

KENTUCKY LOTTERY CORPORATION
FINANCIAL STATEMENTS
FEBRUARY 2018
MONTH 8 OF FISCAL YEAR ENDING JUNE 30, 2018

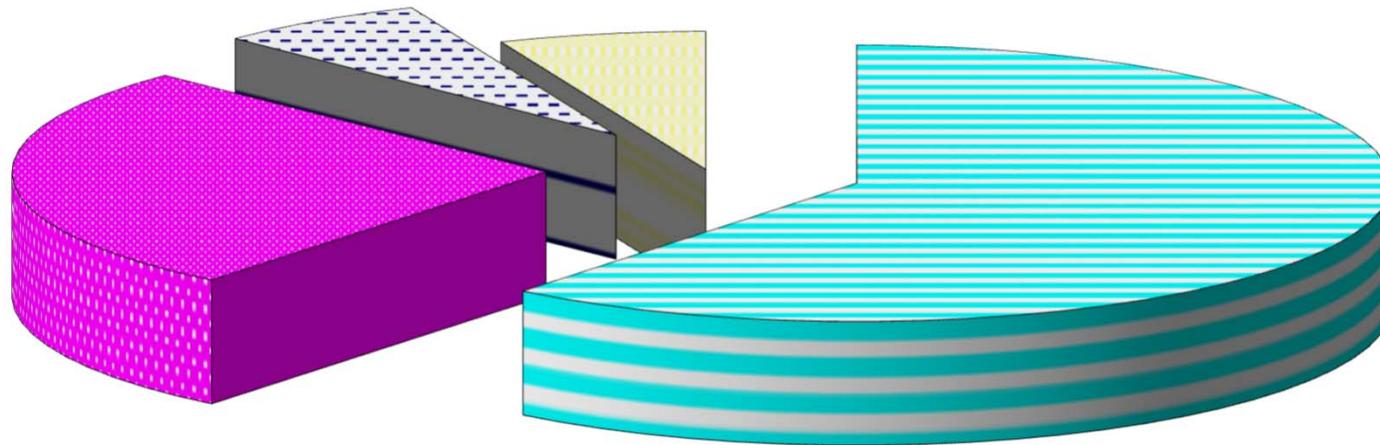
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**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
INCEPTION-TO-DATE SALES AS OF FEBRUARY 28, 2018
\$19.057 BILLION**

**\$1.218
BILLION PAID FOR
MARKETING & OPERATING
EXP - 6.4%**

\$1.196 BILLION PAID TO RETAILERS - 6.3%



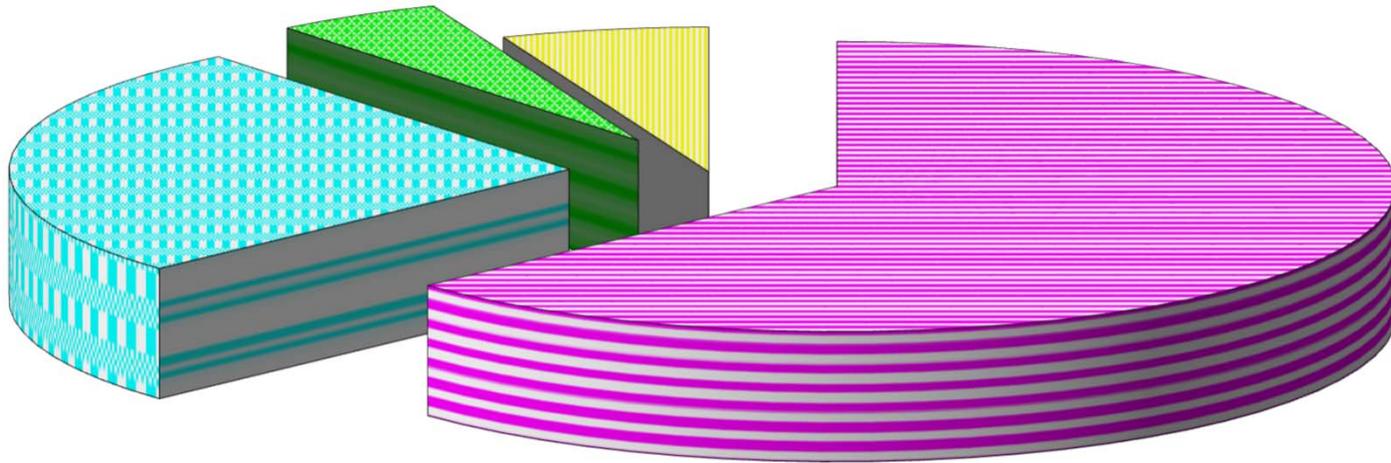
**\$5.068 BILLION
EARNED FOR THE
STATE OF KENTUCKY
- 26.6%**

**\$11.575 BILLION PAID
TO WINNERS - 60.7%**

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
YEAR-TO-DATE SALES AS OF FEBRUARY 28, 2018
\$664.4 MILLION**

