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GAMING

I N T E R N A T I O N A L

World's most widely read Lottery-Racino-Gaming magazine • Video, Racino, Casino, Internet, Wireless, Online, Scratch-Off

To: Lottery, Video Gaming & Racino Executives
Interested in Growth, Expansion & Added Success

Public Gaming Research Institute Inc.'s International Morning Report

Your weekly supplement to
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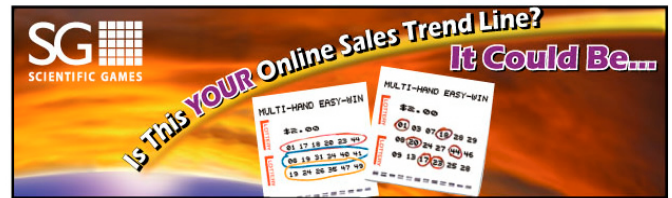
NJ TOPS \$2 BILLION AGAIN. New Jersey Lottery FY04 revenues topped \$2 billion for the third consecutive year, and revenues rose more than 5%. The growth is due, in part, to Instant growth – particularly Cyber Slingo – as Instant sales rose 8%, reaching \$973 million. The Lottery generated \$793 million for the state in FY04. Another star performer was Jersey Cash 5. Revenue for the game increased 69% reaching \$115 million, from \$68 million the prior year.

MA POSTS RECORD SALES IN FY04. The Massachusetts State Lottery posted record-setting sales of \$4.38 billion for Fiscal Year 2004, an increase of 4.2 percent over the previous record of \$4.20 billion in FY03. There were a number of reasons cited for the Lottery's sales increase, including: two \$10 tickets that combined for \$980.74 million in sales; a Keno increase resulting from the switch to four minute draws; the return of advertising after a seven year absence; comprehensive market research which provided detailed look at the characteristics of lottery players; and Management and operational improvements which resulted in better communication between internal departments with sales agents. Instant games accounted for \$2.9 billion, almost 67 percent of the Massachusetts Lottery's total sales in FY04.

MLC DONATES UNIFORMS. Manitoba Lotteries Corporation has donated approximately 1,500 yards of fabric worth more than \$33,000 to the Manitoba Fashion Institute (MFI), which will transform it into clothes for needy kids. In 2004, the MLC made changes to Casinos of Winnipeg's staff uniform designs. In keeping with MLC's Sustainable Development Policy, MLC searched for a non-profit organization that would benefit from a fabric donation. The MFI was the perfect fit for the surplus uniform fabric. The clothing will be

distributed through Winnipeg Harvest, an organization that provides food and clothing to those who need them.

INTERNET FACTORS IN SLOVAKIAN SALES JUMP. Slovakia's state lottery company TIPOS a.s. generated a revenue of 1.4 billion Slovak crowns (SKK) (US\$42.9 million) from lottery games for the first half of 2004, an increase of 6.75 % over last year. The company's revenue from lottery games for the period exceeded



forecasts by 4.5 %. The main reason for the increased lottery game sales is LOTO 5/35 and TIPOS Internet games. The company registered a 26 % increase in its revenue from LOTO 5/ 35, while the interest in the lottery company's Internet games tripled over the period.

SRI LANKA'S RAPIDO TO LAUNCH IN OCTOBER. Sri Lanka's Online Lotteries Private Limited, is reportedly behind schedule in launching its online lottery, Rapido. The game, which will be managed by the Norsk Tipping and features a draw every 15 minutes (40 total per day), is expected to launch in late October. At this point more than 100 of the expected 450 terminals have been installed.



This picture has been doctored. Neither NASA nor its astronauts endorse Public Gaming International or the Morning Report

HUNGARY SEES STRONG FIRST HALF.

Szerencsejáték RT's, the national Lottery of Hungary, first half-year lottery sales revenue was HUF 56.2 billion (€221 million) exceeding the turnover of the first half of 2003 by 9.6%. Top performers include 5/90 Lotto, which increased by 20%, and Instant tickets, which increased by 43%.

JAMAICAN JACKPOT RISING. Jamaican Lottery Supreme Ventures Lotto game has increased to \$140 million after seven consecutive weeks of rollovers. The jackpot is a towering 75% higher than the previous highest jackpot, \$80 million, reached in 1999.

VIDEO GAMING/RACINOS

QUEBEC TO SHIFT MACHINES TO TRACKS. It's been reported that 1,500 VLTs will be moved from Quebec bars and restaurants to the Provinces' four racetracks. The move follows a proposal made by Loto-Quebec which aimed at transferring machines from smaller locations to larger venues in order to reduce exposure to VLTs. The machines, which will be added to the 430 VLTs already at Quebec's tracks, are expected to generate between \$25-\$30 million in annual commissions for the racing industry.

