

# M&A Quarterly Report

## Q3 2004

### Overview

The Canadian M&A market demonstrated continued momentum in the third quarter of 2004, despite decreases in both the number of transactions and dollar volume from Q2. There were 200 transactions announced totalling \$31.8 billion in the three months ended September 30, 2004, compared to 250 transactions worth \$34.8 billion last quarter. However, year-to-date activity is up significantly over last year, with a cumulative year-to-date total of 649 transactions valued at \$86.5 billion, compared to 611 transactions worth \$62.7 billion in the same period in 2003.

In the “mega-deal” segment, representing transactions of over \$1 billion in size, there were 7 deals announced in the third

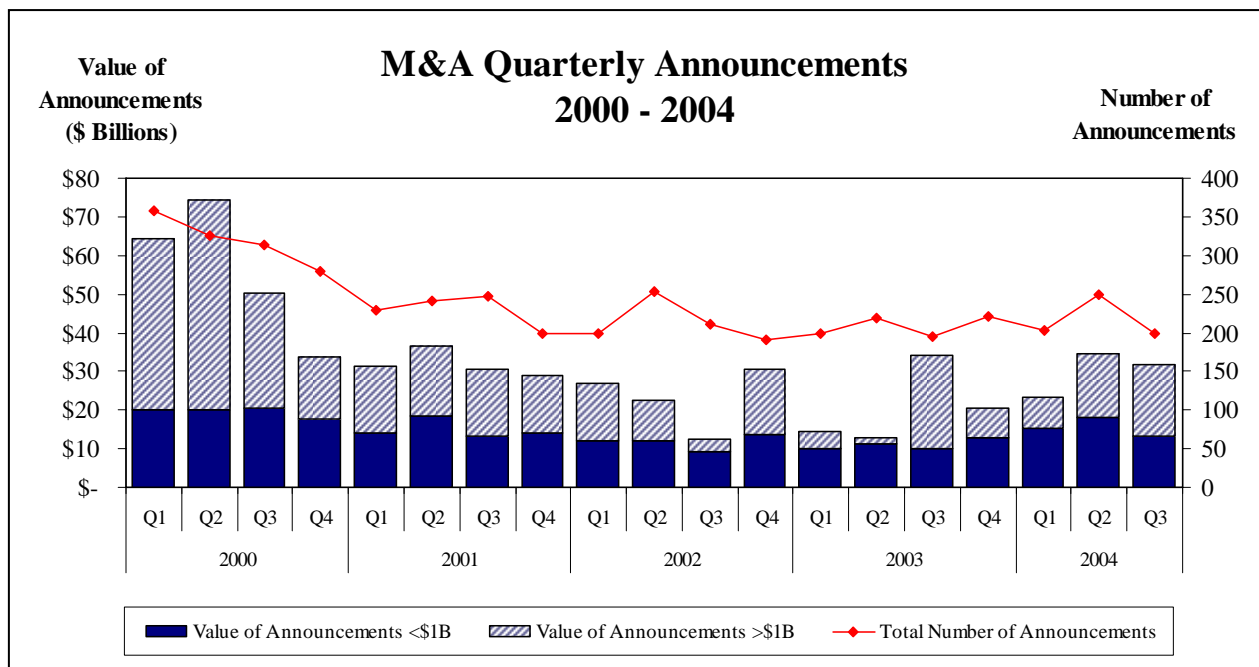
quarter, valued at a total of \$18.5 billion. The two largest deals this year were announced in the quarter, including **TD Bank Financial Group's** C\$4.9 billion offer for **Banknorth Group** and the proposed merger between **Molson Inc.** and **Adolph Coors Company**, valued at approximately C\$4.5 billion. Rounding out the top three largest deals in the quarter was the proposed combination of **IAMGold Corp.** with certain assets of **Gold Fields Limited** to create one of the world’s largest gold producers.

Other notable transactions included **Bain Capital's** acquisition of the **SuperPages Canada** directory for about C\$2.0 billion and the proposed sale of **AT&T Wireless Services Inc.'s** investment in **Rogers Wireless**

**Communications Inc.** to **Rogers Communications Inc.**, valued at \$1.8 billion.

### Industry Activity

In terms of year-to-date activity, the 2004 market rally has been relatively widespread, with 10 of the 13 TSX sectors demonstrating increased levels of transaction dollar volume. Record oil prices and a strengthened Canadian dollar against the U.S. dollar were contributing factors in **Oil & Gas** M&A activity, which has been the strongest sector in terms of dollar value year-to-date. There were 90 transactions in the sector totalling \$18.8 billion, an increase of almost 200% compared to the same period in 2003.



Other active sectors in terms of year-to-date dollar volume include **Utilities** (\$10.2 billion), **Industrial Products** (\$9.8 billion) and **Financial Services** (\$9.2 billion).

