





Message from the President

What would you do if you won the lottery? Our ads ask that very question. It is a fun question that allows us to dream for a few moments. However, the real question we ask ourselves every day is: How can we improve the way we run Atlantic Lottery? Ultimately, it is about how we can best deliver on our mandate to provide safe and responsible products and experiences for those Atlantic Canadians who choose to game and, ultimately, deliver 100% of profits to the four Atlantic provinces.

There are no easy answers. The business is facing more competition, a changing player base, the need for industry-leading technology. We are not unique in our need to change. As with any business, change is a constant and we are always working on how to leverage the opportunities that come with change, manage challenges, and find the best answers to difficult questions that face our company.

The tough questions are getting tougher but we are on our way.

I am pleased with what we have accomplished this past year and the way we did it.

This Annual Report provides an overview of how we will work to continually improve how we operate Atlantic Lottery and tackle the challenges facing the lottery business.

Atlantic Lottery's Executive Team (l-r): Brent Scrimshaw, President & CEO • Phil Holmes, VP, Strategy and Planning • Jim Porter, Chief Operating Officer
Alison Stultz, VP, People • Patrick Daigle, Chief Financial Officer • Scott McWilliam, VP, Sales & Marketing • Kristen Killen, VP, Information Technology

We may be a company that sells chances to live a dream, but we operate in a new reality. We live in a reality where our customers are looking for new and interactive games with the ability to create social communities. Our reality demands that we modernize our technology, our products and our approach to distribution to meet the gaming expectations of those Atlantic Canadians who choose to play.

Our reality also includes the hundreds of Atlantic Canadians who come into work every day at Atlantic Lottery to make sure we deliver a responsible and regulated gambling choice and through that work, deliver sustainable and predictable profits for our shareholders, all Atlantic Canadians. The proud Atlantic Canadians who work for Atlantic Lottery are unrelenting in their pursuit of excellence through strategic management of costs, the development of best-of-class operating processes and their understanding of our customers who underpin everything we do. Together, we are stewards of a multi-billion dollar company owned by all Atlantic Canadians. This year, despite a challenging economy, their efforts have again produced strong results.

Our business acumen and plain old hard work enabled us to meet our profit target of **\$368M**. One hundred per cent of that profit goes directly to making a difference in our communities through things like healthcare, education and infrastructure funding. We also put **\$373M** in winnings into the pockets of Atlantic Canadians; and **\$306M** into the economy by way of salaries, retailer commissions and business expenses.

We have met our profit target because of our constant drive to continually improve how we operate our business. This year, that included major investments in technology, from the replacement of the video lottery central system and terminals, the launch of the first phase of a new Enterprise Resource Planning System and the beginning of the re-staging of our lottery and iLottery central systems. Late in the year, we introduced an iOS app supporting alc.ca, providing our membership base a convenient and enjoyable way to engage with their favourite games.

Despite lower than forecasted jackpots in the first half of the year, strong performance in ticket lottery, video lottery and a record-setting year in iLottery provided a sound performance base in addition to strong cost controls and containment. However, we encountered significant challenges along the way.

One such challenge was the performance of our investment in Geonomics, which we impaired at \$8.7M. While we know we must change and that change comes with risk, we value each and every dollar we spend on behalf of Atlantic Canadians. It was a difficult decision, but the right decision.

Our success will always be contingent on our ability to offer adult Atlantic Canadians the right games in the right channels. That means responding to the evolving interests of players and getting out ahead of the market pace of our competitors. We will use technology to support our efforts to better understand our players and deliver lottery entertainment in real time.

In 2016 we will mark our 40th anniversary as a responsible gambling company owned and operated by Atlantic Canadians. We have ensured that our games are built, marketed and distributed according to the very best responsible gambling practices. We have returned **\$8.5B** to our governments in profits and **\$8.1B** to our players in prizes. We have fed a gaming ecosystem in Atlantic Canada that now comprises thousands of jobs. We are proud of the past 39 years and look forward to the future with enthusiasm.

With the support and direction of a Board of Directors and shareholders providing expertise and oversight, I am looking forward to upholding that legacy with the nearly 600 people who are proud to call Atlantic Lottery their employer and Atlantic Canada their home.

Sincerely, 

Brent Scrimshaw
@BrentScrimshaw



Board Members (l-r): C. Sean O'Connor • Jay Griffin • Wallace Floyd • Bob MacKinnon • Pat Mella • Les Barker
Missing: Dan Campbell, Kevin Breen, Jean Marc Dupuis.

We gratefully acknowledge these former board members whose terms completed during 2014/15: Steve Mont, Gordon Gilles, Doug Clow, Jane Garbutt and Peter Au.

Message from the Board Chair

Organizations in the gaming industry are constantly managing financial, regulatory, competitive, and relevance challenges. To navigate successfully requires an intricate combination of people, processes and technology.

