

**BFI Canada Income Fund**  
**Annual Meeting of Unitholders**  
May 12, 2005



**One Vision. Many Opportunities.**



## **Bill Chyfetz**

Vice President, General Counsel & Secretary  
*BFI Canada*



## **Keith Carrigan**

*President & CEO  
BFI Canada*

## **Charles “Mickey” Flood**

*Executive Vice President, BFI Canada,  
CEO IESI*

## **Joe Quarin**

*Chief Financial Officer  
BFI Canada*

# Independent Trustees



**Daniel Dickinson**



**James Forese**



**Daniel Milliard**



**Joseph Wright**



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# Presentation Agenda

- Formal business of the meeting
- Management presentations
  - Operating agenda
  - First quarter financial performance
- Q&A





# Notes on Today's Meeting

Our remarks and answers to your questions today may contain forward-looking statements relating to the Fund's operations or to the environment in which it operates, which are based on the Fund's operations, estimates, forecasts and projections. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict, or are beyond the Fund's control. A number of important factors could cause actual outcomes and results to differ materially from those expressed in these forward-looking statements. These factors include those set forth in the Fund's Annual Information Form for the period ended December 31, 2004.

Although the forward-looking statements contained herein are based upon what management believes to be reasonable assumptions, the Fund cannot assure unit holders that actual results will be consistent with these forward looking statements, and the Fund disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. We also do not commit in any way to guarantee that we will continue reporting on items or issues that arise either during our presentation or in the discussion that we hope will follow.



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**Keith Carrigan**



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# Formal Meeting Agenda

- Appointment of secretary and scrutineers
- Notice of meeting
- Quorum
- Presentation of auditors' report
- Appointment and remuneration of auditors
- Termination



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# Total Unitholder Return

Total Return  
**+213%**



April 25, 2002 to December 31, 2004. Includes reinvestment of distributions paid by BFI Canada Income Fund.



# Strong Q1 Performance

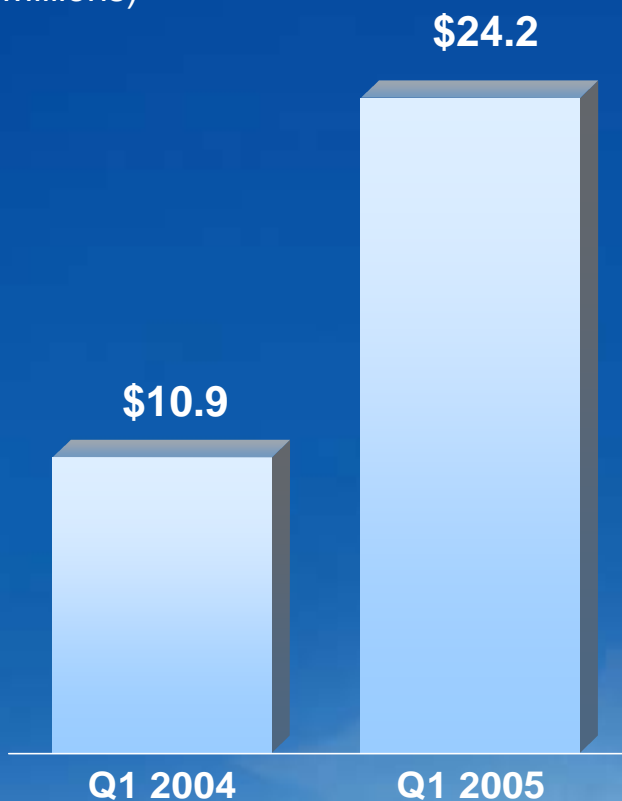
(C\$ Millions)





# Strong Q1 Performance

(C\$ Millions)



Free cash flow available for distribution

- Maintenance capex: **20.7%** of EBITDA vs **7.8%** last year
- Free cash flow available for distribution before maintenance capex is **57 cents** per unit vs **45 cents** per unit last year



# A Devotion to Continuous Improvement

(\$)



Almost **31%** aggregate increase in per unit distributions since our IPO





# Market-Focused Strategies

**Volume  
and  
Route Density**

**Pricing**

Our goal is to earn the support of unitholders and customers by focusing intensely on generating value through our strategies.



