

M&A Quarterly Report

Q3 2003

Overview

The Canadian M&A market reversed its downward trend in the third quarter, reaching values not seen since late 2000 and early 2001. The dollar value of transactions in the quarter increased 166% to \$34.1 billion from \$12.8 billion in Q2, while the number of transactions decreased 11% to 194 in Q3 from 219 in Q2.

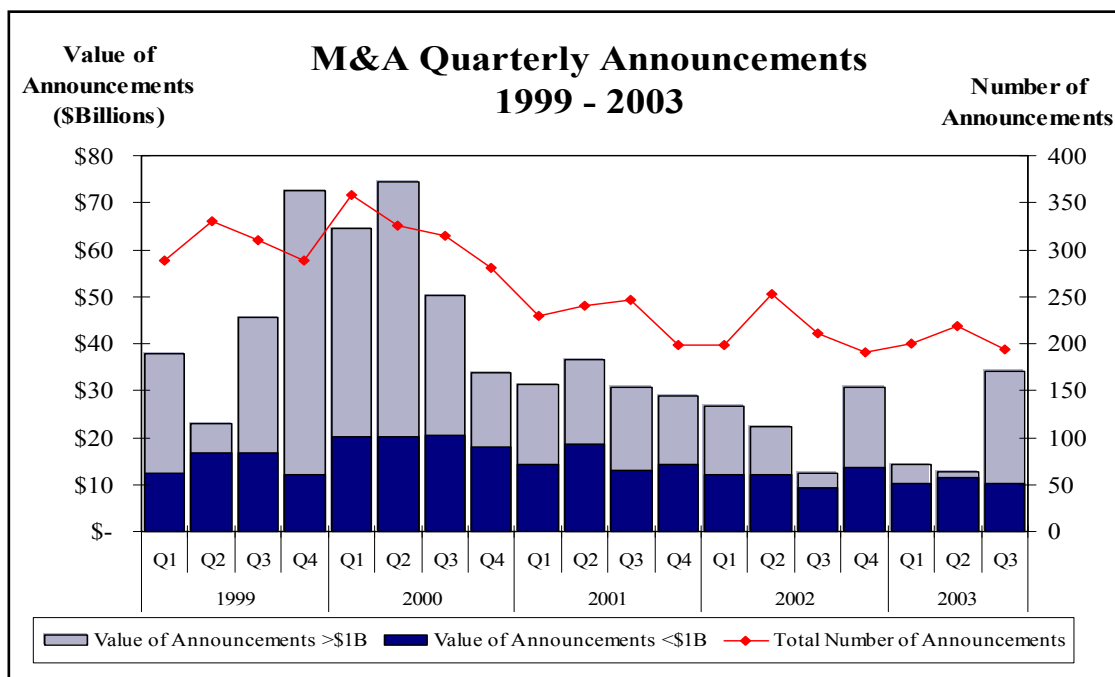
The strong dollar volume for the quarter was largely a result of the four mega-deals announced in the quarter. By comparison, there was only one mega-deal announced in Q2, and three announced in Q1. Of particular significance in the third quarter was the \$15 billion proposed acquisition of

John Hancock Financial Service, Inc. by Manulife Financial Corporation announced in September, which was one of the largest Canadian M&A transactions ever. The second largest transaction in the quarter was **Alcan Inc.’s** announced acquisition of **Pechiney SA** in France, valued at approximately \$6.3 billion. Excluding these two deals, the total dollar value in the quarter was \$12.9 billion, consistent with the dollar value of transactions announced in Q2 (\$12.8 billion), and for Q3 of 2002 (\$12.3 billion).

Industry Sector Activity

In the third quarter, the **Financial Services** and **Industrial Products** sectors

experienced the most significant increases in dollar volume, due primarily to the two largest mega-deals noted above. Four of the 13 TSX sub-sectors showed an increase in both the number of transactions and dollar volume – in addition to **Financial Services**, the **Utilities**, **Communications & Media** and **Gold & Silver** sectors all saw significant gains. The **Communications & Media** sector received a boost by **Cinram International Inc.’s** \$1.5 billion acquisition of **AOL Time Warner Inc.’s** DVD and CD production business. Additionally, the **Utilities** sector was rejuvenated by **Fortis Inc.’s** acquisition of **Aquila Inc.’s** operations, valued at \$1.4 billion.



The **Oil & Gas** sector remained active in the third quarter in part due to **Husky Energy Inc.**'s \$825 million acquisition of **Marathon Canada Ltd.** Year-to-date to September 30, the number of Oil & Gas deals remained the same relative to last year, but the dollar volume dropped 65% to \$6.4 billion, compared to \$18.4 billion last year.

