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Ontario's
Lottery &
Gaming



BUSINESS PLAN FISCAL 2017-18

This document contains forward-looking statements about our expected or potential future business and financial performance. For OLG forward-looking statements include, but are not limited to, statements about possible transformation initiatives; future revenue and profit guidance; and other statements about future events or conditions. Forward-looking statements are not guarantees of future performance and involve risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to the uncertain economic environment; fluctuations in customer demand; foreign currency exchange rates; the outcome of litigations; and changes in government or regulation.

Although such statements are based on Management's current estimates and expectations and currently available competitive, financial and economic data, forward-looking statements are inherently uncertain. The reader is cautioned that a variety of factors could cause business conditions and results to differ materially from what is contained herein. The information contained in this document is current to November 2016.

The following business plan is guided by the direction contained in OLG's Fiscal 2017–18 Business Plan, Annual Budget and Financial Projections, Fiscal 2018–19 to 2020–21, which was approved by the Board of Directors in December 2016 and reviewed by the Ministry of Finance in July 2017.

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Executive Summary

Ontario Lottery and Gaming Corporation (OLG) continues to provide the Ontario government with one of its largest sources of non-tax revenue. The \$2.23 billion Net Profit to Province (NPP) delivered in fiscal 2015–16 was the highest in OLG’s history and went to support provincial priorities such as the operation of hospitals and funding for charitable and not-for-profit organizations. In addition, OLG further supports local economies through the salaries paid to 16,000 direct and indirect employees across the province, \$268.7 million in commissions paid to lottery retailers and \$141.2 million in payments to municipalities and Ontario First Nations that host OLG gaming facilities.

OLG will continue its strong performance while meeting the challenges of transforming for the future. In fiscal 2017–18, OLG will take an important step in defining the path forward to a new OLG. It will mark the beginning of an organization with a vision, mission and set of guiding principles that are supported by strategic priorities focused on executing an effective transformation of the organization. In fiscal 2017–18, the procurement for land-based gaming continues to move forward and OLG expects to complete the RFP process and transition of all gaming sites in the North, Southwest, GTA and Ottawa Gaming Bundles to private sector service providers. The completion of these transactions will represent a major step forward for the organization while enhancing gaming entertainment for our customers. Concurrently, OLG will assess, define and communicate a revised approach to modernize the lottery business to ensure its technology and product solutions are responsive to changing customer needs. Transforming the lottery and gaming business will provide financial and economic benefits to the Province and the people of Ontario. The benefits include a balance between incremental NPP, new full-time and temporary jobs and private sector capital investment incurred for land-based gaming.

Other key aspects of modernization include revitalizing the charitable gaming market, continuing the operation of PlayOLG and integrating horse racing into the provincial gaming strategy. Together with horse racing industry stakeholders, OLG will provide recommendations to the Ontario government on a long-term funding arrangement for consideration. Through our transformation, OLG continues to demonstrate the importance of Responsible Gambling (RG) by launching *PlaySmart*, a new RG program that improves customer engagement and education about how to gamble responsibly. *PlaySmart* builds on OLG’s extensive experience developing and managing programs that reduce problem gambling in the province, and is designed to help all players make smart and informed choices about gambling so that it remains fun and enjoyable in the long term.

The fiscal 2017–18 Business Plan is a significant transformational plan consisting of modernizing initiatives that will help achieve OLG’s goal of generating greater and more sustainable financial benefits for the province. NPP is expected to grow from \$2.23 billion in fiscal 2015–16 to \$2.63 billion in fiscal 2020–21.

As modernization continues over the next few years, OLG will realize its vision to develop world-class gaming entertainment for Ontario in a way that benefits the province, its communities and its people while leading North America in responsible gambling.

Overview of the Corporation

Ontario Lottery and Gaming Corporation (OLG or “the Corporation”) and its contract management companies employ 16,000 people across Ontario. OLG is responsible for 25 gaming sites, the sale of lottery products at approximately 9,600 retail locations, the PlayOLG Internet gaming website, the delivery of electronic gaming products at 31 Charitable Gaming Centres across the province and the integration of horse racing into the provincial gaming strategy.

Classified as an Operational Enterprise Agency of the Province of Ontario, the Corporation is intended to provide gaming entertainment in an efficient and socially responsible manner that maximizes economic benefits for the people of Ontario, related economic sectors and host communities.

The *Ontario Lottery and Gaming Corporation Act, 1999* requires that net revenue from its operations be paid to the Government of Ontario Consolidated Revenue Fund. In fiscal 2015–16, this revenue supported services such as the operation of hospitals, amateur sports and problem gambling prevention, treatment and research. Revenue from these activities is also made available to the Ontario Trillium Foundation by the Government of Ontario for distribution to charitable and not-for-profit organizations. OLG’s Charitable Gaming program also makes direct funding contributions to charitable gaming associations.

See Appendix for information pertaining to OLG’s Governance and Management Structure.

Vision and Mission

In fiscal 2016–17, OLG committed to new Vision and Mission statements that acknowledge the changing environment as a result of its modernization:

- Our **vision** is to develop world-class gaming entertainment for Ontario
- Our **mission** is to generate revenue for the Province; stimulate and enhance economic development; and promote high standards of responsible gambling – all in the best interests of the Province of Ontario

Guiding Principles

To support its new Vision and Mission, OLG adopted the following guiding principles:

- **Innovation** – make innovation a key driver of how we grow
- **Customer Focus** – assess our impact on the customer and their experience in everything we do
- **Policy Shaping** – play a strong role in shaping gaming policy in Ontario and Canada to create growth opportunities
- **Partnerships** – effectively partner with stakeholders, customers, employees and the private sector
- **Responsibility** – foster a healthy, sustainable player base through education, risk reduction and player assistance
- **Economic Stewardship** – drive profitable growth, be cost-conscious, invest efficiently and generate employment opportunities in Ontario

Economic Impact

Since 1975, OLG has provided \$44 billion to the Province and the people of Ontario. OLG's annual payments to the province have helped support the operation of hospitals; problem gambling prevention, treatment and research; amateur sport through the Quest for Gold program; and local and provincial charities through the Ontario Trillium Foundation. In addition to OLG's payments to the province, there are several direct beneficiaries of gaming proceeds, including host municipalities and Ontario First Nations.

OLG operations also contribute to the economy in a number of other ways. In fiscal 2015–16 alone, OLG operations generated \$3.9 billion in total economic activity in Ontario:

Net Profit to the Province¹



This includes:

- \$2.07 billion directed to the operation of hospitals and other provincial priorities
- \$115.0 million directed to the Ontario Trillium Foundation for the benefit of local and provincial charities
- \$38.0 million directed by the Ministry of Health and Long-Term Care for problem gambling prevention, treatment and research²
- \$10.0 million to support amateur athletes through the Quest for Gold program

Support for Local Economies



This includes:

- \$902.0 million to pay OLG's 16,000 direct and indirect employees³ across the province
- \$268.7 million in commissions paid to lottery retailers across Ontario
- \$141.2 million in payments to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres
- \$211.8 million in goods and services purchased from Ontario businesses to support gaming facilities operated by OLG
- \$122.1 million in payments to Ontario First Nations through the Gaming Revenue Sharing and Financial Agreement

Corporate Responsibility



This includes:

- \$15.6 million directed to Responsible Gaming Resource Centres, policy and program development, staff training and self-exclusion capital costs. Together, OLG and the Ministry of Health and Long-Term Care spent **\$53.6 million** on responsible gambling and problem gambling prevention, treatment and research
- \$30.3 million in charitable gaming proceeds distributed to participating local charities
- \$2.5 million dedicated to the sponsorship of community festivals and events.

¹ Net Profit to the Province is the amount the Corporation returns to the Province of Ontario after stakeholder and other payments.

² Based on government policy that directs 2% of forecast OLG slot machine gross revenue to problem gambling funding (excluding slot machine revenue from the Resort Casinos and the Great Blue Heron Casino for fiscal 2015–16)

³ Direct employees are those employed directly by OLG. Indirect employees are those employed by OLG's Resort Casinos and the Great Blue Heron Casino.

OLG Financial Stakeholders

Municipalities

Host municipalities benefit directly from hosting fees, property tax revenue, development fees and the creation of well-paying permanent jobs. As part of the Municipal Contribution Agreements (MCAs), a formula is applied to all municipalities across the Province of Ontario to determine the fee that municipalities receive for hosting an OLG gaming facility.

Municipalities that host a Casino or Slots at Racetracks facility, operated by OLG or a land-based gaming service provider, including the City of Niagara Falls, the City of Windsor and the Mississaugas of Scugog Island First Nation (MSIFN) receive the following commissions as defined in the Municipal Contribution Agreement:

- 5.25 per cent on the first \$65 million of annual electronic games revenue; plus
- 3.0 per cent on the next \$135 million of annual electronic games revenue; plus
- 2.5 per cent on the next \$300 million of annual electronic games revenue; plus
- 0.5 per cent on the remainder of annual electronic games revenue above \$500 million; plus
- 4.0 per cent on live table game revenue, where applicable.

