

Quarterly Financial Statements of

**CANADA PENSION PLAN
INVESTMENT BOARD**

March 31, 2002

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD

Balance Sheet

March 31, 2002

(Unaudited)

| (\$ 000's) | <u>2002</u> | <u>2001</u> |
|---|----------------------|---------------------|
| ASSETS | | |
| Investments (Note 2) | \$ 14,289,378 | \$ 7,154,876 |
| Due from brokers | 2,343 | - |
| Premises and equipment | 1,278 | 261 |
| Other assets | 79 | 1,206 |
| TOTAL ASSETS | 14,293,078 | 7,156,343 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 4,730 | 2,174 |
| Due to brokers | 3,382 | - |
| TOTAL LIABILITIES | 8,112 | 2,174 |
| NET ASSETS | \$ 14,284,966 | \$ 7,154,169 |
| NET ASSETS, REPRESENTED BY | | |
| Share capital | \$ - | \$ - |
| Accumulated net loss from operations | (86,626) | (391,252) |
| Accumulated Canada Pension Plan transfers | 14,371,592 | 7,545,421 |
| NET ASSETS | \$ 14,284,966 | \$ 7,154,169 |

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Income/(Loss) and Accumulated Net Loss from Operations

Three-month and twelve-month periods ended March 31, 2002

(Unaudited)

| (\$ 000's) | Three months ended March 31 | | Twelve months ended March 31 | |
|---|--------------------------------|--------------|---------------------------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| INVESTMENT INCOME/(LOSS) | \$ 259,769 | \$ (785,861) | \$ 316,034 | \$ (844,855) |
| INVESTMENT AND ADMINISTRATIVE EXPENSES | | | | |
| Salaries and benefits | 1,198 | 607 | 4,283 | 1,963 |
| General operating expenses | 830 | 725 | 3,204 | 2,279 |
| External investment management fees | 814 | 337 | 2,951 | 1,535 |
| Professional and consulting fees | 579 | 254 | 970 | 958 |
| | 3,421 | 1,923 | 11,408 | 6,735 |
| NET INCOME/(LOSS) FROM OPERATIONS | 256,348 | (787,784) | 304,626 | (851,590) |
| ACCUMULATED NET INCOME/(LOSS) FROM OPERATIONS, BEGINNING OF PERIOD | (342,974) | 396,532 | (391,252) | 460,338 |
| ACCUMULATED NET LOSS FROM OPERATIONS, END OF PERIOD | \$ (86,626) | \$ (391,252) | \$ (86,626) | \$ (391,252) |

Statement of Changes in Net Assets

Three-month and twelve-month periods ended March 31, 2002

(Unaudited)

| (\$ 000's) | Three months ended March 31 | | Twelve months ended March 31 | |
|---------------------------------------|--------------------------------|--------------|---------------------------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| NET ASSETS, BEGINNING OF PERIOD | \$ 13,794,619 | \$ 6,440,330 | \$ 7,154,169 | \$ 2,391,793 |
| CHANGES IN NET ASSETS | | | | |
| Canada Pension Plan transfers | 233,999 | 1,501,623 | 6,826,171 | 5,613,966 |
| Net income/(loss) from operations | 256,348 | (787,784) | 304,626 | (851,590) |
| INCREASE IN NET ASSETS FOR THE PERIOD | 490,347 | 713,839 | 7,130,797 | 4,762,376 |
| NET ASSETS, END OF PERIOD | \$ 14,284,966 | \$ 7,154,169 | \$ 14,284,966 | \$ 7,154,169 |

CANADA PENSION PLAN INVESTMENT BOARD

Statement of Investment Portfolio

March 31, 2002

(Unaudited)

