

KENTUCKY LOTTERY CORPORATION

FINANCIAL STATEMENTS

JANUARY 2018

MONTH 7 OF FISCAL YEAR ENDING JUNE 30, 2018

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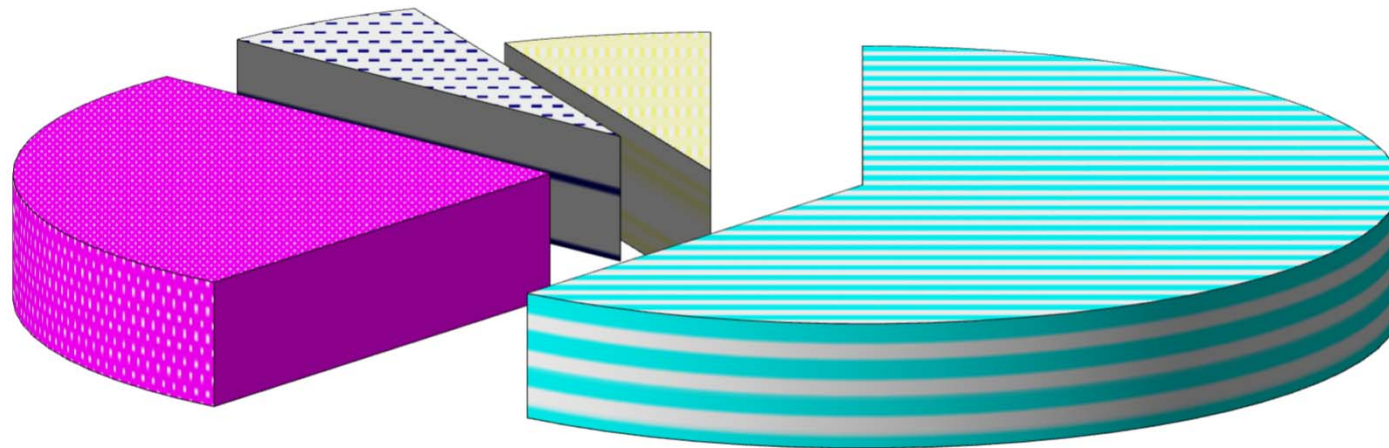
OPERATING EXPENSES

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**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
INCEPTION-TO-DATE SALES AS OF JANUARY 31, 2018
\$18.975 BILLION**

**\$1.214
BILLION PAID FOR
MARKETING & OPERATING
EXP - 6.4%**

\$1.191 BILLION PAID TO RETAILERS - 6.3%



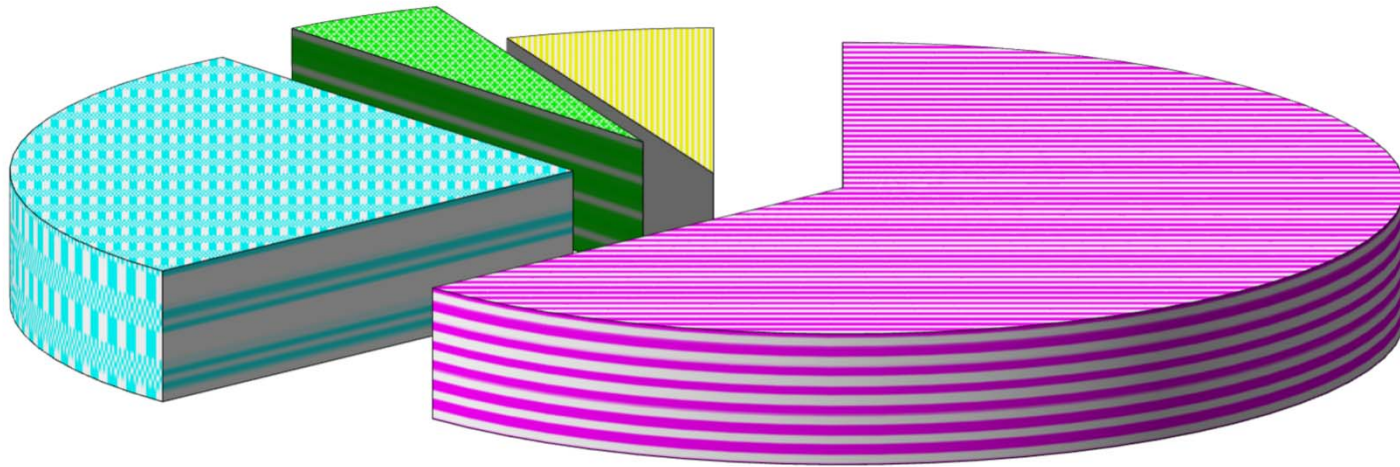
**\$5.047 BILLION
EARNED FOR THE
STATE OF KENTUCKY
- 26.6%**

**\$11.523 BILLION PAID
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
YEAR-TO-DATE SALES AS OF JANUARY 31, 2018
\$583.3 MILLION**

