

**CONTRACT
ANNOUNCEMENTS
SUMMER 2002**

Loto Québec
Messenger

Fundación Lotto pa Deporte, Aruba
MultiDigit Gem

Playwin, India
Gem

M/s Best & Co., India
Criterion

Kookmin Bank, Korea
Halogen



This brilliant MultiDigit Gem was recently supplied to Fundación Lotto pa Deporte, Aruba.

Smartplay International
One Linda Lane
Southampton, NJ 08088 USA





SMARTPLAY INTERNATIONAL, INC.

QUARTERLY UPDATE

SUMMER 2002

INDIA, NEW FRONTIER FOR ON-LINE LOTTERY

In August 2001, Playwin Intravest Pvt., operator of India's first and only on-line lottery contracted with ILTS of Carlsbad, California. Mumbai based Playwin is a subsidiary of the Zee Group.

ILTS contracted to provide a turnkey on-line lottery system, including central system hardware and software, on-line terminals and services, including installation, training, and software support. With state of the art technology, Playwin launched the on-line lottery in March. A Super Lotto draw was conducted in the Himalayan State of Sikkim. Smartplay's Saturn® model (also chosen by China for the 1999 launch of nine provincial lotteries) was selected to conduct the weekly Super Lotto drawings.

The first draw resulted in a rollover of a 20m rupee (US \$410,000) jackpot. In a country with an average per capita income of less than \$50 a month, the sizeable sum raised a fervor. Heretofore, the IT boon was largely associated with the making of a millionaire, hundreds of thousands in fact. With more than 1.8 million tickets sold for the first lotto jackpot, it seems that the on-line lottery will stir hope throughout India.

The general population stands to gain more than hope, however, as newfound income benefits social programs. Reportedly, half of the total lottery revenue will be awarded in prizes. A royalty of 20% will go to the government to benefit child welfare, education, rural housing, sanitation, and infrastructure development.

This compares to the 1% revenue which states receive from the sale of paper lottery tickets. The



Smartplay has equipment placed in five Indian cities: Chandigarh, Mumbai, Bangalore, Agartala, and Gangtok.

paper lotteries tend to draw low-income players, while the online lottery is attracting the more affluent.

The high tech profile of the online lottery contrasts the humble realm of the paper lottery. Pre-printed paper tickets are sold on the side of the road and at community centers such as train stations. The draws are then announced in local papers.

The new on-line terminals are located in convenient retail outlets. Locations include department stores, grocers, cyber cafes, ice cream parlors, clothing shops, restaurants, electronics stores and pharmacies.

At the terminal, the player generates his own ticket by selecting 6 numbers of his choice. Alternatively, he can opt for a "Lucky Dip" for pre-selected numbers on his ticket. To collect winnings, the player has only to return to the Playwin outlet.

Playwin's operational image is described as transparent, credible, and entertaining. Significantly, the on-line system and live draws telecast on the Zee network, appeal to India's large techno-savvy population. In addition to the televised draw, the winning numbers are published in the top daily newspapers.

Playwin hopes to enter agreements with several state governments. As reported by BBC News, Sanjay Das, chief executive officer of Playwin Infravest said, "The online lottery system is catching on in a big way in the country. We plan to have about 3,500 such terminals across the country by this year-end, and about 10,000 terminals in the next couple of years as the game of fortune catches up like cable entertainment," he said.

As Playwin's venture grows, Smartplay is pleased to play a supporting role. The firm has recently provided its Gem® single digit model for use in India's Silicon Valley, Bangalore.

Elsewhere in India, the Gem was also chosen by the State Lottery of Haryana. Martin Lottery Agencies, Ltd. selected the firm's MultiDigit Gem®, for drawings related to traditional paper lotteries. In the state of Meghalaya, Technoserve recently launched on-line "Kismat" Lotto with Smartplay's Criterion.



From left to right: Eddie Banville and Brendan McGrenra of An Post, pose with the Criterion II during their inspection visit.

the basic familiarity of the presentation. The new model offered the perfect solution.

Following suit is Uthingo, operator of the National Lottery of South Africa, contracting with Smartplay for two Criterion II to launch its third game, Keno, on November 11. Uthingo, having launched the National Lottery with the original Criterion in '99, will continue to use the model for Lotto.