The Board of Directors plays a key role in determining Atlantic Lottery's strategic path and supporting the priorities that will enable success now and in the future.

We must encourage moving the business forward while respecting each province's individual gaming strategy. We must be at the forefront of the evolution of the industry's approach to player protection. Consistently, year after year, Atlantic Lottery has demonstrated to its shareholders that it can meet these challenges with transparency and integrity.

As unregulated gaming options and global competition continue to grow, Atlantic Lottery must respond. We have spent a considerable amount of time determining the most responsible way to compete.

To support growth, we must ensure that the Board of Directors is providing the right oversight and direction to Atlantic Lottery. Best practices in corporate governance continue to evolve and Atlantic Lottery evolves with those. To this end, several months ago we embarked on a governance modernization program, engaging experts in governance reform. The objective for this program is to provide for greater operational autonomy to allow the company to move at the speed of the market and to ensure that working with the provinces, the regulatory frameworks we operate under allow us to meet our mandate with the efficiency one would expect from a global leader in the lottery industry.

To support the company's commercial goals, the means by which Board Directors are selected and appointed is evolving to mirror best practices in both public and Crown corporations. As we shift to a more commercial orientation, we have moved to complement the Board composition through the recruitment of independent directors who bring varied expertise, ranging from technology and marketing, to law and strategy, and other areas. This is simply necessary to advance the goals of the organization.

Governance reform will be a measured process. It must be carefully defined and developed. It is essential for growth. All four provinces, as shareholders in Atlantic Lottery, are committed to a well-governed public corporation that generates profits responsibly and contributes to the region.

As the only government-regulated provider of lottery products in this region, Atlantic Lottery operates in an environment of unparalleled responsibility and transparency. Lottery will change, but the framework of a safe, responsible lottery experience that distinguishes Atlantic Lottery from unregulated options remains at the heart of its business. This Board of Directors supports Atlantic Lottery's efforts and shares its commitment to Atlantic Canadians.

Sincerely,
Sean O'Connor



Management Discussion and Analysis

Our Mandate: Giving Back to Atlantic Canadians

The mandate for Atlantic Lottery is to provide safe and responsible products for those Atlantic Canadians who choose to game and, through that effort, deliver **100%** of profits to our shareholders – the four provincial governments. Our communities benefit as our profits contribute to the funding of essential services and infrastructure.

Our projected profit for 2014/15 was **\$368M** and we were able to meet that target and deliver those revenues to the four provincial governments.

The focus on giving back to Atlantic Canadians drives every business decision at Atlantic Lottery.

Financial Overview

Atlantic Lottery is evolving to ensure we meet the expectations of our players now and into the future with a focus on generating sustainable profits. Although we met the profit target in 2014/15, it was a challenging year that demanded strategic decisions and implementation plans to best manage costs and operate the business through changing player composition and increased competition. Moreover, we made a significant financial investment in technology projects that required a seamless implementation program. We met the challenges and in many areas of the business, Atlantic Lottery overachieved. In particular:

- In Destination, Atlantic Lottery reversed a three-year declining trend, posting a year-over-year net revenue increase of **\$19M**. An investment in core technology enabled the delivery of relevant game experiences for players. This was a fundamental contributor to growth. This growth is also attributable, in part, to the removal of the MyPlay system from market in Nova Scotia towards the end of the third quarter. The Nova Scotia government made the decision to remove the system, as it was not meeting its objectives.
- On the iLottery side, sales growth was in the double digits. Sales now exceed **\$20M** for the first time as over **30,000** unique customers made a purchase. This was driven by a combination of factors, including: successful customer acquisition and retention programs; multiple, large prize wins by alc.ca members; and improvements to the registration and log-in process based on consumer feedback.
- PRO-LINE experienced year-over-year sales growth and Breakopen enjoyed record sales.

The positive results are even more significant given the fact there were some challenges that impacted profit:

- On the Retail side, sales were down overall as we experienced fewer than expected MAXMILLIONS opportunities with LOTTO MAX, severe winter weather, the removal of some Scratch’N Win tickets from the market earlier than anticipated because top prizes were claimed early in the ticket release, and softness in the Atlantic Canadian economy.
- In addition, the decision to impair the company’s investment in Geonomics, totaling \$8.7M had an impact on consolidated profits. Geonomics remains an Atlantic Lottery asset.

Financial Overview Across Four Atlantic Provinces

While the overall net profit target from lottery met expectations, the results are not consistent across the four provinces.

In Newfoundland and Labrador, we saw a net profit increase of **\$6.1M** over last year. A key factor in the increase is player interest in the new video lottery games we were able to introduce with the replacement of the central operating system.

In New Brunswick and Prince Edward Island, operating results are consistent year over year.

