

To: Lottery CEO's, IALS Members, Marketing Directors,
PR/Communications Directors

Public Gaming Research Institute Inc.'s

INTERNATIONAL MORNING REPORT

Your weekly supplement to
Public Gaming International Magazine
August 4, 2003

INTRALOT SELECTED BY NEBRASKA. Intralot, Inc. has been selected as the new on-line lottery gaming system and related services contractor for the Nebraska Lottery. The term of the contract is for seven years with one two-year extension option. Operations will commence on July 1, 2004. Under the terms of the contract, Intralot will provide all hardware, software, equipment and services related to the Lottery's on-line gaming activities, and will play a key role in the continuing development of the Nebraska Lottery's sales and marketing efforts. Intralot will install its LOTOS on-line gaming computer system and approximately 1,500 of its high-end Coronis full-function terminals at retailer locations across the state. This will result in an expansion of the Lottery's current on-line gaming network and upon completion is expected to generate increased revenues on behalf of the Lottery. Nebraska Lottery Director Jim Quinn said, "The selection of Intralot fits the mission of the Nebraska Lottery to offer winning opportunities to Nebraska citizens while maximizing returns for Nebraska education and environmental causes. I am very excited about the opportunity that Intralot brings to the Nebraska Lottery. Their proposal included a very sound and complete marketing plan along with many additional benefits."

RECORD YEAR FOR LOTTERIES. The **New Mexico** Lottery posted a record \$137 million in revenues for its fiscal year 2003 ending June 30, 2003, an increase of \$3.1 million over the previous year. Net earnings totaled \$33.1 million, compared with \$29.6 million for FY02.

The **Kentucky** Lottery once again set new benchmarks for sales and dividends as FY'03 sales reached a record \$673.5 million, 5.4 percent more than FY'02. Net profits rose from \$167.4 million to \$180.8 million, an 8 percent increase, while benefits to the Commonwealth grew from \$172.7 million to \$180.8 million, a 4.7 percent increase from last year. Also worth noting, sales have increased 38.3 percent from 1993 while dividends have grown 80.8 percent from 10 years ago. The **Maryland** Lottery announced its fifth consecutive year of record-setting achievements to close out its 30th year of operation. The Lottery topped previous records in sales, commissions to retailers, prizes to players, and contributions to the state. Lottery sales grew to an all-time high of \$1.322

billion, an increase of \$15.1 million. Prizes paid to Lottery players increased to \$738.4 million. The Lottery returned \$444.4 million in revenue to the state – topping last year's record by nearly \$1 million. And, commissions paid to retailers reached over \$87.1 million, an increase of 2.1%.

NJ SEES SUCCESS WITH "ELECTRONIC" PICK 6 LOTTO COUPON PILOT PROGRAM. The New Jersey Lottery saw a staggering 68% redemption rate of its recent electronic "Pick 6 Lotto Coupon" pilot program.

Traditionally, Internet coupon promotions average only a 10 to 15% redemption rate. In May, the Lottery launched a Pick 6 Lotto promotion through the VIP Club section of its website (www.njlottery.net), whereby approximately 48,000 members who were registered with the VIP Club and indicated an interest in coupons and promotions, received a free coupon via email. Players simply had to click on the coupon icon and print it. The coupon, good for one free Pick 6 Lotto play, could be redeemed at any of New Jersey's 6,000 retailer locations and VIP Club members had four weeks to redeem the coupon. Of those coupons printed by players, 68% were redeemed. The Lottery is planning to take this concept to another level, incorporating the popular VIP Club section of its website and emailing coupons directly to players.

PAUL OFFERS A HELPING HAND. Georgia Lottery CEO Rebecca Paul stuck up talks of partnering with the Tennessee Lottery, suggesting they share costs on everything: paper clips, ticket runs, game costs, etc. Paul felt with her help the TN Lottery could start up three to four months ahead of schedule, meaning an extra \$40 to \$70 million in extra revenue for the new Lottery. She also acknowledged the GLC could lose up to \$100 million in ticket sales currently sold to Tennessee without some kind of collaboration.

WINFALL DAYS OF THUNDER. Beginning Monday, August 4, 2003 until the close of Michigan's WINFALL sales on Saturday, August 30, 2003, "WINFALL Days of Thunder" entry coupons will be issued by Michigan Lottery terminals following every \$3 or more single-ticket WINFALL purchase. These coupons can be entered for a chance to win a 2003 Ford Thunderbird Convertible. One 2003 Ford Thunderbird Convertible winner will be selected weekly. Entries are good for only one weekly drawing. Entries received by the Michigan Lottery on or before September 8, 2003 will be included in one of four weekly drawings. Players can enter by mailing in entry coupons, or via the Lottery's Web site.

ALL'S FAIR AT KLC. Kentucky's state government is asking six state agencies to skip or scale back their presence at this year's state fair. One organization that has not been asked to scale back is the Kentucky Lottery Corporation, which made a profit of \$123,000 last year selling lottery games.

WI CHANGES PROCEDURES FOR PROPERTY TAX RELIEF. Wisconsin taxpayers no longer have to fill out surveys every five-years to prove their eligibility for property tax relief from Lottery proceeds. Now, county treasurers only have to file a report every five years detailing methods for

keeping track of property ownership changes. This change in policy will save the state an estimated \$1 million.

