

KENTUCKY LOTTERY CORPORATION  
FINANCIAL STATEMENTS  
SEPTEMBER 2018  
MONTH 3 OF FISCAL YEAR ENDING JUNE 30, 2019

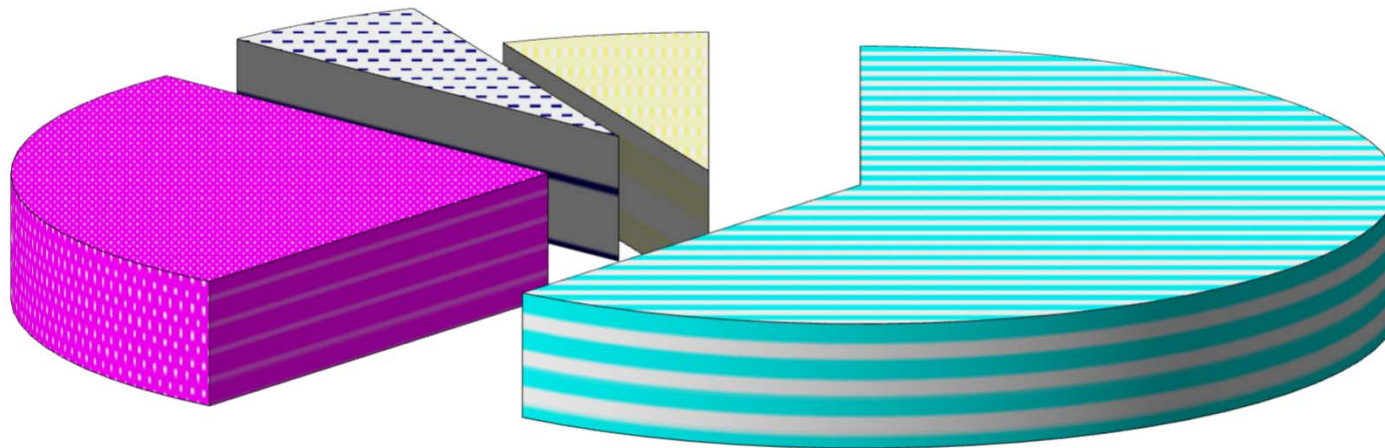
CONTENTS

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 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 SEPTEMBER 30, 2018  
\$19.678 BILLION**

**\$1.248  
BILLION PAID FOR  
MARKETING & OPERATING  
EXP - 6.3%**

**\$1.232 BILLION PAID TO RETAILERS - 6.3%**



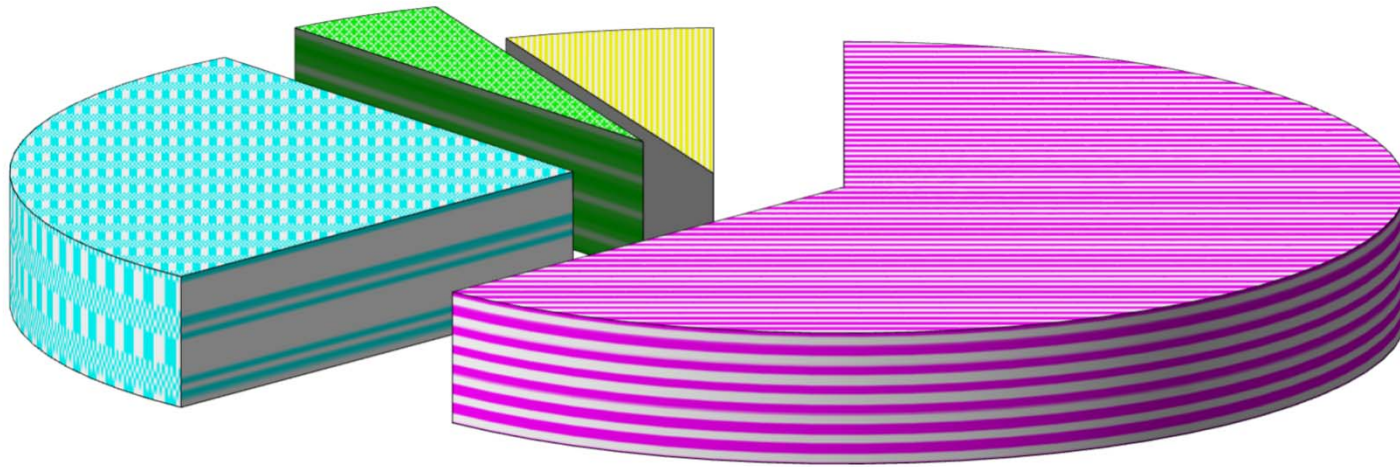
**\$5.228 BILLION  
EARNED FOR THE  
STATE OF KENTUCKY  
- 26.6%**

**\$11.970 BILLION PAID  
TO WINNERS - 60.8%**

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
YEAR-TO-DATE SALES AS OF SEPTEMBER 30, 2018  
\$250.5 MILLION**

**\$11.5 MILLION PAID FOR  
MARKETING & OPERATING  
EXP - 4.7%**

**\$15.1 MILLION PAID TO RETAILERS - 6.0%**



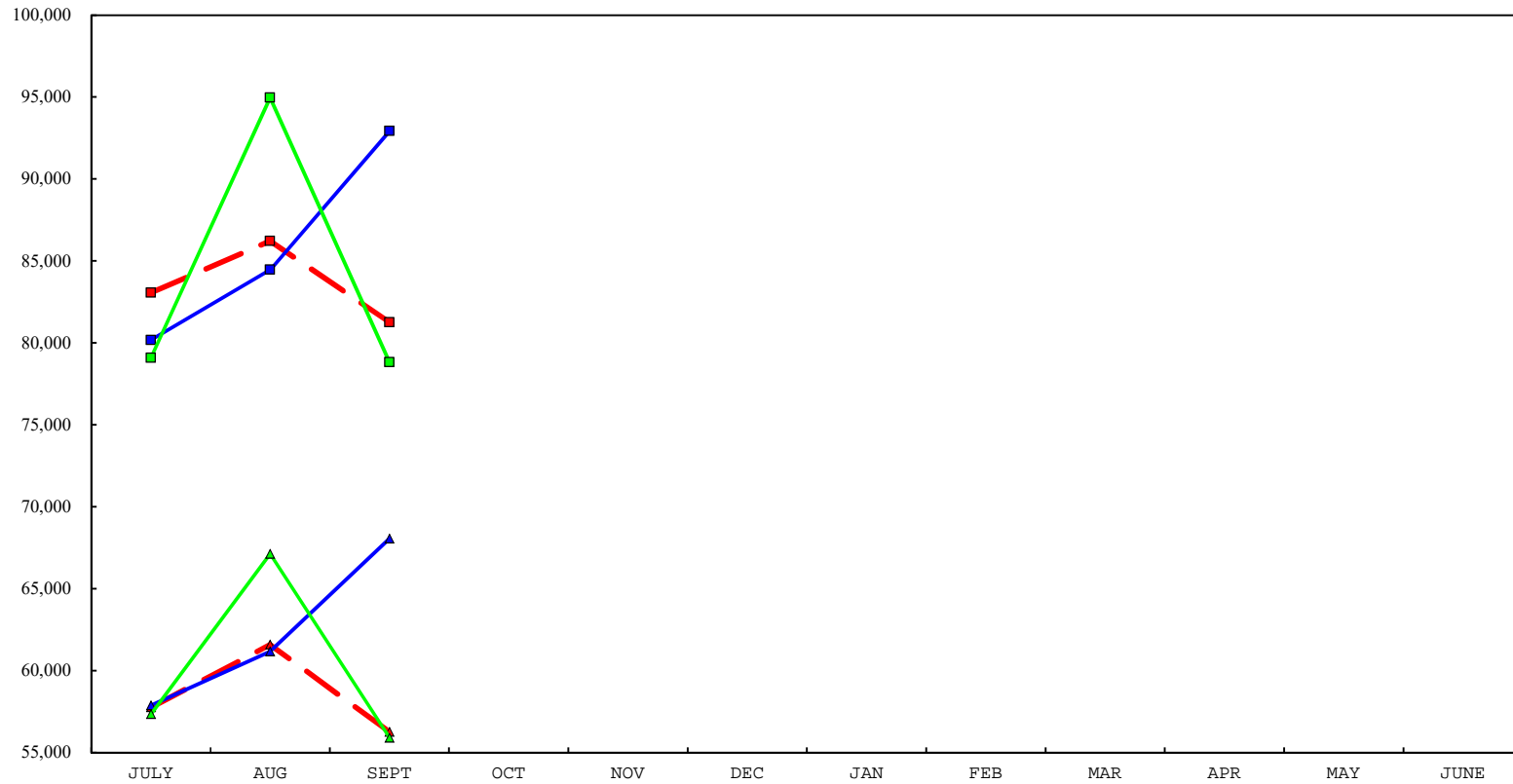
**\$68.0 MILLION  
EARNED FOR THE  
STATE OF  
KENTUCKY - 27.1%**

