

M&A Quarterly Report

Q1 2004

First Quarter Overview

The Canadian M&A market demonstrated positive momentum in the first quarter of 2004 with the dollar value of announced transactions increasing by 63% to \$23.5 billion compared to the first quarter of 2003, and rising by 15% compared to the previous quarter. While the number of transactions was relatively unchanged from last year (203 announced transactions compared to 200 last year), the rise in dollar volume was fuelled by increased cross-border activity, larger average transaction sizes and strong resource-based sectors.

There were four transactions valued over \$1 billion (“mega-deals”) in the quarter, totalling approximately \$8.0 billion. The largest announced transaction was

IAMGOLD Corp.’s planned merger with Wheaton River Minerals Ltd., valued at \$2.9 billion. TransCanada Corp.’s announced acquisition of Gas Transmission Northwest Corporation, estimated at \$2.3 billion, Manitoba Telecom Services Inc.’s planned acquisition of Allstream Inc. valued at \$1.7 billion, and CGI Group Inc.’s \$1.1 billion acquisition of American Management Systems Inc. rounded out the top four.

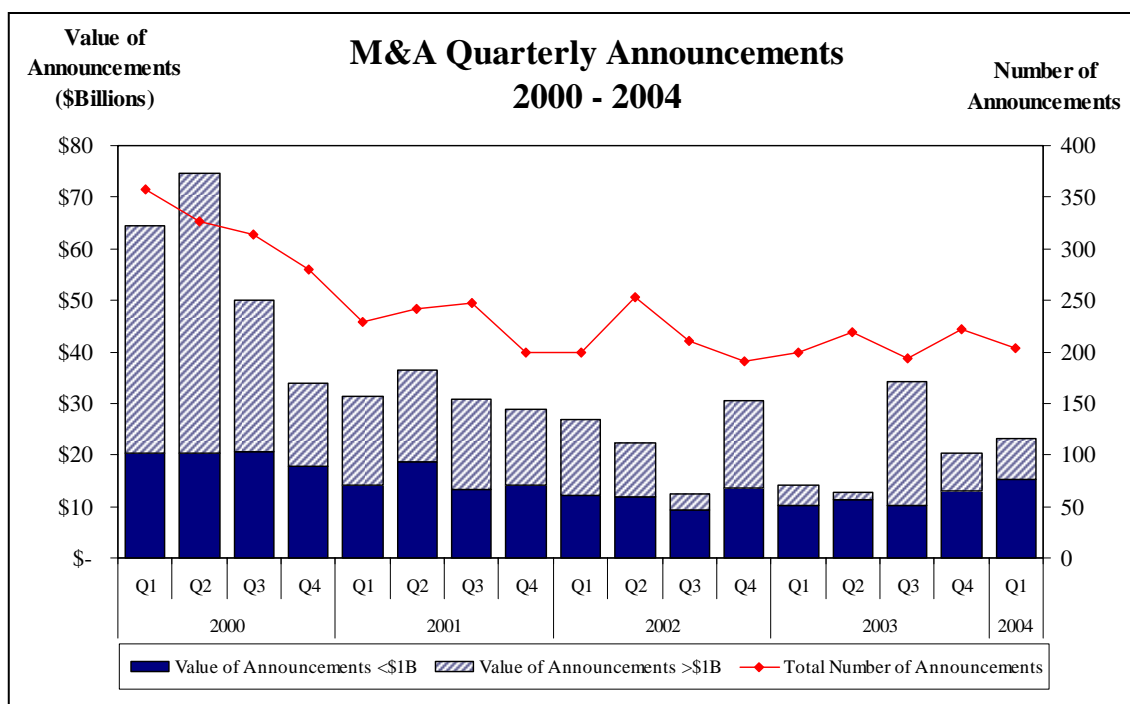
While there has been an increase in the number and dollar volume of mega-deals in recent quarters, their relative importance on the overall Canadian M&A landscape has been diminishing, which was particularly evident this quarter. Mega-deals represented 34% of the total

transaction value in the first quarter, compared to a range of 45% to 68% in recent years. The market for transactions under \$1 billion has been growing, with the value of all such transactions totalling \$15.6 billion – the highest quarterly volume for transactions of this size since the second quarter of 2001.

Interestingly, the average transaction size of deals under \$1 billion was \$113 million in the quarter – a significant increase over the quarterly average for the past three years of \$89 million.

Cross-Border Activity

Increasing cross-border activity also contributed to the strong quarter. There were 100 international and cross-border transactions totalling \$13.8 billion



this year, compared to 91 such transactions worth \$9.9 billion in Q1 2003. Canadian companies continued to acquire far more foreign companies than foreign acquisitions of Canadian businesses – there were 73 acquisitions of foreign interests totalling \$10.1 billion in the quarter compared to only 27 acquisitions of Canadian companies by foreign businesses worth \$3.7 billion in the same period last year.

