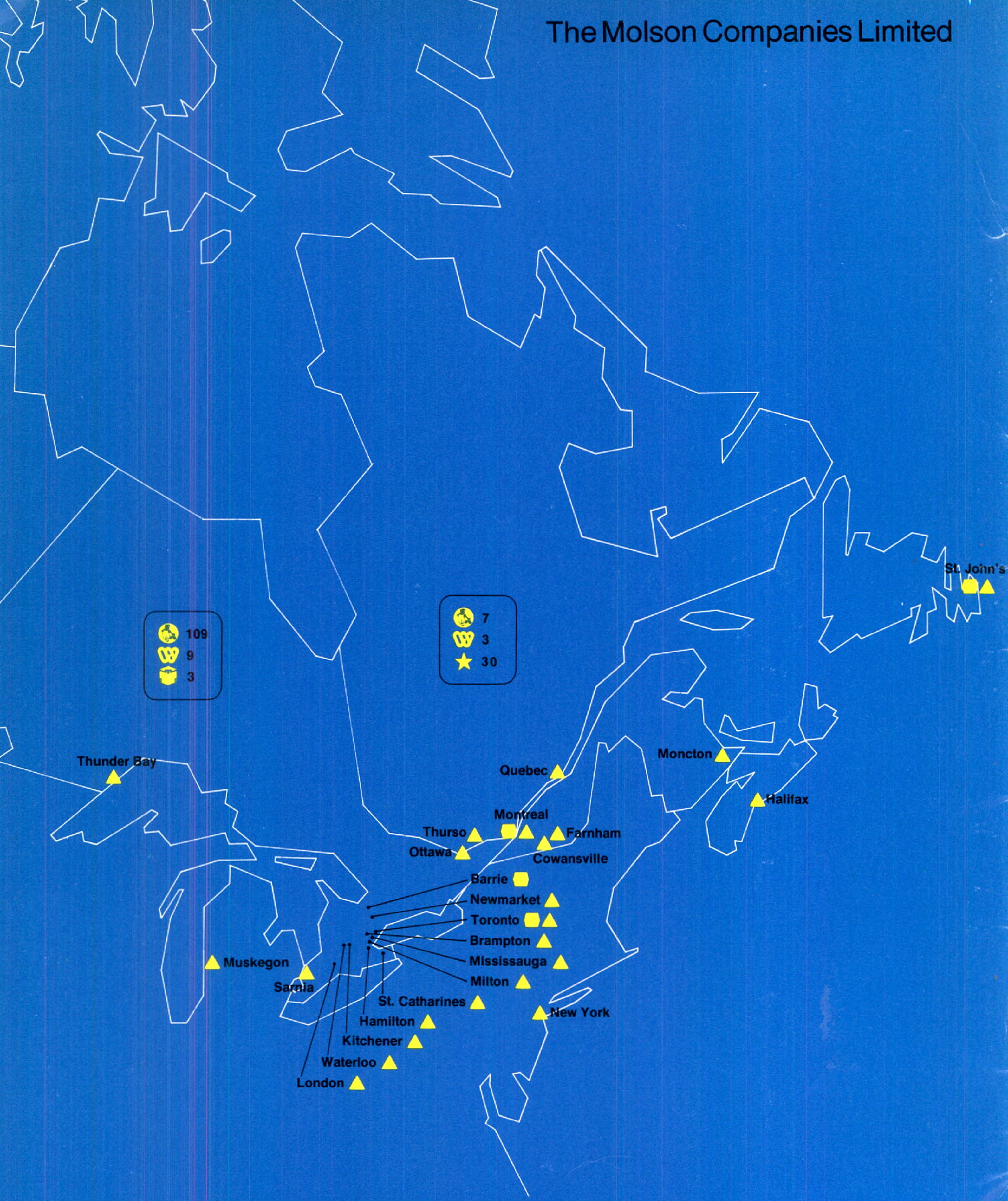