In addition, OLG pays property taxes and makes payments (in lieu of property taxes) where it owns and runs gaming facilities. In fiscal 2015–16, OLG paid \$141.2 million to municipalities and Ontario First Nations that host gaming facilities and Charitable Gaming Centres plus \$305.6 million in provincial and federal taxes (including payments to the Government of Canada).

Retailers

Approximately 9,600 retailers that serve as OLG's primary distribution network for lottery products represent a key stakeholder constituency. Under contract with OLG, lottery retailers receive the following:

- Sales commissions of 5 per cent for Lotto (e.g., LOTTO 6/49, LOTTO MAX) and Sports games (e.g., PRO•LINE) and 8 per cent for INSTANT products (e.g., CROSSWORD and BINGO scratch games)
- Prize redemption fees of 2 per cent for Lotto and Sports games and 3 per cent for INSTANT products.

Horse Racing

The horse racing industry is vital to Ontario's rural communities, providing jobs for thousands of people across the province. Working with the Ontario government, OLG is providing support to help sustain the industry by:

- increasing the public profile of horse racing, via brand development, focused communications and sponsorships
- sharing its expertise and helping the industry adopt its own Responsible Gambling program
- helping to build the capacity and structure needed for self-governance

As announced in the Ontario Budget in February 2016, the government extended support to the horse racing industry, formerly known as the Horse Racing Partnership Funding Program, by two years until March 2021. The extension gives the industry confidence to make investments and business decisions for the coming years.

OLG's new Horse Racing division is supporting race tracks in Ontario by administering government funding for purses and operational costs. In fiscal 2016–17, OLG will distribute approximately \$91 million of government funding to racetracks in Ontario to support close to 950 race dates.

OLG will continue to work with the industry to provide options to the government on a long-term funding arrangement in order to make horse racing more sustainable in Ontario.

Charitable Gaming

OLG continues to work with the charitable gaming industry to revitalize the sector in order to i) support thousands of local level charities and the social benefits that they bring to their communities, ii) drive economic benefits back to local markets and iii) provide a modernized and distinct entertainment experience⁴ to customers across Ontario in a socially responsible manner.

Charitable Gaming stakeholders include the thousands of charities and non-profit agencies, site service providers and municipalities that benefit from bingo centres in Ontario. Under the Charitable Gaming Revitalization's standard agreements with each stakeholder group, charities, site service providers and municipalities receive a commission to deliver services to OLG. Commissions are based on a percentage of adjusted net gaming win (after payment of prizes and applicable marketing expenses). In fiscal 2015–16, \$30.3 million in Charitable Gaming proceeds was distributed to charitable associations, while \$3.6 million was paid to municipalities that hosted a Charitable Gaming Centre.

First Nations

OLG values its relationships with Indigenous Peoples in Ontario. Host communities benefit directly from certain agreements, such as hosting fees, leasing payments, as well as direct and indirect economic development, which includes the creation of jobs.

a) Great Blue Heron Casino

On September 8th, 2016, OLG purchased the assets of an affiliated charitable entity of the Mississaugas of Scugog Island First Nation (MSIFN) and entered into an Amended and Restated Operating Agreement concerning the Great Blue Heron Casino. On the same date, OLG also entered into a long-term Lease Agreement (22+ years), a Contribution Agreement and a Revenue Sharing Agreement, which included the Province of Ontario.

All of these agreements enabled OLG to convert the tables side of the casino operations into a 207(1)(a) business model and enabled the site to be included in the GTA Gaming Bundle. These long-term arrangements enable a future service provider to amortize casino capital investments and focus on improvement and innovations. The cumulative effects of these agreements continue to foster relationships with an important and historical Indigenous gaming partner. They should maintain gaming revenue and OLG net profits from the casino as well as maintain an annual revenue stream for MSIFN.

Commencing in fiscal 2016–17, under the Revenue Share Agreement, MSIFN receives 4 per cent of Great Blue Heron Casino gaming revenue as defined or \$3.9 million annually, whichever is greater.

⁴ Such as the creation of new electronic Charitable Gaming Centres.

b) Casino Rama

The Chippewas of Rama First Nation (RFN) is the host community for Casino Rama under the authority of a 20-year Lease Agreement between OLG and the First Nation.

As the host community for Casino Rama, RFN receives lease payments for office space, warehouse space, parking and other land use and leasehold improvement payments. Annual payments are also made for police and other local services. RFN also receives, on an annual basis, 1.9% of gross revenue from Casino Rama or \$5.5 million annually, whichever is greater.

c) Ontario First Nations Limited Partnership

On February 19, 2008, the Ontario First Nations Limited Partnership and the Ontario First Nations (2008) Limited Partnership ratified a Gaming Revenue Sharing and Financial Agreement (GRSFA) that provides Ontario First Nations with, among other things, an amount equal to 1.7 per cent of gross revenues, as defined in GRSFA, per year commencing fiscal 2011–12. The initial term of the GRSFA is 20 years.

Planning Environment

OLG evaluates a wide number of factors that impact its operating and planning environment. An assessment of OLG's macroeconomic environment indicates a moderately favourable outlook over the medium term.

- **Economic Landscape** – Continued moderate growth in Ontario's economy is expected, averaging 2.2 per cent between 2016 and 2019.
- **Ontario Labour Market** – Ontario's unemployment rate is projected to fall, declining to 6.1 per cent in 2019 as employment outpaces labour force growth.
- **Consumer Spending** – Consumer spending is expected to be supported by gains in employment and wages over the next four years.

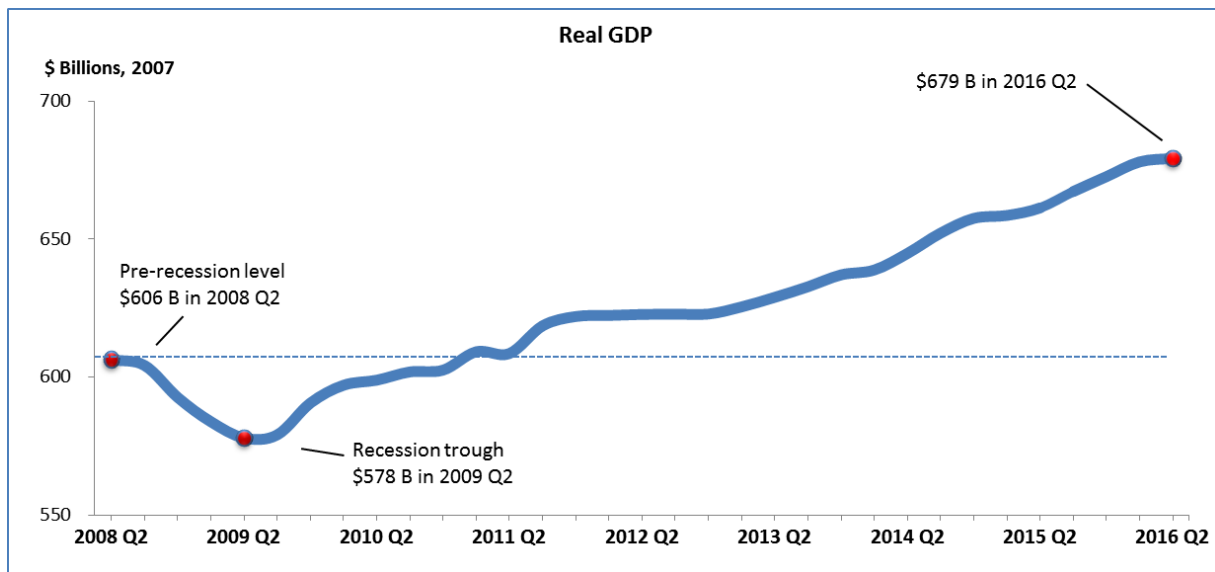
In addition, OLG assesses specific market trends to further inform its planning environment.

- **Lottery market trends** – Despite recent strong performance in Lottery revenue, key underlying market trends indicate moderate growth over the immediate planning period:
 - All Canadian lottery jurisdictions experienced a decline in Lottery revenue in fiscal 2014–15; however, Lottery revenue for OLG grew by 15.8 per cent in fiscal 2015–16.
 - Player participation rates have continued to experience a significant decline over the past decade.
- **Gaming market trends** – A stable and consistent gaming market is expected over the immediate planning period:
 - Similar to OLG, other Canadian and U.S. gaming jurisdictions are experiencing moderate growth.
 - Revenue in U.S. regional gaming markets has seen moderate growth of 1.8 per cent over the previous period
 - **Cross-Border Visitation** – Visits to OLG facilities by U.S. customers are positively influenced by the exchange rate in the short term
 - Competition from the U.S. market remains a significant consideration for OLG's gaming facilities located in regions proximate to the U.S. border
- **Canadian Internet Gaming market trends:**
 - Competition from the grey market operators continues to negatively impact PlayOLG

Economic Landscape

Continued moderate growth in Ontario's economy is expected, averaging 2.2 per cent between 2016 and 2019

Ontario's economy is expected to benefit from economic growth in the United States and significant shifts in key external factors, such as reduced oil prices, a more competitive Canadian dollar and low interest rates. Businesses will therefore be able to capitalize on improving competitiveness.