# A Broader, Stronger Management Team





# Entrepreneurial Management

- A common characteristic of both IESI and BFI Canada
- Has enabled us to become one of North America's largest non-hazardous, solid waste management companies



# Two Highly Recognized Brands





# IESI: Great Assets, Great People



- Solid waste collection – 43
- Transfer stations – 23
- Recycling facilities – 7
- Landfills – 17





# Furthering Our Canadian Platforms

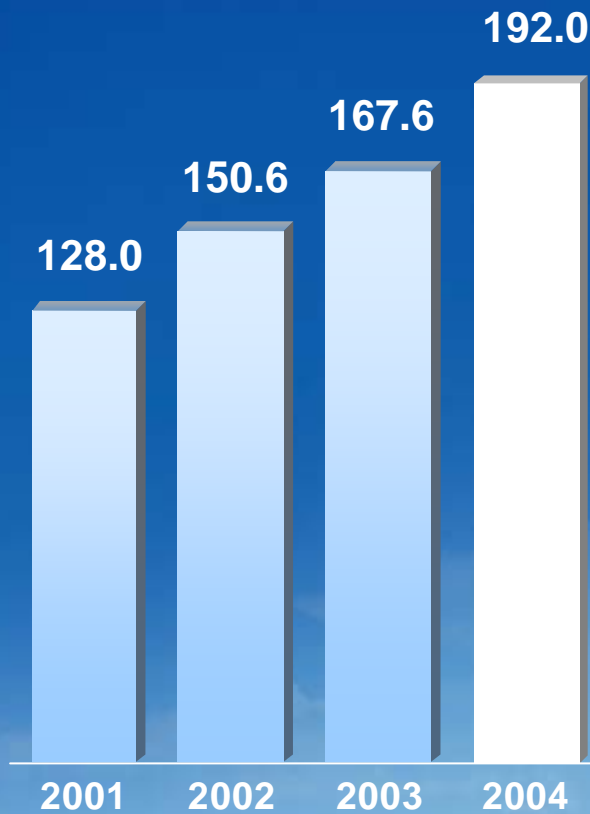
- Solid waste collection – 19
- Transfer stations – 4
- Recycling facilities – 8
- Landfills – 5



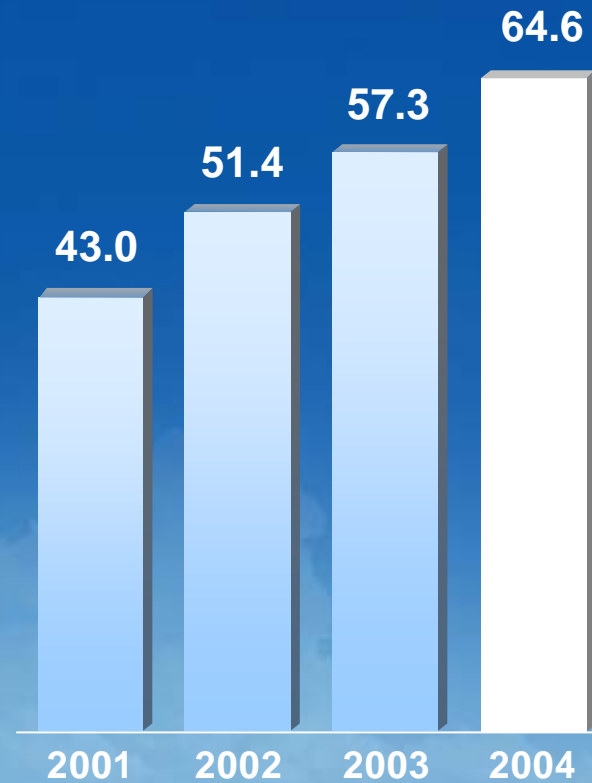


# Performance Since Inception

Revenue  
(\$ millions)



