

KENTUCKY LOTTERY CORPORATION

FINANCIAL STATEMENTS

JANUARY 2019

MONTH 7 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

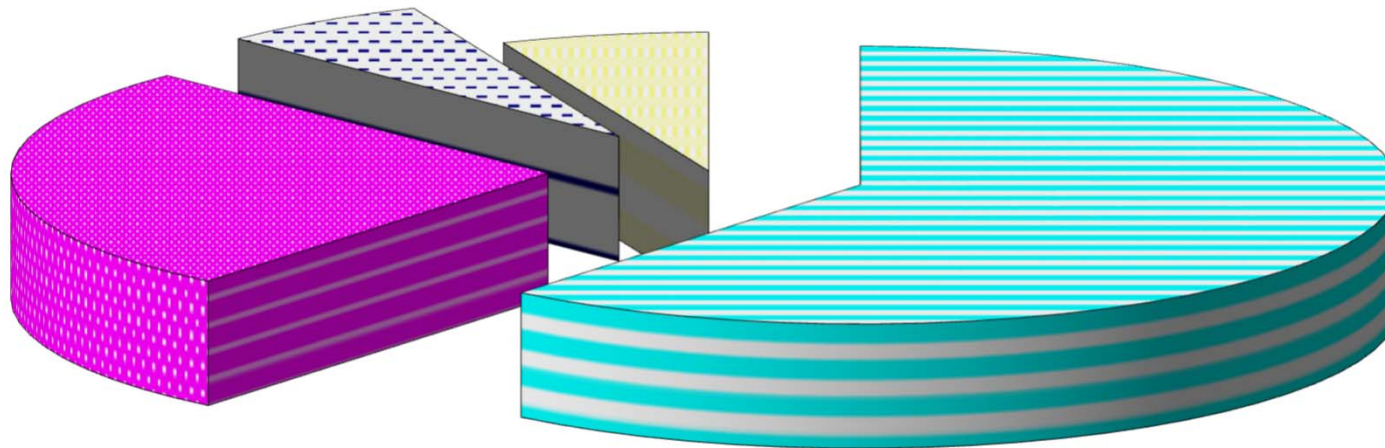
OPERATING EXPENSES

PROPERTY AND EQUIPMENT

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
INCEPTION-TO-DATE SALES AS OF JANUARY 31, 2019  
\$20.061 BILLION**

**\$1.267  
BILLION PAID FOR  
MARKETING & OPERATING  
EXP - 6.3%**

**\$1.255 BILLION PAID TO RETAILERS - 6.2%**



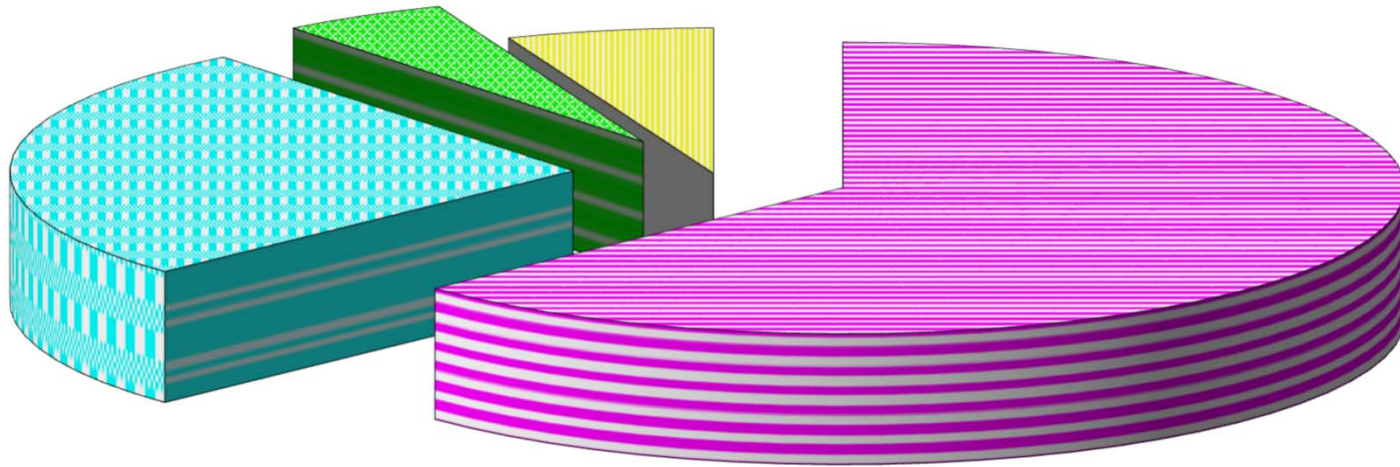
**\$5.327 BILLION  
EARNED FOR THE  
STATE OF KENTUCKY  
- 26.6%**

**\$12.212 BILLION PAID  
TO WINNERS - 60.9%**

**KENTUCKY LOTTERY CORPORATION  
"WHERE THE MONEY GOES"  
YEAR-TO-DATE SALES AS OF JANUARY 31, 2019  
\$633.2 MILLION**

**\$30.1 MILLION PAID FOR  
MARKETING & OPERATING  
EXP - 4.8%**

**\$37.6 MILLION PAID TO RETAILERS - 5.9%**



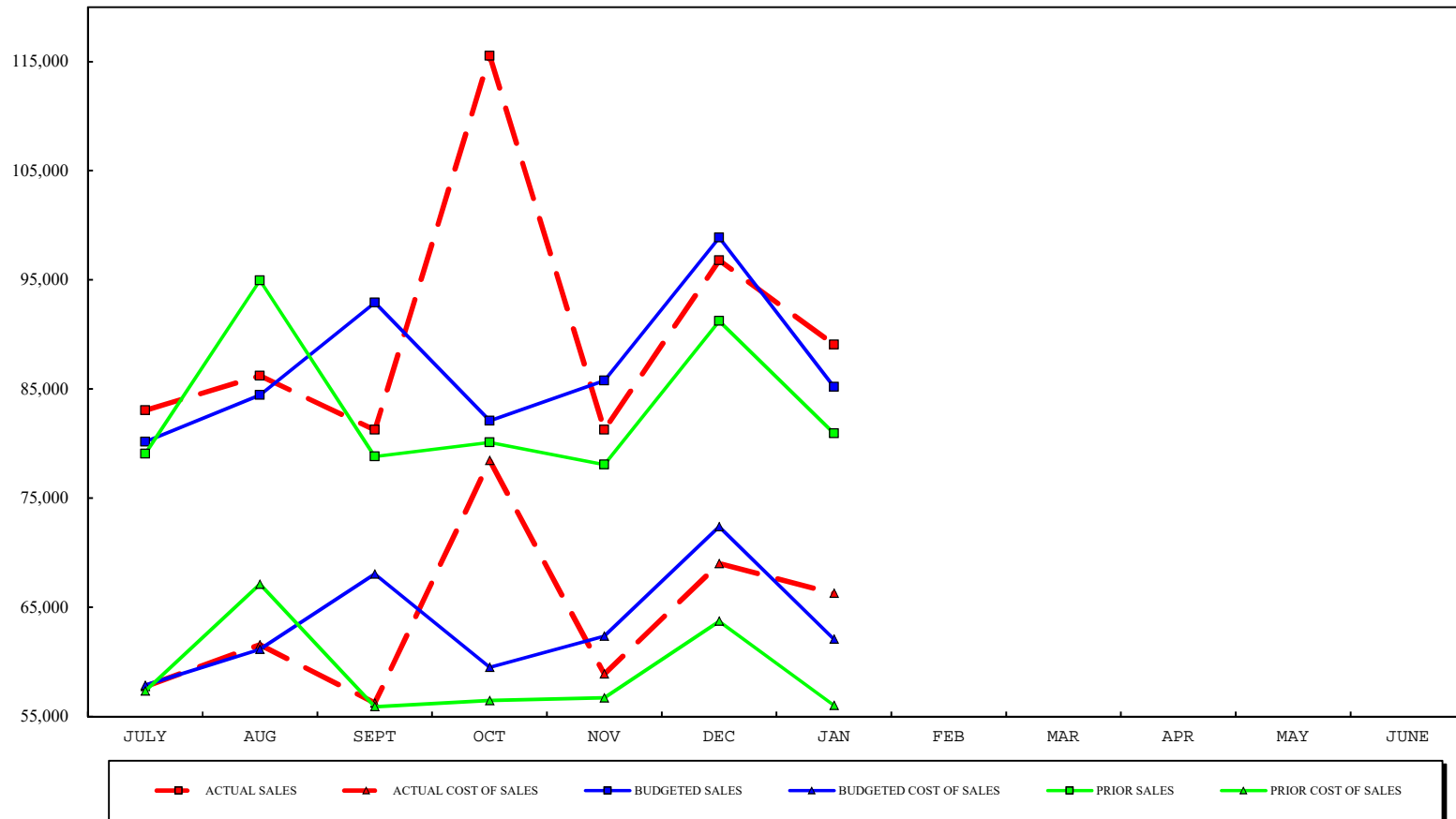
**\$167.4 MILLION  
EARNED FOR THE  
STATE OF  
KENTUCKY - 26.4%**

