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Ontario

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August 4, 2005

2005-06 First Quarter Ontario Finances

2005-06 Long-Term Public Borrowing Program

The Long-Term Public Borrowing Requirement for the Province and Ontario Electricity Financial Corporation (OEFC) for 2005-06 are estimated at $27.2 billion, unchanged from the Budget Plan. Over 75 per cent of the requirement is to refinance debt maturities of $20.5 billion and early debt redemptions of $0.7 billion. In-year changes to the components of the Total Long-Term Public Borrowing Requirement are:

- An increase in Other Uses/(Sources) of Cash, which is mainly attributable to projected short-term loans to the Ontario Power Authority (OPA), to bridge the timing of their cash flow requirements.
- Use of $55 million of Canada Pension Plan (CPP) borrowing to finance early retirement of less cost-effective debt. This $55 million is unavailable to reduce the Long-Term Public Borrowing Requirement.
- These items are offset by an equivalent reduction in Cash and Cash Equivalents.

Consolidated Province and OEFC		2005-06		
($ Billions)	Interim 2004-05	Budget Plan	Current* Outlook	In-Year Change
Deficit/(Surplus)	3.0	2.8	2.8	-
Adjustments for:				
Non-Cash Items Included in Deficit	(2.0)	2.3	2.3	-
Amortization of Major Tangible Capital Assets	(0.8)	(0.8)	(0.8)	-
Acquisitions of Major Tangible Capital Assets	1.5	1.8	1.8	-
Debt Maturities	15.3	20.5	20.5	-
Debt Redemptions	1.4	0.7	0.7	-
Canada Pension Plan Borrowing	(1.0)	(1.2)	(1.2)	0.1
Increase/(Decrease) in Cash and Cash Equivalents	-	-	(0.6)	(0.6)
Pre-funding for 2005-06	5.9	-	-	-
Decrease/(Increase) in Short-Term Borrowing	0.2	-	-	-
Other Uses/(Sources) of Cash	1.4	1.1	1.6	0.5
Long-Term Public Borrowing Requirement	**24.8**	**27.2**	**27.2**	**-**

* First-quarter fiscal forecast as at June 30, 2005. Note: Numbers may not add due to rounding.

Borrowing Program Status ($ Billions)	Completed	Remaining	Total
Province	11.6	13.1	24.7
OEFC	0.7	1.8	2.5
Total	**12.3**	**14.9**	**27.2**

As of June 30, 2005, $12.3 billion of the program had been completed. Since the end of the quarter, the Province has raised an additional $0.9 billion. With just over a quarter of the fiscal year complete, the Province has funded over 48 per cent or $13.2 billion of its borrowing program.

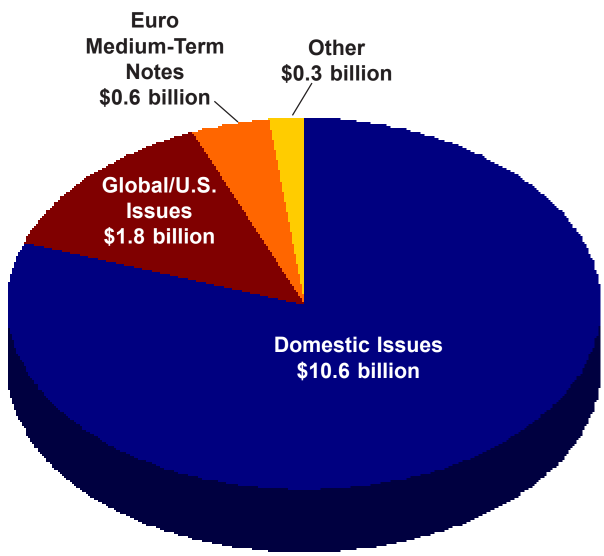
Borrowing Approach

To meet its 2005-06 long-term public borrowing requirements, the Province will maintain its flexible approach to borrowing by monitoring and accessing both domestic and international capital markets.

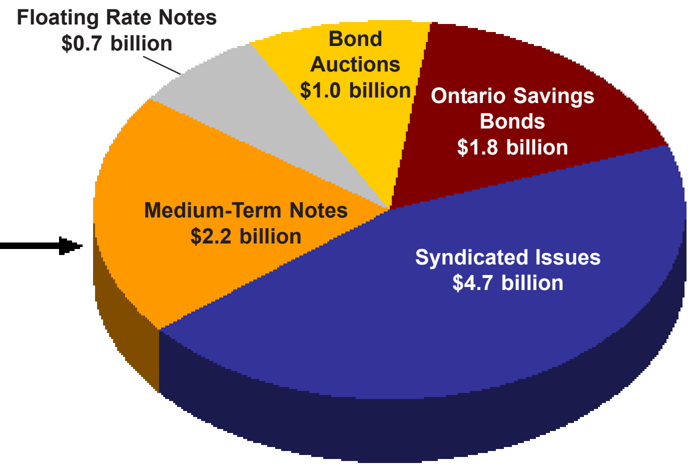
To date, the Province has used a variety of instruments to diversify its long-term borrowing program and to meet investor preferences. In the domestic market, Ontario has issued syndicated bonds, medium-term notes, two domestic bond auctions and floating rate notes. Ontario has also raised $1.8 billion from the annual Ontario Savings Bond program.