Source: Ministry of Finance, Ontario Economic Accounts

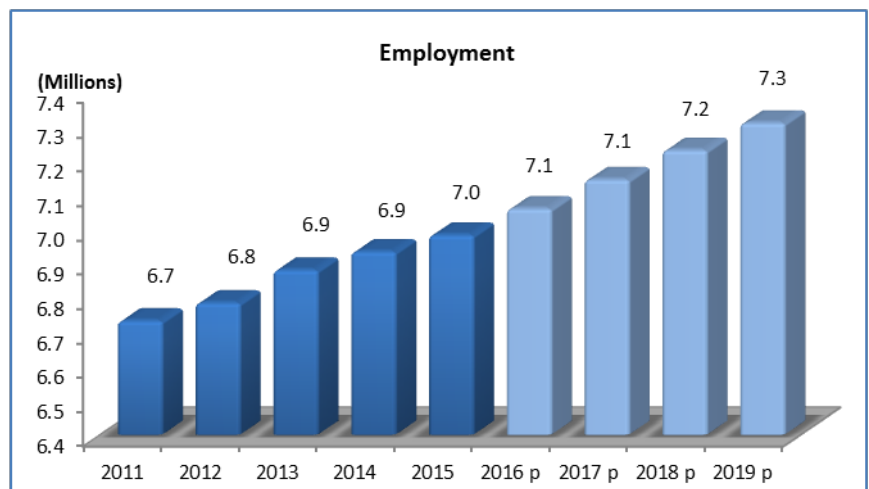
Ontario Labour Market

The unemployment rate is projected to fall to 6.1 per cent in 2019 as employment outpaces labour force growth.

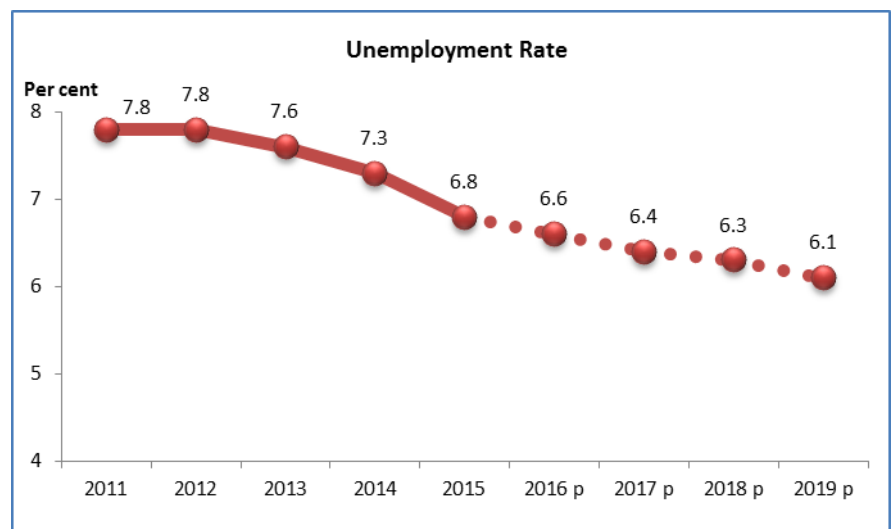
Job growth continues in 2016 due to lower oil prices, a competitive Canadian dollar and a growing U.S. economy.

Most of the net new jobs were in the private sector and in industries paying above-average wages.

Ontario is projected to create more than 300,000 net new jobs by the end of 2019.



Ontario's unemployment rate is projected to decline steadily from an average of 6.6 per cent in 2016 to 6.1 per cent by 2019.⁵



Source: Statistics Canada,
p= Ontario Ministry of Finance planning projection, 2016 Ontario Budget

⁵ Source: Ministry of Finance, 2016 Ontario Budget

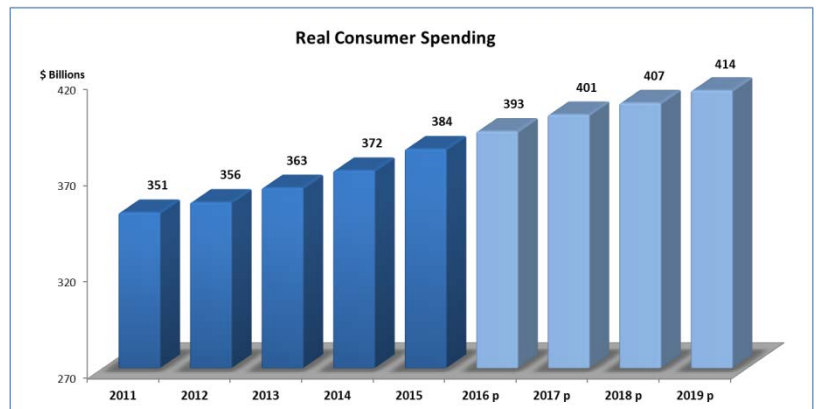
Consumer Spending

Consumer spending is expected to be supported by gains in employment and wages over the next four years.

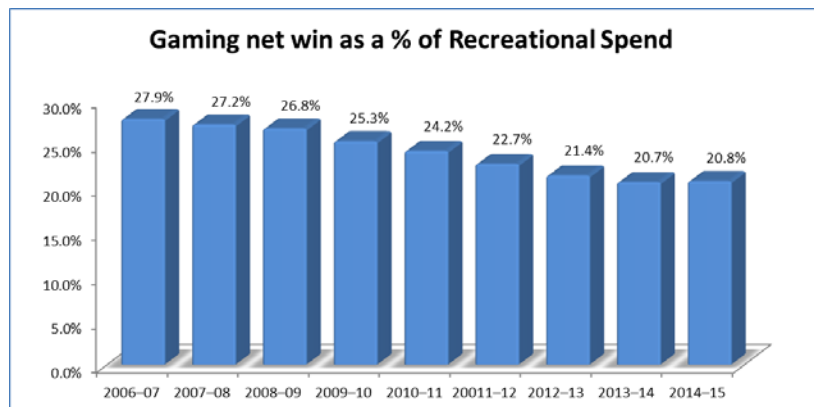
Between 2017 and 2019, moderate gains in consumer spending are expected.

Real consumer spending is expected to increase 2.4 per cent in 2016, 2.2 per cent in 2017, 1.5 per cent in 2018 and 1.6 per cent in 2019.

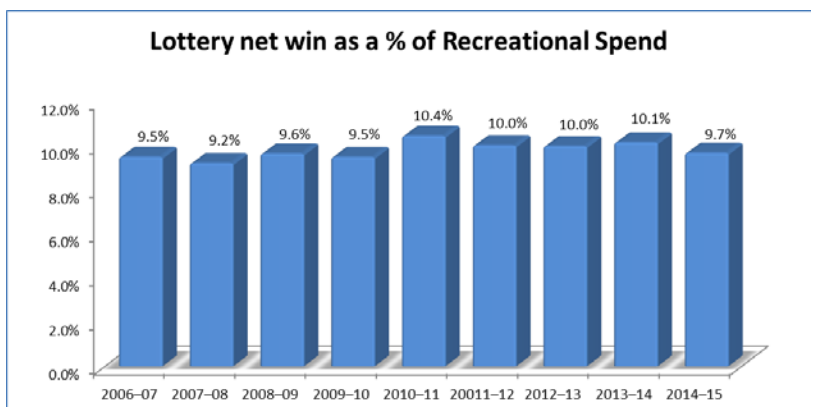
However, consumer spending continues to be increasingly directed toward essential expenditures, such as food, shelter and transportation and decreasingly toward discretionary expenditures such as entertainment.⁶



Gaming as an entertainment option continues to decline in comparison to other competing alternatives (e.g., live entertainment, cable and pay TV). This trend reinforces the need for modernization as service providers are expected to bring new forms of gaming entertainment.



In contrast, and despite a slight decline in fiscal 2014–15, Lottery net win as a percentage of recreational spend has been fairly consistent since fiscal 2010–11.



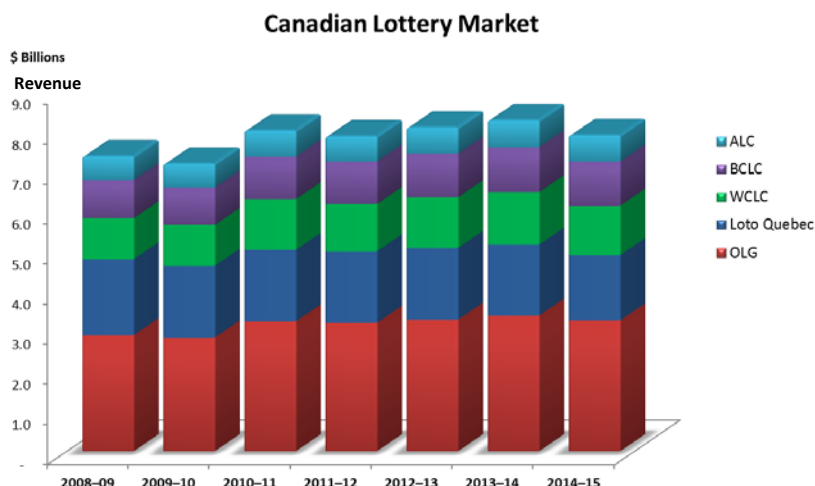
⁶ Statistics Canada, Survey of Household Spending

Lottery Market Trends

All Canadian lottery jurisdictions experienced a decline in their Lottery revenue in fiscal 2014–15; however, Lottery revenue for OLG grew by 15.8 per cent in fiscal 2015–16.