Nova Scotia net profit is up **\$2.6M** over last year primarily due to the impact of the removal of the MyPlay system from the market. This change, along with Atlantic Lottery’s investment in video lottery and the introduction of new gaming options have contributed to renewed player interest.

While operating expenses have increased in the areas of expenses on technology investments and outsourced services due to business transformation projects, we are very pleased to see operating expense as a percentage of net sales remained consistent year over year at **16%**.

Provincial Operating* Profit chart:

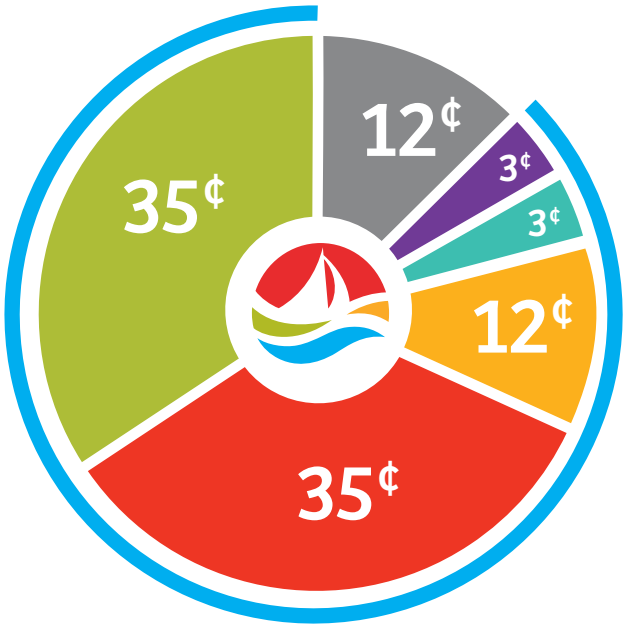
| | 2013/14 | 2014/15 |
|------------|---------|---------|
| NB | 119,756 | 119,551 |
| NL | 122,744 | 128,886 |
| NS | 110,574 | 113,166 |
| PEI | 15,316 | 15,263 |

** Operating profit does not reflect Geonomics write-down experienced in N.B. and P.E.I.*

As an Atlantic Canadian company, we take great pride in knowing that every dollar of net profit generated from lotteries is returned to the four shareholders. In fact, the majority of Atlantic Lottery revenue – approximately 88 cents of every dollar – stays in our region and is distributed primarily through prizes to players, and profit to the four Atlantic Canadian Governments. The remaining balance of the revenue dollar flows back to the communities through the payment of operational expenses, taxes, employee salaries and retailer commissions.



from every lottery dollar goes back to Atlantic Canada.



35¢ - Profits Back To Atlantic Canada

In 2014-15 we returned \$368 million in profit to the four Atlantic Provinces to fund roads, schools and hospitals.

35¢ - Winners

In 2014-15, we paid out more than \$350 million in prizes to winners in every corner of Atlantic Canada.

12¢ - Retailers

More than 4,000 Atlantic Canadian businesses earn part of their income from sales of Atlantic Lottery products.

3¢ - Salaries and Benefits

We employ more than 600 Atlantic Canadians in all four provinces. They live here, work here and spend their salaries here.

3¢ - Taxes

Yes, we pay them too. That’s millions more going back to governments to provide essential services in Atlantic Canada.

12¢ - Operations

Our operations contribute more than 8,800 jobs and \$1 billion in economic activity.

*All numbers/percentages presented are based on 2014/15 audited financial results.

Distribution of Revenues

Managing and Transforming the Business

The financial bottom line may be the principle metric through which business viability is measured, but this single result is not the only element that reflects our success.

Strategic initiatives and measures together with financial results are driving bottom line results to provide a holistic picture of overall success and the health of the business.

Like any business, Atlantic Lottery quantifies, manages and reports on a variety of critical measures such as top-line sales, player participation levels, operational metrics, employee experience and the strength of the company's public reputation.

Player Participation

Player participation rate is a key measure in understanding the popularity and playability of our games as well as a leading indicator of the sustainability of the business. In this fiscal year we stabilized the downward trend of player participation at 46%, up from 43% in 2013/14. Player participation refers to core (weekly) and regular (monthly) players only. Approximately **71%** of age-of-majority Atlantic Canadians purchased Atlantic Lottery products at least once in 2014/15.

Innovative products and promotions that meet player expectations have been the key to engaging players and will continue to drive our efforts with a long-term focus on cultivating new and existing relationships. If Atlantic Lottery is to provide safe and regulated alternatives for those Atlantic Canadians who choose to play, we must meet the evolving demand.

