



Fulfilling our mission responsibly, for the benefit of all Quebecers



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INTRODUCTION

Towards a new balance



Loto-Québec is now 40 years old. The “Société des loteries du Québec” has evolved greatly since its creation in 1969, adapting to changes in consumer habits as well as to expectations expressed by the public with regard to the Corporation’s economic and social role.

The Corporation was created, in large measure, to enable the Province to establish a framework for gaming operations and prevent organized crime from gaining control over the sector. All profits generated by its activities are returned to the community in the form of public services provided by the government.

No one disputes this aspect of Loto-Québec’s purpose. Nevertheless, over the past several years, some have called Loto-Québec’s mission into question stemming from a concern over the social costs of gambling. A significant number of groups and individuals worry about the negative consequences that problem gambling may produce and have asked Loto-Québec to take firm action to deal with this problem.

Gaming operators in most countries are facing similar challenges. Community organizations, governments and the general public are increasingly vigilant and insistent when it comes to corporations such as Loto-Québec, particularly with regard to preventing problem gambling.

Such external pressure adds to other economic and business challenges facing the gaming industry. Although the response from gaming operators varies from country to country, the worldwide industry is firmly committed to searching for solutions in response to public concern.

That is why the World Lottery Association (WLA), an international organization of some 140 lottery organizations worldwide, adopted a statement of responsible gaming principles in 2006 and set up a certification framework to evaluate its members’ commitment to those principles.

As is the case for all public gaming organizations in the country and elsewhere in the world, Loto-Québec endeavours to strike a balance between profits, which help finance a significant portion of public services, and its social mandate, which consists in minimizing the negative consequences of problem gambling.

A common objective of public gaming organizations in the world is to be sure that the social consensus necessary to legitimize their activity exists. Loto-Québec is aware of the situation, and that is why this concern is at the core of its new strategic plan.

The Corporation believes that public concern over the negative effects of gambling requires an update of its mission, and that is what this strategic plan focuses on. While fulfilling its mandate responsibly, Loto-Québec intends to continue playing a driving role in our economy by generating profits that currently represent over 2% of total government revenue, while creating employment and wealth for all Quebecers.



In its 2004 Development Plan, Loto-Québec strongly emphasized that a balance should be struck between its economic mission and social responsibility. Though management of that balance has always been at the Corporation's core, it was already clear, then, that our new context required a redefinition of that balance.

Loto-Québec had to take into consideration Québec society's increasing concern about addiction to games of chance. Despite the fact that, according to rigorous studies, the number of problem gamblers was not increasing in Québec, the population appeared to be ever more sensitive to the social costs of gambling.

Loto-Québec's Development Plan, therefore, fully dealt with the concern by planning a significant reduction in the number of establishments where video lottery terminals were set up and by implementing a greater number of initiatives and measures to raise awareness, prevent and treat problem gambling.

This orientation was taken despite the fact that, from a strictly commercial perspective, the situation called for the deployment of new business initiatives. In its 2004-2007 Development Plan, Loto-Québec reported the first-ever significant decline in earnings trends. After growing at an annual rate of over 10% in the 1990s, the Corporation's earnings have increased by barely 1% since the early 2000s. At the same time, the first signs of decline in certain gaming activities were observed. It was, therefore, becoming clear that the gaming sectors operated by Loto-Québec were entering their maturity phase and that meeting the Corporation's various economic objectives would pose an increasingly difficult challenge.

Over the past few years, striking a balance between its economic mission and social responsibility has become even more difficult. The heated debate over relocating the Casino de Montréal is only one of many examples. Regardless of the undeniable economic benefits and the many initiatives to mitigate social costs, many opponents decried the project, citing the necessity of maintaining societal balance.

For the coming years, outside forces will certainly continue to put significant pressure on Loto-Québec's mission as it is currently defined, and particularly on the Corporation's fundamental objectives. This pressure will only increase, and the efforts deployed by Loto-Québec to promote responsible gaming, better frame the consumption of games of chance and limit social effects while, at the same time, pursuing its economic role, all risk being for naught as it faces the emergence and proliferation of a parallel gaming offer that is not regulated in Québec.

This new context and the challenges it presents are of concern to Loto-Québec as a state-owned corporation and provide food for thought on how the situation may be dealt with and our capacity to adapt to such changes. It is crucial for the Corporation to assume its responsibilities, given the state of the online and digital gaming market, expectations of new generations and the emergence of an unregulated parallel gaming offer.

The 2010-2013 Strategic Plan proposes to strike a new balance between the Corporation's economic mission and its social responsibility, an initiative that requires an update of Loto-Québec's mission and fundamental objectives.

