SCIENTIFIC GAMES CORP
Form 10-Q/A
August 14, 2003

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A
AMENDMENT NO. 1

{Mark One}

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2002

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File number: 0-13063

SCIENTIFIC GAMES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

750 Lexington Avenue, New York, New York 10022
(Address of principal executive offices)
(Zip Code)

(212) 754-2233
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 12, 2002:

Class A Common Stock: 58,380,625

Class B Common Stock: None

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION

THREE MONTHS ENDED SEPTEMBER 30, 2002

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A filed by Scientific Games Corporation (the "Company") amends the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2002.

Subsequent to the filing of such Quarterly Report, it was determined that a portion of the deferred tax asset, in the form of a net operating loss carryforward, recognized by the Company in the fourth quarter of 2002 should have been recognized at the time of the Company's acquisition of Scientific Games Holdings Corp. ("SGHC") on September 6, 2000 as a reduction to the goodwill resulting from the acquisition of SGHC. Accordingly, the Company has amended and restated its consolidated financial statements as of and for the year ended October 31, 2000, the two-month period ended December 31, 2000, each of the quarterly periods in the years ended December 31, 2001 and 2002, and the years ended December 31, 2001 and 2002. This Form 10-Q/A is being filed to give effect to such amendments and restatements by amending and restating the following sections of the Company's Quarterly Report: (i) Financial Statements (including the Notes to Consolidated Financial Statements) (Part I, Item 1); and (ii) Management's Discussion and Analysis of Financial Condition and Results of Operations (Part I, Item 2). For convenience, Parts I and II of the Company's Quarterly Report are included in their entirety in this Form 10-Q/A, although the items therein are not amended except as specifically indicated in this explanatory note. In addition to the foregoing amendments, (x) Item 6 of Part II (Exhibits and Reports on Form 8-K) is being amended to include currently dated certifications of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 as Exhibits 99.1 and 99.2, respectively, and (y) the Quarterly Report is also being amended to include currently dated certifications of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and to reflect such certifications in Disclosure Controls and Procedures (Part I, Item 4). No other information in the Company's Quarterly Report is being amended by this Form 10-Q/A.

The Company has not updated the information in this Form 10-Q/A to speak as of a date after the filing of the Company's Quarterly Report, and this Form 10-Q/A does not amend or update the information in such Quarterly Report in any way other than to give effect to the amendments and restatements described above, to the extent specified.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	Restated December 31, 2001	Restated September 30, 2002
	(Audited)	(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,649	8,821
Restricted cash	708	753
Accounts receivable, net of allowance for doubtful accounts	50,410	55,622
Inventories	19,547	29,785
Prepaid expenses, deposits and other current assets	14,829	12,089
Total current assets	98,143	107,070
Property and equipment, at cost	364,837	390,713
Less accumulated depreciation	168,049	193,760
Net property and equipment	196,788	196,953
Goodwill, net	179,099	183,460
Other intangible assets, net	60,169	58,133
Other assets and investments	51,597	46,310
Total assets	$ 585,796	591,926
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	$ 9,437	12,201
Accounts payable	26,632	22,529

	Restated December 31, 2001	Restated September 30, 2002
Accrued liabilities	51,118	49,394
Interest payable	8,381	2,068
Total current liabilities	95,568	86,192
Deferred income taxes	16,250	23,525
Other long-term liabilities	23,440	24,102
Long-term debt, excluding current installments	430,298	334,583
Total liabilities	565,556	468,402
Commitments and contingencies		
Stockholders' equity:		
Series A convertible preferred stock, par value $1.00 per share, 1,600 shares authorized, 1,220 and 1,275 shares outstanding at December 31, 2001 and September 30, 2002, respectively	1,220	1,275
Series B preferred stock, par value $1.00 per share, 2 shares authorized, none and 1.238 shares outstanding at December 31, 2001 and September 30, 2002, respectively		1
Class A common stock, par value $0.01 per share, 199,300 shares authorized, 41,203 and 57,529 shares outstanding at December 31, 2001 and September 30, 2002, respectively	412	575
Class B non-voting common stock, par value $0.01 per share, 700 shares authorized, none outstanding		
Additional paid-in capital	275,510	380,131
Accumulated losses	(246,383)	(252,610)
Treasury stock, at cost	(135)	(1,418)
Accumulated other comprehensive loss	(10,384)	(4,430)
Total stockholders' equity	20,240	123,524
Total liabilities and stockholders' equity	$ 585,796	591,926

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2001 and 2002
(Unaudited, in thousands, except per share amounts)

	Restated 2001	Restated 2002
Operating revenues:		
Services	$ 93,418	93,932
Sales	13,785	21,220

		Restated 2001	Restated 2002
		107,203	115,152
Operating expenses (exclusive of depreciation and amortization shown below):			
Services		57,603	54,846
Sales		9,367	14,233
Amortization of service contract software (Note 2)		1,179	1,233
		68,149	70,312
Total gross profit		39,054	44,840
Selling, general and administrative expenses		13,166	14,812
Depreciation and amortization		12,111	9,066
Operating income		13,777	20,962
Other deductions:			
Interest expense		12,322	9,783
Other (income) expense		(72)	670
		12,250	10,453
Income before income tax expense and extraordinary item		1,527	10,509
Income tax expense		2,948	1,443
Income (loss) before extraordinary item		(1,421)	9,066
Extraordinary item, net of tax early retirement of debt			14,853
Net loss		(1,421)	(5,787)
Convertible preferred stock paid-in-kind dividend		1,790	1,899
Net loss available to common stockholders	$	(3,211)	(7,686)
Basic and diluted net income (loss) per share (Note 2):			
Basic income (loss) before extraordinary item available to common stockholders	$	(0.08)	0.13
Diluted income (loss) before extraordinary item available to common stockholders	$	(0.08)	0.10
Basic extraordinary item, net of tax	$		(0.26)
Diluted extraordinary item, net of tax	$		(0.17)
Basic net loss available to common stockholders	$	(0.08)	(0.13)
Diluted net loss available to common stockholders	$	(0.08)	(0.07)
Weighted average number of shares used in per share calculations:			
Basic shares		40,383	57,301