**\$27.7 MILLION PAID FOR
MARKETING & OPERATING
EXP - 4.7%**

\$34.9 MILLION PAID TO RETAILERS - 6.0%



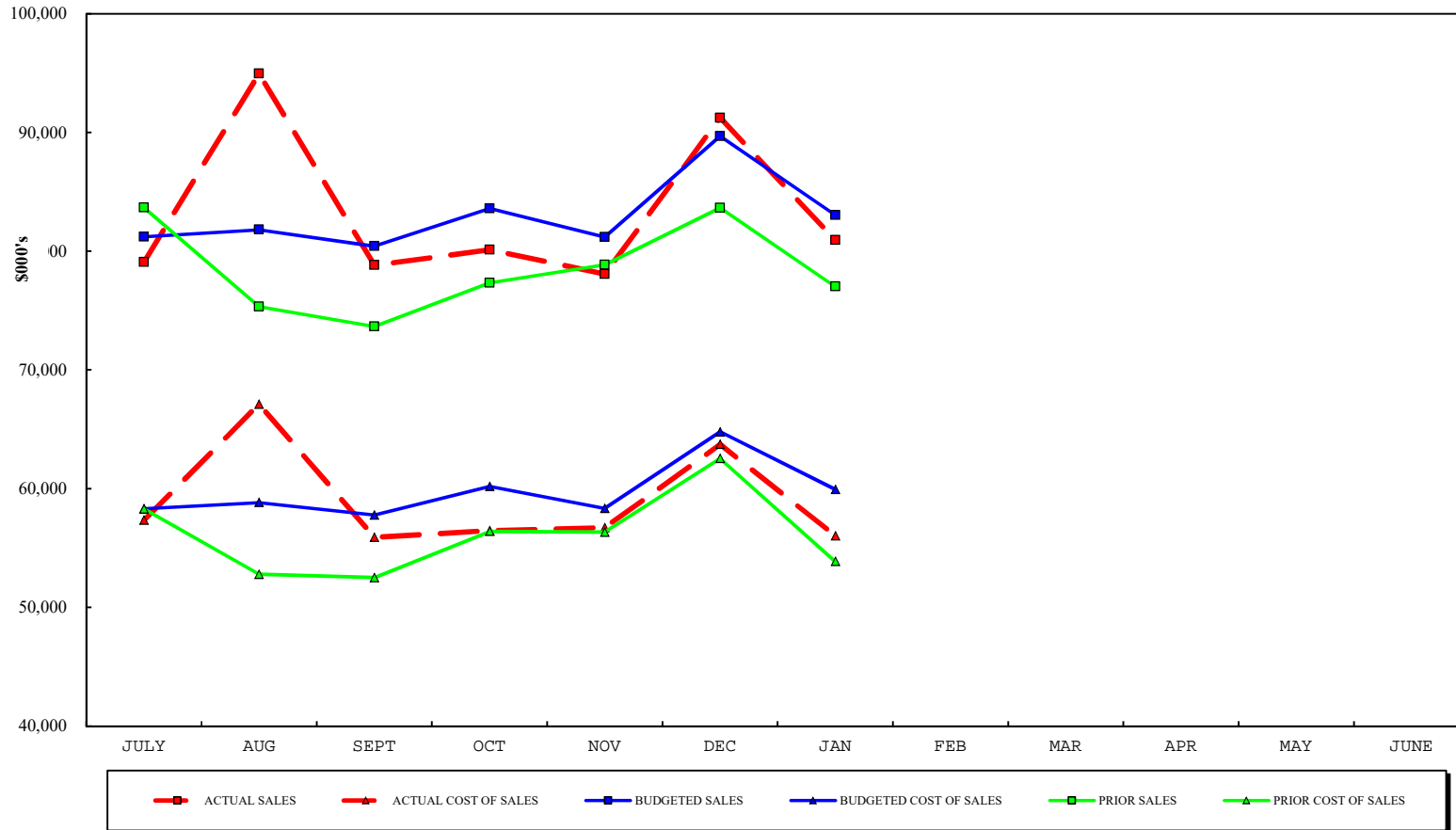
**\$153.4 MILLION
EARNED FOR THE
STATE OF
KENTUCKY - 26.3%**