EBITDA  
(\$ millions)





# Recent Canadian Acquisitions

- Ridge landfill in Chatham, Ontario – January 2005
  - 680,000 tonnes of annual capacity
- Plus, we acquired collection operations:
  - Complete Disposal Services (Toronto, fall 2004)
  - Twin Oaks Environmental (Hamilton, spring 2004)





# Lachenaie Landfill

- Granted capacity increase in spring 2004
  - Now 1.3 million tonnes (previously 940,000)
- Gives us new opportunity for growth in Montreal area



# Great Canadian Platforms

- Solid waste collection – 19
- Transfer stations – 4
- Recycling facilities – 8
- Landfills – 5





# Multiple Growth and Improvement Platforms





# Operating Facts

- We now serve almost 1 million customers
- Exclusive long-term customer contracts that automatically renew
- 62 solid waste collection operations
- 27 transfer stations
- 22 landfills
- 14 recycling facilities

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**2,500** of the best people in  
the non-hazardous solid waste  
management industry



# Harnessing Our Natural Talents

**Opportunity** means nothing if it isn't **seized**

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**Size** means nothing if it isn't **leveraged**

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**Records are made to be broken**

- We must compete, we must deliver value, we must constantly improve.
- We must go beyond what we did last year and do better!



# Best Practices' Agenda

- Identify and promote best practices of IESI and BFI Canada
  - tremendous amount of collective knowledge
  - do business better, more efficiently, more effectively
  - collection, transfer and disposal
- Teams share ideas
  - gain hard, tangible efficiency and productivity benefits
- When one BFI Canada or IESI operation wins, the winning formula may and probably will help another

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**Passion for continuous improvement**

# Our Vision



# CONTINUOUS IMPROVEMENT



# Continuous Improvement





## Disciplined and Single-Minded

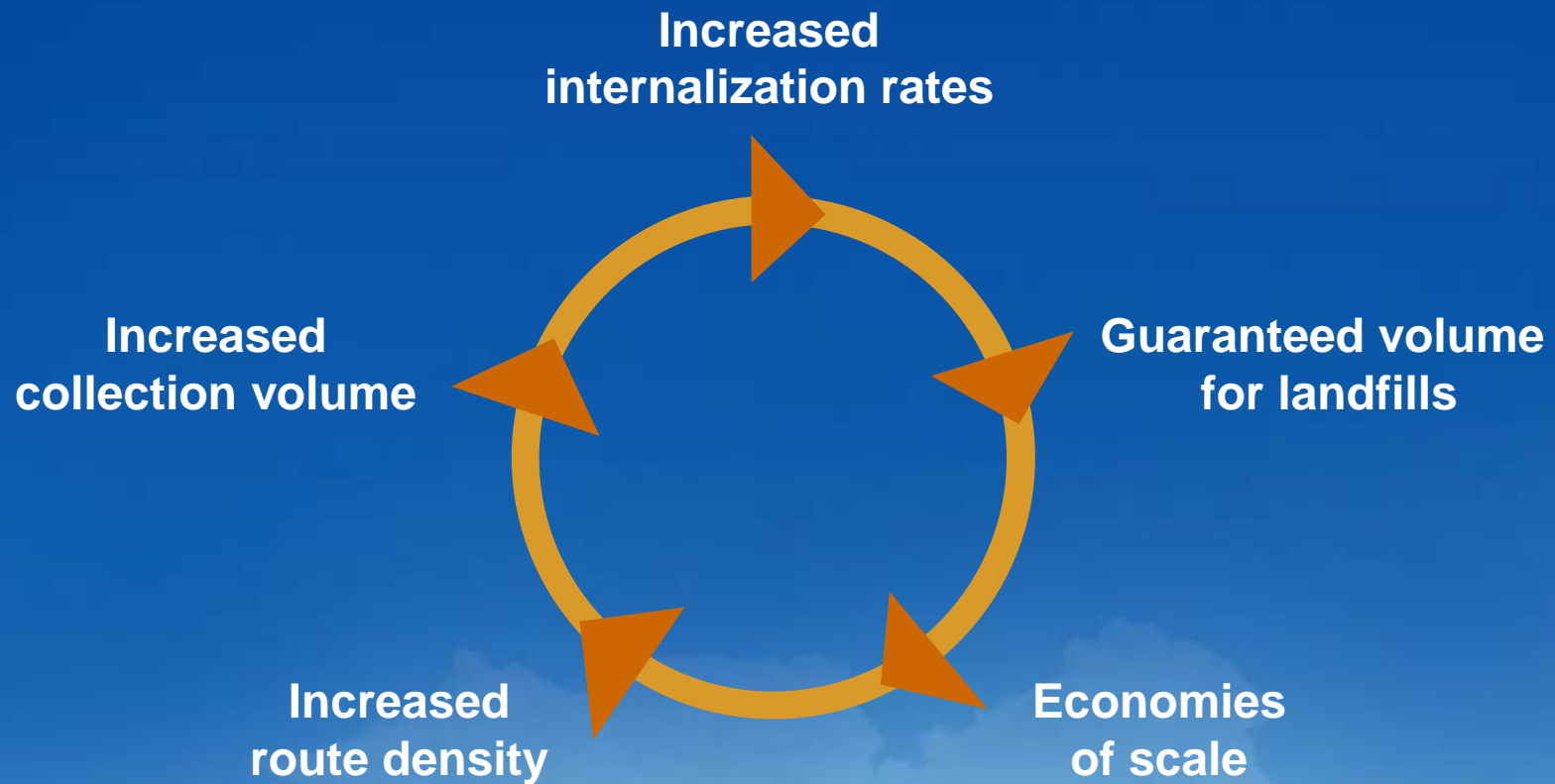
- Improvement through our market-focused strategies
- Responsive to customer needs and economic opportunities in each of our local communities
- Entire business model is market-focused
- Operate collection, transfer, recycling and landfill assets on an integrated basis