In the international markets, the Province raised the Canadian dollar equivalent of $2.4 billion, including $1.1 billion in U.S. dollar issues, $0.7 billion from a New Zealand dollar-denominated Global bond, $0.4 billion from two Swiss franc-denominated Euro Medium Term Notes, $0.1 billion from an Australian dollar Euro Medium Term Note. The Province also launched its first South African rand Euro Medium Term Note.

Borrowing - All Markets
C$13.2 billion issued



Borrowing - Domestic Markets
C$10.6 billion issued



Note: Numbers may not add due to rounding.

Source: Ontario Financing Authority (August 3, 2005).

Medium-Term Outlook: Province and Ontario Electricity Financial Corporation (OEFC)

($ Billions)	2005-06	2006-07	2007-08	2008-09
Deficit/(Surplus)	2.8	2.4	1.5	-
Adjustments for:				
Non-Cash Items Included in Deficit	2.3	1.2	1.7	1.4
Amortization of Major Tangible Capital Assets	(0.8)	(0.9)	(1.0)	(1.0)
Acquisitions of Major Tangible Capital Assets	1.8	2.2	2.4	2.2
Debt Maturities				
Currently Outstanding	20.5	14.5	12.7	19.5
Incremental Impact of Future Refinancing	-	-	1.7	2.1
Subtotal	20.5	14.5	14.4	21.6
Debt Redemptions	0.7	0.7	0.7	0.7
Canada Pension Plan Borrowing	(1.2)	(0.4)	(0.4)	(0.6)
Increase/(Decrease) in Cash and Cash Equivalents	(0.6)	0.5	-	-
Decrease/(Increase) in Short-Term Borrowing	-	-	-	-
Other Uses/(Sources) of Cash	1.6	(0.4)	0.2	0.5
Total Long-Term Public Borrowing Requirement	**27.2**	**19.9**	**19.5**	**24.8**

As of June 30, 2005

Note: Numbers may not add due to rounding.

Debt Management

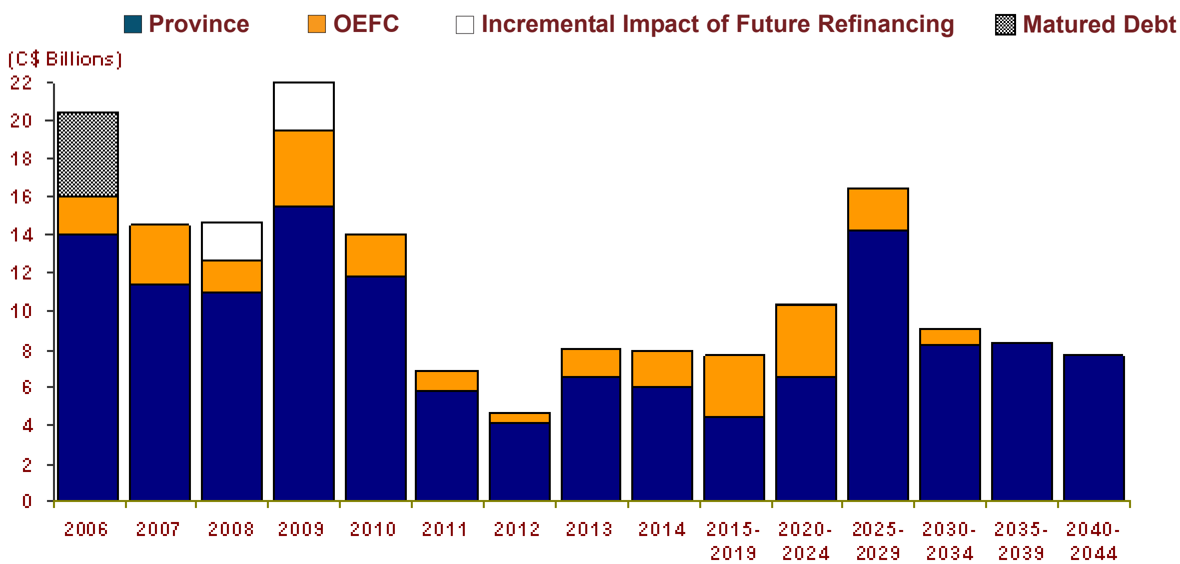
Ontario's Debt

Province of Ontario Debt Portfolio (As of June 30, 2005)				
Debt		**Risk Exposures**	**Current**	**Policy Limit**
Total Debt[1]	$158.1 billion	**Province**		
Net Debt[2]	$146.0 billion	Interest Rate Reset Exposure	10.2%	25.0%
Net Debt/GDP	27.2%	Foreign Exchange Exposure	0.8%	5.0%
Debt Statistics		**OEFC**		
Percentage Publicly Held	84%	Net Floating Rate Exposure	5.2%	20.0%
Percentage Issued in Canadian Dollars	80%	Foreign Exchange Exposure	0.2%	5.0%
Effective Interest Rate (Weighted Average)	6.3%			

[1] Total Debt represents consolidated non-public and publicly held debt.