The Canadian dollar strengthened about 15% relative to the U.S. dollar compared to the first quarter of 2003, but this was only one factor contributing to the rise in Canadian acquisitions of U.S. companies. There were 36 acquisitions of U.S. targets by Canadian companies totalling \$7.0 billion in the quarter, compared to 32 such acquisitions worth \$4.1 billion during the same period last year.

Most Active Industries

Industrial Products, Oil & Gas and Real Estate were the most active sectors in the first quarter. While there have been fewer mega-deals in Oil & Gas and Real Estate in particular, activity in these sectors has been fuelled by smaller transactions involving royalty and income trusts seeking growth through acquisitions. REITs (real estate investment trusts) for example comprise a significant proportion of total Real Estate sector activity – in the first quarter they accounted for 50% of total transactions and over 80% of the dollar value of all announced Real Estate transactions.

In terms of dollar volume, **Industrial Products** and **Utilities** experienced the highest dollar value of transactions in the quarter, largely due to several transactions over \$500 million in these sectors. The **Gold & Silver** sector experienced a significant increase in total dollar value of announced transactions in the quarter, a result of one mega-deal – IAMGOLD Corp.'s announced acquisition of Wheaton River Minerals Ltd.

ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO MARCH 31

INDUSTRY GROUPS	2004		2003	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	52	4,309	37	2,143
Oil & Gas	26	2,570	33	2,872
Real Estate	23	1,202	30	957
Financial Services	19	3,109	19	1,691
Consumer Products	19	1,081	18	893
Metals & Minerals	14	657	5	676
Merchandising	12	425	7	9
Gold & Silver	10	3,072	18	134
Utilities	8	3,580	11	906
Transportation & Environ.	7	61	6	487
Paper & Forest Products	6	719	4	428
Communication & Media	6	431	10	2,808
Pipelines	1	2,262	2	368
TOTAL	203	23,478	200	14,372
<i>Technology Watch:</i>				
(subsector of Ind. Prod.)	12	1,016	6	192

CROSS-BORDER TRANSACTIONS: Y-T-D TO MARCH 31

	2004		2003	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Canadians Acquiring				
Foreign Companies	65	9,229	55	5,490
Cdn Co's from Foreigners	8	895	10	1,332
Total	73	10,124	65	6,822
Top Foreign Target Country of Canadian Acquirors				
United States	36	7,041	32	4,086
Foreigners Acquiring				
Canadian Companies	20	2,892	17	2,400
Foreign Co's from Cdn	7	769	9	646
Total	27	3,661	26	3,046
Top Foreign Acquiror of Canadian Located Companies				
United States	16	2,333	12	2,142

BREAKDOWN OF ACTIVITY: Y-T-D TO MARCH 31

Size	2004				2003			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	61	30	N/A		67	34	N/A	
1m-100m	99	49	2,608	11	99	50	1,652	11
101m-250m	20	10	3,253	14	17	9	2,846	20
251m-500m	11	5	4,441	19	12	6	4,156	29
501m-1b	8	4	5,321	23	2	1	1,620	11
>1b	4	2	7,967	34	3	2	4,128	29

Mergers & Acquisitions in Canada Largest Transactions Announced During Q1 2004

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$2,870,000,000	Iamgold Corp. Wheaton River Minerals Ltd.	Acquiror Target	31-Mar-2004
\$2,262,000,000	TransCanada Corp. Gas Transmission Northwest Corp. National Energy & Gas Transmission Inc.	Acquiror Target Vendor	24-Feb-2004
\$1,700,000,000	Manitoba Telecom Services Inc. Allstream Inc.	Acquiror Target	18-Mar-2004
\$1,135,000,000	CGI Group Inc. American Management Systems Inc.	Acquiror Target	10-Mar-2004
\$910,000,000	Canadian Apartment Properties REIT Residential Equities REIT	Acquiror Target	30-Mar-2004
\$790,800,000	Thomson Corp. TradeWeb Consortium of banks (U.S.)	Acquiror Target Vendor	18-Feb-2004
\$701,000,000	Canadian Natural Resources Ltd. Petrovera Resources EnCana Corp. ConocoPhillips Co.	Acquiror Target Vendor Vendor	18-Feb-2004
\$647,552,000	Ciena Corp. Catena Networks Inc.	Acquiror Target	19-Feb-2004
\$645,000,000	Bell Canada Bell West Inc. Manitoba Telecom Services Inc.	Acquiror Target Vendor	2-Feb-2004
\$589,000,000	Alcan Inc. Aluminium Dunkerque smelter	Acquiror Target	6-Jan-2004
\$531,400,000	TransCanada Power L.P. Electric power plants (U.S.) TransCanada Corp.	Acquiror Target Vendor	29-Mar-2004
\$505,847,000	Connors Bros. Income Fund Bumble Bee Holdings L.P.	Acquiror Target	11-Feb-2004
\$500,000,000	Domtar Inc. Portucel S.A.	Acquiror Target	1-Mar-2004
\$455,000,000	BG Group plc Oil & gas assets (Can.) El Paso Energy Corp.	Acquiror Target Vendor	16-Feb-2004