2018

	SGC (Parent)	SGI (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	\$—	\$ 404.0	\$ 1,195.6	\$ 1,106.5	\$ (228.6)	\$ 2,477.5
Cost of services, cost of product sales and cost of instant products ⁽²⁾	—	263.0	368.9	472.0	(190.0)	913.9
SG&A	119.4	32.1	166.0	237.6	(39.9)	515.2
R&D	—	1.1	66.1	85.3	—	152.5
D&A	31.9	23.7	339.4	142.8	(10.7)	527.1
Restructuring and other	374.8	0.2	7.4	42.0	—	424.4
Operating (loss) income	(526.1)	83.9	247.8	126.8	12.0	(55.6)
Interest expense	—	(447.9)	—	(0.4)	—	(448.3)
Loss on debt financing transactions	—	(93.2)	—	—	—	(93.2)
Gain on remeasurement of debt	—	29.4	—	—	—	29.4
Other income (expense), net	48.8	398.8	(374.8)	(58.5)	—	14.3
Net (loss) income before equity in income of subsidiaries and income taxes	(477.3)	(29.0)	(127.0)	67.9	12.0	(553.4)
Equity in (loss) income of subsidiaries	(59.8)	21.6	(16.9)	—	55.1	—
Income tax (expense) benefit	(22.1)	6.9	26.9	(17.5)	—	(5.8)
Net (loss) income	\$(559.2)	\$(0.5)	\$(117.0)	\$ 50.4	\$ 67.1	\$(559.2)
Other comprehensive (loss) income	(36.5)	23.4	(23.0)	(47.9)	47.5	(36.5)
Comprehensive (loss) income	\$(595.7)	\$ 22.9	\$(140.0)	\$ 2.5	\$ 114.6	\$(595.7)

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes, the 2025 Secured Notes, which were issued in October 2017, and the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes, which were issued in February 2018.

(2) Exclusive of D&A.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF
OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
Nine Months Ended September 30, 2017

	SGC (Parent)	SGI (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Revenue	\$—	\$375.6	\$1,220.3	\$861.0	\$(196.3)	\$2,260.6
Cost of services, cost of product sales and cost of instant products ⁽²⁾	—	257.8	373.4	410.1	(191.6)	849.7
SG&A	89.7	29.1	178.6	184.6	(36.6)	445.4
R&D	1.7	6.4	77.1	53.1	—	138.3
D&A	59.5	24.3	346.3	90.9	(7.8)	513.2
Restructuring and other	12.3	0.4	3.2	2.2	—	18.1
Operating (loss) income	(163.2)	57.6	241.7	120.1	39.7	295.9
Interest expense	(4.4)	(454.2)	—	(0.9)	—	(459.5)
Loss on debt financing transactions	(1.1)	(37.0)	—	—	—	(38.1)
Other (expense) income, net	(60.1)	161.8	(71.0)	(9.3)	—	21.4
Net (loss) income before equity in income of subsidiaries and income taxes	(228.8)	(271.8)	170.7	109.9	39.7	(180.3)
Equity in income of subsidiaries	49.6	54.4	37.0	—	(141.0)	—
Income tax (expense) benefit	(20.0)	101.7	(79.0)	(21.6)	—	(18.9)
Net (loss) income	\$(199.2)	\$(115.7)	\$128.7	\$88.3	\$(101.3)	\$(199.2)
Other comprehensive income	140.6	8.9	119.4	126.7	(255.0)	140.6
Comprehensive (loss) income	\$(58.6)	\$(106.8)	\$248.1	\$215.0	\$(356.3)	\$(58.6)

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes and the 2025 Secured Notes, which were issued in October 2017.

(2) Exclusive of D&A.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2018

	SGC (Parent)	SGI (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	\$ (56.4)	\$ 29.6	\$ 153.0	\$ 231.5	\$ (1.8)	\$ 355.9
Cash flows from investing activities:						
Capital expenditures	(30.3)	(56.6)	(121.9)	(84.3)	—	(293.1)
Acquisitions of businesses and assets, net of cash acquired	—	—	(9.6)	(264.5)	—	(274.1)
Distributions of capital from equity investments	—	—	—	24.6	—	24.6
Additions to equity method investments	—	(1.9)	—	(74.3)	—	(76.2)
Other, principally change in intercompany investing activities	—	91.3	(15.5)	—	(75.8)	—
Net cash (used in) provided by investing activities	(30.3)	32.8	(147.0)	(398.5)	(75.8)	(618.8)
Cash flows from financing activities:						
Payments on long-term debt, net of proceeds	—	(23.9)	—	(5.7)	—	(29.6)
Repayment of assumed NYX debt	—	—	—	(288.2)	—	(288.2)
Payments of debt issuance and deferred financing costs	—	(38.5)	—	—	—	(38.5)
Payments on license obligations	(20.4)	—	(1.9)	—	—	(22.3)
Net redemptions of common stock under stock-based compensation plans and other	(21.8)	—	(2.5)	—	—	(24.3)
Other, principally change in intercompany financing activities	(565.1)	—	—	489.3	75.8	—
Net cash (used in) provided by financing activities	(607.3)	(62.4)	(4.4)	195.4	75.8	(402.9)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	—	(2.5)	—	(2.5)
(Decrease) increase in cash, cash equivalents and restricted cash	(694.0)	—	1.6	25.9	(1.8)	(668.3)
Cash, cash equivalents and restricted cash, beginning of period	732.6	0.6	43.9	60.2	(3.2)	834.1
Cash, cash equivalents and restricted cash end of period	\$ 38.6	\$ 0.6	\$ 45.5	\$ 86.1	\$ (5.0)	\$ 165.8

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes, the 2025 Secured Notes, which were issued in October 2017, and the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes, which were issued in February 2018.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2017

	SGC (Parent)	SGI (Issuer ¹)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Consolidated
Net cash (used in) provided by operating activities	\$(162.6)	\$(169.9)	\$ 471.5	\$ 254.3	\$ (4.3)	\$ 389.0
Cash flows from investing activities:						
Capital expenditures	(42.0)	(13.6)	(96.4)	(62.1)	—	(214.1)
Acquisition of business, net of cash acquired	—	—	(26.3)	(31.4)	—	(57.7)
Distributions of capital from equity investments	—	—	—	23.9	—	23.9
Changes in other assets and liabilities and other	—	—	7.5	2.5	—	10.0
Other, principally change in intercompany investing activities	—	(27.7)	—	(208.4)	236.1	—
Net cash used in investing activities	(42.0)	(41.3)	(115.2)	(275.5)	236.1	(237.9)
Cash flows from financing activities:						
Net payments of long-term debt including proceeds and repurchases of senior notes and term loans	(250.0)	265.7	—	(4.8)	—	10.9
Payments of debt issuance and deferred financing costs	—	(52.3)	—	—	—	(52.3)
Payments on license obligations	(24.3)	—	(4.7)	—	—	(29.0)
Net redemptions of common stock under stock-based compensation plans	(2.7)	—	—	—	—	(2.7)
Other, principally change in intercompany financing activities	586.2	—	(350.1)	—	(236.1)	—
Net cash provided by (used in) financing activities	309.2	213.4	(354.8)	(4.8)	(236.1)	(73.1)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	—	4.8	—	4.8
Increase (decrease) in cash, cash equivalents and restricted cash	104.6	2.2	1.5	(21.2)	(4.3)	82.8
Cash, cash equivalents and restricted cash, beginning of period	32.7	1.7	41.0	82.6	(1.1)	156.9
Cash, cash equivalents and restricted cash end of period	\$ 137.3	\$ 3.9	\$ 42.5	\$ 61.4	\$ (5.4)	\$ 239.7

(1) Issuer of obligations under the 2020 Notes, the 2021 Notes, the 2022 Secured Notes, which were redeemed in March 2018, the Unsecured Notes and the 2025 Secured Notes, which were issued in October 2017.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to enhance the reader's understanding of our operations and current business environment and should be read in conjunction with the description of our business included under Part I, Item 1 "Condensed Consolidated Financial Statements" and Part II, Item 1A "Risk Factors" in this Quarterly Report on Form 10-Q and under Part I, Item 1 "Business," Item 1A "Risk Factors" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2017 10-K.

