

KENTUCKY LOTTERY CORPORATION  
FINANCIAL STATEMENTS  
DECEMBER 2017  
MONTH 6 OF FISCAL YEAR ENDING JUNE 30, 2018

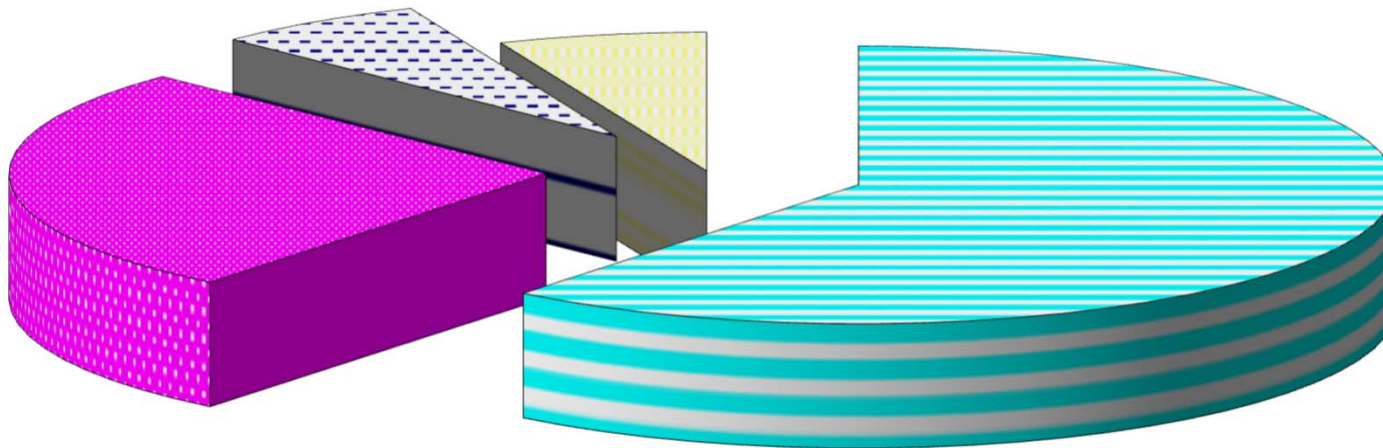
CONTENTS

CHART - "WHERE THE MONEY GOES" (INCEPTION-TO-DATE)  
CHART - "WHERE THE MONEY GOES" (YEAR-TO-DATE)  
CHART - SALES AND DIRECT COSTS BY MONTH  
CHART – OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH  
FINANCIAL RESULTS  
BALANCE SHEETS  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR, BUDGET, AND PERCENTAGE  
OF TOTAL SALES (MONTH AND YEAR-TO-DATE)  
STATEMENTS OF RETAINED EARNINGS  
STATEMENTS OF CASH FLOWS  
PROFIT MARGIN REPORT – MONTH  
PROFIT MARGIN REPORT - YEAR-TO-DATE  
ADVERTISING AND PROMOTION EXPENSES  
OPERATING EXPENSES  
PROPERTY AND EQUIPMENT

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
INCEPTION-TO-DATE SALES AS OF DECEMBER 31, 2017  
\$18.894 BILLION**

**\$1.209  
BILLION PAID FOR  
MARKETING & OPERATING  
EXP - 6.4%**

**\$1.186 BILLION PAID TO RETAILERS - 6.3%**



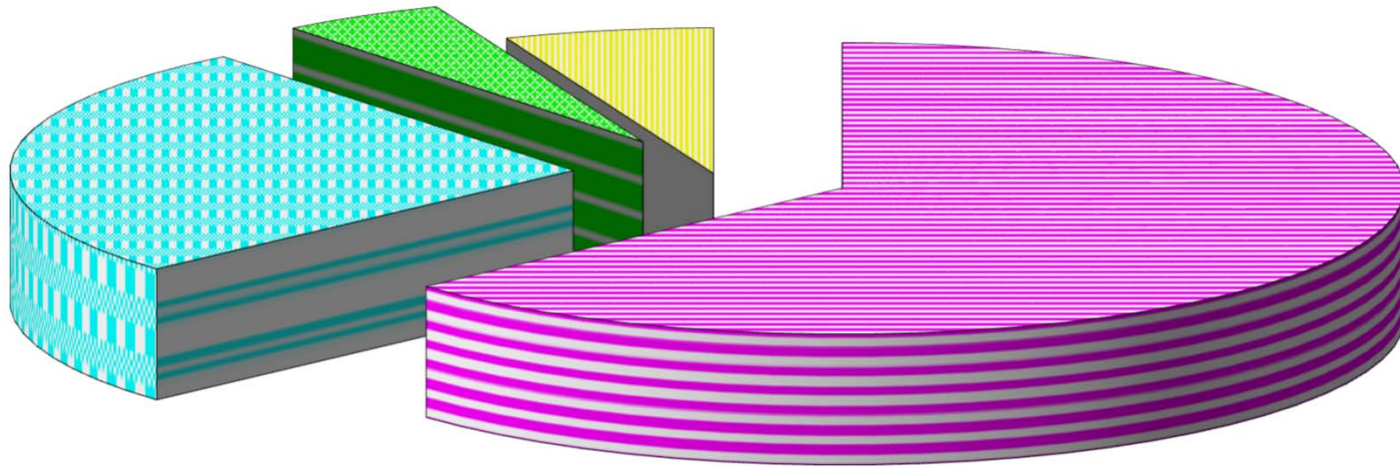
**\$5.025 BILLION  
EARNED FOR THE  
STATE OF KENTUCKY  
- 26.6%**

**\$11.474 BILLION PAID  
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
YEAR-TO-DATE SALES AS OF DECEMBER 31, 2017  
\$502.3 MILLION**