**\$398.1 MILLION PAID  
TO WINNERS - 62.9%**

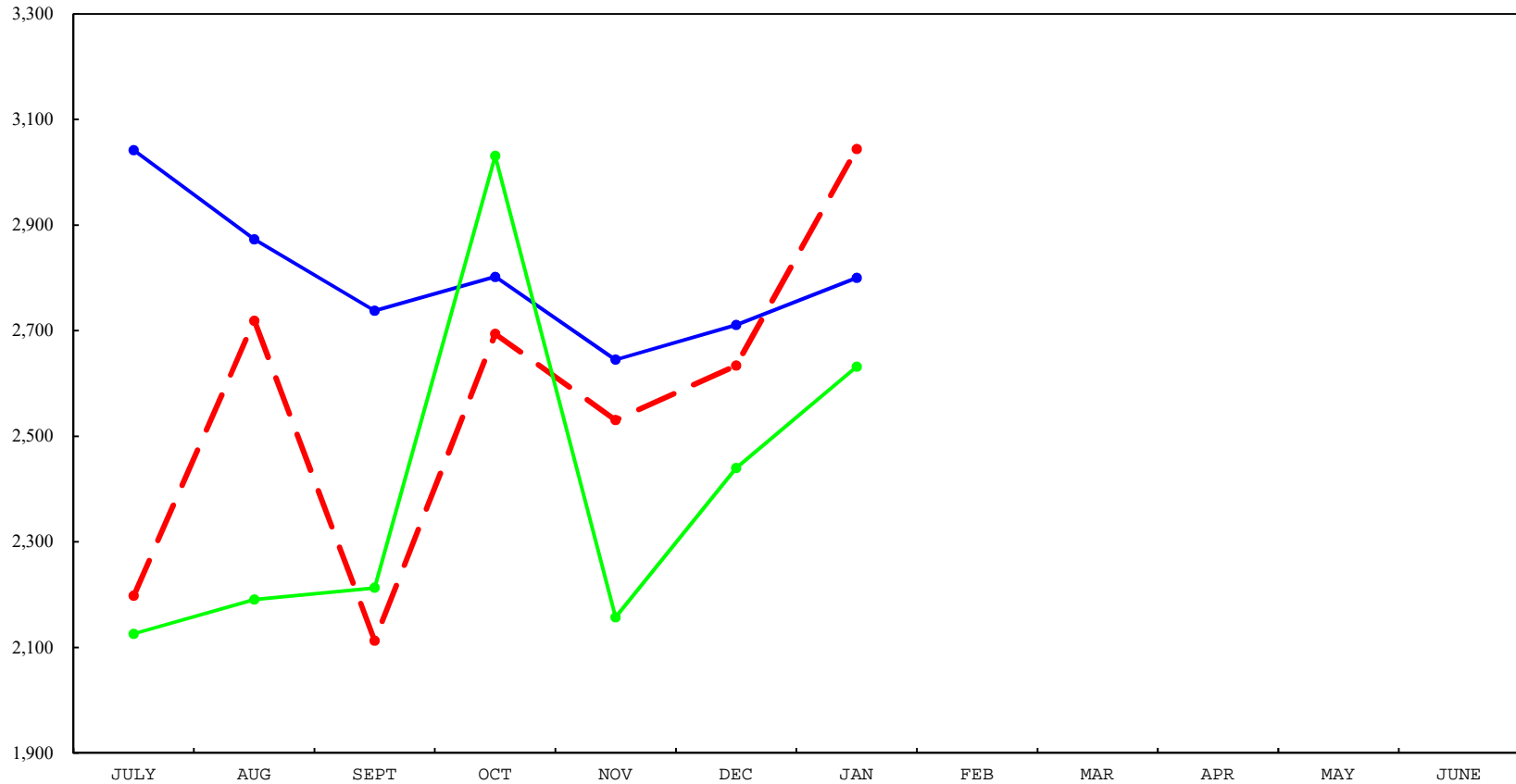
**AMOUNTS ARE SHOWN AS A PERCENTAGE OF SALES.**

**EARNINGS FOR THE STATE OF KENTUCKY ARE USED FOR THE KEES COLLEGE SCHOLARSHIP AND KTG/CAP GRANT PROGRAMS, AS WELL AS THE WORK READY SCHOLARSHIP AND THE DUAL CREDIT SCHOLARSHIP.**

**SALES AND DIRECT COSTS BY MONTH**  
AS OF JANUARY 31, 2019



**OPERATING EXPENSE BY MONTH**  
AS OF JANUARY 31, 2019



—●— ACTUAL OPERATING EXPENSE      —●— BUDGETED OPERATING EXPENSE      —●— PRIOR OPERATING EXPENSE

# **KENTUCKY LOTTERY CORPORATION**

## **FINANCIAL RESULTS**

### **JANUARY 2019**

#### **INCOME STATEMENT**

Ticket sales for January 2019 were \$89.1 million which is \$7.6 million or 9.3% more than the same month of the prior fiscal year. Sales for the year were \$633.3 million which is \$44.1 million or 7.5% more than in the prior fiscal year. Instant ticket sales were \$10.2 million or 23.0% more than the same month of the prior fiscal year, and \$25.7 million or 7.6% more than the prior fiscal year. Draw game sales were \$3.2 million or 8.7% less than the same month of the prior year, and \$15.4 million or 6.3% more than prior fiscal year. iLottery instant play sales were \$574,000 or 57.1% more than the same month of the prior year, and \$3.0 million or 54.7% more than prior fiscal year.

Ticket sales for the month of January were \$3.6 million or 4.2% more than budget. Ticket sales for the fiscal year were \$21.6 million or 3.5% more than budget. Instant ticket sales were \$5.7 million or 11.7% more than budget for the current month, and \$9.3 million or 2.6% more than budget for the fiscal year. Draw game sales were \$2.2 million or 6.3% less than budget for the month, and \$11.7 million or 4.7% more than budget for the fiscal year. iLottery instant play sales were \$154,000 or 10.8% more than budget for the month, and \$698,000 or 9.1% more than budget for the fiscal year.