**\$31.9 MILLION PAID FOR
MARKETING & OPERATING
EXP - 4.8%**

\$39.8 MILLION PAID TO RETAILERS - 6.0%



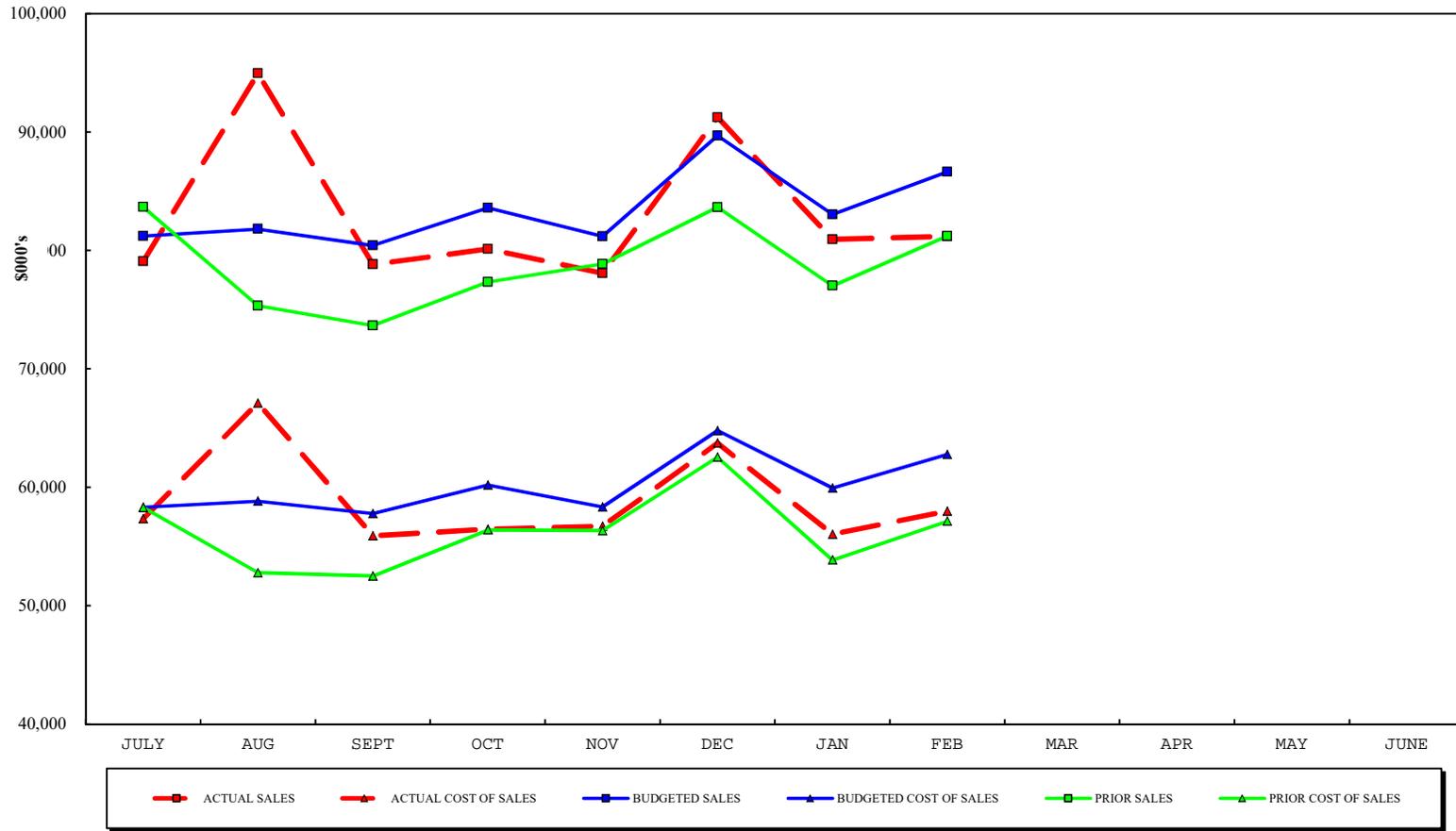
**\$173.9 MILLION
EARNED FOR THE
STATE OF
KENTUCKY - 26.2%**