**\$23.6 MILLION PAID FOR  
MARKETING & OPERATING  
EXP - 4.7%**

**\$30.1 MILLION PAID TO RETAILERS - 6.0%**



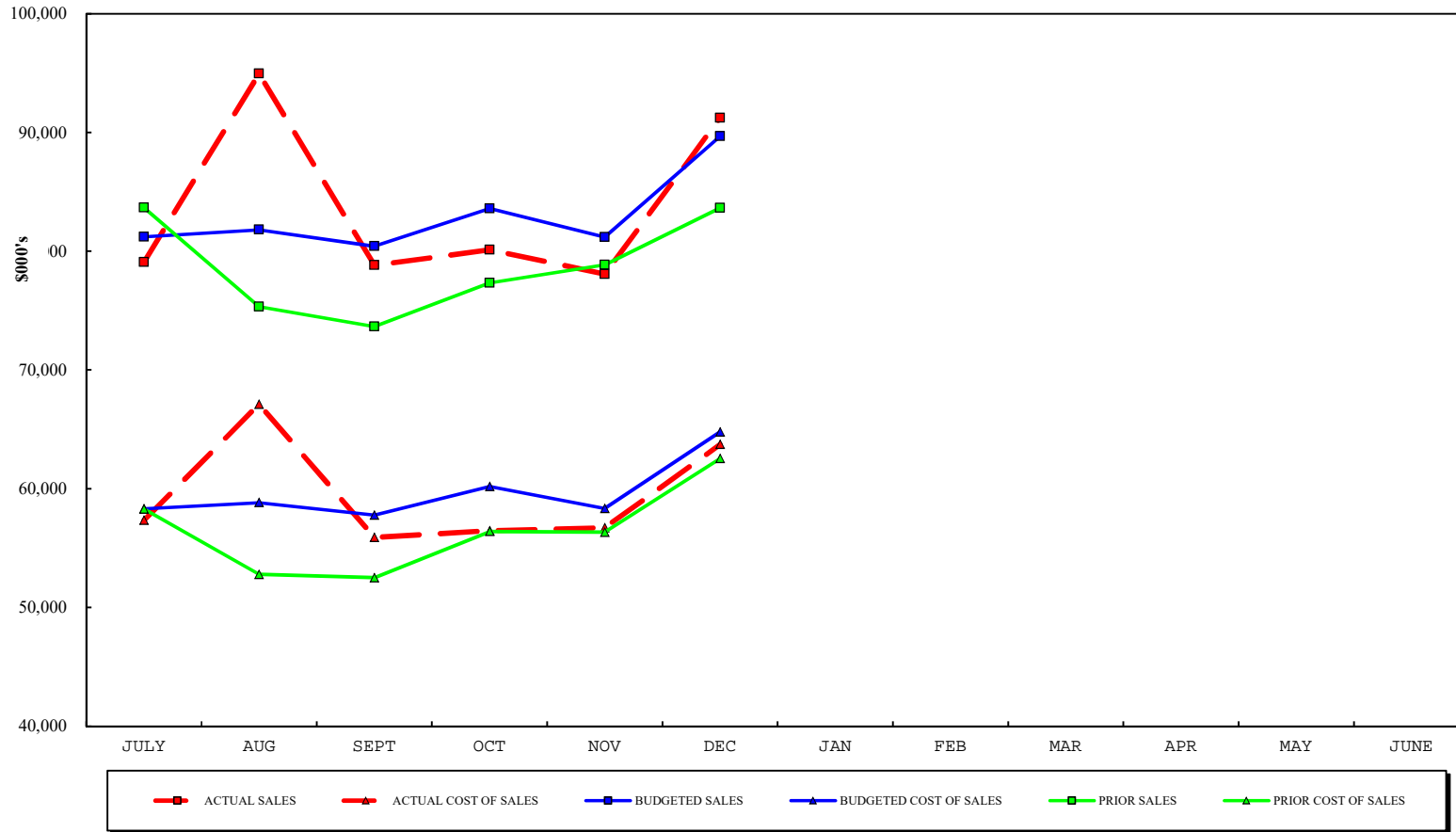
**\$131.1 MILLION  
EARNED FOR THE  
STATE OF  
KENTUCKY - 26.1%**