Prize expenses for January 2019 were 66.4% of total sales, compared to 61.4% in the same month last year and 64.6% budgeted. Combined prize expense for the year was 62.9%, compared to 63.0% last fiscal year and 64.7% budgeted. Instant prize expense for the month was 70.6%, draw game prize expense was 59.0%, and iLottery instant play prize expense was 76.7%. Instant prize expense for the fiscal year was 69.6%, draw game prize expense was 53.1%, and iLottery instant play prize expense was 71.9%.

Operating costs were \$3.0 million for January, compared to \$2.8 million budgeted and \$2.6 million for the same month last year. These costs included advertising and promotions of \$1.1 million, salaries & benefits of \$1.4 million, contracted and professional services of \$224,000, depreciation expense of \$103,000, and other general and administrative costs of \$167,000. Operating costs for the year were \$17.9 million, compared to \$19.6 million budgeted and \$16.8 million prior fiscal year.

Income before transfer of dividends for the current month was \$19.8 million, compared to \$22.3 million for the same month in the prior year and \$20.4 million budgeted. Income before transfer of dividends for the fiscal year was \$167.4 million, compared to \$153.4 million in the prior year and \$146.7 million budgeted.

Dividends of \$19.5 million were transferred to the Commonwealth in January for a total of \$139.0 million for the fiscal year. Additional dividends of \$333,000 were accrued in January for transfer to the KEES Reserve for a total of \$5.3 million for the fiscal year. Transfers to the KEES Reserve will be made quarterly during the fiscal year. All dividends were 22.3% of sales for the month. All dividends were 22.8% of sales for the fiscal year compared to 24.2% of sales in the prior year and 23.7% budgeted.

#### **BALANCE SHEET**

Cash balance decreased to \$33.3 million, which included \$2.8 million restricted for annuity prize payments. Total investments held to pay grand prizes increased to \$10.0 million. Accounts Receivable increased to \$37.2 million. Total assets increased to \$93.5 million.

KENTUCKY LOTTERY CORPORATION  
BALANCE SHEETS  
JANUARY 31, 2019  
(\$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                              | \$30,589                     | \$31,538                   | \$17,682                         |
| CASH - RESTRICTED                                | 2,756                        | 2,912                      | 2,600                            |
| INVESTMENTS, CURRENT PORTION                     | 1,594                        | 1,594                      | 1,859                            |
| ACCOUNTS RECEIVABLE, NET                         | 37,201                       | 35,835                     | 31,628                           |
| OTHER  | 840                          | 662                        | 1,060                            |
| TOTAL CURRENT ASSETS                             | <u>72,980</u>                | <u>72,541</u>              | <u>54,829</u>                    |
| INVESTMENTS, LESS CURRENT PORTION                | 8,422                        | 8,374                      | 8,903                            |
| PROPERTY AND EQUIPMENT, NET                      | 5,968                        | 6,070                      | 5,441                            |
| DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION    | 6,138                        | 6,163                      | 5,182                            |
| TOTAL ASSETS                                     | <u>\$93,508</u>              | <u>\$93,148</u>            | <u>\$74,355</u>                  |
|  |                              |                            |                                  |
| LIABILITIES AND EQUITY:                          |                              |                            |                                  |
| CURRENT LIABILITIES:                             |                              |                            |                                  |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES            | \$8,184                      | \$9,599                    | \$13,248                         |
| ESTIMATED PRIZE LIABILITY, CURRENT PORTION       | 32,716                       | 30,477                     | 30,986                           |
| TOTAL CURRENT LIABILITIES                        | <u>40,900</u>                | <u>40,076</u>              | <u>44,234</u>                    |
| ESTIMATED PRIZE LIABILITY - LESS CURRENT PORTION | 11,286                       | 11,722                     | 11,866                           |
| UNFUNDED GRAND PRIZE LIABILITY                   | 1,109                        | 1,109                      | 1,116                            |
| TOTAL LIABILITIES                                | <u>53,295</u>                | <u>52,907</u>              | <u>57,216</u>                    |
| CONTRIBUTED CAPITAL                              | 100                          | 100                        | 100                              |
| RETAINED EARNINGS                                | 40,113                       | 40,141                     | 17,039                           |
| TOTAL EQUITY                                     | <u>40,213</u>                | <u>40,241</u>              | <u>17,139</u>                    |
| TOTAL LIABILITIES AND EQUITY                     | <u>\$93,508</u>              | <u>\$93,148</u>            | <u>\$74,355</u>                  |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
JANUARY 31, 2019  
(\$000'S)

| MONTH OF JANUARY:                        | VARIANCE                  |                         |                                       |        |
|--|---------------------------|-------------------------|---------------------------------------|--------|
|  | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT BETTER/<br>(WORSE) THAN PRIOR |        |
| <b>SALES:</b>                            |                           |                         |                                       |        |
| INSTANT TICKETS                          | \$54,304                  | \$44,149                | \$10,155                              | 23.0%  |
| DRAW GAMES                               | 33,203                    | 36,370                  | (\$3,167)                             | -8.7%  |
| ILOTTERY INSTANT PLAY                    | 1,580                     | 1,006                   | 574                                   | 57.1%  |
| TICKET SALES                             | 89,087                    | 81,525                  | 7,562                                 | 9.3%   |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (3)                       | (576)                   | 573                                   | -99.5% |
| TOTAL TICKET SALES                       | 89,084                    | 80,949                  | 8,135                                 | 10.0%  |
| <b>DIRECT COSTS:</b>                     |                           |                         |                                       |        |
| <b>PRIZES:</b>                           |                           |                         |                                       |        |
| INSTANT TICKETS                          | 38,331                    | 30,005                  | (8,326)                               | -27.7% |
| DRAW GAMES                               | 19,577                    | 18,925                  | (652)                                 | -3.4%  |
| ILOTTERY INSTANT PLAY                    | 1,212                     | 801                     | (411)                                 | -51.3% |
| TOTAL PRIZES                             | 59,120                    | 49,731                  | (9,389)                               | -18.9% |
| PAYMENTS TO RETAILERS                    | 5,319                     | 4,759                   | (560)                                 | -11.8% |
| DRAW GAMES VENDOR EXPENSE                | 1,098                     | 926                     | (172)                                 | -18.6% |
| INSTANT TICKET COSTS                     | 749                       | 611                     | (138)                                 | -22.6% |
| TOTAL DIRECT COSTS                       | 66,286                    | 56,027                  | (10,259)                              | -18.3% |
| GROSS PROFIT                             | 22,798                    | 24,922                  | (2,124)                               | -8.5%  |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                                       |        |
| ADVERTISING AND PROMOTION                | 1,124                     | 653                     | (471)                                 | -72.1% |
| SALARIES, WAGES & BENEFITS               | 1,426                     | 1,482                   | 56                                    | 3.8%   |
| CONTRACTED & PROFESSIONAL SERVICES       | 224                       | 266                     | 42                                    | 15.8%  |
| DEPRECIATION                             | 103                       | 99                      | (4)                                   | -4.0%  |
| OTHER GENERAL & ADMINISTRATIVE           | 167                       | 132                     | (35)                                  | -26.5% |
| TOTAL OPERATING EXPENSES                 | 3,044                     | 2,632                   | (412)                                 | -15.7% |
| OPERATING INCOME                         | 19,754                    | 22,290                  | (2,536)                               | -11.4% |
| NON-OPERATING INCOME                     | 51                        | 39                      | 12                                    | 30.8%  |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$19,805                  | \$22,329                | (\$2,524)                             | -11.3% |



KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO PRIOR YEAR  
YEAR-TO-DATE THROUGH JANUARY 31, 2019  
(\$000'S)

| SEVEN 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                          | \$364,645                 | \$338,955               | \$25,690                              | 7.6%   |
| DRAW GAMES                               | 260,335                   | 244,907                 | \$15,428                              | 6.3%   |
| ILOTTERY INSTANT PLAY                    | 8,356                     | 5,401                   | 2,955                                 | 54.7%  |
| TICKET SALES                             | 633,336                   | 589,263                 | 44,073                                | 7.5%   |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (109)                     | (6,010)                 | 5,901                                 | -98.2% |
| TOTAL TICKET SALES                       | 633,227                   | 583,253                 | 49,974                                | 8.6%   |
| <b>DIRECT COSTS:</b>                     |                           |                         |                                       |        |
| <b>PRIZES:</b>                           |                           |                         |                                       |        |
| INSTANT TICKETS                          | 253,895                   | 229,640                 | (24,255)                              | -10.6% |
| DRAW GAMES                               | 138,229                   | 133,359                 | (4,870)                               | -3.7%  |
| ILOTTERY INSTANT PLAY                    | 6,009                     | 4,255                   | (1,754)                               | -41.2% |
| TOTAL PRIZES                             | 398,133                   | 367,254                 | (30,879)                              | -8.4%  |
| PAYMENTS TO RETAILERS                    | 37,571                    | 34,888                  | (2,683)                               | -7.7%  |
| DRAW GAMES VENDOR EXPENSE                | 7,886                     | 6,266                   | (1,620)                               | -25.9% |
| INSTANT TICKET COSTS                     | 4,673                     | 4,916                   | 243                                   | 4.9%   |
| TOTAL DIRECT COSTS                       | 448,263                   | 413,324                 | (34,939)                              | -8.5%  |
| GROSS PROFIT                             | 184,964                   | 169,929                 | 15,035                                | 8.8%   |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                                       |        |
| ADVERTISING AND PROMOTION                | 6,302                     | 4,813                   | (1,489)                               | -30.9% |
| SALARIES, WAGES & BENEFITS               | 8,371                     | 8,807                   | 436                                   | 5.0%   |
| CONTRACTED & PROFESSIONAL SERVICES       | 1,417                     | 1,434                   | 17                                    | 1.2%   |
| DEPRECIATION                             | 704                       | 694                     | (10)                                  | -1.4%  |
| OTHER GENERAL & ADMINISTRATIVE           | 1,139                     | 1,042                   | (97)                                  | -9.3%  |
| TOTAL OPERATING EXPENSES                 | 17,933                    | 16,790                  | (1,143)                               | -6.8%  |
| OPERATING INCOME                         | 167,031                   | 153,139                 | 13,892                                | 9.1%   |
| NON-OPERATING INCOME                     | 362                       | 260                     | 102                                   | 39.2%  |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$167,393                 | \$153,399               | \$13,994                              | 9.1%   |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO BUDGET  
JANUARY 31, 2019  
(\$000'S)

| MONTH OF JANUARY:                        | VARIANCE |          |                                       |        |
|--|----------|----------|---------------------------------------|--------|
|  | ACTUAL   | BUDGET   | ACTUAL BETTER/<br>(WORSE) THAN BUDGET |        |
| <b>SALES:</b>                            |          |          |                                       |        |
| INSTANT TICKETS                          | 54,304   | \$48,625 | \$5,679                               | 11.7%  |
| DRAW GAMES                               | 33,203   | 35,428   | (2,225)                               | -6.3%  |
| ILOTTERY INSTANT PLAY                    | 1,580    | 1,426    | 154                                   | 10.8%  |
| TICKET SALES                             | 89,087   | 85,479   | 3,608                                 | 4.2%   |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (3)      | (267)    | 264                                   | -98.9% |
| TOTAL TICKET SALES                       | 89,084   | 85,212   | 3,872                                 | 4.5%   |
| <b>DIRECT COSTS:</b>                     |          |          |                                       |        |
| <b>PRIZES:</b>                           |          |          |                                       |        |
| INSTANT TICKETS                          | 38,331   | 33,933   | (4,398)                               | -13.0% |
| DRAW GAMES                               | 19,577   | 19,999   | 422                                   | 2.1%   |
| ILOTTERY INSTANT PLAY                    | 1,212    | 1,127    | (85)                                  | -7.5%  |
| TOTAL PRIZES                             | 59,120   | 55,059   | (4,061)                               | -7.4%  |
| PAYMENTS TO RETAILERS                    | 5,319    | 5,206    | (113)                                 | -2.2%  |
| DRAW GAMES VENDOR EXPENSE                | 1,098    | 1,069    | (29)                                  | -2.7%  |
| INSTANT TICKET COSTS                     | 749      | 748      | (1)                                   | -0.1%  |
| TOTAL DIRECT COSTS                       | 66,286   | 62,082   | (4,204)                               | -6.8%  |
| GROSS PROFIT                             | 22,798   | 23,130   | (332)                                 | -1.4%  |
| <b>OPERATING EXPENSES:</b>               |          |          |                                       |        |
| ADVERTISING AND PROMOTION                | 1,124    | 958      | (166)                                 | -17.3% |
| SALARIES, WAGES & BENEFITS               | 1,426    | 1,315    | (111)                                 | -8.4%  |
| CONTRACTED & PROFESSIONAL SERVICES       | 224      | 260      | 36                                    | 13.8%  |
| DEPRECIATION                             | 103      | 106      | 3                                     | 2.8%   |
| OTHER GENERAL & ADMINISTRATIVE           | 167      | 161      | (6)                                   | -3.7%  |
| TOTAL OPERATING EXPENSES                 | 3,044    | 2,800    | (244)                                 | -8.7%  |
| OPERATING INCOME                         | 19,754   | 20,330   | (576)                                 | -2.8%  |
| NON-OPERATING INCOME                     | 51       | 39       | 12                                    | 30.8%  |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$19,805 | \$20,369 | (\$564)                               | -2.8%  |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - COMPARISON TO BUDGET  
YEAR-TO-DATE THROUGH JANUARY 31, 2019  
(\$000'S)