**\$418.8 MILLION PAID
TO WINNERS - 63.0%**

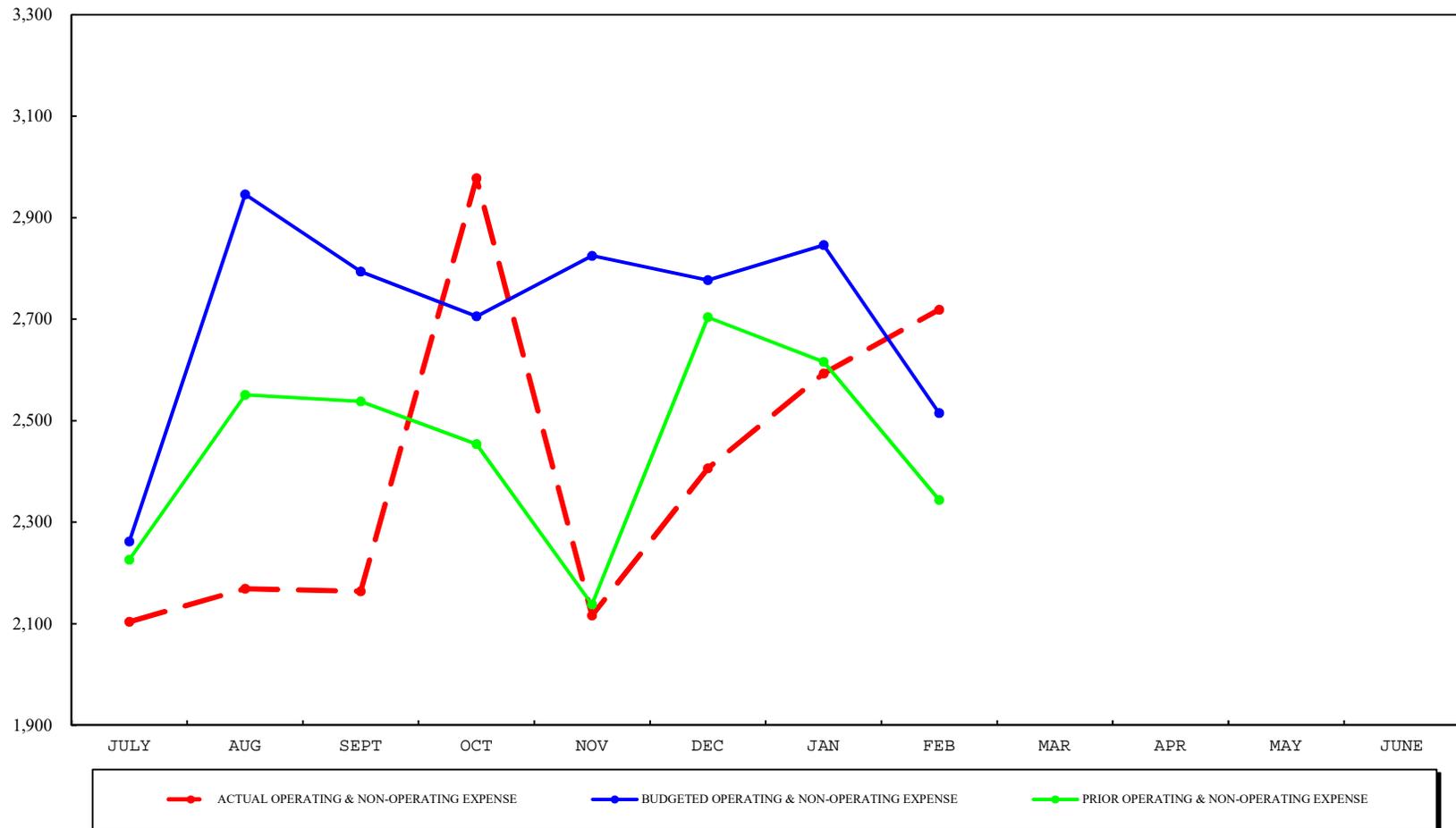
AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.

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 FEBRUARY 28, 2018



OPERATING EXPENSE AND NON-OPERATING INCOME BY MONTH
AS OF FEBRUARY 28, 2018



KENTUCKY LOTTERY CORPORATION

FINANCIAL RESULTS

FEBRUARY 2018

INCOME STATEMENT

Ticket sales for February 2018 were \$81.6 million which is \$736,000 or 0.9% less than the same month of the prior fiscal year. Sales for the year were \$670.9 million which is \$31.3 million or 4.9% more than in the prior fiscal year. Instant ticket sales were \$296,000 or 0.6% less than the same month of the prior fiscal year, and \$7.8 million or 2.1% more than the prior fiscal year. Draw game sales were \$1.4 million or 5.3% less than the same month of the prior year, and \$14.6 million or 7.0% more than prior fiscal year. Keno sales were \$571,000 or 9.2% more than the same month of the prior fiscal year, and \$5.4 million or 11.4% more than prior fiscal year. iLottery instant play sales were \$423,000 or 74.9% more than the same month of the prior year, and \$3.5 million or 119.4% more than prior fiscal year.

Ticket sales for the month of February were \$5.5 million or 6.4% less than budget. Ticket sales for the fiscal year were \$3.0 million or 0.4% less than budget. Instant ticket sales were \$5.1 million, or 9.6% less than budget for the current month, and \$13.6 million or 3.4% less than budget for the fiscal year. Draw game sales were \$277,000 or 1.1% less than budget for the month, and \$13.4 million or 6.3% more than budget for the fiscal year. Keno sales for the month were \$374,000 or 5.2% less than budget, and \$3.4 million or 6.0% less than budget for the fiscal year. iLottery instant play sales were \$214,000 or 27.6% more than budget for the month, and \$576,000 or 9.9% more than budget for the fiscal year.

Prize expenses for February 2018 were 63.5% of total sales, compared to 62.3% in the same month last year and 64.5% budgeted. Combined prize expense for the year was 63.0%, compared to 63.2% last fiscal year and 64.1% budgeted. Instant prize expense for the month was 68.6%, draw game prize expense was 52.3%, Keno prize expense was 65.7%, and iLottery instant play prize expense was 89.1%. Instant prize expense for the fiscal year was 68.9%, draw game prize expense was 52.1%, Keno prize expense was 64.9%, and iLottery instant play prize expense was 80.4%.

Operating costs were \$2.8 million for February, compared to \$2.5 million budgeted and \$2.4 million for the same month last year. These costs included advertising and promotions of \$1.2 million, salaries & benefits of \$1.1 million, contracted and professional services of \$149,000, depreciation expense of \$99,000, and other general and administrative costs of \$141,000. Operating costs for the year were \$19.5 million, compared to \$21.9 million budgeted and \$19.9 million prior fiscal year.