**\$155.9 MILLION PAID  
TO WINNERS - 62.2%**

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

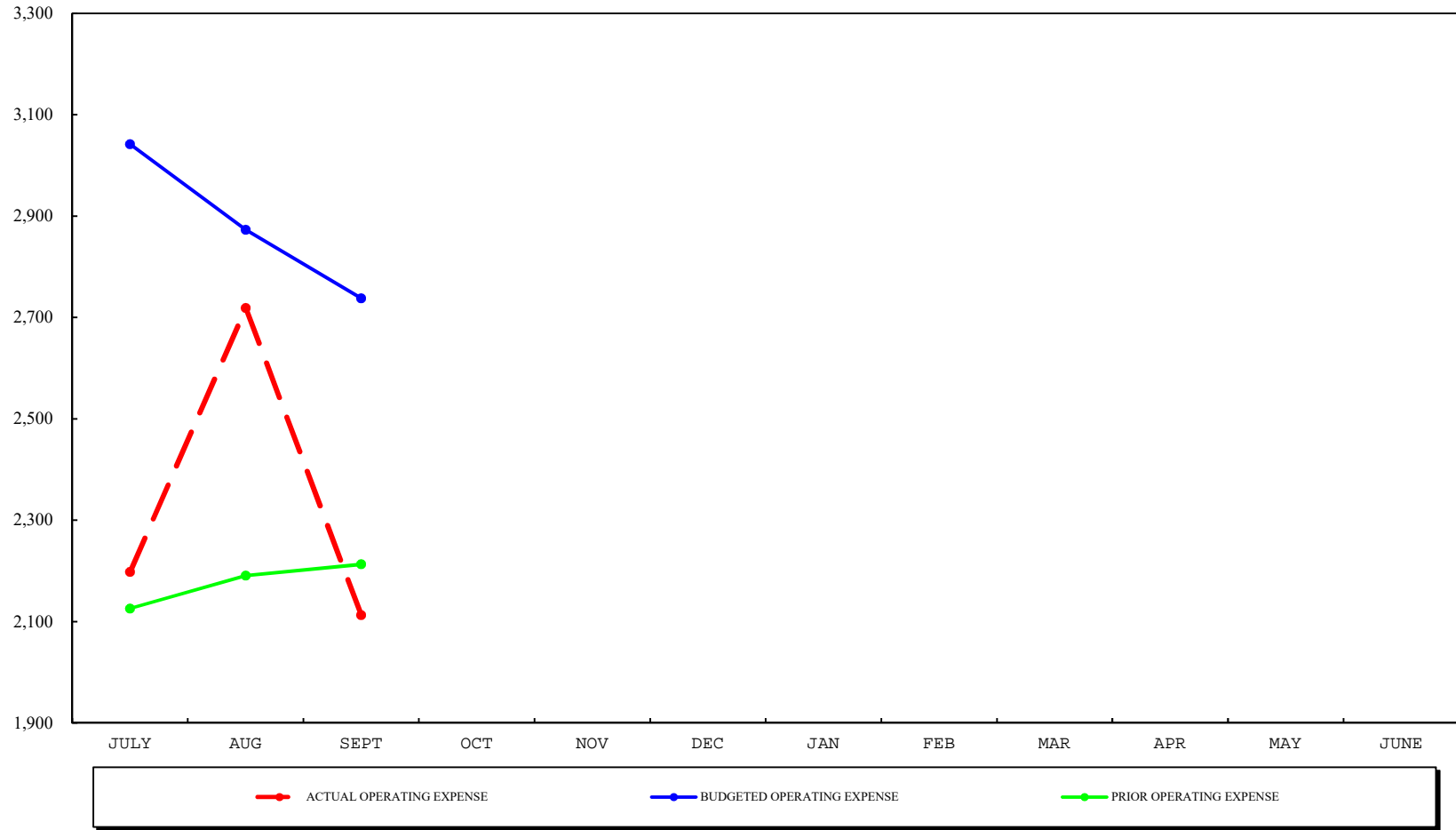
**THE EARNINGS FOR THE STATE OF KENTUCKY HAVE BEEN DESIGNATED BY THE LEGISLATURE TO BE USED FOR LITERACY DEVELOPMENT, MERIT BASED SCHOLARSHIPS, AND NEED BASED GRANTS.**

**SALES AND DIRECT COSTS BY MONTH**  
AS OF SEPTEMBER 30, 2018



—■— ACTUAL SALES    
 -▲- ACTUAL COST OF SALES    
 —■— BUDGETED SALES    
 —▲— BUDGETED COST OF SALES    
 —■— PRIOR SALES    
 —▲— PRIOR COST OF SALES

**OPERATING EXPENSE BY MONTH**  
AS OF SEPTEMBER 30, 2018



# **KENTUCKY LOTTERY CORPORATION**

## **FINANCIAL RESULTS**

### **SEPTEMBER 2018**

#### **INCOME STATEMENT**

Ticket sales for September 2018 were \$81.3 million which is \$1.4 million or 1.8% more than the same month of the prior fiscal year. Sales for the year were \$250.6 million which is \$5.2 million or 2.0% less than in the prior fiscal year. Instant ticket sales were \$91,000 or 0.2% less than the same month of the prior fiscal year, and \$3.0 million or 2.1% more than the prior fiscal year. Draw game sales were \$1.4 million or 4.4% more than the same month of the prior year, and \$8.8 million or 8.2% less than prior fiscal year. The draw sales decline from prior year can be attributed to abnormally high Powerball sales in August 2017 due to a large jackpot, more than \$700 million. iLottery instant play sales were \$173,000 or 24.9% more than the same month of the prior year, and \$586,000 or 27.2% more than prior fiscal year.

Ticket sales for the month of September were \$12.0 million or 12.9% less than budget. Ticket sales for the fiscal year were \$7.9 million or 3.1% less than budget. Instant ticket sales were \$9.4 million or 16.3% less than budget for the current month, and \$2.6 million or 1.7% less than budget for the fiscal year. Draw game sales were \$2.5 million or 7.2% less than budget for the month, and \$5.0 million or 4.8% less than budget for the fiscal year. iLottery instant play sales were \$117,000 or 11.9% less than budget for the month, and \$316,000 or 10.3% less than budget for the fiscal year.