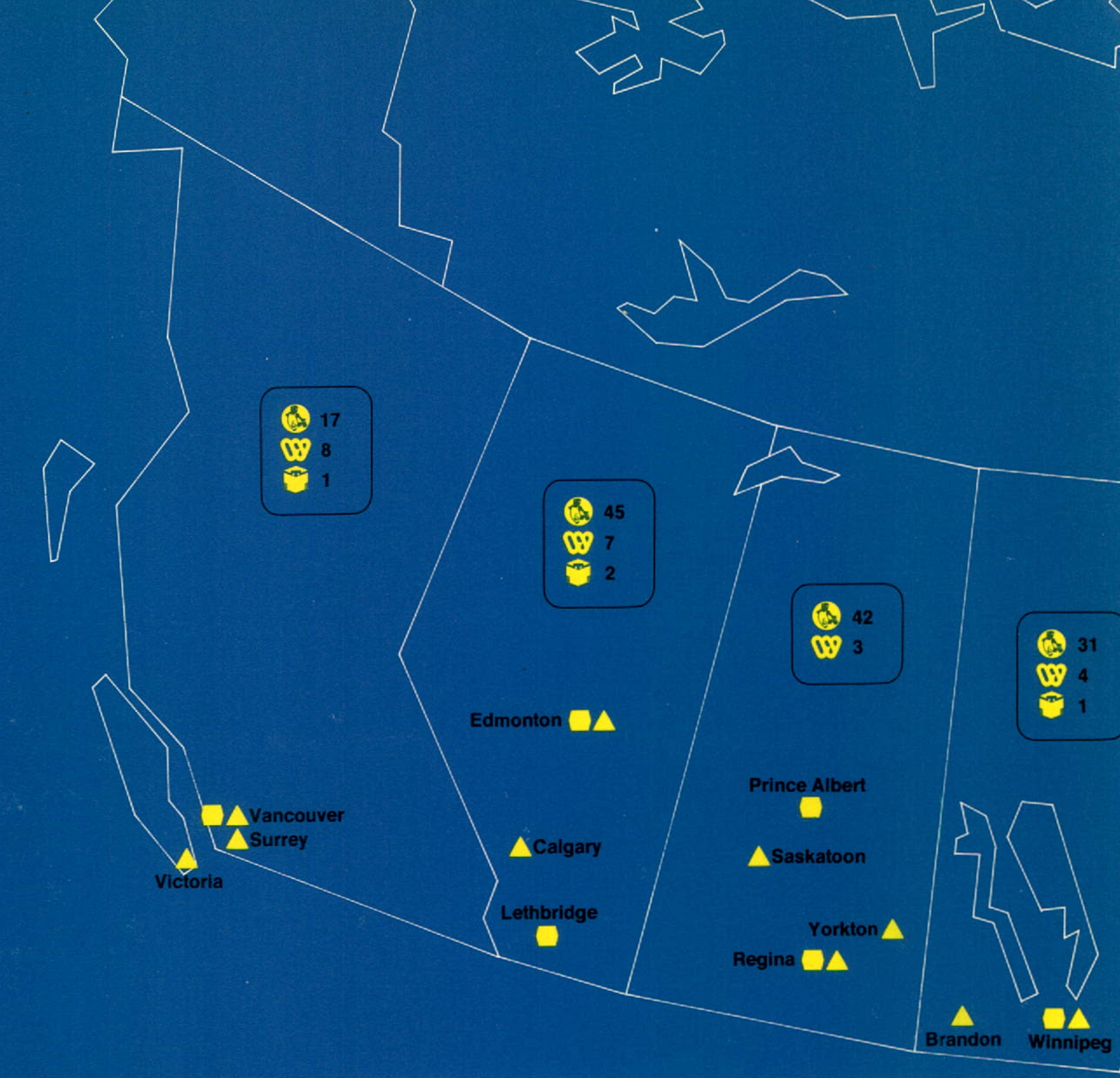
THE MOLSON COMPANIES