The Canadian lottery market⁷ decreased by 4.5 per cent to approximately \$7.9 billion in fiscal 2014–15, following a 1.9 per cent increase in the previous year.

OLG lottery sales, which account for more than 41 per cent of total lottery sales in Canada, are larger than the combined lottery sales of Atlantic Lottery Corporation (ALC), British Columbia Lottery Corporation (BCLC) and Western Canada Lottery Corporation (WCLC).



Player participation rates have continued a significant decline over the past decade.

	2006—07	2015—16	Change
Adult population (in millions)	9.9	11.1	12%
Current lottery players (in millions)	5.2	5.1	-2%
Player Participation	53%	46%	-7 pts

Player participation rates for Lottery have been experiencing long-term declines. While the adult population has grown by 12 per cent over the past 10 years, growth in the lottery player base has not kept pace, and decreased by two per cent.

Lottery sales are concentrated among core players, with approximately 80 per cent of lottery sales coming from about 20 per cent of the population. While lottery sales have increased from \$2.6 billion in fiscal 2006–07 to \$3.8 billion in fiscal 2015–16, incremental revenues are coming largely from players spending more, corresponding to a 31 per cent increase in average annual spend per capita.

⁷ Interprovincial Lottery Corporation

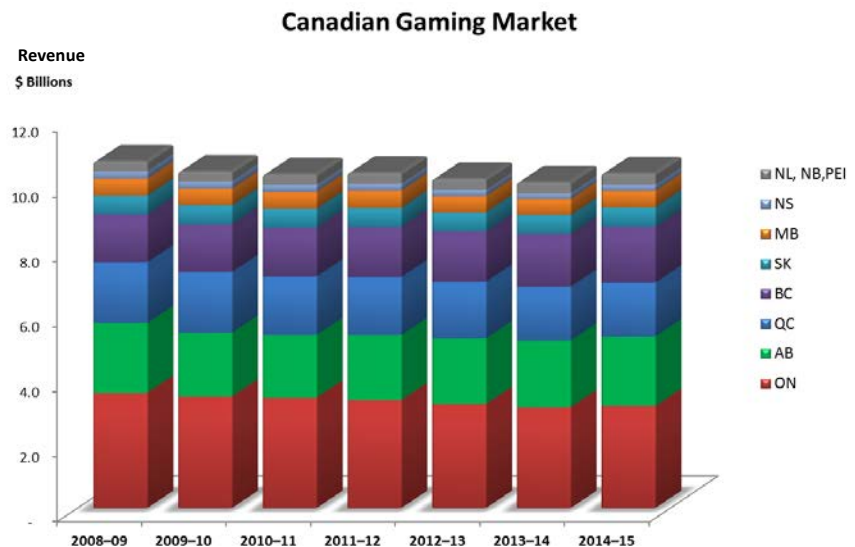
Gaming Market Trends

Similar to OLG, other Canadian and U.S. jurisdictions are experiencing moderate growth.

The Canadian casino-style gaming market increased by 2.7 per cent in fiscal 2014–15 to \$10.3 billion.

The top four Canadian jurisdictions – Ontario, Alberta, Québec and British Columbia – account for 82 per cent of the total Canadian gaming market.

OLG gaming revenue increased by 12.2 per cent in fiscal 2015–16.



Revenue in U.S. regional gaming markets has seen moderate growth of 1.8 per cent over the previous period

Top U.S. Casino Gaming Jurisdictions

U.S. commercial casino gaming revenue grew by 1.8 per cent to \$40.4 billion year over year.

Nevada and Pennsylvania are the top two U.S. jurisdictions with gaming revenue of \$3 billion and more.

	(US\$ Millions)	Oct 2015 - Sept 2016	Oct 2014 - Sept 2015	Growth in %
1	Nevada	\$11 309,1	\$11 082,2	2,0%
2	Pennsylvania	\$3 875,8	\$3 763,7	3,0%
3	Louisiana	\$2 542,0	\$2 640,0	-3,7%
4	New Jersey	\$2 413,0	\$2 428,2	-0,6%
5	New York	\$2 260,6	\$2 186,4	3,4%
6	Indiana	\$2 227,3	\$2 216,6	0,5%
7	Mississippi	\$2 081,6	\$2 073,6	0,4%
8	Ohio	\$1 947,0	\$1 868,2	4,2%
9	Missouri	\$1 719,5	\$1 687,4	1,9%
10	Iowa	\$1 443,4	\$1 422,2	1,5%
11	Illinois	\$1 428,9	\$1 442,1	-0,9%
12	Michigan	\$1 393,4	\$1 367,7	1,9%
13	Maryland	\$1 161,8	\$1 081,4	7,4%
...	Others	\$4 595,5	\$4 438,5	3,5%
US GGR Total		\$40 425,0	\$39 721,3	1,8%

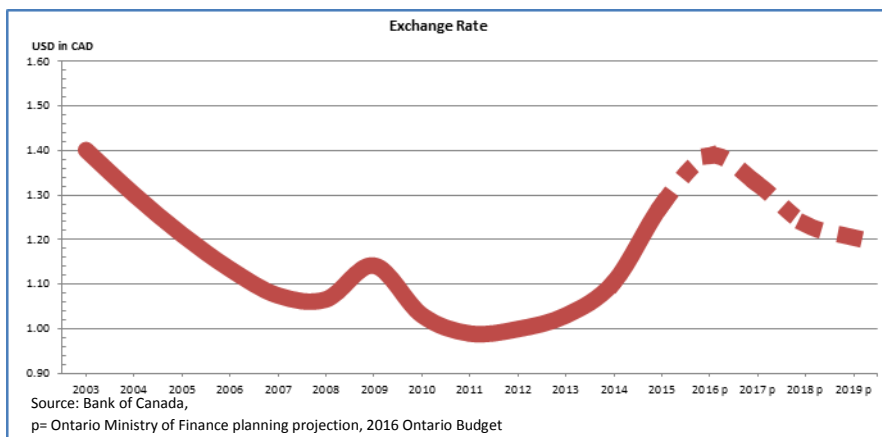
Sources: respective state gaming control board/commission

Cross-Border Visitation

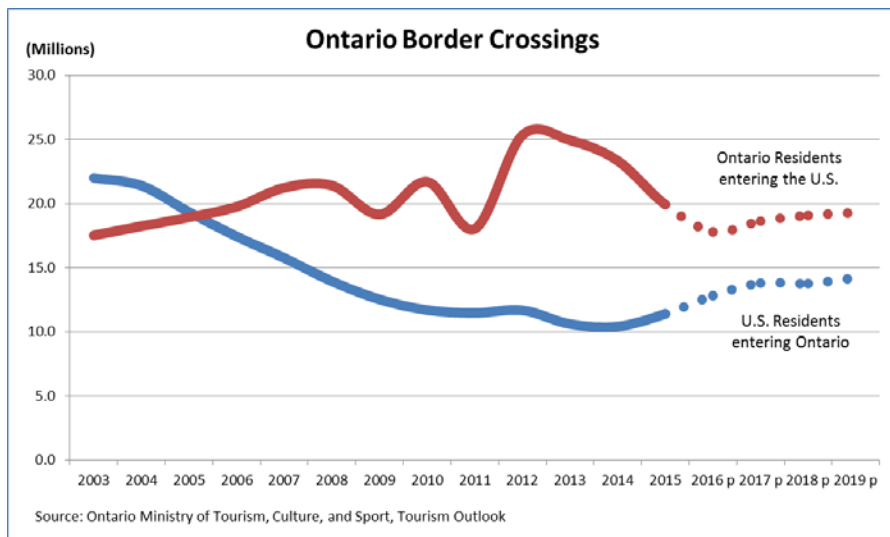
U.S. visitation to OLG facilities is positively influenced by the currency exchange rate in the short term.

Six of OLG's gaming facilities are located in regions proximate to the U.S. border, leaving the Corporation sensitive to variances in both inbound and outbound cross-border traffic.

Over the medium term, the U.S. dollar is expected to remain above parity. In 2016, the USD averaged \$1.32 CAD and then is expected to depreciate gradually to an average of \$1.20 by 2019.



A lower Canadian dollar is expected to drive additional U.S. visitation to OLG gaming facilities. The number of U.S. residents entering Ontario is expected to increase by 10.9 per cent from 2016 to 2019, while the number of Ontario residents entering the U.S. is expected to increase by 8.4 per cent during this same period.