PEI TRACK TO GET VLTs. Prince Edward Island has given the ALC permission to build a \$25-million dollar gaming facility at the Charlottetown Driving Park. The building will house 225 VLTs, a restaurant and simulcast betting. The facility could be up and running by next summer. The province is also considering a gaming facility for its Summerside race track.

TOUCH SCREEN ROULETTE RACKING IT UP IN UK. Gamblers in the UK have increased average stakes by three times since the induction of virtual roulette machines in five of the country's top betting shop chains - Ladbrokes, William Hill, Coral, Stanley Racing and the Tote. The touch-screen terminals were introduced less than three years ago and have reportedly developed a dedicated following. It's been estimated that an annual £15 billion per year turnover is coming in on approximately 15,500 machines in the shops.

COMPANY ANNOUNCEMENTS

CLINT EASTWOOD SLOTS FROM WMS. WMS Gaming has entered into a licensing agreement with famed personality, Clint Eastwood, MGM Consumer Products, and Warner Bros. Consumer Products, for the exclusive North American rights to develop, manufacture and market slot machines based on the celebrity icon's likeness and several of his most famous feature films. WMS anticipates receiving regulatory approvals for the first CLINT EASTWOOD(TM) branded slot machine, which will serve as the flagship game in the Company's video-based wide-area-progressive (WAP) line, in the December 2004 quarter. WMS expects to launch the first jackpot link for this video product in Nevada and Native American markets in January 2005.

EGET AND SPEROSPEL.SE LAUNCH MOBILE SCRATCH CARD. EGET has delivered the world's first MMS mobile scratch card to the Swedish national gaming

operator Sperospel.se. In the case of MMS scratch card games no expensive smart phones with Java download are needed. Any mobile phone with MMS capability can handle the scratch cards. The two MMS scratch card games delivered are called "Femman" and "Sperolotten." These scratch cards have been available for some time at the Sperospel.se web site as classic internet games. Now they have also been turned into mobile games, giving players even greater choice about where, when and how to play, thus extending the reach of the lottery operator into new channels.

GAMING CONSULTANTS FORM STRATEGIC ALLIANCE. Two casino gaming consulting firms announced the formation of a strategic alliance. Nick Farley & Associates, Inc. of Solon, Ohio, and Gaming Regulatory Consultants, LLC., with offices in Michigan and Colorado, have joined forces to provide a "one stop" consulting resource for client assistance on all matters concerning testing and compliance of electronic gaming devices. The Alliance is not a partnership, but instead commits both companies in a cooperative effort to promote, endorse and utilize the services and talents of each organization.

JOB SEARCH ENGINE LAUNCHED BY CASINO CAREERS. Casino Careers Online (www.casinocareers.com) has developed a Job Search engine that can be placed on any career or gaming/hospitality related web site. The job search engine is free to non-employer web sites that attract visitors who would be interested in jobs in the gaming/hospitality industry, such as colleges, professional associations/organizations, publications and news/informational directories and portals. To view an example check out this site: <http://www.casino-gaming.com/employment.htm>. Gaming Companies that post opportunities on Casino Careers are able to purchase the power package job search engine that displays only their respective opportunities for a small fee.

WIN WIN LAUNCHES SLAM DUNK TV IN CHINA. On August 7, 2004, in cooperation with Shanghai Welfare Lottery Issuing Center (SWLIC), WinWin Gaming Inc. launched its "Slam Dunk" lottery television game show. The show airs on Shanghai Oriental TV (OTV) Arts Channel in Shanghai, China. The TV show is tied to the 'Slam Dunk' instant ticket lottery games, which the company successfully launched on July 11, 2004. The "Slam Dunk" game show will run on a weekly basis and will be produced by Sande Stewart Television Inc.

PEOPLE

Gaming Laboratories International has promoted **Dave Daniels** to Director of Engineering Western Region and **John W. Grau, Jr.** to Director of Engineering Eastern Region. Daniels has been with GLI since 1999, and has been serving as Technical Manger in the company's Western Regional Office in Golden, Colo. Grau has been with GLI since 1994 and will now oversee and direct all Lottery and Gaming groups located at the company's world headquarters in New Jersey.

JCM American has named **Doug Edwards** Vice President of Development. In his new position, Edwards will oversee JCM's New Business Development and Engineering departments.

Prior to moving to JCM, Edwards was Director of Technology Development with AllEndeavors Technology Consultants, where he generated growth and business strategies for new inventions and products while expanding market opportunities.