**\$367.3 MILLION PAID
TO WINNERS - 63.0%**

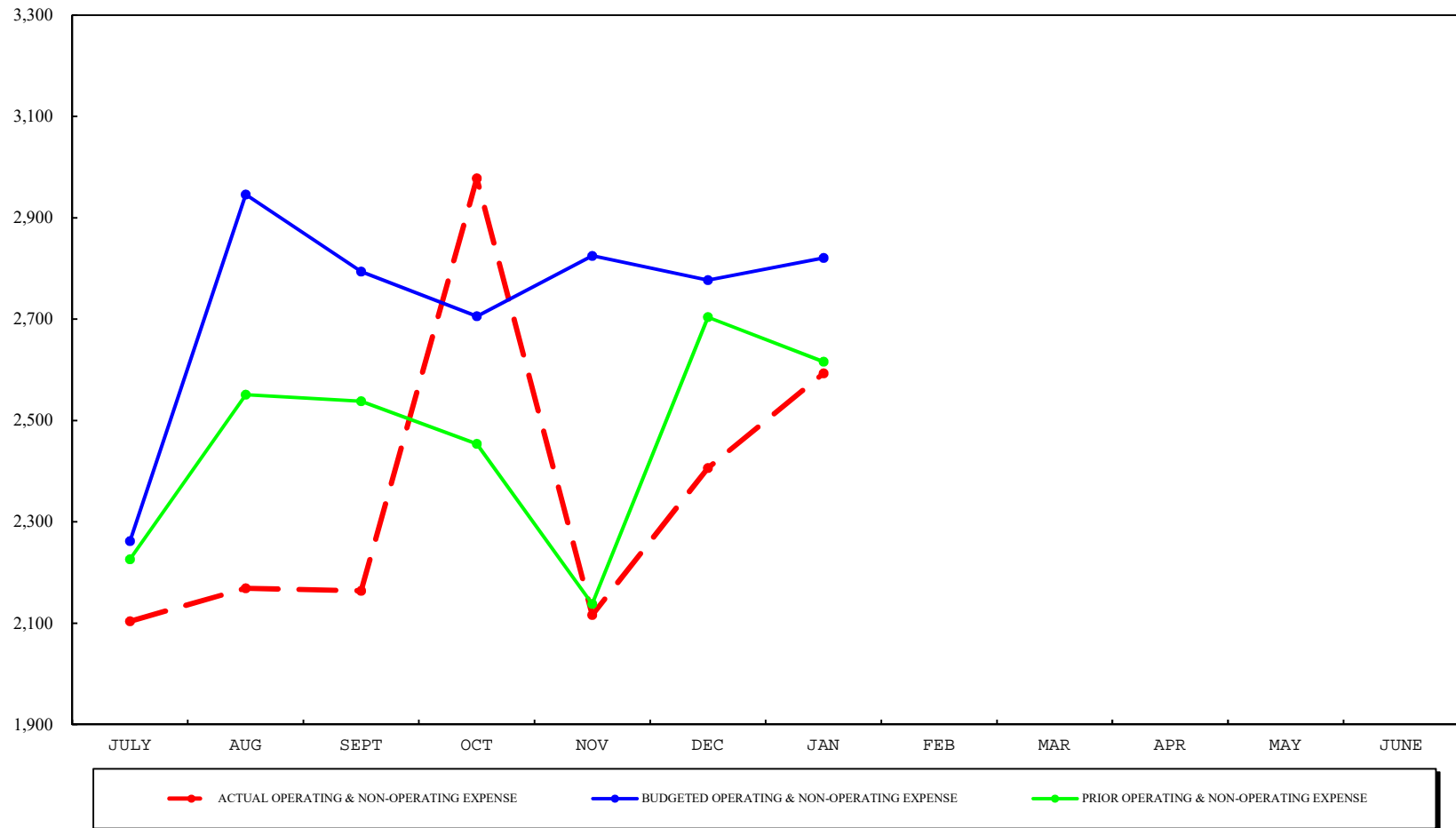
AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.

EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED FOR COLLEGE AND TECHNICAL SCHOOL SCHOLARSHIPS AND GRANTS, HIGH SCHOOL DUAL CREDIT PROGRAMS AND LITERACY DEVELOPMENT.

SALES AND DIRECT COSTS BY MONTH
AS OF JANUARY 31, 2018



OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH
AS OF JANUARY 31, 2018



KENTUCKY LOTTERY CORPORATION

FINANCIAL RESULTS

JANUARY 2018

INCOME STATEMENT

Ticket sales for January 2018 were \$81.5 million which is \$3.4 million or 4.3% more than the same month of the prior fiscal year. Sales for the year were \$589.3 million which is \$32.0 million or 5.7% more than in the prior fiscal year. Instant ticket sales were \$2.2 million or 4.7% less than the same month of the prior fiscal year, and \$8.1 million or 2.4% more than the prior fiscal year. Draw game sales were \$4.6 million or 18.2% more than the same month of the prior year, and \$16.0 million or 8.8% more than prior fiscal year. Keno sales were \$398,000 or 6.4% more than the same month of the prior fiscal year, and \$4.8 million or 11.7% more than prior fiscal year. iLottery instant play sales were \$580,000 or 136.2% more than the same month of the prior year, and \$3.1 million or 130.1% more than prior fiscal year.

Ticket sales for the month of January were \$2.0 million or 2.4% less than budget. Ticket sales for the fiscal year were \$2.6 million or 0.4% more than budget. Instant ticket sales were \$5.3 million, or 10.7% less than budget for the current month, and \$8.5 million or 2.4% less than budget for the fiscal year. Draw game sales were \$3.6 million or 13.7% more than budget for the month, and \$13.6 million or 7.4% more than budget for the fiscal year. Keno sales for the month were \$603,000 or 8.4% less than budget, and \$3.0 million or 6.1% less than budget for the fiscal year. iLottery instant play sales were \$289,000 or 40.3% more than budget for the month, and \$362,000 or 7.2% more than budget for the fiscal year.

Prize expenses for January 2018 were 61.4% of total sales, compared to 61.7% in the same month last year and 64.2% budgeted. Combined prize expense for the year was 63.0%, compared to 63.4% last fiscal year and 64.1% budgeted. Instant prize expense for the month was 68.9%, draw game prize expense was 49.3%, Keno prize expense was 64.4%, and iLottery instant play prize expense was 79.6%. Instant prize expense for the fiscal year was 69.0%, draw game prize expense was 52.1%, Keno prize expense was 64.8%, and iLottery instant play prize expense was 78.8%.

Operating costs were \$2.6 million for January, compared to \$2.9 million budgeted and \$2.6 million for the same month last year. These costs included advertising and promotions of \$653,000, salaries & benefits of \$1.5 million, contracted and professional services of \$266,000, depreciation expense of \$99,000, and other general and administrative costs of \$132,000. Operating costs for the year were \$16.8 million, compared to \$19.3 million budgeted and \$17.5 million prior fiscal year.