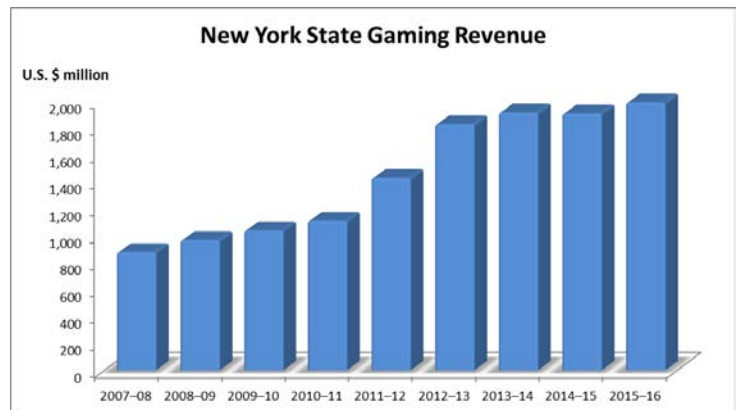
Competition

Competition from the U.S. market remains a significant consideration for OLG's gaming facilities located in regions proximate to the U.S. border

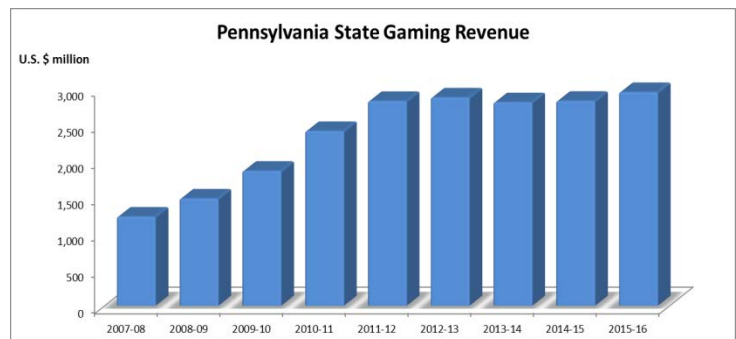
Proximate US Border States

The expansion of gaming in New York State and Pennsylvania continues to place further pressure on OLG's gaming facilities located in regions located in regions proximate to the U.S. border.

The nine New York casinos under the jurisdiction of the New York Lottery have generated more than \$1.99 billion USD in gaming revenue over the period April 2015 to March 2016, representing a 4.3 per cent year-over-year increase.⁸



Pennsylvania is the top gaming market in the northeastern U.S. and the number two state in the U.S. with regard to gaming revenue. This state generated \$2.9 billion USD for the period April 2015 to March 2016 representing a 4.3 per cent year-over-year increase.



⁸ Source: New York Lottery – excludes gaming on reservations

Ontario Internet Gaming Market Trends

Competition from the grey market operators continues to negatively impact PlayOLG.

An estimated 2,000-3,000 grey market websites that are unregulated in Canada are now available to Ontario. Grey market operators⁹ make up most of the Internet gaming market today which is estimated to be up to \$500 million. PlayOLG has captured a market share of approximately 10 per cent with \$49.2 million in revenue in fiscal 2015–16.

As internet usage continues to grow, especially on mobile device, a greater variety of casino games and wagering services will become available online. There are approximately 400,000 active online gamers in Ontario. The majority, estimated to be 72%, continue to exclusively play in the grey market.¹⁰

By fiscal 2020–21, the Internet Gaming market in Ontario is expected to grow by 40 per cent to approximately \$600 million¹¹ under the current business model and regulatory framework. OLG will need to continue to develop its PlayOLG offering to ensure it grows with the market. As announced in the Ontario government's 2016 Budget, Ontario will continue to consult with other provinces and the federal government to determine how best to meet market demand and encourage responsible gambling.

⁹ *Amaya/Poker Stars, Party Gaming, Bet 365, Bodog, William Hill and 888.com.*

¹⁰ *RSG Inc. Market Study 2015*

¹¹ *H2GC, Capital IQ Company Screening Report and OLG Internal Analysis*

Strategic Direction and Implementation Plan

Strategic Direction

OLG's strategic priorities are focused on modernization and executing an effective transformation of the organization:

- **Execute the Land-Based Gaming modernization plan which will enhance gaming entertainment for our customers while maximizing the financial and economic impact to the province.**
- **Develop and implement a revised modernization approach to Lottery that ensures its technology and product solutions are responsive to changing customer needs.**
- **Collaborate with key stakeholders and partners to ensure OLG is positioned for growth and innovation in a responsible manner.**
- **Anticipate and advance developments in the gaming entertainment industry through an enhanced understanding of our customer.**
- **Introduce cultural reform to actively manage the business for long-term success.**

Once modernization is complete, OLG will be a leaner, more focused organization, continuing to be responsible for the conduct and management of its existing business lines, while the day-to-day delivery of land-based gaming will shift to service providers and other partnerships across its existing business lines will be developed.

Throughout this multi-year effort, the goal has remained consistent: to be a modern, efficient organization operating in the best interests of Ontarians. At the same time, OLG continues to operate its core businesses and generate revenue for the province.

OLG remains one of the largest annual sources of non-tax revenue for the Government of Ontario, providing approximately \$2.2 billion.

The Path Forward to a Modern OLG

Transforming the business will provide financial and economic benefit to the Province and the people of Ontario. The benefits include incremental Net Profit to the Province, new full-time and temporary jobs and private sector capital investment.

OLG designed its modernization to deliver higher and more sustainable revenue to government within a framework of responsible gambling. It is a plan to transform virtually all aspects of the business model while maintaining the legal obligations to conduct and manage gaming.

OLG's modernization continues to evolve since it was first launched. It now includes the integration of horse racing into the provincial gaming strategy and a revised approach to Lottery given the cancellation of the procurement process in September 2016.

Modernization as of Today

Significant progress continues under land-based gaming modernization. Fiscal 2015–16 included the successful transfer of day-to-day operations and assets within the East Gaming Bundle to a new service provider, Ontario Gaming East Limited Partnership (OGELP). This has resulted in the development of a new gaming facility in Belleville – the 25th gaming facility for OLG. Fiscal 2016–17 included the release and execution of multiple RFPs – including the Niagara Falls Entertainment Centre and the North, Southwest, GTA, Ottawa and GTA West Gaming Bundles.

In September 2016, OLG cancelled the RFP for Lottery in favour of a revised modernization approach. OLG's focus will remain on maintaining and increasing revenue within a framework of responsible gambling and the public interest.

OLG is also revitalizing the charitable gaming industry with the creation of new Charitable Gaming Centres across Ontario. In fiscal 2015–16, \$30.3 million in charitable gaming proceeds was distributed to approximately 1,800 participating local charities through this initiative. OLG is currently working with the industry to define a more sustainable business model that benefits all stakeholders and the shareholder.

OLG is working with the Government of Ontario and the horse racing industry to integrate horse racing into the provincial gaming strategy. Integration is part of OLG's modernization and is included in the Corporation's mandate from government. By building the foundation for industry-led success, OLG and the government are creating a more sustainable future for horse racing in Ontario.

As modernization rolls out over the next few years, OLG will realize its vision to develop world-class gaming entertainment for Ontario in a way that benefits the province, its communities and its people while leading North America in responsible gambling.

Overview of Key Initiatives

The following section provides an overview of the key initiatives to achieve the strategic priorities of OLG's modernization. Together, these initiatives will transform OLG into an organization that more efficiently conducts and manages a multi-channelled gaming industry in Ontario, including dynamic Lottery, Gaming, Internet and Charitable Gaming businesses while integrating horse racing into the provincial gaming strategy.

Strategic Procurement for Land-Based Gaming Sites

OLG continues the RFP process for land-based gaming. In order to do so, OLG is following all government protocols for public procurement.

The process has been designed to be fair, open and transparent to all proponents. Accordingly, OLG has engaged an impartial Fairness Monitor and an independent Fairness Advisor to advise throughout the process and provide oversight on the integrity and fairness of the procurement.

The procurement is divided into geographically based Gaming Bundles within which there are designated gaming zones. Twenty-nine Ontario gaming zones identified by OLG are currently in the procurement process and have been grouped into eight Gaming Bundles, each representing a separate bidding opportunity. Gaming Bundles are intended to create opportunities for qualified land-based gaming service providers to be more efficient by operating multiple facilities in a designated region.

OLG made significant progress on its procurement process in fiscal 2016–17 by:

- issuing the RFP for the Niagara Falls Entertainment Centre (June 2016);
- issuing RFPs for the West GTA and Ottawa Gaming Bundles (October 2016);
- issuing the RFPQ for the Niagara Gaming Bundle (October 2016);
- completing the RFP process for the North and Southwest Gaming Bundles (December 2016).

In fiscal 2017–18, OLG is expecting to complete the RFP process and transition of all gaming sites in the North, Southwest, GTA and Ottawa Gaming Bundles to public sector service providers. OLG is well positioned for the transition of these gaming sites given the experience gained in the successful transition of the East Gaming bundle.

OLG is also expecting to complete the RFP process for the Niagara Falls Entertainment Centre. The completion of these transactions will represent a major step forward for the organization while enhancing gaming entertainment for customers. In addition, OLG will continue to progress the West GTA, Central and Niagara Gaming Bundle procurement process to completion in the following fiscal year.