In terms of the number of transactions, the **Industrial Products** sector was the most active year-to-date, with 163 transactions, compared to 139 transactions for the same period last year. The **Oil & Gas** sector was the second most active, with 90 transactions compared to 76 in 2003. **Real Estate** rounded out the top three most active sectors, at 82 transactions. REIT's and energy trusts continue to drive significant M&A activity, particularly in mid-sized transactions.

### *Cross-Border Transactions*

Cross-border transactions continue to be one of the most significant drivers of Canadian M&A activity. Each of the ten largest transactions announced in the third quarter were cross-border deals, seven of which involved a Canadian company acquiring a foreign interest.

Canadian acquisitions of foreign companies continue to outpace foreign acquisitions of Canadian companies by about 3 to 1. In particular, expansion by Canadian companies into the U.S. increased to 112 transactions worth \$32.2 billion in the first three quarters this year, from 95 transactions totalling \$23.3 billion for the same period in 2003. This compares to only 47 acquisitions worth \$6.6 billion of Canadian targets by U.S. companies.

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

INDUSTRY GROUPS	2004		2003	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	163	9,756	139	13,287
Oil & Gas	90	18,752	76	6,405
Real Estate	82	5,197	79	4,138
Consumer Products	59	8,981	70	2,683
Financial Services	53	9,240	59	19,321
Merchandising	40	5,578	34	2,749
Communication & Media	37	7,699	31	5,049
Utilities	31	10,200	31	3,479
Metals & Minerals	30	1,179	12	810
Gold & Silver	29	3,250	43	1,331
Paper & Forest Products	17	2,875	10	699
Transportation & Environ.	14	261	21	1,162
Pipelines	4	3,513	6	1,579
<b>TOTAL</b>	<b>649</b>	<b>86,481</b>	<b>611</b>	<b>62,692</b>
<i>Technology Watch:</i> (subsector of Ind. Prod.)	28	2,479	29	576

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

	2004		2003	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Canadians Acquiring				
Foreign Companies	197	38,775	161	34,535
Cdn Co's from Foreigners	23	8,569	29	5,739
Total	220	47,344	190	40,274
Top Foreign Target Country of Canadian Acquirors				
United States	112	32,172	95	23,287
Foreigners Acquiring				
Canadian Companies	65	11,729	51	5,347
Foreign Co's from Cdn	20	5,269	26	1,983
Total	85	16,998	77	7,330
Top Foreign Acquiror of Canadian Located Companies				
United States	47	6,599	34	4,490

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

Size	2004				2003			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	176	27	N/A		183	30	N/A	
1m-100m	339	52	8,551	10	334	55	7,877	13
101m-250m	54	8	8,738	10	48	8	7,538	12
251m-500m	37	6	13,204	15	27	4	9,247	15
501m-1b	24	4	16,616	19	10	2	7,094	11
>1b	19	3	39,371	46	9	1	30,896	49

## Mergers & Acquisitions in Canada Largest Transactions Announced During Q3 2004

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$4,969,000,000	Toronto-Dominion Bank Banknorth Group Inc.	Acquiror Target	24-Aug-2004
\$4,530,000,000*	Molson Inc. Adolph Coors Company	Target Target	22-Jul-2004
\$2,780,000,000*	Gold Fields Ltd. Iamgold Corp.	Acquiror Target	11-Aug-2004
\$1,990,000,000	Bain Capital LLC SuperPages Canada Verizon Information Services Canada Inc.	Acquiror Target Vendor	9-Sep-2004
\$1,770,000,000	Rogers Communications Inc. Rogers Wireless Communications Inc. AT&T Wireless Group	Acquiror Target Vendor	13-Sep-2004
\$1,260,000,000	West Fraser Timber Co. Ltd. Weldwood of Canada Ltd. International Paper Co.	Acquiror Target Vendor	21-Jul-2004
\$1,200,000,000	Ontario Teachers Pension Plan Board Ontario Municipal Employees Retirement System Gas pipeline network (U.K.) National Grid Transco Plc	Acquiror Acquiror Target Vendor	1-Sep-2004
\$825,000,000	PrimeWest Energy Trust Oil and gas properties (Alb.) Calpine Corp.	Acquiror Target Vendor	16-Aug-2004
\$715,000,000	Inter Pipeline Fund Natural gas processing plant (Alb.) Williams Cos. Inc.	Acquiror Target Vendor	8-Jul-2004
\$700,000,000*	Thomas H. Lee Partners LP Progressive Moulded Products Ltd. Oak Hill Capital Partners	Acquiror Target Vendor	7-Jul-2004
\$696,792,000	Harvest Energy Trust Oil assets (Alb.) EnCana Corp.	Acquiror Target Vendor	15-Jul-2004