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking

Statements" and "Risk Factors" included in this Quarterly Report on Form 10-Q and "Risk Factors" included in our 2017 10-K. As used in this MD&A, the terms "we," "us," and "our" mean SGC together with its consolidated subsidiaries.

BUSINESS OVERVIEW

We are a leading developer of technology based products and services and associated content for the worldwide gaming, lottery, social and digital gaming industries. Our portfolio of revenue-generating activities primarily includes supplying gaming machines and game content, casino management systems, and table game products and services to licensed gaming entities; providing instant and draw based lottery games, lottery systems, and lottery content and services to lottery operators; providing social casino solutions to retail consumers and regulated gaming entities as applicable; and providing a comprehensive suite of digital RMG and sports betting solutions, distribution platforms, content, products and services. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments.

Recent Events

During the third quarter of 2018, we successfully launched our sports betting platform with Caesars Entertainment in multiple jurisdictions.

- In August 2018, the jury returned a verdict for the plaintiffs in the Shuffle Tech Matter described in Note 15. We have sought review in the trial court of both the finding of liability and the damages award, and, if necessary, will also do so on appeal (see Note 15 and "Liquidity, Capital Resources and Working Capital - Cash and Available Revolver Capacity" below).

On October 18, 2018, we increased the amount of our existing revolving credit agreement by \$50.0 million to \$495.7 million until the extended maturity on October 18, 2020.

In October 2018, we sold a portion of our non-core facilities held for sale for net cash proceeds of approximately \$40.0 million (see Note 7).

In November 2018, we acquired Don Best, a leading global supplier of real-time betting data and pricing for North American sporting events (see Note 1), which will allow us to broaden our portfolio of U.S. sports betting industry services.

Segments

Beginning in the first quarter of 2018, we report our operations in four business segments — Gaming, Lottery, Social and Digital — representing our different products and services. Additionally, as a result of our Chief Executive Officer change and starting with the second quarter of 2018, we changed our business segment measure of profit or loss from operating income (loss) to Attributable EBITDA. See "Consolidated Results" below and Note 3 for additional business segment information.

Foreign Exchange

Our results are impacted by changes in foreign currency exchange rates used in the translation of foreign functional currencies into USD and the re-measurement of foreign currency transactions or balances. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. Our exposure to foreign currency volatility on revenue is as follows:

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(\$ in millions)	Three Months Ended September 30, 2018				2017				Nine Months Ended September 30, 2018				2017			
	%		%		%		%		%		%		%			
	Revenue		Consolidated Revenue		Revenue		Consolidated Revenue		Revenue		Consolidated Revenue		Revenue		Consolidated Revenue	
Foreign Currency:																
British Pound Sterling	\$71.6	8.7	%		\$56.0	7.3	%		\$234.8	9.5	%		\$158.1	7.0	%	
Euro	55.3	6.7	%		41.6	5.4	%		168.5	6.8	%		108.4	4.8	%	
Australian Dollar	27.4	3.3	%		37.1	4.8	%		80.2	3.2	%		95.6	4.2	%	

We also have foreign currency exposure related to certain of our equity investments, cross-currency interest rate swaps, and Euro-denominated debt. See "Risk Factors" under Item 1A and "Consolidated Results — Other Factors Affecting 2017 Net Loss Comparability— Foreign exchange" under Item 7 in our 2017 10-K and Item 3 "Quantitative and Qualitative Disclosures about Market Risk" in this Quarterly Report on Form 10-Q. Foreign currency had a positive impact of \$0.3 million and \$19.9 million on revenue for the three and nine months ended September 30, 2018, respectively.

CONSOLIDATED RESULTS

(\$ in millions)	Three Months Ended September 30, 2018				2017				Nine Months Ended September 30, 2018				2017			
	Revenue		Variance		Revenue		Variance		Revenue		Variance		Revenue		Variance	
	2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017	
Total revenue	\$821.0	\$768.9	\$52.1	7 %	\$2,477.5	\$2,260.6	\$216.9	10 %								
Total operating expenses	1,025.5	678.3	347.2	51 %	2,533.1	1,964.7	568.4	29 %								
Operating (loss) income	(204.5)	90.6	(295.1)	(326)%	(55.6)	295.9	(351.5)	(119)%								
Net loss before income taxes	(352.0)	(63.5)	(288.5)	454 %	(553.4)	(180.3)	(373.1)	207 %								
Net loss	\$(351.6)	\$(59.3)	\$(292.3)	493 %	\$(559.2)	\$(199.2)	\$(360.0)	181 %								

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017 Revenue

(\$ in millions)	Three Months Ended September 30, 2018				2017				Nine Months Ended September 30, 2018				2017			
	Revenue		Variance		Revenue		Variance		Revenue		Variance		Revenue		Variance	
	2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017	
Gaming	\$447.9	\$454.6	\$(6.7)	(1)%	\$1,361.6	\$1,351.8	\$9.8	1%								
Lottery	206.8	202.9	3.9	2%	615.6	594.3	21.3	4%								
Social	105.1	95.1	10.0	11%	302.2	266.4	35.8	13%								
Digital	61.2	16.3	44.9	275%	198.1	48.1	150.0	312%								
Total revenue	\$821.0	\$768.9	\$52.1	7%	\$2,477.5	\$2,260.6	\$216.9	10%								

Gaming revenue decreased for the three-month comparable period primarily due to lower WAP and premium game participation units revenue and Other Participation and leased units revenue, partially offset by higher gaming systems revenue. The decrease in WAP and premium game participation units revenue and Other Participation and leased units revenue is primarily due to the lower ending installed base and average daily revenue per unit coupled with the impact of ASC 606 adoption. The Gaming revenue increase for the nine-month comparable period is primarily driven by higher gaming systems and table products revenue, partially offset by lower gaming operations revenue. The three and nine months ended September 30, 2018 reflect \$4.5 million and \$15.4 million, respectively, in jackpot charges for our WAP services recorded as a reduction to revenue, which was reflected as a cost of services in the prior-year comparable periods. The Gaming revenue decrease included a favorable foreign currency impact of \$0.2 million and \$13.1 million in the three and nine months ended September 30, 2018, respectively.

The Lottery revenue increase for the three-month comparable period was driven by growth in lottery systems revenue and for the nine-month period by both lottery systems and instant products revenue. The increase in lottery systems revenue is

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due to organic domestic growth partially offset by lower international terminal and software sales. Lottery revenue increases included a favorable foreign currency impact of \$0.3 million and \$6.4 million for the three and nine months ended September 30, 2018, respectively.