Prize expenses for September 2018 were 61.4% of total sales, compared to 62.7% in the same month last year and 65.2% budgeted. Combined prize expense for the year was 62.2%, compared to 63.3% last fiscal year and 64.6% budgeted. Instant prize expense for the month was 67.2%, draw game prize expense was 52.3%, and iLottery instant play prize expense was 68.8%. Instant prize expense for the fiscal year was 68.7%, draw game prize expense was 52.4%, and iLottery instant play prize expense was 70.6%.

Operating costs were \$2.1 million for September, compared to \$2.7 million budgeted and \$2.2 million for the same month last year. These costs included advertising and promotions of \$666,000, salaries & benefits of \$1.0 million, contracted and professional services of \$199,000, depreciation expense of \$101,000, and other general and administrative costs of \$105,000. Operating costs for the year were \$7.0 million, compared to \$8.7 million budgeted and \$6.5 million prior fiscal year.

Income before transfer of dividends for the current month was \$22.9 million, compared to \$20.8 million for the same month in the prior year and \$22.2 million budgeted. Income before transfer of dividends for the fiscal year was \$68.0 million, compared to \$66.1 million in the prior year and \$61.9 million budgeted.

Dividends of \$19.5 million were transferred to the Commonwealth in September for a total of \$56.5 million for the fiscal year. Additional dividends of \$1.9 million were accrued in September for transfer to the KEES Reserve for a total of \$3.3 million for the fiscal year. Transfers to the KEES Reserve will be made quarterly during the fiscal year. All dividends were 26.4% of sales for the month. All dividends were 23.9% of sales for the fiscal year compared to 22.6% of sales in the prior year and 22.8% budgeted.

#### **BALANCE SHEET**

Cash balance increased to \$28.3 million, which included \$2.4 million restricted for annuity prize payments. Total investments held to pay grand prizes decreased to \$10.6 million. Accounts Receivable increased to \$30.1 million. Total assets increased to \$80.9 million.

KENTUCKY LOTTERY CORPORATION  
BALANCE SHEETS  
SEPTEMBER 30, 2018  
(\$000's)

|                                                  | <u>CURRENT<br/>MONTH END</u> | <u>PRIOR<br/>MONTH END</u> | <u>PRIOR FISCAL<br/>YEAR END</u> |
|--------------------------------------------------|------------------------------|----------------------------|----------------------------------|
| ASSETS:                                          |                              |                            |                                  |
| CURRENT ASSETS:                                  |                              |                            |                                  |
| CASH - UNRESTRICTED                              | \$25,855                     | \$25,573                   | \$17,682                         |
| CASH - RESTRICTED                                | 2,444                        | 2,444                      | 2,600                            |
| INVESTMENTS, CURRENT PORTION                     | 1,859                        | 1,859                      | 1,859                            |
| ACCOUNTS RECEIVABLE, NET                         | 30,100                       | 27,808                     | 31,628                           |
| OTHER                                            | 957                          | 1,017                      | 1,060                            |
| TOTAL CURRENT ASSETS                             | <u>61,215</u>                | <u>58,701</u>              | <u>54,829</u>                    |
| INVESTMENTS, LESS CURRENT PORTION                | 8,739                        | 8,955                      | 8,903                            |
| PROPERTY AND EQUIPMENT, NET                      | 5,466                        | 5,298                      | 5,441                            |
| DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION    | 5,436                        | 5,315                      | 5,182                            |
| TOTAL ASSETS                                     | <u>\$80,856</u>              | <u>\$78,269</u>            | <u>\$74,355</u>                  |
|                                                  |                              |                            |                                  |
| LIABILITIES AND EQUITY:                          |                              |                            |                                  |
| CURRENT LIABILITIES:                             |                              |                            |                                  |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES            | \$13,806                     | \$10,886                   | \$13,248                         |
| ESTIMATED PRIZE LIABILITY, CURRENT PORTION       | 29,268                       | 30,859                     | 30,986                           |
| TOTAL CURRENT LIABILITIES                        | <u>43,074</u>                | <u>41,745</u>              | <u>44,234</u>                    |
| ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION | 11,350                       | 11,603                     | 11,866                           |
| UNFUNDED GRAND PRIZE LIABILITY                   | 1,109                        | 1,109                      | 1,116                            |
| TOTAL LIABILITIES                                | <u>55,533</u>                | <u>54,457</u>              | <u>57,216</u>                    |
| CONTRIBUTED CAPITAL                              | 100                          | 100                        | 100                              |
| RETAINED EARNINGS                                | 25,223                       | 23,712                     | 17,039                           |
| TOTAL EQUITY                                     | <u>25,323</u>                | <u>23,812</u>              | <u>17,139</u>                    |
| TOTAL LIABILITIES AND EQUITY                     | <u>\$80,856</u>              | <u>\$78,269</u>            | <u>\$74,355</u>                  |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
SEPTEMBER 30, 2018  
(\$000'S)

| MONTH OF SEPTEMBER:                      | VARIANCE                  |                         |                                       |        |
|------------------------------------------|---------------------------|-------------------------|---------------------------------------|--------|
|                                          | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT BETTER/<br>(WORSE) THAN PRIOR |        |
| <b>SALES:</b>                            |                           |                         |                                       |        |
| INSTANT TICKETS                          | \$48,490                  | \$48,581                | (\$91)                                | -0.2%  |
| DRAW GAMES                               | 31,917                    | 30,566                  | \$1,351                               | 4.4%   |
| ILOTTERY INSTANT PLAY                    | 868                       | 695                     | 173                                   | 24.9%  |
| TICKET SALES                             | 81,275                    | 79,842                  | 1,433                                 | 1.8%   |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (17)                      | (1,021)                 | 1,004                                 | -98.3% |
| TOTAL TICKET SALES                       | 81,258                    | 78,821                  | 2,437                                 | 3.1%   |
| <b>DIRECT COSTS:</b>                     |                           |                         |                                       |        |
| <b>PRIZES:</b>                           |                           |                         |                                       |        |
| INSTANT TICKETS                          | 32,566                    | 32,384                  | (182)                                 | -0.6%  |
| DRAW GAMES                               | 16,693                    | 16,549                  | (144)                                 | -0.9%  |
| ILOTTERY INSTANT PLAY                    | 597                       | 480                     | (117)                                 | -24.4% |
| TOTAL PRIZES                             | 49,856                    | 49,413                  | (443)                                 | -0.9%  |
| PAYMENTS TO RETAILERS                    | 4,791                     | 4,917                   | 126                                   | 2.6%   |
| DRAW GAMES VENDOR EXPENSE                | 946                       | 825                     | (121)                                 | -14.7% |
| INSTANT TICKET COSTS                     | 661                       | 752                     | 91                                    | 12.1%  |
| TOTAL DIRECT COSTS                       | 56,254                    | 55,907                  | (347)                                 | -0.6%  |
| GROSS PROFIT                             | 25,004                    | 22,914                  | 2,090                                 | 9.1%   |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                                       |        |
| ADVERTISING AND PROMOTION                | 666                       | 578                     | (88)                                  | -15.2% |
| SALARIES, WAGES & BENEFITS               | 1,042                     | 1,240                   | 198                                   | 16.0%  |
| CONTRACTED & PROFESSIONAL SERVICES       | 199                       | 175                     | (24)                                  | -13.7% |
| DEPRECIATION                             | 101                       | 99                      | (2)                                   | -2.0%  |
| OTHER GENERAL & ADMINISTRATIVE           | 105                       | 121                     | 16                                    | 13.2%  |
| TOTAL OPERATING EXPENSES                 | 2,113                     | 2,213                   | 100                                   | 4.5%   |
| OPERATING INCOME                         | 22,891                    | 20,701                  | 2,190                                 | 10.6%  |
| NON-OPERATING INCOME                     | 35                        | 49                      | (14)                                  | -28.6% |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$22,926                  | \$20,750                | \$2,176                               | 10.5%  |



KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
YEAR-TO-DATE THROUGH SEPTEMBER 30, 2018  
(\$000'S)

| THREE MONTHS YEAR TO DATE:               | VARIANCE                  |                         |                                       |        |
|------------------------------------------|---------------------------|-------------------------|---------------------------------------|--------|
|                                          | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT BETTER/<br>(WORSE) THAN PRIOR |        |
| <b>SALES:</b>                            |                           |                         |                                       |        |
| INSTANT TICKETS                          | \$148,246                 | \$145,225               | \$3,021                               | 2.1%   |
| DRAW GAMES                               | 99,641                    | 108,484                 | (\$8,843)                             | -8.2%  |
| ILOTTERY INSTANT PLAY                    | 2,744                     | 2,158                   | 586                                   | 27.2%  |
| TICKET SALES                             | 250,631                   | 255,867                 | (5,236)                               | -2.0%  |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (85)                      | (3,003)                 | 2,918                                 | -97.2% |
| TOTAL TICKET SALES                       | 250,546                   | 252,864                 | (2,318)                               | -0.9%  |
| <b>DIRECT COSTS:</b>                     |                           |                         |                                       |        |
| <b>PRIZES:</b>                           |                           |                         |                                       |        |
| INSTANT TICKETS                          | 101,753                   | 98,279                  | (3,474)                               | -3.5%  |
| DRAW GAMES                               | 52,201                    | 59,973                  | 7,772                                 | 13.0%  |
| ILOTTERY INSTANT PLAY                    | 1,938                     | 1,780                   | (158)                                 | -8.9%  |
| TOTAL PRIZES                             | 155,892                   | 160,032                 | 4,140                                 | 2.6%   |
| PAYMENTS TO RETAILERS                    | 15,064                    | 15,421                  | 357                                   | 2.3%   |
| DRAW GAMES VENDOR EXPENSE                | 2,816                     | 2,738                   | (78)                                  | -2.8%  |
| INSTANT TICKET COSTS                     | 1,819                     | 2,181                   | 362                                   | 16.6%  |
| TOTAL DIRECT COSTS                       | 175,591                   | 180,372                 | 4,781                                 | 2.7%   |
| GROSS PROFIT                             | 74,955                    | 72,492                  | 2,463                                 | 3.4%   |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                                       |        |
| ADVERTISING AND PROMOTION                | 2,222                     | 1,459                   | (763)                                 | -52.3% |
| SALARIES, WAGES & BENEFITS               | 3,478                     | 3,714                   | 236                                   | 6.4%   |
| CONTRACTED & PROFESSIONAL SERVICES       | 582                       | 572                     | (10)                                  | -1.7%  |
| DEPRECIATION                             | 291                       | 301                     | 10                                    | 3.3%   |
| OTHER GENERAL & ADMINISTRATIVE           | 457                       | 484                     | 27                                    | 5.6%   |
| TOTAL OPERATING EXPENSES                 | 7,030                     | 6,530                   | (500)                                 | -7.7%  |
| OPERATING INCOME                         | 67,925                    | 65,962                  | 1,963                                 | 3.0%   |
| NON-OPERATING INCOME                     | 94                        | 93                      | 1                                     | 1.1%   |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$68,019                  | \$66,055                | \$1,964                               | 3.0%   |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO BUDGET  
SEPTEMBER 30, 2018  
(\$000'S)

| MONTH OF SEPTEMBER:                      | VARIANCE |          |                                       |        |
|------------------------------------------|----------|----------|---------------------------------------|--------|
|                                          | ACTUAL   | BUDGET   | ACTUAL BETTER/<br>(WORSE) THAN BUDGET |        |
| <b>SALES:</b>                            |          |          |                                       |        |
| INSTANT TICKETS                          | \$48,490 | \$57,925 | (\$9,435)                             | -16.3% |
| DRAW GAMES                               | 31,917   | 34,390   | (2,473)                               | -7.2%  |
| ILOTTERY INSTANT PLAY                    | 868      | 985      | (117)                                 | -11.9% |
| TICKET SALES                             | 81,275   | 93,300   | (12,025)                              | -12.9% |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (17)     | (376)    | 359                                   | -95.5% |
| TOTAL TICKET SALES                       | 81,258   | 92,924   | (11,666)                              | -12.6% |
| <b>DIRECT COSTS:</b>                     |          |          |                                       |        |
| <b>PRIZES:</b>                           |          |          |                                       |        |
| INSTANT TICKETS                          | 32,566   | 40,461   | 7,895                                 | 19.5%  |
| DRAW GAMES                               | 16,693   | 19,371   | 2,678                                 | 13.8%  |
| ILOTTERY INSTANT PLAY                    | 597      | 778      | 181                                   | 23.3%  |
| TOTAL PRIZES                             | 49,856   | 60,610   | 10,754                                | 17.7%  |
| PAYMENTS TO RETAILERS                    | 4,791    | 5,671    | 880                                   | 15.5%  |
| DRAW GAMES VENDOR EXPENSE                | 946      | 1,051    | 105                                   | 10.0%  |
| INSTANT TICKET COSTS                     | 661      | 722      | 61                                    | 8.4%   |
| TOTAL DIRECT COSTS                       | 56,254   | 68,054   | 11,800                                | 17.3%  |
| GROSS PROFIT                             | 25,004   | 24,870   | 134                                   | 0.5%   |
| <b>OPERATING EXPENSES:</b>               |          |          |                                       |        |
| ADVERTISING AND PROMOTION                | 666      | 1,107    | 441                                   | 39.8%  |
| SALARIES, WAGES & BENEFITS               | 1,042    | 1,113    | 71                                    | 6.4%   |
| CONTRACTED & PROFESSIONAL SERVICES       | 199      | 239      | 40                                    | 16.7%  |
| DEPRECIATION                             | 101      | 104      | 3                                     | 2.9%   |
| OTHER GENERAL & ADMINISTRATIVE           | 105      | 175      | 70                                    | 40.0%  |
| TOTAL OPERATING EXPENSES                 | 2,113    | 2,738    | 625                                   | 22.8%  |
| OPERATING INCOME                         | 22,891   | 22,132   | 759                                   | 3.4%   |
| NON-OPERATING INCOME                     | 35       | 38       | (3)                                   | -7.9%  |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$22,926 | \$22,170 | \$756                                 | 3.4%   |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - COMPARISON TO BUDGET  
 YEAR-TO-DATE THROUGH SEPTEMBER 30, 2018  
 (\$000'S)