| SEVEN MONTHS YEAR TO DATE:               | VARIANCE  |           |                                       |        |
|--|-----------|-----------|---------------------------------------|--------|
|  | ACTUAL    | BUDGET    | ACTUAL BETTER/<br>(WORSE) THAN BUDGET |        |
| <b>SALES:</b>                            |           |           |                                       |        |
| INSTANT TICKETS                          | 364,645   | \$355,365 | \$9,280                               | 2.6%   |
| DRAW GAMES                               | 260,335   | 248,673   | 11,662                                | 4.7%   |
| ILOTTERY INSTANT PLAY                    | 8,356     | 7,658     | 698                                   | 9.1%   |
| TICKET SALES                             | 633,336   | 611,696   | 21,640                                | 3.5%   |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | (109)     | (2,183)   | 2,074                                 | -95.0% |
| TOTAL TICKET SALES                       | 633,227   | 609,513   | 23,714                                | 3.9%   |
| <b>DIRECT COSTS:</b>                     |           |           |                                       |        |
| <b>PRIZES:</b>                           |           |           |                                       |        |
| INSTANT TICKETS                          | 253,895   | 247,916   | (5,979)                               | -2.4%  |
| DRAW GAMES                               | 138,229   | 140,168   | 1,939                                 | 1.4%   |
| ILOTTERY INSTANT PLAY                    | 6,009     | 6,050     | 41                                    | 0.7%   |
| TOTAL PRIZES                             | 398,133   | 394,134   | (3,999)                               | -1.0%  |
| PAYMENTS TO RETAILERS                    | 37,571    | 37,319    | (252)                                 | -0.7%  |
| DRAW GAMES VENDOR EXPENSE                | 7,886     | 7,342     | (544)                                 | -7.4%  |
| INSTANT TICKET COSTS                     | 4,673     | 4,662     | (11)                                  | -0.2%  |
| TOTAL DIRECT COSTS                       | 448,263   | 443,457   | (4,806)                               | -1.1%  |
| GROSS PROFIT                             | 184,964   | 166,056   | 18,908                                | 11.4%  |
| <b>OPERATING EXPENSES:</b>               |           |           |                                       |        |
| ADVERTISING AND PROMOTION                | 6,302     | 7,015     | 713                                   | 10.2%  |
| SALARIES, WAGES & BENEFITS               | 8,371     | 8,751     | 380                                   | 4.3%   |
| CONTRACTED & PROFESSIONAL SERVICES       | 1,417     | 1,788     | 371                                   | 20.7%  |
| DEPRECIATION                             | 704       | 730       | 26                                    | 3.6%   |
| OTHER GENERAL & ADMINISTRATIVE           | 1,139     | 1,327     | 188                                   | 14.2%  |
| TOTAL OPERATING EXPENSES                 | 17,933    | 19,611    | 1,678                                 | 8.6%   |
| OPERATING INCOME                         | 167,031   | 146,445   | 20,586                                | 14.1%  |
| NON-OPERATING INCOME                     | 362       | 272       | 90                                    | 33.1%  |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | \$167,393 | \$146,717 | \$20,676                              | 14.1%  |

KENTUCKY LOTTERY CORPORATION  
STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
JANUARY 31, 2019  
(\$000'S)

| MONTH OF JANUARY:                        | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT<br>YEAR<br>BUDGET |
|--|---------------------------|-------------------------|---------------------------|
| <b>SALES:</b>                            |                           |                         |                           |
| INSTANT TICKETS                          | 61.0%                     | 54.5%                   | 57.1%                     |
| DRAW GAMES                               | 37.3%                     | 44.9%                   | 41.6%                     |
| ILOTTERY INSTANT PLAY                    | 1.8%                      | 1.2%                    | 1.7%                      |
| TICKET SALES                             | 100.1%                    | 100.6%                  | 100.4%                    |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | -0.1%                     | -0.6%                   | -0.4%                     |
| TOTAL TICKET SALES                       | 100.0%                    | 100.0%                  | 100.0%                    |
| <b>DIRECT COSTS:</b>                     |                           |                         |                           |
| <b>PRIZES:</b>                           |                           |                         |                           |
| INSTANT TICKETS                          | 43.0%                     | 37.1%                   | 39.8%                     |
| DRAW GAMES                               | 22.0%                     | 23.3%                   | 23.5%                     |
| ILOTTERY INSTANT PLAY                    | 1.4%                      | 1.0%                    | 1.3%                      |
| TOTAL PRIZES                             | 66.4%                     | 61.4%                   | 64.6%                     |
| PAYMENTS TO RETAILERS                    | 6.0%                      | 5.9%                    | 6.1%                      |
| DRAW GAME VENDOR EXPENSE                 | 1.2%                      | 1.1%                    | 1.3%                      |
| INSTANT TICKET COSTS                     | 0.8%                      | 0.8%                    | 0.9%                      |
| TOTAL DIRECT COSTS                       | 74.4%                     | 69.2%                   | 72.9%                     |
| GROSS PROFIT                             | 25.6%                     | 30.8%                   | 27.1%                     |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                           |
| ADVERTISING AND PROMOTION                | 1.3%                      | 0.8%                    | 1.2%                      |
| SALARIES, WAGES & BENEFITS               | 1.6%                      | 1.8%                    | 1.5%                      |
| CONTRACTED & PROFESSIONAL SERVICES       | 0.3%                      | 0.3%                    | 0.3%                      |
| DEPRECIATION                             | 0.1%                      | 0.1%                    | 0.1%                      |
| OTHER GENERAL & ADMINISTRATIVE           | 0.2%                      | 0.2%                    | 0.2%                      |
| TOTAL OPERATING EXPENSES                 | 3.5%                      | 3.2%                    | 3.3%                      |
| OPERATING INCOME                         | 22.1%                     | 27.6%                   | 23.8%                     |
| NON-OPERATING INCOME                     | 0.1%                      | 0.0%                    | 0.1%                      |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | 22.2%                     | 27.6%                   | 23.9%                     |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF INCOME - PERCENTAGE OF TOTAL SALES  
 YEAR-TO-DATE THROUGH JANUARY 31, 2019  
 (\$000'S)

| SEVEN MONTHS YEAR TO DATE:               | CURRENT<br>YEAR<br>ACTUAL | PRIOR<br>YEAR<br>ACTUAL | CURRENT<br>YEAR<br>BUDGET |
|--|---------------------------|-------------------------|---------------------------|
| <b>SALES:</b>                            |                           |                         |                           |
| INSTANT TICKETS                          | 57.6%                     | 58.1%                   | 58.3%                     |
| DRAW GAMES                               | 41.1%                     | 42.0%                   | 40.8%                     |
| ILOTTERY INSTANT PLAY                    | 1.3%                      | 0.9%                    | 1.3%                      |
| TICKET SALES                             | 100.0%                    | 101.0%                  | 100.4%                    |
| LESS: INSTANT TICKETS PROVIDED AS PRIZES | 0.0%                      | -1.0%                   | -0.4%                     |
| TOTAL TICKET SALES                       | 100.0%                    | 100.0%                  | 100.0%                    |
| <b>DIRECT COSTS:</b>                     |                           |                         |                           |
| <b>PRIZES:</b>                           |                           |                         |                           |
| INSTANT TICKETS                          | 40.1%                     | 39.4%                   | 40.7%                     |
| DRAW GAMES                               | 21.9%                     | 22.9%                   | 23.0%                     |
| ILOTTERY INSTANT PLAY                    | 0.9%                      | 0.7%                    | 1.0%                      |
| TOTAL PRIZES                             | 62.9%                     | 63.0%                   | 64.7%                     |
| PAYMENTS TO RETAILERS                    | 5.9%                      | 6.0%                    | 6.1%                      |
| DRAW GAME VENDOR EXPENSE                 | 1.3%                      | 1.1%                    | 1.2%                      |
| INSTANT TICKET COSTS                     | 0.7%                      | 0.8%                    | 0.8%                      |
| TOTAL DIRECT COSTS                       | 70.8%                     | 70.9%                   | 72.8%                     |
| GROSS PROFIT                             | 29.2%                     | 29.1%                   | 27.2%                     |
| <b>OPERATING EXPENSES:</b>               |                           |                         |                           |
| ADVERTISING AND PROMOTION                | 1.0%                      | 0.8%                    | 1.2%                      |
| SALARIES, WAGES & BENEFITS               | 1.3%                      | 1.5%                    | 1.4%                      |
| CONTRACTED & PROFESSIONAL SERVICES       | 0.3%                      | 0.3%                    | 0.3%                      |
| DEPRECIATION                             | 0.1%                      | 0.1%                    | 0.1%                      |
| OTHER GENERAL & ADMINISTRATIVE           | 0.2%                      | 0.2%                    | 0.2%                      |
| TOTAL OPERATING EXPENSES                 | 2.9%                      | 2.9%                    | 3.2%                      |
| OPERATING INCOME                         | 26.3%                     | 26.2%                   | 24.0%                     |
| NON-OPERATING INCOME                     | 0.1%                      | 0.1%                    | 0.1%                      |
| INCOME BEFORE TRANSFER OF DIVIDENDS      | 26.4%                     | 26.3%                   | 24.1%                     |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF RETAINED EARNINGS  
 JANUARY 31, 2019  
 (\$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 | \$40,141            | \$17,039         | \$27,164          | \$17,039         |
| INCOME BEFORE TRANSFER                    | 19,805              | 167,393          | 22,329            | 153,399          |
| DIVIDENDS - GENERAL FUND & EDUCATION      | (19,500)            | (139,000)        | (19,500)          | (136,000)        |
| DIVIDENDS - KEES RESERVE                  | (333)               | (5,319)          | (697)             | (5,142)          |
| RETAINED EARNINGS-<br>END OF PERIOD       | <u>\$40,113</u>     | <u>\$40,113</u>  | <u>\$29,296</u>   | <u>\$29,296</u>  |