**\$317.5 MILLION PAID  
TO WINNERS - 63.2%**

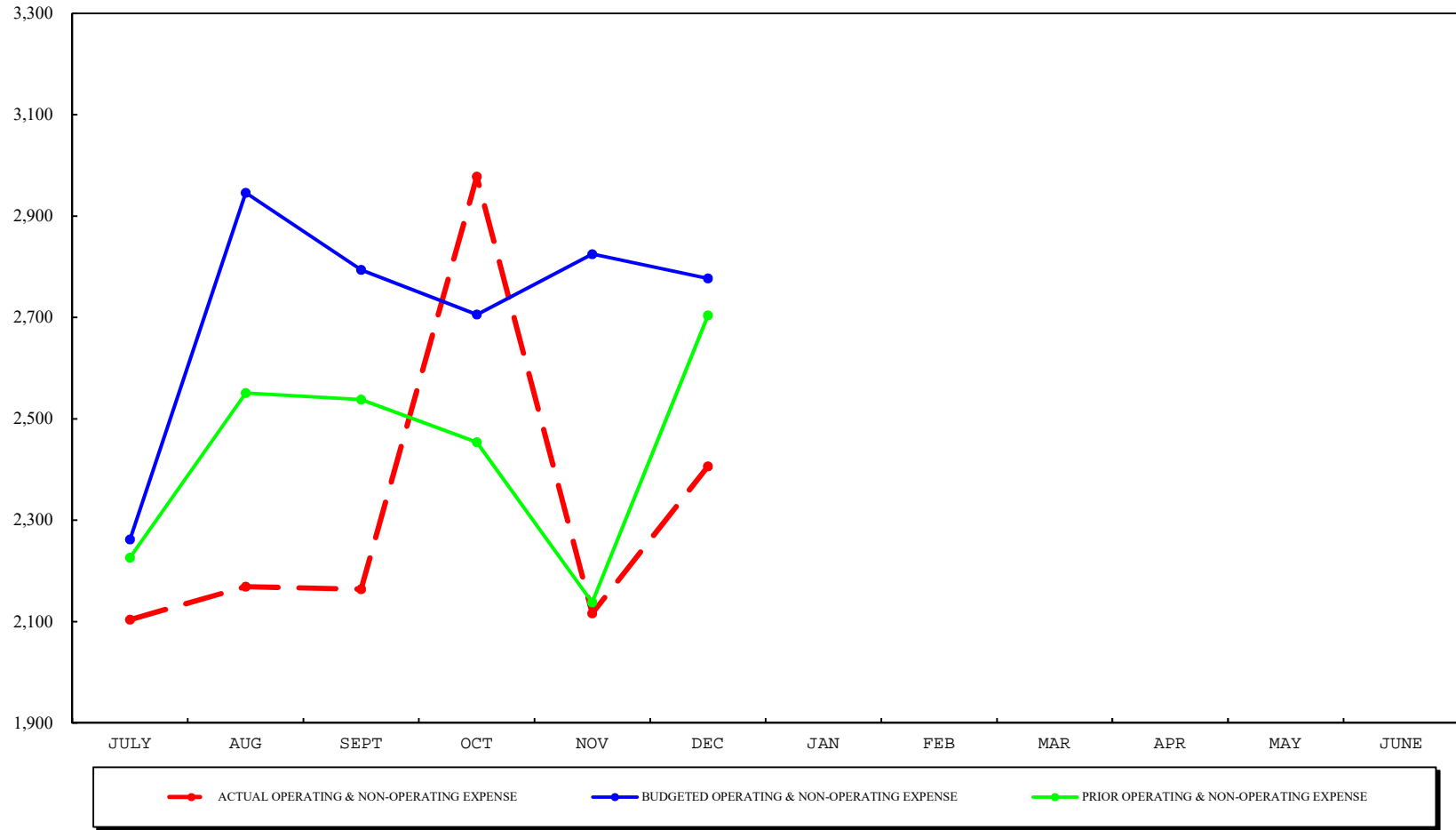
**AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.**

**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 DECEMBER 31, 2017



**OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH**  
AS OF DECEMBER 31, 2017



# **KENTUCKY LOTTERY CORPORATION**

## **FINANCIAL RESULTS**

### **DECEMBER 2017**

#### **INCOME STATEMENT**

Ticket sales for December 2017 were \$91.9 million which is \$7.1 million or 8.3% more than the same month of the prior fiscal year. Sales for the year were \$507.7 million which is \$28.6 million or 6.0% more than in the prior fiscal year. Instant ticket sales were \$1.3 million or 2.5% more than the same month of the prior fiscal year, and \$10.3 million or 3.6% more than the prior fiscal year. Draw game sales were \$4.8 million or 18.2% more than the same month of the prior year, and \$11.5 million or 7.3% more than prior fiscal year. Keno sales were \$543,000 or 8.4% more than the same month of the prior fiscal year, and \$4.4 million or 12.7% more than prior fiscal year. iLottery instant play sales were \$478,000 or 116.0% more than the same month of the prior year, and \$2.5 million or 128.8% more than prior fiscal year.

Ticket sales for the month of December were \$1.4 million or 1.6% more than budget. Ticket sales for the fiscal year were \$4.6 million or 0.9% more than budget. Instant ticket sales were \$1.7 million, or 3.2% less than budget for the current month, and \$3.2 million or 1.1% less than budget for the fiscal year. Draw game sales were \$3.1 million or 11.2% more than budget for the month, and \$10.0 million or 6.3% more than budget for the fiscal year. Keno sales for the month were \$43,000 or 0.6% less than budget, and \$2.4 million or 5.7% less than budget for the fiscal year. iLottery instant play sales were \$94,000 or 11.8% more than budget for the month, and \$73,000 or 1.7% more than budget for the fiscal year.

Prize expenses for December 2017 were 62.3% of total sales, compared to 66.8% in the same month last year and 64.4% budgeted. Combined prize expense for the year was 63.2%, compared to 63.6% last fiscal year and 64.0% budgeted. Instant prize expense for the month was 68.7%, draw game prize expense was 50.4%, Keno prize expense was 64.9%, and iLottery instant play prize expense was 74.4%. Instant prize expense for the fiscal year was 69.0%, draw game prize expense was 52.5%, Keno prize expense was 64.9%, and iLottery instant play prize expense was 78.6%.

Operating costs were \$2.4 million for December, compared to \$2.8 million budgeted and \$2.7 million for the same month last year. These costs included advertising and promotions of \$918,000, salaries & benefits of \$1.2 million, contracted and professional services of \$142,000, depreciation expense of \$93,000, and other general and administrative costs of \$120,000. Operating costs for the year were \$14.2 million, compared to \$16.5 million budgeted and \$14.9 million prior fiscal year.

Income before transfer of dividends for the current month was \$25.1 million, compared to \$18.4 million for the same month in the prior year and \$22.1 million budgeted. Income before transfer of dividends for the fiscal year was \$131.1 million, compared to \$119.0 million in the prior year and \$123.4 million budgeted.