Social revenue increased for both comparable periods primarily due to continued growth in our Social gaming business, reflecting the ongoing popularity of 88 Fortunes®, Quick Hit® Slots, Bingo Showdown™ and the success of more recent apps, such as the launch of the redesigned Jackpot Party app during the third quarter of 2018 and introduction of the MONOPOLY-themed casino app during the second quarter of 2018 featuring new innovative style of play characteristics that allow players to build their very own MONOPOLY themed worlds. MONOPOLY Slots not only connects social casino users with MONOPOLY branded content, but also with slot games based on Hasbro's extensive line of household favorites, including BATTLESHIP, CLUE, OUIJA, and YAHTZEE games.

Digital revenue increased primarily due to the impact of the NYX acquisition completed on January 5, 2018, which comprised \$46.5 million and \$146.3 million in revenue for the three and nine months ended September 30, 2018, respectively.

Operating expenses

(\$ in millions)	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018			Variance 2018 vs. 2017		
	2018	2017		2018	2017		2018	2017	
Operating expenses:									
Cost of services	\$124.4	\$105.5	\$18.9	18 %	\$370.5	\$307.7	\$62.8	20 %	
Cost of product sales	109.9	116.9	(7.0)	(6)%	335.4	332.2	3.2	1 %	
Cost of instant products	67.0	68.4	(1.4)	(2)%	208.0	209.8	(1.8)	(1)%	
SG&A	169.7	158.8	10.9	7 %	515.2	445.4	69.8	16 %	
R&D	49.5	47.8	1.7	4 %	152.5	138.3	14.2	10 %	
D&A	166.3	173.1	(6.8)	(4)%	527.1	513.2	13.9	3 %	
Restructuring and other	338.7	7.8	330.9	nm	424.4	18.1	406.3	nm	
Total operating expenses	\$1,025.5	\$678.3	\$347.2	51 %	\$2,533.1	\$1,964.7	\$568.4	29 %	

Impact of NYX Acquisition

The NYX acquisition has contributed to an increase in Cost of services, SG&A, R&D and D&A for the comparable periods. The following table quantifies this impact on the related line items displayed above:

(\$ in millions)	Three Months Ended September 30, 2018			Nine Months Ended September 30, 2018		
	Three Month Variance	NYX Impact	Remaining Variance	Nine Month Variance	NYX Impact	Remaining Variance
Operating expenses:						
Cost of services	\$18.9	\$16.3	\$2.6	\$62.8	\$49.9	\$12.9
Cost of product sales	(7.0)	—	(7.0)	3.2	—	3.2
Cost of instant products	(1.4)	—	(1.4)	(1.8)	—	(1.8)
SG&A	10.9	14.7	(3.8)	69.8	45.0	24.8
R&D	1.7	8.2	(6.5)	14.2	24.1	(9.9)
D&A	(6.8)	13.0	(19.8)	13.9	39.2	(25.3)
Restructuring and other	330.9	4.2	326.7	406.3	13.4	392.9
Total operating expenses	\$347.2	\$56.4	\$290.8	\$568.4	\$171.6	\$396.8

The drivers of significant operating expense variances for the comparable periods exclusive of the NYX acquisition impact (see above) are described below.

Cost of revenue

Total cost of revenue for the nine-month comparable period increased primarily due to a \$12.7 million higher Social business segment cost of services directly attributable to revenue growth, partially offset by \$2.5 million in prior period jackpot expense for WAP jackpots currently recorded as a reduction to revenue reflected in the prior-year comparable period as a cost of services. The cost of product sales for the three-month comparable period is reflective of the Gaming business segment mix of gaming machine sales during the period.

SG&A

SG&A for the nine-month current year period is primarily reflective of higher stock-based compensation attributable to an \$11.1 million incremental expense related to acceleration and cancellation of equity awards associated with executive changes, higher legal professional fees and higher marketing expense associated with our Social business.

R&D

The decrease in R&D for both comparable periods was primarily due to lower Gaming business segment R&D spending for certain projects and more efficient business operations.

D&A

The decrease in D&A for both comparable periods was primarily due to certain Gaming segment acquired intangible assets becoming fully depreciated during 2017. The nine-month comparable period is reflective of a \$19.0 million impairment charge recorded during the first quarter of 2018 related to recording our assets held for sale to their expected net sales price (see Note 7).

Restructuring and other

Both comparable periods are impacted by the following items reflected in the current year three- and nine-month periods, respectively: (1) \$309.6 million and \$335.6 million in charges related to legal matters (see Note 15); (2) \$8.4 million and \$26.4 million contingent consideration remeasurement charges (see Note 12); and (3) \$10.9 million and \$31.8 million in employee severance. See Note 4 "Restructuring and Other" for further information.

Other Factors Affecting Net Loss Comparability

	Three Months		Nine Months		Factors Affecting Net Loss
	Ended September 30, 2018	2017	Ended September 30, 2018	2017	
(in millions)	2018	2017	2018	2017	2018 vs. 2017
Interest expense	\$(147.4)	\$(148.9)	\$(448.3)	\$(459.5)	Lower interest costs primarily resulting from 2017 and 2018 refinancing transactions, partially offset by higher outstanding debt principal balances (further discussed in "Liquidity, Capital Resources and Working Capital" and Note 11).
Loss on debt financing transactions	—	(8.4)	(93.2)	(38.1)	Loss on debt financing transactions from our refinancing transactions consummated during the 2018 first quarter, inclusive of a \$110.3 million premium charge associated with the redemption of the 2022 Secured Notes (see Note 11).
(Loss) gain on remeasurement of debt	(4.0)	—	29.4	—	The nine-month period gain is attributable to remeasurement of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes and reflective of weakening of the Euro vs. the U.S. dollar since the issuance of these notes (1.24 exchange rate at issuance vs. 1.18 as of September 30, 2018).
Income tax benefit (expense)	0.4	4.2	(5.8)	(18.9)	The reduction is primarily due to the overall mix of income in our foreign jurisdictions.

See "Business Segments Results" below for a more detailed explanation of the significant changes in our components of revenue within the individual segment results of operations.

BUSINESS SEGMENTS RESULTS

GAMING

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Our Gaming business segment designs, develops, manufactures, markets and distributes a comprehensive portfolio of gaming products and services. We provide our Gaming portfolio of products and services to commercial casinos, Native American casinos, wide-area gaming operators such as licensed betting offices ("LBOs"), arcade and bingo operators in the U.K. and continental Europe, and government agencies and their affiliated operators.

We generate Gaming revenue from both services and product sales. Our services revenue includes revenue earned from WAP, premium and daily-fee Participation gaming machines, other leased gaming machines (including VLTs and electronic table games), supplied table products and services (including Shufflers), casino management technology solutions and systems, and other services revenues. Our product sales revenue includes the sale of new and used gaming machines, electronic table games, VLTs and VGTs, casino-management technology solutions and systems, table products, PTG licensing, conversion kits (including game, hardware or operating system conversions) and spare parts. For additional information, refer to the Gaming primary business activities summary included within "Business Segment Results" under Item 7 of our 2017 10-K.

Current Year Update

We expect to continue to face pricing pressure in our Gaming business segment. We anticipate that demand for our gaming systems products and services will remain at a constant level due to several Canadian contracts and related new system implementations anticipated to continue for the remainder of 2018 and into 2019; however, timing can fluctuate based on timing of installations of the solutions. We believe we have begun to stabilize the erosion in the installed base of WAP, premium and daily-fee Participation gaming machines. In 2017, we demonstrated a significant breadth and depth of innovative new products that we launched during 2018 to support our target of growing the overall category. These products were headlined by three JAMES BOND™ themed games showcased on our new Gamefield 2.0™, TwinStar J43™ iReels, and Twinstar® V75 cabinets, which have provided positive results since their launch during the past two quarters. We are also expecting to deploy the Twinstar Wave XL as an addition to our Gaming Operations platform in early 2019.

