

To: Lottery, Video Gaming & Racino Executives
Interested in Growth, Expansion and Success
Public Gaming Research Institute Inc.'s

International Morning Report

Your weekly supplement to
Public Gaming International Magazine
May 3, 2004

ND SALES FAR OUTPACES PREDICTIONS. In the first month since North Dakota joined the Powerball lottery, more than \$2 million worth of Powerball tickets have been sold at the state's 400-plus participating retailers. The total is nearly one-fifth of the \$11 million that organizers had projected North Dakota would sell in the game's first 15 months.

VA BREAKING SALES RECORDS. The Virginia Lottery continues to break sales records in FY2004! March will go down in history as a record for monthly scratch sales, with a total of \$67.9 million in issues-based sales. But scratch sales aren't the only thing growing in Virginia – through the first three quarters of FY2004, sales in all product categories are ahead of last year's record pace (+11%) and ahead of the forecast (+5%). Scratch sales are experiencing the strongest growth (+16%), but daily games (+3%) and jackpot sales (+15%) are also solid. Through the first three quarters of FY2004, unaudited sales totaled \$928.2 million. Profits are also on the rise, with year-to-date earnings of \$304 million that are 10% ahead of last year's record and 8% ahead of the forecast. All Virginia Lottery profits go to support local public education, grades K-12.

GA CONTINUES ON RECORD PACE. The Georgia Lottery saw a 6 percent growth rate in sales during the first three months of 2004, keeping the Lottery on course for a record setting FY '04. Through the first three quarters of FY '04 sales are up more than \$100 million over last year. The games have transferred \$589 million to the state so far this year, up \$53 million from the same period during a record setting fiscal 2003.

IA BEGINS STATEWIDE DEPLOYMENT FOR VIDEO PULL TABS. The Iowa Lottery will begin distributing 4,000 video pull-tab machines to taverns and clubs in the next few weeks. Players invest \$1 in the machine, which dispenses the ticket and displays on the monitor whether the ticket is a winner. Taverns will be limited to two machines, while social clubs can have up to four machines. The state's take begins at 36 percent for the first year for machines averaging \$801 or more weekly, and 28 percent for machines averaging \$800 or less during the first year. The state's share will rise to 40 percent by the fifth year.



[Please click here for more information.](#)

SC LOTTERY DRIVE-THRU. I-777 in Fort Mill, SC, is reportedly opening the state's first drive-through lottery location. Whereas most businesses selling Lottery would like for customers to buy snacks and soda along with tickets, the I-777 car and boat dealership opened the drive through so that people could just drive up and buy what they want. If they want to come in and browse around, that's fine too.

PA UPDATES WIN FOR LIFE. An updated version of the popular WIN FOR LIFE \$2 instant game went on sale last Tuesday in Pennsylvania. The top prize of \$1,000 a week for life is

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paid in annual installments of \$52,000 less appropriate federal withholding, which currently is 25 percent. Since the initial version of this game, Win \$1,000 A Week For Life, went on sale in July 1995, the Pennsylvania Lottery has had 63 top prize winners.

THE ICE CLASSIC. There were six correct guesses for Alaska's popular Nenana Ice Classic, the Lottery which charges \$2.50 for a guess at the melting time for the ice on the Tanana River. . The winning time of Saturday, April 24 at 2:16pm won a share of the \$301,000 jackpot (each winner got \$50,166.66).

EUROMILLIONS ADDING MEMBERS? Britain, France and Spain, the original members of Euromillions, may be joined next year in the game by operators of lotteries in Ireland, Belgium, Austria, Portugal, Luxembourg and Switzerland.

CAMELOT BACK TO GROWTH. Camelot announced that it has succeeded in returning The National Lottery to growth a full 12 months ahead of schedule. Total sales for the financial year to Mar. 31, 2004 grew to GBP4,614.6 million - an increase of over GBP40 million on last year. Weekly sales are now running at over GBP88 million a week, which is more than GBP40 million more than when The National Lottery launched with just one game in 1994. Camelot has succeeded in growing its non-Lotto portfolio with the successful launch of the new Daily Play and EuroMillions draw games, both of which entered the UK's top 10 brands in their first week of sales. Sales of non-Lotto games rose by 17% across the year and now account for 30% of the portfolio of National Lottery games, with Lotto moving closer to the proportion in mature lotteries around the world - and in line with Camelot's long-term diversification strategy. Also, thirty-four scratchcard games have been introduced including new games based on popular themes such as Lord of the Rings, Twister and Connect 4.