Income before transfer of dividends for the current month was \$20.5 million, compared to \$21.7 million for the same month in the prior year and \$21.3 million budgeted. Income before transfer of dividends for the fiscal year was \$173.9 million, compared to \$161.3 million in the prior year and \$165.0 million budgeted.

Dividends of \$20.0 million were transferred to the Commonwealth in February for a total of \$156.0 million for the fiscal year. Additional dividends of \$1.5 million were accrued in February for transfer to the KEES reserve for a total of \$6.6 million for the fiscal year. Transfer of the KEES funds will be made quarterly during the fiscal year. All dividends were 26.5% of sales for the month. All dividends were 24.5% of sales for the fiscal year compared to 25.4% of sales in the prior year and 24.3% budgeted.

BALANCE SHEET

Cash balance decreased to \$26.1 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 increased to \$31.3 million. Total assets decreased to \$79.8 million.

KENTUCKY LOTTERY CORPORATION
BALANCE SHEETS
FEBRUARY 28, 2018
(\$000's)

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$23,267	\$29,061	\$20,149
CASH - RESTRICTED	2,806	2,806	2,600
INVESTMENTS, CURRENT PORTION	1,859	1,859	1,859
ACCOUNTS RECEIVABLE, NET	31,296	26,818	24,692
OTHER	835	546	1,067
TOTAL CURRENT ASSETS	<u>60,063</u>	<u>61,090</u>	<u>50,367</u>
INVESTMENTS, LESS CURRENT PORTION	9,452	9,399	10,111
PROPERTY AND EQUIPMENT, NET	5,171	5,138	5,314
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	5,088	5,030	4,848
TOTAL ASSETS	<u>\$79,774</u>	<u>\$80,657</u>	<u>\$70,640</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$8,902	\$8,713	\$10,054
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	29,677	29,666	29,981
TOTAL CURRENT LIABILITIES	<u>38,579</u>	<u>38,379</u>	<u>40,035</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	12,446	12,496	13,061
UNFUNDED GRAND PRIZE LIABILITY	386	386	405
TOTAL LIABILITIES	<u>51,411</u>	<u>51,261</u>	<u>53,501</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	28,263	29,296	17,039
TOTAL EQUITY	<u>28,363</u>	<u>29,396</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$79,774</u>	<u>\$80,657</u>	<u>\$70,640</u>

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
FEBRUARY 28, 2018
(\$000'S)

MONTH OF FEBRUARY:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$48,277	\$48,573	(\$296)	-0.6%
DRAW GAMES	25,571	27,005	(\$1,434)	-5.3%
KENO	6,799	6,228	571	9.2%
ILOTTERY INSTANT PLAY	988	565	423	74.9%
TICKET SALES	81,635	82,371	(736)	-0.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(454)	(1,162)	708	-60.9%
TOTAL TICKET SALES	81,181	81,209	(28)	0.0%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	32,812	32,533	(279)	-0.9%
DRAW GAMES	13,368	13,567	199	1.5%
KENO	4,469	4,074	(395)	-9.7%
ILOTTERY INSTANT PLAY	880	401	(479)	-119.5%
TOTAL PRIZES	51,529	50,575	(954)	-1.9%
PAYMENTS TO RETAILERS	4,863	5,044	181	3.6%
DRAW GAMES VENDOR EXPENSE	865	855	(10)	-1.2%
INSTANT TICKET COSTS	732	664	(68)	-10.2%
TOTAL DIRECT COSTS	57,989	57,138	(851)	-1.5%
GROSS PROFIT	23,192	24,071	(879)	-3.7%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,242	771	(471)	-61.1%
SALARIES, WAGES & BENEFITS	1,125	1,117	(8)	-0.7%
CONTRACTED & PROFESSIONAL SERVICES	149	211	62	29.4%
DEPRECIATION	99	108	9	8.3%
OTHER GENERAL & ADMINISTRATIVE	141	158	17	10.8%
TOTAL OPERATING EXPENSES	2,756	2,365	(391)	-16.5%
OPERATING INCOME	20,436	21,706	(1,270)	-5.9%
NON-OPERATING INCOME	37	21	16	76.2%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,473	\$21,727	(\$1,254)	-5.8%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR
YEAR-TO-DATE THROUGH FEBRUARY 28, 2018
(\$000'S)

EIGHT MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$387,232	\$379,444	\$7,788	2.1%
DRAW GAMES	224,510	209,902	\$14,608	7.0%
KENO	52,767	47,373	5,394	11.4%
ILOTTERY INSTANT PLAY	6,389	2,912	3,477	119.4%
TICKET SALES	670,898	639,631	31,267	4.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(6,464)	(8,890)	2,426	-27.3%
TOTAL TICKET SALES	664,434	630,741	33,693	5.3%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	262,452	253,497	(8,955)	-3.5%
DRAW GAMES	116,935	112,448	(4,487)	-4.0%
KENO	34,261	30,759	(3,502)	-11.4%
ILOTTERY INSTANT PLAY	5,135	2,116	(3,019)	-142.7%
TOTAL PRIZES	418,783	398,820	(19,963)	-5.0%
PAYMENTS TO RETAILERS	39,751	39,261	(490)	-1.2%
DRAW GAMES VENDOR EXPENSE	7,131	6,534	(597)	-9.1%
INSTANT TICKET COSTS	5,648	5,286	(362)	-6.8%
TOTAL DIRECT COSTS	471,313	449,901	(21,412)	-4.8%
GROSS PROFIT	193,121	180,840	12,281	6.8%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	6,055	6,667	612	9.2%
SALARIES, WAGES & BENEFITS	9,932	9,670	(262)	-2.7%
CONTRACTED & PROFESSIONAL SERVICES	1,583	1,407	(176)	-12.5%
DEPRECIATION	793	881	88	10.0%
OTHER GENERAL & ADMINISTRATIVE	1,183	1,226	43	3.5%
TOTAL OPERATING EXPENSES	19,546	19,851	305	1.5%
OPERATING INCOME	173,575	160,989	12,586	7.8%
NON-OPERATING INCOME	297	280	17	6.1%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$173,872	\$161,269	\$12,603	7.8%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - COMPARISON TO BUDGET
FEBRUARY 28, 2018
(\$000'S)