During the second quarter of 2018, we signed a new seven-year agreement with Ladbrokes Coral Group to continue to supply terminals, content and related services, which represents a significant portion of our U.K. LBO server-based gaming business.

In May 2018, the U.K. government approved the reduction of fixed-odds betting terminals maximum stakes limit from £100 to £2, which is expected to be effective October 2019.

Results of Operations and Key Performance Indicators for Gaming

	Three Months			Nine Months			
	Ended		Variance	Ended		Variance	
	September 30,				September 30,		
(\$ in millions)	2018	2017	2018 vs. 2017	2018	2017	2018 vs. 2017	
Total revenue	\$447.9	\$454.6	\$(6.7) (1)%	\$1,361.6	\$1,351.8	\$9.8 1 %	
Total operating expenses	344.9	369.4	(24.5) (7)%	1,078.4	1,103.2	(24.8) (2)%	
AEBITDA	232.5	221.2	11.3 5 %	686.3	657.8	28.5 4 %	

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017

Revenue

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017	
Revenue:								
Gaming operations	\$159.2	\$176.0	\$(16.8)	(10)%	\$480.5	\$526.8	\$(46.3)	(9)%
Gaming machine sales	167.2	163.1	4.1	3%	479.6	482.6	(3.0)	(1)%
Gaming systems	69.7	62.0	7.7	12%	229.0	190.6	38.4	20%
Table products	51.8	53.5	(1.7)	(3)%	172.5	151.8	20.7	14%
Total revenue	\$447.9	\$454.6	\$(6.7)	(1)%	\$1,361.6	\$1,351.8	\$9.8	1%
F/X impact on revenue	\$0.2	\$2.2			\$13.1	\$(7.8)		
KPIs:								
WAP, premium and daily-fee Participation units:								
Installed base at period end	19,117	21,061	(1,944)	(9)%	19,117	21,061	(1,944)	(9)%
Average daily revenue per unit (exclusive of WAP jackpot expense)	\$50.52	\$51.59	\$(1.07)	(2)%	\$50.28	\$51.70	\$(1.42)	(3)%
Other Participation and leased units:								
Installed base at period end	48,143	48,633	(490)	(1)%	48,143	48,633	(490)	(1)%
Average daily revenue per unit	\$13.18	\$14.64	\$(1.46)	(10)%	\$13.93	\$14.85	\$(0.92)	(6)%
Gaming machine unit sales:								
U.S. and Canadian new unit shipments	5,038	4,662	376	8%	15,454	14,891	563	4%
International new unit shipments	2,625	2,940	(315)	(11)%	7,318	8,848	(1,530)	(17)%
Total new unit shipments	7,663	7,602	61	1%	22,772	23,739	(967)	(4)%
Average sales price per new unit	\$18,199	\$17,643	\$556	3%	\$17,874	\$17,391	\$483	3%

Gaming Operations

Gaming operations revenue decreased for the three-month comparable period primarily due to: (1) \$4.5 million in jackpot charge for our WAP services recorded as a reduction to revenue as a result of ASC 606 adoption; (2) a 1,944-unit decrease in the ending installed base of WAP, premium and daily-fee Participation gaming machines; (3) a 490-unit decrease in the ending other installed base for Other Participation and leased units; and (4) a decrease in the average daily revenue per WAP, premium and daily-fee Participation units and Other Participation and leased units revenue.

Gaming operations revenue decreased for the nine-month comparable period primarily due to: (1) \$15.4 million in jackpot expense for our WAP services recorded as a reduction to revenue as a result of ASC 606 adoption; (2) a 1,944-unit decrease in the ending installed base of WAP, premium and daily-fee Participation gaming machines; (3) a 490-unit decrease in the ending other installed base for Other Participation and leased units; and (4) a decrease in the average daily revenue per WAP, premium and daily-fee Participation units and Other Participation and leased units revenue.

The WAP, premium and daily-fee Participation units ending installed base decrease described above is reflective of a strategic long-term relationship entered into during the quarter that converted a number of units to sale in Oklahoma and also to a lesser degree the removal of 220 lower yielding Oregon VLT units. The installed base of Other Participation and leased units is reflective of the decline in install base driven by U.K. units and a decline in revenues-per-day driven by an increase in installed base of lower yielding Greece units.

Gaming Machine Sales

The Gaming machine unit sales increase for the three-month comparable period was primarily driven by sales

resulting from our new strategic long-term relationship described above, which was partially offset by lower international new unit shipments resulting from fewer casino openings and expansions during the period. The decrease in gaming machine unit sales for the nine-month comparable period is primarily due to lower unit sales resulting from fewer casino openings and expansions during the first three quarters of 2018, which was partially offset by an increase in the average sales price per unit, reflecting a more favorable mix of gaming machines. The following table summarizes the change in Gaming machine unit sales:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017	
U.S. and Canadian unit shipments:								
Replacement units	4,266	3,932	334	8 %	12,397	10,844	1,553	14 %
Casino opening and expansion units	772	730	42	6 %	3,057	4,047	(990)	(24)%
Total unit shipments	5,038	4,662	376	8 %	15,454	14,891	563	4 %
International unit shipments:								
Replacement units	2,414	2,910	(496)	(17)%	6,846	8,194	(1,348)	(16)%
Casino opening and expansion units	211	30	181	603 %	472	654	(182)	(28)%
Total unit shipments	2,625	2,940	(315)	(11)%	7,318	8,848	(1,530)	(17)%

Gaming Systems

Gaming systems revenue increased for both comparable periods primarily due to increased hardware sales, driven by placements of the iVIEW 4 player-interface display units coupled with ongoing installations of new systems to casinos in the provinces of Alberta and Ontario.

Table Products

Table products revenue increased for the nine-month comparable period primarily due to increased Shuffler sales, coupled with the impact of the acquisition of Tech Art, which closed in January 2018.

Operating Expenses

The decrease in operating expenses for the three-month comparable period is due to lower D&A of \$10.5 million as a result of certain acquired intangible assets becoming fully depreciated during 2017 coupled with \$10.3 million lower R&D and SG&A combined, primarily due to more efficient business operations and lower cost of revenue of \$7.2 million correlated with the revenue decrease. The total operating expenses for the nine-month comparable period are relatively flat, with the current year period reflective of a \$19.0 million impairment charge recorded during the first quarter of 2018 related to assets held for sale (see Note 7).

AEBITDA

AEBITDA for both the three and nine-month comparable periods increased primarily as a result of a more profitable revenue mix, primarily driven by Gaming system sales which carry higher margins coupled with more efficient business processes. These factors combined to drive a 3.3 percentage points and 1.7 percentage points improvement in AEBITDA as a percentage of revenue ("AEBITDA margin") for the three and nine months comparable periods, respectively.

LOTTERY

Our Lottery business segment is primarily comprised of our instant products business and our systems-based services and product sales business. Our instant products business generates revenue from the manufacture and sale of instant products, as well as the provision of value-added services such as game design, sales and marketing support, specialty

games and promotions, inventory management, warehousing, fulfillment services, as well as full instant product category management. In addition, we provide licensed games, promotional entertainment and internet-based marketing services to the lottery industry. These revenues are presented as instant products revenue.