1977 ANNUAL REPORT

The Molson Companies Limited





Breweries Molson brews twenty-seven national and regional brands. The two national brands, Molson Export Ale and Molson Canadian Lager, are complemented by strong regional brands including India Beer in Newfoundland, Laurentide and Brador in Quebec, Golden in Ontario, Pilsner and Bohemian in Saskatchewan, Lethbridge Pilsner in Alberta, and Old Style in British Columbia.

Quebec Brewer's Agents In Quebec, Molsons has 30 agencies which act as exclusive wholesale distributors of Molson brands.

Manufacturing and Distribution Centres Anthes Equipment, Moyer Vico, Seaway/Midwest and Willson Office Specialty operate distribution facilities across Canada while Anthes Business Forms, Beaver Homes, Deluxe Upholstering, John Wood, O.E.L. Manufacturing and Vilas have manufacturing plants in various Canadian locations. United States operations include Bennett Pump, Muskegon, Michigan, and its subsidiaries, and Martlet Importing, New York.

Retail outlets

Home and Building Centres The Retail Merchandising Group currently operates 251 stores under the Beaver, Le Castor Bricoleur, Saveway, Aikenhead and CBS names. Beaver and Le Castor Bricoleur operate 59 Home Centres, and 161 Building Centres, from Quebec to British Columbia; Saveway has 22 outlets from Ontario west, and Aikenhead operates nine stores in southern Ontario.

Willson Stores Willson Office Specialty operates 34 retail stores in 13 communities from Montreal to Victoria.

Teachers' Stores Moyer Vico's Teachers' Stores have been opened in seven Canadian centres, providing retail outlets tailored to the needs of teachers and parents.

	West	Ontario	Quebec	Atlantic	International
Sales and Revenues (millions of $)	274.3	367.0	180.0	17.0	50.7
Assets (millions of $)	130.7	190.4	81.7	11.3	23.7
Shareholders	3311	5295	3158	391	302
Employees	2686	4484	2717	273	598

Directors

Hon. John B. Aird	Toronto	Partner, Aird, Zimmerman & Berlis, Barristers and Solicitors
†W.R. Allen	Toronto	Barrister and Solicitor
*J.T. Black	Toronto	President
Frank M. Covert	Halifax	Partner, Stewart MacKeen & Covert, Barristers and Solicitors
*W.P. Frankenhoff	New York	Chairman, Executive Committee, William E. Hill & Company, Inc.
Donald Harvie	Calgary	Chairman, The Devonian Group, and Deputy Chairman, Petro-Canada
†T.E. Ladner	Vancouver	Partner, Ladner Downs, Barristers and Solicitors
Roger Létourneau	Quebec	Partner, Létourneau, Stein, Marseille, Delisle and LaRue, Barristers and Solicitors
*†A.G. McCaughey	Toronto	Senior Vice President, Finance
E.H. Molson	Montreal	Executive Vice President, Molson Breweries of Canada Limited
*Hon. H. deM. Molson	Montreal	Honorary Chairman of the Board
Charles Perrault	Montreal	President, Perconsult Ltd.
*Gérard Plourde	Montreal	Chairman of the Board and Chief Executive Officer, UAP Inc.
†J.D. Riley	Winnipeg	Chairman, Dominion Bronze Limited
*P.B. Stewart	Toronto	Executive Vice President, Operations
*D.G. Willmot	Toronto	Chairman of the Board

**Member of the Executive Committee*
†Member of the Audit Committee

Honorary Directors

T.H.P. Molson	Montreal, Quebec
H.C.F. Mockridge	Toronto, Ontario
F.H. Sobey	Stellarton, Nova Scotia
N.E. Whitmore	Regina, Saskatchewan

Officers

Hon. H. deM. Molson	Honorary Chairman of the Board
D.G. Willmot	Chairman of the Board
J.T. Black	President
P.B. Stewart	Executive Vice President, Operations
J.P.G. Kemp	Senior Vice President, Commercial Products and Services Group
A.L. Keyworth	Senior Vice President, Retail Merchandising Group
Morgan McCammon	Senior Vice President, Brewing Group
°David Lakie	Senior Vice President, Corporate Relations
A.G. McCaughey	Senior Vice President, Finance
L.R. Sinclair	Senior Vice President, Accounting and Control
C.R. Cook	Vice President and Secretary
K.A.F. Gates	Vice President, General Counsel
W.J. Gluck	Vice President, Corporate Development
G.A. Jupp	Vice President, Public Affairs
H.E.C. Stoneham	Vice President, Human Resources
B.F. Boardman	Controller
W.A. Harshaw	Treasurer
Shirley A. Hoffman	Assistant Secretary
Jacques Lagassé	Assistant Secretary
J.F. Osterman	Assistant Secretary

