

M&A Quarterly Report – Q4/04

2004 – The Year in Review

Overview

The Canadian M&A market demonstrated consistent strength throughout the year in posting its best results since 2001. There were 859 announced transactions valued at \$115.8 billion in 2004, compared to 833 transactions valued at \$83.2 billion in 2003. Contributing to the increase were 25 mega-deals (transactions over \$1 billion), the largest number since 2000, totalling \$52 billion in value compared to 12 mega-deals valued at \$38 billion in 2003.

Industry Activity

Oil & Gas was the strongest sector by dollar volume with \$24 billion, driven by four mega-deals, including two

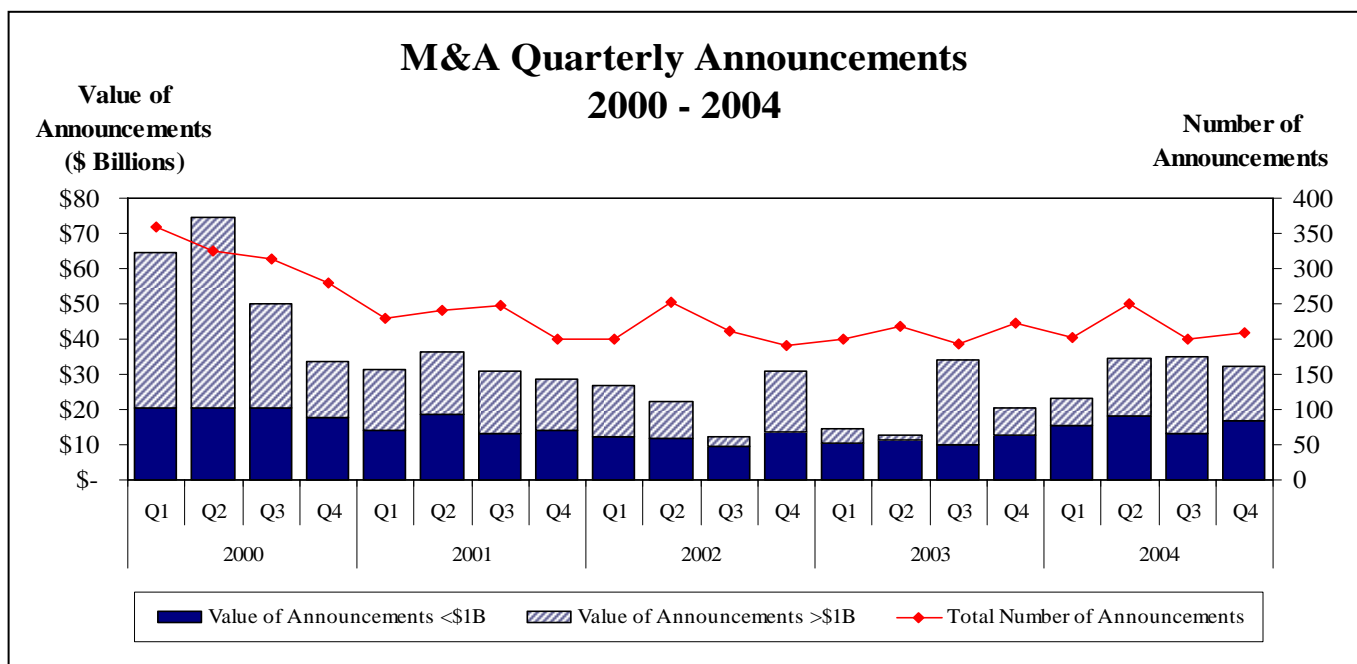
involving **EnCana Corp.** – its \$3.6 billion purchase of **Tom Brown Inc.** and the sale of its UK assets to **Nexen Inc.** for \$2.7 billion. **Industrial Products** was the most active sector by number of transactions with 205, lead by **Kohlberg Kravis Roberts & Co.’s** \$3.1 billion announced acquisition of **Masonite International Corp.**

Despite a slight decline in the number of deals, **Consumer Products** saw dollar volume increase significantly to \$13 billion from \$3 billion in 2003 due to three mega-deals, including **Molson Inc.’s** \$4.5 billion acquisition by **Adolph Coors Company.** **Gold & Silver** saw total deal value jump 280% to \$7.4 billion as **Goldcorp Inc.** attempted to

acquire **Wheaton River Minerals Ltd.** for \$2.4 billion while also fending off **Glamis Gold Ltd.’s** hostile \$3.7 billion bid.

Communications & Media had another strong year with \$11 billion in transactions, lead by **Bain Capital LLC’s** \$2.0 billion purchase of **SuperPages Canada** and two mega-deals by **Rogers Communications Inc.** which bought back a minority stake in **Rogers Wireless Communications Inc.** from **AT&T Wireless Group** for \$1.8 billion and also acquired **Microcell Telecommunications Inc.** for \$1.4 billion.

Financial Services recorded the largest deal of the year, **TD Bank Financial Group’s** \$4.9



billion purchase of **Banknorth Group**, but still saw total deal value decline 47% to \$11.0 billion.

Strength in the Mid-Market

The mid-market continued to drive significant M&A activity throughout 2004 as the value of transactions between \$1 million and \$1 billion increased to \$64 billion from \$45 billion. The number of mid-market deals also rose to 612 from 585 in 2003.

