

KENTUCKY LOTTERY CORPORATION
FINANCIAL STATEMENTS
OCTOBER 2018
MONTH 4 OF FISCAL YEAR ENDING JUNE 30, 2019

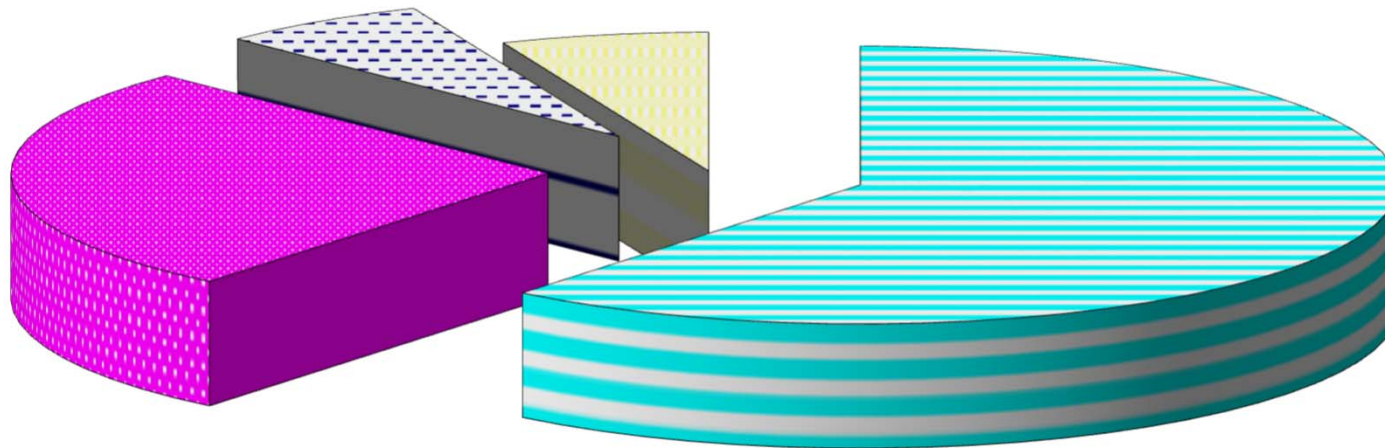
CONTENTS

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 OCTOBER 31, 2018
\$19.793 BILLION**

**\$1.253
BILLION PAID FOR
MARKETING & OPERATING
EXP - 6.3%**

\$1.239 BILLION PAID TO RETAILERS - 6.3%



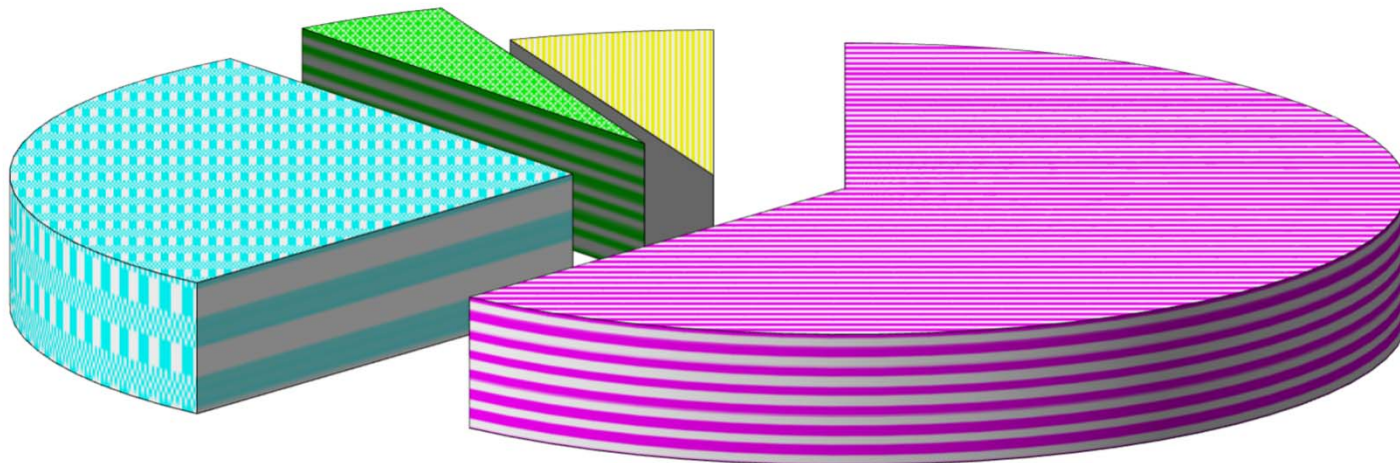
**\$5.262 BILLION
EARNED FOR THE
STATE OF KENTUCKY
- 26.6%**