Income before transfer of dividends for the current month was \$22.3 million, compared to \$20.5 million for the same month in the prior year and \$20.3 million budgeted. Income before transfer of dividends for the fiscal year was \$153.4 million, compared to \$139.5 million in the prior year and \$143.6 million budgeted.

Dividends of \$19.5 million were transferred to the Commonwealth in January for a total of \$136.0 million for the fiscal year. Additional dividends of \$697,000 were accrued in January for transfer to the KEES reserve for a total of \$5.1 million for the fiscal year. Transfer of the KEES funds will be made quarterly during the fiscal year. All dividends were 25.0% of sales for the month. All dividends were 24.2% of sales for the fiscal year compared to 25.5% of sales in the prior year and 24.3% budgeted.

BALANCE SHEET

Cash balance increased to \$31.9 million, which included \$2.8 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$11.3 million. Accounts Receivable decreased to \$26.8 million. Total assets increased to \$80.7 million.

KENTUCKY LOTTERY CORPORATION
BALANCE SHEETS
JANUARY 31, 2018
(\$000's)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$29,061	\$26,218	\$20,149
CASH - RESTRICTED	2,806	3,012	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	26,818	28,914	24,692
OTHER	546	631	1,067
TOTAL CURRENT ASSETS	<u>61,090</u>	<u>60,634</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	9,399	9,345	10,111
PROPERTY AND EQUIPMENT, NET	5,138	5,029	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	5,030	4,841	4,848
TOTAL ASSETS	<u>\$80,657</u>	<u>\$79,849</u>	<u>\$70,640</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$8,713	\$9,602	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	29,666	30,000	29,981
TOTAL CURRENT LIABILITIES	<u>38,379</u>	<u>39,602</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	12,496	12,597	13,061
UNFUNDED GRAND PRIZE LIABILITY	386	386	405
TOTAL LIABILITIES	<u>51,261</u>	<u>52,585</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	29,296	27,164	17,039
TOTAL EQUITY	<u>29,396</u>	<u>27,264</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$80,657</u>	<u>\$79,849</u>	<u>\$70,640</u>

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
JANUARY 31, 2018
(\$000'S)

MONTH OF JANUARY:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$44,149	\$46,328	(\$2,179)	-4.7%
DRAW GAMES	29,799	25,219	\$4,580	18.2%
KENO	6,571	6,173	398	6.4%
ILOTTERY INSTANT PLAY	1,006	426	580	136.2%
TICKET SALES	81,525	78,146	3,379	4.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(576)	(1,126)	550	-48.8%
TOTAL TICKET SALES	80,949	77,020	3,929	5.1%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	30,005	30,651	646	2.1%
DRAW GAMES	14,693	12,508	(2,185)	-17.5%
KENO	4,232	4,039	(193)	-4.8%
ILOTTERY INSTANT PLAY	801	302	(499)	-165.2%
TOTAL PRIZES	49,731	47,500	(2,231)	-4.7%
PAYMENTS TO RETAILERS	4,759	4,894	135	2.8%
DRAW GAMES VENDOR EXPENSE	926	815	(111)	-13.6%
INSTANT TICKET COSTS	611	659	48	7.3%
TOTAL DIRECT COSTS	56,027	53,868	(2,159)	-4.0%
GROSS PROFIT	24,922	23,152	1,770	7.6%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	653	839	186	22.2%
SALARIES, WAGES & BENEFITS	1,482	1,372	(110)	-8.0%
CONTRACTED & PROFESSIONAL SERVICES	266	184	(82)	-44.6%
DEPRECIATION	99	104	5	4.8%
OTHER GENERAL & ADMINISTRATIVE	132	134	2	1.5%
TOTAL OPERATING EXPENSES	2,632	2,633	1	0.0%
OPERATING INCOME	22,290	20,519	1,771	8.6%
NON-OPERATING INCOME	39	17	22	129.4%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$22,329	\$20,536	\$1,793	8.7%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
YEAR-TO-DATE THROUGH JANUARY 31, 2018
(\$000'S)

SEVEN MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$338,955	\$330,871	\$8,084	2.4%
DRAW GAMES	198,939	182,897	\$16,042	8.8%
KENO	45,968	41,145	4,823	11.7%
ILOTTERY INSTANT PLAY	5,401	2,347	3,054	130.1%
TICKET SALES	589,263	557,260	32,003	5.7%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(6,010)	(7,728)	1,718	-22.2%
TOTAL TICKET SALES	583,253	549,532	33,721	6.1%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	229,640	220,964	(8,676)	-3.9%
DRAW GAMES	103,567	98,881	(4,686)	-4.7%
KENO	29,792	26,685	(3,107)	-11.6%
ILOTTERY INSTANT PLAY	4,255	1,715	(2,540)	-148.1%
TOTAL PRIZES	367,254	348,245	(19,009)	-5.5%
PAYMENTS TO RETAILERS	34,888	34,217	(671)	-2.0%
DRAW GAMES VENDOR EXPENSE	6,266	5,679	(587)	-10.3%
INSTANT TICKET COSTS	4,916	4,622	(294)	-6.4%
TOTAL DIRECT COSTS	413,324	392,763	(20,561)	-5.2%
GROSS PROFIT	169,929	156,769	13,160	8.4%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	4,813	5,896	1,083	18.4%
SALARIES, WAGES & BENEFITS	8,807	8,553	(254)	-3.0%
CONTRACTED & PROFESSIONAL SERVICES	1,434	1,196	(238)	-19.9%
DEPRECIATION	694	773	79	10.2%
OTHER GENERAL & ADMINISTRATIVE	1,042	1,068	26	2.4%
TOTAL OPERATING EXPENSES	16,790	17,486	696	4.0%
OPERATING INCOME	153,139	139,283	13,856	9.9%
NON-OPERATING INCOME	260	259	1	0.4%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$153,399	\$139,542	\$13,857	9.9%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO BUDGET
JANUARY 31, 2018
(\$000'S)