ISRAEL LAUNCHES TRACKSIDE. Mifal Hapais launched an experimental pilot site, presenting an Israeli trial version of the Australian monitor game TRACKSIDE™. The game is a fixed odds virtual horse race displayed on television screens and is operated in Israel on a separate, closed-circuit stand-alone system in a specially constructed coffee shop at the Mifal Hapayis building in Tel Aviv. Voice-overs, betting slips, point-of-sale material, and on-screen advertising have all been produced in Hebrew. During the trial, the game will be played only using "play money."

SOMETHING FOR NOTHING. Mifal Hapais, the Israel National Lottery, introduced a new prize level to the Pais-777 Game (Keno-style game). For the first time in Israel, a prize level is added for 0 spots. The prize tier even for people who do not guess any of the numbers fits in naturally with the marketing concept of the game and its slogan – for people who feel that they have no luck. The prize for guessing no spots is NIS 5. The chance of winning a prize for 0 spots stands at 1:8.

COMPANY ANNOUNCEMENTS

OGT SELECTED BY EL SALVADOR. Oberthur has been chosen by the Lotería Nacional de Beneficencia de El Salvador (National Lottery of El Salvador), through OGT's local representatives Nixon, S.A. de C.V., for the supply of the Lottery's instant lottery tickets. The contract is for a total of twelve million tickets.

SGI FUNDING EGC. Electronic Game Card Inc, (EGC) the creator of digital pocket gaming cards, is moving ahead with a \$2 million first round funding having entered into an exclusive five-year worldwide distribution agreement with Scientific Games. The announcement follows the news that The Las Vegas Hilton, part of the Park Investment Group of Casinos has been the first to successfully utilize an EGC 'slots machine-styled game card in a casino sales promotion.

SGI SEES GOOD 2ND QUARTER. Scientific Games saw second-quarter earnings rise to \$10.7 million, or 14 cents per share, from \$6.5 million, or 12 cents, a year earlier. Overall sales rose 13% to \$128.8 million from \$114.3 million.

TRINIDAD AND TOBAGO SIGNS GTECH. GTECH signed a contract with The National Lotteries Control Board and The Betting Levy Board (NLCB/BLB) to provide a complete video lottery solution, including a central system, VLTs, and communications network, in Trinidad and Tobago. The term of the contract is for five years, and includes a two-year extension option. With respect to its five-year contract with NLCB/BLB, GTECH anticipates generating revenues of approximately \$70 million.

WCLC SIGNS POLLARD. Pollard Banknote has been awarded a new contract to print instant lottery tickets for Western Canada Lottery Corporation. The contract is for a five-year period beginning April 29, 2003. Pollard has been the supplier of scratch-off tickets to the WCLC since 1985.

7-ELEVEN, GTECH LAUNCH ONLINE LOTTERY SALES. 7-Eleven announced an agreement with GTECH to

add lottery sales capabilities to the chain's Vcom electronic commerce kiosks in selected 7-Eleven stores throughout the United States. GTECH has contracts with 25 U.S. lotteries and is expected to provide self-serve lottery access on Vcom in many states where 7-Eleven is deploying its kiosks. Customers will be able to purchase lottery tickets through the innovative Vcom kiosks, upon approval from state lottery departments, using GTECH's proprietary "Lottery Inside" technology. The kiosks are located away from the sales registers, giving customers additional access to lottery products. The kiosks will sell lotto tickets, as opposed to the scratch variety, and customers will pay by inserting cash into the machine's bunch-note acceptor slot that can accommodate up to 30 bills of different denominations at one time. Vcom kiosks are now in 1,000 7-Eleven stores in 14 states and the District of Columbia.

LOTTERY PEOPLE

Ron Barbaro, former head of the OLG, was named to head Ontario's economic recovery team. Barbaro will head a committee looking at ways to boost the province's economy, which has suffered from bad press involving SARS.

Jo Marshall has been appointed general manager of the Barbados Lottery. Ms. Marshall brings with her a wealth of experience in company management, having worked in Britain for over 20 years.

LOTTERY JOBS

VICE PRESIDENT OF COMMUNICATIONS, GOVERNMENT AND PUBLIC RELATIONS. The Kentucky Lottery Corporation is currently seeking an individual to be responsible for enhancing the public image of the Kentucky Lottery Corporation through the news media, corporate communications, and various other means of communication for the purpose of aiding sales, marketing, retailer relations, player relations, legislative relations and minority affairs. Incumbent must possess the following combination of knowledge, skills, and experience: Bachelor's degree in the field of journalism, communications, or public relations and basic computer and copy editing skills. A minimum of five years professional experience in the areas of public relations, journalism, writing and communications. In lieu of education, may have 10 years' professional experience in the areas of public relations, journalism, writing and communications. Experience working with marketing and sales organizations in communications, product development, and product launches is also required. In addition, experience with budget development/analysis, personnel management/leadership, and government relations is also necessary. Starting annual salary \$73,856 – \$92,344. Only those candidates meeting the minimum qualifications and listing SALARY REQUIREMENTS will be considered. Please e-mail (E-MAIL PREFERRED), fax, or mail resumes to the address listed below. E-Mail: klcjobs@kylottery.com Fax: 502-560-1592; Kentucky Lottery Corporation; Attn: Human Resources; 1011 West Main Street; Louisville, KY 40202. Equal Employment Opportunity Employer; KLC is Committed to a Diverse Workforce

Submit material for next week's Morning Report by
Wednesday of this week to Toddpr2@aol.com