**\$12.039 BILLION PAID
TO WINNERS - 60.8%**

**KENTUCKY LOTTERY CORPORATION
"WHERE THE MONEY GOES"
YEAR-TO-DATE SALES AS OF OCTOBER 31, 2018
\$366.1 MILLION**

**\$16.6 MILLION PAID FOR
MARKETING & OPERATING
EXP - 4.5%**

\$21.6 MILLION PAID TO RETAILERS - 5.9%



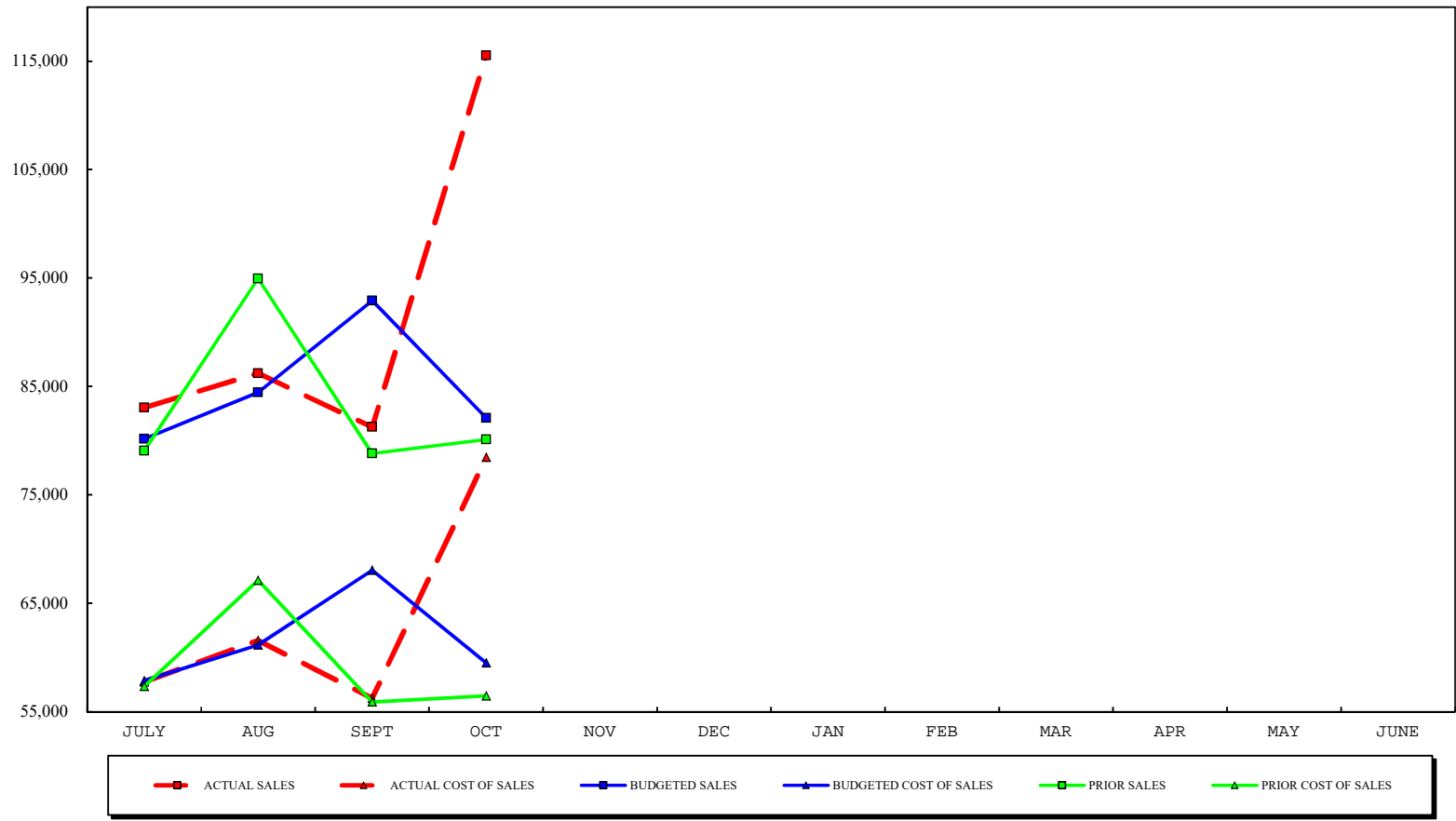
**\$102.4 MILLION
EARNED FOR THE
STATE OF
KENTUCKY - 28.0%**