MISSION AND VISION

The current business environment will continue to exert great pressure on the Corporation's economic performance. Moreover, the social expectations placed on Loto-Québec will undoubtedly remain very high. With such a backdrop, the Corporation began an in-depth strategic brainstorming process, resulting in a proposal to update its mission and fundamental objectives. The general orientations chosen for the next three years reflect this development.

Loto-Québec is reviewing its objectives to focus them on its core mission, i.e. to ensure a regulated and secure environment to operate its gaming offers. Loto-Québec remains, of course, a business entity that fulfills the mandate given by the government of Québec, but its responsibilities will need to be carried out in an updated framework.

NEW MISSION

To responsibly manage games of chance in a controlled and measured fashion, in the interest of all Quebecers.

VISION

To become a recognized world leader in the responsible commercialization of games of chance.

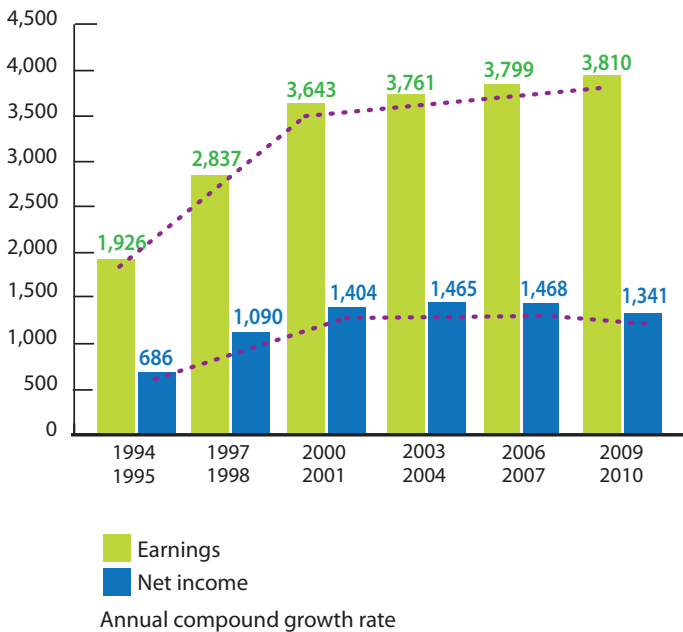


BACKGROUND

Trends in earnings and net income

The years 2004 to 2010 have confirmed trends that first appeared at the beginning of the decade. From economic and business viewpoints, Loto-Québec's earnings continued to grow at a very slow rate, even registering a decline for the first time in its history in 2006-2007. Earnings recorded in 2009-2010 (\$3,810 million) were lower than those for 2005-2006 (\$4,016 million).

Loto-Québec, consolidated
(in millions of \$)



From a social viewpoint, the Corporation continued to reduce accessibility and put measures in place to monitor or control problem gambling. On a corporate level, Loto-Québec concurrently increased the number of responsible initiatives, particularly those related to sustainable development.

Main findings

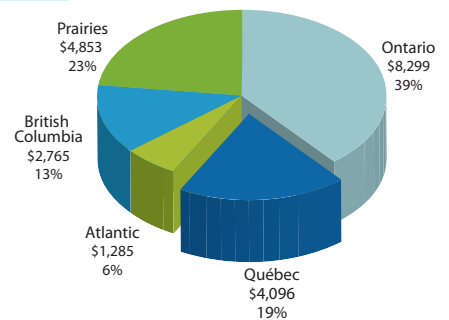
Since early 2000, a net break was observed in the growth of Loto-Québec's earnings and net income. The trend, highlighted in the last development plan, continued for the past four years.

Therefore, for the past six fiscal years, the Corporation's sales have grown more slowly than the rate of inflation.

Trends in expenditures and gaming offers in Québec and Canada

The most recent official data available indicate that, in 2008-2009, the distribution of gaming revenues in the country varied quite significantly from one region to another.

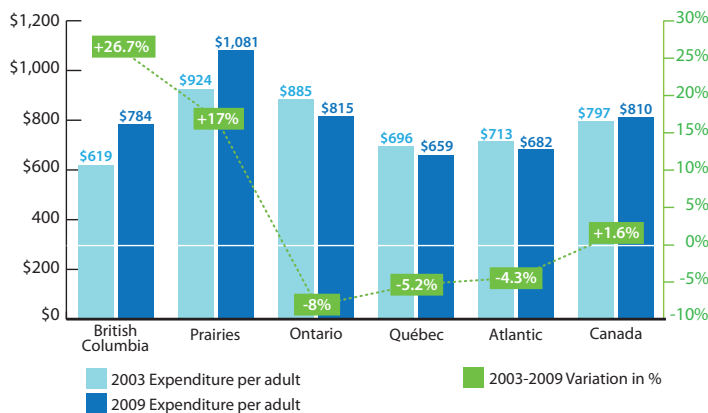
Distribution of gaming revenues in Canada
(in millions of \$) (2008-2009)



Québec generated 19% of all earnings in Canada while Ontario brought in twice that (39%), the Prairies (Manitoba, Saskatchewan and Alberta) earned 23% and British Columbia, 13%; the remaining 6% went to the Atlantic Provinces (New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland-Labrador).