| (\$000's) | Fair Value of Investments | | % of Portfolio | |
|-----------------------------------|---------------------------|---------------------|----------------|---------------|
| | 2002 | 2001 | 2002 | 2001 |
| EQUITIES (Note 2) | | | | |
| Canada | | | | |
| Public Markets | \$ 9,969,569 | \$ 5,024,457 | 69.8% | 70.2% |
| Private Markets | 144,207 | - | 1.0% | - |
| | 10,113,776 | 5,024,457 | 70.8% | 70.2% |
| United States | | | | |
| Public Markets | 1,861,021 | 1,069,852 | 13.0% | 15.0% |
| Private Markets | 304,445 | - | 2.1% | - |
| | 2,165,466 | 1,069,852 | 15.1% | 15.0% |
| Non-North America | | | | |
| Public Markets | 1,971,484 | 1,060,567 | 13.8% | 14.8% |
| Private Markets | 11,606 | - | 0.1% | - |
| | 1,983,090 | 1,060,567 | 13.9% | 14.8% |
| TOTAL EQUITIES | | | | |
| (Cost 2002 - \$14,690,451) | | | | |
| 2001 - \$ 8,042,325) | 14,262,332 | 7,154,876 | 99.8% | 100.0% |
| OTHER INVESTMENTS (Note 2) | | | | |
| Money Market Securities | | | | |
| (Cost 2002 - \$ 27,046) | | | | |
| 2001 - \$ Nil) | 27,046 | - | 0.2% | - |
| TOTAL INVESTMENTS | \$ 14,289,378 | \$ 7,154,876 | 100.0% | 100.0% |

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

March 31, 2002

(Unaudited)

ORGANIZATION

The Canada Pension Plan Investment Board (the “CPP Investment Board”) was formed pursuant to the *Canada Pension Plan Investment Board Act* (the “Act”). The CPP Investment Board is responsible for managing amounts that are transferred to it under Section 111 of the *Canada Pension Plan* in the best interests of the beneficiaries and contributors under that Act. The amounts are to be invested with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the Canada Pension Plan (the “CPP”) and the ability of the CPP to meet its financial obligations.

The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements present the consolidated financial position and operations of the CPP Investment Board and its wholly-owned subsidiary. The financial statements include only a portion of the assets (as described in Note 2) and none of the pension liabilities of the CPP. These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) and the requirements of the Act and the accompanying regulations and follow the same accounting policies and methods of computation as the March 31, 2002 annual financial statements. The interim statements should be read in conjunction with the March 31, 2002 annual financial statements, as they do not include all information and notes required by GAAP for annual financial statements.

Valuation of investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

Quoted market prices for publicly traded securities and unit values for pooled and mutual funds are used to represent fair value for these investments. Unit values reflect the quoted market prices of the underlying securities. In the case of private market investments, where quoted market prices are not available, fair value is determined utilizing valuations provided by external managers who use applicable industry valuation methods such as earnings multiples of comparable publicly traded companies, discounted cash flows, and appraisals. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value, unless there is an indication of permanent impairment of value.

CANADA PENSION PLAN INVESTMENT BOARD

Notes to the Financial Statements

March 31, 2002

(Unaudited)

2. INVESTMENTS

The CPP Investment Board has established an Investment Statement and Investment Policies which set out the manner in which assets shall be invested. The majority of the CPP Investment Board's investments are allocated to public and private equities in the Canadian, United States and Non-North American markets. In determining the asset mix, the CPP Investment Board must take into consideration certain assets of the CPP which are held outside of the CPP Investment Board. As at March 31, 2002, these assets totalled approximately \$35.0 billion (at cost) (2001 - \$36.0 billion) and consisted primarily of government debt obligations.

As at March 31, 2002, 96.6% (2001 – 100%) of investments are held in public market equities. Approximately 99% (2001 – 60.8%) of investments in Canadian public market equities are held in funds that substantially replicate the composition of the Toronto Stock Exchange 300 Composite Index. All United States and non-North America public market equities are held in funds that substantially replicate the Standard & Poor's ("S&P") 500 Index and the Morgan Stanley Capital International ("MSCI") EAFE Index, respectively.

As at March 31, 2002, 3.2% (2001 – 0%) of investments are held in private market equities. These investments, currently in Canada, the United States, and Western Europe, are generally made by taking an interest in funds managed by third parties. The underlying investments represent equity ownership or investments with the risk and return characteristics of equity.

3. COMMITMENTS

The CPP Investment Board has committed to enter into private market investment transactions, which will be funded over the next several years in accordance with the terms and conditions agreed to. As at March 31, 2002, these outstanding commitments totaled \$2.0 billion (2001 – \$Nil).

4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current presentation.