**\$225.5 MILLION PAID
TO WINNERS - 61.6%**

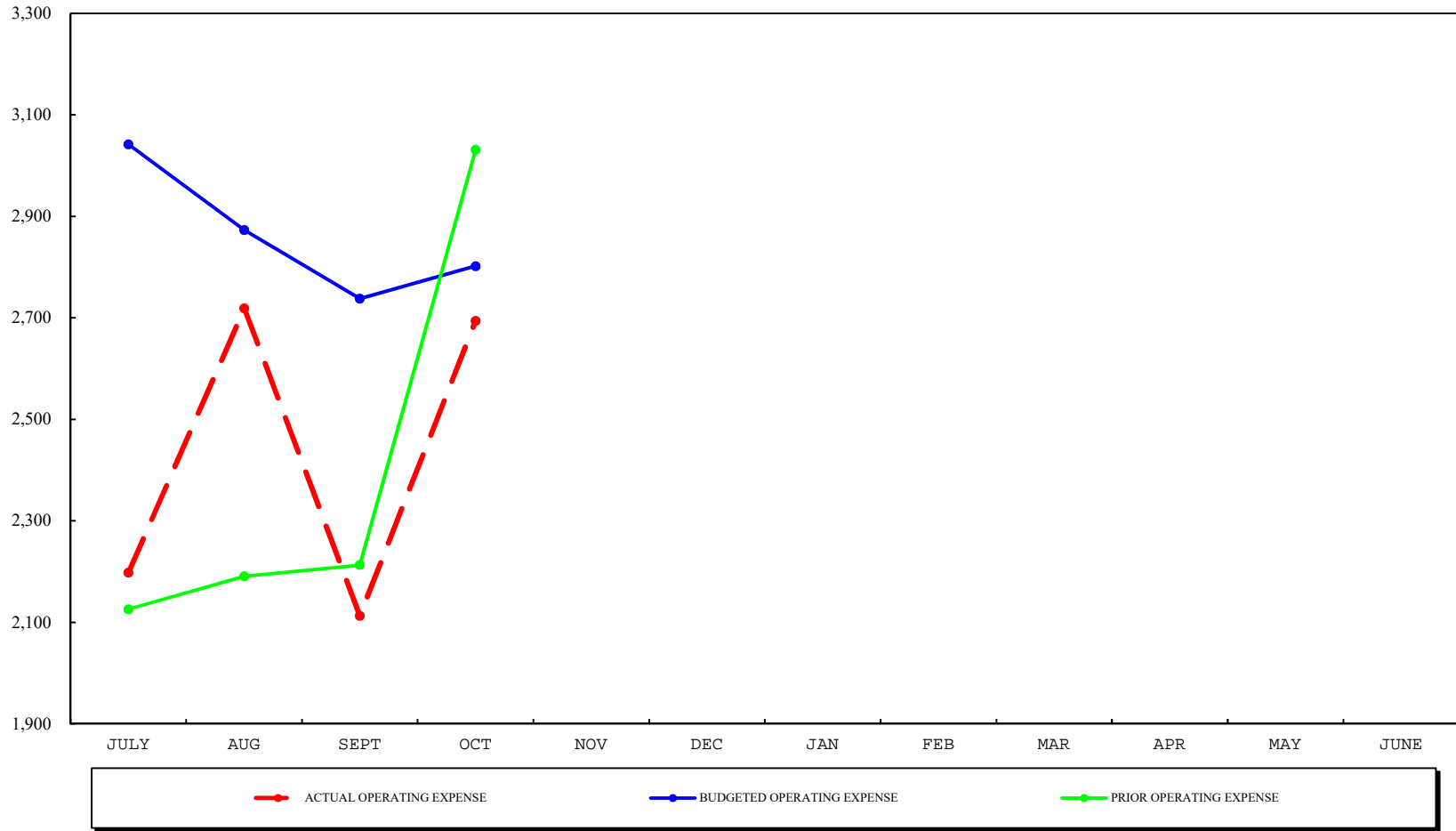
AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.

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 OCTOBER 31, 2018



OPERATING EXPENSE BY MONTH
AS OF OCTOBER 31, 2018



KENTUCKY LOTTERY CORPORATION

FINANCIAL RESULTS

OCTOBER 2018

INCOME STATEMENT

Ticket sales for October 2018 were \$115.5 million which is \$34.4 million or 42.5% more than the same month of the prior fiscal year. Sales for the year were \$366.2 million which is \$29.2 million or 8.7% more than in the prior fiscal year. Instant ticket sales were \$5.5 million or 11.1% more than the same month of the prior fiscal year, and \$8.5 million or 4.4% more than the prior fiscal year. Draw game sales were \$28.2 million or 91.6% more than the same month of the prior year, and \$19.3 million or 13.9% more than prior fiscal year. iLottery instant play sales were \$780,000 or 114.0% more than the same month of the prior year, and \$1.4 million or 48.1% more than prior fiscal year.

Ticket sales for the month of October were \$33.2 million or 40.3% more than budget. Ticket sales for the fiscal year were \$25.3 million or 7.4% more than budget. Instant ticket sales were \$9.3 million or 20.3% more than budget for the current month, and \$6.7 million or 3.4% more than budget for the fiscal year. Draw game sales were \$23.4 million or 65.8% more than budget for the month, and \$18.4 million or 13.1% more than budget for the fiscal year. iLottery instant play sales were \$494,000 or 50.9% more than budget for the month, and \$178,000 or 4.4% more than budget for the fiscal year.

Prize expenses for October 2018 were 60.3% of total sales, compared to 62.5% in the same month last year and 64.2% budgeted. Combined prize expense for the year was 61.6%, compared to 63.1% last fiscal year and 64.5% budgeted. Instant prize expense for the month was 69.1%, draw game prize expense was 51.7%, and iLottery instant play prize expense was 70.8%. Instant prize expense for the fiscal year was 68.8%, draw game prize expense was 52.1%, and iLottery instant play prize expense was 70.7%.

Operating costs were \$2.7 million for October, compared to \$2.8 million budgeted and \$3.0 million for the same month last year. These costs included advertising and promotions of \$1.0 million, salaries & benefits of \$1.2 million, contracted and professional services of \$213,000, depreciation expense of \$102,000, and other general and administrative costs of \$176,000. Operating costs for the year were \$9.7 million, compared to \$11.5 million budgeted and \$9.6 million prior fiscal year.

Income before transfer of dividends for the current month was \$34.4 million, compared to \$20.7 million for the same month in the prior year and \$19.8 million budgeted. Income before transfer of dividends for the fiscal year was \$102.4 million, compared to \$86.7 million in the prior year and \$81.7 million budgeted.

Dividends of \$20.5 million were transferred to the Commonwealth in October for a total of \$77.0 million for the fiscal year. Additional dividends of \$949 million were accrued in October for transfer to the KEES Reserve for a total of \$4.3 million for the fiscal year. Transfers to the KEES Reserve will be made quarterly during the fiscal year. All dividends were 18.6% of sales for the month. All dividends were 22.2% of sales for the fiscal year compared to 23.4% of sales in the prior year and 23.6% budgeted.

BALANCE SHEET

Cash balance decreased to \$22.2 million, which included \$2.3 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$10.7 million. Accounts Receivable increased to \$45.8 million. Total assets increased to \$91.0 million.