	Restated 2001	Restated 2002
Diluted shares	40,383	87,360

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2001 and 2002
(Unaudited, in thousands, except per share amounts)

	Restated 2001	Restated 2002
Operating revenues:		
Services	$ 273,098	283,195
Sales	58,786	53,196
	331,884	336,391
Operating expenses (exclusive of depreciation and amortization shown below):		
Services	173,664	163,332
Sales	36,088	35,147
Amortization of service contract software (Note 2)	3,136	3,656
	212,888	202,135
Total gross profit	118,996	134,256
Selling, general and administrative expenses	41,812	44,925
Depreciation and amortization	36,352	27,932
Operating income	40,832	61,399
Other deductions:		
Interest expense	38,610	32,795
Other expense	109	441
	38,719	33,236
Income before income tax expense and extraordinary item	2,113	28,163
Income tax expense	5,145	13,984
Income (loss) before extraordinary item	(3,032)	14,179
Extraordinary item, net of tax early retirement of debt		14,853
Net loss	(3,032)	(674)
Convertible preferred stock paid-in-kind dividend	5,233	5,553

	Restated 2001	Restated 2002
Net loss available to common stockholders	$ (8,265)	(6,227)
Basic and diluted net income (loss) per share (Note 2):		
Basic income (loss) before extraordinary item available to common stockholders	$ (0.21)	0.18
Diluted income (loss) before extraordinary item available to common stockholders	$ (0.21)	0.16
Basic extraordinary item, net of tax	$	(0.31)
Diluted extraordinary item, net of tax	$	(0.28)
Basic net loss available to common stockholders	$ (0.21)	(0.13)
Diluted net loss available to common stockholders	$ (0.21)	(0.12)
Weighted average number of shares used in per share calculations:		
Basic shares	40,252	47,518
Diluted shares	40,252	53,877

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 2001 and 2002
(Unaudited, in thousands)

	Restated 2001	Restated 2002
Cash flows from operating activities:		
Net loss	$ (3,032)	(674)
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	39,488	31,588
Non-cash interest expense	1,797	1,740
Changes in operating assets and liabilities, net of effects of business acquisitions	(243)	(24,577)
Extraordinary item early retirement of debt		14,853
Other	3,354	9,355
Total adjustments	44,396	32,959

		Restated 2001	Restated 2002
Net cash provided by operating activities		41,364	32,285
Cash flows from investing activities:			
Capital expenditures		(5,103)	(10,995)
Wagering systems expenditures		(25,329)	(8,457)
Business acquisition, net of cash acquired			(4,104)
Increase in other assets and liabilities, net		(9,776)	(5,255)
Net cash used in investing activities		(40,208)	(28,811)
Cash flows from financing activities:			
Net borrowings (repayments) under lines of credit		3,000	(4,230)
Payments on long-term debt		(4,392)	(102,485)
Proceeds from the issuance of common stock		552	97,749
Net cash used in financing activities		(840)	(8,966)
Effect of exchange rate changes on cash		(190)	1,664
Increase (decrease) in cash and cash equivalents		126	(3,828)
Cash and cash equivalents, beginning of period		6,488	12,649
Cash and cash equivalents, end of period	$	6,614	8,821
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$	44,209	37,716
Net income taxes	$	490	2,318
Non-cash financing activity during the period:			
Convertible preferred stock paid-in-kind dividends	$	5,233	5,553
Write-off of deferred financing fees included in extraordinary item	$		3,452

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, in thousands, except per share amounts)

(1) Restatement of Previously Reported Financial Statements

Subsequent to the issuance of the Company's consolidated financial statements for the year ended December 31, 2002 and the quarterly period ended March 31, 2003, it was determined that a portion of the deferred tax asset, in the form of a net operating loss carryforward

("NOL"), recognized in the fourth quarter of 2002, should have been recognized at the time of the acquisition of Scientific Games Holdings Corp. ("SHGC") on September 6, 2000 as a reduction to the goodwill resulting from the acquisition of SGHC. As a result: (i) deferred tax assets recognized at the date of the acquisition of SGHC have been increased with a corresponding reduction in the carrying value of SGHC goodwill; (ii) goodwill amortization has been reduced for the periods from the date of acquisition of SGHC through December 31, 2001; and (iii) deferred income tax assets recognized during the period from the date of the acquisition of SGHC through December 31, 2002 have been adjusted to reflect the amount considered more likely than not realizable based on the reversing effect of taxable or deductible temporary differences and the Company's NOL. In addition, the Company's restated income tax expense for the first quarter of fiscal 2002 reflects a charge of $9,790 related to the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), which caused a reduction in the recorded amount of the NOL to reflect the reduction in the amount of net taxable temporary differences that are expected to reverse during the NOL carryforward period because of the cessation of amortization of certain indefinite lived intangible assets. The restatements did not impact the amounts presented in the consolidated statements of cash flows for net cash provided by operating activities, net cash used in investing activities or net cash provided by or used in financing activities in any of the restated periods, although it did impact certain non-cash components of cash flows from operating activities.

Accordingly, the Company has amended and restated its consolidated financial statements for the year ended October 31, 2000, the two-month period ended December 31, 2000, each of the quarterly periods in the years ended December 31, 2001 and 2002 and the years ended December 31, 2001 and 2002. Conforming changes reflecting these revisions have been made in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations and Consolidated Financial Statements and Notes to Consolidated Financial Statements.

The effects of the restatement on previously reported consolidated financial statements at December 31, 2001 and for the quarter and nine months ended September 30, 2001 and 2002 are summarized below.