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**Working efficiently & effectively**



# Business Model



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**Maximize revenue & cash flow potential**



# Market-Focused Strategies

**Volume  
and  
Route Density**

**Pricing**

Set goals for achievement in each area,  
but how we get there is a matter of individual, in-market  
strategy application based on leverage points.





# Leverage Through Acquisitions

## Market-focused acquisition strategy

- Targeted tuck-in acquisitions
  - instantly improve economics and points of leverage
  - continue to add strength to core platforms
  - will be made accretively
- Platform-building acquisitions
- Increased ability to find and evaluate potential acquisitions
  - 30,000 solid waste management companies in North America

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**Our commitment to improvement, will continue to advance with our without acquisitions.**



# Team Building for Continuous Improvement

- Passionate, empowered local employee teams
- Continuous coaching and mentoring of our leaders in the field
- We demand passion – and the best – of each other
- Goal is that all field managers will make great decisions
- Great companies are built on a series of small, but intelligent decisions made by passionate, committed people at all levels



# 2005 Operating Agenda

- Market-focused strategies in each of our 56 markets
  - enhance our financial performance
- **Tireless and passionate** in the pursuit of improvement and ever-higher returns on capital employed
- Emphasis on productivity, revenue per asset hour
- Focus on continuous improvement in service quality
- Pursue internal growth and accretive acquisitions
  - increase route densities and optimize asset utilization





# Outlook and Opportunities

- Outlook positive, markets performing well
- Responsive pricing in a rising interest rate environment
- Solid waste management industry is considered recession resistant
- We are committed to continuing our improvements – with no interruptions

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**Making the most of our  
natural advantages**





# Summary

- BFI Canada now one of the largest non-hazardous solid waste management companies in North America
- Excellent portfolio of assets, including many coveted landfills
- Collection routes in 56 markets and some 1 million customers
- Economies of scale, better productivity and efficiency
- Best people