The Power of Technology

Equally important to player participation rates are the investments we have made in technology to improve player experience. We are in the process of renewing our gaming systems to allow the company to provide the right games in the right channels as demanded by our players. The key initiatives include:

- Embarking upon the replacement of the Ticket Lottery Central System, which powers our distribution at 3,000 partner stores, and our iLottery Central System, which delivers to our growing, online player base.
- Launching a new transactional mobile site to allow the company to compete effectively in the mobile gaming arena.
- Enhancing player diagnostics and operational efficiency through a new Enterprise Resource Planning System.

Corporate Brand Health

The social licence to deliver on our mandate hinges on the public's understanding, acceptance, and trust in our ability to deliver. We continue to educate our public on lottery, benefits generated through profits, and our **commitment to responsible gambling**. We are unrelenting in our efforts to maintain Atlantic Canadians' trust. We strive to instill confidence in the company by demonstrating that we act with integrity, business discipline, transparency and a clear focus on keeping Atlantic Canadians' best interests in mind. Year over year, our outreach to help Atlantic Canadians understand what we do and how we do it has resulted in a more favourable opinion of Atlantic Lottery. Some of the initiatives include our **AskAway.ca** campaign, our community investment program, our corporate brand and winners advertising, and our proactive media outreach.

Integrity and Compliance

Atlantic Lottery players can enjoy our products knowing that Atlantic Lottery operates with the highest level of player protection tools, practices and policies. Various tools at retail locations and behind-the-scenes security processes ensure the integrity of the lottery experience from purchase to prize payout.

Atlantic Lottery's security policies and practices are recognized as best-in-class when it comes to player protection. Ensuring the fairness and integrity of our games is the most important thing we do and there are several ways we ensure player protection and game integrity. These include, but are not limited to tools at retail (e.g. self-ticket checkers), and rigorous win investigations. For more on Atlantic Lottery's integrity and compliance, see our **website**.

Business Overview

Retail

The Retail line of business is what most Atlantic Canadians think of when they think of Atlantic Lottery. National lottery games like LOTTO 6/49 and Scratch'N Win games like Crossword have been around for nearly 40 years. Today, there are numerous other themes and games to meet changing trends and player interests. Even with the growing popularity of gaming in the iLottery space, the vast majority of Atlantic Canadians are still making their way to local corner stores to play their favourite lottery games.

In 2014/15 marketing support, promotions, and contests built around popular products like LOTTO 6/49 and Scratch'N Win helped solidify player participation. Highlights of note:

- Play levels continue to benefit from the LOTTO 6/49 enhancements launched in 2013/14. Atlantic Canadians had more opportunity to win with the introduction of the guaranteed \$1M prize on every LOTTO 6/49 draw and the guaranteed \$25,649 prize on each Atlantic 49 draw. Three LOTTO 6/49 Super Draws (June and December 2014 and March 2015) offered just over \$9M in extra prizing in addition to the jackpot and guaranteed million.
- Tennis and the World Junior Hockey Championships were added to the PRO•LINE line-up.
- Awareness of our winners had a positive impact on both sales and opinion of the organization. There were big winners in every region (**\$25M** LOTTO MAX winner in N.B., **\$30M** LOTTO MAX win in N.L., a **\$500,000** Classic Ruby win on P.E.I. and a **\$13.8M** LOTTO 6/49 winner in N.S.). Publicizing our winners contributes to our commitment to integrity and transparency and reinforces that games are fair, and that Atlantic Canadians are winning our games.

Top performers at retail included PRO•LINE, Atlantic Lottery's sports product, and Breakopen tickets. PRO•LINE experienced year-over-year sales growth, and Breakopen enjoyed record sales.

Despite a record-breaking holiday season for Scratch'N Win, annual sales were down compared to the previous record year. However, the longer sales trend for this product line remains positive.

Sales were not as strong as anticipated for LOTTO 6/49 and LOTTO MAX however; we led the country in terms of expected share of sales versus our national counterparts. Factors that affected these results include fewer than expected MAXMILLIONS opportunities with LOTTO MAX, inclement winter weather, the removal of some Scratch'N Win tickets from the market earlier than anticipated (because top prizes were claimed early in the ticket release), and the softness of the Atlantic economy, which contributed to reduced traffic and retail closures.

In terms of the number of Atlantic Canadians playing lottery, we've been able to halt the downward trend overall and have managed to grow player participation in the case of Scratch'N Win.

Stabilizing player participation in this fiscal year is both important to, and an indicator of, the viability of this product channel amidst the changing lottery landscape. The future health of the Retail line of business is not at odds with the growth in the iLottery space. Rather, the sustainability of retail games and brands will depend on our ability to adapt and deliver to players where, when and how they prefer to play.

Video Lottery

2014/15 marked the completion of a multi-year technology investment strategy for the Destination category, which includes the Video Lottery (VLT) product line. Video Lottery had been operating on a legacy system with terminals that were near end-of-life and no longer supported by vendors. To advance the program, technology replacement was required. Now complete, this technology foundation provides for the development and delivery of new gaming experiences that are reinvigorating player appeal in this channel with a more dynamic experience.