	December 31, 2001		September 30, 2002	
	As Previously Reported	**As Restated**	**As Previously Reported**	**As Restated**
Selected Balance Sheet Data:				
Goodwill, net	$ 195,255	179,099	199,616	183,460
Total assets	601,952	585,796	608,082	591,926
Deferred income taxes	28,568	16,250	25,167	23,525
Accumulated losses	(242,545)	(246,383)	(238,096)	(252.610)
Total stockholders' equity	24,078	20,240	138,038	123,524
Total liabilities and stockholders' equity	$ 601,952	585,796	608,082	591,926

	Quarter Ended September 30, 2001		Quarter Ended September 30, 2002		Nine Months Ended September 30, 2001		Nine Months Ended September 30, 2002	
	As Previously Reported	**As Restated**	**As Previously Reported**	**As Restated**	**As Previously Reported**	**As Restated**	**As Previously Reported**	**As Restated**
Depreciation and amortization	$ 12,599	12,111	9,066	9,066	37,818	36,352	27,932	27,932
Operating income	13,289	13,777	20,962	20,962	39,366	40,832	61,399	61,399
Income before income tax expense (benefit) and extraordinary item	1,039	1,527	10,509	10,509	647	2,113	28,163	28,163
Income tax expense (benefit)	(483)	2,948	1,215	1,443	(378)	5,145	3,308	13,984
Income (loss) before extraordinary item	1,522	(1,421)	9,294	9,066	1,025	(3,032)	24,855	14,179
Net income (loss)	1,522	(1,421)	(5,559)	(5,787)	1,025	(3,032)	10,002	(674)
Net income (loss) available to common stockholders	$ (268)	(3,211)	(7,458)	(7,686)	(4,208)	(8,265)	4,449	(6,227)

	Quarter Ended September 30, 2001		Quarter Ended September 30, 2002		Nine Months Ended September 30, 2001		Nine Months Ended September 30, 2002	
Basic and diluted net income (loss) per share:								
Basic income (loss) before extraordinary item available to common stockholders	$ (0.01)	(0.08)	0.13	0.13	(0.10)	(0.21)	0.41	0.18
Diluted income (loss) before extraordinary item available to common stockholders	$ (0.01)	(0.08)	0.11	0.10	(0.10)	(0.21)	0.32	0.16
Basic extraordinary item, net of tax			(0.26)	(0.26)			(0.31)	(0.31)
Diluted extraordinary item, net of tax			(0.17)	(0.17)			(0.19)	(0.28)
Basic net income (loss) available to common stockholders	$ (0.01)	(0.08)	(0.13)	(0.13)	(0.10)	(0.21)	0.09	(0.13)
Diluted net income (loss) available to common stockholders	$ (0.01)	(0.08)	(0.06)	(0.07)	(0.10)	(0.21)	0.13	(0.12)
Weighted average number of shares used in per share calculations:								
Basic Shares	40,383	40,383	57,301	57,301	40,252	40,252	47,518	47,518
Diluted Shares	40,383	40,383	87,360	87,360	40,252	40,252	77,790	53,877

(2) Consolidated Financial Statements

Basis of Presentation

The consolidated balance sheet as of September 30, 2002 and the consolidated statements of operations for the three and nine months ended September 30, 2001 and 2002, and the consolidated condensed statements of cash flows for the nine months then ended, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position of the Company at September 30, 2002 and the results of its operations for the three

and nine months ended September 30, 2001 and 2002 and its cash flows for the nine months ended September 30, 2001 and 2002 have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2001 Annual Report on Form 10-K, as modified by the foregoing. The results of operations for the period ended September 30, 2002 are not necessarily indicative of the operating results for the full year.

Certain items in prior periods' financial statements have been classified to conform with the current year presentation. The consolidated statements of operations reflect the reclassification of "amortization of service contract software" as a component of operating expenses, which amounts had been included in depreciation and amortization in previous years' filings.

Basic and Diluted Net Income (Loss) Per Share

The following represents a reconciliation of the numerator and denominator used in computing basic and diluted income (loss) available to common stockholders per share for the three and nine months ended September 30, 2001 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2001	Restated 2002	Restated 2001	Restated 2002
Income (loss) (numerator)				
Net loss available to common stockholders	$ (3,211)	(7,686)	(8,265)	(6,227)
Add back extraordinary item		14,853		14,853
Income (loss) before extraordinary item available to common stockholders (basic)	(3,211)	7,167	(8,265)	8,626
Add back preferred stock paid-in-kind dividend (1)		1,899		
Income (loss) before extraordinary item and preferred dividend available to common stockholders (diluted)	$ (3,211)	9,066	(8,265)	8,626
Extraordinary item early retirement of debt (basic and diluted)	$	14,853		14,853
Net income (loss) after extraordinary item available to common stockholders (basic)	(3,211)	(7,686)	(8,265)	(6,227)
Add back preferred stock paid-in-kind dividend(1)		1,899		
Net loss after extraordinary item, without preferred dividend, available to common stockholders (diluted)	$ (3,211)	(5,787)	(8,265)	(6,227)

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2001	Restated 2002	Restated 2001	Restated 2002
Shares (denominator)				
Basic weighted average common shares outstanding	40,383	57,301	40,252	47,518
Effect of diluted securities-stock options, warrants, convertible preferred shares and deferred shares(2)(3)		30,059		6,359
Diluted weighted average common shares outstanding	40,383	87,360	40,252	53,877
Basic and diluted per share amounts				
Basic income (loss) per share before extraordinary item available to common stockholders	$ (0.08)	0.13	(0.21)	0.18

	Three Months Ended September 30,		Nine Months Ended September 30,	
Diluted income (loss) per share before extraordinary item available to common stockholders(2)(3)	$ (0.08)	0.10	(0.21)	0.16
Basic extraordinary item, net of tax per share	$	(0.26)		(0.31)
Diluted extraordinary item, net of tax per share(3)	$	(0.17)		(0.28)
Basic net income (loss) per share available to common stockholders	$ (0.08)	(0.13)	(0.21)	(0.13)
Diluted net income (loss) per share available to common stockholders(3)	$ (0.08)	(0.07)	(0.21)	(0.12)

(1) Series A Convertible Preferred Stock paid-in-kind dividend is not included in the calculation of diluted net income per share in the three months ended September 30, 2002 since the preferred stock is assumed to have been converted.