KENTUCKY LOTTERY CORPORATION  
 STATEMENTS OF CASH FLOWS  
 YEAR-TO-DATE THROUGH JANUARY, 2019  
 (\$000'S)

|   | MONTH           | YEAR-TO-DATE     |
|---|-----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:   |                 |                  |
| OPERATING INCOME  | \$19,754        | \$167,031        |
| ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: |                 |                  |
| DEPRECIATION  | 103             | 704              |
| PROVISION FOR LOSSES ON ACCOUNTS RECEIVABLE   | 5               | 80               |
| INCREASE (DECREASE) IN CASH DUE TO CHANGES IN:  |                 |                  |
| ACCOUNTS RECEIVABLE   | (1,371)         | (5,653)          |
| OTHER ASSETS  | (178)           | 220              |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES   | (1,415)         | (5,064)          |
| ESTIMATED PRIZE LIABILITY   | 1,803           | 1,143            |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>  | <b>18,701</b>   | <b>158,461</b>   |
| CASH FLOWS FROM INVESTING ACTIVITIES:   |                 |                  |
| PROCEEDS FROM MATURITIES OR SALE OF INVESTMENTS   | 0               | 1,089            |
| PURCHASE OF INVESTMENTS   | 0               | 0                |
| CHANGE IN INVESTMENTS   | (48)            | (343)            |
| DEPOSITS WITH MULTI-STATE LOTTERY ASSOCIATION   | 25              | (956)            |
| INTEREST INCOME   | 35              | 183              |
| SECURITY LENDING FEES   | 0               | 3                |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <b>12</b>       | <b>(24)</b>      |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:  |                 |                  |
| DIVIDENDS TRANSFERRED/PAYABLE   | (19,833)        | (144,319)        |
| RETAILER APPLICATION AND OTHER NON-OPERATING FEES   | 16              | 90               |
| <b>NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES</b>                                     | <b>(19,817)</b> | <b>(144,229)</b> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:   |                 |                  |
| PURCHASES OF PROPERTY AND EQUIPMENT   | (1)             | (1,231)          |
| PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT  | 0               | 86               |
| 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>(1)</b>      | <b>(1,145)</b>   |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | <b>(1,105)</b>  | <b>13,063</b>    |
| <b>CASH, BEGINNING OF PERIOD</b>  | <b>34,450</b>   | <b>20,282</b>    |
| <b>CASH, END OF PERIOD</b>  | <b>\$33,345</b> | <b>\$33,345</b>  |

KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 MONTH ENDING JANUARY 31, 2019  
 (\$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           | 54,301               | 4,347               | 909                 | 3,636               | 12,207               | 3,085                | 582                | 7,057               | 614               | 0                            | 0                        | 86,738               |
| ILOTTERY                  | <u>0</u>             | <u>118</u>          | <u>54</u>           | <u>0</u>            | <u>0</u>             | <u>96</u>            | <u>0</u>           | <u>454</u>          | <u>44</u>         | <u>1,580</u>                 | <u>0</u>                 | <u>2,346</u>         |
| <b>TOTAL SALES</b>        | <b><u>54,301</u></b> | <b><u>4,465</u></b> | <b><u>963</u></b>   | <b><u>3,636</u></b> | <b><u>12,207</u></b> | <b><u>3,181</u></b>  | <b><u>582</u></b>  | <b><u>7,511</u></b> | <b><u>658</u></b> | <b><u>1,580</u></b>          | <b><u>0</u></b>          | <b><u>89,084</u></b> |
| <b>DIRECT COSTS:</b>      |                      |                     |                     |                     |                      |                      |                    |                     |                   |                              |                          |                      |
| <b>PRIZES WON:</b>        |                      |                     |                     |                     |                      |                      |                    |                     |                   |                              |                          |                      |
| PRIZES AT RETAIL          | 38,331               | 2,195               | 300                 | 1,737               | 8,082                | 1,828                | 348                | 4,662               | 314               | 0                            | 0                        | 57,797               |
| ILOTTERY                  | <u>0</u>             | <u>73</u>           | <u>21</u>           | <u>0</u>            | <u>0</u>             | <u>39</u>            | <u>0</u>           | <u>287</u>          | <u>24</u>         | <u>1,212</u>                 | <u>0</u>                 | <u>1,656</u>         |
| <b>TOTAL PRIZES WON</b>   | <b><u>38,331</u></b> | <b><u>2,268</u></b> | <b><u>321</u></b>   | <b><u>1,737</u></b> | <b><u>8,082</u></b>  | <b><u>1,867</u></b>  | <b><u>348</u></b>  | <b><u>4,949</u></b> | <b><u>338</u></b> | <b><u>1,212</u></b>          | <b><u>0</u></b>          | <b><u>59,453</u></b> |
| UNCLAIMED PRIZE CREDIT    | 0                    | (80)                | (9)                 | (22)                | (81)                 | (87)                 | (7)                | (34)                | (13)              | 0                            | 0                        | (333)                |
| PAYMENTS TO RETAILERS     | 3,483                | 223                 | 50                  | 200                 | 689                  | 157                  | 41                 | 418                 | 38                | 0                            | 20                       | 5,319                |
| ONLINE VENDOR EXPENSE     | 236                  | 79                  | 19                  | 56                  | 188                  | 56                   | 12                 | 168                 | 12                | 76                           | 196                      | 1,098                |
| TICKET COSTS              | <u>749</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>749</u>           |
| <b>TOTAL DIRECT COSTS</b> | <b><u>42,799</u></b> | <b><u>2,490</u></b> | <b><u>381</u></b>   | <b><u>1,971</u></b> | <b><u>8,878</u></b>  | <b><u>1,993</u></b>  | <b><u>394</u></b>  | <b><u>5,501</u></b> | <b><u>375</u></b> | <b><u>1,288</u></b>          | <b><u>216</u></b>        | <b><u>66,286</u></b> |
| <b>GROSS PROFIT</b>       | <b><u>11,502</u></b> | <b><u>1,975</u></b> | <b><u>582</u></b>   | <b><u>1,665</u></b> | <b><u>3,329</u></b>  | <b><u>1,188</u></b>  | <b><u>188</u></b>  | <b><u>2,010</u></b> | <b><u>283</u></b> | <b><u>292</u></b>            | <b><u>(216)</u></b>      | <b><u>22,798</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          | 70.6%               | 50.8%               | 33.3%               | 47.8%               | 66.2%               | 58.7%                | 59.8%               | 65.9%               | 51.4%               | 76.7%                        | 0.0%                     | 66.7%               |
| UNCLAIMED PRIZE CREDIT    | 0.0%                | -1.8%               | -0.9%               | -0.6%               | -0.7%               | -2.7%                | -1.2%               | -0.5%               | -2.0%               | 0.0%                         | 0.0%                     | -0.3%               |
| PAYMENTS TO RETAILERS     | 6.4%                | 5.0%                | 5.2%                | 5.5%                | 5.6%                | 4.9%                 | 7.0%                | 5.6%                | 5.8%                | 0.0%                         | 0.0%                     | 6.0%                |
| ONLINE VENDOR EXPENSE     | 0.4%                | 1.8%                | 2.0%                | 1.5%                | 1.5%                | 1.8%                 | 2.1%                | 2.2%                | 1.8%                | 4.8%                         | 0.0%                     | 1.2%                |
| 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>78.8%</u></b> | <b><u>55.8%</u></b> | <b><u>39.6%</u></b> | <b><u>54.2%</u></b> | <b><u>72.6%</u></b> | <b><u>62.7%</u></b>  | <b><u>67.7%</u></b> | <b><u>73.2%</u></b> | <b><u>57.0%</u></b> | <b><u>81.5%</u></b>          | <b><u>0.0%</u></b>       | <b><u>74.4%</u></b> |
| <b>GROSS PROFIT</b>       | <b><u>21.2%</u></b> | <b><u>44.2%</u></b> | <b><u>60.4%</u></b> | <b><u>45.8%</u></b> | <b><u>27.4%</u></b> | <b><u>37.3%</u></b>  | <b><u>32.3%</u></b> | <b><u>26.8%</u></b> | <b><u>43.0%</u></b> | <b><u>18.5%</u></b>          | <b><u>0.0%</u></b>       | <b><u>25.6%</u></b> |