Modernization of the Lottery Business

In September 2016, OLG cancelled the RFP for Lottery in favour of a revised modernization approach. After a period of due diligence and consultation with globally experienced proponents, OLG has determined that the transition of the lottery business to a single service provider would not provide sufficient value for the Province. Rather, OLG will seek to enhance its capabilities in technology and innovation through partnerships with the private sector. In the meantime, it is business as usual. OLG will continue to operate the Lottery business. Customers and retailers will see no change in service.

In fiscal 2017–18, OLG will assess, define and communicate a revised approach to modernize the Lottery business to ensure its technology and product solutions are responsive to changing customer needs while maintaining long-term growth. The approach will be determined by the results of a comprehensive assessment of OLG's technology platform, distribution channels and product development in order to ensure that OLG is equipped with the right tools to make agile and flexible business decisions. Partnerships with the private sector are expected to unlock opportunities to create greater value for Ontario.

Internet Gaming (iGaming) Program

PlayOLG was launched province-wide on January 8, 2015. The current product portfolio is made up of slot and table games, and select Lotto games (i.e., LOTTO MAX, LOTTO 6/49 and ENCORE). The number of customers and weekly revenues have grown steadily since the launch as awareness and trial of the site have increased.

Continued growth will occur through the introduction of new products (e.g., poker and progressive slot games), a new platform (i.e., mobile), new game suppliers and an expanding player base.

The PlayOLG brand is focused on new players for OLG: those who are interested in playing online but have security concerns and those who play on grey market sites because, up until now, there has not been a regulated alternative. In both situations players are cautious. So while growth in this area has been steady, it is at rate slower than originally forecast.

Charitable Gaming Revitalization Program

OLG conducts and manages 31 Charitable Gaming Centres across Ontario. To fulfill the mandate of revitalizing an industry that supports thousands of local charities and the benefits they bring to their communities across Ontario, OLG has the following key goals:

- stabilize and grow the primary source of funding for close to 1,800 charities to sustain the social benefits they provide to communities across Ontario
- drive economic benefits into communities
- deliver a customer entertainment experience that is different from other forms of gaming by modernizing the products and services offered
- communicate the positive impacts the program has on charities in local host communities.

OLG continues to focus on achieving the objectives for all stakeholders while working with the industry to review the current business model to address a number of sector challenges in order to support long-term sustainability and responsible growth.

Horse Racing

Ontario's horse racing industry provides jobs for thousands of people across the province and is an important part of Ontario's heritage. By building the foundation for industry-led success, OLG and the government are helping to create a more sustainable future for horse racing in Ontario.

OLG is providing provincial support to assist the industry by:

- helping to build the industry capacity and structure needed for self-governance
- increasing the public profile of horse racing via brand building and focused communications and sponsorships
- sharing its expertise and helping the industry adopt its own Responsible Gambling program
- administering the Transfer Payment Agreements with racetracks.

As announced in the Ontario Budget in February 2016, the government extended support to the horse racing industry, formerly known as the Horse Racing Partnership Funding Program, by two years. The extension will provide up to \$100 million annually to the industry until March 2021.

Together with industry stakeholders, OLG will provide recommendations to the Ontario government on a long-term funding arrangement for consideration. With Woodbine Entertainment Group and Ontario Racing, OLG is working on the establishment of a province-wide Racetrack Alliance with a Board of Directors that is representative of all horse breeds and all levels of racetrack. OLG is also supporting the efforts of Ontario Racing to engage with industry stakeholders regarding this new funding arrangement.

On April 1, 2016, OLG assumed administrative responsibility for the Transfer Payment Agreements the government has with racetracks across the province. In 2016–17, OLG will distribute approximately \$91 million to support close to 950 race dates.

Responsible Gambling

OLG has a statutory, regulatory and policy mandate to make Responsible Gambling (RG) a core business priority. OLG's RG program aims to reduce the incidence of problem gambling through prevention efforts and to mitigate harm to those who may have developed a problem by providing a gateway to support services and community resources. To this end, OLG works formally with government and independent agencies to provide information and tools to help customers make informed gambling decisions. The enterprise-wide program encompasses customer education, customer assistance, Self-Exclusion, employee engagement and training, policy development, standards compliance and stakeholder relations.

The Ontario government contributes to the broader problem gambling strategy by allocating two per cent of forecast slot machine gross revenue (excluding Resort Casinos and the Great Blue Heron Casino) to the Ministry of Health and Long-Term Care (MOHLTC) so that it may administer Ontario's RG program and support problem gambling prevention, treatment and research. Ontario's RG program is one of the best funded in North America; in fiscal 2015–16, the Province of Ontario allocated \$38 million of OLG revenues to the MOHLTC for these purposes. Since fiscal 2003–04, this amounted to approximately \$482 million. In addition to these funds, OLG invested more than \$15.6 million in fiscal 2015–16 on its own internal RG program and has spent approximately \$127 million since fiscal 2005–06.

OLG's RG program benefits from formal collaborations with independent experts who are international leaders in problem gambling research, counselling and education. These groups include the Responsible Gambling Council, Gambling Research Exchange Ontario, the Centre for Addiction and Mental Health (CAMH) and the Ontario Problem Gambling Helpline.

Since 2006, all OLG employees receive responsible gambling training to deliver on the commitments outlined in the OLG Responsible Gambling Code of Conduct. OLG collaborates with CAMH to provide relevant and practical training to gaming employees on how to recognize and respond to red flag behaviours.

OLG works to evolve its RG program through evidence-based research and emerging best practices and to build knowledge on how to best support customers by gathering and using data strategically. OLG benchmarks its program and tracks its progress year over year. Objectives and program reporting are based on measures for player/public awareness, factual gambling knowledge, player behaviour outcomes, employee confidence and performance and public opinion outcomes.

In fiscal 2014–15, OLG was recognized by the World Lottery Association (WLA) for Best Overall Responsible Gambling Program from among 44 eligible global lottery and gaming operators. This prestigious award was paired with the WLA's reaccreditation of OLG's RG program at Level 4, an achievement originally earned in 2011 and the highest and only level at which WLA members become eligible for the award. OLG will resubmit for WLA accreditation in 2017.

As of April 2014, all OLG gaming sites, as well as Caesars Windsor and Casino Rama, were accredited by RG Check, a third-party standard that represents the most refined and detailed assessment of slot and casino facilities in the world. Accreditation must be renewed every three years. Seven OLG gaming sites and Caesars Windsor have completed the reaccreditation process. Four additional OLG gaming sites and the two gaming sites operated by a land-based gaming service provider are currently engaged in reaccreditation. In November 2015, Great Blue Heron Casino obtained accreditation for the first time.

In February 2016, PlayOLG received RG Check accreditation for Internet Gaming, a standard adapted from the land-based program and reflective of the same level of rigour. PlayOLG is one of the first websites in the world to receive this recognition.

Drawing from best practices across Canada and the world, OLG has embedded RG and safe play mechanisms into all aspects of the PlayOLG website. The platform provides direct links to register for Self-Exclusion and to customer support services. Sophisticated third-party age and identity verification technology has been integrated into the registration process to limit unauthorized access to the website.

In June 2015, OLG piloted a new RG pre-commitment tool at Slots at Georgian Downs. *My PlaySmart* is featured as part of the new Gaming Management System (GMS), allowing slot customers to make pre-commitments on limits on their time and money spent gambling, enabling them to monitor and assess their play and adopt safe gambling habits. *My PlaySmart* will be implemented at gaming sites in each Gaming Bundle as day-to-day operations are transferred to land-based gaming service providers. The timing of each implementation will be outlined in the contract between OLG and the respective service provider for each Gaming Bundle.

My PlaySmart was the first initiative under the new *PlaySmart* gambling education program, which launched with a full media campaign in February 2016, officially replacing the former *It Pays to Know* brand. *PlaySmart* builds on OLG's extensive experience in developing and managing programs that reduce problem gambling in the province and is designed to help all players make smart and informed choices about gambling so that it remains fun and enjoyable over the long term. Since launch, a number of educational initiatives have been launched under the *PlaySmart* banner, including:

- media campaigns to increase awareness of the *PlaySmart* program and offerings
- Slot Classification Systems to help players choose which machines they prefer to play. This system was developed in collaboration with researchers from the University of Waterloo
- educational marketing campaigns to further deepen RG integration within OLG's lines of business
- live gambling education demonstrations at community events throughout Ontario
- educational messaging on automatic banking machines at gaming sites. This messaging was developed in collaboration with Credit Canada Debt Solutions, a non-profit credit counselling agency

As part of its mandate to integrate horse racing into the provincial gaming strategy, OLG is also assisting the horse racing industry implement a RG strategy. OLG has consulted extensively with the industry, documented existing practices across Ontario and identified what opportunities might exist for future enhancements. Consistent with its legislative mandate, OLG will work with the industry over the coming years to implement the opportunities accepted by the industry.

Risk Management

OLG is exposed to diverse risks that could adversely impact financial and non-financial business objectives related to its strategic priorities. OLG has a formal Enterprise Risk Management program (ERM) in place to support Management in identifying, assessing and managing risks – including strategic risks, governance risks (including compliance risk), operational risks, IT risks and workforce risks. ERM delivers a robust and consistent approach aligned with ISO 31000 and in conformity with the Ontario Public Service (OPS) risk management guidelines and requirements.