Investing in core technology that enables the delivery of relevant content and enhanced game experiences for players proved to be a financially valid move for Atlantic Lottery. In 2014/15, Destination revenues reversed a three-year declining trend posting a year-over-year net revenue increase of **\$19M**. Operationally, the new technology enhances efficiency across all aspects of the operation; new tools bring significant automation to previously manual processes.

Several factors contributed to the increased revenue:

- The new technology enables more effective program management, allowing for faster game changes, better terminal placement decisions and fewer technical errors, which all contribute to a better player experience and greater revenues.
- Specifically, the new terminals allowed for the introduction of gaming options that offer broader, more diverse experiences than those previously available.
- In Nova Scotia, the removal of the MyPlay responsible gambling system towards the end of the third quarter also contributed to the overall growth. To be clear, while MyPlay was removed, industry leading responsible gambling tools remain on VLTs in Atlantic Canada.

Destination now has the technology to support a player-focused future strategy aimed at delivering increased relevance for in-bar gaming experiences and can add value to the overall player experience. Further value will be driven by adapting the regulatory and policy environments. In 2015/16, we will explore relevant, responsible change with our shareholders and under the guidance of our Board of Directors.



Business Overview continued

iLottery

Atlantic Lottery has been offering safe and regulated Internet gambling since 2004. alc.ca offers age-of-majority Atlantic Canadians the opportunity to purchase their favourite lottery draw games, play iBingo, play instant win games and make their sports wagers online.

- ecommerce continues to grow as consumers adopt this method of purchasing in various industries, with lottery being no different. In 2014/15 alc.ca accounted for 4.3% of Atlantic Canadians' lottery draw and sports purchases, up from 3.6% the previous year. alc.ca gross sales grew by more than 10% to exceed **\$20M** for the first time. More than **30,000** unique customers made a purchase.
- Player interest in alc.ca was driven by a number of initiatives including, successful customer acquisition and retention programs, email marketing, promotions, and advertising, along with multiple large prize wins by alc.ca members.
- In September 2014, improvements were made to the registration and log-in process based on consumer feedback. This improved the registration success rates to **78%**, compared to 46% the previous year.
- In response to player feedback, the Atlantic Lottery iOS mobile app was upgraded in March 2015 to include the purchase of lottery tickets. Twenty-four per cent of alc.ca transactions came from mobile devices in 2014/15, and the upgrade of the App will see this number continue to grow.

With the exception of instant win games, all product categories on alc.ca achieved target and increased sales and gross profit versus last year. Instant win games – or Pick'n Click as we call them – have not been refreshed for several years, and this has contributed to a 4% decline in sales and gross profit.

There is no doubt that alc.ca exists in a highly competitive market. Technology innovations continue to emerge. Atlantic Lottery is improving its flexibility to react to these external conditions by investing in technology, understanding and responding to industry changes and market trends, and exploring the gaming options that will meet the demands of lottery players today and into the future.

Once considered a technological innovation, the alc.ca platform is now a decade old and limits our ability for strategic growth.

A project has been initiated that will modernize alc.ca, improve the customer experience and our capability to operate in this digital age. This new iLottery platform in development will allow for increased variety of choice, along with other enhancements that will make it more convenient for customers to buy lottery how they want, when they want and where they want.

Red Shores

Red Shores is Atlantic Lottery's premier entertainment destination on Prince Edward Island, offering racing, gaming and dining.

Red Shores operates two locations. The Charlottetown location (since 2005) is wholly-owned and operated by Atlantic Lottery and offers slot machines, poker, blackjack and Let It Ride tables; four dining outlets; and 80 race dates. The Summerside location (since 2009) is owned by the City of Summerside. The local horsemen's association operates its barns and racetrack while Atlantic Lottery leases space and operates the slot and video lottery machines, blackjack, a dining outlet, and 31 race dates.

Red Shores' success lies in providing an exceptional on-site guest experience, delivering varied racing, dining, and gaming events and promotions. TripAdvisor has awarded Red Shores the Certificate of Excellence award for consistently great reviews from TripAdvisor travelers.

Red Shores receives support from the government shareholder, which recognizes Red Shores' local economic contribution, significant employment and support to the harness racing industry.

The year was significant for Prince Edward Island. The province hosted a year-long celebration commemorating the 150th anniversary of the 1864 Charlottetown Conference – a meeting of leaders who forged the groundwork for the formation of Canada as a nation in 1867.