(2) Potential common shares are not included in the calculation of dilutive net loss per share in the three and nine months ended September 30, 2001 since the inclusion would be anti-dilutive.

(3) As per Statement of Financial Accounting Standards No. 128, *Earnings Per Share* ("SFAS 128"), whenever a company reports an extraordinary item, the same number of potential common shares used in computing the diluted per-share amounts for income before extraordinary items must be used in computing all other reported diluted per share amounts, even if those amounts are anti-dilutive to their respective basic per-share amounts.

At September 30, 2001 and 2002, the Company had outstanding stock options, warrants, Performance Accelerated Restricted Stock Units, and Series A Convertible Preferred Stock, which could potentially dilute basic earnings per share in the future. (See Notes 13 and 14 to the Consolidated Financial Statements for the year ended December 31, 2001 in the Company's 2001 Annual Report on Form 10-K, as modified by the foregoing.)

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(3) Acquisition of Interest in SERCHI

On June 5, 2002 the Company completed the purchase of 65% of the equity of Serigrafica Chilena S.A. ("SERCHI"). Subsequent to the acquisition, the Company changed the name of SERCHI to Scientific Games Latino America S.A. The purchase price was approximately $3,900 in cash and up to $4,355 in cash or stock payable to SERCHI stockholders upon the achievement of certain financial performance levels of SERCHI over the next four years. The acquisition was recorded using the purchase method of accounting and the acquired assets and liabilities have been recorded at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair values of the net assets acquired is currently estimated to be approximately $3,301 and has been recorded as goodwill. This estimate is subject to revisions until the valuations of SERCHI's assets and liabilities are completed. The operating results of the SERCHI business have been included in the consolidated statements of operations since the date of acquisition. Had the operating results of SERCHI been included as if the transaction had been consummated on January 1, 2002, the pro forma operating results of the Company for the three and nine month periods ended September 30, 2002 would not have been materially different.

(4) Business Segments

The following tables represent revenues, profits, depreciation, amortization, and capital expenditures for the three and nine months ended September 30, 2001 and 2002, and assets at September 30, 2001 and 2002, by business segment. Corporate expenses, interest expense and other (income) deductions are not allocated to business segments.

	Three Months Ended September 30, 2001				
	Restated Lottery Group	Pari-Mutuel Group	Venue Management Group	Telecommunications Products Group	Restated Totals
Service revenues	$ 57,201	21,053	15,164		93,418
Sales revenues	3,358	1,498		8,929	13,785
Total revenues	60,559	22,551	15,164	8,929	107,203
Cost of service	34,528	12,352	10,723		57,603
Cost of sales	2,410	862		6,095	9,367
Amortization of service contract software (Note 2)	513	666			1,179
Total operating expenses	37,451	13,880	10,723	6,095	68,149
Gross profit	23,108	8,671	4,441	2,834	39,054
Selling, general and administrative expenses	6,394	2,607	672	1,101	10,774
Depreciation and amortization	8,271	2,932	681	150	12,034
Segment operating income	8,443	3,132	3,088	1,583	16,246
Unallocated corporate expense					2,469
Consolidated operating income					$ 13,777
Capital and wagering systems expenditures	$ 7,084	461	224	192	7,961

	Three Months Ended September 30, 2002				
	Lottery Group	Pari-Mutuel Group	Venue Management Group	Telecommunications Products Group	Totals
Service revenues	$ 56,568	21,326	16,038		93,932
Sales revenues	7,824	1,320		12,076	21,220
Total revenues	64,392	22,646	16,038	12,076	115,152
Cost of service	31,309	12,256	11,281		54,846
Cost of sales	5,450	674		8,109	14,233
Amortization of service contract software (Note 2)	570	663			1,233
Total operating expenses	37,329	13,593	11,281	8,109	70,312

Three Months Ended September 30, 2002

Gross profit	27,063	9,053	4,757	3,967	44,840
Selling, general and administrative expenses	5,927	2,136	776	1,205	10,044
Depreciation and amortization	4,982	2,866	460	634	8,942
Segment operating income	16,154	4,051	3,521	2,128	25,854
Unallocated corporate expense					4,892
Consolidated operating income					$ 20,962
Capital and wagering systems expenditures	$ 2,826	2,721	325	64	5,936

Nine Months Ended September 30, 2001

	Restated Lottery Group	Pari-Mutuel Group	Venue Management Group	Telecom-munications Products Group	Restated Totals
Service revenues	$ 165,952	60,657	46,489		273,098
Sales revenues	11,886	15,919		30,981	58,786
Total revenues	177,838	76,576	46,489	30,981	331,884
Cost of service	105,142	35,651	32,871		173,664
Cost of sales	7,801	9,768		18,519	36,088
Amortization of service contract software (Note 2)	1,191	1,945			3,136
Total operating expenses	114,134	47,364	32,871	18,519	212,888
Gross profit	63,704	29,212	13,618	12,462	118,996
Selling, general and administrative expenses	19,176	7,967	1,974	3,647	32,764
Depreciation and amortization	23,814	9,142	2,003	1,164	36,123
Segment operating income	20,714	12,103	9,641	7,651	50,109
Unallocated corporate expense					9,277
Consolidated operating income					$ 40,832
Assets at September 30, 2001	$ 295,201	221,809	33,044	35,742	585,796
Capital and wagering systems expenditures	$ 25,405	3,051	759	1,217	30,432