Moreover, in terms of gross gaming expenditures per adult, Québec came in last among Canadian jurisdictions with an amount of \$659 per year, against a national average of \$810. Compared to 2002-2003, the average expenditure per adult declined by 5.2% in Québec, from \$696 to \$659.

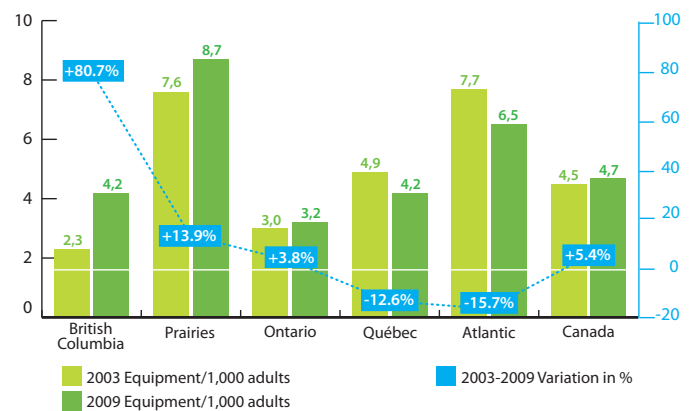
Average expenditure per adult in Canada
(2002-2003 and 2008-2009)



This relative weakness in Québec’s gaming expenditures in 2008-2009 may be partly explained by a decline in the gaming offer over the past few years.

Taking into account the total gaming equipment (lottery terminals, slot machines, video lottery terminals and gaming tables) per 1,000 adults, the trend is even clearer. Québec and the Atlantic provinces are the only regions where the ratio has gone down year after year since 2002-2003, with reductions of 12.6% and 15.7% respectively over the period, due mainly to a contraction of their video lottery networks.

Gaming equipment per 1,000 adults in Canada
(2002-2003 and 2008-2009)



Contrary to general perception, overall gaming expenditures by Quebecers are the lowest in Canada and have developed over the past few years quite differently than that which can be observed elsewhere in the country.

As for the overall gaming offer under Loto-Québec’s control, it has consistently declined over the past few years. This is particularly due to the measures the Corporation implemented, in accordance with its 2004-2007 Development Plan, to reduce the number of establishments offering video lottery terminals. At the same time, the number of slot machines in the Corporation’s casinos has not increased.

Responsible gaming



Over the past eight fiscal years alone, Loto-Québec invested \$185 million in programs administered by the Ministère de la Santé et des Services sociaux to support problem gamblers, as well as in the management of access to video lottery terminals controlled by the Régie des alcools, des courses et des jeux (RACJ).

During the same period, Loto-Québec paid out \$28.8 million to the Fondation Mise sur toi to develop programs promoting responsible gaming as well as implement and continue improving preventive tools within the Corporation's gaming operations. It should be noted, incidentally, that the Fondation Mise sur toi is now independent of Loto-Québec.

In this regard, Loto-Québec has set itself apart not only within Canada but also on the international scene. The Corporation is in fact a leading member of the World Lottery Association. In 2006, the international organization adopted a charter of principles relating to responsible gaming and established, in 2007, accreditation levels to recognize the strength and thoroughness of efforts deployed to promote responsible gaming.

More recently, in 2009, Loto-Québec was awarded the WLA's highest international certification, Level 4, in recognition of its responsible gaming operations. Loto-Québec was the first lottery operator in the world to reach this level of excellence.

The certification, awarded by an international panel of independent experts in corporate social responsibility, confirmed Loto-Québec's status as world leader in the field. In order to obtain that level of certification, Loto-Québec was required to demonstrate that its programs for promoting responsible gaming were part and parcel of its daily activities and that it had the necessary resources to ensure the continuous improvement of its responsible gaming support and awareness programs.

Unregulated parallel gaming offers



Nature of the market

The parallel gaming offer has two main categories:

- “Traditional” games of chance that are physically held in locations not controlled by Loto Québec (hotels, illegal casinos, bars, etc.)
- Virtual gaming on the Internet or through other mobile communication means.

The phenomenon of parallel gaming offers is worrisome. Since they are illegal and non-regulated, there are few tools and, consequently, no reliable indicators to track their use among Quebecers in order to produce an accurate reading of the situation. These sites, which attract increasing numbers of consumers, include no prevention measures and give little assurance of game integrity. The current lack of control over these gaming offers opens the door to cheating, cyber-crime, etc.

The broad availability of these online gaming sites accentuates the misperception that they are legal. In addition, Quebecers are increasingly exposed to certain forms of gaming through the media or the quasi-endorsement of games such as poker played and promoted by media celebrities and personalities.