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

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
ASSETS:			
CURRENT ASSETS:			
CASH - UNRESTRICTED	\$19,938	\$25,855	\$17,682
CASH - RESTRICTED	2,288	2,444	2,600
INVESTMENTS, CURRENT PORTION	1,594	1,859	1,859
ACCOUNTS RECEIVABLE, NET	45,775	30,100	31,628
OTHER	863	957	1,060
TOTAL CURRENT ASSETS	<u>70,458</u>	<u>61,215</u>	<u>54,829</u>
INVESTMENTS, LESS CURRENT PORTION	9,071	8,739	8,903
PROPERTY AND EQUIPMENT, NET	5,471	5,466	5,441
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	5,971	5,436	5,182
TOTAL ASSETS	<u>\$90,971</u>	<u>\$80,856</u>	<u>\$74,355</u>
LIABILITIES AND EQUITY:			
CURRENT LIABILITIES:			
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	\$8,954	\$13,806	\$13,248
ESTIMATED PRIZE LIABILITY, CURRENT PORTION	31,088	29,268	30,986
TOTAL CURRENT LIABILITIES	<u>40,042</u>	<u>43,074</u>	<u>44,234</u>
ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION	11,536	11,350	11,866
UNFUNDED GRAND PRIZE LIABILITY	1,109	1,109	1,116
TOTAL LIABILITIES	<u>52,687</u>	<u>55,533</u>	<u>57,216</u>
CONTRIBUTED CAPITAL	100	100	100
RETAINED EARNINGS	38,184	25,223	17,039
TOTAL EQUITY	<u>38,284</u>	<u>25,323</u>	<u>17,139</u>
TOTAL LIABILITIES AND EQUITY	<u>\$90,971</u>	<u>\$80,856</u>	<u>\$74,355</u>

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

MONTH OF OCTOBER:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$55,140	\$49,651	\$5,489	11.1%
DRAW GAMES	58,942	30,762	\$28,180	91.6%
ILOTTERY INSTANT PLAY	1,464	684	780	114.0%
TICKET SALES	115,546	81,097	34,449	42.5%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(11)	(971)	960	-98.9%
TOTAL TICKET SALES	115,535	80,126	35,409	44.2%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	38,106	33,471	(4,635)	-13.8%
DRAW GAMES	30,474	16,087	(14,387)	-89.4%
ILOTTERY INSTANT PLAY	1,037	542	(495)	-91.3%
TOTAL PRIZES	69,617	50,100	(19,517)	-39.0%
PAYMENTS TO RETAILERS	6,490	4,807	(1,683)	-35.0%
DRAW GAMES VENDOR EXPENSE	1,688	808	(880)	-108.9%
INSTANT TICKET COSTS	668	757	89	11.8%
TOTAL DIRECT COSTS	78,463	56,472	(21,991)	-38.9%
GROSS PROFIT	37,072	23,654	13,418	56.7%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,013	1,293	280	21.7%
SALARIES, WAGES & BENEFITS	1,185	1,220	35	2.9%
CONTRACTED & PROFESSIONAL SERVICES	218	250	32	12.8%
DEPRECIATION	102	101	(1)	-1.0%
OTHER GENERAL & ADMINISTRATIVE	176	167	(9)	-5.4%
TOTAL OPERATING EXPENSES	2,694	3,031	337	11.1%
OPERATING INCOME	34,378	20,623	13,755	66.7%
NON-OPERATING INCOME	32	53	(21)	-39.6%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$34,410	\$20,676	\$13,734	66.4%

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

FOUR MONTHS YEAR TO DATE:	VARIANCE			
	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT BETTER/ (WORSE) THAN PRIOR	
SALES:				
INSTANT TICKETS	\$203,386	\$194,876	\$8,510	4.4%
DRAW GAMES	158,583	139,246	\$19,337	13.9%
ILOTTERY INSTANT PLAY	4,208	2,842	1,366	48.1%
TICKET SALES	366,177	336,964	29,213	8.7%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(96)	(3,974)	3,878	-97.6%
TOTAL TICKET SALES	366,081	332,990	33,091	9.9%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	139,859	131,750	(8,109)	-6.2%
DRAW GAMES	82,675	76,060	(6,615)	-8.7%
ILOTTERY INSTANT PLAY	2,975	2,322	(653)	-28.1%
TOTAL PRIZES	225,509	210,132	(15,377)	-7.3%
PAYMENTS TO RETAILERS	21,554	20,228	(1,326)	-6.6%
DRAW GAMES VENDOR EXPENSE	4,504	3,546	(958)	-27.0%
INSTANT TICKET COSTS	2,487	2,938	451	15.4%
TOTAL DIRECT COSTS	254,054	236,844	(17,210)	-7.3%
GROSS PROFIT	112,027	96,146	15,881	16.5%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	3,235	2,752	(483)	-17.6%
SALARIES, WAGES & BENEFITS	4,663	4,934	271	5.5%
CONTRACTED & PROFESSIONAL SERVICES	800	822	22	2.7%
DEPRECIATION	393	402	9	2.2%
OTHER GENERAL & ADMINISTRATIVE	633	651	18	2.8%
TOTAL OPERATING EXPENSES	9,724	9,561	(163)	-1.7%
OPERATING INCOME	102,303	86,585	15,718	18.2%
NON-OPERATING INCOME	126	146	(20)	-13.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$102,429	\$86,731	\$15,698	18.1%