MONTH OF FEBRUARY:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$48,277	\$53,385	(\$5,108)	-9.6%
DRAW GAMES	25,571	25,848	(277)	-1.1%
KENO	6,799	7,173	(374)	-5.2%
ILOTTERY INSTANT PLAY	988	774	214	27.6%
TICKET SALES	81,635	87,180	(5,545)	-6.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(454)	(534)	80	-15.0%
TOTAL TICKET SALES	81,181	86,646	(5,465)	-6.3%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	32,812	36,645	3,833	10.5%
DRAW GAMES	13,368	14,006	638	4.6%
KENO	4,469	4,678	209	4.5%
ILOTTERY INSTANT PLAY	880	581	(299)	-51.5%
TOTAL PRIZES	51,529	55,910	4,381	7.8%
PAYMENTS TO RETAILERS	4,863	5,188	325	6.3%
DRAW GAMES VENDOR EXPENSE	865	944	79	8.4%
INSTANT TICKET COSTS	732	749	17	2.3%
TOTAL DIRECT COSTS	57,989	62,791	4,802	7.6%
GROSS PROFIT	23,192	23,855	(663)	-2.8%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,242	800	(442)	-55.3%
SALARIES, WAGES & BENEFITS	1,125	1,188	63	5.3%
CONTRACTED & PROFESSIONAL SERVICES	149	276	127	46.0%
DEPRECIATION	99	113	14	12.4%
OTHER GENERAL & ADMINISTRATIVE	141	163	22	13.5%
TOTAL OPERATING EXPENSES	2,756	2,540	(216)	-8.5%
OPERATING INCOME	20,436	21,315	(879)	-4.1%
NON-OPERATING INCOME	37	25	12	48.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$20,473	\$21,340	(\$867)	-4.1%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - COMPARISON TO BUDGET
 YEAR-TO-DATE THROUGH FEBRUARY 28, 2018
 (\$000'S)

EIGHT MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$387,232	\$400,791	(\$13,559)	-3.4%
DRAW GAMES	224,510	211,159	13,351	6.3%
KENO	52,767	56,120	(3,353)	-6.0%
ILOTTERY INSTANT PLAY	6,389	5,813	576	9.9%
TICKET SALES	670,898	673,883	(2,985)	-0.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(6,464)	(6,224)	(240)	3.9%
TOTAL TICKET SALES	664,434	667,659	(3,225)	-0.5%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	262,452	272,655	10,203	3.7%
DRAW GAMES	116,935	114,565	(2,370)	-2.1%
KENO	34,261	36,593	2,332	6.4%
ILOTTERY INSTANT PLAY	5,135	4,360	(775)	-17.8%
TOTAL PRIZES	418,783	428,173	9,390	2.2%
PAYMENTS TO RETAILERS	39,751	40,041	290	0.7%
DRAW GAMES VENDOR EXPENSE	7,131	7,077	(54)	-0.8%
INSTANT TICKET COSTS	5,648	5,735	87	1.5%
TOTAL DIRECT COSTS	471,313	481,026	9,713	2.0%
GROSS PROFIT	193,121	186,633	6,488	3.5%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	6,055	7,224	1,169	16.2%
SALARIES, WAGES & BENEFITS	9,932	10,193	261	2.6%
CONTRACTED & PROFESSIONAL SERVICES	1,583	2,214	631	28.5%
DEPRECIATION	793	862	69	8.0%
OTHER GENERAL & ADMINISTRATIVE	1,183	1,378	195	14.2%
TOTAL OPERATING EXPENSES	19,546	21,871	2,325	10.6%
OPERATING INCOME	173,575	164,762	8,813	5.3%
NON-OPERATING INCOME	297	200	97	48.5%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$173,872	\$164,962	\$8,910	5.4%

KENTUCKY LOTTERY CORPORATION
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
FEBRUARY 28, 2018
(\$000'S)

MONTH OF FEBRUARY:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	59.5%	59.8%	61.6%
DRAW GAMES	31.5%	33.3%	29.8%
KENO	8.4%	7.7%	8.3%
ILOTTERY INSTANT PLAY	1.2%	0.7%	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	40.4%	40.1%	42.3%
DRAW GAMES	16.5%	16.7%	16.1%
KENO	5.5%	5.0%	5.4%
ILOTTERY INSTANT PLAY	1.1%	0.5%	0.7%
TOTAL PRIZES	63.5%	62.3%	64.5%
PAYMENTS TO RETAILERS	6.0%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.1%	1.1%	1.1%
INSTANT TICKET COSTS	0.8%	0.8%	0.9%
TOTAL DIRECT COSTS	71.4%	70.4%	72.5%
GROSS PROFIT	28.6%	29.6%	27.5%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	1.5%	0.9%	0.9%
SALARIES, WAGES & BENEFITS	1.4%	1.4%	1.4%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.2%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	3.4%	2.8%	2.9%
OPERATING INCOME	25.2%	26.8%	24.6%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	25.2%	26.8%	24.6%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES
 YEAR-TO-DATE THROUGH FEBRUARY 28, 2018
 (\$000'S)

