

M&A Quarterly Report – Q4/05

Overview

The Canadian M&A market concluded 2005 with a flurry of activity, putting together a near record year. There were 1244 announced transactions valued at \$166 billion in 2005, compared to 875 transactions valued at \$112 billion in 2004. Contributing to the increase were 34 mega-deals (transactions over \$1 billion), totalling \$103 billion in value compared to 35 mega-deals valued at \$48 billion in 2004.

Industry Activity

Oil & Gas was the most active sector with 281 transactions valued at \$40 billion, driven by 7 mega-deals, including the \$5.1 billion purchase of

PetroKazakhstan Inc. by China National Petroleum Corporation.

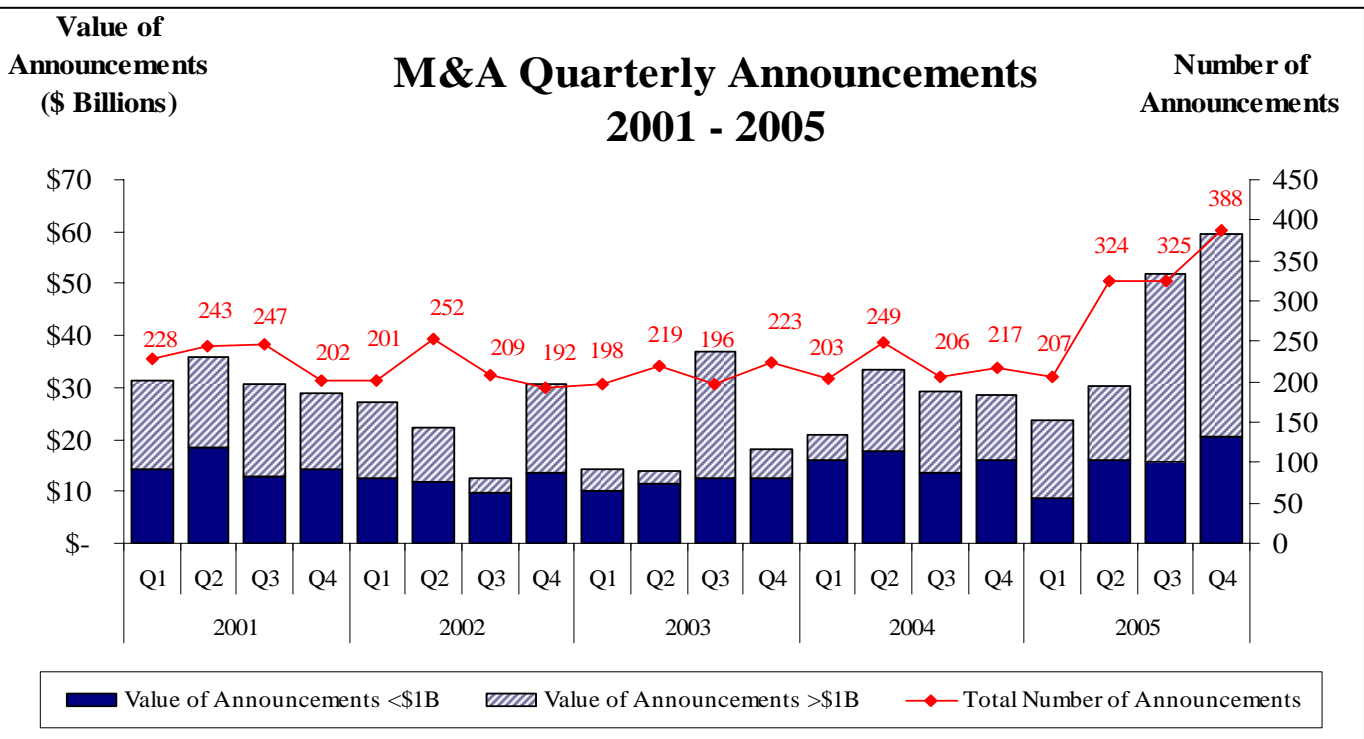
Spurred on by record high base metal prices **Metals & Minerals** deal value jumped to \$22 billion from just \$3 billion the prior year. The sector was lead by the largest transaction of the year, **Inco Limited's** \$12.8 billion takeover of **Falconbridge Limited**, topping a hostile bid by **Xstata plc**. Falconbridge itself was formed earlier in the year via its \$3.1 billion merger with **Noranda Inc.**

Gold recorded over \$16 billion in transactions, as bullion prices soared above US\$500 per ounce. **Barrick Gold Corporation** was extremely

active, first with its \$12.3 billion acquisition of **Placer Dome Inc.** and then the subsequent sale of certain Placer assets to **Goldcorp Inc.** for \$1.8 billion.

Industrial Products had another strong year with 240 transactions valued at nearly \$18 billion. The sector was lead by **Arcelor S.A.'s** \$4.9 billion hostile bid for **Dofasco Inc.**

Real Estate experienced continued strength with 189 transactions valued at \$12.3 billion, an increase from 110 deals valued at \$7.7 billion in 2004. U.S. corporate raider Carl Icahn put **Fairmont Hotels & Resorts Inc.** in play with a \$1.2 billion bid for majority control.