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

MONTH OF OCTOBER:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$55,140	\$45,848	\$9,292	20.3%
DRAW GAMES	58,942	35,550	23,392	65.8%
ILOTTERY INSTANT PLAY	1,464	970	494	50.9%
TICKET SALES	115,546	82,368	33,178	40.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(11)	(275)	264	-96.0%
TOTAL TICKET SALES	115,535	82,093	33,442	40.7%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	38,106	31,943	(6,163)	-19.3%
DRAW GAMES	30,474	20,022	(10,452)	-52.2%
ILOTTERY INSTANT PLAY	1,037	767	(270)	-35.2%
TOTAL PRIZES	69,617	52,732	(16,885)	-32.0%
PAYMENTS TO RETAILERS	6,490	5,054	(1,436)	-28.4%
DRAW GAMES VENDOR EXPENSE	1,688	1,042	(646)	-62.0%
INSTANT TICKET COSTS	668	682	14	2.1%
TOTAL DIRECT COSTS	78,463	59,510	(18,953)	-31.8%
GROSS PROFIT	37,072	22,583	14,489	64.2%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	1,013	974	(39)	-4.0%
SALARIES, WAGES & BENEFITS	1,185	1,298	113	8.7%
CONTRACTED & PROFESSIONAL SERVICES	218	264	46	17.4%
DEPRECIATION	102	104	2	1.9%
OTHER GENERAL & ADMINISTRATIVE	176	162	(14)	-8.6%
TOTAL OPERATING EXPENSES	2,694	2,802	108	3.9%
OPERATING INCOME	34,378	19,781	14,597	73.8%
NON-OPERATING INCOME	32	39	(7)	-17.9%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$34,410	\$19,820	\$14,590	73.6%

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

FOUR MONTHS YEAR TO DATE:	VARIANCE			
	ACTUAL	BUDGET	ACTUAL BETTER/ (WORSE) THAN BUDGET	
SALES:				
INSTANT TICKETS	\$203,386	\$196,650	\$6,736	3.4%
DRAW GAMES	158,583	140,219	18,364	13.1%
ILOTTERY INSTANT PLAY	4,208	4,030	178	4.4%
TICKET SALES	366,177	340,899	25,278	7.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	(96)	(1,255)	1,159	-92.4%
TOTAL TICKET SALES	366,081	339,644	26,437	7.8%
DIRECT COSTS:				
PRIZES:				
INSTANT TICKETS	139,859	137,080	(2,779)	-2.0%
DRAW GAMES	82,675	78,920	(3,755)	-4.8%
ILOTTERY INSTANT PLAY	2,975	3,184	209	6.6%
TOTAL PRIZES	225,509	219,184	(6,325)	-2.9%
PAYMENTS TO RETAILERS	21,554	20,856	(698)	-3.3%
DRAW GAMES VENDOR EXPENSE	4,504	4,069	(435)	-10.7%
INSTANT TICKET COSTS	2,487	2,502	15	0.6%
TOTAL DIRECT COSTS	254,054	246,611	(7,443)	-3.0%
GROSS PROFIT	112,027	93,033	18,994	20.4%
OPERATING EXPENSES:				
ADVERTISING AND PROMOTION	3,235	4,203	968	23.0%
SALARIES, WAGES & BENEFITS	4,663	4,981	318	6.4%
CONTRACTED & PROFESSIONAL SERVICES	800	1,016	216	21.3%
DEPRECIATION	393	414	21	5.1%
OTHER GENERAL & ADMINISTRATIVE	633	841	208	24.7%
TOTAL OPERATING EXPENSES	9,724	11,455	1,731	15.1%
OPERATING INCOME	102,303	81,578	20,725	25.4%
NON-OPERATING INCOME	126	155	(29)	-18.7%
INCOME BEFORE TRANSFER OF DIVIDENDS	\$102,429	\$81,733	\$20,696	25.3%

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

MONTH OF OCTOBER:	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	47.7%	62.0%	55.8%
DRAW GAMES	51.0%	38.4%	43.3%
ILOTTERY INSTANT PLAY	1.3%	0.9%	1.2%
TICKET SALES	100.0%	101.3%	100.3%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	0.0%	-1.3%	-0.3%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	33.0%	41.8%	38.9%
DRAW GAMES	26.4%	20.0%	24.4%
ILOTTERY INSTANT PLAY	0.9%	0.7%	0.9%
TOTAL PRIZES	60.3%	62.5%	64.2%
PAYMENTS TO RETAILERS	5.6%	6.0%	6.2%
DRAW GAME VENDOR EXPENSE	1.4%	1.0%	1.3%
INSTANT TICKET COSTS	0.6%	1.0%	0.8%
TOTAL DIRECT COSTS	67.9%	70.5%	72.5%
GROSS PROFIT	32.1%	29.5%	27.5%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.9%	1.6%	1.2%
SALARIES, WAGES & BENEFITS	1.0%	1.5%	1.6%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.3%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.1%	0.2%	0.2%
TOTAL OPERATING EXPENSES	2.3%	3.7%	3.4%
OPERATING INCOME	29.8%	25.8%	24.1%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	29.8%	25.8%	24.1%

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

FOUR MONTHS YEAR TO DATE:

	CURRENT YEAR ACTUAL	PRIOR YEAR ACTUAL	CURRENT YEAR BUDGET
SALES:			
INSTANT TICKETS	55.6%	58.5%	57.9%
DRAW GAMES	43.3%	41.8%	41.3%
ILOTTERY INSTANT PLAY	1.1%	0.9%	1.2%
TICKET SALES	100.0%	101.2%	100.4%
LESS: INSTANT TICKETS PROVIDED AS PRIZES	0.0%	-1.2%	-0.4%
TOTAL TICKET SALES	100.0%	100.0%	100.0%
DIRECT COSTS:			
PRIZES:			
INSTANT TICKETS	38.2%	39.6%	40.4%
DRAW GAMES	22.6%	22.8%	23.2%
ILOTTERY INSTANT PLAY	0.8%	0.7%	0.9%
TOTAL PRIZES	61.6%	63.1%	64.5%
PAYMENTS TO RETAILERS	5.9%	6.1%	6.1%
DRAW GAME VENDOR EXPENSE	1.2%	1.0%	1.2%
INSTANT TICKET COSTS	0.7%	0.9%	0.8%
TOTAL DIRECT COSTS	69.4%	71.1%	72.6%
GROSS PROFIT	30.6%	28.9%	27.4%
OPERATING EXPENSES:			
ADVERTISING AND PROMOTION	0.9%	0.8%	1.2%
SALARIES, WAGES & BENEFITS	1.3%	1.5%	1.5%
CONTRACTED & PROFESSIONAL SERVICES	0.2%	0.3%	0.3%
DEPRECIATION	0.1%	0.1%	0.1%
OTHER GENERAL & ADMINISTRATIVE	0.1%	0.2%	0.2%
TOTAL OPERATING EXPENSES	2.6%	2.9%	3.3%
OPERATING INCOME	28.0%	26.0%	24.1%
NON-OPERATING INCOME	0.0%	0.0%	0.0%
INCOME BEFORE TRANSFER OF DIVIDENDS	28.0%	26.0%	24.1%

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

	<u>CURRENT YEAR</u>		<u>PRIOR YEAR</u>	
	MONTH	YEAR-TO- DATE	MONTH	YEAR-TO- DATE
RETAINED EARNINGS- BEGINNING OF PERIOD	\$25,223	\$17,039	\$25,921	\$17,039
INCOME BEFORE TRANSFER	34,410	102,429	20,676	86,731
DIVIDENDS - GENERAL FUND & EDUCATION	(20,500)	(77,000)	(20,000)	(75,000)
DIVIDENDS - KEES RESERVE	(949)	(4,284)	(879)	(3,052)
RETAINED EARNINGS- END OF PERIOD	<u>\$38,184</u>	<u>\$38,184</u>	<u>\$25,718</u>	<u>\$25,718</u>

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

	MONTH	YEAR-TO-DATE
CASH FLOWS FROM OPERATING ACTIVITIES:		
OPERATING INCOME	\$34,378	\$102,303
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
DEPRECIATION	102	393
PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE	35	46
INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:		
ACCOUNTS RECEIVABLE	(15,710)	(14,193)
OTHER ASSETS	94	197
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	(4,852)	(4,294)
ESTIMATED PRIZE LIABILITY	2,006	(235)
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,053	84,217
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS	0	315
PURCHASE OF INVESTMENTS	0	0
CHANGE IN INVESTMENTS	(67)	(218)
DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION	(535)	(789)
INTEREST INCOME	25	82
SECURITY LENDING FEES	1	2
NET CASH PROVIDED BY INVESTING ACTIVITIES	(576)	(608)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
DIVIDENDS TRANSFERRED/PAYABLE	(21,449)	(81,284)
RETAILER APPLICATION AND OTHER NON-OPERATING FEES	6	42
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	(21,443)	(81,242)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
PURCHASES OF PROPERTY AND EQUIPMENT	(107)	(423)
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
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(107)	(423)
NET INCREASE (DECREASE) IN CASH	(6,073)	1,944
CASH, BEGINNING OF PERIOD	28,299	20,282
CASH, END OF PERIOD	\$22,226	\$22,226

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

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	55,129	12,942	912	3,650	12,051	20,610	637	6,234	626	0	0	112,791
ILOTTERY	<u>0</u>	<u>316</u>	<u>56</u>	<u>0</u>	<u>0</u>	<u>547</u>	<u>0</u>	<u>315</u>	<u>46</u>	<u>1,464</u>	<u>0</u>	<u>2,744</u>
TOTAL SALES	<u>55,129</u>	<u>13,258</u>	<u>968</u>	<u>3,650</u>	<u>12,051</u>	<u>21,157</u>	<u>637</u>	<u>6,549</u>	<u>672</u>	<u>1,464</u>	<u>0</u>	<u>115,535</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	38,765	6,382	343	1,688	6,498	10,337	482	4,062	280	0	0	68,837
ILOTTERY	<u>0</u>	<u>156</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>274</u>	<u>0</u>	<u>191</u>	<u>52</u>	<u>1,037</u>	<u>0</u>	<u>1,729</u>
TOTAL PRIZES WON	<u>38,765</u>	<u>6,538</u>	<u>362</u>	<u>1,688</u>	<u>6,498</u>	<u>10,611</u>	<u>482</u>	<u>4,253</u>	<u>332</u>	<u>1,037</u>	<u>0</u>	<u>70,566</u>
UNCLAIMED PRIZE CREDIT	(659)	(76)	(11)	(35)	(74)	(35)	(6)	(40)	(13)	0	0	(949)
PAYMENTS TO RETAILERS	3,342	682	49	200	667	1,074	46	372	39	1	18	6,490
ONLINE VENDOR EXPENSE	241	227	20	56	185	362	20	129	13	72	363	1,688
TICKET COSTS	<u>668</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>668</u>
TOTAL DIRECT COSTS	<u>42,357</u>	<u>7,371</u>	<u>420</u>	<u>1,909</u>	<u>7,276</u>	<u>12,012</u>	<u>542</u>	<u>4,714</u>	<u>371</u>	<u>1,110</u>	<u>381</u>	<u>78,463</u>
GROSS PROFIT	<u>12,772</u>	<u>5,887</u>	<u>548</u>	<u>1,741</u>	<u>4,775</u>	<u>9,145</u>	<u>95</u>	<u>1,835</u>	<u>301</u>	<u>354</u>	<u>(381)</u>	<u>37,072</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	70.3%	49.3%	37.4%	46.2%	53.9%	50.2%	75.7%	64.9%	49.4%	70.8%	0.0%	61.1%
UNCLAIMED PRIZE CREDIT	-1.2%	-0.6%	-1.1%	-1.0%	-0.6%	-0.2%	-0.9%	-0.6%	-1.9%	0.0%	0.0%	-0.8%
PAYMENTS TO RETAILERS	6.1%	5.1%	5.1%	5.5%	5.5%	5.1%	7.2%	5.7%	5.8%	0.1%	0.0%	5.6%
ONLINE VENDOR EXPENSE	0.4%	1.7%	2.1%	1.5%	1.5%	1.7%	3.1%	2.0%	1.9%	4.9%	0.0%	1.4%
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>0.6%</u>
TOTAL DIRECT COSTS	<u>76.8%</u>	<u>55.5%</u>	<u>43.5%</u>	<u>52.2%</u>	<u>60.3%</u>	<u>56.8%</u>	<u>85.1%</u>	<u>72.0%</u>	<u>55.2%</u>	<u>75.8%</u>	<u>0.0%</u>	<u>67.9%</u>
GROSS PROFIT	<u>23.2%</u>	<u>44.5%</u>	<u>56.5%</u>	<u>47.8%</u>	<u>39.7%</u>	<u>43.2%</u>	<u>14.9%</u>	<u>28.0%</u>	<u>44.8%</u>	<u>24.2%</u>	<u>0.0%</u>	<u>32.1%</u>

