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Ontario
bulletin

2002-03 Ontario First Quarter Finances as of June 30, 2002

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Fiscal Outlook

Balanced Budget Outlook

- The 2002-03 fiscal outlook is on track with the Budget Plan. As of June 30, 2002, a balanced budget is projected, unchanged from the Budget Plan.

Revenue at $66.5 billion

- The revenue outlook, at $66,546 million, is up $2 million from the Budget Plan due to increased revenue for policing services provided by the Ontario Provincial Police (OPP).

Expenditure at $65.5 billion

- Total expenditure, at $65,535 million, is up a net $2 million from the Budget Plan due to OPP municipal policing services contracts.

Reserve at $1.0 billion

- Ontario's 2002-03 fiscal plan includes a $1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. The reserve will be available for debt reduction if it is not needed.

Fiscal Summary

June 30, 2002		2002-03		
($ Millions)	Interim 2001-02	Budget Plan	Current Outlook	In-Year Change
Revenue	63,463	66,544	66,546	2
Expenditure				
Programs	52,413	54,384	54,386	2
Gross Capital Expenditure	1,850	2,713	2,713	—
Less: Net Investment in Capital Assets*	—	634	634	—
Public Debt Interest				
Provincial	8,553	8,550	8,550	—
Electricity Sector	520	520	520	—
Total Expenditure	63,336	65,533	65,535	2
Less: Reserve	—	1,000	1,000	—
Add: Decrease/(Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers**	(69)	(11)	(11)	—
Surplus/(Deficit)	**58**	**0**	**0**	—

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Reflects the estimated excess of revenue over expenditure of the Ontario Electricity Financial Corporation (OEFC). Consistent with the principles of electricity restructuring, OEFC debt is to be recovered from ratepayers, not taxpayers.

Source: Ontario Ministry of Finance.

Economic Highlights

Ontario's real GDP grew by 1.7% (6.9% annualized) in the first quarter of 2002, its strongest growth in over two years.

Ontario job creation continues with 48,200 net new jobs created over the first half of 2002, compared to the same period in 2001.

Over the first four months of 2002, **Ontario retail sales are up 5.9 per cent** from the same period a year ago.

Over the first half of 2002, **housing starts in Ontario rose 12.5 per cent** from the same period last year.

In May, **Ontario's year-over-year inflation was 0.8 per cent**, down sharply from 1.4 per cent in April. **Lower prices for petroleum products compared to 12 months earlier** continued to have a moderating effect on the overall increase.

Source: Statistics Canada, Ontario Ministry of Finance and the Canadian Real Estate Association.

This bulletin was compiled by the Ontario Financing Authority. For more information, please contact the Investor Relations Unit, Ontario Financing Authority, One Dundas Street West, Suite 1400, Toronto, Ontario, M7A 1Y7, Canada. Telephone (416) 325-0918 / Fax (416) 204-7946 / E-mail:investor@ofina.on.ca. The Ontario Financing Authority is on the Internet at www.ofina.on.ca.

Financing Program Update

- The Province's total long-term public borrowing for 2002-03 is projected at $12.7 billion. The Province will be borrowing to refinance $11.7 billion in maturing debt, $2.9 billion related to non-cash items included in the surplus and $1.2 billion as a provision for early redemptions of debt. The Province may borrow up to $0.7 billion from the Canada Pension Plan (CPP) if it is cost-effective.
- In addition to the borrowing and redemptions shown in the table, the Province has bought back $325 million of previously issued debt, financing the purchases with similar amounts of debt issued at more favourable rates.
- The 2002 Ontario Savings Bond campaign raised $2.6 billion.
- The domestic market will continue to be the main source of funding for the Province in 2002-03. The Ontario Financing Authority continues to monitor international capital markets for cost-effective borrowing opportunities.

Post First Quarter

- On July 11, 2002, Moody's Investors Services raised its Ontario debt rating to Aa2 from Aa3. The upgrade reflects the improved financial and debt position of the Province.
- The Province has completed $6.1 billion of its 2002-03 long-term public borrowing program. This includes the issuance of a $750 million U.S. global issue.

Net Provincial Debt

- The forecast for Net Provincial Debt as of March 31, 2003 is $110.5 billion, unchanged from the 2002 Budget.

Financial Summary

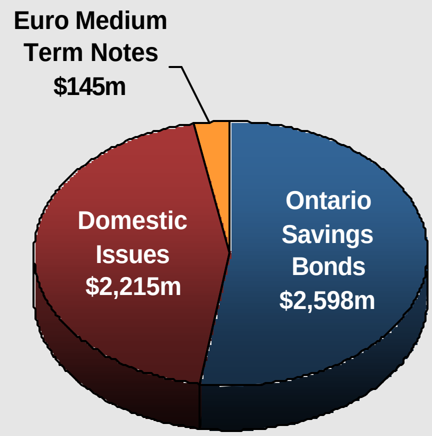
June 30, 2002		2002-03		
				Change
	Interim	Budget	Current	from
($ Millions)	**2001-02**	**Plan**	**Outlook**	**Budget**
Surplus	58	0	0	—
Adjustments for:				
Non-Cash Items Included in Surplus	(1,748)	(2,875)	(2,875)	—
Amortization of Tangible Capital Assets*	—	733	733	—
Acquisitions of Tangible Capital Assets*	—	(1,367)	(1,367)	—
Maturities of Debt	(9,507)	(11,725)	(11,725)	—
Early Redemptions of Debt	(1,581)	(1,200)	(1,200)	—
Canada Pension Plan Borrowing	—	688	688	—
Decrease/(Increase) in Cash and Cash Equivalents	366	3,000	3,000	—
Increase/(Decrease) in Short-Term Borrowing	174	—	—	—
Other Sources/ (Uses) of Cash**	(79)	—	—	—
Long-Term Public Borrowing Requirement	12,317	12,746	12,746	—
of which: Completed as of June 30, 2002			4,958	—
Remaining			7,788	—

* Starting in 2002-03, major tangible capital assets owned by the Province (land, buildings and transportation infrastructure) are accounted for on a full accrual accounting basis. Other tangible capital assets will continue to be booked as expenditure in the year of acquisition.

** Includes net repayment from, or loans to, agencies and an increase or decrease in deposits with the Province of Ontario Savings Office.

2002-03 Long-Term Public Borrowing

C$4,958 million issued as of June 30, 2002*



*Excludes debt buybacks.

Ontario Electricity Financial Corporation (OEFC)

- OEFC's debt maturities for 2002-03 are $2.7 billion.