# One of Canada's Top 40 Under 40



**Joe Quarin**  
Chief Financial Officer



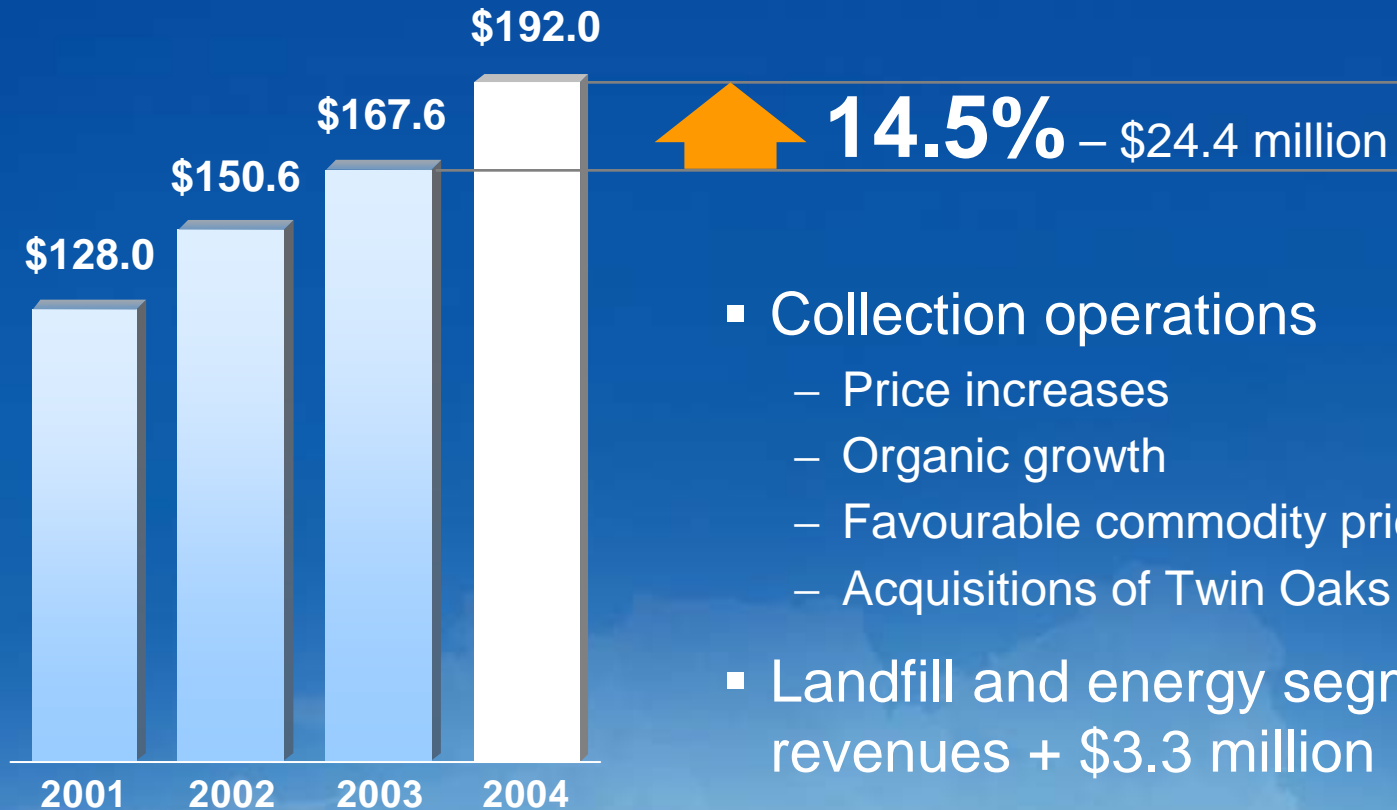


## Financial Analysis

- 2004 performance  
(BFI Canada only)
- 2005 first quarter  
(combined BFI Canada & Ridge  
for quarter and IESI for 70 days)

# Revenue

(\$ millions)



- Collection operations
  - Price increases
  - Organic growth
  - Favourable commodity prices
  - Acquisitions of Twin Oaks and CDS
- Landfill and energy segment revenues + \$3.3 million