The board, through its Audit and Risk Management Committee (ARMC), provides oversight for the risk management program. The ARMC receives quarterly reports on top risks, newly emerging risks and mitigation and/or response plans to address these risks. The CEO has ultimate accountability for risk management supported by Management and ERM. This group of individuals reviews risk information on a quarterly basis and takes additional actions if required to mitigate risks to acceptable levels. OLG's modernization has dedicated ERM resources to help Management ensure that all program components are risk assessed and mitigated on an ongoing basis.

Risks that are outside of OLG's ability to control, such as environmental risks like pandemics and extreme weather events, are mitigated by response plans which are regularly reviewed and updated by Management. OLG also maintains insurance policies to mitigate the impact of losses from the operation or failure of assets.

Top Risks

The following four top risks have been identified:

1. Ability to Maintain and Grow Revenue

In land-based and Internet gaming, OLG's ability to maintain and grow revenue is challenged by competitive pressures. Some land-based gaming sites are in sub-optimal locations, too far from population density and Internet gaming is challenged by ongoing grey market play. The lottery business is challenged by a decreasing customer base and limited distribution channels. OLG's modernization addresses this risk by introducing private sector investment and innovation while protecting and increasing OLG's contribution to the province:

- Modernization is a multi-year transformative program which will require adjustments to both outcomes and processes as the transformation unfolds. The program is being administered through project management, risk management and spending management disciplines to ensure that adjustments are fully considered, assessed and then incorporated into the program.
- There is regular consultation with the government to enable OLG to adjust to changing policy direction.
- OLG works with its regulator, the Alcohol and Gaming Commission of Ontario (AGCO), and with the Ministry of Finance to ensure timelines are feasible for approvals.
- There is close collaboration with external stakeholders, including the horse racing industry, charitable gaming industry and municipalities that have a gaming site within their jurisdictions.
- The private sector is engaged to ensure that both their interests and those of OLG are understood and aligned.

This plan may be further impacted by the following risk factors:

- the revised modernization approach for Lottery
- delays to modernization due to complexity and stakeholder engagement
- market fatigue due to changes in economic conditions
- further cost reduction pressures

2. Regulatory Compliance

OLG's main regulator is the AGCO, which regulates gaming in the Province of Ontario. OLG is subject to federal anti-money laundering and anti-terrorist financing laws and regulations, pursuant to which OLG reports certain transactions conducted in its gaming businesses to the Financial Transactions and Reports Analysis Centre of Canada. OLG also complies with many other laws and regulations that govern the businesses that it conducts and manages.

OLG is adjusting its regulatory compliance oversight to reflect the transfer of the operation of businesses to service providers, as part of OLG's modernization.

OLG is managing this risk through:

- an Enterprise Compliance Framework structured to provide reasonable assurance that the processes and systems of OLG and its service providers are designed to prevent and detect regulatory breaches and maintain operations within an acceptable level of risk
- a Corporate Compliance Department staffed by professionals with expertise to effectively challenge and monitor OLG and service provider operations
- regular reporting to executive management and the ARMC on significant issues and the state of regulatory compliance
- continued cooperation with OLG's regulators
- the coordination of compliance programs with OLG's methodology for managing service providers' obligations

3. Information Technology (IT) and Infrastructure

OLG must ensure that, while supporting modernization, its systems continue to sustain and develop core business and that access to systems and/or information is not compromised with expanded private sector delivery of Lottery, Gaming, Internet Gaming and Charitable Gaming. Factors contributing to this risk include:

- the need to replace aging technology and the ability to maintain aging technology
- the introduction of new technologies across multiple business lines
- an expanded supply chain of service providers, including cloud-based solutions
- a worldwide increase in the type and severity of cyberattacks
- complexities and constraints of integrating old and new technologies
- maintaining existing skill sets and competing for emerging skills

OLG is managing this risk through:

- maintaining internal skills, identifying future skills and using external parties to augment overall IT capability
- selective risk-based updating of all critical technology components
- maintaining a technology roadmap and initiating projects to address legacy systems and meet the needs of modernization as well as the evolving landscape
- IT transition preparation and planning to ensure operation and integration of old and new technology as service providers are brought on board
- aligning IT to the new OLG operating model
- continuous enhancements to, and employee education on IT preventative and detective controls for OLG information assets and the introduction of new capabilities such as data leakage prevention

4. Workforce Management

This is the risk that OLG could lose key skills and/or have difficulties replacing key skills, the risk of employee disengagement and the risk of not having strategic and/or transformation capabilities in place when needed. OLG's workforce has several existing challenges that create risk for the organization. They include:

- modernization, which will result in many jobs moving to the private sector
- managing a number of different bargaining units, represented by a number of different bargaining agents

OLG is managing this risk through:

- continual resource planning for the modernization effort to ensure that resource needs are addressed
- open and transparent communications, both bottom-up and top-down, through identified channels
- dedicated change management resources to support the organization
- ensuring that all business continuity plans are up to date to ensure critical processes are not disrupted
- deliberate and targeted recruitment strategies for vacant positions to obtain talent
- targeted succession planning for executives
- skills training for employees to help them retain and/or increase their marketability
- ongoing review of the effectiveness of the risk mitigation

Other Risks

OLG has identified other high risks that are actively managed, either through direct management or through the use of response plans and/or insurance if no further mitigation is possible and the risk remains at a level that requires action. These risks include, in no specific order: fraud risk, project risk, business continuity risk and pandemic risk.

Communications Plan

OLG generates revenue for the province, promotes responsible gambling and strengthens communities across Ontario. Communications, marketing and stakeholder outreach strategies are used to demonstrate to the public that OLG is as a well-governed, customer-focused and responsible Crown agency. OLG also provides information to customers on how to play lottery and casino games responsibly and how to seek help if necessary.

These strategies are supported by:

- internal and external strategic communications
- government relations, stakeholder outreach and community sponsorships
- media relations
- a corporate online presence.

OLG ensures it is aligned with its shareholder – the Government of Ontario – on legislation, regulations, public policy and emerging issues. OLG partners with a range of external stakeholders, including municipal governments, Ontario First Nations, the horse racing industry, the charitable gaming industry, lottery retailers and casino operators to support this alignment effort.

OLG keeps these groups informed about the progress and benefits of its modernization – a significant transformation of the Crown agency. As OLG changes its business model to expand regulated private sector delivery of specific day-to-day operations of its business, it is even more critical for OLG to ensure that there is a clear awareness and understanding of OLG's Vision and Mission. As a result, OLG will continue to enhance its accountability in areas of public interest (e.g., game integrity, responsible gambling, customer information and anti-money laundering).

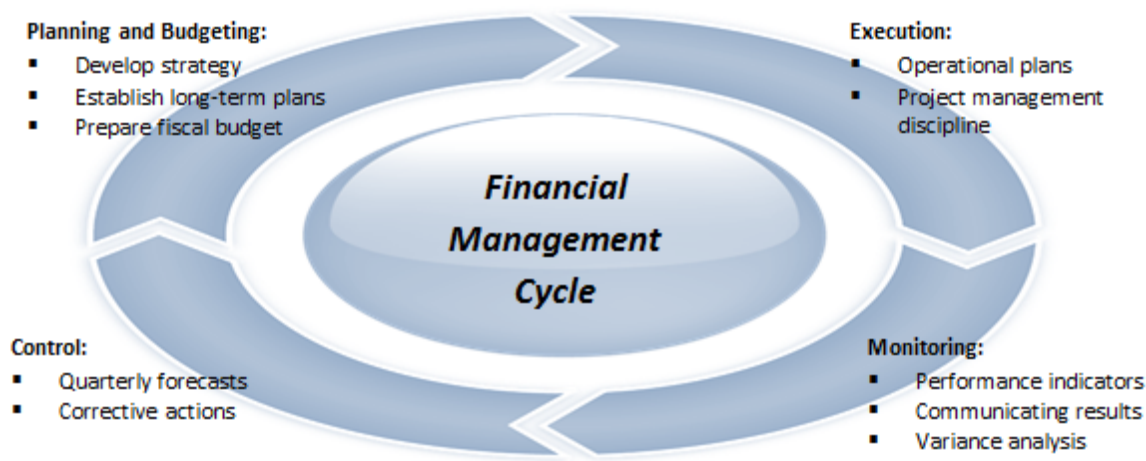
Principles

OLG's standards for communication require openness, transparency, clarity and accountability to the Government of Ontario and other stakeholders, including the public. OLG discloses information while adhering to personal privacy and commercial confidentiality requirements. OLG engages with its reporting Ministry, the Ministry of Finance, to ensure its messaging and timing are aligned with broad government policy prior to launching communications or stakeholder outreach campaigns.

OLG complies with all of the AGCO's regulatory standards and controls, while fulfilling its Criminal Code of Canada obligation to conduct and manage lottery and gaming in Ontario.

Fiscal 2017–18 Planning Approach

OLG employs a closed-loop financial management cycle connecting planning and budgeting with execution, monitoring and control. The setting of the fiscal 2017–18 budget forms one important aspect of the planning and budgeting phase.