Dividends of \$20.5 million were transferred to the Commonwealth in December for a total of \$116.5 million for the fiscal year. Additional dividends of \$597,000 were accrued in December for transfer to the KEES reserve for a total of \$4.4 million for the fiscal year. Transfer of the KEES funds will be made quarterly during the fiscal year. All dividends were 23.1% of sales for the month. All dividends were 24.1% of sales for the fiscal year compared to 25.3% of sales in the prior year and 24.3% budgeted.

#### **BALANCE SHEET**

Cash balance increased to \$29.2 million, which included \$3.0 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$11.2 million. Accounts Receivable increased to \$28.9 million. Total assets increased to \$79.8 million.

KENTUCKY LOTTERY CORPORATION  
BALANCE SHEETS  
DECEMBER 31, 2017  
(\$000's)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$26,218	\$21,708	\$20,149
CASH - RESTRICTED	3,012	3,112	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	28,914	27,387	24,692
OTHER	631	748	1,067
TOTAL CURRENT ASSETS	<u>60,634</u>	<u>54,814</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	9,345	9,290	10,111
PROPERTY AND EQUIPMENT, NET	5,029	5,003	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	4,841	4,527	4,848
TOTAL ASSETS	<u><u>\$79,849</u></u>	<u><u>\$73,634</u></u>	<u><u>\$70,640</u></u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$9,602	\$7,578	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	30,000	29,888	29,981
TOTAL CURRENT LIABILITIES	<u>39,602</u>	<u>37,466</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	12,597	12,519	13,061
UNFUNDED GRAND PRIZE LIABILITY	386	386	405
TOTAL LIABILITIES	<u>52,585</u>	<u>50,371</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	27,164	23,163	17,039
TOTAL EQUITY	<u>27,264</u>	<u>23,263</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$79,849</u></u>	<u><u>\$73,634</u></u>	<u><u>\$70,640</u></u>

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
DECEMBER 31, 2017  
(\$000'S)

MONTH OF DECEMBER:			VARIANCE	
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
<b>SALES:</b>				
INSTANT TICKETS	\$53,160	\$51,878	\$1,282	2.5%
DRAW GAMES	30,920	26,164	\$4,756	18.2%
KENO	6,976	6,433	543	8.4%
ILOTTERY INSTANT PLAY	890	412	478	116.0%
TICKET SALES	91,946	84,887	7,059	8.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(711)	(1,239)	528	-42.6%
TOTAL TICKET SALES	91,235	83,648	7,587	9.1%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	36,025	34,823	(1,202)	-3.5%
DRAW GAMES	15,598	16,551	953	5.8%
KENO	4,525	4,165	(360)	-8.6%
ILOTTERY INSTANT PLAY	662	305	(357)	-117.0%
TOTAL PRIZES	56,810	55,844	(966)	-1.7%
PAYMENTS TO RETAILERS	5,192	5,124	(68)	-1.3%
DRAW GAMES VENDOR EXPENSE	964	851	(113)	-13.3%
INSTANT TICKET COSTS	765	722	(43)	-6.0%
TOTAL DIRECT COSTS	63,731	62,541	(1,190)	-1.9%
GROSS PROFIT	27,504	21,107	6,397	30.3%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	918	1,120	202	18.0%
SALARIES, WAGES & BENEFITS	1,167	1,195	28	2.3%
CONTRACTED & PROFESSIONAL SERVICES	142	168	26	15.5%
DEPRECIATION	93	108	15	13.9%
OTHER GENERAL & ADMINISTRATIVE	120	137	17	12.4%
TOTAL OPERATING EXPENSES	2,440	2,728	288	10.6%
OPERATING INCOME	25,064	18,379	6,685	36.4%
NON-OPERATING INCOME	34	24	10	41.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$25,098	\$18,403	\$6,695	36.4%



KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
YEAR-TO-DATE THROUGH DECEMBER 31, 2017  
(\$000'S)

SIX MONTHS YEAR TO DATE:			VARIANCE	
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
<b>SALES:</b>				
INSTANT TICKETS	\$294,806	\$284,543	\$10,263	3.6%
DRAW GAMES	169,140	157,678	\$11,462	7.3%
KENO	39,397	34,972	4,425	12.7%
ILOTTERY INSTANT PLAY	4,395	1,921	2,474	128.8%
TICKET SALES	<u>507,738</u>	<u>479,114</u>	<u>28,624</u>	6.0%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	<u>(5,434)</u>	<u>(6,602)</u>	<u>1,168</u>	-17.7%
TOTAL TICKET SALES	<u>502,304</u>	<u>472,512</u>	<u>29,792</u>	6.3%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	199,635	190,313	(9,322)	-4.9%
DRAW GAMES	88,874	86,373	(2,501)	-2.9%
KENO	25,560	22,646	(2,914)	-12.9%
ILOTTERY INSTANT PLAY	3,454	1,413	(2,041)	-144.4%
TOTAL PRIZES	<u>317,523</u>	<u>300,745</u>	<u>(16,778)</u>	-5.6%
PAYMENTS TO RETAILERS	30,129	29,323	(806)	-2.7%
DRAW GAMES VENDOR EXPENSE	5,340	4,864	(476)	-9.8%
INSTANT TICKET COSTS	<u>4,305</u>	<u>3,963</u>	<u>(342)</u>	-8.6%
TOTAL DIRECT COSTS	<u>357,297</u>	<u>338,895</u>	<u>(18,402)</u>	-5.4%
GROSS PROFIT	145,007	133,617	11,390	8.5%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	4,160	5,057	897	17.7%
SALARIES, WAGES & BENEFITS	7,325	7,181	(144)	-2.0%
CONTRACTED & PROFESSIONAL SERVICES	1,168	1,012	(156)	-15.4%
DEPRECIATION	595	669	74	11.1%
OTHER GENERAL & ADMINISTRATIVE	910	934	24	2.6%
TOTAL OPERATING EXPENSES	<u>14,158</u>	<u>14,853</u>	<u>695</u>	4.7%
OPERATING INCOME	<u>130,849</u>	<u>118,764</u>	<u>12,085</u>	10.2%
NON-OPERATING INCOME	<u>221</u>	<u>242</u>	<u>(21)</u>	-8.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	<u>\$131,070</u>	<u>\$119,006</u>	<u>\$12,064</u>	10.1%