# Operating Expenses

(\$ millions)



- Higher revenues and additional costs associated with acquired businesses CDS and Twin Oaks
- Higher disposal and labour expenditures in our collection operations
- Costs to serve new and existing customers



# Selling, General & Administrative Expenses

(\$ millions)



- Increases due to:
  - CDS and Twin Oaks
  - Accrual under our long-term incentive plan





# EBITDA

(\$ millions)



- Increases due to:
  - Strong collection and landfill contributions
  - Strategic acquisitions
  - Price and volume growth



# Capital and Landfill Expenditures

(\$ millions)

- Growth
- Maintenance/  
Replacement



- Maintenance slightly higher due to recently acquired companies
- Growth capital up due to:
  - Landfill cell development for the Lachenaie north expansion
  - Equipment purchased to operate the City of Lethbridge landfill
  - Vehicle purchases for new service contracts



# Free Cash Flow Available for Distribution

(\$ millions)



- A new record in 2004
  - Up almost 13%





# Distributions Per Unit

(\$)



- 2004 distributions up 8.1%
- Distribution increased in August 2004 (to \$1.40 annualized)
- Distribution increased again in February 2005 by 12% (now \$1.57 per unit annualized)



# Strong Long-Term Performance

**+50%**



Revenue

**+50%**



EBITDA

**+30%**



Free cash flow  
available for  
distribution

# Proforma Results

**\$630 million**

Consolidated Revenue

**\$195 million**

EBITDA

- After converting IESI's 2004 results at the average 2004 U.S.-Canadian f/x rate
- Excludes three months contribution from Twin Oaks and ten months contribution from CDS