MONTH OF JANUARY:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$44,149	\$49,442	(\$5,293)	-10.7%
DRAW GAMES	29,799	26,215	3,584	13.7%
KENO	6,571	7,174	(603)	-8.4%
ILOTTERY INSTANT PLAY	1,006	717	289	40.3%
TICKET SALES	81,525	83,548	(2,023)	-2.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(576)	(494)	(82)	16.6%
TOTAL TICKET SALES	80,949	83,054	(2,105)	-2.5%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	30,005	33,902	3,897	11.5%
DRAW GAMES	14,693	14,217	(476)	-3.3%
KENO	4,232	4,678	446	9.5%
ILOTTERY INSTANT PLAY	801	538	(263)	-48.9%
TOTAL PRIZES	49,731	53,335	3,604	6.8%
PAYMENTS TO RETAILERS	4,759	4,963	204	4.1%
DRAW GAMES VENDOR EXPENSE	926	931	5	0.5%
INSTANT TICKET COSTS	611	719	108	15.0%
TOTAL DIRECT COSTS	56,027	59,948	3,921	6.5%
GROSS PROFIT	24,922	23,106	1,816	7.9%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	653	851	198	23.3%
SALARIES, WAGES & BENEFITS	1,482	1,454	(28)	-1.9%
CONTRACTED & PROFESSIONAL SERVICES	266	288	22	7.6%
DEPRECIATION	99	113	14	12.4%
OTHER GENERAL & ADMINISTRATIVE	132	165	33	20.0%
TOTAL OPERATING EXPENSES	2,632	2,871	239	8.3%
OPERATING INCOME	22,290	20,235	2,055	10.2%
NON-OPERATING INCOME	39	25	14	56.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$22,329	\$20,260	\$2,069	10.2%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO BUDGET
YEAR-TO-DATE THROUGH JANUARY 31, 2018
(\$000'S)

SEVEN MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$338,955	\$347,406	(\$8,451)	-2.4%
DRAW GAMES	198,939	185,311	13,628	7.4%
KENO	45,968	48,947	(2,979)	-6.1%
ILOTTERY INSTANT PLAY	5,401	5,039	362	7.2%
TICKET SALES	589,263	586,703	2,560	0.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(6,010)	(5,690)	(320)	5.6%
TOTAL TICKET SALES	583,253	581,013	2,240	0.4%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	229,640	236,010	6,370	2.7%
DRAW GAMES	103,567	100,559	(3,008)	-3.0%
KENO	29,792	31,915	2,123	6.7%
ILOTTERY INSTANT PLAY	4,255	3,779	(476)	-12.6%
TOTAL PRIZES	367,254	372,263	5,009	1.3%
PAYMENTS TO RETAILERS	34,888	34,853	(35)	-0.1%
DRAW GAMES VENDOR EXPENSE	6,266	6,133	(133)	-2.2%
INSTANT TICKET COSTS	4,916	4,986	70	1.4%
TOTAL DIRECT COSTS	413,324	418,235	4,911	1.2%
GROSS PROFIT	169,929	162,778	7,151	4.4%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	4,813	6,424	1,611	25.1%
SALARIES, WAGES & BENEFITS	8,807	9,005	198	2.2%
CONTRACTED & PROFESSIONAL SERVICES	1,434	1,938	504	26.0%
DEPRECIATION	694	749	55	7.3%
OTHER GENERAL & ADMINISTRATIVE	1,042	1,215	173	14.2%
TOTAL OPERATING EXPENSES	16,790	19,331	2,541	13.1%
OPERATING INCOME	153,139	143,447	9,692	6.8%
NON-OPERATING INCOME	260	175	85	48.6%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$153,399	\$143,622	\$9,777	6.8%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
JANUARY 31, 2018
(\$000'S)

MONTH OF JANUARY:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	54.5%	60.2%	59.5%
DRAW GAMES	36.8%	32.7%	31.6%
KENO	8.1%	8.0%	8.6%
ILOTTERY INSTANT PLAY	1.2%	0.6%	0.9%
TICKET SALES	100.6%	101.5%	100.6%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-0.6%	-1.5%	-0.6%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	37.1%	39.8%	40.8%
DRAW GAMES	18.1%	16.3%	17.2%
KENO	5.2%	5.2%	5.6%
ILOTTERY INSTANT PLAY	1.0%	0.4%	0.6%
TOTAL PRIZES	61.4%	61.7%	64.2%
PAYMENTS TO RETAILERS	5.9%	6.3%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.0%	1.1%
INSTANT TICKET COSTS	0.8%	0.9%	0.9%
TOTAL DIRECT COSTS	69.2%	69.9%	72.2%
GROSS PROFIT	30.8%	30.1%	27.8%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.8%	1.1%	1.1%
SALARIES, WAGES & BENEFITS	1.8%	1.8%	1.8%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	3.2%	3.4%	3.5%
OPERATING INCOME	27.6%	26.7%	24.3%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	27.6%	26.7%	24.4%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
 YEAR-TO-DATE THROUGH JANUARY 31, 2018
 (\$000'S)