Cross-Border Transactions

Cross-border activity continued to play a major role in the Canadian M&A landscape representing 50% of total deal volume and 70% of total deal value. With 19 of the 25 largest deals having an international component, the dollar volume of cross-border transactions increased 29% to \$81 billion up from \$62 billion in 2003 and the number of cross-border deals also increased 17% to 427, up from 364 the prior year. Canadian companies continued to exhibit a strong appetite for foreign companies, making 312 purchases valued at \$59 billion, nearly triple the number and value of foreign acquisitions of domestic companies. As usual, the largest target market was the U.S., where Canadian companies made \$37 billion in acquisitions, a 34% increase from the \$28 billion the prior year.

Fourth Quarter Activity

M&A activity in the fourth quarter of 2004 was representative of the year overall, but marked a significant increase in the average size of transaction when compared to the same quarter last year. For the quarter, there were 210 transactions announced, valued at \$32 billion, including 7 deals of over \$1 billion. This represented a 57% increase in transaction value from the fourth quarter of 2003, when there were 222 deal announced with a valuation of \$20 billion.

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

INDUSTRY GROUPS	2004		2003	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Industrial Products	205	15,719	183	15,500
Oil & Gas	121	23,668	104	8,611
Real Estate	108	6,656	115	5,718
Consumer Products	80	12,668	86	3,016
Financial Services	70	10,983	76	20,369
Merchandising	56	7,029	45	4,102
Communication & Media	51	11,406	47	10,420
Utilities	37	8,773	40	3,819
Metals & Minerals	41	2,131	23	2,969
Gold & Silver	43	7,401	57	1,949
Paper & Forest Products	20	3,249	13	1,427
Transportation & Environ.	21	2,329	35	3,358
Pipelines	6	3,800	9	1,994
TOTAL	859	115,812	833	83,252
<i>Technology Watch:</i> (subsector of Ind. Prod.)	36	3,697	34	1,000

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

	2004		2003	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Canadians Acquiring				
Foreign Companies	284	48,824	229	41,601
Cdn Co's from Foreigners	28	9,678	38	6,998
Total	312	58,502	267	48,599
Top Foreign Target Country of Canadian Acquirors				
United States	142	37,024	137	27,718
Foreigners Acquiring				
Canadian Companies	86	16,139	65	11,650
Foreign Co's from Cdn	29	6,010	32	2,227
Total	115	22,149	97	13,877
Top Foreign Acquiror of Canadian Located Companies				
United States	62	12,602	46	10,715

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

Size	2004				2003			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	221	26	N/A		236	28	N/A	
1m-100m	455	53	12,139	10	457	55	10,497	13
101m-250m	75	9	11,959	10	80	10	12,697	15
251m-500m	50	6	17,506	15	36	4	12,863	15
501m-1b	32	4	22,291	19	12	1	8,725	10
>1b	25	3	51,918	45	12	1	38,471	46

Mergers & Acquisitions in Canada Largest Transactions Announced During Q4 2004

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$3,700,000,000	Glamis Gold Ltd. Goldcorp Inc.	Acquiror Target	16-Dec-2004
\$3,100,000,000	Kohlberg Kravis Roberts & Co. Masonite International Corp.	Acquiror Target	22-Dec-2004
\$2,667,000,000	Nexen Inc. EnCana U.K. Ltd. EnCana Corp.	Acquiror Target Vendor	29-Oct-2004
\$2,440,000,000	Goldcorp Inc. Wheaton River Minerals Ltd.	Acquiror Target	5-Dec-2004
\$1,300,000,000	Magna International Inc. Tesma International Inc. Intier Automotive Inc. Decoma International Inc.	Acquiror Target Target Target	25-Oct-2004
\$1,100,000,000	BFI Canada Income Fund IESI Corp.	Acquiror Target	29-Nov-2004
\$1,050,000,000	Bain Capital LLC Dollarama Inc.	Acquiror Target	24-Nov-2004
\$985,000,000	Onex Corp. American Medical Response Inc. EmCare Holdings Inc.	Acquiror Target Target	6-Dec-2004
\$773,000,000	Rogers Communications Inc. Rogers Wireless Communications Inc.	Acquiror Target	11-Nov-2004
\$731,554,000	Enbridge Inc. Shell Gas Transmission LLC Royal Dutch / Shell Group of Companies	Acquiror Target Vendor	17-Nov-2004
\$698,000,000	Canadian Natural Resources Ltd. Oil & gas assets (Can.) Anadarko Petroleum Corp.	Acquiror Target Vendor	10-Nov-2004
\$693,800,000	Macquarie Infrastructure Group Ltd. 407 International Inc. Cintra Concesiones de Infraestructuras de Transporte	Acquiror Target Vendor	26-Oct-2004
\$646,000,000	Telesystem International Wireless Inc. Oskar Holdings NV	Acquiror Target	9-Nov-2004
\$600,000,000	Blackstone Group LP Acetex Corp.	Acquiror Target	27-Oct-2004
\$547,335,000	Ontario Teachers Pension Plan Board Alliance Laundry Holdings LLC Bain Capital LLC	Acquiror Target Vendor	8-Dec-2004