| THREE MONTHS YEAR TO DATE:               | VARIANCE  |           |                                       |        |
|------------------------------------------|-----------|-----------|---------------------------------------|--------|
|                                          | ACTUAL    | BUDGET    | ACTUAL BETTER/<br>(WORSE) THAN BUDGET |        |
| <b>SALES:</b>                            |           |           |                                       |        |
| INSTANT TICKETS                          | \$148,246 | \$150,802 | (\$2,556)                             | -1.7%  |
| DRAW GAMES                               | 99,641    | 104,669   | (5,028)                               | -4.8%  |
| ILOTTERY INSTANT PLAY                    | 2,744     | 3,060     | (316)                                 | -10.3% |
| TICKET SALES                             | 250,631   | 258,531   | (7,900)                               | -3.1%  |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (85)      | (980)     | 895                                   | -91.3% |
| TOTAL TICKET SALES                       | 250,546   | 257,551   | (7,005)                               | -2.7%  |
| <b>DIRECT COSTS:</b>                     |           |           |                                       |        |
| <b>PRIZES:</b>                           |           |           |                                       |        |
| INSTANT TICKETS                          | 101,753   | 105,137   | 3,384                                 | 3.2%   |
| DRAW GAMES                               | 52,201    | 58,898    | 6,697                                 | 11.4%  |
| ILOTTERY INSTANT PLAY                    | 1,938     | 2,417     | 479                                   | 19.8%  |
| TOTAL PRIZES                             | 155,892   | 166,452   | 10,560                                | 6.3%   |
| PAYMENTS TO RETAILERS                    | 15,064    | 15,802    | 738                                   | 4.7%   |
| DRAW GAMES VENDOR EXPENSE                | 2,816     | 3,027     | 211                                   | 7.0%   |
| INSTANT TICKET COSTS                     | 1,819     | 1,820     | 1                                     | 0.1%   |
| TOTAL DIRECT COSTS                       | 175,591   | 187,101   | 11,510                                | 6.2%   |
| GROSS PROFIT                             | 74,955    | 70,450    | 4,505                                 | 6.4%   |
| <b>OPERATING EXPENSES:</b>               |           |           |                                       |        |
| ADVERTISING AND PROMOTION                | 2,222     | 3,229     | 1,007                                 | 31.2%  |
| SALARIES, WAGES & BENEFITS               | 3,478     | 3,683     | 205                                   | 5.6%   |
| CONTRACTED & PROFESSIONAL SERVICES       | 582       | 752       | 170                                   | 22.6%  |
| DEPRECIATION                             | 291       | 310       | 19                                    | 6.1%   |
| OTHER GENERAL & ADMINISTRATIVE           | 457       | 679       | 222                                   | 32.7%  |
| TOTAL OPERATING EXPENSES                 | 7,030     | 8,653     | 1,623                                 | 18.8%  |
| OPERATING INCOME                         | 67,925    | 61,797    | 6,128                                 | 9.9%   |
| NON-OPERATING INCOME                     | 94        | 116       | (22)                                  | -19.0% |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$68,019  | \$61,913  | \$6,106                               | 9.9%   |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
SEPTEMBER 30, 2018  
(\$000'S)

| MONTH OF SEPTEMBER:                      | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT<br>YEAR<br>BUDGET |
|------------------------------------------|---------------------------|-------------------------|---------------------------|
| <b>SALES:</b>                            |                           |                         |                           |
| INSTANT TICKETS                          | 59.7%                     | 61.6%                   | 62.3%                     |
| DRAW GAMES                               | 39.3%                     | 38.8%                   | 37.0%                     |
| ILOTTERY INSTANT PLAY                    | 1.1%                      | 0.9%                    | 1.1%                      |
| TICKET SALES                             | 100.1%                    | 101.3%                  | 100.4%                    |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | -0.1%                     | -1.3%                   | -0.4%                     |
| TOTAL TICKET SALES                       | 100.0%                    | 100.0%                  | 100.0%                    |
| <b>DIRECT COSTS:</b>                     |                           |                         |                           |
| <b>PRIZES:</b>                           |                           |                         |                           |
| INSTANT TICKETS                          | 40.1%                     | 41.1%                   | 43.5%                     |
| DRAW GAMES                               | 20.6%                     | 21.0%                   | 20.9%                     |
| ILOTTERY INSTANT PLAY                    | 0.7%                      | 0.6%                    | 0.8%                      |
| TOTAL PRIZES                             | 61.4%                     | 62.7%                   | 65.2%                     |
| PAYMENTS TO RETAILERS                    | 5.9%                      | 6.2%                    | 6.1%                      |
| DRAW GAME VENDOR EXPENSE                 | 1.1%                      | 1.0%                    | 1.1%                      |
| INSTANT TICKET COSTS                     | 0.8%                      | 1.0%                    | 0.8%                      |
| TOTAL DIRECT COSTS                       | 69.2%                     | 70.9%                   | 73.2%                     |
| GROSS PROFIT                             | 30.8%                     | 29.1%                   | 26.8%                     |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                           |
| ADVERTISING AND PROMOTION                | 0.8%                      | 0.7%                    | 1.2%                      |
| SALARIES, WAGES & BENEFITS               | 1.3%                      | 1.6%                    | 1.2%                      |
| CONTRACTED & PROFESSIONAL SERVICES       | 0.3%                      | 0.2%                    | 0.2%                      |
| DEPRECIATION                             | 0.1%                      | 0.1%                    | 0.1%                      |
| OTHER GENERAL & ADMINISTRATIVE           | 0.1%                      | 0.2%                    | 0.2%                      |
| TOTAL OPERATING EXPENSES                 | 2.6%                      | 2.8%                    | 2.9%                      |
| OPERATING INCOME                         | 28.2%                     | 26.3%                   | 23.9%                     |
| NON-OPERATING INCOME                     | 0.0%                      | 0.0%                    | 0.0%                      |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | 28.2%                     | 26.3%                   | 23.9%                     |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
 YEAR-TO-DATE THROUGH SEPTEMBER 30, 2018  
 (\$000'S)

THREE MONTHS YEAR TO DATE:

|                                          | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT<br>YEAR<br>BUDGET |
|------------------------------------------|---------------------------|-------------------------|---------------------------|
| <b>SALES:</b>                            |                           |                         |                           |
| INSTANT TICKETS                          | 59.2%                     | 57.4%                   | 58.6%                     |
| DRAW GAMES                               | 39.8%                     | 42.9%                   | 40.6%                     |
| ILOTTERY INSTANT PLAY                    | 1.1%                      | 0.9%                    | 1.2%                      |
| TICKET SALES                             | 100.1%                    | 101.2%                  | 100.4%                    |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | -0.1%                     | -1.2%                   | -0.4%                     |
| TOTAL TICKET SALES                       | 100.0%                    | 100.0%                  | 100.0%                    |
| <b>DIRECT COSTS:</b>                     |                           |                         |                           |
| <b>PRIZES:</b>                           |                           |                         |                           |
| INSTANT TICKETS                          | 40.6%                     | 38.9%                   | 40.8%                     |
| DRAW GAMES                               | 20.8%                     | 23.7%                   | 22.9%                     |
| ILOTTERY INSTANT PLAY                    | 0.8%                      | 0.7%                    | 0.9%                      |
| TOTAL PRIZES                             | 62.2%                     | 63.3%                   | 64.6%                     |
| PAYMENTS TO RETAILERS                    | 6.0%                      | 6.1%                    | 6.1%                      |
| DRAW GAME VENDOR EXPENSE                 | 1.2%                      | 1.0%                    | 1.2%                      |
| INSTANT TICKET COSTS                     | 0.7%                      | 0.9%                    | 0.7%                      |
| TOTAL DIRECT COSTS                       | 70.1%                     | 71.3%                   | 72.6%                     |
| GROSS PROFIT                             | 29.9%                     | 28.7%                   | 27.4%                     |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                           |
| ADVERTISING AND PROMOTION                | 0.9%                      | 0.7%                    | 1.3%                      |
| SALARIES, WAGES & BENEFITS               | 1.4%                      | 1.5%                    | 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%                    | 0.3%                      |
| TOTAL OPERATING EXPENSES                 | 2.8%                      | 2.6%                    | 3.4%                      |
| OPERATING INCOME                         | 27.1%                     | 26.1%                   | 24.0%                     |
| NON-OPERATING INCOME                     | 0.0%                      | 0.0%                    | 0.0%                      |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | 27.1%                     | 26.1%                   | 24.0%                     |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF RETAINED EARNINGS  
 SEPTEMBER 30, 2018  
 (\$000'S)