Online gaming

A recent study by The Boston Consulting Group¹ found that, in 2009, online gaming generated \$25.3 billion worldwide, compared to \$8.3 billion in 2004. The study predicted that, in 2012, the total would reach \$34.3 billion. There are over 2,000 illegal gaming sites to which Quebecers have access.

In Canada alone, from 2003 to 2008, that market grew by an average annual rate of 30%, rising from \$184 million to \$675 million. Projections are that, between 2008 and 2012, average annual growth will top 12%, reaching \$1.051 billion. It should be noted that this increase occurs at a time when earnings generated by other forms of gaming are relatively stagnant in the country.

The desired balance between economic return and control over the social impact is, therefore, not being achieved in the country. Currently, there is no widespread control to ensure a secure and responsible environment on the Internet, and players are left entirely on their own. Shortcomings of the current situation mainly concern the lack of player age verification, little control over the length of time and amount of money spent during gaming sessions, advertizing methods that encourage excessive gambling as well as the scarcity of self-exclusion provisions and support programs for problem gamblers.

¹ PricewaterhouseCoopers 2009, Boston Consulting Group, Daniel Steward & Company, H2 Gambling Capital, March 2009.

The future of online gaming in Canada and Québec

Among all Canadian provinces, five currently have online gaming sites. The range of products offered by the British Columbia Lottery Corporation and the Atlantic Lottery Corporation, among others, is rather limited, but both public corporations have announced their intention to broaden their offers to include casino-type games such as poker.

In January 2010, Loto-Québec asked the government for a regulatory amendment to allow the development of an Internet gaming site. Loto-Québec's mandate consists of directing this existing but illegal gaming activity towards a secure and trustworthy site.

Loto-Québec expects to launch, in partnership with the British Columbia Lottery Corporation and the Atlantic Lottery Corporation, an online gaming site during the 2010-2011 fiscal year. The three public corporations signed an agreement in principle to develop a joint online platform that included poker.

Putting into practice its internationally recognized expertise in responsible gaming and drawing inspiration from a proven model, Loto-Québec will implement a number of control and prevention measures, including the verification of players age and a weekly limit for account deposits, as well as the possibility for players to take advantage of a self-exclusion provision – at any time – as well as information on games. Loto-Québec will submit its future site for evaluation by international experts in responsible gaming before the official launch.

Moreover, the government of Québec created a committee to monitor online gaming. The committee is made up of experts from various fields, particularly university researchers recognized for their expertise in games of chance. The committee's mandate will be to analyze the social impact of online gaming in Québec. It will also examine regulatory, technical, economic and legal measures to fight illegal gaming and will report its findings to the government.

When compared to similar organizations elsewhere in the world, Loto-Québec appears to face very similar business issues, competitive pressures, consumer perceptions and expectations, technological change and regulatory restrictions.

MAIN ISSUES FACING LOTO-QUÉBEC:

- After a period of accelerated growth which lasted 25 years, the gaming industry as it currently exists in Québec has entered its maturity phase. The aging of the population combined with the desire to restrict the development of activities in casinos, video lotteries and other new forms of gaming, have all contributed to the levelling off, and even the stagnation, of its earnings.
- The casino sector, particularly in North America, transformed itself by pursuing a strategy of diversification into leisure and destination tourism activities.
- Parallel gaming offers – particularly through the Internet and mobile communications devices such as cellular phones – are proliferating and appear to evade, in many countries, the control of state-owned gaming organizations and police authorities.
- Problem gambling is of increasing concern to the public; an activity that was previously considered deviant behaviour is now considered an illness.²



² In 1980, the American Psychiatric Association officially recognized pathological gambling as an impulse control disorder (DSM-III; A.P.A., 1980).

STRATEGIC ORIENTATIONS

Loto-Québec's new mission is driven by three strategic orientations.

1. Channelling the gaming offers towards regulated environments.

This is the "controlled" aspect of the Corporation's mission.

Loto-Québec can not obviously force the channelling of all games of chance towards regulated environments. The responsibility of enforcing laws and regulations falls to other parties.

However, the Corporation has the duty and responsibility to actively participate in channelling games towards secure environments. In short, Loto-Québec's objective is to put forth an offer that is both legal and competitive. As the government of Québec has authorized Loto-Québec to offer online games of chance beginning in 2010, the Corporation will work to map out a path and provide an offer in a secure and trustworthy environment. As is the case for other types of gaming (casinos, video lotteries and others), it is important for Loto-Québec to ensure that its products are sufficiently attractive to minimize the development or growth of illegal or unregulated channels.

2. Creating an effective framework for the consumption of games of chance

This is the "measured" aspect of the Corporation's mission.

