

IN BRIEF

FROM HERALD NEWS SERVICES

Coors Light proves a profits heavyweight

QUARTERLY REPORT • North American brewing giant **Molson Coors Brewing Co.** reported first-quarter profit that exceeded analysts' estimates after new promotions for Coors Light boosted sales and the company increased prices.

Net income was \$4.4 million US, or five cents a share, compared with a loss of \$30.2 million, or 35 cents, a year earlier. Excluding one-time costs, the brewer said profit was 28 cents a share, four cents more than analysts anticipated.

Revenue rose 6.5 per cent to \$1.23 billion, exceeding the \$1.2 billion estimated by analysts.

The company was created through the \$3.4 billion merger in 2005 of **Molson Inc.** and **Adolph Coors Co.**, and has operational headquarters in both Toronto and Denver.

Loblaw layoffs rob Weston of Q1 revenue

UPDATE • **George Weston Ltd.**, parent of Canada's biggest supermarket chain, said first-quarter profit fell 19 per cent after its **Loblaw Cos.** unit recorded costs to lay off workers.

Net income declined to \$104 million, or 70 cents a share, from \$128 million, or 91 cents, Toronto-based George Weston said.

Sales rose 3.2 per cent to \$7.22 billion.

The company owns 62 per cent of the Loblaw grocery division, which last week said that first-quarter profit dropped 61 per cent because of costs to cut about a fifth of its office employees.

As well, George Weston closed inefficient bakeries and developed whole-wheat products to offset the decline in profit at Loblaw, which accounts for about 88 per cent of its sales.

Manitoba Telecom rings up profit increase

QUARTERLY REPORT • **Manitoba Telecom Services Inc.**, Canada's third-largest telephone company, said profit rose 20 per cent in the first quarter.

Net income climbed to \$52.9 million, or 80 cents a share, from \$44 million, or 65 cents, a year earlier, the Winnipeg-based company said Tuesday.

Sales fell 2.9 per cent to \$466.6 million. Also on Tuesday, the firm's subsidiary, **MTS Allstream Inc.**, applied to the Canadian Radio-television and Telecommunications Commission (CRTC) for deregulation of the residential phone market in Winnipeg.

Hewlett-Packard exceeds sales forecasts

REPORT • **Hewlett-Packard Co.**, the world's largest maker of personal computers and printers, said second-quarter earnings beat its forecast on higher sales of servers and home PCs.

Net income rose to between 64 and 65 cents a share, exceeding its estimate of 57 to 58 cents, the company said in a statement Tuesday after releasing some details accidentally Monday night.

Revenue increased to as much as \$25.55 billion US, up from the \$24.5 billion previously projected.

The company is scheduled to report full second-quarter results on May 16.

Walt Disney hog wild for surprise hit movie

ENTERTAINMENT • **Walt Disney Co.**, the second-largest U.S. media company, said second-quarter profit rose 27 per cent on the surprise hit movie *Wild Hogs* and higher advertising rates at ABC television.

Net income advanced to \$931 million, or 44 cents a share, from \$733 million, or 37 cents, a year earlier, Burbank, Calif.-based Disney said Tuesday in a statement.

Sales increased less than one per cent to \$8.07 billion, exceeding the \$8.06 billion average estimate of 13 analysts compiled by Bloomberg.

Disney generated \$235 million in operating profit at its movie unit, a 60 per cent increase from a year earlier that was driven by *Wild Hogs*, which took in \$216 million at the worldwide box office.

Broadcast unit profit, including ABC television, rose by one-third to \$212 million on syndication sales and new shows such as *Ugly Betty*.

Shares of Disney declined 45 cents to \$36.10 in extended trading.



Alastair Grant, Associated Press

Executives from Reuters Group, whose headquarters, above, are in London, and Thomson Corp. confirmed the two companies are in talks for a takeover. However, analysts wonder if the deal could get hung up on approvals.

Thomson, Reuters unveil merger talks

Deal would create financial news powerhouse

REUTERS

Canadian publisher **Thomson Corp.** is in talks to buy **Reuters Group PLC** for about 8.6 billion pounds (\$17 billion US) to create the world's biggest financial news and data company, the two companies said Tuesday.

Under the terms of the proposed deal, Reuters chief executive Tom Gloer would become CEO of a dual-listed group to be called Thomson-Reuters, the companies said in a joint statement.

The Thomson family, which owns 70 per cent of the Toronto-based group, would own 53 per cent of the combined company.

Reuters investors would get 352/4 pence in cash and 0.16 of one Thomson share for each Reuters share, together worth 686 pence a share at Monday's closing prices.

That would be 28 per cent above Reuters close Thursday, the day before news of the talks emerged. The deal value is based on the number of outstanding Reuters shares.

Reuters' second-largest shareholder, **ValueAct**, said the price seemed fair, and it was happy with the mix of cash and shares.

Shares in Thomson closed down \$1.46 Cdn at \$45.77, giving it a market value of about \$29.5 billion Cdn.

Some facts about Thomson Corp.'s \$17-billion US takeover offer for Reuters

Thomson: Former newspaper empire, now focused on electronic information with financial and legal data divisions. Based in Stamford, Conn., and Toronto. Employs 32,000. Market capitalization \$29.3 billion Cdn.

Reuters: General and financial news and information firm based in London. Employs about 16,900.

The offer: 352.5 pence (\$7.03 US) in cash and 0.16 of a share for each Reuters share.

Thomson's kitty: Negotiating sale of Thomson Learning textbook division for an expected \$5 billion US.