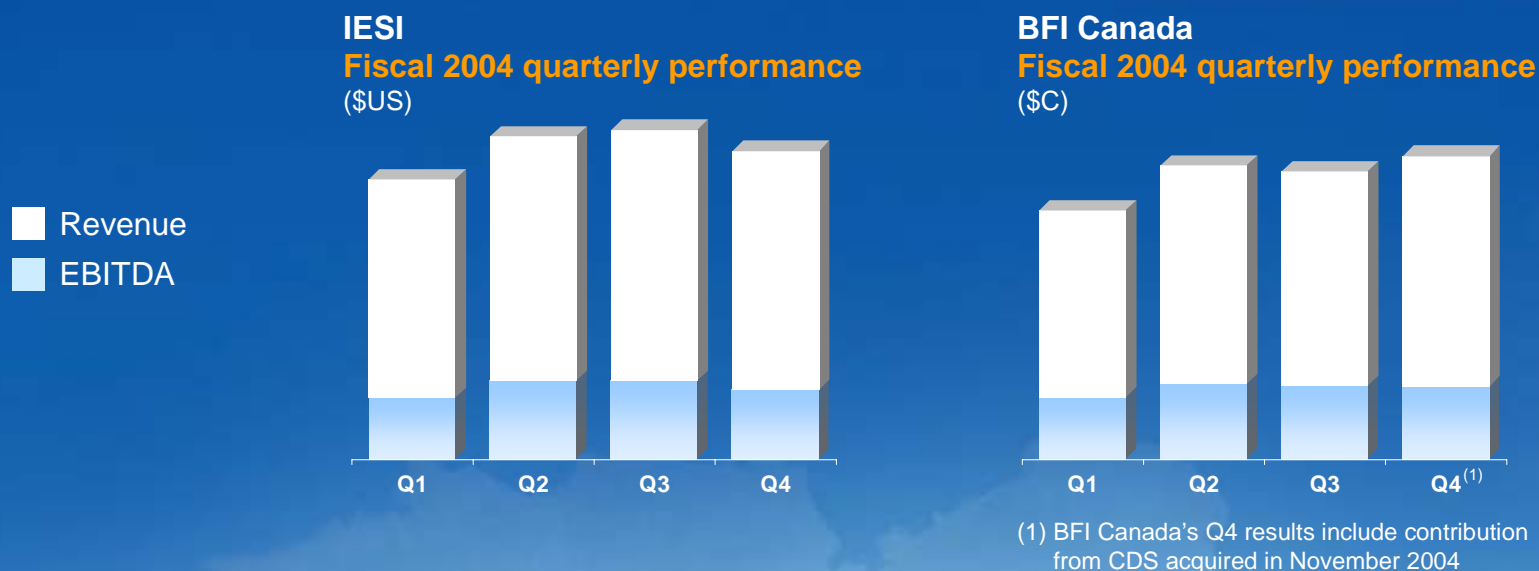
# Combined Performance





# Q1 Performance Footnotes

- Q1 is a stub period in that includes the Ridge landfill and only a 70 day contribution from IESI
- Q1 is the seasonally lowest

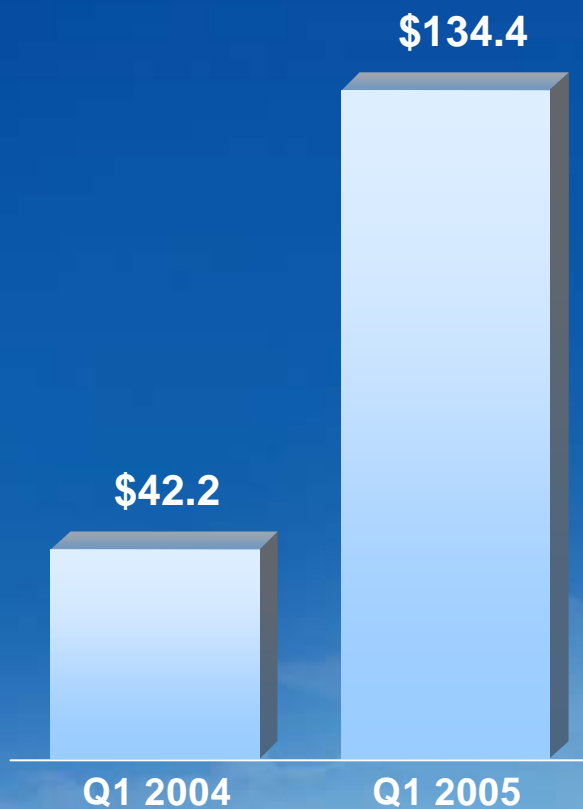


- Converted IESI's Q1 2005 results to Canadian dollars
- Segmentation now provided by geographic region rather than collection vs landfill



# Q1 Revenue

(\$ millions)

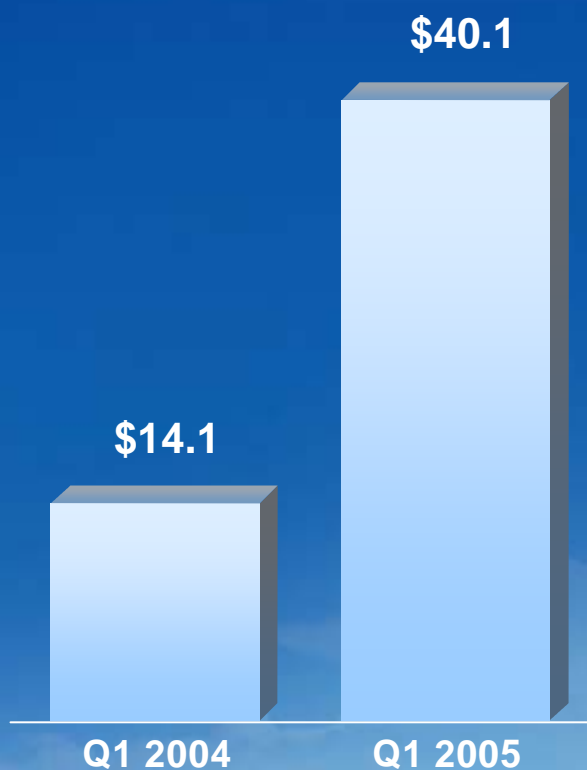


- 219% year-over-year growth
- Drivers:
  - Acquisitions since last year
  - Organic growth of 5.4% from price and volume