KENTUCKY LOTTERY CORPORATION  
 PROFIT MARGIN REPORT  
 YEAR TO DATE AS OF JANUARY 31, 2019  
 (\$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        | 364,536        | 40,253           | 6,343               | 25,716        | 85,090        | 44,089               | 4,148              | 45,381        | 4,184        | 0                            | 0                        | 619,740        |
| ILOTTERY               | <u>0</u>       | <u>953</u>       | <u>345</u>          | <u>0</u>      | <u>0</u>      | <u>1,179</u>         | <u>0</u>           | <u>2,387</u>  | <u>267</u>   | <u>8,356</u>                 | <u>0</u>                 | <u>13,487</u>  |
| TOTAL SALES            | <u>364,536</u> | <u>41,206</u>    | <u>6,688</u>        | <u>25,716</u> | <u>85,090</u> | <u>45,268</u>        | <u>4,148</u>       | <u>47,768</u> | <u>4,451</u> | <u>8,356</u>                 | <u>0</u>                 | <u>633,227</u> |
| DIRECT COSTS:          |                |                  |                     |               |               |                      |                    |               |              |                              |                          |                |
| PRIZES WON:            |                |                  |                     |               |               |                      |                    |               |              |                              |                          |                |
| PRIZES AT RETAIL       | 256,859        | 19,902           | 2,493               | 10,634        | 47,681        | 22,105               | 2,771              | 29,572        | 2,323        | 0                            | 0                        | 394,340        |
| ILOTTERY               | <u>0</u>       | <u>485</u>       | <u>342</u>          | <u>0</u>      | <u>0</u>      | <u>575</u>           | <u>0</u>           | <u>1,552</u>  | <u>149</u>   | <u>6,009</u>                 | <u>0</u>                 | <u>9,112</u>   |
| TOTAL PRIZES WON       | <u>256,859</u> | <u>20,387</u>    | <u>2,835</u>        | <u>10,634</u> | <u>47,681</u> | <u>22,680</u>        | <u>2,771</u>       | <u>31,124</u> | <u>2,472</u> | <u>6,009</u>                 | <u>0</u>                 | <u>403,452</u> |
| UNCLAIMED PRIZE CREDIT | (2,964)        | (682)            | (71)                | (294)         | (536)         | (395)                | (44)               | (244)         | (89)         | 0                            | 0                        | (5,319)        |
| PAYMENTS TO RETAILERS  | 23,397         | 2,093            | 349                 | 1,391         | 4,724         | 2,279                | 294                | 2,693         | 234          | 2                            | 115                      | 37,571         |
| ONLINE VENDOR EXPENSE  | 1,595          | 703              | 127                 | 396           | 1,310         | 779                  | 82                 | 954           | 82           | 398                          | 1,460                    | 7,886          |
| TICKET COSTS           | <u>4,673</u>   | <u>0</u>         | <u>0</u>            | <u>0</u>      | <u>0</u>      | <u>0</u>             | <u>0</u>           | <u>0</u>      | <u>0</u>     | <u>0</u>                     | <u>0</u>                 | <u>4,673</u>   |
| TOTAL DIRECT COSTS     | <u>283,560</u> | <u>22,501</u>    | <u>3,240</u>        | <u>12,127</u> | <u>53,179</u> | <u>25,343</u>        | <u>3,103</u>       | <u>34,527</u> | <u>2,699</u> | <u>6,409</u>                 | <u>1,575</u>             | <u>448,263</u> |
| GROSS PROFIT           | <u>80,976</u>  | <u>18,705</u>    | <u>3,448</u>        | <u>13,589</u> | <u>31,911</u> | <u>19,925</u>        | <u>1,045</u>       | <u>13,241</u> | <u>1,752</u> | <u>1,947</u>                 | <u>(1,575)</u>           | <u>184,964</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       | 70.5%          | 49.5%            | 42.4%               | 41.4%         | 56.0%         | 50.1%                | 66.8%              | 65.2%        | 55.5%        | 71.9%                        | 0.0%                     | 63.7%        |
| UNCLAIMED PRIZE CREDIT | -0.9%          | -1.7%            | -1.1%               | -1.1%         | -0.6%         | -0.9%                | -1.1%              | -0.5%        | -2.0%        | 0.0%                         | 0.0%                     | -0.8%        |
| PAYMENTS TO RETAILERS  | 6.4%           | 5.1%             | 5.2%                | 5.4%          | 5.6%          | 5.0%                 | 7.1%               | 5.6%         | 5.3%         | 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%         | 1.8%         | 4.8%                         | 0.0%                     | 1.3%         |
| TICKET COSTS           | <u>1.3%</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>77.7%</u>   | <u>54.6%</u>     | <u>48.4%</u>        | <u>47.2%</u>  | <u>62.5%</u>  | <u>55.9%</u>         | <u>74.8%</u>       | <u>72.3%</u> | <u>60.6%</u> | <u>76.7%</u>                 | <u>0.0%</u>              | <u>70.8%</u> |
| GROSS PROFIT           | <u>22.3%</u>   | <u>45.4%</u>     | <u>51.6%</u>        | <u>52.8%</u>  | <u>37.5%</u>  | <u>44.1%</u>         | <u>25.2%</u>       | <u>27.7%</u> | <u>39.4%</u> | <u>23.3%</u>                 | <u>0.0%</u>              | <u>29.2%</u> |