EIGHT MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	58.3%	60.2%	60.0%
DRAW GAMES	33.8%	33.3%	31.6%
KENO	7.9%	7.5%	8.4%
ILOTTERY INSTANT PLAY	1.0%	0.5%	0.9%
TICKET SALES	101.0%	101.5%	100.9%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	-1.0%	-1.5%	-0.9%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	39.5%	40.2%	40.8%
DRAW GAMES	17.5%	17.8%	17.1%
KENO	5.2%	4.9%	5.5%
ILOTTERY INSTANT PLAY	0.8%	0.3%	0.7%
TOTAL PRIZES	63.0%	63.2%	64.1%
PAYMENTS TO RETAILERS	6.0%	6.2%	6.0%
DRAW GAME VENDOR EXPENSE	1.0%	1.0%	1.0%
INSTANT TICKET COSTS	0.9%	0.9%	0.9%
TOTAL DIRECT COSTS	70.9%	71.3%	72.0%
GROSS PROFIT	29.1%	28.7%	28.0%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.9%	1.1%	1.2%
SALARIES, WAGES & BENEFITS	1.5%	1.5%	1.6%
CONTRACTED & PROFESSIONAL SERVICES	0.3%	0.2%	0.3%
DEPRECIATION	0.1%	0.2%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.2%	0.2%	0.2%
TOTAL OPERATING EXPENSES	3.0%	3.2%	3.4%
OPERATING INCOME	26.1%	25.5%	24.6%
NON-OPERATING INCOME	0.1%	0.1%	0.1%
INCOME BEFORE TRANSFER OF DIVIDENDS	26.2%	25.6%	24.7%

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF RETAINED EARNINGS
 FEBRUARY 28, 2018
 (\$000'S)

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$29,296	\$17,039	\$17,426	\$17,904
INCOME BEFORE TRANSFER	20,473	173,872	21,727	161,269
DIVIDENDS - GENERAL FUND & EDUCATION	(20,000)	(156,000)	(19,500)	(153,000)
DIVIDENDS - KEES RESERVE	(1,506)	(6,648)	(655)	(7,175)
RETAINED EARNINGS- END OF PERIOD	<u>\$28,263</u>	<u>\$28,263</u>	<u>\$18,998</u>	<u>\$18,998</u>

KENTUCKY LOTTERY CORPORATION
 STATEMENTS OF CASH FLOWS
 YEAR-TO-DATE THROUGH FEBRUARY 28, 2018
 (\$000'S)

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$20,436	\$173,575
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	99	793
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	0	46
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	(4,478)	(6,650)
OTHER ASSETS	(289)	232
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	189	(1,152)
ESTIMATED PRIZE LIABILITY	(39)	(938)
NET CASH PROVIDED BY OPERATING ACTIVITIES	15,918	165,906
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	315	1,404
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(368)	(745)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	(58)	(240)
INTEREST INCOME	21	148
SECURITY LENDING FEES	1	9
NET CASH PROVIDED BY INVESTING ACTIVITIES	(89)	576
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(21,506)	(162,648)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	15	112
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(21,491)	(162,536)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(132)	(650)
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	(132)	(622)
NET INCREASE (DECREASE) IN CASH	(5,794)	3,324
CASH, BEGINNING OF PERIOD	31,867	22,749
CASH, END OF PERIOD	\$26,073	\$26,073