JOB MARKET

RESEARCH AND DEVELOPMENT MANAGER, WA LOTTERY. POSITION RESPONSIBILITIES: Serves as the agency's expert in statistics, research, and product development, and is responsible for managing the research and development activities of Washington's Lottery. Assists Lottery planning efforts, market research, revenue projections, sales analysis, sales goals, new product development and other related activities; ensures that a high degree of sales forecasting is maintained at all times; ensures that business analyses and recommendations made by others are of high quality. DESIRABLE QUALIFICATIONS: A Bachelor's degree in Business Administration, a social science or allied field and five years of experience performing market research, sales forecasting, statistical data and program planning analysis. A Master's degree is desirable, and knowledge of the gaming industry is preferred. SALARY AND BENEFITS: \$55,728 - \$69,648 annually, DOQ. In addition, the State offers an excellent benefits package including medical, dental, pension, life insurance, and deferred compensation plans. Contact Washington Lottery Human Resources at (360) 664-4813 for more information, or view the recruitment announcement at <http://lotto2.walottery.com/retaildocs/ResearchandDevelopmentManager.DOC>. Resumes may be submitted electronically to Applications@walottery.com. Closes September 13, 2004.

CASE STUDIES

FOCUS ON NEW YORK – CASE HISTORY – RETAILER ACCOUNTING 101. The New York Lottery has made great strides over the past decade in increasing its instant game business from \$290 million annually to \$2.7 billion for the fiscal year ending March 31, 2004. Several key factors contributed to this explosive growth, including increasing prize payouts to an average 65%, placing greater emphasis on game design, prize structures, programming parameters, pricing mix, forward planning, and launching a two-week retailer visit cycle. Field staff has been provided with more consistent communication and comprehensive instant game management tools. Input received from the Lottery's network of 15,000 plus retailers played an important role in helping to shape the Lottery's revamped instant game approach. In fact, it was a combination of retailer input and field staff experience that resulted in the launch of New York's new **Retailer Instant Accounting 101** initiative.

For years, New York wrestled with the issue of finding ways to help retailers who were concerned with the labor-intensive nature of instant games. Retailers often stated that it took too long to count tickets and voiced concerns that the terminal did not help them track instant sales. The Lottery realized that it needed to implement a practical solution to this growing perception in order to counter retailer resistance to increasing instant inventory levels in order to maximize sales and revenue.

Feedback from Lottery's field staff pointed to the need for a simple tool for retailers to use to measure their instant sales and manage their instant ticket inventories. The Lottery

assembled a statewide team of field representatives to work in conjunction with the Lottery's internal Operations staff to streamline the ticket accounting process. The specific objectives of the so-called Accounting 101 initiative were as follows:

- Keep it easy for retailer use.
- Make it so retailers can take an inventory in five minutes or less each time.
- Focus on sales, not loss prevention.
- Recognize that 'one size does not fit all' retailer needs.

The end result – a very easy to use in-store ticket accounting process which included the following basic steps:

Converting tickets to cash and establishing a starting inventory value:

- Instead of getting lost in the details of tracking specific book numbers or even game numbers, using an overall dollar value of the beginning stock on sale gives the retailer one figure to start the day or shift.
- A form was developed to assist the retailer in quickly completing this conversion;
- Games are grouped by price point on the form.
- Total tickets per price point are multiplied by the price point and added to the subtotals of all other price points.
- This gives the retailer an overall starting value and also reminds the retailer of the high dollar value that instant tickets represent for such a small footprint on the wall or counter.

Taking key, real-time, same-day figures from the lottery terminal report.

- This provides the retailer with cash payouts for a specific period of time as well as the value of any newly activated books.
- An ending inventory is taken at the end of the day or shift (same as step 1). This ending inventory value also serves as the next starting value.

Adding the beginning inventory value to the value of newly activated books less the ending inventory gives the retailer their expected instant sales for the period.

- This sales figure, less instant prizes paid during the same period (from the terminal report), gives the retailer their net instant cash for the day or shift.

The Accounting 101 team also developed a tool to assist the retailers in valuing their inventory keeping in mind that many retailers prefer to "sell from the back of the book" (e.g., ticket 250, ticket 249) to determine the number of tickets remaining in that book. While this practice may simplify the inventory process for some retailers, from a marketing perspective, it often results in the ticket being loaded upside-down in the ticket dispenser. The Lottery team solved this problem by adding a "reverse number" printed on each Instant ticket. To ensure all Instant tickets are loaded properly into their dispenser case, the Lottery prints this easily readable reverse number on the back of each ticket in conjunction with the actual game-book-ticket number.

Submit material for next week's Morning Report by Wednesday of this week to Toddpgr2@aol.com

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