

1 Q. Refer to Schedule XXI: In your opinion, do investors, today, consider the
2 cigarette industry to be “low risk”? Please state what the reported average
3 values would be for each of the three specified periods if Rothmans was
4 removed from the analysis.

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7 A. In Ms. McShane’s opinion, investors consider Canadian cigarette companies
8 to be less risky than their U.S. peers. Unlike the American tobacco industry,
9 regulatory and legal risks are viewed as relatively moderate in Canada.

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11 To illustrate, according to Dave Laundry, spokesman for the Canadian
12 Tobacco Manufacturers’ Council, “The difference is that Canadian
13 governments have already had their settlements, intheir extra-high rate of
14 taxation on tobacco products”. “B.C. Judge Quashes Tobacco Suit,” *Globe*
15 *& Mail*, June 6, 2003. Since DBRS began rating Rothmans, Benson &
16 Hedges, Inc. (60% owned by Rothmans, 40% owned by FTR Holdings S.A.)
17 in 2000, it has been assigned a rating of A(low) which is similar to the typical
18 Canadian utility debt rating. CBS Stock Reports continues to rate Rothmans
19 as “Average Risk”, as it has for at least ten years.

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21 The results for the industrial sample excluding Rothmans are attached.

**RETURNS ON AVERAGE COMMON STOCK EQUITY FOR
14 LOW RISK CANADIAN INDUSTRIALS
(NO ROTHMANS INC)**

**PUB-75 NLH
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	Returns on Equity										Average 1992-2001	Average 1992-1995	Average 1996-2001
	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>			
CANADIAN TIRE CORP	6.4	6.9	0.5	10.2	10.4	11.4	13.0	11.2	10.6	11.5	9.2	6.0	11.4
CARA OPERATIONS LTD	12.6	11.7	9.5	12.2	10.9	13.8	7.4	10.5	34.6	10.3	13.4	11.5	14.6
EMPIRE CO LTD	6.8	12.3	9.4	3.9	11.9	17.9	21.7	13.3	69.1	16.3	18.3	8.1	25.0
FINNING INTERNATIONAL INC	0.7	6.5	14.9	16.3	16.0	16.2	0.5	8.7	10.5	14.1	10.4	9.6	11.0
JEAN COUTU GROUP	18.5	10.1	17.0	15.2	16.2	15.3	15.5	15.7	14.9	15.7	15.4	15.2	15.6
LEONS FURNITURE LTD	11.4	16.4	15.3	14.0	13.4	15.1	16.7	21.1	19.3	17.3	16.0	14.3	17.2
LOBLAW COS LTD	8.7	9.6	12.4	13.3	14.2	15.3	12.8	13.7	15.7	16.8	13.2	11.0	14.8
MAGNA INTERNATIONAL	22.8	19.6	21.7	21.8	15.8	21.6	12.3	12.0	15.9	14.7	17.8	21.5	15.4
MAPLE LEAF FOODS INC	7.9	7.3	7.5	-6.7	14.8	14.7	-6.3	17.9	8.0	10.3	7.5	4.0	9.9
MOLSON INC	15.7	10.1	6.5	-26.8	3.7	11.8	16.3	-4.1	14.7	18.0	6.6	1.4	10.1
SHAW COMMUNICATN INC	11.5	11.5	10.2	6.2	11.8	2.9	-0.1	1.9	5.5	-8.4	5.3	9.9	2.3
THOMSON CORP	6.0	10.0	14.6	22.4	14.2	12.9	34.7	8.0	17.9	10.2	15.1	13.2	16.3
TORSTAR CORP	8.4	-1.7	7.9	6.7	11.3	38.4	-0.7	12.8	5.4	-14.6	7.4	5.3	8.8
WESTON (GEORGE) LTD	3.2	4.5	8.7	12.9	15.1	14.5	37.3	14.0	17.4	18.5	14.6	7.3	19.5
Median	8.5	10.0	9.9	12.6	13.8	14.9	12.9	12.4	15.3	14.4	13.3	9.7	14.7
Average											12.2	9.9	13.7
Average of Medians											12.5	10.2	14.0

Source: Standard & Poor's Research Insight