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO BUDGET  
DECEMBER 31, 2017  
(\$000'S)

MONTH OF DECEMBER:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
<b>SALES:</b>				
INSTANT TICKETS	\$53,160	\$54,897	(\$1,737)	-3.2%
DRAW GAMES	30,920	27,800	3,120	11.2%
KENO	6,976	7,019	(43)	-0.6%
ILOTTERY INSTANT PLAY	890	796	94	11.8%
TICKET SALES	91,946	90,512	1,434	1.6%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(711)	(824)	113	-13.7%
TOTAL TICKET SALES	91,235	89,688	1,547	1.7%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	36,025	37,422	1,397	3.7%
DRAW GAMES	15,598	15,126	(472)	-3.1%
KENO	4,525	4,577	52	1.1%
ILOTTERY INSTANT PLAY	662	597	(65)	-10.9%
TOTAL PRIZES	56,810	57,722	912	1.6%
PAYMENTS TO RETAILERS	5,192	5,384	192	3.6%
DRAW GAMES VENDOR EXPENSE	964	914	(50)	-5.5%
INSTANT TICKET COSTS	765	773	8	1.0%
TOTAL DIRECT COSTS	63,731	64,793	1,062	1.6%
GROSS PROFIT	27,504	24,895	2,609	10.5%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	918	948	30	3.2%
SALARIES, WAGES & BENEFITS	1,167	1,261	94	7.5%
CONTRACTED & PROFESSIONAL SERVICES	142	340	198	58.2%
DEPRECIATION	93	110	17	15.5%
OTHER GENERAL & ADMINISTRATIVE	120	143	23	16.1%
TOTAL OPERATING EXPENSES	2,440	2,802	362	12.9%
OPERATING INCOME	25,064	22,093	2,971	13.4%
NON-OPERATING INCOME	34	25	9	36.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$25,098	\$22,118	\$2,980	13.5%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - COMPARISON TO BUDGET  
 YEAR-TO-DATE THROUGH DECEMBER 31, 2017  
 (\$000'S)

SIX MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
<b>SALES:</b>				
INSTANT TICKETS	\$294,806	\$297,964	(\$3,158)	-1.1%
DRAW GAMES	169,140	159,096	10,044	6.3%
KENO	39,397	41,773	(2,376)	-5.7%
ILOTTERY INSTANT PLAY	4,395	4,322	73	1.7%
TICKET SALES	507,738	503,155	4,583	0.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(5,434)	(5,196)	(238)	4.6%
TOTAL TICKET SALES	502,304	497,959	4,345	0.9%
<b>DIRECT COSTS:</b>				
<b>PRIZES:</b>				
INSTANT TICKETS	199,635	202,108	2,473	1.2%
DRAW GAMES	88,874	86,342	(2,532)	-2.9%
KENO	25,560	27,237	1,677	6.2%
ILOTTERY INSTANT PLAY	3,454	3,241	(213)	-6.6%
TOTAL PRIZES	317,523	318,928	1,405	0.4%
PAYMENTS TO RETAILERS	30,129	29,890	(239)	-0.8%
DRAW GAMES VENDOR EXPENSE	5,340	5,202	(138)	-2.7%
INSTANT TICKET COSTS	4,305	4,267	(38)	-0.9%
TOTAL DIRECT COSTS	357,297	358,287	990	0.3%
GROSS PROFIT	145,007	139,672	5,335	3.8%
<b>OPERATING EXPENSES:</b>				
ADVERTISING AND PROMOTION	4,160	5,573	1,413	25.4%
SALARIES, WAGES & BENEFITS	7,325	7,551	226	3.0%
CONTRACTED & PROFESSIONAL SERVICES	1,168	1,650	482	29.2%
DEPRECIATION	595	636	41	6.4%
OTHER GENERAL & ADMINISTRATIVE	910	1,050	140	13.3%
TOTAL OPERATING EXPENSES	14,158	16,460	2,302	14.0%
OPERATING INCOME	130,849	123,212	7,637	6.2%
NON-OPERATING INCOME	221	150	71	47.3%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$131,070	\$123,362	\$7,708	6.2%

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
DECEMBER 31, 2017  
(\$000'S)

MONTH OF DECEMBER:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
<b>SALES:</b>			
INSTANT TICKETS	58.3%	62.0%	61.2%
DRAW GAMES	33.9%	31.3%	31.0%
KENO	7.6%	7.7%	7.8%
ILOTTERY INSTANT PLAY	1.0%	0.5%	0.9%
TICKET SALES	100.8%	101.5%	100.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-0.8%	-1.5%	-0.9%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
<b>DIRECT COSTS:</b>			
<b>PRIZES:</b>			
INSTANT TICKETS	39.5%	41.6%	41.7%
DRAW GAMES	17.1%	19.8%	16.9%
KENO	5.0%	5.0%	5.1%
ILOTTERY INSTANT PLAY	0.7%	0.4%	0.7%
TOTAL PRIZES	62.3%	66.8%	64.4%
PAYMENTS TO RETAILERS	5.7%	6.1%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.0%	1.0%
INSTANT TICKET COSTS	0.8%	0.9%	0.8%
TOTAL DIRECT COSTS	69.9%	74.8%	72.2%
GROSS PROFIT	30.1%	25.2%	27.8%
<b>OPERATING EXPENSES:</b>			
ADVERTISING AND PROMOTION	1.0%	1.3%	1.0%
SALARIES, WAGES & BENEFITS	1.2%	1.4%	1.4%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.2%	0.4%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.1%	0.2%	0.2%
TOTAL OPERATING EXPENSES	2.6%	3.2%	3.1%
OPERATING INCOME	27.5%	22.0%	24.7%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	27.5%	22.0%	24.7%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
 YEAR-TO-DATE THROUGH DECEMBER 31, 2017  
 (\$000'S)