Two mega-deals by **The Toronto Dominion Bank** drove **Financial Services** to \$12.4 billion in dollar volume, a 33% increase over the prior year. TD Bank continued its U.S. expansion by merging its discount brokerage unit, **TD Waterhouse Group, Inc.** with **Ameritrade Holding Corporation** in a \$3.6 billion transaction, and also acquiring **Hudson United Bancorp** for \$2.3 billion.

Strength in the Mid-Market

The mid-market continued to drive significant M&A activity throughout 2005 as the number of transactions between \$1 million and \$100 million increased to 798, a 69% increase over the 472 mid-market deals in 2004.

Cross-Border Activity

Cross-border activity continued to play a major role in the Canadian M&A landscape representing 37% of total deal volume and 61% of total deal value. With 27 of the 34 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 338 purchases valued at \$35 billion, nearly triple the number and value of foreign acquisitions of domestic companies. However, foreign companies made over \$65 billion worth of acquisitions in Canada, reflecting the strong local economy and international demand for Canadian natural resources.

Fourth Quarter Activity

M&A activity in the fourth quarter reached record levels not seen since 2000. For the quarter, there were 388 transactions announced, valued at \$59 billion, including 9 deals of over \$1 billion. This represented a 105% increase in transaction value from the fourth quarter of 2004, when there were 217 deals announced with a value of \$29 billion.

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

INDUSTRY GROUPS	2005		2004	
	# of Deals	Value \$Millions	# of Deals	Value \$Millions
Consumable Fuels	281	40,167	137	25,427
Industrial Products	240	17,818	219	16,423
Real Estate	189	12,347	110	7,667
Merchandising	98	7,985	54	7,315
Consumer Products	88	6,366	82	12,617
Metals & Minerals	74	21,851	47	3,039
Financial Services	68	12,409	65	9,333
Transportation & Environ.	58	4,618	22	2,331
Utilities	51	17,159	46	14,912
Communications & Media	42	5,451	37	4,453
Gold	27	16,144	33	3,311
Paper & Forest	24	2,747	17	1,954
Pipelines	4	475	6	3,700
TOTAL	1,244	165,537	875	112,482
<i>Technology Watch:</i> (subsector of Ind. Prod.)	19	1,096	31	2,646

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

	2005		2004		
	# of Deals	Value \$Millions	# of Deals	Value \$Millions	
Canadians Acquiring					
Foreign Companies	310	26,145	248	44,486	
Cdn Co's from Foreigners	28	9,167	27	9,691	
Total	338	35,312	275	54,177	
Top Foreign Target Country of Canadian Acquirors					
United States	193	15,510	United States	134	32,754
Foreigners Acquiring					
Canadian Companies	84	41,583	86	16,228	
Foreign Co's from Cdn	33	23,867	32	7,060	
Total	117	65,450	118	23,288	
Top Foreign Acquiror of Canadian Located Companies					
United States	53	22,116	United States	65	12,751

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

Size	2005				2004			
	# Deals	%	Value \$ Millions	%	# Deals	%	Value \$ Millions	%
Undisclosed	259	21	N/A		223	25	N/A	
1m-100m	798	64	16,644	10	472	53	12,367	11
101m-250m	80	6	12,150	7	80	9	12,634	11
251m-500m	45	4	16,001	10	50	6	17,437	15
501m-1b	27	2	18,918	11	35	4	23,812	21
>1b	34	3	102,614	62	35	4	48,279	42

Largest Transactions Announced During Q4 2005

VALUE (*ESTIMATE)	NAME	ROLE	ANNOUNCED
\$ 12,800,000,000	Inco Limited Falconbridge Limited	Acquiror Target	11-Oct-05
US\$ 10,400,000,000	Barrick Gold Corporation Placer Dome Inc.	Acquiror Target	31-Oct-05
\$ 4,900,000,000 *	Arcelor S.A. Dofasco Inc.	Acquiror Target	23-Nov-05
€ 1,218,000,000	Talisman Energy Inc. Paladin Resources PLC	Acquiror Target	20-Oct-05
US\$ 1,485,000,000 *	Goldcorp Inc. Placer Dome assets Barrick Gold Corporation	Acquiror Target Vendor	31-Oct-05
\$ 1,600,000,000 *	Harvest Energy Trust Viking Energy Royalty Trust	Acquiror Target	28-Nov-05
US\$ 1,190,000,000	Icahn Partner LP Icahn Partner Master Fund LP Fairmont Hotels & Resorts Inc.	Acquiror Acquiror Target	9-Dec-05
US\$ 1,000,000,000 *	Golden Gate Capital Geac Computer Corporation Limited	Acquiror Target	7-Nov-05
\$ 1,038,000,000	Maple Leaf Heritage Investments Acquisition Corporation Hudson's Bay Company	Acquiror Target	28-Oct-05
\$ 859,230,000	CGI Group Inc. CGI Group Inc. BCE Inc.	Acquiror Target Vendor	16-Dec-05

The information above and on preceding pages is a summary of Crosbie & Company Inc.'s analysis of each quarter's M&A activity. The data is compiled from Financial Post Crosbie: Mergers & Acquisitions in Canada, the most extensive database on M&A activity in Canada. To subscribe to Financial Post Crosbie: Mergers & Acquisitions in Canada, contact CanWest Interactive Inc. (phone 416-442-2121 toll free 1-800-661-7678 e-mail helpdesk@canwest.com).