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

PROFIT CONTRIBUTION

	<u>INSTANT</u>	<u>POWERBALL</u>	<u>KY CASH BALL</u>	<u>PICK 4</u>	<u>PICK 3</u>	<u>MEGA MILLIONS</u>	<u>5 CARD CASH</u>	<u>KENO</u>	<u>LFL</u>	<u>ILOTTERY INSTANT PLAY</u>	<u>NON-GAME SPECIFIC</u>	<u>TOTAL</u>
SALES:												
SALES AT RETAIL	203,290	26,321	3,621	14,471	48,217	33,143	2,375	25,014	2,379	0	0	358,831
ILOTTERY	<u>0</u>	<u>606</u>	<u>188</u>	<u>0</u>	<u>0</u>	<u>868</u>	<u>0</u>	<u>1,233</u>	<u>147</u>	<u>4,208</u>	<u>0</u>	<u>7,250</u>
TOTAL SALES	<u>203,290</u>	<u>26,927</u>	<u>3,809</u>	<u>14,471</u>	<u>48,217</u>	<u>34,011</u>	<u>2,375</u>	<u>26,247</u>	<u>2,526</u>	<u>4,208</u>	<u>0</u>	<u>366,081</u>
DIRECT COSTS:												
PRIZES WON:												
PRIZES AT RETAIL	142,677	13,035	1,522	5,829	26,296	16,584	1,708	16,338	1,122	0	0	225,111
ILOTTERY	<u>0</u>	<u>300</u>	<u>62</u>	<u>0</u>	<u>0</u>	<u>434</u>	<u>0</u>	<u>810</u>	<u>101</u>	<u>2,975</u>	<u>0</u>	<u>4,682</u>
TOTAL PRIZES WON	<u>142,677</u>	<u>13,335</u>	<u>1,584</u>	<u>5,829</u>	<u>26,296</u>	<u>17,018</u>	<u>1,708</u>	<u>17,148</u>	<u>1,223</u>	<u>2,975</u>	<u>0</u>	<u>229,793</u>
UNCLAIMED PRIZE CREDIT	(2,818)	(453)	(42)	(188)	(311)	(245)	(25)	(147)	(55)	0	0	(4,284)
PAYMENTS TO RETAILERS	12,973	1,366	200	782	2,671	1,712	169	1,485	132	1	63	21,554
ONLINE VENDOR EXPENSE	890	457	72	223	742	582	47	518	47	207	719	4,504
TICKET COSTS	<u>2,487</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>2,487</u>
TOTAL DIRECT COSTS	<u>156,209</u>	<u>14,705</u>	<u>1,814</u>	<u>6,646</u>	<u>29,398</u>	<u>19,067</u>	<u>1,899</u>	<u>19,004</u>	<u>1,347</u>	<u>3,183</u>	<u>782</u>	<u>254,054</u>
GROSS PROFIT	<u>47,081</u>	<u>12,222</u>	<u>1,995</u>	<u>7,825</u>	<u>18,819</u>	<u>14,944</u>	<u>476</u>	<u>7,243</u>	<u>1,179</u>	<u>1,025</u>	<u>(782)</u>	<u>112,027</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	70.2%	49.5%	41.6%	40.3%	54.5%	50.0%	71.9%	65.3%	48.4%	70.7%	0.0%	62.8%
UNCLAIMED PRIZE CREDIT	-1.4%	-1.7%	-1.1%	-1.3%	-0.6%	-0.7%	-1.1%	-0.6%	-2.2%	0.0%	0.0%	-1.2%
PAYMENTS TO RETAILERS	6.4%	5.1%	5.3%	5.4%	5.5%	5.0%	7.1%	5.7%	5.2%	0.0%	0.0%	5.9%
ONLINE VENDOR EXPENSE	0.4%	1.7%	1.9%	1.5%	1.5%	1.7%	2.0%	2.0%	1.9%	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>54.6%</u>	<u>47.7%</u>	<u>45.9%</u>	<u>60.9%</u>	<u>56.0%</u>	<u>79.9%</u>	<u>72.4%</u>	<u>53.3%</u>	<u>75.6%</u>	<u>0.0%</u>	<u>69.4%</u>
GROSS PROFIT	<u>23.2%</u>	<u>45.4%</u>	<u>52.3%</u>	<u>54.1%</u>	<u>39.1%</u>	<u>44.0%</u>	<u>20.1%</u>	<u>27.6%</u>	<u>46.7%</u>	<u>24.4%</u>	<u>0.0%</u>	<u>30.6%</u>