KENTUCKY LOTTERY CORPORATION  
ADVERTISING AND PROMOTION EXPENSES

MONTH ENDING JANUARY 31, 2019  
(\$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              | 230     | 0         | 0               | 21     | 22     | 0                | 0              | 65   | 0   | 1                        | 8                    | 347   |
| RADIO                   | 75      | 1         | 0               | 0      | 0      | 1                | 0              | 101  | 0   | 0                        | 9                    | 187   |
| PRINT                   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 2                    | 2     |
| BILLBOARD               | 6       | 25        | 0               | 0      | 0      | 25               | 0              | 0    | 0   | 0                        | 0                    | 56    |
| ONLINE                  | 94      | 10        | 0               | 0      | 0      | 10               | 1              | 45   | 0   | 50                       | 0                    | 210   |
| OTHER (TRANSIT, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 0                    | 0     |
| TOTAL MEDIA             | 405     | 36        | 0               | 21     | 22     | 36               | 1              | 211  | 0   | 51                       | 19                   | 802   |
| PRODUCTION              | 46      | (1)       | 0               | 0      | 1      | 0                | 0              | 6    | 0   | 0                        | 34                   | 86    |
| COUPONS & PROMOTIONS    | 0       | 2         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | (1)                      | 91                   | 92    |
| SPECIAL EVENT/GAME SHOW | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 9                    | 9     |
| PREMIUMS                | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 10                   | 10    |
| AGENCY FEES             | (2)     | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 56                   | 54    |
| OTHER (SIGNAGE, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | (1)                      | 72                   | 71    |
| TOTAL                   | 449     | 37        | 0               | 21     | 23     | 36               | 1              | 217  | 0   | 49                       | 291                  | 1,124 |

YEAR-TO-DATE AS OF JANUARY 31, 2019  
(\$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              | 1,418   | 0         | 0               | 73     | 74     | 0                | 54             | 90   | 0   | 1                        | 67                   | 1,777 |
| RADIO                   | 959     | 3         | 0               | 0      | 0      | 3                | 0              | 146  | 0   | 0                        | 30                   | 1,141 |
| PRINT                   | 2       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 17                   | 19    |
| BILLBOARD               | 166     | 181       | 0               | 0      | 0      | 181              | 3              | 0    | 0   | 0                        | 3                    | 534   |
| ONLINE                  | 621     | (2)       | 0               | 2      | 3      | (2)              | 1              | 36   | 0   | 338                      | 47                   | 1,044 |
| OTHER (TRANSIT, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 0                    | 0     |
| TOTAL MEDIA             | 3,166   | 182       | 0               | 75     | 77     | 182              | 58             | 272  | 0   | 339                      | 164                  | 4,515 |
| PRODUCTION              | 195     | 9         | 0               | 0      | (2)    | 12               | 0              | 106  | 0   | 0                        | 457                  | 777   |
| COUPONS & PROMOTIONS    | 2       | 2         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 2                        | 377                  | 383   |
| SPECIAL EVENT/GAME SHOW | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 59                   | 59    |
| PREMIUMS                | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 8    | 0   | 0                        | 122                  | 130   |
| AGENCY FEES             | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 312                  | 312   |
| OTHER (SIGNAGE, ETC.)   | 0       | 0         | 0               | 0      | 0      | 0                | 0              | 0    | 0   | 0                        | 126                  | 126   |
| TOTAL                   | 3,363   | 193       | 0               | 75     | 75     | 194              | 58             | 386  | 0   | 341                      | 1,617                | 6,302 |

KENTUCKY LOTTERY CORPORATION  
 OPERATING EXPENSES  
 JANUARY 31, 2019  
 (\$000'S)

|  | <u>MONTH</u> | <u>YEAR-TO-DATE</u> |
|--|--------------|---------------------|
| ADVERTISING & PROMOTION                        | \$1,124      | \$6,302             |
| <u>SALARIES, WAGES &amp; BENEFITS:</u>         |              |                     |
| SALARIES AND WAGES                             | 1,008        | 6,502               |
| BENEFITS AND TAXES                             | 418          | 1,869               |
|  | 1,426        | 8,371               |
| <u>CONTRACTED &amp; PROFESSIONAL SERVICES:</u> |              |                     |
| ON-LINE DRAWING EXPENSES                       | 3            | 11                  |
| CONSULTANT SERVICES                            | 71           | 451                 |
| SECURITY SERVICES                              | 16           | 88                  |
| REPAIRS AND MAINTENANCE                        | 15           | 76                  |
| CUSTODIAL SERVICES                             | 4            | 32                  |
| PUBLIC INFORMATION SERVICES                    | 3            | 27                  |
| DIRECTOR EXPENSES                              | 3            | 20                  |
| COMPUTER SOFTWARE COST/MAINT.                  | 43           | 297                 |
| COMPUTER HARDWARE COST/MAINT.                  | 11           | 68                  |
| LEGAL SERVICES                                 | 9            | 45                  |
| AUDIT EXPENSES                                 | 23           | 162                 |
| OTHER  | 23           | 140                 |
|  | 224          | 1,417               |
| <u>DEPRECIATION:</u>                           |              |                     |
| DEPRECIATION EXPENSE                           | 103          | 704                 |
| <u>OTHER GENERAL &amp; ADMINISTRATIVE:</u>     |              |                     |
| COMMUNICATIONS/TELEPHONE SERVICES              | 28           | 76                  |
| OFFICE SUPPLIES & SERVICES                     | 25           | 105                 |
| TRAVEL AND RELATED EXPENSES                    | 30           | 315                 |
| RENT, UTILITIES AND INSURANCE                  | 73           | 490                 |
| A/R COLLECTIONS ALLOWANCE                      | 0            | 80                  |
| OTHER  | 11           | 73                  |
|  | 167          | 1,139               |
| <br>   |              |                     |
| TOTAL OPERATING EXPENSES                       | \$3,044      | \$17,933            |
| <br><u>NON-OPERATING INCOME:</u>               |              |                     |
| INTEREST EXPENSE                               | 0            | 0                   |
| INTEREST INCOME                                | 35           | 183                 |
| OTHER INCOME/(LOSS)                            | 16           | 179                 |
|  | \$51         | \$362               |
| TOTAL NON-OPERATING INCOME                     | \$51         | \$362               |

KENTUCKY LOTTERY CORPORATION  
PROPERTY AND EQUIPMENT  
JANUARY 31, 2019  
(\$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                            | 8,178                              | 8,178                            | 8,079                                  |
| LAND                                 | 423                                | 423                              | 423                                    |
| TRANSPORTATION                       | 1,314                              | 1,314                            | 1,264                                  |
| FURNITURE, FIXTURES & EQUIPMENT      | 1,149                              | 1,148                            | 1,138                                  |
| DATA PROCESSING EQUIPMENT & SOFTWARE | 5,692                              | 5,692                            | 4,379                                  |
| INCOMPLETE FIXED ASSETS              | 0                                  | 0                                | 572                                    |
| TELEPHONE & COMMUNICATIONS EQUIPMENT | 24                                 | 24                               | 6                                      |
| DRAWING EQUIPMENT                    | <u>626</u>                         | <u>626</u>                       | <u>560</u>                             |
| PROPERTY AND EQUIPMENT, GROSS        | 17,451                             | 17,450                           | 16,466                                 |
| ACCUMULATED DEPRECIATION             | <u>(11,483)</u>                    | <u>(11,380)</u>                  | <u>(11,025)</u>                        |
| PROPERTY AND EQUIPMENT, NET          | <u>\$5,968</u>                     | <u>\$6,070</u>                   | <u>\$5,441</u>                         |