[2] Net Debt represents the difference between total liabilities and total financial assets.

Debt Maturities

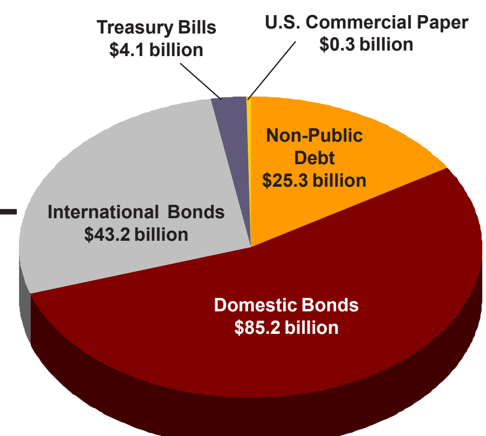


Excludes Province of Ontario and OEFC short-term debt and other liabilities.
Assumes issues with options will be retired at the earliest possible date.
*As indicated in the Medium-Term Borrowing Program Outlook.
Source: Ontario Financing Authority (June 30, 2005).

Total Debt Composition

- Total Debt of $158.1 billion is composed of bonds and debentures issued in both the short- and long-term public capital markets and non-public debentures held by certain federal and provincial public-sector pension plans and government agencies.
- As of June 30, 2005, public debt totalled $132.8 billion, primarily consisting of bonds issued in the domestic and international long-term public markets in nine currencies. Ontario also had $25.3 billion outstanding in non-public debt issued in Canadian dollars.

Debt issued outside of Canada in the following currencies:
- Canadian dollar
- U.S. dollar
- Euro
- Japanese yen
- Sterling
- Swiss franc
- Australian dollar
- New Zealand dollar
- Hong Kong dollar



Source: Ontario Financing Authority (June 30, 2005).
Note: Numbers may not add due to rounding.

Fiscal and Economic Outlook

Fiscal Summary

($ Millions)	Interim 2004-05	2005-06 Budget Plan	2005-06 Current* Outlook	2005-06 In-Year Change
Revenue	77,137	81,687	81,687	-
Expense				
Programs	67,622	71,014	71,014	-
Capital	2,899	2,673	2,673	-
Interest on Debt	9,609	9,796	9,796	-
Total Expense	80,130	83,483	83,483	-
Surplus / (Deficit) Before Reserve	**(2,993)**	**(1,796)**	**(1,796)**	-
Reserve	-	1,000	1,000	
Surplus / (Deficit)	**(2,993)**	**(2,796)**	**(2,796)**	-

* First-quarter fiscal forecast as at June 30, 2005.

Source: Ontario Ministry of Finance

2005-06 In-Year Performance

Deficit Outlook at $2.8 Billion

The 2005-06 deficit outlook is on track with the fiscal outlook presented in the 2005 Ontario Budget. As at June 30, 2005, a deficit of $2,796 million is projected for 2005-06, unchanged from the Budget Plan.

Revenue at $81.7 Billion; Expense at $83.5 Billion

The revenue outlook, at $81,687 million, is unchanged from the fiscal outlook presented in the Budget Plan. Total expense, at $83,483 million, is unchanged from the fiscal outlook presented in the Budget Plan.

Reserve at $1.0 Billion

The Budget Plan includes a $1 billion reserve to protect against unexpected and adverse changes in the economic and fiscal outlook.

On May 7th, 2005, the Ontario government reached an agreement with the federal government, which will see additional federal spending in Ontario of $5.75 billion between now and 2009-10. The fiscal impact of the agreement between Premier McGuinty and Prime Minister Martin has not been included in the first-quarter Ontario Finances. Discussions with the federal government regarding the implementation of this agreement are currently underway. As details become available, they will be reported in future quarterly updates.

Economic Outlook

Ontario's economic growth is expected to be moderate in 2005, with real GDP rising by 2.0 per cent, after an increase of 2.8 per cent in 2004. The slow rate of economic growth reflects the appreciation of the Canadian dollar, continuing high oil prices and an easing in the pace of growth in the U.S. economy.

The average recent private-sector forecast for Ontario economic growth is 2.4 per cent in 2005, up from 2.3 per cent at the time of the Budget.

Ontario Economic Highlights (Annual Average, Per Cent)

	2003	2004	2005p	2006p	2007p	2008p
Real GDP Growth	1.7	2.8	2.0	2.8	3.4	3.3
Nominal GDP Growth	3.3	4.7	3.9	4.6	5.3	5.3
Unemployment Rate	7.0	6.8	6.7	6.5	6.3	6.1
CPI Inflation	2.7	1.9	2.1	1.9	1.8	1.8

p=projection.
Sources: Statistics Canada and Ontario Ministry of Finance.
As of June 30, 2005

Background Information

The Ontario Financing Authority is an agency of the Province of Ontario responsible for provincial borrowing and debt management activities.

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