Our systems-based services and product sales business provides customized computer software, software support, equipment and data communication services, and keno to lotteries. In the U.S., we typically provide the necessary point-of-sale terminals and equipment, software and maintenance services on a Participation basis under long-term contracts that typically have an initial term of at least five years. Internationally, we typically sell terminals and/or computer software to lottery authorities and may provide ongoing fee-based systems maintenance and software support services. Refer to the Lottery primary business activities summary included within "Business Segment Results" under Item 7 of our 2017 10-K.

Our equity investments in LNS and other less significant equity investments are included in our Lottery business segment.

Current Year Update

We believe we will continue to face intense price-based competition in our Lottery business in 2018. In the near term, we also expect to see an increase in the number of jurisdictions that seek to privatize or outsource lottery operations and to face strong competition from both traditional and new competitors with respect to these opportunities. In addition, we anticipate that lottery RFPs, specifically those for private management agreements and certain of our international customers, could increasingly include terms that expose us to increased risk, such as requiring the guarantee of specific income thresholds or significant upfront payments. During the third quarter of 2018, we successfully launched Kansas Lottery's new lottery system and launched the pilot program for SCiQ® (our intelligent instant game ecosystem technology that provides inventory control, security, speed-of service, merchandising and simplified accounting functions for retailers) with major retailers in nine states.

Results of Operations and Key Performance Indicators for Lottery

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017	
Total revenue	\$206.8	\$202.9	\$3.9	2%	\$615.6	\$594.3	\$21.3	4%
Total operating expenses	146.0	140.5	5.5	4%	421.3	405.5	15.8	4%
AEBITDA	92.3	89.2	3.1	3%	285.8	270.1	15.7	6%

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017

Revenue

(\$ in millions)	Three Months Ended September 30,		Variance		Nine Months Ended September 30,		Variance	
	2018	2017	2018 vs. 2017		2018	2017	2018 vs. 2017	
Revenue:								
Instant products	\$142.0	\$142.7	\$(0.7)	—	\$442.3	\$435.7	\$6.6	2%
Lottery systems	64.8	60.2	4.6	8%	173.3	158.6	14.7	9%
Total revenue	\$206.8	\$202.9	\$3.9	2%	\$615.6	\$594.3	\$21.3	4%
F/X impact on revenue	\$0.3	\$(0.1)			\$6.4	\$(4.3)		

KPIs:

Change in retail sales of U.S. lottery instant products customers ⁽¹⁾⁽²⁾	4.4	%	6.4	%	(2.0)pp	nm	4.7	%	4.6	%	0.1pp	nm
	(5.6))%	5.8	%	(11.4)pp	nm	(2.8))%	(3.2))%	0.4pp	nm

Change in retail sales of U.S. lottery systems
contract customers⁽¹⁾⁽³⁾

Change in Italy retail sales of instant
products⁽¹⁾ (0.9)% 4.8 % (5.7)ppnm 1.5 % 2.7 % (1.2)ppnm

nm = not meaningful.

pp = percentage points.

(1) Information provided by third-party lottery operators.

(2) U.S. instant products customers' retail sales include only sales of instant products.

(3) U.S. lottery systems customers' retail sales primarily include sales of draw games, keno and instant products validated by the relevant system.

Organic domestic growth in lottery systems drove the comparable three-month revenue increase. Primary factors driving the nine-month comparable period revenue increase were a \$14.7 million increase in lottery systems revenue, driven by organic domestic growth partially offset by lower international terminal and software sales, and a \$6.6 million increase in instant product revenue, driven by higher revenue in domestic Participation contracts.

Operating Expenses

Operating expenses for both comparable periods increased primarily due to higher D&A associated with certain licensing arrangements. Additionally, the increase in operating expenses for the nine-month comparable period is primarily due to higher cost of revenues correlated with the revenue growth coupled with higher SG&A as a result of higher compensation and professional services.

AEBITDA

AEBITDA for both comparable periods increased primarily due to higher overall revenue (described above) and more profitable business mix, partially offset by a related increase in cost of revenue and higher SG&A expense, collectively driving a 0.7 percentage points and 1.0 percentage points improvement in AEBITDA margin for the three and nine months comparable periods, respectively.

SOCIAL

Our Social business segment generates revenue from the sale of virtual coins, chips or bingo cards, which players can use to play slot, table games or bingo games (i.e., spin in the case of slot games, bet in the case of table games and use of bingo cards in the case of bingo games). The games are primarily our WMS[®], Bally[®], Barcrest[®], SHFL[®], Dragonplay[®] and Bingo Showdown branded games. We offer both third-party branded games and original content. All of our Social revenue is comprised of B2C transactions.

Current Year Update

We continue to pursue our multi-product strategy in our Social gaming business. In the second quarter of 2018, we launched a MONOPOLY themed casino app, which features a new innovative style of play. During the third quarter of 2018, we launched a redesigned Jackpot Party app, completely refreshing the play features.

Results of Operations and Key Performance Indicators for Social

	Three Months			Nine Months		
	Ended		Variance	Ended		Variance
	September 30,			September 30,		
(\$ in millions)	2018	2017 ⁽¹⁾	2018 vs. 2017	2018	2017 ⁽¹⁾	2018 vs. 2017
Total revenue	\$105.1	\$95.1	\$10.0 11%	\$302.2	\$266.4	\$35.8 13%
Operating expenses	90.5	82.9	7.6 9%	269.3	223.2	46.1 21%
AEBITDA	27.0	20.1	6.9 34%	78.4	59.9	18.5 31%

(1) Business segment information has been recast to reflect current segments - see Note 3.

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017

Revenue

(\$ in millions)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2018	2017 ⁽¹⁾	Variance 2018 vs. 2017	2018	2017 ⁽¹⁾	Variance 2018 vs. 2017
Revenue:						
Social gaming	\$105.1	\$95.1	\$10.0 11 %	\$302.2	\$266.4	\$35.8 13 %
KPIs:						
Social gaming:						
Mobile Penetration ⁽²⁾	79	% 72	% 7pp nm	77	% 71	% 6pp nm
Average MAU ⁽³⁾	8.4	7.9	0.5 6 %	8.2	7.7	0.5 6 %
Average DAU ⁽⁴⁾	2.7	2.5	0.2 8 %	2.5	2.5	- -
ARPDau ⁽⁵⁾	\$0.43	\$0.42	\$0.01 2 %	\$0.44	\$0.40	\$0.04 10 %

nm = not meaningful.

pp = percentage points.

(1) Business segment information has been recast to reflect current segments - see Note 3.

(2) Mobile penetration as defined by percentage of B2C social gaming revenue generated from mobile platforms.

(3) MAU = Monthly Active Users, a count of unique visitors to our sites during a month.

(4) DAU = Daily Active Users, a count of unique visitors to our sites during a day.

(5) ARPDau = Average daily revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period.

The increase in Social revenue for both comparable periods is primarily attributable to the ongoing popularity of our Bingo Showdown game and the success of the recently launched MONOPOLY themed casino app.

Operating Expenses

Operating expenses for both comparable periods increased primarily due to higher cost of revenue correlated with the revenue growth coupled with higher SG&A as a result of higher marketing costs associated with supporting newer apps such as Bingo Showdown, MONOPOLY and the recently launched redesigned Jackpot Party. SG&A expense for the three-month period was offset by lower incentive compensation. Operating expenses for both comparable periods were impacted by \$8.4 million and \$18.0 million contingent consideration remeasurement charges recorded during the first quarter of 2018 and the third quarter of 2018, respectively (see Note 12).