	Nine Months Ended September 30, 2002				
	Restated Lottery Group	Pari-Mutuel Group	Venue Management Group	Telecommunications Products Group	Restated Totals
Service revenues	$ 174,092	61,983	47,120		283,195
Sales revenues	15,662	4,630		32,904	53,196
Total revenues	189,754	66,613	47,120	32,904	336,391
Cost of service	96,024	34,939	32,369		163,332
Cost of sales	11,158	2,219		21,770	35,147
Amortization of service contract software (Note 2)	1,691	1,965			3,656
Total operating expenses	108,873	39,123	32,369	21,770	202,135
Gross profit	80,881	27,490	14,751	11,134	134,256
Selling, general and administrative expenses	19,452	6,473	2,090	3,428	31,443
Depreciation and amortization	16,193	8,547	1,315	1,579	27,634
Segment operating income	45,236	12,470	11,346	6,127	75,179
Unallocated corporate expense					13,780
Consolidated operating income					$ 61,399
Assets at September 30, 2002	$ 295,588	223,021	35,037	38,280	591,926
Capital and wagering systems expenditures	$ 10,620	6,220	1,270	1,342	19,452

The following table provides a reconciliation of consolidated operating income to the consolidated income before income tax expense and extraordinary item for each period:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2001	2002	Restated 2001	2002
Reportable consolidated operating income	$ 13,777	20,962	40,832	61,399
Interest expense	12,322	9,783	38,610	32,795
Other (income) expense	(72)	670	109	441
Income before income tax expense and extraordinary item	$ 1,527	10,509	2,113	28,163

(5) Comprehensive Income (Loss)

Foreign Exchange Agreements

During the third quarter of 2002, the Company entered into derivative contracts to hedge part of its foreign currency exposure with respect to future cash receipts under its contract with the Ontario Lottery Commission. These instruments, which have a notional value of Canadian dollars $17,333, have been designated as cash flow hedges. For the three months and nine months ended September 30, 2002, the Company recorded a credit to comprehensive income (loss) of $162 for the change in the fair value of these foreign exchange instruments.

Interest Rate Agreements

Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"), as amended by SFAS 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133*, establishes accounting and reporting standards for derivative instruments and hedging activities. It requires entities to record all derivative instruments on the balance sheet at fair value. Changes in the fair value of derivatives are recorded in each period in current operations or other comprehensive income (loss), based on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized in operations.

Pursuant to the terms of the Company's credit facility, the Company is required to maintain interest rate hedges for a notional amount of not less than $140,000 for a period of not less than two years. In satisfaction of this requirement, the Company entered into three interest rate swap agreements in November 2000 which obligate the Company to pay a fixed LIBOR rate and entitle the Company to receive a variable LIBOR rate on an aggregate $140,000 notional amount of debt. The Company has structured these interest rate swap agreements and intends to structure all such future agreements to qualify for hedge accounting pursuant to the provisions of SFAS 133. Accumulated other comprehensive losses resulting from the changes in fair value of the interest rate hedge instruments were $7,249 and $4,429 at December 31, 2001 and September 30, 2002, respectively. For the nine-month periods ended September 30, 2001 and 2002, the Company recorded a $5,657 charge and a $2,820 credit, respectively, to other comprehensive income (loss) for the change in fair value of the interest rate hedge instruments.

The following presents a reconciliation of net income (loss) to comprehensive income (loss) for the three and nine month periods ended September 30, 2001 and 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2001	**Restated 2002**	**Restated 2001**	**Restated 2002**
Net loss	$ (1,421)	(5,787)	(3,032)	(674)
Other comprehensive income (loss):				
Foreign currency translation	1,719	623	120	3,409
Unrealized gain (loss) on investments	(461)	(275)	(246)	(275)
Unrealized gain (loss) on cash flow hedge agreements	(3,035)	1,118	(5,657)	2,820
Other comprehensive income (loss)	(1,777)	1,466	(5,783)	5,954
Comprehensive income (loss)	$ (3,198)	(4,321)	(8,815)	5,280

(6) Inventories

Inventories consist of the following:

	December 31, 2001	September 30, 2002
Parts and work-in-process	$ 10,130	18,880
Finished goods	9,417	10,905
	$ 19,547	29,785

Parts and work-in-process include costs for equipment expected to be sold. Costs incurred for equipment associated with specific wagering system service contracts not yet placed in service are classified as construction in progress in property and equipment.

(7) Capital Stock and Equity Offering

On July 2, 2002, the Company completed the public offering and sale of 14,375 shares of its Class A Common Stock at $7.25 per share (the "2002 Offering"). The proceeds after underwriter's discounts, before direct offering expenses, to the Company were approximately $98,483. During the third quarter of 2002, the Company used the net proceeds of the 2002 Offering to redeem approximately $82,957 of its 12$^1/_2$% Senior Subordinated Notes. (See Note 9 Redemption of Senior Subordinated Debt and Extraordinary Item.)

In connection with certain waivers and consents by holders of the Company's Series A Convertible Preferred Stock relating to the 2002 offering, the Company authorized 2.0 shares and issued an aggregate of 1.2376 shares of Series B Preferred Stock, pro rata, to the holders of the Series A Convertible Preferred Stock. The Series B Preferred Stock has voting rights that, together with the voting rights of the Series A Convertible Preferred Stock, effectively reduce the aggregate ownership percentage of Series A Convertible Preferred Stock (on an "as-converted" basis) that the holders are required to maintain in order to elect directors of the Company. The threshold for electing four directors was effectively reduced from 25% to 22.5% and the threshold for electing three directors was effectively reduced from 20% to 17.5%. The issuance of the Series B Preferred Stock did not affect the existing 10% and 5% thresholds for electing two directors and one director, respectively. The Series B Preferred Stock does not pay dividends and has a liquidation preference of no more than $2 in the aggregate. The Company considers the aggregate $1.238 book value of the Series B Preferred Stock to be a cost of raising capital, and consequently recorded that amount as a reduction of additional paid-in capital.

(8) Debt

At September 30, 2002, the Company had approximately $33,212 available for borrowing under the Company's revolving credit facility (the "Facility"). There were approximately $10,500 of borrowings outstanding under the Facility, and approximately $21,288 in letters of credit were issued under the Facility at September 30, 2002. At December 31, 2001, the Company's available borrowing capacity under the Facility was $30,960. As of September 30, 2002, there was $51,000 outstanding under the Term A loan, $215,600 outstanding under the Term B loans and $67,043 outstanding under the Company's 12$^1/_2$% Senior Subordinated Notes.