In addition to providing a secure and entertaining environment, Loto-Québec has undertaken the duty and responsibility of minimizing the development and consequences of problem gambling. The Corporation can not, nor should it, assume this responsibility alone, but it should respond to the phenomenon and cooperate closely with all concerned parties.

Loto-Québec's objective is to take a leading role worldwide with regard to raising awareness and promoting responsible gaming as well as preventing problem gambling. The main point is to continue giving this issue the serious attention it deserves and to implement a range of effective measures to limit the development of the abusive consumption of gaming products.

To do so, Loto-Québec intends to pursue an intense program to promote responsible gaming and to support people in distress.

3. Improving the Corporation's efficiency and overall performance

This is the "acting in the interest of Quebecers" aspect of the Corporation's mission.

As a state-owned corporation with a commercial mandate, Loto-Québec has duties and responsibilities towards the government and the whole of Québec society. The overall performance of a company today is no longer limited to financial returns; the social and environmental consequences of its activities must also be considered.

Loto-Québec's goal is to be recognized as a model business in Québec in terms of overall performance and good corporate citizenship. Given predictions regarding its earnings, it is important for the Corporation to pay particular attention to the overall efficiency of its operations.

Our economic contribution is largely based on maintaining the attractiveness of our products, whether they are from the lottery, casino, bingo or other sectors. Tomorrow's customers will continue to migrate towards alternate sources if our products fail to meet their expectations.

For that reason, Loto-Québec must intensify its ingenuity and innovation efforts to literally reinvent itself, and design and experiment with new games that better meet the preferences of tomorrow's customers while respecting the channelling of the offer and the required framework.

Simply maintaining net profit margins requires significant effort, a good dose of ingenuity or a new way of doing things. In fact, such increased efficiency will be all the more critical given Loto-Québec's intention to continue dedicating considerable resources to its sustainable development policy and social programs.

In order to do so, Loto-Québec will focus on its recently introduced orientations relating to corporate sustainability that incorporate economic, social and environmental aspects, and more particularly:

- Maintaining a target net profit margin ratio, using fiscal year 2009-2010 as a base.
- Improving the efficiency of its activities, including the application of best practices related to governance and management in daily decision-making.
- Implementing Loto-Québec's 2008-2013 Sustainable Development Action Plan in accordance with the government's Sustainable Development Strategy.
- Developing new sources of revenue from outside Québec by remaining attentive to business opportunities that would leverage the Corporation's competitive advantage in terms of its expertise and know-how in various gaming sectors, notably in the casino sector.

MAJOR POINTS OF FOCUS AND TARGETED RESULTS

The general orientations that have been put forth provide a framework for all Loto-Québec activities. The Corporation's strategic orientations encompass the major focal points and results to be achieved in its various areas of activity. However, it is important to recognize that each sector also faces specific challenges.



Corporate Activities



POINTS OF FOCUS	TARGETED RESULTS	INDICATORS
Financial performance of corporate operations	Maintain the net profit margin ratio at the 2009-2010 level, i.e. 35.2%	Net profit margin ratio
Promotion of responsible gaming	Maintain a leading position worldwide with regard to responsible gaming and Level 4 World Lottery Association certification	Renewal of Level 4 certification by the World Lottery Association
Employee motivation	Improve employee motivation	<i>Indice de mobilisation de l'entreprise</i> – IME (employee motivation rating), derived from an annual employee survey
Management of online gaming offers	Implement an online platform to market games of chance by the end of 2010	Project progress report
Sustainable development	Structure an overall approach to sustainable development supported by an action plan and indicators	Presentation of the Corporation's annual follow-up to the 2008-2013 Sustainable
Operational security	Ensure the security of lottery operational and computer systems by obtaining WLA-SCS-2006 certification from the World Lottery Association	Development Action Plan Award of the certification by March 31, 2011

Lotteries



For over 40 years, Loto-Québec has fulfilled its mandate in the lottery sector with such success that it has become a model both within Canada and all over the world. That success is the result of producing and distributing one of the most extensive range of products in the industry, and it has been achieved thanks to its network of partners who provide the necessary synergy.

The lottery market in Québec entered its maturity phase around ten years ago, after 30 years of strong and sustained growth. The transition to this new lifecycle of the product is arguably the most significant event in the recent history of lotteries, and customer renewal has now become a priority.

While the attractiveness of winning and the dreams it arouses are still valid components of gaming, the simple ticket with a pre-determined number created 40 years ago is now being replaced with game designs that are far more complex and must include an entertainment aspect.

Specific challenges

Overall, the lottery sector faces the four following challenges:

1. Renewal and growth of the customer base

The low customer renewal rate is a distressing trend in the lottery sector. While the rate of purchase by adults under 35 years old held steady as a function of the total adult population in the 80s and 90s, today it is clearly in decline. To ensure growth, or even to maintain earnings, the lottery sector must do a better job of reaching out to adults and establishing new, diversified clienteles.