°On leave of absence

The Molson Companies Limited
Incorporated under the laws of Canada

Head Office	1555 Notre Dame Street East, Montreal, Quebec H2L 2P
Executive Office	2 International Boulevard, Rexdale, Ontario M9W 1A2
Registrar	National Trust Company, Limited, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary ar
Transfer Agent	The Royal Trust Company, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary ar
Auditors	Coopers & Lybrand

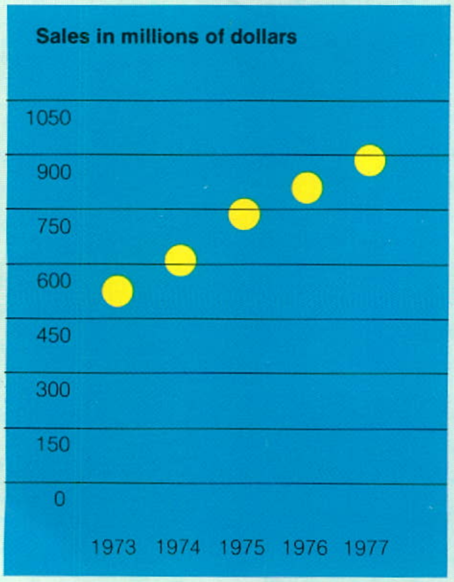
Annual Meeting

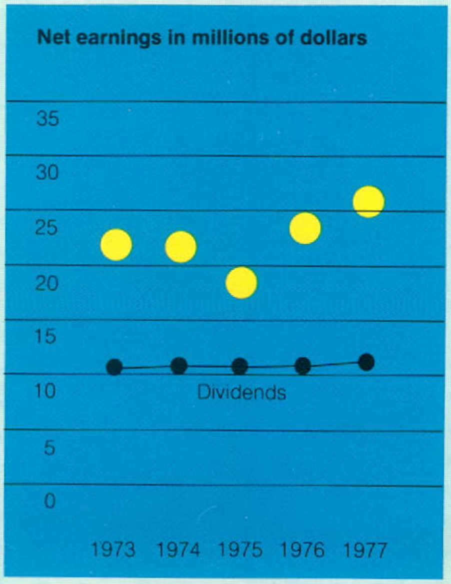
The annual meeting of the shareholders will be held in the Salon Viger at Le Chat Champlain, Montreal, Quebec, on June 29, 1977 at 11:30 a.m. EDT.

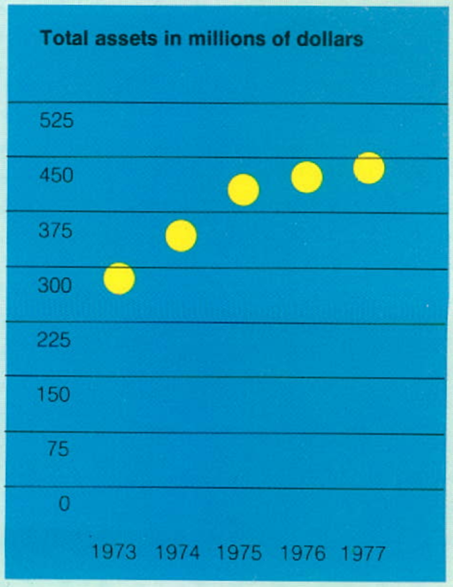
Si vous désirez recevoir ce rapport en français, veuillez vous adresser au Sec d'Armes, Montréal (Québec) H2Y 3L3