(9) Redemption of Senior Subordinated Debt and Extraordinary Item

The net proceeds from the 2002 Offering were used to redeem approximately $82,957 of the Company's 12$^1/_2$% Senior Subordinated Notes in the third quarter of 2002. In connection with this redemption, the Company paid the noteholders redemption premiums aggregating approximately $11,094 and paid the term loan lenders and banks related fees of approximately $1,044, to amend the term loan facility to permit the Company to use the majority of the net proceeds from the 2002 offering to redeem the subordinated debt rather then pay down the term loans. These payments, together with the related write-off of previously deferred financing costs of $3,452, partially offset by the recording of a state income tax benefit of approximately $737, or a total of approximately $14,853, was reflected as an extraordinary item in the third quarter of 2002. In November 2002, the Company used the remaining net proceeds of approximately $1,741 to repay a portion of its senior credit facilities. Following the mandatory repayment of the Term A and Term B loans, there was $50,022 outstanding under the Term A loans and $214,837 outstanding under the Term B loans.

As of September 30, 2002, the average annual interest rates on the Term A loans and Term B loans under the Company's senior credit facilities were 4$^7/_8$% and 6$^1/_8$%, respectively, and the annual interest rate on the senior subordinated notes was 12$^1/_2$%. The Term A and Term B loans mature on

September 30, 2006 and September 30, 2007, respectively, and the senior subordinated notes mature on August 15, 2010.

Based on the redemptions of the Company's 12$^1/_2$% Senior Subordinated Notes, and the repayment of the Term A and Term B loans in November 2002, the Company expects to recognize annual interest expense savings of approximately $11,000 per year.

See also "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in this report on Form 10-Q and the Consolidated Financial Statements and the notes thereto included in the Company's 2001 Annual Report on Form 10-K, as modified by the foregoing.

(10) Goodwill and Intangible Assets, Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, *Business Combinations* ("SFAS 141"), and Statement No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"), and in August 2001 the FASB issued Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. The Company adopted the provisions of SFAS 141 upon issuance. SFAS 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. SFAS 142 requires, commencing January 1, 2002, that goodwill and intangible assets with indefinite useful lives no longer be amortized. Instead, they will be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144. Goodwill and intangible assets acquired by the Company in its business combinations completed before July 1, 2001 continued to be amortized through December 31, 2001.

SFAS 142 requires that the Company evaluate its existing intangible assets and goodwill that were acquired in a prior purchase business combination, and make any necessary reclassifications in order to conform with the new criteria in SFAS 141 for recognition apart from goodwill. The Company also adopted SFAS 142 and, accordingly, is required to reassess the useful lives and residual values of all intangible assets acquired in purchase business combinations and to make any necessary amortization period adjustments by the end of the first interim period after adoption. In addition, to the extent an intangible asset is identified as having an indefinite useful life, the Company is required to test the intangible asset for impairment within the first interim period. Any impairment loss will be measured as of the date of adoption and recognized as the cumulative effect of a change in accounting principle in the first interim period.

In connection with the transitional goodwill impairment evaluation, SFAS 142 and SFAS 144 require that the Company perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. To the extent a reporting unit's carrying amount (as defined in SFAS 142) exceeds its fair value, the Company must perform the second step of the transitional impairment test. In the second step, the Company must compare the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets (recognized and unrecognized) and liabilities in a manner similar to a purchase price allocation in accordance with SFAS 141, to its carrying amount, both of which would be measured as of the date of adoption. This second step is required to be completed as soon as possible, but no later than the end of the year of adoption. Any transitional impairment loss will be recognized as the cumulative effect of a change in accounting principle in the Company's consolidated statement of operations.

The Company had unamortized goodwill of approximately $179,099 and unamortized identifiable intangible assets in the amount of approximately $60,169 at December 31, 2001, all of which were subject to the transition provisions of SFAS 141 and SFAS 142. In connection with the adoption of SFAS 142, the Company evaluated its intangible assets and determined that its right to operate its Connecticut OTBs and its trade name with net carrying amounts of approximately $11,681 and $30,093, respectively, at December 31, 2001, have indefinite useful lives and, accordingly, the Company ceased amortization as of January 1, 2002. In addition, as required by SFAS 142, the Company reclassified its employee work force intangible asset with a net carrying value of approximately $3,170, net of related deferred tax liabilities of $2,113, to goodwill effective January 1, 2002. Amortization expense of these intangible assets and goodwill was approximately $16,909 for the year ended December 31, 2001. As a result of adopting SFAS 142, the Company also reduced the recognized amount of its NOL from $18,520 to $8,730 to reflect the reduction in the amount of the net taxable temporary differences that are expected to reverse during the loss carryforward period because of the cessation of amortization of the tradename and employee workforce intangible assets. This NOL reduction was charged to income tax expense in the first quarter of 2002. The Company also evaluated the remaining useful lives of its intangible assets that will continue to be amortized and has determined that no revision to the useful lives will be required. The Company completed its initial impairment review of intangible assets with indefinite useful lives during the first quarter of 2002 with no material adjustments to the December 31, 2001 balances for these assets. The Company completed its initial impairment review of goodwill during the second quarter 2002 with no material adjustments to the December 31, 2001 balances for these assets. The Company has determined its reporting units to be the same as its reportable segments, and all assets including goodwill have been allocated to the reporting units.

SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* ("SFAS 121"). However, SFAS 144 retains the fundamental provisions of SFAS 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS 144 supersedes the accounting and reporting provisions of APB

Opinion No. 30, *Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions*, for the disposal of a segment of a business. However, SFAS 144 retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that either has been disposed of (by sale, by abandonment, or in distribution to owners) or is classified as held for sale. SFAS 144 also amends ARB No. 51, *Consolidated Financial Statements,* to eliminate the exception to consolidation for a temporarily controlled subsidiary. The Company adopted SFAS 144 effective January 1, 2002. The adoption of SFAS 144 for long-lived assets held for sale had no material impact on the Company's consolidated financial statements for the first nine months of 2002. The provisions of this statement for assets held for sale or other disposal generally are required to be applied prospectively after the adoption date to newly initiated disposal activities and therefore, will depend on future actions initiated by management. As a result, the Company cannot determine the potential effects that adoption of SFAS 144 will have on its financial statements with respect to future disposal decisions, if any.