With Atlantic Lottery as title sponsor, Red Shores took advantage of the opportunity to bring in new visitors. Some highlights of 2014/15 include:

- Hosting the 2014 O'Brien Awards (Canadian Harness Racing awards).
- Hosting the Regional and National Driving Championships.
- Hosting Council of the Federation (Premiers) delegations in Top of the Park dining room for National Driving Championships.
- Improvements to the dining experience with theme nights, Sunday brunch, racing, and other special events.
- Re-investment in gaming business – licensed slot machines; increased Blackjack capacity; introduced Let It Ride table game; casino floor renovations and related promotions.
- Investing in the grandstand to improve ability to offer turn-key meetings and convention space.

The PEI 2014 celebrations helped make 2014/15 a memorable year. August 2014 saw records for both revenues and profit – the best single month in our 10-year history. Total revenues were up slightly, gross profit was down slightly, and net profit was up significantly to \$0.68M due to savings in operating expense.

These financial results were impacted by the harsh winter weather including record snowfall and repeated back-to-back snowstorms during the fourth quarter of the fiscal year. The team continues to work hard to better align operations to the seasonality of our business.



To continue to grow and thrive, Red Shores must keep on top of trends and manage the challenges in all three areas of the business. Most notably:

- Declines in horse population, due to steep declines in breeding operations in Ontario, New Brunswick and Nova Scotia.
- The need for modernization of the current Casino Management System.
- Improve food and beverage measures and results more in line with industry standards.

Looking forward, re-investment within the business will be required – both to maintain the properties and to create new experiences in line with market trends, industry evolution and customer preferences.



Information Technology

Technology is at the foundation of how Atlantic Lottery delivers fun, exciting and safe lottery products to Atlantic Canadians. As a critical part of Atlantic Lottery's growth strategy, technology modernization and renewal will enable us to be more player-centric, responding better to market trends, player preferences and the gaming environment.

During 2014/15, Atlantic Lottery executed key components of the technology modernization plan on time and on budget. These accomplishments support Atlantic Lottery's objectives around sustainability and responsible growth. The highlights include:

- The successful implementation of a new central system for Video Lottery. This, accompanied with the refresh of near end-of-life Video Lottery terminals, provided Atlantic Lottery with the opportunity to provide new games and enhanced abilities to manage the games we offer.
- For long-term success, Atlantic Lottery also needs to make improvements to the business platforms. In 2014/15, the first phase of an Enterprise Resource Planning System implementation was completed on time and on budget. This phase saw the replacement of our core financial systems. Remaining phases are on track to be completed in 2015/16 and will support supply chain management and business intelligence.
- Other initiatives have helped to better respond to player preferences. These include an iOS transactional mobile app, improvements to the registration and login functionality, and enhanced analytics for alc.ca.

In 2014/15, Atlantic Lottery also selected the platform and vendor for developing the new lottery and iLottery central systems. Our current systems are aging, nearing end-of-life, no longer supported by our vendors and are inhibiting our opportunities to respond to player preferences. Not only will Atlantic Lottery receive new functionality and more flexible systems, the contract includes provisions for the system to be continuously improved to ensure continued relevance and more efficient systems management.

Atlantic Lottery will continue the technology renewal journey over the next two years. The new systems will not only deliver new functionality to players, but also will be more responsive and better equipped to meet player expectations. All these changes, combined with a move towards a more open architecture, set us up for success in leveraging technology options that haven't even emerged yet.

The efficient and cost-effective delivery of Atlantic Lottery's IT services represents a key success factor in the renewal of its gaming and technology platforms. To support the many technology platforms, Atlantic Lottery works with many external vendors. In 2014/15 Atlantic Lottery began procurement activities to select a vendor to provide core IT services after the expiration of the current IT services contract in July 2017. This provides an opportunity for Atlantic Lottery to make adjustments that are aligned with today's environment and best practices.

This technology renewal, coupled with evolution in competencies, and operational improvements within IT and how IT services are provisioned, will make Atlantic Lottery a stronger company, and set the stage for offering more competitive products and experiences.

People

At Atlantic Lottery, we aspire to offer our employees a career-best work experience. 2014/15 marked a strong year in evolving our business as a competitive player in the gaming landscape in Atlantic Canada. 2014/15 involved the following people-focused results and initiatives:

- At the end of our fiscal year, we employed **593** employees across the Atlantic provinces and we achieved a retention rate of **89.3%**, within the acceptable range of our 90% target.
- The addition of a new people measure, our Employee Experience Index. This index is measured using quarterly in-house surveys that report on: employees' perception of our efforts around improving performance management; completion rates within our performance management process; and variable, top of mind topics of interest to our employees. We exceeded our target of 72%, ending the year with a score of **87.6%**. These results are positive as we saw improvements in managing our performance process. For 2015/16, this index will continue to be a people measure on our corporate scorecard, with a target of 84%.
- Ambitious initiatives such as the Enterprise Resource Planning Software System project, which modernized our operational systems this year, provided for career opportunities as well as process improvement; two areas that employees indicated would improve their employment experience. Through the project, employees had opportunities either to lend their knowledge and expertise to the project team or to provide support to ensure our core operations ran smoothly. A focused change management and communications program was used to engage the broader employee base in understanding the impact this new technology would have on improving their work processes, which in turn facilitated their adoption of the technology.
- Atlantic Lottery's commitment to Corporate Social Responsibility (CSR) is steadfast and can be witnessed through the delivery of our gaming products and programs. For example, in 2014/15 we launched a responsible gambling employee-training program at our Red Shores racetrack and casino properties. We also launched an interactive CSR campaign, demonstrating the many ways employees support CSR in their lives, both at work and at home.
- Our Wellness Program reached a **40%** participation rate and this year it was expanded to include a mental health component.
- Under our environmental CSR pillar, we launched a recycling program pilot at select retail locations. We also worked closely with our industry and community partners to align our collective efforts in the education and awareness of responsible play. On the industry stage, the World Lottery Association recognized Atlantic Lottery for "Best Innovation in RG category" in recognition of how we use our Askaway website as a responsible gambling tool.



Our people are critical to the success of our business. We will continue to invest in our employees and manage our workforce to meet the current and emerging needs of our business. A dedicated focus on leadership and communications will be instrumental as we involve and inspire our employees to help us build a better company, right here in Atlantic Canada.

Financial Highlights

| | 2014/2015 | 2013/2014 | 2012/2013 | 2011/2012 | 2010/2011 | 2009/2010 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Gross ticket sales | \$654,165 | \$671,286 | \$646,903 | \$626,991 | \$646,428 | \$592,319 |
| Prizes on ticket sales | 372,776 | \$384,294 | 367,723 | 362,527 | 366,827 | 342,794 |
| Net ticket sales | \$281,389 | \$286,992 | \$279,180 | \$264,464 | \$279,601 | \$249,525 |
| Prizes as % of sales | 57% | 57% | 57% | 58% | 57% | 58% |
| Net video lottery receipts | 393,342 | 374,053 | 381,830 | 411,101 | 411,596 | 427,931 |
| Entertainment centre revenue | 20,290 | 19,988 | 19,320 | 19,162 | 15,002 | 13,606 |
| Direct costs (commissions, tickets, game licensing) | 142,495 | 138,958 | 140,425 | 145,529 | 148,632 | 148,806 |
| Gross profit | 552,526 | 542,075 | 539,905 | 549,198 | 557,567 | 542,256 |
| Gross profit as % of net sales | 79% | 80% | 79% | 79% | 79% | 78% |
| Operating expenses | 110,191 | 111,294 | 116,137 | 124,010 | 125,135 | 98,683 |
| Operating expenses as % of net sales | 16% | 16% | 17% | 18% | 18% | 14% |
| Capital-related costs | 29,675 | 29,884 | 30,585 | 23,602 | 24,872 | 22,878 |
| Other expenses and distributions | 44,444 | 32,460 | 32,123 | 31,899 | 36,426 | 31,327 |
| Net profit | \$368,216 | \$368,437 | \$361,060 | \$369,687 | \$371,134 | \$389,368 |
| Net profit as % of net sales | 53% | 54% | 53% | 53% | 53% | 56% |
| Profit distribution: | | | | | | |
| New Brunswick | \$119,551 | \$119,756 | \$119,733 | \$120,010 | \$121,823 | \$130,760 |
| Newfoundland and Labrador | 128,886 | 122,744 | 113,728 | 107,805 | 106,393 | 109,161 |
| Nova Scotia | 113,166 | 110,574 | 112,227 | 126,957 | 129,808 | 134,606 |
| Prince Edward Island | 15,263 | 15,316 | 15,391 | 14,871 | 13,202 | 14,737 |
| | \$376,866 | \$368,390 | \$361,129 | \$369,643 | \$371,226 | \$389,264 |
| Profit distribution per capita: | | | | | | |
| New Brunswick | \$194 | \$194 | \$198 | \$200 | \$203 | \$228 |
| Newfoundland and Labrador | 302 | 289 | 276 | 260 | 259 | 273 |
| Nova Scotia | 147 | 143 | 147 | 172 | 172 | 188 |
| Prince Edward Island | 130 | 129 | 136 | 136 | 142 | 142 |
| Number of lottery retail terminals | 3,035 | 3,018 | 2,990 | 3,004 | 3,018 | 3,060 |
| Number of multi-purpose retail terminals | 40 | 44 | 57 | 63 | 91 | 168 |
| Number of video lottery terminals | 6,906 | 6,981 | 6,934 | 6,957 | 7,102 | 7,303 |

* This table is based on Atlantic Lottery's consolidated financial statements.
* \$ in 000's
* Figures are rounded