TAIWAN LOOKS AT SPORTS LOTTERIES. Taiwan's Cabinet decided to initiate a sports lottery in response to President Chen Shui-bian's request for one. It was decided that a sports lottery would not cut into the profits of the national charity lotteries. The National Council for Physical Fitness and Sports is scheduled to hold a public hearing within a month to solicit opinions from sports groups, academics and social groups.

OLYMPIC GOLD IN THE U.K. The British Olympic Association has joined forces with charity lottery operator Littlewoods Lotteries to produce the 'Olympic Gold' scratchcard, which will help raise money to help send the Great Britain's squad to the Olympics in Athens this summer. The tickets offer the chance to win a top prize of £125,000. Current 110-metres hurdles world record holder Colin Jackson and 400-metres hurdles Olympic Gold medallist Sally Gunnell appear on the cards, which feature three other famous British Olympians:

VI TO RESTRUCTURE TRADITIONAL GAME. The Virgin Islands Lottery will restructure its traditional lottery game in an attempt to stop an ongoing sales decline. The lottery will now be drawn once a month, rather than twice, in order to allow more time for the tickets to sell. The Lottery prints 32,000 tickets for each traditional lottery draw, and is selling approximately half those tickets.

***NEW* RACINO NEWS**

TRUMP BIDS FOR IN RIVERBOAT. Donald Trump is reportedly looking to build a \$123.5 million riverboat casino complex in southern Indiana. The proposed riverboat complex would include a golf course, a restaurant and employ about 600 people. Two other companies have also bid on a riverboat casino license. Trump's proposal would create Trump Casino Orange County casino, and would include the renovation of the historic West Baden Springs Hotel. The complex would operate 1,000 slot machines, 30 traditional gaming tables and a 12-table live poker room.

OLGC PRESENTS TOWN WITH CHECK. Bob Kozniuk, Senior VP Gaming, Ontario Lottery and Gaming Corporation (OLGC), presented Mayor Russ Spicer of the Township of Centre Wellington, with a check for \$394,470 for the Township's first share of non-tax gaming revenue from the slots facility at Grand River Raceway. The check represents the Township's share of slot revenue from the facility's first four months of operation. In describing the positive impact of the slots facility on the municipality, Mr. Kozniuk said job creation has been one of the greatest benefits. *"This slot facility has generated approximately 140 new jobs,"* said Mr. Kozniuk. *"And this initial check is evidence of how the slots-at-racetracks program maximizes economic benefits for host communities."*

PEI TO ANNOUNCE RACINO PLANS. Dr. Erwin Howatt, chair of the P.E.I. Harness Racing Industry Association, said the Province of Prince Edward Island will likely make an announcement in May concerning a proposal to install 300 VLTs at the Summerside and Charlottetown racetracks.

ME COMMITTEE APPROVES REGULATION BILL. The Maine Senate Appropriations Committee voted 9-2 in favor of a bill that would create a Gambling Control Board and set a distribution formula for revenue from gaming machines. Under the new formula, 61 percent of revenues would go to the racino operator, while the remaining 39 percent would be divided between the state and the racing industry.

TX HOUSE MEMBERS PROPOSE VLTs. Two members of the Texas House of Representatives proposed using VLTs to help fund schools. Rep. Ron Wilson, D-Houston, estimated that 22,000 gaming machines would generate between \$600 million and \$1 billion in revenue per year. Wilson's proposal included the idea of placing the machines at tracks. Rep. Jim Pitts, R-Waxahachie, proposed 40,000 machines at tracks and Indian reservations which would generate an estimated \$1.5 billion yearly.

MANITOBA SMOKING BAN CAUSES REVENUE FORECAST TO DROP. Smoking bans in Manitoba have caused the provincial government's gaming revenues forecast to drop this year by \$27 million - approximately 10 percent. The ban went into effect halfway into the government's fiscal year, which started April 1. Next year the government expects revenues to drop an additional \$27 million. To compensate, the government has allowed bars to operate machine son Sundays and to offer new games such as keno. IGT will provide the

province with 5,375 new gaming machines later this year to replace ones which are outdated.