SEVEN MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	58.1%	60.2%	59.8%
DRAW GAMES	34.1%	33.3%	31.9%
KENO	7.9%	7.5%	8.4%
ILOTTERY INSTANT PLAY	0.9%	0.4%	0.9%
TICKET SALES	101.0%	101.4%	101.0%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.0%	-1.4%	-1.0%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	39.4%	40.2%	40.6%
DRAW GAMES	17.8%	18.0%	17.3%
KENO	5.1%	4.9%	5.5%
ILOTTERY INSTANT PLAY	0.7%	0.3%	0.7%
TOTAL PRIZES	63.0%	63.4%	64.1%
PAYMENTS TO RETAILERS	6.0%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.0%	1.0%
INSTANT TICKET COSTS	0.8%	0.9%	0.9%
TOTAL DIRECT COSTS	70.9%	71.5%	72.0%
GROSS PROFIT	29.1%	28.5%	28.0%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.8%	1.1%	1.2%
SALARIES, WAGES & BENEFITS	1.5%	1.6%	1.6%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	2.9%	3.2%	3.4%
OPERATING INCOME	26.2%	25.3%	24.6%
NON-OPERATING INCOME	0.1%	0.1%	0.1%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.3%	25.4%	24.7%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF RETAINED EARNINGS
 JANUARY 31, 2018
 (\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$27,164	\$17,039	\$17,390	\$17,904
INCOME BEFORE TRANSFER	22,329	153,399	20,536	139,542
DIVIDENDS - GENERAL FUND & EDUCATION	(19,500)	(136,000)	(19,000)	(133,500)
DIVIDENDS - KEES RESERVE	(697)	(5,142)	(1,500)	(6,520)
RETAINED EARNINGS- END OF PERIOD	<u>\$29,296</u>	<u>\$29,296</u>	<u>\$17,426</u>	<u>\$17,426</u>

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF CASH FLOWS
 YEAR-TO-DATE THROUGH JANUARY 31, 2018
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$22,290	\$153,139
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	99	694
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	0	46
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	2,096	(2,172)
OTHER ASSETS	85	521
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(889)	(1,341)
ESTIMATED PRIZE LIABILITY	(435)	(899)
NET CASH PROVIDED BY OPERATING ACTIVITIES	23,246	149,988
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	0	1,089
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(54)	(377)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	(189)	(182)
INTEREST INCOME	21	127
SECURITY LENDING FEES	1	8
NET CASH PROVIDED BY INVESTING ACTIVITIES	(221)	665
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(20,197)	(141,142)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	17	97
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(20,180)	(141,045)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(208)	(518)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	0	28
PROCEEDS FROM ISSUANCE OF LONG-TERM DEBT	0	0
REPAYMENTS OF LONG-TERM DEBT	0	0
INTEREST EXPENSE	0	0
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(208)	(490)
NET INCREASE (DECREASE) IN CASH	2,637	9,118
CASH, BEGINNING OF PERIOD	29,230	22,749
CASH, END OF PERIOD	\$31,867	\$31,867

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 MONTH ENDING JANUARY 31, 2018
 (\$000'S)

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	43,573	8,127	916	3,458	11,593	4,223	498	6,571	627	0	0	79,586
ILOTTERY	<u>0</u>	<u>160</u>	<u>54</u>	<u>0</u>	<u>0</u>	<u>101</u>	<u>0</u>	<u>0</u>	<u>42</u>	<u>1,006</u>	<u>0</u>	<u>1,363</u>
TOTAL SALES	<u>43,573</u>	<u>8,287</u>	<u>970</u>	<u>3,458</u>	<u>11,593</u>	<u>4,324</u>	<u>498</u>	<u>6,571</u>	<u>669</u>	<u>1,006</u>	<u>0</u>	<u>80,949</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	30,373	4,031	330	1,752	5,878	2,203	291	4,267	328	0	0	49,453
ILOTTERY	<u>0</u>	<u>79</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>52</u>	<u>0</u>	<u>0</u>	<u>22</u>	<u>801</u>	<u>0</u>	<u>975</u>
TOTAL PRIZES WON	<u>30,373</u>	<u>4,110</u>	<u>351</u>	<u>1,752</u>	<u>5,878</u>	<u>2,255</u>	<u>291</u>	<u>4,267</u>	<u>350</u>	<u>801</u>	<u>0</u>	<u>50,428</u>
UNCLAIMED PRIZE CREDIT	(368)	(83)	(9)	(39)	(81)	(64)	(6)	(35)	(12)	0	0	(697)
PAYMENTS TO RETAILERS	2,776	416	50	193	638	215	34	383	34	0	20	4,759
ONLINE VENDOR EXPENSE	194	146	19	54	179	86	10	117	13	28	80	926
TICKET COSTS	<u>611</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>611</u>
TOTAL DIRECT COSTS	<u>33,586</u>	<u>4,589</u>	<u>411</u>	<u>1,960</u>	<u>6,614</u>	<u>2,492</u>	<u>329</u>	<u>4,732</u>	<u>385</u>	<u>829</u>	<u>100</u>	<u>56,027</u>
GROSS PROFIT	<u>9,987</u>	<u>3,698</u>	<u>559</u>	<u>1,498</u>	<u>4,979</u>	<u>1,832</u>	<u>169</u>	<u>1,839</u>	<u>284</u>	<u>177</u>	<u>(100)</u>	<u>24,922</u>

