

M&A Quarterly Report

Q2 2004

Second Quarter Overview

The Canadian M&A market recorded its strongest performance in three years as the second quarter of 2004 saw the dollar value of announced transactions jump 48% to \$34.8 billion compared to the first quarter. While the number of transactions displayed a more modest 23% increase to 250 (compared to 203 announced transactions last quarter), it was still the highest total since the second quarter of 2002. The market strength was largely the result of a resurgence of large deals, the continued rise in cross-border activity and a very active Oil & Gas sector.

There were 10 transactions valued over \$1 billion (“mega-deals”) in the quarter, the most since the first quarter of 2000 and up significantly from the four transactions last quarter. These

mega-deals had a total dollar value of \$16.7 billion, with the largest announced transaction being **EnCana Corp.’s** \$3.6 billion acquisition of **Tom Brown Inc.** Other top transactions included **Jean Coutu Group’s** purchase of approximately 1,549 **Eckerd Drugstores** from **J.C. Penney Co.** for \$3.3 billion; **Hollinger’s** \$1.8 billion sale of the **Telegraph Group Limited** to the UK’s Barclay brothers; and **Brascan Corp.’s** \$1.3 billion purchase of hydroelectric power assets from **Reliant Energy Inc.** The Oil & Gas sector led the way with four of the 10 mega-deals.

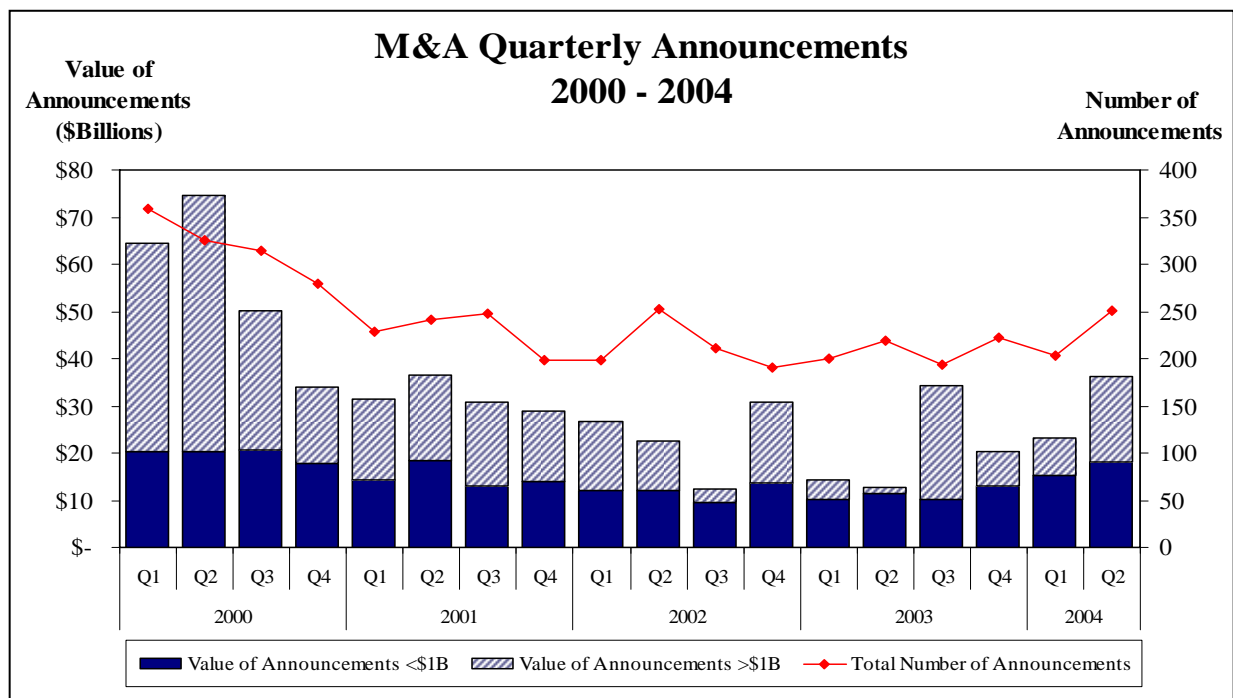
Core Market Activity

In addition to the significant number of mega-deals, the balance of the M&A market continues to show steady improvement with deals below \$1 billion increasing for the third consecutive quarter.

Activity in this segment of the market rose to 180 transactions valued at \$18.0 billion in the second quarter of the year, compared to 157 transactions totaling \$11.9 billion in the first quarter. This core segment represented 95% of the total transaction volume and 52% of the total transaction value in the first quarter.

Cross-Border Activity

International and cross-border transactions continue to represent a considerable portion of the Canadian M&A landscape. There were 212 cross-border transactions in the first half of 2004 totaling \$41.0 billion, compared to 185 transactions valued at \$46.0 billion in the second half of 2003 and 179 such transactions valued at \$16.5 billion during the first half of 2003. Cross-border transactions represented 70% of the overall



activity by dollar value and 47% by transaction volume. Ten of the 14 mega-deals in the first half of 2004 were cross-border transactions. Canadian companies continued to have a strong appetite for foreign acquisitions, making 154 purchases worth \$27.7 billion in the first half of 2004, nearly triple the 58 acquisitions by foreign interests of Canadian companies, totaling \$13.3 billion.

Record low interest rates, healthy commodity prices in the resource sector and a strengthened Canadian dollar against the U.S. dollar were all contributing factors to the rise in Canadian acquisitions of U.S. companies. Canadian companies made 76 acquisitions of U.S. targets totaling \$20.0 billion during the first six months of 2004, an increase from the 68 acquisitions worth \$5.5 billion during the same period last year and comparable to the 69 acquisitions valued at \$22.2 billion during the last six months of 2003.