The primary objectives of OLG’s fiscal 2017–18 planning and budgeting process are to:

- support the development and communication of OLG’s long-term strategy;
- align strategies with the operating plans of the Corporation;
- maximize allocation of scarce resources;
- demonstrate fiduciary responsibility.

OLG’s planning and budgeting process applies to all OLG business lines, Corporate Services and the Resort Casinos.

Principles

OLG uses a hybrid approach to planning and budgeting for fiscal 2017–18 by employing:

- relevant macro-economic data to inform the expected operating environment;
- driver-based support and validation of key revenue items;
- zero-based budgeting principles where practical;
- historical trend analysis as appropriate;
- adjustments for known and anticipated impacts from the proposed future gaming business model.

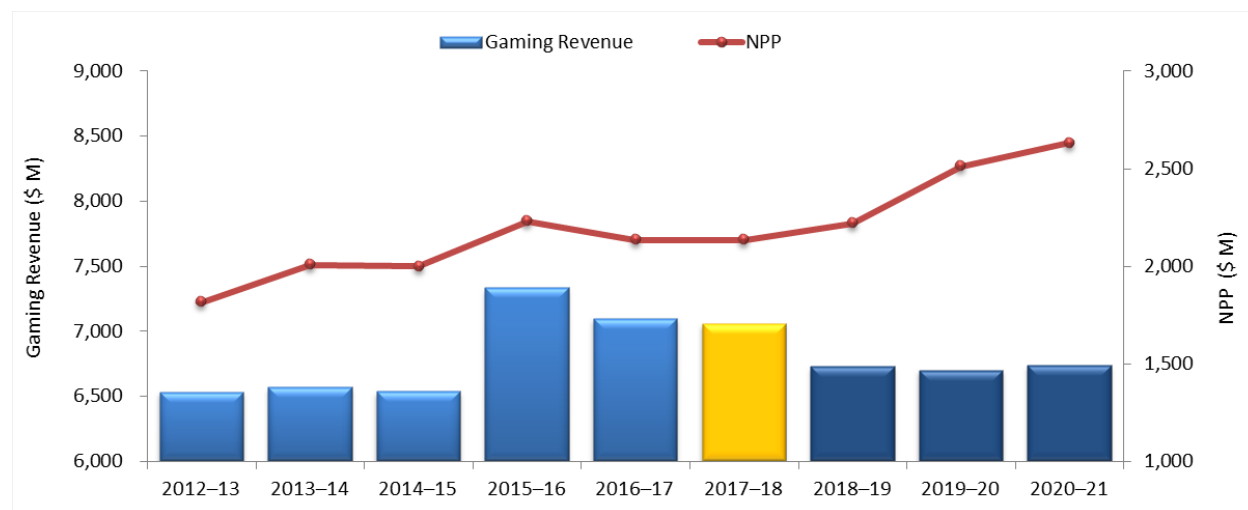
Financial Plan: 2017–18 to 2020–21

Presented on the following pages are the OLG's fiscal 2017–18 budget and fiscal 2018–19 to fiscal 2020–21 financial projections.

OLG's fiscal year covers the period between April 1 and March 31.

OLG is undertaking a significant transformational business plan consisting of a number of specific initiatives that will achieve OLG's goal of generating greater and more sustainable Net Profit to the Province.

Gaming Revenue¹² and Net Profit to Province (NPP): for the fiscal years 2012–13 to 2020–21



NPP is the amount the Corporation returns to the Province of Ontario after stakeholders and other payments. NPP is calculated as Net Income plus Win Contribution (an expense paid to the Province of Ontario).

¹² Gaming revenue is reported net of fees to service providers in accordance with IFRS. Fees to service providers represents the fixed and permitted capital fees to land-based gaming service providers and their share of gaming revenue. As land-based gaming sites transition to service providers, the service provider fee will increase and OLG operating costs will decrease. This will result in an overall increase to OLG's Net Profit to Province.

Gaming Revenue¹³

NOTE: Numbers in the following tables have been rounded or truncated for ease of readability. Consequently, certain tables may not add or cross-tabulate.

Gaming revenue, before the deduction of fees to service providers, is projected to increase at a compound annual growth rate (CAGR) of 2.6% from \$7.3 B in fiscal 2015–16 to \$8.4 B in fiscal 2020–21. As a result of the new operating model and in accordance with IFRS, fees paid to land-based gaming service providers must be netted against gaming revenue. Therefore, gaming revenue after the deduction of fees to service providers (in accordance with IFRS), is projected to decrease from \$7.3 B in fiscal 2015–16 to \$6.7 B in fiscal 2020–21.

The Lottery division is expected to grow its revenue at a CAGR of 1.8 per cent mainly due to the execution of a product and channel development strategy that is designed to maximize returns from its four unique product categories and expand distribution through introduction of new sales channels.

Charitable Gaming revenue is projected to grow at a CAGR of 3.7 per cent which will be achieved through the launch of the Upik8 game in fiscal 2017–18, the refresh of existing products and the optimization of the location of gaming terminals/TapTix, based on unit level performance across all sites.

iGaming revenue is projected to grow at a CAGR of 9.4 per cent primarily through the addition of new products and the continued growth in player registrations through increased awareness. Revenue is expected to grow from \$49 million in fiscal 2015–16 (the first full year of operation) to \$77 million in fiscal 2020–21.

Land-Based gaming is comprised of OLG's Slots and Casinos and Resort Casinos. Before the deduction of fees to service providers, gaming revenue is projected to grow at a CAGR of 3.3 per cent through the transition of gaming sites to private sector service providers and through the introduction of new and/or relocated/expanded facilities.

Revenue \$ M	2015–16 Actual	2016–17 Forecast	2017–18 Budget	2018–19 Projection	2019–20 Projection	2020–21 Projection
Lottery	3 786	3 538	3 607	3 771	4 123	4 147
Charitable Gaming	166	187	192	196	198	199
iGaming	49	53	58	64	70	77
Slots & Casinos	2 046	2 048	1 904	1 506	1 554	1 647
Resort Casinos	1 286	1 272	1 294	1 188	751	666
Consolidated OLG Gaming Revenue	7 332	7 098	7 056	6 726	6 697	6 736
Consolidated OLG Non-Gaming Revenue	113	120	118	88	45	39
Consolidated OLG Total Revenue	7 445	7 218	7 174	6 814	6 742	6 775

¹³ Gaming revenue is reported net of fees to service providers in accordance with IFRS. Fees to service providers represents the fixed and permitted capital fees to land-based gaming service providers and their share of gaming revenue. As land-based gaming sites transition to service providers, the service provider fee will increase and OLG operating costs will decrease. This will result in an overall increase to OLG's Net Profit to Province.

Net Profit to the Province (NPP)

NPP is projected to grow from \$2.2 billion in fiscal 2015–16 to \$2.6 billion by fiscal 2020–21 (3.4 per cent CAGR).

The Lottery division's strategy of product and channel development is expected to produce incremental revenue and contribution with minimal increases to indirect costs, resulting in an NPP CAGR of 1.4 per cent.

While the Charitable Gaming division is projecting revenue to grow at a CAGR of 3.7 per cent, NPP is projected to increase in fiscal 2017–18 and decrease starting in fiscal 2018–19 mainly due to planned capital expenditures. OLG continues to work diligently with the industry to develop a sustainable model to improve the financial position for all stakeholders.

iGaming NPP is projected to grow at a CAGR of 17.7 per cent primarily through new product offerings and the continued growth in player registrations through increased awareness.

Land-Based Gaming NPP growth of 1.9 per cent CAGR will be accomplished through the transition of gaming sites to private sector service providers, the introduction of new and/or relocated/expanded facilities and operational cost efficiencies.

The Corporate Services budget includes costs to support work related to the development of the Horse Racing industry and modernization costs which consist of costs associated with implementing the key strategies for the program.

NPP (in millions of dollars)	2015–16 Actual	2016–17 Forecast	2017–18 Budget	2018–19 Projection	2019–20 Projection	2020–21 Projection
Lottery	1 172	1 018	1 049	1 104	1 240	1 256
Charitable Gaming	(17)	(18)	(11)	(12)	(15)	(15)
iGaming	14	15	21	23	27	32
Land-Based Gaming	1 559	1 541	1 538	1 545	1 647	1 716
Corporate Services*	(497)	(422)	(463)	(441)	(386)	(358)
NPP	2 231	2 134	2 134	2 220	2 513	2 631

* Includes Gaming Revenue Share Payment and Modernization Plan costs.

Appendix

Governance and Management Structure

Classified as an Operational Enterprise Agency of the Province of Ontario, OLG has a single shareholder, the Government of Ontario, and for fiscal 2015–16 reported through its Board of Directors to the Minister of Finance. Members of the board and its Chair are appointed by the Lieutenant Governor in Council. Neither the Chair nor members of the board are full-time, nor are they members of Management.

A Memorandum of Understanding sets out the framework for, and clarifies the roles, relationships, mutual expectations and accountability mechanisms between the Minister of Finance and the Corporation, as required by the Management Board of Cabinet Agencies and Appointments Directive.

OLG Management/Accountability Structure