(% OF SALES)

PROFIT MARGIN

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
TOTAL SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
DIRECT COSTS:												
TOTAL PRIZES WON	69.7%	49.6%	36.2%	50.7%	50.7%	52.2%	58.4%	64.9%	52.3%	79.6%	0.0%	62.3%
UNCLAIMED PRIZE CREDIT	-0.8%	-1.0%	-0.9%	-1.1%	-0.7%	-1.5%	-1.2%	-0.5%	-1.8%	0.0%	0.0%	-0.9%
PAYMENTS TO RETAILERS	6.4%	5.0%	5.2%	5.6%	5.5%	5.0%	6.8%	5.8%	5.1%	0.0%	0.0%	5.9%
ONLINE VENDOR EXPENSE	0.4%	1.8%	2.0%	1.6%	1.5%	2.0%	2.0%	1.8%	1.9%	2.8%	0.0%	1.1%
TICKET COSTS	<u>1.4%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.8%</u>
TOTAL DIRECT COSTS	<u>77.1%</u>	<u>55.4%</u>	<u>42.5%</u>	<u>56.8%</u>	<u>57.0%</u>	<u>57.7%</u>	<u>66.0%</u>	<u>72.0%</u>	<u>57.5%</u>	<u>82.4%</u>	<u>0.0%</u>	<u>69.2%</u>
GROSS PROFIT	<u>22.9%</u>	<u>44.6%</u>	<u>57.5%</u>	<u>43.2%</u>	<u>43.0%</u>	<u>42.3%</u>	<u>34.0%</u>	<u>28.0%</u>	<u>42.5%</u>	<u>17.6%</u>	<u>0.0%</u>	<u>30.8%</u>

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 YEAR TO DATE AS OF JANUARY 31, 2018
 (\$000'S)

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	332,945	49,941	6,415	25,139	86,239	21,508	3,489	45,968	4,368	0	0	576,012
ILOTTERY	<u>0</u>	<u>857</u>	<u>306</u>	<u>0</u>	<u>0</u>	<u>440</u>	<u>0</u>	<u>0</u>	<u>237</u>	<u>5,401</u>	<u>0</u>	<u>7,241</u>
TOTAL SALES	<u>332,945</u>	<u>50,798</u>	<u>6,721</u>	<u>25,139</u>	<u>86,239</u>	<u>21,948</u>	<u>3,489</u>	<u>45,968</u>	<u>4,605</u>	<u>5,401</u>	<u>0</u>	<u>583,253</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	232,405	25,155	3,392	10,124	50,712	10,741	2,001	30,054	2,663	0	0	367,247
ILOTTERY	<u>0</u>	<u>431</u>	<u>99</u>	<u>0</u>	<u>0</u>	<u>220</u>	<u>0</u>	<u>0</u>	<u>144</u>	<u>4,255</u>	<u>0</u>	<u>5,149</u>
TOTAL PRIZES WON	<u>232,405</u>	<u>25,586</u>	<u>3,491</u>	<u>10,124</u>	<u>50,712</u>	<u>10,961</u>	<u>2,001</u>	<u>30,054</u>	<u>2,807</u>	<u>4,255</u>	<u>0</u>	<u>372,396</u>
UNCLAIMED PRIZE CREDIT	(2,765)	(749)	(81)	(283)	(567)	(293)	(42)	(262)	(100)	0	0	(5,142)
PAYMENTS TO RETAILERS	21,337	2,553	362	1,357	4,812	1,100	253	2,655	380	1	78	34,888
ONLINE VENDOR EXPENSE	1,489	849	126	388	1,328	382	67	815	84	245	493	6,266
TICKET COSTS	<u>4,916</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,916</u>
TOTAL DIRECT COSTS	<u>257,382</u>	<u>28,239</u>	<u>3,898</u>	<u>11,586</u>	<u>56,285</u>	<u>12,150</u>	<u>2,279</u>	<u>33,262</u>	<u>3,171</u>	<u>4,501</u>	<u>571</u>	<u>413,324</u>
GROSS PROFIT	<u>75,563</u>	<u>22,559</u>	<u>2,823</u>	<u>13,553</u>	<u>29,954</u>	<u>9,798</u>	<u>1,210</u>	<u>12,706</u>	<u>1,434</u>	<u>900</u>	<u>(571)</u>	<u>169,929</u>

(% OF SALES)

PROFIT MARGIN

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
TOTAL SALES	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
DIRECT COSTS:												
TOTAL PRIZES WON	69.8%	50.4%	51.9%	40.3%	58.8%	49.9%	57.4%	65.4%	61.0%	78.8%	0.0%	63.8%
UNCLAIMED PRIZE CREDIT	-0.8%	-1.5%	-1.2%	-1.1%	-0.7%	-1.3%	-1.2%	-0.6%	-2.2%	0.0%	0.0%	-0.8%
PAYMENTS TO RETAILERS	6.4%	5.0%	5.4%	5.4%	5.6%	5.0%	7.3%	5.8%	8.3%	0.0%	0.0%	6.0%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	1.9%	1.8%	1.8%	4.5%	0.0%	1.1%
TICKET COSTS	<u>1.5%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.8%</u>
TOTAL DIRECT COSTS	<u>77.3%</u>	<u>55.6%</u>	<u>58.0%</u>	<u>46.1%</u>	<u>65.2%</u>	<u>55.3%</u>	<u>65.4%</u>	<u>72.4%</u>	<u>68.9%</u>	<u>83.3%</u>	<u>0.0%</u>	<u>70.9%</u>
GROSS PROFIT	<u>22.7%</u>	<u>44.4%</u>	<u>42.0%</u>	<u>53.9%</u>	<u>34.8%</u>	<u>44.7%</u>	<u>34.6%</u>	<u>27.6%</u>	<u>31.1%</u>	<u>16.7%</u>	<u>0.0%</u>	<u>29.1%</u>