COMPANY ANNOUNCEMENTS

INTRALOT OPENS GERMAN OFFICE. Intralot has established a business office in Germany and appointed Mr Bernhard Knäuper as the Regional Sales Director, in the framework of the company's international expansion and in line with the importance attributed by INTRALOT on the requirements of the German Lottery Market. The business office is located in Kölner Strasse 10, D-65760 Eschborn, and aims to serve the existing and potential lottery customers in Germany and build on new business opportunities in the country.

MI LAUNCHES 4th STRAIGHT HARLEY GAME. MDI Entertainment, a wholly owned subsidiary of Scientific Games, announced that the Michigan Lottery has become the first to launch a licensed Harley-Davidson instant game in four consecutive years when a \$3 game called **Harley-Davidson® Instant Slots** went on sale April 27, 2004. In addition to cash prizes up to \$50,000, the new game gives players the chance to instantly win three new Harley-Davidson FLSTC Heritage Softail® Classic motorcycles. Players will also have the chance to win another motorcycle and close to 1,000 prize packs of officially licensed Harley-Davidson merchandise products in a series of second chance bonus drawings. On Saturday May 1, 2004, the Lottery conducted a day-long "Kick Start" promotion for the game at the ABC Harley-Davidson dealership in Waterford, Michigan. The event is expected to attract members of Harley Owners Group® (H.O.G.®) chapters from throughout Michigan. Participating H.O.G. members will compete in a "Who's the Biggest H.O.G." challenge contest, in which the objective is to consume the most National Coney Island restaurants-supplied coney dogs in three minutes. A cash prize goes to the winner and proceeds from entry fees will be donated to the Muscular Dystrophy Association. Other activities include a Ride-In Bike show, motorcycle raffle, radio remotes, bands, food and refreshments, motorcycle displays, a Lottery raffle for Harley-Davidson merchandise, and celebrity appearances.

OH LAUNCHES HOLD 'EM POKER. The Ohio Lottery has become the first to introduce an instant lottery game featuring MDI Entertainment's patented Hold 'Em Poker play style. The \$2 game went on sale April 23, 2004. It incorporates the prize into the game name: \$25,000 Hold 'Em Poker®. Because of its recent explosion of popularity, in addition to instant scratch games, Hold 'Em Poker is also being marketed by Scientific Games as an "Instant Win" on-line lottery product.

SAZKA CHOOSES CYBERVIEW. SAZKA has awarded Cyberview Technology 10-year contract to supply a Central Lottery System in the Czech Republic, comprising of Interactive Video-Lottery Terminals (IVT) and Storeowner's Terminals. The new Central Lottery System, which comprises a new Central Server Based gaming platform with Interactive Video-lottery Terminals (IVT) and Storeowner's Terminals, is regulated by and has been fully licensed by the Ministry of Finance of the Czech Republic. Over the coming years up to 10,000 terminals will be installed in thousands of locations ranging from traditional gaming arcades to retail outlets of varying size throughout the Czech

Republic. Players will be offered a range of entertaining games.

SCI-GAMES REPORTS STRONG EARNINGS. Scientific Games announced results for the first quarter ended March 31, 2004. Revenues for the first quarter of 2004 increased 51% to \$185.5 million compared to \$123.2 million for the first quarter of 2003. Income before the preferred stock dividend was \$20.4 million, an increase of 80% over 2003 first quarter income of \$11.3 million, and diluted earnings per share increased 69% to \$0.22 in the first quarter of 2004 from \$0.13 per diluted share in of the first quarter of 2003. EBITDA was \$53.0 million in the first quarter of 2004 versus \$34.8 million for the first quarter of 2003, an increase of 52%. Increases in revenue were primarily due to the contribution from IGT-OES, new lottery customers such as Tennessee and North Dakota, continued strong instant ticket sales especially in states using Cooperative Services, and sales of lottery terminals to The Ontario Lottery Corporation. Together with the preceding factors, the increase in net income also reflects a decrease in Scientific Games effective tax rate to 31.5%.