2. Profitability and pressure on costs

From a financial point of view, there is great pressure on costs in many areas and, as a result, it is very difficult to maintain profit levels in a context of stagnating sales.

3. Online gaming

Electronic commerce is growing by leaps and bounds and online gaming is already well established. This is cause for concern as it has been demonstrated that demand is increasing for this type of gaming, particularly among young adults.

4. The evolving retail sector

The retail sector has undergone tremendous changes over the past few years; the reality has evolved and requires that we adapt. Changes include longer business hours, the emergence of a few major chains and the proliferation of mega centres.

Although innovations have frequently been introduced to ensure sustainability, both with regard to the products and their marketing, we will need to “reinvent” the lottery!

POINTS OF FOCUS	TARGETED RESULTS	INDICATORS
Clientele renewal	Develop new clienteles	Rate of purchase by total adult population and by adults under 35 years of age
Customer satisfaction	Maintain a high level of overall satisfaction with regard to the products marketed	Rate of overall satisfaction with regard to products
Operational expenses	Maintain operational profit margins above the average of other Canadian lottery corporations	Operational profit margins

Casinos



The casino sector has always maintained a balanced growth in earnings and net income thanks to the introduction of new technologies, organizational restructuring and a review of business processes. However, it will be increasingly difficult for the Corporation to maintain current net income in a context where, contrary to competitors, it has committed to not increasing its gaming offer.

Since the Casino de Montréal opened in 1993, the number of casinos in its immediate competitive market has grown fivefold, rising from 14 to 75 in 2008. That market consists of, in Canada, Ontario and, in the U.S., of New Jersey, Connecticut, New York, Maine, Pennsylvania and Rhode Island. The average annual growth of earnings in Québec casinos from 2003 to 2007 was 4.8% compared to 7.8% in other establishments in the market.

Specific challenges

Given the increasingly competitive market, the Société des casinos du Québec (SCQ) revised its business strategy in the past years and redefined its direction to focus on the following strategies:

- Vision: to provide the best casino experience with regard to customer service while offering games that are innovative and diverse.
- Positioning: to adopt excellence in service as a dominant attribute and exciting experiences as a differentiating attribute.

In fact, these choices guide the work to modernize the Casino de Montréal, which will better satisfy customer expectations and, at the same time, improve operational efficiency thanks to renovated infrastructures.

The SCQ also intends to inspire and maintain its employees' passion for customer service by developing an organizational structure based on quality. To support that objective, it will pursue its quality-oriented customer service approach called "Service de rêve", launched in 2006 to provide casino patrons with an experience that is "seamless, exhilarating and gratifying."

Finally, the SCQ intends to encourage customer loyalty in a responsible gaming context and adequately prepare itself to welcome the next generation of customers. The casino sector will renew its gaming offers and adapt to new technologies to satisfy the expectations of current and future clientele. In this regard, the SCQ is constantly seeking out new, more interactive games that are adapted to customer preferences.

POINTS OF FOCUS	TARGETED RESULTS	INDICATORS
Customer satisfaction	Be recognized for the quality of services provided to customers	Rate of overall satisfaction with regard to the quality of service provided
Employee training	Give employees the tools to maximize their contribution to the new vision	Percentage of employees having received "Résolument client" training New certifications by the RACJ
Gaming offers	Renew gaming offers in order to better satisfy various clientele	Degree to which the schedule is respected
New image for the Casino de Montréal	Achieve the modernization of the Casino de Montréal on schedule and within budget	Degree to which the budget is respected

Video Lotteries



The plan to reconfigure the video lottery terminal network was completed on March 31, 2009, effectively reducing the number of VLT sites by 36% and surpassing the planned target of 31%. Even though the target was exceeded, it appears that the number of establishments may further decline due to natural attrition resulting from business closures. It should be noted that, in 2002, a moratorium was imposed on the establishment of new VLT sites in Québec. In the long run, the balance of VLT availability in various regions of Québec could be jeopardized, particularly in remote areas.

Experience to date shows that establishments housing several VLTs perform best; they not only offer better customer service, but also exhibit stronger commitment to responsible gaming. The Société des loteries vidéo du Québec (SLVQ) therefore encourages terminal groupings, which at the same time limits accessibility.

Specific challenges

Over the next years, the SLVQ would like to maintain its inventory of VLTs at the current level. To do so, changes will be required, including a lifting of the moratorium on VLT licences, to enable the SLVQ to concentrate VLT availability in current or new establishments. A new method for attributing terminals will be necessary and should be based on criteria that respect the principles defined in the recent configuration plan. A limit to the number of establishments and terminals per region will need to be clearly defined to ensure a proper channelling of video lottery activity.