Most Active Industries

The M&A market rally in 2004 has been widespread, with 11 of the 13 TSX sub-sectors demonstrating increased levels of transaction dollar volume. The **Oil & Gas** sector, flush with cash due to record high oil prices, led the charge with 68 transactions in the first half of the year valued at \$15.1 billion, 26% of the total transaction value. Other active sectors by dollar value included **Industrial Products** (\$8.4 billion) and **Utilities** (\$7.4 billion), as well as **Merchandising** (\$4.7 billion) due mainly to the **Jean Coutu Group** transaction. In the **Gold & Silver** sector, the significant increase in dollar volume can be largely attributed to the competitive bids that emerged for both **IAMGOLD Corp.** and **Wheaton River Minerals Ltd.** after their merger transaction was announced in the first quarter of the year.

In terms of the number of transactions, **Industrial Products** recorded the most deals with 110, 24% of the total. Other active sectors included **Oil & Gas** and **Real Estate**, which have been driven by a number of mid-sized transactions. As the acquiring party in 20% of all transactions in excess of \$250 million in value for the quarter, energy trusts and REITs remain a major factor in the Canadian M&A market. The **Metals & Minerals** sector saw activity jump to 26 transactions from only 9 the year before as the world economy's demand for raw materials drove base metal prices to recent highs.

ACTIVITY GROUPED BY INDUSTRY: Y-T-D TO JUNE 30

INDUSTRY GROUPS	2004		2003	
	# of	Value	# of	Value
	Deals	\$Millions	Deals	\$Millions
Industrial Products	110	8,352	95	4,435
Oil & Gas	68	15,102	59	5,214
Real Estate	55	3,367	57	2,640
Consumer Products	43	3,650	51	2,118
Financial Services	39	3,723	36	2,547
Merchandising	27	4,743	22	2,188
Metals & Minerals	26	834	9	730
Utilities	21	7,365	20	1,361
Gold & Silver	20	4,350	27	390
Communication & Media	22	3,855	19	3,251
Transportation & Environ.	11	138	15	1,202
Paper & Forest Products	9	521	7	478
Pipelines	2	2,288	3	1,273
TOTAL	453	58,288	420	27,827
<i>Technology Watch:</i>				
(subsector of Ind. Prod.)	20	2,398	19	330

CROSS-BORDER TRANSACTIONS: Y-T-D TO JUNE 30

	2004		2003	
	# of	Value	# of	Value
	Deals	\$Millions	Deals	\$Millions
Canadians Acquiring				
Foreign Companies	140	24,605	107	9,268
Cdn Co's from Foreigners	14	3,120	17	2,171
Total	154	27,725	124	11,439
Top Foreign Target Country of Canadian Acquirors				
United States	76	19,978	68	5,531
Foreigners Acquiring				
Canadian Companies	46	8,929	39	3,696
Foreign Co's from Cdn	12	4,370	16	1,319
Total	58	13,299	55	5,015
Top Foreign Acquiror of Canadian Located Companies				
United States	35	7,173	28	2,999

BREAKDOWN OF ACTIVITY: Y-T-D TO JUNE 30

Size	2004				2003			
	#	Value	#	Value	#	Value	#	Value
	Deals	%	\$ Millions	%	Deals	%	\$ Millions	%
Undisclosed	121	27	N/A		129	31	N/A	
1m-100m	232	51	5,789	10	227	54	5,307	19
101m-250m	43	9	6,929	12	35	8	5,884	21
251m-500m	27	6	9,672	17	19	5	6,600	24
501m-1b	16	4	11,247	19	6	1	4,453	16
>1b	14	3	24,652	42	4	1	5,581	20

Mergers & Acquisitions in Canada Largest Transactions Announced During Q2 2004

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$3,630,000,000	EnCana Corp. Tom Brown Inc.	Acquiror Target	15-Apr-2004
\$3,280,000,000*	Jean Coutu Group (PJC) Inc. Eckerd Drugstores J.C. Penney Co.	Acquiror Target Vendor	2-Apr-2004
\$1,800,000,000	Press Acquisitions Ltd. Telegraph Group Plc. Hollinger Inc.	Acquiror Target Vendor	23-Jun-2004
\$1,251,000,000	Brascan Corp. Hydroelectric power plants (U.S.) Reliant Energy Inc.	Acquiror Target Vendor	18-May-2004
\$1,200,000,000	Golden Star Resources Ltd. Iamgold Corp.	Acquiror Target	27-May-2004
\$1,153,320,000*	Petro-Canada Intrepid Energy North Sea Ltd.	Acquiror Target	25-May-2004
\$1,140,000,000	Cequel Energy Inc. Progress Energy Ltd.	Target Target	26-Apr-2004
\$1,110,000,000	Telus Corp. Microcell Telecommunications Inc.	Acquiror Target	13-May-2004
\$1,089,000,000	Acclaim Energy Trust Enerplus Resources Fund Oil & gas assets (Can.) ChevronTexaco Corp.	Acquiror Acquiror Target Vendor	25-May-2004
\$1,032,161,000	QLT Inc. Atrix Laboratories Inc.	Acquiror Target	14-Jun-2004
\$974,835,000	Flextronics Corp. Telecom equipment manufacturing assets (Int'l) Nortel Networks Corp.	Acquiror Target Vendor	29-Jun-2004
\$900,000,000	Capital Infragaz LP Noverco Inc. Caisse de Depot et Placement du Quebec	Acquiror Target Vendor	30-Jun-2004
\$760,328,000	Novartis AG Sabex Holding Ltd. RoundTable Healthcare Partners	Acquiror Target Vendor	7-Jun-2004
\$719,000,000	Petro-Canada Prima Energy Corp.	Acquiror Target	9-Jun-2004