WinTV IN NEW COUNTRIES. WinTV, Editec's drawing machine division, announced the delivery of one Topaze and two Venus Lotto machines respectively to La Libanaise des Jeux in Lebanon, SJC, the new Cameroon Lottery operator and to SNAK in Suriname. Both machines are PC-operated and equipped with WinTV's ARS (drawing balls Automatic Recognition System) and special display Plasma screens.

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BULLETIN

May 3, 2004

Planning Information

The following schedule and preliminary list of lotteries & key speakers confirmed for the EXPO/ILAC Congress is to help you with your planning for participation in this Conference. Exhibit space and sponsorships are still available. There are still two months until the conference so many more lotteries are planning to participate but have not yet confirmed.

We are expecting 40 lotteries from 25 countries this year and will send you additional speaker & program details periodically.

SCHEDULE

Sunday June 27

Exhibit Set-Up beginning at 6 PM

Monday June 28

Continue Exhibit Set-Up starts at 8 AM

Advance Planning Meeting for
Latin & Caribbean Lotteries 2PM
Conference Opening at 3 PM
Reception Sponsored by Scientific
Games from 5 PM – 7:30 PM

Tuesday June 29

Coffee & Danish from 8:30AM to 9AM
General Session from 9 AM to Noon
Luncheon –from Noon to 2PM
Sponsorship available
General Session from 2PM to 5PM
Evening Open

Wednesday June 30

Coffee & Danish from 8:30AM to 9 AM
General Session from 9 AM to Noon
Luncheon –from Noon to 2 PM
Sponsorship available
Breakout Sessions from 2 PM to 5 PM
Evening Open

Thursday July 1

Coffee & Danish from 8:30AM to 9 AM
General Session from 9 AM to Noon
Private Meetings from Noon on
Evening Open

Friday July 2

Coffee & Danish from 8:30AM to 9AM
Closing session from 9 AM to 11 AM

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Proyect Manager

PROGRAM NOTES

✓ **The objective** of this combined **International Lottery Expo & ILAC* Congress 2004** is to present reports on products, services and marketing strategies that can help lotteries increase revenues. Special emphasis will be on promoting new and under-utilized products that can help lotteries grow.

✓ **The program** will open with a new feature called “**OTB**”, or “outside-the-box”, an unstructured, free-flowing discussion among lottery industry leaders on solving lottery challenges and increasing revenues.

✓ **Case-study** type presentations by many of the participating lotteries will illustrate how sales are being increased with existing products. Plans these lotteries have for further revenue growth will also be discussed.

✓ There will be **special emphasis on the use of video gaming machines** in racetracks/**racinos** and bars/taverns by the lotteries. Since video has the potential for increasing lottery net revenues by multiples of current revenues, it is the most important untapped lottery product available to most lotteries in the US and overseas.

✓ A product similar to the video lottery gaming machines is the **electronic pull-tab machines** such as are being installed by the Iowa Lottery. Lotteries that cannot get approval for video games but are permitted to have ticket-dispensing machines may be able to use these electronic pull-tab machines.

✓ Social gaming “**display and play**”, **monitor devices** for use in taverns and lounges will be explored for their revenue potential.

*ILAC is, *Institute of Lotteries of the Americas & Caribbean – a PGRI association*

✓ **Wireless devices and the Internet** as distribution channels for lottery sales and marketing will be other important topics covered.

✓ **Products that create excitement at the point-of-sale** and hence result in added sales will be highlighted.

✓ **Drawing equipment and software**, with special emphasis on the electronic drawing systems, will be featured.

✓ **Companies that are exhibiting** at EXPO/ILAC will be encouraged to make **presentations of up to 15 minutes** in length to illustrate how their products can make the lotteries more successful.

✓ **Exhibits are the open format**, “Circles of Learning”, so that companies can bring key products to demonstrate without the need for elaborate booths and displays.

✓ **The best of Lottery TV ads** will be shown and awards presented to those lotteries that participate.

✓ **Qe Awards** – Quality & Excellence Awards for Special Achievement and for Outstanding Service will be presented to qualifying individuals from the participating lotteries and companies.

TO REGISTER FOR EXPO/ILAC:

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