Per the new Keno game, Uthingo spokesperson, Shenanda Janse van Rensburg states, "The brand new game will follow LOTTO and ScratchCards as the third National Lottery game. Whereas LOTTO has draws on Wednesdays and Saturdays, the new game Keno will comprise daily draws with Jackpot amounts of R60 000 up for grabs." As for the mechanics of the game, ten numbers will be drawn daily, by the Criterion II. Players matching three to six numbers will qualify for a prize.

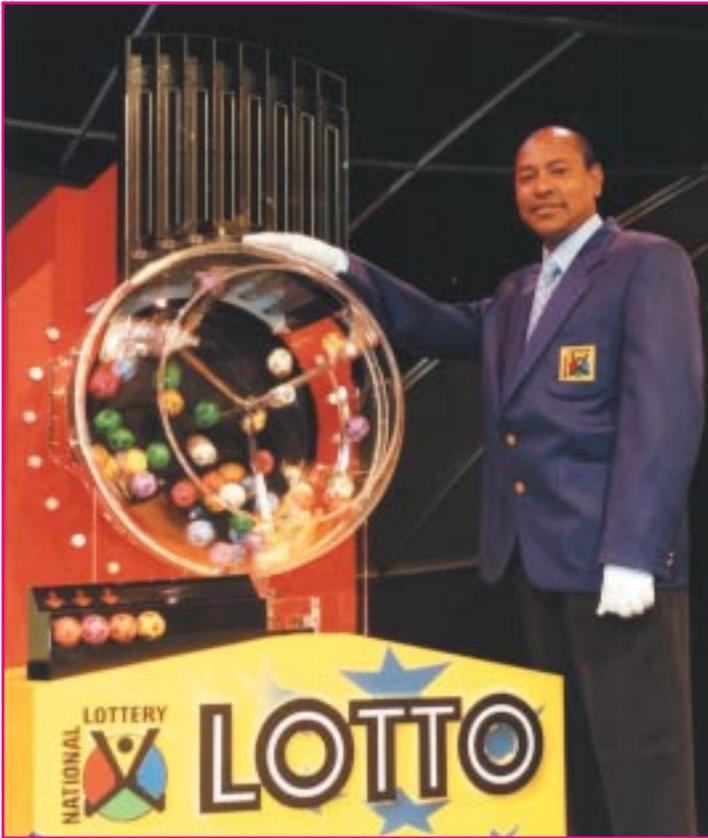
"Following extensive research, Keno was identified as the preferred new game by respondents, due to the opportunity it offers players to win prizes on a daily basis," explained Janse van Rensburg. "We believe Keno will be welcomed by players who have indicated that they preferred more frequent games



CRITERION II® CATCHING ON WORLDWIDE

Smartplay's Criterion II (commissioned by New York Lottery last winter), quickly caught the attention of the National Lottery of Ireland. An Post, operator of the lottery, having used the original Criterion® since 1988, has taken delivery of three Criterion II.

The Criterion II replaced Ireland's original Criterion in September. As with New York Lottery, the Irish desired an updated look, but felt it essential to preserve



Adeel Carelse, Drawing Manager for Uthingo/National Lottery, South Africa poses with his Criterion. The Criterion II will be made in the same bright colors.

with different prize structures and game mechanics.”

The Criterion serves twenty lotteries on four continents. Since Smartplay’s purchase of the product rights in ‘97, the model has continually performed as a top seller.

LUXEMBOURG GOES ON-LINE

Loterie Nationale, Luxembourg has successfully launched ZUBITO a new on-line Keno type game on October 16. The Lottery’s previous offerings were limited to an expansive portfolio of instant ticket games. The main prize for the most popular instant product, Piccobello, is determined in a TV game show, with a Smartplay wheel determining the final prize.

ZUBITO is a 5 minute game. The player selects 8 numbers from 21 plus 1 number from 4. If the player



gets 8+1 correct, he receives 10,000 times his bet back. As the maximum wager is 5 Euros, a single wager can bring in as much as 50,000 Euro; 1 Euro is roughly equivalent to 1 US Dollar. The game is offered in bars and cafés throughout Luxembourg between 7 am and Midnight, 7 days per week.

On October 16, the first day of gaming, sales exceeded all expectations. Says Director Léon Losch: “We hoped to do well with our new game, but the results are exceeding our expectations by 100%. Already during the first day, we received numerous requests from Bar and Café owners who want Loterie Nationale games on their premises.”



Loterie Director, Léon Losch, left, receives a commemorative plaque from Ales Kulich, President, QLot Consulting, on the day of the launch.