The following disclosure presents certain information on the Company's acquired intangible assets subject to amortization as of December 31, 2001 and September 30, 2002. Amortized intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual values.

Intangible Assets	Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net Balance
Balance at December 31, 2001				
Amortizable intangible assets:				
Patents	15	$ 915	79	836
Customer lists	14	14,600	2,324	12,276
Employee work force	5	7,200	1,917	5,283
Trade name	20	32,200	2,107	30,093
Connecticut off-track betting system operating rights	20	20,000	8,319	11,681
Total intangible assets		$ 74,915	14,746	60,169
Balance at September 30, 2002				
Amortizable intangible assets:				
Patents	15	$ 1,026	146	880
Customer lists	14	14,600	3,659	10,941
Customer service contracts	15	2,789	590	2,199
		18,415	4,395	14,020
Non-amortizable intangible assets:				
Trade name		32,200	2,107	30,093
Connecticut off-track betting system operating rights		22,339	8,319	14,020
		54,539	10,426	44,113
Total intangible assets		$ 72,954	14,821	58,133

The aggregate intangible amortization expense for the nine-month period ended September 30, 2002 was approximately $1,559. The estimated intangible asset amortization expense for the year ending December 31, 2002 and for each of the subsequent four years ending December 31, 2006 are $2,046, $2,046, $1,761, $1,013 and $726, respectively.

The table below reconciles the change in the carrying amount of goodwill, by reporting unit, which is the same as operating segment, for the period from December 31, 2001 to September 30, 2002. The Company recorded a $3,170 increase in goodwill at January 1, 2002 in connection with the reclassification of employee work force intangible assets of $5,283 less related deferred tax liability of $2,113 acquired prior to July 1, 2001 that did not meet the criteria for recognition apart from goodwill under SFAS 141. Goodwill in the amount of $2,110, net of amortization, which was directly related to the value of customer contracts acquired as part of the September 1, 1999 acquisition of Datasport assets and an interest in Datek, was reclassified to intangible assets effective January 1, 2002. Goodwill

in the amount of $3,301 was recorded in the first nine months of 2002 in connection with the acquisition of a majority interest in SERCHI.

Goodwill	Restated Lottery Group	Pari-Mutuel Group	Venue Management Group	Telecommunications Products Group	Restated Totals
Balance at December 31, 2001	$ 176,502	2,597			179,099
Effect of adoption of SFAS 141 and SFAS 142:					
Reclassification of employee workforce intangible asset, net of tax	3,170				3,170
Reclassification of customer service contract to intangible assets		(2,110)			(2,110)
Record the goodwill acquired in the acquisition of a majority interest in SERCHI	3,301				3,301
Balance at September 30, 2002	$ 182,973	487			183,460

The following table compares pro forma net income (loss) available to common stockholders for the three months and nine months ended September 30, 2001, adjusted to reflect the adoption of

SFAS 142 on January 1, 2001, to the reported net income for the three months and nine months ended September 30, 2002:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	Restated 2001	Restated 2002	Restated 2001	Restated 2002
	Pro Forma	As Reported	Pro Forma	As Reported
Adjusted income available to common stockholders:				
Adjusted income before extraordinary item	$ 1,719	9,066	4,466	14,179
Adjusted net loss available to common stockholders	$ (71)	(7,686)	(767)	(6,227)
Adjusted earnings per share amounts basic and diluted:				
Adjusted income (loss) before extraordinary item per share available to common stockholders:				
Basic	$	0.13	(0.02)	0.18

	Three Months Ended September 30,		Nine Months Ended September 30,	
Diluted(1)	$	0.10	(0.02)	0.16
Adjusted net income (loss) per share available to common stockholders:				
Basic	$	(0.13)	(0.02)	(0.13)
Diluted(1)	$	(0.07)	(0.02)	(0.12)
Shares used in calculating adjusted per share amounts:				
Basic	40,383	57,301	40,252	47,518
Diluted(1)	40,383	87,360	40,252	53,877
Reconciliation of reported net income to adjusted net income (loss):				
Reported net loss available to common Stockholders	$ (3,211)	(7,686)	(8,265)	(6,227)
Add back: Amortization of goodwill and intangible assets With indefinite lives, net of tax benefit	3,140		7,498	
Adjusted net income (loss) available to common Stockholders	$ (71)	(7,686)	(767)	(6,227)

(1) The fully diluted earnings per share calculations for the three months ended September 30, 2002 assume the preferred shares are converted to common shares and there are no preferred dividends in that period.

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

The Company conducts substantially all of its business through its domestic and foreign subsidiaries. The Company's $12^1/_2$% Series B Senior Subordinated Notes due 2010 (the "Notes") and Facility issued on September 6, 2000 in connection with the acquisition of Scientific Games Holdings Corp. ("SGHC") are fully, unconditionally and jointly and severally guaranteed by substantially all of the Company's wholly owned domestic subsidiaries (the "Guarantor Subsidiaries").

Presented below is condensed consolidating financial information for (i) Scientific Games Corporation (the "Parent Company"), which includes the activities of Scientific Games Management Corporation, (ii) the Guarantor Subsidiaries and (iii) the wholly owned foreign subsidiaries and the non-wholly owned domestic and foreign subsidiaries (the "Non-Guarantor Subsidiaries") as of

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December 31, 2001 and September 30, 2002 and for the nine months ended September 30, 2001 and 2002. The condensed consolidating financial information has been presented to show the nature of assets held, results of operations and cash flows of the Parent Company, Guarantor Subsidiaries and Non-Guarantor Subsidiaries assuming the guarantee structure of the Notes was in effect at the beginning of the periods presented. Separate financial statements for Guarantor Subsidiaries are not presented based on management's determination that they would not provide additional information that is material to investors.