|                                           | <u>CURRENT YEAR</u> |                  | <u>PRIOR YEAR</u> |                  |
|-------------------------------------------|---------------------|------------------|-------------------|------------------|
|                                           | MONTH               | YEAR-TO-<br>DATE | MONTH             | YEAR-TO-<br>DATE |
| RETAINED EARNINGS-<br>BEGINNING OF PERIOD | \$23,712            | \$17,039         | \$25,354          | \$17,039         |
| INCOME BEFORE TRANSFER                    | 22,926              | 68,019           | 20,750            | 66,055           |
| DIVIDENDS - GENERAL FUND & EDUCATION      | (19,500)            | (56,500)         | (19,000)          | (55,000)         |
| DIVIDENDS - KEES RESERVE                  | (1,915)             | (3,335)          | (1,183)           | (2,173)          |
| RETAINED EARNINGS-<br>END OF PERIOD       | <u>\$25,223</u>     | <u>\$25,223</u>  | <u>\$25,921</u>   | <u>\$25,921</u>  |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF CASH FLOWS  
 YEAR-TO-DATE THROUGH SEPTEMBER 30, 2018  
 (\$000'S)

|                                                                                             | MONTH           | YEAR-TO-DATE    |
|---------------------------------------------------------------------------------------------|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:                                                       |                 |                 |
| OPERATING INCOME                                                                            | \$22,891        | \$67,925        |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: |                 |                 |
| DEPRECIATION                                                                                | 101             | 291             |
| PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE                                                 | 0               | 11              |
| INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:                                              |                 |                 |
| ACCOUNTS RECEIVABLE                                                                         | (2,292)         | 1,517           |
| OTHER ASSETS                                                                                | 60              | 103             |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES                                                       | 2,920           | 558             |
| ESTIMATED PRIZE LIABILITY                                                                   | (1,844)         | (2,241)         |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                            | <b>21,836</b>   | <b>68,164</b>   |
| CASH FLOWS FROM INVESTING ACTIVITIES:                                                       |                 |                 |
| PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS                                             | 0               | 315             |
| PURCHASE OF INVESTMENTS                                                                     | 0               | 0               |
| CHANGE IN INVESTMENTS                                                                       | 216             | (151)           |
| DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION                                               | (121)           | (254)           |
| INTEREST INCOME                                                                             | 24              | 57              |
| SECURITY LENDING FEES                                                                       | 0               | 1               |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                                            | <b>119</b>      | <b>(32)</b>     |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:                                            |                 |                 |
| DIVIDENDS TRANSFERRED/PAYABLE                                                               | (21,415)        | (59,835)        |
| RETAILER APPLICATION AND OTHER NON-OPERATING FEES                                           | 11              | 36              |
| <b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>                                     | <b>(21,404)</b> | <b>(59,799)</b> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:                                               |                 |                 |
| PURCHASES OF PROPERTY AND EQUIPMENT                                                         | (269)           | (316)           |
| 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>(269)</b>    | <b>(316)</b>    |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                                      | <b>282</b>      | <b>8,017</b>    |
| <b>CASH, BEGINNING OF PERIOD</b>                                                            | <b>28,017</b>   | <b>20,282</b>   |
| <b>CASH, END OF PERIOD</b>                                                                  | <b>\$28,299</b> | <b>\$28,299</b> |

KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 MONTH ENDING SEPTEMBER 30, 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>         |
|---------------------------|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|--------------------|---------------------|-------------------|------------------------------|--------------------------|----------------------|
| <b>SALES:</b>             |                      |                     |                     |                     |                      |                      |                    |                     |                   |                              |                          |                      |
| SALES AT RETAIL           | 48,473               | 4,411               | 870                 | 3,501               | 11,648               | 3,684                | 598                | 6,101               | 550               | 0                            | 0                        | 79,836               |
| ILOTTERY                  | <u>0</u>             | <u>94</u>           | <u>43</u>           | <u>0</u>            | <u>0</u>             | <u>96</u>            | <u>0</u>           | <u>289</u>          | <u>32</u>         | <u>868</u>                   | <u>0</u>                 | <u>1,422</u>         |
| <b>TOTAL SALES</b>        | <b><u>48,473</u></b> | <b><u>4,505</u></b> | <b><u>913</u></b>   | <b><u>3,501</u></b> | <b><u>11,648</u></b> | <b><u>3,780</u></b>  | <b><u>598</u></b>  | <b><u>6,390</u></b> | <b><u>582</u></b> | <b><u>868</u></b>            | <b><u>0</u></b>          | <b><u>81,258</u></b> |
| <b>DIRECT COSTS:</b>      |                      |                     |                     |                     |                      |                      |                    |                     |                   |                              |                          |                      |
| <b>PRIZES WON:</b>        |                      |                     |                     |                     |                      |                      |                    |                     |                   |                              |                          |                      |
| PRIZES AT RETAIL          | 34,019               | 2,224               | 302                 | 1,399               | 6,494                | 1,785                | 462                | 3,982               | 198               | 0                            | 0                        | 50,865               |
| ILOTTERY                  | <u>0</u>             | <u>49</u>           | <u>13</u>           | <u>0</u>            | <u>0</u>             | <u>48</u>            | <u>0</u>           | <u>187</u>          | <u>12</u>         | <u>597</u>                   | <u>0</u>                 | <u>906</u>           |
| <b>TOTAL PRIZES WON</b>   | <b><u>34,019</u></b> | <b><u>2,273</u></b> | <b><u>315</u></b>   | <b><u>1,399</u></b> | <b><u>6,494</u></b>  | <b><u>1,833</u></b>  | <b><u>462</u></b>  | <b><u>4,169</u></b> | <b><u>210</u></b> | <b><u>597</u></b>            | <b><u>0</u></b>          | <b><u>51,771</u></b> |
| UNCLAIMED PRIZE CREDIT    | (1,453)              | (109)               | (11)                | (89)                | (86)                 | (105)                | (6)                | (39)                | (17)              | 0                            | 0                        | (1,915)              |
| PAYMENTS TO RETAILERS     | 3,045                | 224                 | 48                  | 189                 | 646                  | 188                  | 44                 | 363                 | 28                | 0                            | 16                       | 4,791                |
| ONLINE VENDOR EXPENSE     | 215                  | 72                  | 15                  | 54                  | 180                  | 61                   | 9                  | 117                 | 9                 | 43                           | 171                      | 946                  |
| TICKET COSTS              | <u>661</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>661</u>           |
| <b>TOTAL DIRECT COSTS</b> | <b><u>36,487</u></b> | <b><u>2,460</u></b> | <b><u>367</u></b>   | <b><u>1,553</u></b> | <b><u>7,234</u></b>  | <b><u>1,977</u></b>  | <b><u>509</u></b>  | <b><u>4,610</u></b> | <b><u>230</u></b> | <b><u>640</u></b>            | <b><u>187</u></b>        | <b><u>56,254</u></b> |
| <b>GROSS PROFIT</b>       | <b><u>11,986</u></b> | <b><u>2,045</u></b> | <b><u>546</u></b>   | <b><u>1,948</u></b> | <b><u>4,414</u></b>  | <b><u>1,803</u></b>  | <b><u>89</u></b>   | <b><u>1,780</u></b> | <b><u>352</u></b> | <b><u>228</u></b>            | <b><u>(187)</u></b>      | <b><u>25,004</u></b> |