Provincial Net Profit

| New Brunswick | Total | | Traditional | | Destination | |
|------------------------------|-----------|-----------|-------------|-----------|-------------|-----------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Gross ticket sales | \$164,318 | \$168,968 | \$162,986 | \$167,301 | \$1,332 | \$1,667 |
| Net video lottery receipts | 128,827 | 128,034 | - | - | 128,827 | 128,034 |
| Gross Revenue | 293,145 | 297,002 | 162,986 | 167,301 | 130,159 | 129,701 |
| Direct costs | 127,839 | 131,347 | 102,931 | 105,671 | 24,908 | 25,676 |
| Gross profit | 165,306 | 165,655 | 60,055 | 61,630 | 105,251 | 104,025 |
| Operating and other expenses | 45,755 | 45,899 | 24,332 | 24,987 | 21,423 | 20,912 |
| Net Profit | \$119,551 | \$119,756 | \$35,723 | \$36,643 | \$83,828 | \$83,113 |
| Newfoundland and Labrador | Total | | Traditional | | Destination | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Gross ticket sales | \$248,124 | \$250,050 | \$247,306 | \$249,243 | \$818 | \$807 |
| Net video lottery receipts | 134,237 | 122,797 | - | - | 134,237 | 122,797 |
| Gross revenue | 382,361 | 372,847 | 247,306 | 249,243 | 135,055 | 123,604 |
| Direct costs | 202,229 | 200,862 | 170,057 | 171,576 | 32,172 | 29,286 |
| Gross profit | 180,132 | 171,985 | 77,249 | 77,667 | 102,883 | 94,318 |
| Operating and other expenses | 51,246 | 49,241 | 29,830 | 29,738 | 21,416 | 19,503 |
| Net Profit | \$128,886 | \$122,744 | \$47,419 | \$47,929 | \$81,467 | \$74,815 |
| Nova Scotia | Total | | Traditional | | Destination | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Gross ticket sales | \$208,528 | \$217,537 | \$207,502 | \$216,647 | \$1,026 | \$890 |
| Net video lottery receipts | 113,043 | 105,888 | - | - | 113,043 | 105,888 |
| Gross revenue | 321,571 | 323,425 | 207,502 | 216,647 | 114,069 | 106,778 |
| Direct costs | 154,996 | 160,183 | 131,886 | 138,309 | 23,110 | 21,874 |
| Gross profit | 166,575 | 163,242 | 75,616 | 78,338 | 90,959 | 84,904 |
| Operating and other expenses | 53,409 | 52,668 | 30,673 | 32,015 | 22,736 | 20,653 |
| Net Profit | \$113,166 | \$110,574 | \$44,943 | \$46,323 | \$68,223 | \$64,251 |
| Prince Edward Island | Total | | Traditional | | Destination | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Gross ticket sales | \$33,195 | \$34,732 | \$32,503 | \$34,048 | \$692 | \$684 |
| Net video lottery receipts | 17,235 | 17,335 | - | - | 17,235 | 17,335 |
| Entertainment centre revenue | 20,290 | 19,988 | - | - | 20,290 | 19,988 |
| Gross revenue | 70,720 | 72,055 | 32,503 | 34,048 | 38,217 | 38,007 |
| Direct costs | 30,207 | 30,859 | 21,392 | 22,442 | 8,815 | 8,417 |
| Gross profit | 40,513 | 41,196 | 11,111 | 11,606 | 29,402 | 29,590 |
| Operating and other expenses | 25,250 | 25,880 | 6,582 | 6,722 | 18,668 | 19,158 |
| Net Profit | \$15,263 | \$15,316 | \$4,529 | \$4,884 | \$10,734 | \$10,432 |
| Corporate Total | Total | | Traditional | | Destination | |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Gross ticket sales | \$654,165 | \$671,287 | \$650,297 | \$667,239 | \$3,868 | \$4,048 |
| Net video lottery receipts | 393,342 | 374,054 | - | - | 393,342 | 374,054 |
| Entertainment centre revenue | 20,290 | 19,988 | - | - | 20,290 | 19,988 |
| Gross revenue | 1,067,797 | 1,065,329 | 650,297 | 667,239 | 417,500 | 398,090 |
| Direct costs | 515,271 | 523,251 | 426,266 | 437,998 | 89,005 | 85,253 |
| Gross profit | 552,526 | 542,078 | 224,031 | 229,241 | 328,495 | 312,837 |
| Operating and other expenses | 175,660 | 173,688 | 91,417 | 93,462 | 84,243 | 80,226 |
| Net Profit | \$376,866 | \$368,390 | \$132,614 | \$135,779 | \$244,252 | \$232,611 |

* This table is based on Atlantic Lottery's non-consolidated financial statements.
* \$ in 000's
* Figures are rounded