AEBITDA

AEBITDA for both comparable periods increased primarily due to continued rapid growth in revenue (as described above) and improved operating leverage, partially offset by higher SG&A as described above. AEBITDA margin for the three and nine months comparable periods improved by 4.6 percentage points and 3.5 percentage points, respectively.

DIGITAL

Our Digital segment provides a comprehensive suite of digital gaming and sports betting solutions and services, including digital RMG and sports betting solutions, distribution platforms, content, products and services. A portion of our Digital revenue consists of professional services related to highly customizable software design, development, licensing, maintenance and support services, which are derived from a comprehensive suite of technology solutions. These technology solutions allow our customers to operate sports books, which can offer sport (or non-sport) events and betting markets across both fixed-odds and pari-mutuel betting styles. We also provide the Open Platform System (OPS) which offers a wide range of reporting and administrative functions and tools providing operators full control over all areas of digital gaming operations. Additionally, we derive revenue from our content aggregation platforms,

including Open Gaming System (OGS), remote gaming servers, SG Universe platform and various other platforms, which can deliver a wide spectrum of internally developed and branded casino-style games and popular third-party provider casino-style games to gaming operators. Generally, we host the play of our game content on our centrally-located servers that are integrated with the online casino operators' websites.

Current Year Update

On May 14, 2018 the Supreme Court of the United States overturned the Professional and Amateur Sports Protection Act (PASPA), a decision that opens up a path to legalization of sports betting across the country. Following this ruling, New Jersey, Pennsylvania, Mississippi, and Delaware legalized sports betting with a number of states being in the process of establishing their regulations. We believe we are well-positioned for future growth in the digital gaming industry due to our

game content, platform technology, and distribution capabilities, which provide comprehensive solutions for our customers. With established brand-name customers already using our products and services powered by the integrated content and technology, our platform is capable of further deployment with large operators and technology providers and the expansion into new jurisdictions, including the U.S. sports book market as it becomes regulated more broadly.

During the third quarter of 2018, we successfully launched our gaming content across 12 new client sites and signed 8 new customers. We launched a full suite of content with the Hard Rock New Jersey and launched sports betting with Caesars' Horseshoe Tunica Hotel & Casino and Harrah's Gulf Coast Hotel & Casino in Mississippi, which now allows legalized in-person sports wagering following the PASPA decision. We also signed a multi-year contract with Kindred to provide OPS and OGS in New Jersey. We believe that our revenue pipeline remains strong.

In November 2018, we acquired Don Best (see Note 1), which will allow us to broaden our portfolio of U.S. sports betting industry services.

Results of Operations for Digital

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018	2017 ⁽¹⁾	Variance		2018	2017 ⁽¹⁾	Variance	
(\$ in millions)	2018	2017 ⁽¹⁾	2018 vs. 2017		2018	2017 ⁽¹⁾	2018 vs. 2017	
Total revenue	\$61.2	\$ 16.3	\$44.9	275%	\$198.1	\$ 48.1	\$150.0	312%
Operating expenses	70.0	15.6	54.4	349%	219.4	42.4	177.0	417%
AEBITDA	11.9	3.1	8.8	284%	42.3	10.9	31.4	288%

(1) Business segment information has been recast to reflect current segments - see Note 3.

Three and Nine Months Ended September 30, 2018 Compared to Three and Nine Months Ended September 30, 2017

Revenue

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018	2017 ⁽¹⁾	Variance		2018	2017 ⁽¹⁾	Variance	
(\$ in millions)	2018	2017 ⁽¹⁾	2018 vs. 2017		2018	2017 ⁽¹⁾	2018 vs. 2017	
Revenue:								
Sports and platform	\$20.8	\$ —	\$20.8	nm	\$67.2	\$ —	\$67.2	nm
Gaming and other	40.4	16.3	24.1	148%	130.9	48.1	82.8	172%
Total revenue	\$61.2	\$ 16.3	\$44.9	275%	\$198.1	\$ 48.1	\$150.0	312%

(1) Business segment information has been recast to reflect current segments - see Note 3.

nm = not meaningful.

The increase in revenue is primarily attributable to the NYX acquisition, which contributed \$46.5 million and \$146.3 million in revenue for the three- and nine-months ended September 30, 2018, respectively.

Operating Expenses and AEBITDA

The increase in operating expenses and AEBITDA for both comparable periods is the result of the inclusion of NYX.

RECENTLY ISSUED ACCOUNTING GUIDANCE

For a description of recently issued accounting pronouncements, see Note 1.

CRITICAL ACCOUNTING ESTIMATES

For a description of our policies regarding our critical accounting estimates, see "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2017 10-K.

Other than the application of business combinations policy for the NYX acquisition, the adoption of ASC 606 and update to our goodwill impairment assessment critical estimates described below, there have been no significant changes in our

critical accounting estimate policies or the application of those policies to our condensed consolidated financial statements from those presented in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2017 10-K.

Business Combinations

We account for business combinations in accordance with ASC 805. This standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination.

Determining the fair value of assets acquired and liabilities assumed requires management judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. Any changes in the underlying assumptions can impact the estimates of fair value by material amounts, which can in turn materially impact our results of operations. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these fair values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate D&A expense. If our estimates of the economic lives change, D&A expense could be accelerated or slowed. See Note 1 for "Acquisition of NYX and Preliminary Purchase Price Allocation" completed during the first quarter of 2018, which is subject to adjustment as we finalize our purchase price accounting, and such adjustments could be material.

Revenue Recognition

As described in Note 1, on January 1, 2018, we adopted ASC 606 using the modified retrospective method, which was applied to customer contracts that were not completed as of January 1, 2018. Our revenue recognition policies described fully in Note 2 require us to make significant judgments and estimates. The guidance in ASC 606 requires that we apply judgments or estimates to determine the performance obligations, the stand-alone selling prices of our performance obligations to customers, and the timing of transfer of control of the respective performance obligations. The evaluation of each of these criteria in light of contract specific facts and circumstances is inherently judgmental, but certain judgments could significantly affect the timing or amount of revenue recognized if we were to reach a different conclusion than we have. The critical judgments we are required to make in our assessment of contracts with customers that could significantly affect the timing or amount of revenue recognized are:

Contracts with Multiple Promised Goods and Services - because we enter into contracts with customers that involve promises to transfer multiple products and services, the determination of the distinct performance obligations in contracts with multiple promises requires significant judgment. Our total gaming systems, lottery systems and digital revenue that often contain multiple promised goods and services was \$353.5 million for the nine months ended September 30, 2018, or approximately 14 percent of consolidated revenue, a portion of which would not be recognized if we had reached a different conclusion.

Determination of stand-alone selling prices - the guidance in ASC 606 requires that we determine the stand-alone selling price for our goods and services as a basis for allocating the transaction price to the identified distinct performance obligations in our contracts with customers. Because we often bundle the selling price for multiple promised goods or services or we may license systems for which the solutions we provide are highly customized and therefore the prices we charge are either uncertain, highly variable, or both, the determination of a stand-alone selling price or the relative range requires significant judgment. Our total gaming systems, lottery systems and digital revenue that could be subject to this judgment and thus allocated to distinct performance obligations differently was a portion of \$353.5 million for the nine months ended September 30, 2018, or approximately 14 percent of consolidated revenue.