The SLVQ wishes to ensure the continuity of its network of 12,000 gaming positions in its network of bars, brasseries and gaming halls in order to provide sufficiently wide and adequate geographic coverage in Québec to counter the proliferation of illegal networks and machines.

To do so, the SLVQ will continue to:

- deploy efforts to maintain, develop and apply measures that promote responsible gaming;
- assume its economic role through significant contributions to Québec’s consolidated fund;
- ensure strong management of the network, including Québec City and Trois-Rivières gaming halls and the inventory of VLTs;
- update its gaming offers.

The following three main strategies are necessary to attain those objectives:

1. Continue applying a responsible marketing approach
2. Ensure sound operational and organizational management
3. Offer exciting and entertaining products tailored to various clienteles

POINTS OF FOCUS	TARGETED RESULTS	INDICATORS
Management of the video lottery terminal network	In the network of bars and brasseries, maintain the offer of SLVQ-controlled video lottery games at about 2,380 sites and 11,500 VLTs	Number of active gaming establishments in Québec Number of active VLTs in Québec
Responsible commercialization	Ensure the responsible operation of gaming offers within the retailer network	Retailer rating with regard to their respect of the Marketing Code
	Provide training to retailers and their employees regarding games of chance and responsible commercialization of VLTs	Number of training sessions attended by retailers and employees
Satisfaction of gaming hall clientele	Maintain a high level of overall satisfaction with regard to customer experience	Rate of overall satisfaction with regard to customer experience

Bingos



Bingo is a game with a long history around the world. Profits derived from this activity have traditionally been paid out to non-profit organizations (NPOs). Unfortunately, in Québec, the game has been in decline over the past few years, sometimes resulting in dramatic financial consequences for the organizations that depend on it for financing.

The Société des bingos du Québec (SBQ), whose mandate is to support this industry by operating network bingo in halls, has paid out almost \$120 million since 1997 to organizations holding bingo permits, which comes out to an annual average of about \$10 million.

Bingo hall attendance has dropped over the past years, a trend that intensified following the implementation of the 2006 ban on smoking in public places.

In December 2007, the government adopted a new regulation in support of hall-based regular bingo. Its implementation in June 2008 gave this industry the tools to breathe new life into the game, and even modernize it.

Despite the positive aspects of the reform, a significant streamlining of the number of halls took place throughout the network, therefore reducing earnings from network bingo marketed by the SBQ and consequently jeopardizing the financial health of NPOs that depend on that gaming income to finance the delivery of their services to the community. Many NPOs thus “orphaned” simply lost their main source of financing.

Specific challenges

Faced with this situation, the SBQ proposed a pilot project to maintain the traditional average contribution of \$10 million per year in order to:

- Continue paying out all profits generated through network bingo.
- Provide ad hoc financial support to orphaned NPOs.
- Create a fund to promote the bingo industry.

Moreover, online bingo is becoming increasingly popular. In fact, bingo comes in third place in terms of volume among online games of chance, after Texas Hold’em poker and sports betting.

In this regard, the SBQ estimates that marketing a responsible and trustworthy gaming offer is a viable option and that doing so will generate customer expenditures similar to those associated with traditional bingo. The SBQ would, therefore, be in a position to continue contributing profits from this popular game to community organizations.

POINTS OF FOCUS

Financial contributions to NPOs

Customer satisfaction

TARGETED RESULTS

Maintain annual contributions to NPOs at an average \$10 million

Maintain a high level of overall satisfaction with regard to products and customer service

INDICATORS

Annual contributions paid out to NPOs

Rate of overall satisfaction with regard to products and customer service

Casino Mundial



In 2002, Loto-Québec created Casino Mundial, a subsidiary whose mission is to identify and seize business opportunities related to planning, implementing and operating casinos and other businesses outside Québec.

Since 2005, Casino Mundial has been a 35% shareholder of JOAGroupe, the third largest casino group in France.

The shareholders' agreement included an extensive contract for services to be provided by Casino Mundial to JOAGroupe, of which the implementation of a customer loyalty program, a review of the slot machine inventory, a renewal of table games and personnel training in customer service and compulsive gambling prevention were completed. JOAGroupe thereafter experienced growth of approximately 12%.

In early 2008, the smoking ban imposed in public places had a negative effect on JOAGroupe earnings. The worldwide economic and financial crisis made things even worse. The effects of the crisis on JOAGroupe were of the same scale as that for France's industry in general, i.e. an approximate 20% decline in activity over two years in all sectors (excluding new casinos since 2007). This particular context had an unfavourable effect on Casino Mundial's 2009-2010 financial performance, which was negatively impacted by the devaluation of loans and cancelled-out capitalized interest. Despite that situation, JOAGroupe continued to generate significant liquidity.