New CEO: Reuters chief Tom Gloer would head new company. Thomson CEO Dick Harrington would retire.

Projected cost savings: \$500 million US a year.

THE CANADIAN PRESS

Reuters shares, which rose to a five-year high of 659 pence in early trade, closed at 630 pence, well below the proposed bid, partly reflecting the decline in Thomson shares but also reflecting concerns that a deal could take a long time and face questions from competition regulators.

"We would expect close U.S. and EC (European Commission) regulatory scrutiny," **Credit Suisse** analysts said in a note.

The spread on the deal — meaning the percentage difference between the value of Thomson's offer and Reuters current share price — was 8.84 per cent.

Some arbitrage traders said the spread was slightly higher than could be typically expected, reflecting risks that a deal would not close or would be held up by anti-trust issues.

Thomson, whose publishing interests span law, tax and scientific research, has been building its financial data business as it looks to tap into booming global markets.

Currently third with 11 per cent of the world's \$12.5-billion market data business, Thomson would jump to 34 per cent with Reuters, putting it just ahead of privately-owned **Bloomberg** with 33 per cent, according to **Inside Market Data**.

A deal would add Reuters' strength in sales and trading to Thomson's base with money managers and investment bankers.

The talks come amid a frenzy of dealmaking in the media sector. Last week Rupert Murdoch's **News Corp.** made a \$5-billion bid for Wall Street Journal owner **Dow Jones & Co Inc.** The offer was rebuffed by Dow Jones's controlling investors.

Thomson and Reuters said they expected to make more than \$500 million in annual synergies within three years of completion of a deal, which could come this or next year.

"Although a rival bid cannot be ruled out, given the scale of synergies on offer (and therefore healthy premium offered) . . . we view Thomson as the bidder best placed to secure Reuters," **Numis Securities** analysts wrote in a research note.

The combined Thomson Financial unit and Reuters financial and media businesses would be called Reuters, and adopt the Reuters trust principles.

Finance minister clarifies budget remarks on tax writeoff

ERIC BEAUCHESNE
CANWEST NEWS SERVICE

Finance Minister Jim Flaherty is retreating from a controversial budget tax measure that would have prevented Canadian companies from deducting the interest costs on loans to finance foreign takeovers or expansions.

Companies will still be allowed to deduct the interest costs, but only once, Flaherty said Tuesday, claiming the measure was not aimed at eliminating the deduction but at corporations who were using offshore tax havens to claim the deduction twice — in Canada and in a foreign country.

"We are going to make illegal the use of double deductions and tax havens,"

he told reporters. "They will have the benefit of a single deduction."

However, the March 19 budget proposal was to "eliminate the deductibility of interest incurred to invest in business operations."

"It's basically a complete reversal of the budget announcement," said Trent Henry, leader of the international tax practice with **Ernst and Young**.

But the retreat threatens to add to the complexity of an already complex

tax system, and in turn compliance costs for businesses, while failing to address the real concern of the use of offshore tax havens to avoid paying tax in Canada, Henry said.

Business leaders and tax analysts have been warning that the proposal would make Canadian companies less competitive and cost them up to \$2 billion a year.

Flaherty, meanwhile, blamed the controversy on a misunderstanding of the proposal by the business community.

"I think that some in the Canadian corporate sector have made an assumption that we were going to move against a single line interest deduction, which is not the case," he said, adding that he has clarified the gov-

Building permits indicate 'incredible growth'

GEOFFREY SCOTTON
CALGARY HERALD

Calgary's stunning record for construction in 2006 — it eclipsed all other Canadian cities — is almost certain to fall this year after the release Tuesday of building permit figures for April that are running ahead of last year — with multibillion-dollar projects not yet on the books.

The city said Tuesday that the value of construction reflected in permits it issued in April was a record \$373 million, 12 per cent above the level seen in April 2006, with residential value surging 28 per cent from a year earlier to \$284.5 million.

For the first four months of the year Calgary issued permits for a record of almost \$1.37 billion worth of construction, two per cent higher than the same period in 2006.

"It's very clear that with the activity to date this year, including the April numbers, that the dollar value of development in the city of Calgary for 2007 is clearly on track to match what happened in 2006," said Gary Klassen, director of the city's development and building approvals group.

The Calgary Construction Association is already forecasting last year's record \$4.7 billion in permits will be obliterated this year, with as much as \$5.5 billion in overall permit value expected.

"It's not going to take much to surpass last year's numbers," said CCA executive vice-president Dave Smith.

"We're forecasting a 10 to 15 per cent increase in '07 over '06 — so, incredible growth."

Along with already-issued permits, the city noted that the \$1 billion The Bow headquarters project now under construction downtown and the \$1.2-billion south Calgary hospital campus, a project of the Calgary Health Region, have yet to receive permits. In addition, the \$1-billion Penny Lane project is slated to begin by December.

That suggests that the total value of permits for 2007 could easily exceed the \$4.7 billion recorded in 2006 — a level that was \$1-billion higher than any other Canadian city including the largest, Toronto.

Klassen said there are also signs that a trend of moderation in Calgary's residential construction sector may be reversing, with April residential construction unit numbers exceeding that of April 2006, after lagging year-earlier figures during the first quarter. Multi-family residential is leading the resurgence.

"While for the year to date we're certainly below the 2006 number of residential units, what we're seeing is a turnaround in that area and it's starting to strengthen," Klassen said. "We believe a lot of the new starts from last year are being occupied (and) in the used housing market there's been strong resale in that area, so we're seeing that translate into strengthening in the new market side of the equation."

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