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 MONTH ENDING FEBRUARY 28, 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	47,823	5,375	847	3,420	11,743	2,852	508	6,799	571	0	0	79,938
ILOTTERY	<u>0</u>	<u>108</u>	<u>47</u>	<u>0</u>	<u>0</u>	<u>68</u>	<u>0</u>	<u>0</u>	<u>32</u>	<u>988</u>	<u>0</u>	<u>1,243</u>
TOTAL SALES	<u>47,823</u>	<u>5,483</u>	<u>894</u>	<u>3,420</u>	<u>11,743</u>	<u>2,920</u>	<u>508</u>	<u>6,799</u>	<u>603</u>	<u>988</u>	<u>0</u>	<u>81,181</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	33,525	2,687	508	1,499	7,346	1,415	288	4,500	268	0	0	52,036
ILOTTERY	<u>0</u>	<u>55</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>33</u>	<u>0</u>	<u>0</u>	<u>16</u>	<u>880</u>	<u>0</u>	<u>999</u>
TOTAL PRIZES WON	<u>33,525</u>	<u>2,742</u>	<u>523</u>	<u>1,499</u>	<u>7,346</u>	<u>1,448</u>	<u>288</u>	<u>4,500</u>	<u>284</u>	<u>880</u>	<u>0</u>	<u>53,035</u>
UNCLAIMED PRIZE CREDIT	(713)	(429)	(10)	(54)	(76)	(64)	(5)	(31)	(124)	0	0	(1,506)
PAYMENTS TO RETAILERS	3,057	274	49	185	660	155	34	397	35	0	17	4,863
ONLINE VENDOR EXPENSE	211	85	17	52	180	36	9	120	11	70	74	865
TICKET COSTS	<u>732</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>732</u>
TOTAL DIRECT COSTS	<u>36,812</u>	<u>2,672</u>	<u>579</u>	<u>1,682</u>	<u>8,110</u>	<u>1,575</u>	<u>326</u>	<u>4,986</u>	<u>206</u>	<u>950</u>	<u>91</u>	<u>57,989</u>
GROSS PROFIT	<u>11,011</u>	<u>2,811</u>	<u>315</u>	<u>1,738</u>	<u>3,633</u>	<u>1,345</u>	<u>182</u>	<u>1,813</u>	<u>397</u>	<u>38</u>	<u>(91)</u>	<u>23,192</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	70.1%	50.0%	58.5%	43.8%	62.6%	49.6%	56.7%	66.2%	47.1%	89.1%	0.0%	65.3%
UNCLAIMED PRIZE CREDIT	-1.5%	-7.8%	-1.1%	-1.6%	-0.6%	-2.2%	-1.0%	-0.5%	-20.6%	0.0%	0.0%	-1.8%
PAYMENTS TO RETAILERS	6.4%	5.0%	5.5%	5.4%	5.6%	5.3%	6.7%	5.8%	5.8%	0.0%	0.0%	6.0%
ONLINE VENDOR EXPENSE	0.4%	1.6%	1.9%	1.5%	1.5%	1.2%	1.8%	1.8%	1.8%	7.1%	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>76.9%</u>	<u>48.8%</u>	<u>64.8%</u>	<u>49.1%</u>	<u>69.1%</u>	<u>53.9%</u>	<u>64.2%</u>	<u>73.3%</u>	<u>34.1%</u>	<u>96.2%</u>	<u>0.0%</u>	<u>71.4%</u>
GROSS PROFIT	<u>23.1%</u>	<u>51.2%</u>	<u>35.2%</u>	<u>50.9%</u>	<u>30.9%</u>	<u>46.1%</u>	<u>35.8%</u>	<u>26.7%</u>	<u>65.9%</u>	<u>3.8%</u>	<u>0.0%</u>	<u>28.6%</u>

KENTUCKY LOTTERY CORPORATION
 PROFIT MARGIN REPORT
 YEAR TO DATE AS OF FEBRUARY 28, 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	380,768	55,316	7,262	28,559	97,982	24,360	3,997	52,767	4,939	0	0	655,950
ILOTTERY	<u>0</u>	<u>965</u>	<u>353</u>	<u>0</u>	<u>0</u>	<u>508</u>	<u>0</u>	<u>0</u>	<u>269</u>	<u>6,389</u>	<u>0</u>	<u>8,484</u>
TOTAL SALES	<u>380,768</u>	<u>56,281</u>	<u>7,615</u>	<u>28,559</u>	<u>97,982</u>	<u>24,868</u>	<u>3,997</u>	<u>52,767</u>	<u>5,208</u>	<u>6,389</u>	<u>0</u>	<u>664,434</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	265,930	27,842	3,900	11,623	58,058	12,156	2,289	34,554	2,931	0	0	419,283
ILOTTERY	<u>0</u>	<u>486</u>	<u>114</u>	<u>0</u>	<u>0</u>	<u>253</u>	<u>0</u>	<u>0</u>	<u>160</u>	<u>5,135</u>	<u>0</u>	<u>6,148</u>
TOTAL PRIZES WON	<u>265,930</u>	<u>28,328</u>	<u>4,014</u>	<u>11,623</u>	<u>58,058</u>	<u>12,409</u>	<u>2,289</u>	<u>34,554</u>	<u>3,091</u>	<u>5,135</u>	<u>0</u>	<u>425,431</u>
UNCLAIMED PRIZE CREDIT	(3,478)	(1,178)	(91)	(337)	(643)	(357)	(47)	(293)	(224)	0	0	(6,648)
PAYMENTS TO RETAILERS	24,394	2,827	411	1,542	5,472	1,255	287	3,052	415	1	95	39,751
ONLINE VENDOR EXPENSE	1,700	934	143	440	1,508	418	76	935	95	315	567	7,131
TICKET COSTS	<u>5,648</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>5,648</u>
TOTAL DIRECT COSTS	<u>294,194</u>	<u>30,911</u>	<u>4,477</u>	<u>13,268</u>	<u>64,395</u>	<u>13,725</u>	<u>2,605</u>	<u>38,248</u>	<u>3,377</u>	<u>5,451</u>	<u>662</u>	<u>471,313</u>
GROSS PROFIT	<u>86,574</u>	<u>25,370</u>	<u>3,138</u>	<u>15,291</u>	<u>33,587</u>	<u>11,143</u>	<u>1,392</u>	<u>14,519</u>	<u>1,831</u>	<u>938</u>	<u>(662)</u>	<u>193,121</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%	50.3%	52.7%	40.7%	59.3%	49.9%	57.3%	65.5%	59.4%	80.4%	0.0%	64.0%
UNCLAIMED PRIZE CREDIT	-0.9%	-2.1%	-1.2%	-1.2%	-0.7%	-1.4%	-1.2%	-0.6%	-4.3%	0.0%	0.0%	-1.0%
PAYMENTS TO RETAILERS	6.4%	5.0%	5.4%	5.4%	5.6%	5.0%	7.2%	5.8%	8.0%	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>77.2%</u>	<u>54.9%</u>	<u>58.8%</u>	<u>46.4%</u>	<u>65.7%</u>	<u>55.2%</u>	<u>65.2%</u>	<u>72.5%</u>	<u>64.9%</u>	<u>85.3%</u>	<u>0.0%</u>	<u>70.9%</u>
GROSS PROFIT	<u>22.8%</u>	<u>45.1%</u>	<u>41.2%</u>	<u>53.6%</u>	<u>34.3%</u>	<u>44.8%</u>	<u>34.8%</u>	<u>27.5%</u>	<u>35.1%</u>	<u>14.7%</u>	<u>0.0%</u>	<u>29.1%</u>