Faced with this economic situation, the French government adopted between 2008 and 2010 a series of measures to provide fiscal and regulatory relief to support casinos as well as to breathe new life into the industry.

JOAGroupe's earnings stabilized and a return to growth is now foreseen. Other measures are still under study.

Specific challenges

Over the next two to three years, Casino Mundial will focus on supporting JOAGroupe management to take best advantage of opportunities provided by France's new regulations and, therefore, speed up the return to the growth experienced at the end of 2007. Once its investment in JOAGroupe has regained its value, Loto-Québec will review all its strategic options on the international scene.

POINTS OF FOCUS

Leverage the Corporation's expertise outside Québec, particularly in the casino sector

TARGETED RESULTS

Ensure the estimated realizable amount of investment in JOAGroupe (from €44.3 million to €70 million) is achieved by March 31, 2015

INDICATORS

Estimated realizable amount of the investment evaluated by an outside firm

Summary Table

MISSION

To responsibly manage games of chance in a controlled and measured fashion, in the interest of all Quebecers.

VISION

To become a recognized world leader in the responsible commercialization of games of chance.

POINTS OF FOCUS	TARGETED RESULTS	INDICATORS
CORPORATE ACTIVITIES		
Financial performance of corporate operations	Maintain the net profit margin ratio at the 2009-2010 level, i.e. 35.2%	Net profit margin ratio
Promotion of responsible gaming	Maintain a leading position worldwide with regard to responsible gaming and Level 4 World Lottery Association certification	Renewal of Level 4 certification by the World Lottery Association
Employee motivation	Improve employee motivation	<i>Indice de mobilisation de l'entreprise</i> – IME (employee motivation rating), derived from an annual employee survey
Management of online gaming offers	Implement an online platform to market games of chance by the end of 2010	Project progress report
Sustainable development	Structure an overall approach to sustainable development supported by an action plan and indicators	Presentation of the Corporation's annual follow-up to the 2008-2013 Sustainable Development Action Plan
Operational security	Ensure the security of lottery operational and computer systems by obtaining WLA – SCS-2006 certification from the World Lottery Association	Certification by March 31, 2011
LOTTERIES		
Clientele renewal	Develop new clienteles	Rate of purchase by total adult population and by adults under 35 years of age
Customer satisfaction	Maintain a high level of overall satisfaction with regard to the products marketed	Rate of overall satisfaction with regard to products
Operational expenses	Maintain operational profit margins above the average of the other Canadian lottery corporations	Operational profit margins

STRATEGIC ORIENTATIONS

1. Channelling the gaming offers towards regulated environments
2. Creating an effective framework for the consumption of games of chance
3. Improving the Corporation's efficiency and overall performance

POINTS OF FOCUS	TARGETED RESULTS	INDICATORS
CASINOS		
Customer satisfaction	Be recognized for the quality of services provided to customers	Rate of overall satisfaction with regard to the quality of service provided
Employee training	Give employees the tools to maximize their contribution to the new vision	Percentage of employees having received "Résolument client" training
Gaming offers	Renew gaming offers in order to better satisfy various clienteles	New certifications by the RACJ
New image for the Casino de Montréal	Achieve the modernization of the Casino de Montréal on schedule and within budget	Degree to which the schedule is respected Degree to which the budget is respected
VIDEO LOTTERIES		
Management of the video lottery terminal network	In the network of bars and brasseries, maintain the offer at SLVQ-controlled video lottery games to about 2,380 sites and 11,500 VLTs	Number of active gaming establishments in Québec Number of active VLTs in Québec
Responsible commercialization	Ensure the responsible operation of gaming offers within the retailer network	Retailer rating with regard to their respect of the Marketing Code
	Provide training to retailers and their employees regarding games of chance and responsible commercialization of VLTs	Number of training sessions attended by retailers and employees
Satisfaction of gaming hall clientele	Maintain a high level of overall satisfaction with regard to customer experience	Rate of overall satisfaction with regard to customer experience
BINGOS		
Financial contributions to NPOs	Maintain annual contributions to NPOs at an average \$10 million	Annual contributions paid out to NPOs
Customer satisfaction	Maintain a high level of overall satisfaction with regard to products and customer service	Rate of overall satisfaction with regard to products and customer service
CASINO MUNDIAL		
Leverage the Corporation's expertise outside Québec, particularly in the casino sector	Ensure the estimated realizable amount of investment in JOAGroupe (from €44.3 million to €70 million) is achieved by March 31, 2015	Estimated realizable amount of the investment evaluated by an outside firm

Note: With regard to the rates applied by the Corporation and in accordance with the Politique de financement des services publics, Loto-Québec offers commercial goods and services at rates that are competitive with those in neighbouring markets and that enable the Corporation to generate profits, which are paid to the government for the benefit of all Quebecers.



Fulfilling our
mission responsibly,
for the benefit
of all Quebecers



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