Transfer of control in Lottery POS contracts - the guidance in ASC 606 requires that we recognize revenue when or as control over a performance obligation transfers to a customer. In instant products contracts under POS terms, instant products are delivered to lottery customers but we retain the risk of such inventory until retail sales of such tickets takes place. Because those shipments are to a lottery-controlled warehouse and we do not have the ability to direct the use of such instant products subsequent to this delivery, we have determined that control transfers upon delivery. This conclusion requires the use of judgment. If we concluded that control transferred upon retail sales when the end customer obtained control over the instant tickets, revenue would be decreased by \$7.1 million for the nine months ended September 30, 2018.

Goodwill

A substantial portion of our legacy U.K. Gaming reporting unit revenue is concentrated with Ladbrokes Coral Group, which operates LBOs in the U.K. In October 2017, the U.K. government published its consultation on the review of stakes and prizes for all gaming terminals in the U.K. gaming sector recommending a reduction in stakes on certain gaming machines. In May 2018, the U.K. government published its decision concluding that fixed-odds betting terminals maximum stakes limit should be reduced from £100 to £2, which is expected to be effective October 2019. Based upon our current projections and analysis and assuming the recommended changes to stakes limits are effective in the second half of 2019, we do not believe that it is more likely than not that the fair value of our legacy U.K. Gaming reporting unit is less than its carrying amount. This analysis includes significant uncertainty and incorporates highly subjective projections as to the ultimate impact of the regulatory change on our customers and our U.K. gaming business. Although we have currently concluded that it is not more likely than not that the fair value of our legacy U.K. Gaming reporting unit is less than its carrying amount, adverse changes in projected revenue, profit margin or capital expenditures, or changes in weightings between the income approach and market approaches we have historically applied could change this conclusion and lead to future impairments, which could be material. As of September 30, 2018, our legacy U.K Gaming reporting unit carrying amount of goodwill was \$181.2 million.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Sources of Liquidity

As of September 30, 2018, our principal sources of liquidity, other than cash flows provided by operating activities, were cash and cash equivalents and amounts available under our revolving credit facility discussed below under "Credit Agreement and Other Debt."

On February 14, 2018, we successfully completed a series of financing transactions, including a private offering of an additional \$900.0 million principal amount of our 2025 Secured Notes, €325.0 million of new 2026 Secured Euro Notes and €250 million of new 2026 Unsecured Euro Notes, and an amendment to our credit agreement to refinance our existing term loan B-4 facility and increase the term loans outstanding by \$900.0 million under a new term loan B-5 facility (collectively referred to as the "February 2018 Refinancing"). We used the net proceeds of the February 2018 Refinancing to redeem \$2,100.0 million of our outstanding 2022 Secured Notes, prepay a portion of our revolver borrowings under our credit agreement and pay accrued and unpaid interest thereon plus related premiums, fees and expenses. In connection with the amendment to our credit agreement, the interest rate on our term loans was decreased from LIBOR plus 3.25% to LIBOR plus 2.75%. We also increased the amount of the revolving credit agreement by \$24.0 million to \$620.2 million through October 18, 2018, with a step-down in availability at that time to \$445.7 million until the extended maturity on October 18, 2020.

On October 18, 2018, we entered into a lender joinder agreement to the credit agreement with an additional revolving commitment lender. Pursuant to the joinder agreement, the amount of the revolving credit facility under the credit agreement was increased by \$50.0 million through October 18, 2020. As a result, the amount of the revolving credit facility as of October 18, 2018 was \$495.7 million until it matures on October 18, 2020.

Cash and Available Revolver Capacity

(\$ in millions)	As of	
	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 113.5	\$ 788.8
Revolver capacity	620.2	596.2
Revolver capacity drawn or committed to letters of credit	(70.4)	(375.6)
Total	\$ 663.3	\$ 1,009.4

The amount of our available cash and cash equivalents fluctuates principally based on borrowings or repayments under our credit facilities, investments, acquisitions and changes in our working capital position. The borrowing capacity under our revolving credit facility will depend on the amount of outstanding borrowings and letters of credit issued and on us remaining in compliance with the covenants under our credit agreement, including a maintenance

covenant based on consolidated net first lien leverage. We were in compliance with the covenants under our credit agreement as of September 30, 2018.

We believe that our cash flow from operations, available cash and cash equivalents and available borrowing capacity under our existing or anticipated financing arrangements will be sufficient to meet our liquidity needs for the foreseeable future; however, we cannot assure that this will be the case. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Total cash held by our foreign subsidiaries was \$82.6 million as of September 30, 2018.

Our Gaming Participation and Lottery systems businesses generally require significant upfront capital expenditures, and we may need to incur additional capital expenditures in order to retain or win new contracts. Our ability to make payments on and to refinance our indebtedness and other obligations depends on our ability to generate cash in the future. We may also, from time to time, repurchase or otherwise retire or refinance our debt, through our subsidiaries or otherwise. In the event we pursue significant acquisitions or other expansion opportunities, we may need to raise additional capital. If we do not have adequate liquidity to support these activities, we may be unable to obtain financing for these cash needs on favorable terms or at all. For additional information regarding our cash needs and related risks, see Item 1A "Risk Factors" in our 2017 10-K.

In addition, Lottery customers in the U.S. generally require service providers to provide performance bonds in connection with the relevant contract. As of September 30, 2018, our outstanding performance bonds totaled \$232.6 million. Our ability to obtain performance bonds on commercially reasonable terms is subject to our financial condition and to prevailing market conditions, which may be impacted by economic and political events. Although we have not experienced difficulty in obtaining such bonds to date, we cannot assure that we will continue to be able to obtain performance bonds on commercially reasonable terms, or at all. For additional information regarding our surety or performance bonds in connection with our contracts, see Item 1A "Risk Factors" in our 2017 10-K.

During the second quarter of 2018, we made our second pro-rata concession funding payment to LNS of \$74.3 million (€60.0 million) related to extension of the concession for a period of up to nine years.

Subsequent to September 30, 2018 and as described in Note 7, we sold certain of our properties held for sale for net cash proceeds of approximately \$40.0 million. In November 2018, we acquired Don Best for \$26.5 million in cash, with the potential for additional contingent consideration, all of which was funded through a portion of the proceeds from the sale of properties described above. Additionally, as described in Note 15, on August 7, 2018, the jury returned a verdict for the plaintiffs in the Shuffle Tech Matter. The jury awarded plaintiffs \$105.0 million in compensatory damages, which is subject to trebling, as well as attorneys' fees and costs. We have sought review in the trial court of both the finding of liability and the damages award, and, if necessary, will also do so on appeal. The Shuffle Tech Matter verdict did not result in any cash outflow with the verdict being subject to post-trial motions and appeal. However, any payments that the defendants may be required to make to plaintiffs may be funded through a combination of our operating cash flows and available revolver capacity.