(% 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          | 70.2%               | 50.5%               | 34.5%               | 40.0%               | 55.8%               | 48.5%                | 77.3%               | 65.2%               | 36.1%               | 68.8%                        | 0.0%                     | 63.7%               |
| UNCLAIMED PRIZE CREDIT    | -3.0%               | -2.4%               | -1.2%               | -2.5%               | -0.7%               | -2.8%                | -1.0%               | -0.6%               | -2.9%               | 0.0%                         | 0.0%                     | -2.3%               |
| PAYMENTS TO RETAILERS     | 6.3%                | 5.0%                | 5.3%                | 5.4%                | 5.5%                | 5.0%                 | 7.4%                | 5.7%                | 4.8%                | 0.0%                         | 0.0%                     | 5.9%                |
| ONLINE VENDOR EXPENSE     | 0.4%                | 1.6%                | 1.6%                | 1.5%                | 1.5%                | 1.6%                 | 1.5%                | 1.8%                | 1.5%                | 5.0%                         | 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>         |
| <b>TOTAL DIRECT COSTS</b> | <b><u>75.3%</u></b> | <b><u>54.7%</u></b> | <b><u>40.2%</u></b> | <b><u>44.4%</u></b> | <b><u>62.1%</u></b> | <b><u>52.3%</u></b>  | <b><u>85.2%</u></b> | <b><u>72.1%</u></b> | <b><u>39.5%</u></b> | <b><u>73.8%</u></b>          | <b><u>0.0%</u></b>       | <b><u>69.2%</u></b> |
| <b>GROSS PROFIT</b>       | <b><u>24.7%</u></b> | <b><u>45.3%</u></b> | <b><u>59.8%</u></b> | <b><u>55.6%</u></b> | <b><u>37.9%</u></b> | <b><u>47.7%</u></b>  | <b><u>14.8%</u></b> | <b><u>27.9%</u></b> | <b><u>60.5%</u></b> | <b><u>26.2%</u></b>          | <b><u>0.0%</u></b>       | <b><u>30.8%</u></b> |



KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 YEAR TO DATE AS OF SEPTEMBER 30, 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        | 148,161        | 13,379           | 2,709               | 10,821        | 36,166        | 12,533               | 1,738              | 18,780        | 1,753        | 0                            | 0                        | 246,040        |
| ILOTTERY               | <u>0</u>       | <u>290</u>       | <u>132</u>          | <u>0</u>      | <u>0</u>      | <u>321</u>           | <u>0</u>           | <u>918</u>    | <u>101</u>   | <u>2,744</u>                 | <u>0</u>                 | <u>4,506</u>   |
| TOTAL SALES            | <u>148,161</u> | <u>13,669</u>    | <u>2,841</u>        | <u>10,821</u> | <u>36,166</u> | <u>12,854</u>        | <u>1,738</u>       | <u>19,698</u> | <u>1,854</u> | <u>2,744</u>                 | <u>0</u>                 | <u>250,546</u> |
| DIRECT COSTS:          |                |                  |                     |               |               |                      |                    |               |              |                              |                          |                |
| PRIZES WON:            |                |                  |                     |               |               |                      |                    |               |              |                              |                          |                |
| PRIZES AT RETAIL       | 103,912        | 6,653            | 1,179               | 4,141         | 19,798        | 6,247                | 1,226              | 12,276        | 842          | 0                            | 0                        | 156,274        |
| ILOTTERY               | <u>0</u>       | <u>144</u>       | <u>43</u>           | <u>0</u>      | <u>0</u>      | <u>160</u>           | <u>0</u>           | <u>619</u>    | <u>49</u>    | <u>1,938</u>                 | <u>0</u>                 | <u>2,953</u>   |
| TOTAL PRIZES WON       | <u>103,912</u> | <u>6,797</u>     | <u>1,222</u>        | <u>4,141</u>  | <u>19,798</u> | <u>6,407</u>         | <u>1,226</u>       | <u>12,895</u> | <u>891</u>   | <u>1,938</u>                 | <u>0</u>                 | <u>159,227</u> |
| UNCLAIMED PRIZE CREDIT | (2,159)        | (377)            | (31)                | (153)         | (237)         | (210)                | (19)               | (107)         | (42)         | 0                            | 0                        | (3,335)        |
| PAYMENTS TO RETAILERS  | 9,631          | 684              | 151                 | 582           | 2,004         | 638                  | 123                | 1,113         | 93           | 0                            | 45                       | 15,064         |
| ONLINE VENDOR EXPENSE  | 649            | 230              | 52                  | 167           | 557           | 220                  | 27                 | 389           | 34           | 135                          | 356                      | 2,816          |
| TICKET COSTS           | <u>1,819</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>1,819</u>   |
| TOTAL DIRECT COSTS     | <u>113,852</u> | <u>7,334</u>     | <u>1,394</u>        | <u>4,737</u>  | <u>22,122</u> | <u>7,055</u>         | <u>1,357</u>       | <u>14,290</u> | <u>976</u>   | <u>2,073</u>                 | <u>401</u>               | <u>175,591</u> |
| GROSS PROFIT           | <u>34,309</u>  | <u>6,335</u>     | <u>1,447</u>        | <u>6,084</u>  | <u>14,044</u> | <u>5,799</u>         | <u>381</u>         | <u>5,408</u>  | <u>878</u>   | <u>671</u>                   | <u>(401)</u>             | <u>74,955</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%          | 49.7%            | 43.0%               | 38.3%         | 54.7%         | 49.8%                | 70.5%              | 65.5%        | 48.1%        | 70.6%                        | 0.0%                     | 63.6%        |
| UNCLAIMED PRIZE CREDIT | -1.4%          | -2.8%            | -1.1%               | -1.4%         | -0.7%         | -1.6%                | -1.1%              | -0.5%        | -2.3%        | 0.0%                         | 0.0%                     | -1.4%        |
| PAYMENTS TO RETAILERS  | 6.5%           | 5.0%             | 5.3%                | 5.4%          | 5.5%          | 5.0%                 | 7.1%               | 5.7%         | 5.0%         | 0.0%                         | 0.0%                     | 6.0%         |
| ONLINE VENDOR EXPENSE  | 0.4%           | 1.7%             | 1.8%                | 1.5%          | 1.5%          | 1.7%                 | 1.6%               | 2.0%         | 1.8%         | 4.9%                         | 0.0%                     | 1.2%         |
| TICKET COSTS           | <u>1.2%</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>0.7%</u>  |
| TOTAL DIRECT COSTS     | <u>76.8%</u>   | <u>53.6%</u>     | <u>49.0%</u>        | <u>43.8%</u>  | <u>61.0%</u>  | <u>54.9%</u>         | <u>78.1%</u>       | <u>72.7%</u> | <u>52.6%</u> | <u>75.5%</u>                 | <u>0.0%</u>              | <u>70.1%</u> |
| GROSS PROFIT           | <u>23.2%</u>   | <u>46.4%</u>     | <u>51.0%</u>        | <u>56.2%</u>  | <u>39.0%</u>  | <u>45.1%</u>         | <u>21.9%</u>       | <u>27.3%</u> | <u>47.4%</u> | <u>24.5%</u>                 | <u>0.0%</u>              | <u>29.9%</u> |

KENTUCKY LOTTERY CORPORATION  
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING SEPTEMBER 30, 2018  
(\$000'S)

| TYPE OF COST            | INSTANT | POWERBALL | KY CASH<br>BALL | PICK 4 | PICK 3 | MEGA<br>MILLIONS | 5 CARD<br>CASH | KENO | LFL | iLottery<br>Instant Play | NON-GAME<br>SPECIFIC | TOTAL |
|-------------------------|---------|-----------|-----------------|--------|--------|------------------|----------------|------|-----|--------------------------|----------------------|-------|
| MEDIA:                  |         |           |                 |        |        |                  |                |      |     |                          |                      |       |
| TELEVISION              | 211     | 0         | 0               | 10     | 11     | 0                | 21             | 0    | 0   | 0                        | 22                   | 275   |
| RADIO                   | 102     | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 7                    | 109   |
| PRINT                   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 0                    | 0     |
| BILLBOARD               | 70      | 22        | 0               | 0      | 0      | 21               | 0              | 0    | 0   | 0                        | 0                    | 113   |
| ONLINE                  | 54      | (50)      | 0               | (1)    | 0      | (49)             | 0              | (26) | 0   | 40                       | 20                   | (12)  |
| OTHER (TRANSIT, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 0                    | 0     |
| TOTAL MEDIA             | 437     | (28)      | 0               | 9      | 11     | (28)             | 21             | (26) | 0   | 40                       | 49                   | 485   |
| PRODUCTION              | 24      | 0         | 0               | 0      | 1      | 0                | 0              | 0    | 0   | 0                        | 28                   | 53    |
| COUPONS & PROMOTIONS    | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 51                   | 51    |
| SPECIAL EVENT/GAME SHOW | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 2                    | 2     |
| PREMIUMS                | 0       | 0         | 0               | 0      | 0      | 0                | 0              | (8)  | 0   | 0                        | 7                    | (1)   |
| 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   | 0                        | 32                   | 32    |
| TOTAL                   | 461     | (28)      | 0               | 9      | 12     | (28)             | 21             | (34) | 0   | 40                       | 213                  | 666   |