# Q1 EBITDA

(\$ millions)

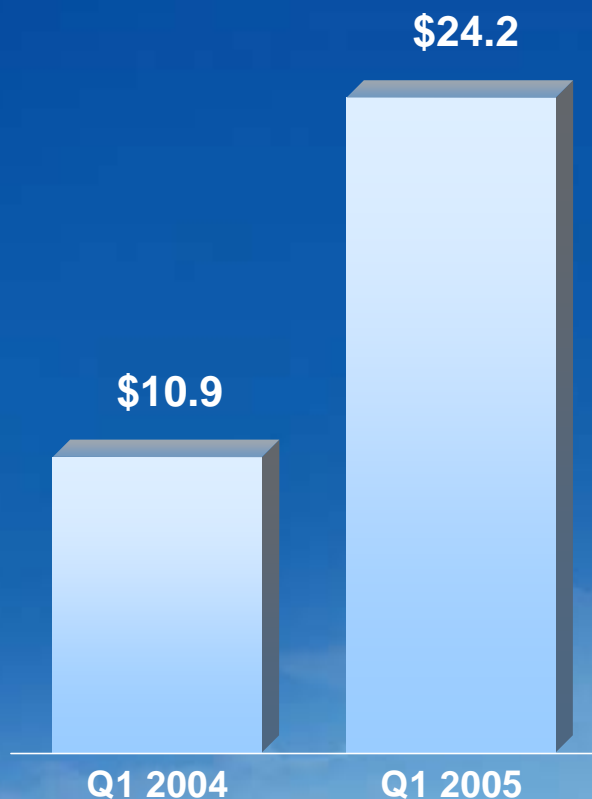


- 183.5% year-over-year growth
- 9.4% excluding acquisitions
- Drivers:
  - IESI and other acquisitions
  - Organic volume and price growth
  - Increase in waste accepted at BFI Canada landfills (offset by landfill royalty costs on Lachenaie north expansion)



# Q1 Free Cash Flow Available for Distribution

(\$ millions)



- 122% growth year-over-year
- Drivers
  - Acquisitions
  - Organic growth
  - Higher interest expense
  - Capex variance (timing-related)



# Q1 Distributions

(\$ Cdn)



- 173% growth year-over-year
- 91.0% payout ratio
  - Excludes payout on subscription receipts while held in escrow
- 39 cents per unit plus 8 cents per unit to subscription receipt holders
- Includes participating preferred shares representing the interest of former IESI shareholders



# Q1 Capital Expenditures

(\$ millions)

- Maintenance
- Growth



- Both segments up substantially
- Drivers:
  - Our new-found size
  - Timing for maintenance (although predictable annually)
- Maintenance capex target of \$16-\$17 million for Canadian platforms and US\$26-\$27 million for our U.S. platforms



# Q1 Capital Expenditures

(\$ millions)

- Maintenance
- Growth



- Significant amount of spending remains for 2005
- Maintenance expenditures expected to be concentrated in the first three quarters
- Annual payout ratio target remains below 90%



# Management of Foreign Exchange

- Entered three, 3-year single rate hedges
- Allows monthly purchase of \$4.5 million at 1.22
- Hedges provide protection through February 2008
- Intend to periodically roll forward as they mature





# A Sound Financial Position

- Ridge acquisition bridged using credit facility
- Repaid all pre-existing IESI debt at time of acquisition
- Financed IESI/Ridge purchase through:
  - \$374 million subscription receipts offering plus \$385 million IESI credit facility and \$80 million BFI Canada revolving credit facility
- Total long-term debt at March 31, 2005: \$429.8 million
- Conservative leverage ratios of 1.7 and 2.3 times senior debt to EBITDA under Canadian and U.S. credit facilities respectively
- Flexibility for growth through:
  - US\$200 million revolver and C\$80 million revolver for working capital etc.
- Interest rate swaps



# Summary

- Prepared to grow
- Intensely focused on improvement
- Off to a strong start as one company
- Better potential than we've ever had



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