The condensed consolidating financial information reflects the investments of the Parent Company in the Guarantor and Non-Guarantor Subsidiaries using the equity method of accounting. In addition, corporate interest and administrative expenses have not been allocated to the subsidiaries.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2001
(in thousands)

	Restated Parent Company	Restated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Restated Eliminating Entries	Restated Consolidated
ASSETS					
Cash and cash equivalents	$ 7,612	(415)	5,452		12,649
Accounts receivable, net		34,322	16,088		50,410
Inventories		16,524	3,558	(535)	19,547
Other current assets	973	9,344	5,190	30	15,537
Property and equipment, net	2,159	156,224	38,822	(417)	196,788
Investment in subsidiaries	249,365			(249,365)	
Goodwill	183	176,502	2,414		179,099
Intangible assets		54,928	5,241		60,169
Other assets	20,378	44,056	6,487	(19,324)	51,597
Total assets	$ 280,670	491,485	83,252	(269,611)	585,796
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current installments of long-term debt	$ 9,018	9	410		9,437
Current liabilities	14,999	50,672	19,661	799	86,131
Long-term debt, excluding current installments	429,917	10	371		430,298
Other non-current liabilities	1,903	32,702	4,356	729	39,690
Intercompany balances	(195,407)	169,896	27,154	(1,643)	
Stockholders' equity	20,240	238,196	31,300	(269,496)	20,240
Total liabilities and stockholders' equity	$ 280,670	491,485	83,252	(269,611)	585,796

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED CONSOLIDATING BALANCE SHEET
September 30, 2002
(unaudited, in thousands)

	Restated Parent Company	Restated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Restated Eliminating Entries	Restated Consolidated
ASSETS					
Cash and cash equivalents	$ 1,130	(373)	8,064		8,821

	Restated Parent Company	Restated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Restated Eliminating Entries	Restated Consolidated
Accounts receivable, net		36,861	18,801	(40)	55,622
Inventories		24,641	5,680	(536)	29,785
Other current assets	576	8,642	3,594	30	12,842
Property and equipment, net	3,655	147,268	46,523	(493)	196,953
Investment in subsidiaries	322,068	4,150		(326,218)	
Goodwill	183	179,672	3,605		183,460
Intangible assets		52,962	5,171		58,133
Other assets	16,157	41,681	5,091	(16,619)	46,310
Total assets	$ 343,769	495,504	96,529	(343,876)	591,926
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current installments of long-term debt	$ 11,264	9	928		12,201
Current liabilities	9,033	45,095	19,055	808	73,991
Long-term debt, excluding current installments	334,258	3	322		334,583
Other non-current liabilities	10,517	29,984	6,969	157	47,627
Intercompany balances	(144,827)	122,218	24,261	(1,652)	
Stockholders' equity	123,524	298,195	44,994	(343,189)	123,524
Total liabilities and stockholders' equity	$ 343,769	495,504	96,529	(343,876)	591,926

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SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED STATEMENT OF OPERATIONS
Three Months Ended September 30, 2001
(unaudited, in thousands)

	Restated Parent Company	Restated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Restated Eliminating Entries	Restated Consolidated
Operating revenues	$	84,712	25,559	(3,068)	107,203
Operating expenses		52,036	17,809	(2,875)	66,970
Amortization of service contract software (Note 2)		1,079	100		1,179
Gross profit		31,597	7,650	(193)	39,054
Selling, general and administrative expenses	2,392	8,008	2,985	(219)	13,166
Depreciation and amortization	77	11,118	937	(21)	12,111
Operating income (loss)	(2,469)	12,471	3,728	47	13,777
Interest expense	12,170	80	540	(468)	12,322
Other (income) expense	203	(742)	78	389	(72)
	(14,842)	13,133	3,110	126	1,527

	Restated Parent Company	Restated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Restated Eliminating Entries	Restated Consolidated
Income (loss) before equity in income of subsidiaries and income taxes					
Equity in income of subsidiaries	16,852			(16,852)	
Income tax expense (benefit)	3,431	(1,059)	576		2,948
Net income (loss)	$ (1,421)	14,192	2,534	(16,726)	(1,421)

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED STATEMENT OF OPERATIONS
Three Months Ended September 30, 2002
(unaudited, in thousands)

	Restated Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminating Entries	Restated Consolidated
Operating revenues	$	85,093	32,079	(2,020)	115,152
Operating expenses		49,340	21,776	(2,037)	69,079
Amortization of service contract software (Note 2)		1,133	100		1,233
Gross profit		34,620	10,203	17	44,840
Selling, general and administrative expenses	4,768	6,900	3,147	(3)	14,812
Depreciation and amortization	124	6,994	1,950	(2)	9,066
Operating income (loss)	(4,892)	20,726	5,106	22	20,962
Interest expense	9,496	190	423	(326)	9,783
Other (income) expense	283	(505)	594	298	670
Income (loss) before equity in income of subsidiaries and income taxes and extraordinary item	(14,671)	21,041	4,089	50	10,509
Equity in income of subsidiaries	23,965			(23,965)	
Income tax expense	228	45	1,170		1,443
Net income (loss) before extraordinary item	9,066	20,996	2,919	(23,915)	9,066
Extraordinary item	14,853				14,853
Net income (loss)	$ (5,787)	20,996	2,919	(23,915)	(5,787)

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL CONDENSED STATEMENT OF OPERATIONS
Nine Months Ended September 30, 2001
(unaudited, in thousands)

	Restated Parent Company	Restated Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Restated Eliminating Entries	Restated Consolidated
Operating revenues	$	254,387	87,104	(9,607)	331,884
Operating expenses		158,360	60,546	(9,154)	209,752
Amortization of service contract software (Note 2)		2,836	300		3,136