KENTUCKY LOTTERY CORPORATION
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING JANUARY 31, 2018
(\$000'S)

<u>TYPE OF COST</u>	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>iLottery Instant Play</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
MEDIA:												
TELEVISION	202	12	0	0	0	12	0	0	0	0	1	227
RADIO	62	0	0	0	0	0	0	0	0	0	0	62
PRINT	0	0	0	0	0	0	0	0	0	0	2	2
BILLBOARD	6	34	0	0	0	31	0	0	0	0	0	71
ONLINE	33	0	10	0	0	0	0	0	2	66	(1)	110
OTHER (TRANSIT, ETC.)	0	0	0	0	(1)	0	0	0	0	0	0	(1)
TOTAL MEDIA	303	46	10	0	(1)	43	0	0	2	66	2	471
PRODUCTION	46	0	0	0	0	0	0	46	0	0	13	105
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	8	8
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	(1)	(1)
PREMIUMS	0	0	0	0	0	0	0	0	0	0	12	12
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	44	44
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	5	9	14
TOTAL	<u>349</u>	<u>46</u>	<u>10</u>	<u>0</u>	<u>(1)</u>	<u>43</u>	<u>0</u>	<u>46</u>	<u>2</u>	<u>71</u>	<u>87</u>	<u>653</u>

YEAR-TO-DATE AS OF JANUARY 31, 2018
(\$000'S)

<u>TYPE OF COST</u>	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>iLottery Instant Play</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
MEDIA:												
TELEVISION	829	42	0	1	2	42	0	3	0	0	286	1,205
RADIO	290	0	0	0	0	0	0	58	0	0	22	370
PRINT	0	0	0	0	0	0	0	0	0	0	19	19
BILLBOARD	116	228	0	0	0	215	0	0	0	0	2	561
ONLINE	243	53	10	0	0	54	5	0	2	371	64	802
OTHER (TRANSIT, ETC.)	9	16	0	3	3	16	0	0	0	0	0	47
TOTAL MEDIA	1,487	339	10	4	5	327	5	61	2	371	393	3,004
PRODUCTION	318	31	0	0	0	43	4	46	0	23	325	790
COUPONS & PROMOTIONS	0	6	0	0	0	6	0	0	0	0	357	369
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	89	89
PREMIUMS	0	0	0	0	0	0	0	0	0	0	73	73
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	258	258
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	12	218	230
TOTAL	<u>1,805</u>	<u>376</u>	<u>10</u>	<u>4</u>	<u>5</u>	<u>376</u>	<u>9</u>	<u>107</u>	<u>2</u>	<u>406</u>	<u>1,713</u>	<u>4,813</u>

KENTUCKY LOTTERY CORPORATION
 OPERATING EXPENSES
 JANUARY 31, 2018
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$653	\$4,813
<u>SALARIES, WAGES & BENEFITS:</u>		
SALARIES AND WAGES	1,030	6,749
BENEFITS AND TAXES	452	2,058
	1,482	8,807
<u>CONTRACTED & PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	15	26
CONSULTANT SERVICES	90	308
SECURITY SERVICES	16	100
REPAIRS AND MAINTENANCE	19	77
CUSTODIAL SERVICES	1	31
PUBLIC INFORMATION SERVICES	1	35
DIRECTOR EXPENSES	3	26
COMPUTER SOFTWARE COST/MAINT.	59	455
COMPUTER HARDWARE COST/MAINT.	1	49
LEGAL SERVICES	5	30
AUDIT EXPENSES	21	149
OTHER	35	148
	266	1,434
<u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	99	694
<u>OTHER GENERAL & ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	24	82
OFFICE SUPPLIES & SERVICES	11	73
TRAVEL AND RELATED EXPENSES	23	268
RENT, UTILITIES AND INSURANCE	73	562
A/R COLLECTIONS ALLOWANCE	46	46
OTHER	(45)	11
	132	1,042
TOTAL OPERATING EXPENSES	\$2,632	\$16,790
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	21	127
OTHER INCOME/(LOSS)	18	133
	\$39	\$260

KENTUCKY LOTTERY CORPORATION
PROPERTY AND EQUIPMENT
JANUARY 31, 2018
(\$000'S)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	8,017	7,954	7,925
LAND	423	423	423
TRANSPORTATION	1,264	1,264	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,984	1,980	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	4,145	13,561	16,845
INCOMPLETE FIXED ASSETS	106	98	0
TELEPHONE & COMMUNICATIONS EQUIPMENT	379	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	16,923	26,264	29,413
ACCUMULATED DEPRECIATION	<u>(11,785)</u>	<u>(21,235)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,138</u>	<u>\$5,029</u>	<u>\$5,314</u>