Steady Mid-Market Activity

While the big news this quarter is the resurgence of mega-deals, the mid-market continued to represent a significant component of the Canadian M&A market throughout the year. For the first three quarters of 2003, the number and dollar volume of transactions between \$1 million and \$500 million remained quite steady relative to last year. There were 409 such transactions worth \$24.7 billion in the first three quarters of 2003, compared to 422 transactions totalling \$25.7 billion in the same period in 2002.

Cross Border Transactions

Cross-border activity continued to follow the general M&A market – the dollar value of cross-border transactions increased by 30% to \$47.6 billion for the first three quarters of 2003 compared to last year. However, in terms of cross-border activity, the number of transactions declined by 15% in the three quarters to September 30, 2003 relative to the same period in 2002. There were 267 cross-border transactions, compared to 315 transactions totalling \$36.5 billion in the same period last year. Interestingly, the number of acquisitions of Canadian companies by U.S. companies has declined 48% this year to 34 transactions worth \$4.5 billion, compared to 65 transactions totalling \$6.6 billion in the same period last year.

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

INDUSTRY GROUPS	2003		2002	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	139	13,287	172	4,763
Real Estate	79	4,138	74	5,269
Oil & Gas	76	6,405	76	18,416
Consumer Products	70	2,683	68	4,708
Financial Services	59	19,321	60	5,243
Gold & Silver	43	1,331	24	3,642
Merchandising	34	2,749	36	801
Communication & Media	31	5,049	49	5,420
Utilities	31	3,479	42	9,642
Transportation & Environ.	21	1,162	23	1,073
Metal & Minerals	12	810	21	428
Paper & Forest Products	10	699	14	1,489
Pipelines	6	1,579	2	529
TOTAL	611	62,692	661	61,423
<i>Technology Watch:</i> (subsector of Ind. Prod.)	29	576	26	742

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

	2003		2002	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Canadians Acquiring				
Foreign Companies	161	34,535	180	13,870
Cdn Co's from Foreigners	29	5,739	27	11,653
Total	190	40,274	207	25,523
Top Foreign Target Country of Canadian Acquirors				
United States	95	23,287	106	8,667
Foreigners Acquiring				
Canadian Companies	51	5,347	88	8,747
Foreign Co's from Cdn	26	1,983	20	2,206
Total	77	7,330	108	10,953
Top Foreign Acquiror of Canadian Located Companies				
United States	34	4,490	65	6,610

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

Size	2003				2002			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	183	30	N/A		219	33	N/A	
1m-100m	334	55	7,877	13	339	51	8,348	14
101m-250m	48	8	7,578	12	61	9	9,848	16
251m-500m	27	4	9,247	15	22	3	7,518	12
501m-1b	10	2	7,094	11	12	2	8,620	14
>1b	9	1	30,896	49	8	1	27,090	44

Mergers & Acquisitions in Canada
Largest Transactions Announced During Q3 2003

Value (*Estimate)	Name	Role	Announced
\$15,000,000,000	Manulife Financial Corp. John Hancock Financial Services Inc.	Acquiror Target	28-Sep-2003
\$6,252,000,000	Alcan Inc. Pechiney SA	Acquiror Target	7-Jul-2003
\$1,477,625,000	Cinram International Inc. DVD and CD production business AOL Time Warner Inc.	Acquiror Target Vendor	18-Jul-2003
\$1,360,000,000	Fortis Inc. Aquila Networks Canada (Alberta) Ltd. Aquila Networks Canada (British Columbia) Ltd. Aquila Inc.	Acquiror Target Target Vendor	15-Sep-2003
\$846,000,000	C.I. Fund Management Inc. Assante Corp.	Acquiror Target	22-Aug-2003
\$825,379,000	Husky Energy Inc. Marathon Canada Ltd. Marathon Oil Corp.	Acquiror Target Vendor	20-Aug-2003
\$600,164,000	New York State Teachers' Retirement Program Office building (U.S.) Brookfield Properties Corp.	Acquiror Target Vendor	4-Sep-2003
\$515,000,000	Maple Leaf Foods Inc. Schneider Corp. Smithfield Foods Inc.	Acquiror Target Vendor	25-Sep-2003
\$410,000,000	Retirement Residences REIT Canadian Pension Plan Investment Board Retirement residence portfolio (Can.)	Acquiror Acquiror Target	14-Jul-2003
\$369,000,000	EnCana Corp. Natural gas assets (B.C.) Government of British Columbia	Acquiror Target Vendor	22-Sep-2003
\$347,933,000 *	Placer Dome Inc. East African Gold Mines Ltd.	Acquiror Target	8-Jul-2003
\$339,800,000	Underwriting group (Can.) Stratos Global Corp. Aliant Inc.	Acquiror Target Vendor	18-Sep-2003
\$324,000,000	Phelan family Cara Operations Ltd.	Acquiror Target	29-Aug-2003
\$297,000,000	Investors (Can.) Kinross Gold Corp. Newmont Mining Corp.	Acquiror Target Vendor	12-Sep-2003