SIX MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
<b>SALES:</b>			
INSTANT TICKETS	58.7%	60.2%	59.8%
DRAW GAMES	33.7%	33.4%	31.9%
KENO	7.8%	7.4%	8.4%
ILOTTERY INSTANT PLAY	0.9%	0.4%	0.9%
TICKET SALES	101.1%	101.4%	101.0%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.1%	-1.4%	-1.0%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
<b>DIRECT COSTS:</b>			
<b>PRIZES:</b>			
INSTANT TICKETS	39.7%	40.3%	40.6%
DRAW GAMES	17.7%	18.3%	17.2%
KENO	5.1%	4.8%	5.5%
ILOTTERY INSTANT PLAY	0.7%	0.2%	0.7%
TOTAL PRIZES	63.2%	63.6%	64.0%
PAYMENTS TO RETAILERS	6.0%	6.2%	6.1%
DRAW GAME VENDOR EXPENSE	1.0%	1.0%	1.0%
INSTANT TICKET COSTS	0.9%	0.9%	0.9%
TOTAL DIRECT COSTS	71.1%	71.7%	72.0%
GROSS PROFIT	28.9%	28.3%	28.0%
<b>OPERATING EXPENSES:</b>			
ADVERTISING AND PROMOTION	0.8%	1.1%	1.2%
SALARIES, WAGES & BENEFITS	1.5%	1.5%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.3%	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%	3.3%
OPERATING INCOME	26.0%	25.1%	24.7%
NON-OPERATING INCOME	0.1%	0.1%	0.1%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.1%	25.2%	24.8%

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF RETAINED EARNINGS  
 DECEMBER 31, 2017  
 (\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$23,163	\$17,039	\$19,419	\$17,904
INCOME BEFORE TRANSFER	25,098	131,070	18,403	119,006
DIVIDENDS - GENERAL FUND & EDUCATION	(20,500)	(116,500)	(20,000)	(114,500)
DIVIDENDS - KEES RESERVE	(597)	(4,445)	(432)	(5,020)
RETAINED EARNINGS- END OF PERIOD	\$27,164	\$27,164	\$17,390	\$17,390

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF CASH FLOWS  
 YEAR-TO-DATE THROUGH DECEMBER 31, 2017  
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$25,064	\$130,849
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	93	595
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	10	46
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	(1,537)	(4,268)
OTHER ASSETS	117	436
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2,024	(452)
ESTIMATED PRIZE LIABILITY	190	(464)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>25,961</b>	<b>126,742</b>
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	0	1,089
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(55)	(323)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	(314)	7
INTEREST INCOME	21	106
SECURITY LENDING FEES	109	115
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>(239)</b>	<b>994</b>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(21,097)	(120,945)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	(96)	0
<b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<b>(21,193)</b>	<b>(120,945)</b>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(119)	(310)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT	0	0
PROCEEDS FROM ISSUANCE OF LONG-TERM DEBT	0	0
REPAYMENTS OF LONG-TERM DEBT	0	0
INTEREST EXPENSE	0	0
<b>NET CASH USED IN CAPITAL FINANCING ACTIVITIES</b>	<b>(119)</b>	<b>(310)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>4,410</b>	<b>6,481</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>24,820</b>	<b>22,749</b>
<b>CASH, END OF PERIOD</b>	<b>\$29,230</b>	<b>\$29,230</b>

KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 MONTH ENDING DECEMBER 31, 2017  
 (\$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	52,449	7,420	946	3,852	13,383	3,922	506	6,976	603	0	0	90,057
ILOTTERY	<u>0</u>	<u>129</u>	<u>46</u>	<u>0</u>	<u>0</u>	<u>82</u>	<u>0</u>	<u>0</u>	<u>31</u>	<u>890</u>	<u>0</u>	<u>1,178</u>
TOTAL SALES	<u>52,449</u>	<u>7,549</u>	<u>992</u>	<u>3,852</u>	<u>13,383</u>	<u>4,004</u>	<u>506</u>	<u>6,976</u>	<u>634</u>	<u>890</u>	<u>0</u>	<u>91,235</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	36,242	3,461	327	1,688	7,862	1,898	286	4,563	287	0	0	56,614
ILOTTERY	<u>0</u>	<u>60</u>	<u>13</u>	<u>0</u>	<u>0</u>	<u>43</u>	<u>0</u>	<u>0</u>	<u>15</u>	<u>662</u>	<u>0</u>	<u>793</u>
TOTAL PRIZES WON	<u>36,242</u>	<u>3,521</u>	<u>340</u>	<u>1,688</u>	<u>7,862</u>	<u>1,941</u>	<u>286</u>	<u>4,563</u>	<u>302</u>	<u>662</u>	<u>0</u>	<u>57,407</u>
UNCLAIMED PRIZE CREDIT	(217)	(154)	(9)	(41)	(75)	(44)	(5)	(38)	(14)	0	0	(597)
PAYMENTS TO RETAILERS	3,065	378	51	208	746	200	34	458	32	0	20	5,192
ONLINE VENDOR EXPENSE	233	125	19	60	206	68	9	123	12	44	65	964
TICKET COSTS	<u>765</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>765</u>
TOTAL DIRECT COSTS	<u>40,088</u>	<u>3,870</u>	<u>401</u>	<u>1,915</u>	<u>8,739</u>	<u>2,165</u>	<u>324</u>	<u>5,106</u>	<u>332</u>	<u>706</u>	<u>85</u>	<u>63,731</u>
GROSS PROFIT	<u>12,361</u>	<u>3,679</u>	<u>591</u>	<u>1,937</u>	<u>4,644</u>	<u>1,839</u>	<u>182</u>	<u>1,870</u>	<u>302</u>	<u>184</u>	<u>(85)</u>	<u>27,504</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	69.1%	46.6%	34.3%	43.8%	58.7%	48.5%	56.5%	65.4%	47.6%	74.4%	0.0%	62.9%
UNCLAIMED PRIZE CREDIT	-0.4%	-2.0%	-0.9%	-1.1%	-0.6%	-1.1%	-1.0%	-0.5%	-2.2%	0.0%	0.0%	-0.6%
PAYMENTS TO RETAILERS	5.8%	5.0%	5.1%	5.4%	5.6%	5.0%	6.7%	6.6%	5.0%	0.0%	0.0%	5.7%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.6%	1.5%	1.7%	1.8%	1.8%	1.9%	4.9%	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>76.4%</u>	<u>51.3%</u>	<u>40.4%</u>	<u>49.7%</u>	<u>65.2%</u>	<u>54.1%</u>	<u>64.0%</u>	<u>73.3%</u>	<u>52.3%</u>	<u>79.3%</u>	<u>0.0%</u>	<u>69.9%</u>
GROSS PROFIT	<u>23.6%</u>	<u>48.7%</u>	<u>59.6%</u>	<u>50.3%</u>	<u>34.8%</u>	<u>45.9%</u>	<u>36.0%</u>	<u>26.7%</u>	<u>47.7%</u>	<u>20.7%</u>	<u>0.0%</u>	<u>30.1%</u>



KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 YEAR TO DATE AS OF DECEMBER 31, 2017  
 (\$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>
<b>SALES:</b>												
SALES AT RETAIL ILOTTERY	289,372	41,814	5,499	21,681	74,646	17,285	2,991	39,397	3,741	0	0	496,426
	<u>0</u>	<u>697</u>	<u>252</u>	<u>0</u>	<u>0</u>	<u>339</u>	<u>0</u>	<u>0</u>	<u>195</u>	<u>4,395</u>	<u>0</u>	<u>5,878</u>
TOTAL SALES	<u>289,372</u>	<u>42,511</u>	<u>5,751</u>	<u>21,681</u>	<u>74,646</u>	<u>17,624</u>	<u>2,991</u>	<u>39,397</u>	<u>3,936</u>	<u>4,395</u>	<u>0</u>	<u>502,304</u>
<b>DIRECT COSTS:</b>												
<b>PRIZES WON:</b>												
PRIZES AT RETAIL ILOTTERY	202,032	21,124	3,062	8,372	44,834	8,538	1,710	25,787	2,335	0	0	317,794
	<u>0</u>	<u>352</u>	<u>78</u>	<u>0</u>	<u>0</u>	<u>168</u>	<u>0</u>	<u>0</u>	<u>122</u>	<u>3,454</u>	<u>0</u>	<u>4,174</u>
TOTAL PRIZES WON	<u>202,032</u>	<u>21,476</u>	<u>3,140</u>	<u>8,372</u>	<u>44,834</u>	<u>8,706</u>	<u>1,710</u>	<u>25,787</u>	<u>2,457</u>	<u>3,454</u>	<u>0</u>	<u>321,968</u>
UNCLAIMED PRIZE CREDIT	(2,397)	(666)	(72)	(244)	(486)	(229)	(36)	(227)	(88)	0	0	(4,445)
PAYMENTS TO RETAILERS	18,561	2,137	312	1,164	4,174	885	219	2,272	346	1	58	30,129
ONLINE VENDOR EXPENSE	1,295	703	107	334	1,149	296	57	698	71	217	413	5,340
TICKET COSTS	<u>4,305</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>4,305</u>
TOTAL DIRECT COSTS	<u>223,796</u>	<u>23,650</u>	<u>3,487</u>	<u>9,626</u>	<u>49,671</u>	<u>9,658</u>	<u>1,950</u>	<u>28,530</u>	<u>2,786</u>	<u>3,672</u>	<u>471</u>	<u>357,297</u>
GROSS PROFIT	<u>65,576</u>	<u>18,861</u>	<u>2,264</u>	<u>12,055</u>	<u>24,975</u>	<u>7,966</u>	<u>1,041</u>	<u>10,867</u>	<u>1,150</u>	<u>723</u>	<u>(471)</u>	<u>145,007</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%
<b>DIRECT COSTS:</b>												
TOTAL PRIZES WON	69.8%	50.5%	54.6%	38.6%	60.1%	49.4%	57.2%	65.5%	62.4%	78.6%	0.0%	64.1%
UNCLAIMED PRIZE CREDIT	-0.8%	-1.6%	-1.3%	-1.1%	-0.7%	-1.3%	-1.2%	-0.6%	-2.2%	0.0%	0.0%	-0.9%
PAYMENTS TO RETAILERS	6.4%	5.0%	5.4%	5.4%	5.6%	5.0%	7.3%	5.8%	8.8%	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%	4.9%	0.0%	1.0%
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>0.9%</u>
TOTAL DIRECT COSTS	<u>77.3%</u>	<u>55.6%</u>	<u>60.6%</u>	<u>44.4%</u>	<u>66.5%</u>	<u>54.8%</u>	<u>65.2%</u>	<u>72.5%</u>	<u>70.8%</u>	<u>83.5%</u>	<u>0.0%</u>	<u>71.1%</u>
GROSS PROFIT	<u>22.7%</u>	<u>44.4%</u>	<u>39.4%</u>	<u>55.6%</u>	<u>33.5%</u>	<u>45.2%</u>	<u>34.8%</u>	<u>27.5%</u>	<u>29.2%</u>	<u>16.5%</u>	<u>0.0%</u>	<u>28.9%</u>