KENTUCKY LOTTERY CORPORATION
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING OCTOBER 31, 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	194	0	0	1	(1)	0	0	0	0	0	23	217
RADIO	160	0	0	0	0	1	0	0	0	0	0	161
PRINT	1	0	0	0	0	0	0	0	0	0	0	1
BILLBOARD	16	26	0	0	0	27	0	0	0	0	0	69
ONLINE	94	10	0	0	0	9	0	0	0	51	1	165
OTHER (TRANSIT, ETC.)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MEDIA	465	36	0	1	(1)	37	0	0	0	51	24	613
PRODUCTION	56	5	0	0	0	4	0	48	0	0	134	247
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	97	97
SPECIAL EVENT/GAME SHOW	0	0	0	0	0	0	0	0	0	0	0	0
PREMIUMS	0	0	0	0	0	0	0	0	0	0	13	13
AGENCY FEES	2	0	0	0	0	0	0	0	0	0	41	43
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	<u>523</u>	<u>41</u>	<u>0</u>	<u>1</u>	<u>(1)</u>	<u>41</u>	<u>0</u>	<u>48</u>	<u>0</u>	<u>51</u>	<u>309</u>	<u>1,013</u>

YEAR-TO-DATE AS OF OCTOBER 31, 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	709	0	0	26	25	0	54	0	0	0	45	859
RADIO	536	1	0	0	0	2	0	0	0	0	21	560
PRINT	2	0	0	0	0	0	0	0	0	0	0	2
BILLBOARD	148	104	0	0	0	104	3	0	0	0	3	362
ONLINE	293	(31)	0	2	3	(31)	1	(9)	0	188	43	459
OTHER (TRANSIT, ETC.)	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL MEDIA	1,688	74	0	28	28	75	58	(9)	0	188	112	2,242
PRODUCTION	97	6	0	0	(2)	5	0	48	0	0	391	545
COUPONS & PROMOTIONS	0	0	0	0	0	0	0	0	0	0	215	215
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	18	18
AGENCY FEES	2	0	0	0	0	0	0	0	0	0	171	173
OTHER (SIGNAGE, ETC.)	0	0	0	0	0	0	0	0	0	0	39	39
TOTAL	<u>1,787</u>	<u>80</u>	<u>0</u>	<u>28</u>	<u>26</u>	<u>80</u>	<u>58</u>	<u>39</u>	<u>0</u>	<u>188</u>	<u>949</u>	<u>3,235</u>

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

	<u>MONTH</u>	<u>YEAR-TO-DATE</u>
ADVERTISING & PROMOTION	\$1,013	\$3,235
<u>SALARIES, WAGES & BENEFITS:</u>		
SALARIES AND WAGES	950	3,670
BENEFITS AND TAXES	235	993
	1,185	4,663
<u>CONTRACTED & PROFESSIONAL SERVICES:</u>		
ON-LINE DRAWING EXPENSES	0	8
CONSULTANT SERVICES	68	222
SECURITY SERVICES	12	55
REPAIRS AND MAINTENANCE	11	36
CUSTODIAL SERVICES	6	20
PUBLIC INFORMATION SERVICES	1	7
DIRECTOR EXPENSES	2	11
COMPUTER SOFTWARE COST/MAINT.	37	218
COMPUTER HARDWARE COST/MAINT.	8	23
LEGAL SERVICES	26	27
AUDIT EXPENSES	21	102
OTHER	26	71
	218	800
<u>DEPRECIATION:</u>		
DEPRECIATION EXPENSE	102	393
<u>OTHER GENERAL & ADMINISTRATIVE:</u>		
COMMUNICATIONS/TELEPHONE SERVICES	6	8
OFFICE SUPPLIES & SERVICES	14	63
TRAVEL AND RELATED EXPENSES	35	183
RENT, UTILITIES AND INSURANCE	74	287
A/R COLLECTIONS ALLOWANCE	35	46
OTHER	12	46
	176	633
TOTAL OPERATING EXPENSES	\$2,694	\$9,724
 <u>NON-OPERATING INCOME:</u>		
INTEREST EXPENSE	0	0
INTEREST INCOME	25	82
OTHER INCOME/(LOSS)	7	44
	32	126
TOTAL NON-OPERATING INCOME	\$32	\$126

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

	<u>CURRENT MONTH END</u>	<u>PRIOR MONTH END</u>	<u>PRIOR FISCAL YEAR END</u>
LEASEHOLD IMPROVEMENTS	\$45	\$45	\$45
BUILDINGS	8,109	8,095	8,079
LAND	423	423	423
TRANSPORTATION	1,560	1,532	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>625</u>	<u>560</u>	<u>560</u>
PROPERTY AND EQUIPMENT, GROSS	16,890	16,783	16,466
ACCUMULATED DEPRECIATION	<u>(11,419)</u>	<u>(11,317)</u>	<u>(11,025)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$5,471</u>	<u>\$5,466</u>	<u>\$5,441</u>