Nine Months Ended September 30, 2018 Compared to Nine Months Ended September 30, 2017

Cash Flow Summary

(\$ in millions)	Nine Months		
	Ended September 30,		Variance
	2018	2017	2018 vs. 2017
Net cash provided by operating activities	\$355.9	\$389.0	\$(33.1)
Net cash used in investing activities	(618.8)	(237.9)	(380.9)
Net cash used in financing activities	(402.9)	(73.1)	(329.8)
Effect of exchange rates on cash, cash equivalents and restricted cash	(2.5)	4.8	(7.3)
(Decrease) increase in cash, cash equivalents and restricted cash	\$(668.3)	\$82.8	\$(751.1)
Cash flows from operating activities			

Variance

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Nine Months
 Ended September
 30,

(\$ in millions)	2018	2017	2018 vs. 2017
Net loss	\$(559.2)	\$(199.2)	\$(360.0)
Adjustments to reconcile net loss to cash flows from operations	678.0	589.4	88.6
Changes in working capital accounts	236.9	(6.0)	242.9
Changes in deferred income taxes and other	0.2	4.8	(4.6)

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Net cash provided by operating activities for the nine months ended September 30, 2018 decreased primarily due to unfavorable changes in working capital accounts (exclusive of accruals for legal matters) and is reflective of higher NYX acquisition related payments, coupled with higher Restructuring and other charges during the first nine months of 2018. The changes in our working capital accounts during the nine months ended September 30, 2018 were primarily driven by the following:

- \$213.7 million increase in accounts payable and accrued liabilities, which is reflective of a \$334.6 million increase in legal reserve associated with the Shuffle Tech Matter;
- \$89.6 million decrease in accounts and notes receivables due to strong collections during the nine-month period primarily driven by our Gaming and Lottery business segments; partially offset by
- \$66.4 million net increase in contract assets and other current assets and liabilities, inclusive of an impact of ASC 606 adoption.

Cash flows from investing activities

Net cash used in investing activities increased primarily due to the NYX acquisition described in Note 1 and the second pro-rata concession funding payment to LNS of \$74.3 million (€60.0 million) described in Note 10 coupled with higher capital expenditures. Higher capital expenditures are driven by our Gaming business segment due to anticipated acceleration of our gaming operations installed base of participation games and Lottery business segment associated with the new lottery contracts, combined with capital expenditures attributable to the NYX operations.

Capital expenditures are composed of investments in systems, equipment and other assets related to contracts, property and equipment, intangible assets and software.

Cash flows from financing activities

Net cash used in financing activities increased primarily due to repayment of assumed NYX debt of \$288.2 million, higher revolving credit facility payments, and higher net redemptions of common stock under stock-based compensation plans, partially offset by higher proceeds associated with the refinancing activities.

Credit Agreement and Other Debt

For additional information regarding our credit agreement and other debt, interest rate risk and interest rate hedging instruments, see Notes 16 and 17 and Item 7A "Quantitative and Qualitative Disclosures About Market Risk" in our 2017 10-K, as well as Note 11 in this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements

As of September 30, 2018, we did not have any significant off-balance sheet arrangements.

Contractual Obligations

Other than: (i) completion of the NYX and Tech Art acquisitions described in Note 1, (ii) the February 2018 Refinancing described in Note 11, (iii) the second pro-rata concession funding payment to LNS of \$74.3 million (€60.0 million) described in Note 10, (iv) Don Best acquisition described in Note 1, and (v) the \$50.0 million increase in capacity of our existing revolving credit facility under the credit agreement described in Note 11, there have been no material changes to our contractual obligations disclosed under Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity, Capital Resources and Working Capital — Contractual Obligations" in our 2017 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign exchange rates and commodity prices. The following are our primary exposures to market risks:

Interest Rate Risk

As of September 30, 2018, the face value of long term debt was \$8,915.0 million, including \$4,198.7 million of variable-rate obligations. Assuming a constant outstanding balance for our variable-rate long term debt, a hypothetical 1% change in interest rates would decrease/increase interest expense by approximately \$42.0 million. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes.

We have attempted to limit our exposure to interest rate risk by using interest rate swap contracts to mitigate interest rate risk associated with a portion of our variable rate debt instruments. The objective of our interest rate swap

contracts, which are designated as cash flow hedges of the future interest payments, is to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on a portion of our variable rate debt.

Cross-Currency Interest Rate Swaps

In connection with the February 2018 Refinancing (see Note 11), we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting \$460.0 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

As of September 30, 2018, if these cross-currency interest rate swap agreements were ineffective, the fluctuations in the exchange rates between the Euro and the U.S. Dollar would impact the amount of U.S. Dollars that we would require to settle the Euro-denominated debt at maturity of these agreements. A hypothetical 10% change in the U.S. Dollar in comparison to the Euro exchange rate upon inception of the cross-currency interest rate swap would have increased/decreased our obligation to cash settle the exchanged principal portion in U.S. Dollars by approximately \$46.0 million.

Net Investment Non-derivative Hedge - 2026 Secured Euro Notes

In February 2018, we designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

Fluctuations in the exchange rates between the Euro and the U.S. Dollar will impact the amount of U.S. Dollars that we will require to settle the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes at maturity. A hypothetical 10% change in U.S. Dollar in comparison to the Euro as of September 30, 2018, would have increased/decreased our obligation to cash settle the principal portion of the 2026 Secured and Unsecured Euro Notes in U.S. Dollars by approximately \$67.6 million.

For additional information regarding interest rate swap contracts, cross-currency interest rate swaps and net investment non-derivative hedges see Note 12.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures as required by Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

In January 2018, we completed the NYX acquisition (see Note 1) and are in the process of integrating NYX and our internal controls over financial reporting. In conjunction with these integration activities, we are implementing an ERP system and continue to evaluate certain controls, some of which are likely to be revised. However, those changes in internal controls over financial reporting resulting from these implementation and integration activities have not, as of yet, been incorporated into our evaluation of the effectiveness of SGC's internal control over financial reporting as they remain incomplete at this time.

Except as noted above, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control

over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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For a description of our legal proceedings, see Note 15 in this Quarterly Report on Form 10-Q and Note 22 in our 2017 10-K.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed under Item 1A "Risk Factors" included in our 2017 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There was no stock repurchase activity during the nine months ended September 30, 2018.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1(a)	<u>Articles of Merger filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.3 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).</u>
3.1(b)	<u>Certificate of Merger filed with the Secretary of State of the State of Delaware on January 10, 2018 (incorporated by reference to Exhibit 3.4 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).</u>
3.1(c)	<u>Amended and Restated Articles of Incorporation of Scientific Games Corporation, filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.1 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).</u>
3.2	<u>Amended and Restated Bylaws of Scientific Games Corporation, effective as of January 10, 2018 (incorporated by reference to Exhibit 3.2 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).</u>
10.1	<u>Separation and Consultancy Agreement, dated as of September 3, 2018, by and between Scientific Games Corporation and David W. Smail.*(†)</u>
10.2	<u>Employment Agreement, dated as of September 4, 2018, by and between Scientific Games Corporation and James Sottile.*(†)</u>
31.1	<u>Certification of the Chief Executive Officer of Scientific Games Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (†)</u>
31.2	<u>Certification of the Chief Financial Officer of Scientific Games Corporation pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (†)</u>
32.1	<u>Certification of the Chief Executive Officer of Scientific Games Corporation pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)</u>
32.2	<u>Certification of the Chief Financial Officer of Scientific Games Corporation pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (†)</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Definition Label Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

(†) Filed herewith.
 *Management contracts and compensation plans and arrangements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCIENTIFIC GAMES CORPORATION
(Registrant)

By: /s/ Michael A. Quartieri

Name: Michael A. Quartieri

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

By: /s/ Michael F. Winterscheidt

Name: Michael F. Winterscheidt

Title: Chief Accounting Officer

Dated: November 8, 2018