KENTUCKY LOTTERY CORPORATION
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING FEBRUARY 28, 2018
(\$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	363	13	0	0	0	13	0	91	0	0	(1)	479
RADIO	48	0	0	0	0	0	0	97	0	0	0	145
PRINT	0	0	0	0	0	0	0	0	0	0	4	4
BILLBOARD	7	33	0	0	0	32	0	0	0	0	0	72
ONLINE	161	(19)	0	0	0	(19)	0	145	0	26	0	294
OTHER (TRANSIT, ETC.)	0	0	0	0	0	0	0	0	0	0	2	2
TOTAL MEDIA	579	27	0	0	0	26	0	333	0	26	5	996
PRODUCTION	5	0	0	0	0	0	0	40	0	1	47	93
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	93	93
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	16	16
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	43	43
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	(2)	2	0
TOTAL	584	27	0	0	0	26	0	373	0	25	207	1,242

YEAR-TO-DATE AS OF FEBRUARY 28, 2018
(\$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	1,192	55	0	1	2	55	0	94	0	0	285	1,684
RADIO	338	0	0	0	0	0	0	155	0	0	22	515
PRINT	0	0	0	0	0	0	0	0	0	0	23	23
BILLBOARD	123	261	0	0	0	247	0	0	0	0	2	633
ONLINE	404	34	10	0	0	35	5	145	2	397	64	1,096
OTHER (TRANSIT, ETC.)	9	16	0	3	3	16	0	0	0	0	2	49
TOTAL MEDIA	2,066	366	10	4	5	353	5	394	2	397	398	4,000
PRODUCTION	323	31	0	0	0	43	4	86	0	24	372	883
COUPONS & PROMOTIONS	0	6	0	0	0	6	0	0	0	0	450	462
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	89	89
AGENCY FEES	0	0	0	0	0	0	0	0	0	0	301	301
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	10	220	230
TOTAL	2,389	403	10	4	5	402	9	480	2	431	1,920	6,055

KENTUCKY LOTTERY CORPORATION
 OPERATING EXPENSES
 FEBRUARY 28, 2018
 (\$000'S)

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$1,242	\$6,055
<u>SALARIES, WAGES & BENEFITS:</u>		
SALARIES AND WAGES	871	7,620
BENEFITS AND TAXES	254	2,312
	1,125	9,932
<u>CONTRACTED & PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	1	27
CONSULTANT SERVICES	22	330
SECURITY SERVICES	19	119
REPAIRS AND MAINTENANCE	10	87
CUSTODIAL SERVICES	9	40
PUBLIC INFORMATION SERVICES	1	36
DIRECTOR EXPENSES	3	29
COMPUTER SOFTWARE COST/MAINT.	49	504
COMPUTER HARDWARE COST/MAINT.	0	49
LEGAL SERVICES	4	34
AUDIT EXPENSES	21	170
OTHER	10	158
	149	1,583
<u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	99	793
<u>OTHER GENERAL & ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	26	108
OFFICE SUPPLIES & SERVICES	10	83
TRAVEL AND RELATED EXPENSES	22	290
RENT, UTILITIES AND INSURANCE	80	642
A/R COLLECTIONS ALLOWANCE	0	46
OTHER	3	14
	141	1,183
 TOTAL OPERATING EXPENSES	 \$2,756	 \$19,546
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	21	148
OTHER INCOME/(LOSS)	16	149
	37	297
TOTAL NON-OPERATING INCOME	\$37	\$297

KENTUCKY LOTTERY CORPORATION
PROPERTY AND EQUIPMENT
FEBRUARY 28, 2018
(\$000'S)

	<u>CURRENT</u> <u>MONTH END</u>	<u>PRIOR</u> <u>MONTH END</u>	<u>PRIOR FISCAL</u> <u>YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	8,047	8,017	7,925
LAND	423	423	423
TRANSPORTATION	1,264	1,264	1,254
FURNITURE, FIXTURES & EQUIPMENT	1,982	1,984	1,982
DATA PROCESSING EQUIPMENT & SOFTWARE	4,145	4,145	16,845
INCOMPLETE FIXED ASSETS	210	106	0
TELEPHONE & COMMUNICATIONS EQUIPMENT	379	379	379
DRAWING EQUIPMENT	<u>560</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	17,055	16,923	29,413
ACCUMULATED DEPRECIATION	<u>(11,884)</u>	<u>(11,785)</u>	<u>(24,099)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,171</u>	<u>\$5,138</u>	<u>\$5,314</u>