KENTUCKY LOTTERY CORPORATION  
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING DECEMBER 31, 2017  
(\$000'S)

TYPE OF COST	INSTANT	POWERBALL	KY CASH BALL	PICK 4	PICK 3	MEGA MILLIONS	5 CARD CASH	KENO	LFL	iLottery Instant Play	NON-GAME SPECIFIC	TOTAL
MEDIA:												
TELEVISION	543	18	0	0	0	18	0	0	0	0	(260)	319
RADIO	177	0	0	0	0	0	0	0	0	0	(42)	135
PRINT	0	0	0	0	0	0	0	0	0	0	(2)	(2)
BILLBOARD	14	65	0	0	0	62	0	0	0	0	(69)	72
ONLINE	177	8	0	0	0	9	0	0	0	66	1	261
OTHER (TRANSIT, ETC.)	<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>0</u>	<u>0</u>
TOTAL MEDIA	911	91	0	0	0	89	0	0	0	66	(372)	785
PRODUCTION	17	0	0	0	0	0	0	0	0	0	30	47
COUPONS & PROMOTIONS	0	6	0	0	0	6	0	0	0	0	25	37
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	0	0
PREMIUMS	0	0	0	0	0	0	0	0	0	0	7	7
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	42	42
OTHER (SIGNAGE, ETC.)	<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>0</u>	<u>0</u>
TOTAL	<u>928</u>	<u>97</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>95</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>66</u>	<u>(268)</u>	<u>918</u>

YEAR-TO-DATE AS OF DECEMBER 31, 2017  
(\$000'S)

TYPE OF COST	INSTANT	POWERBALL	KY CASH BALL	PICK 4	PICK 3	MEGA MILLIONS	5 CARD CASH	KENO	LFL	iLottery Instant Play	NON-GAME SPECIFIC	TOTAL
MEDIA:												
TELEVISION	627	30	0	1	2	30	0	3	0	0	285	978
RADIO	228	0	0	0	0	0	0	58	0	0	22	308
PRINT	0	0	0	0	0	0	0	0	0	0	17	17
BILLBOARD	110	194	0	0	0	184	0	0	0	0	2	490
ONLINE	210	53	0	0	0	54	5	0	0	305	65	692
OTHER (TRANSIT, ETC.)	<u>9</u>	<u>16</u>	<u>0</u>	<u>3</u>	<u>4</u>	<u>16</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>48</u>
TOTAL MEDIA	1,184	293	0	4	6	284	5	61	0	305	391	2,533
PRODUCTION	272	31	0	0	0	43	4	0	0	23	312	685
COUPONS & PROMOTIONS	0	6	0	0	0	6	0	0	0	0	349	361
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	90	90
PREMIUMS	0	0	0	0	0	0	0	0	0	0	61	61
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	214	214
OTHER (SIGNAGE, ETC.)	<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>7</u>	<u>209</u>	<u>216</u>
TOTAL	<u>1,456</u>	<u>330</u>	<u>0</u>	<u>4</u>	<u>6</u>	<u>333</u>	<u>9</u>	<u>61</u>	<u>0</u>	<u>335</u>	<u>1,626</u>	<u>4,160</u>

KENTUCKY LOTTERY CORPORATION  
 OPERATING EXPENSES  
 DECEMBER 31, 2017  
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$918	\$4,160
<u>SALARIES, WAGES &amp; BENEFITS:</u>		
SALARIES AND WAGES	914	5,719
BENEFITS AND TAXES	253	1,606
	1,167	7,325
<u>CONTRACTED &amp; PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	2	11
CONSULTANT SERVICES	17	218
SECURITY SERVICES	12	84
REPAIRS AND MAINTENANCE	3	58
CUSTODIAL SERVICES	1	30
PUBLIC INFORMATION SERVICES	7	34
DIRECTOR EXPENSES	4	23
COMPUTER SOFTWARE COST/MAINT.	56	396
COMPUTER HARDWARE COST/MAINT.	1	48
LEGAL SERVICES	10	25
AUDIT EXPENSES	19	128
OTHER	10	113
	142	1,168
<u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	93	595
<u>OTHER GENERAL &amp; ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	1	58
OFFICE SUPPLIES & SERVICES	4	62
TRAVEL AND RELATED EXPENSES	29	245
RENT, UTILITIES AND INSURANCE	70	489
A/R COLLECTIONS ALLOWANCE	10	46
OTHER	6	10
	120	910
 TOTAL OPERATING EXPENSES	 \$2,440	 \$14,158
<u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	21	106
OTHER INCOME/(LOSS)	13	115
	\$34	\$221

KENTUCKY LOTTERY CORPORATION  
PROPERTY AND EQUIPMENT  
DECEMBER 31, 2017  
(\$000'S)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	7,954	7,932	7,925
LAND	423	423	423
TRANSPORTATION	1,264	1,264	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,980	1,980	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	13,561	13,561	16,845
INCOMPLETE FIXED ASSETS	98	0	0
TELEPHONE & COMMUNICATIONS EQUIPMENT	379	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	26,264	26,144	29,413
ACCUMULATED DEPRECIATION	<u>(21,235)</u>	<u>(21,141)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,029</u>	<u>\$5,003</u>	<u>\$5,314</u>