YEAR-TO-DATE AS OF SEPTEMBER 30, 2018  
(\$000'S)

| TYPE OF COST            | INSTANT | POWERBALL | KY CASH<br>BALL | PICK 4 | PICK 3 | MEGA<br>MILLIONS | 5 CARD<br>CASH | KENO | LFL | iLottery<br>Instant Play | NON-GAME<br>SPECIFIC | TOTAL |
|-------------------------|---------|-----------|-----------------|--------|--------|------------------|----------------|------|-----|--------------------------|----------------------|-------|
| MEDIA:                  |         |           |                 |        |        |                  |                |      |     |                          |                      |       |
| TELEVISION              | 515     | 0         | 0               | 25     | 26     | 0                | 54             | 0    | 0   | 0                        | 22                   | 642   |
| RADIO                   | 376     | 1         | 0               | 0      | 0      | 1                | 0              | 0    | 0   | 0                        | 21                   | 399   |
| PRINT                   | 1       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 0                    | 1     |
| BILLBOARD               | 132     | 78        | 0               | 0      | 0      | 77               | 3              | 0    | 0   | 0                        | 3                    | 293   |
| ONLINE                  | 199     | (41)      | 0               | 2      | 3      | (40)             | 1              | (26) | 0   | 137                      | 59                   | 294   |
| OTHER (TRANSIT, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 0                    | 0     |
| TOTAL MEDIA             | 1,223   | 38        | 0               | 27     | 29     | 38               | 58             | (26) | 0   | 137                      | 105                  | 1,629 |
| PRODUCTION              | 41      | 1         | 0               | 0      | (2)    | 1                | 0              | 0    | 0   | 0                        | 257                  | 298   |
| COUPONS & PROMOTIONS    | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 118                  | 118   |
| SPECIAL EVENT/GAME SHOW | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 3                    | 3     |
| PREMIUMS                | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 5                    | 5     |
| AGENCY FEES             | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 130                  | 130   |
| OTHER (SIGNAGE, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 39                   | 39    |
| TOTAL                   | 1,264   | 39        | 0               | 27     | 27     | 39               | 58             | (26) | 0   | 137                      | 657                  | 2,222 |

KENTUCKY LOTTERY CORPORATION  
 OPERATING EXPENSES  
 SEPTEMBER 30, 2018  
 (\$000'S)

|                                                | <u>MONTH</u> | <u>YEAR-TO-DATE</u> |
|------------------------------------------------|--------------|---------------------|
| ADVERTISING & PROMOTION                        | \$666        | \$2,222             |
| <u>SALARIES, WAGES &amp; BENEFITS:</u>         |              |                     |
| SALARIES AND WAGES                             | 807          | 2,720               |
| BENEFITS AND TAXES                             | 235          | 758                 |
|                                                | 1,042        | 3,478               |
| <u>CONTRACTED &amp; PROFESSIONAL SERVICES:</u> |              |                     |
| ON-LINE DRAWING EXPENSES                       | 4            | 8                   |
| CONSULTANT SERVICES                            | 62           | 154                 |
| SECURITY SERVICES                              | 13           | 43                  |
| REPAIRS AND MAINTENANCE                        | 5            | 25                  |
| CUSTODIAL SERVICES                             | 8            | 14                  |
| PUBLIC INFORMATION SERVICES                    | 1            | 6                   |
| DIRECTOR EXPENSES                              | 3            | 9                   |
| COMPUTER SOFTWARE COST/MAINT.                  | 73           | 181                 |
| COMPUTER HARDWARE COST/MAINT.                  | 1            | 15                  |
| LEGAL SERVICES                                 | (5)          | 1                   |
| AUDIT EXPENSES                                 | 21           | 81                  |
| OTHER                                          | 13           | 45                  |
|                                                | 199          | 582                 |
| <u>DEPRECIATION:</u>                           |              |                     |
| DEPRECIATION EXPENSE                           | 101          | 291                 |
| <u>OTHER GENERAL &amp; ADMINISTRATIVE:</u>     |              |                     |
| COMMUNICATIONS/TELEPHONE SERVICES              | (19)         | 2                   |
| OFFICE SUPPLIES & SERVICES                     | 13           | 49                  |
| TRAVEL AND RELATED EXPENSES                    | 40           | 148                 |
| RENT, UTILITIES AND INSURANCE                  | 68           | 213                 |
| A/R COLLECTIONS ALLOWANCE                      | 0            | 11                  |
| OTHER                                          | 3            | 34                  |
|                                                | 105          | 457                 |
| <br>                                           |              |                     |
| TOTAL OPERATING EXPENSES                       | \$2,113      | \$7,030             |
| <br><u>NON-OPERATING INCOME:</u>               |              |                     |
| INTEREST EXPENSE                               | 0            | 0                   |
| INTEREST INCOME                                | 24           | 57                  |
| OTHER INCOME/(LOSS)                            | 11           | 37                  |
|                                                | \$35         | \$94                |
| TOTAL NON-OPERATING INCOME                     | \$35         | \$94                |

KENTUCKY LOTTERY CORPORATION  
PROPERTY AND EQUIPMENT  
SEPTEMBER 30, 2018  
(\$000'S)

|                                      | <u>CURRENT</u><br><u>MONTH END</u> | <u>PRIOR</u><br><u>MONTH END</u> | <u>PRIOR FISCAL</u><br><u>YEAR END</u> |
|--------------------------------------|------------------------------------|----------------------------------|----------------------------------------|
| LEASEHOLD IMPROVEMENTS               | \$45                               | \$45                             | \$45                                   |
| BUILDINGS                            | 8,095                              | 8,094                            | 8,079                                  |
| LAND                                 | 423                                | 423                              | 423                                    |
| TRANSPORTATION                       | 1,532                              | 1,264                            | 1,264                                  |
| FURNITURE, FIXTURES & EQUIPMENT      | 1,138                              | 1,138                            | 1,138                                  |
| DATA PROCESSING EQUIPMENT & SOFTWARE | 4,984                              | 4,984                            | 4,379                                  |
| INCOMPLETE FIXED ASSETS              | 0                                  | 0                                | 572                                    |
| TELEPHONE & COMMUNICATIONS EQUIPMENT | 6                                  | 6                                | 6                                      |
| DRAWING EQUIPMENT                    | <u>560</u>                         | <u>560</u>                       | <u>560</u>                             |
| PROPERTY AND EQUIPMENT, GROSS        | 16,783                             | 16,514                           | 16,466                                 |
| ACCUMULATED DEPRECIATION             | <u>(11,317)</u>                    | <u>(11,216)</u>                  | <u>(11,025)</u>                        |
| PROPERTY AND EQUIPMENT, NET          | <u>\$5,466</u>                     | <u>\$5,298</u>                   | <u>\$5,441</u>                         |