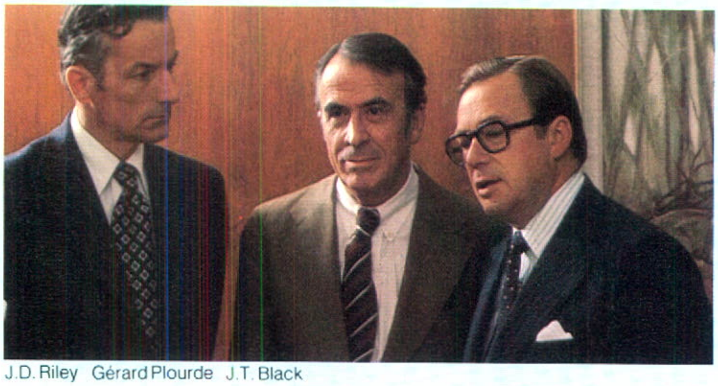
Financial Highlights

March 31	1977	1976	1975	1974	1973
Operations (millions of $)					
Sales	**$889.0**	$811.4	$740.3	$616.1	$522.2
Net Earnings—before extraordinary items	**26.0**	23.6	19.6	21.8	22.0
—after extraordinary items	**26.0**	23.6	18.6	21.9	22.0
Per Share					
Net Earnings—before extraordinary items	**$1.90**	$ 1.72	$ 1.43	$ 1.60	$ 1.62
—after extraordinary items	**1.90**	1.72	1.36	1.60	1.62
Dividends	**.832**	.80	.80	.80	.80
Financial Position (millions of $)					
Working Capital	**$102.7**	$ 98.9	$ 92.4	$104.3	$ 72.3
Long-term Debt	**94.0**	98.1	100.3	79.6	51.2
Shareholders' Equity	**183.6**	168.9	156.3	150.0	138.9
Total Assets	**437.8**	421.3	407.0	345.3	285.1








J.D. Riley Gérard Plourde J.T. Black


W.R. Allen

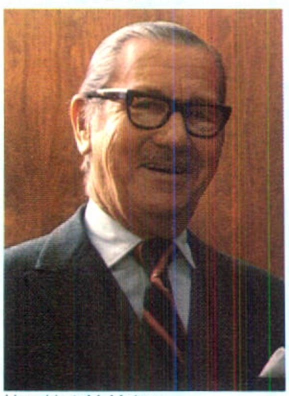

Hon. John B. Aird


Donald Harvie D.G. Willmot


Roger Létourneau


A.G. McCaughey P.B. Stewart T.E. Ladner


Charles Perrault W.P. Frankenhoff


Hon. H. deM. Molson


Frank M. Covert E.H. Molson

Members of the Board

Directors' report to the shareholders

The fiscal year which ended on March 31 produced a record $889 million in sales revenues, up 9% from 1976's $811 million. Net earnings were $26 million or $1.90 per share, a 10% increase from last year's $23.6 million or $1.72 per share. These increases are, in our opinion, quite satisfactory in the circumstances of a year which started out strongly but saw slower growth rates develop as the year progressed, as much of the country experienced poor weather and deteriorating economic conditions.

The volume of beer sold by the Brewing Group in Canada increased by 0.5% compared to a decrease of 0.5% for the industry with the result that our share of the national market increased. Continued strong growth in the export market brought total volume to 6.2 million barrels, up 3% from last year. The Retail Merchandising Group, consisting of Beaver Lumber and its associated companies, enjoyed a sales increase of 12% to $261 million and an encouraging rise in earnings. Molson's other businesses, comprising the Commercial Products and Services Group and the Bennett Pump Division, had an 8% increase in dollar sales although, in total, their contribution to corporate earnings declined. The operating results for the year are reviewed in detail in the Group sections of this Annual Report.

Dividends

At its meeting in November, the Board of Directors increased the quarterly dividend payable on January 1, 1977 by 8% from 20¢ to 21.6¢. The increase reflects the improvement in the level of your Company's earnings since the last dividend increase in 1972 and was the maximum allowed under the Federal Government's Anti-Inflation Program.

In its Budget of March 31, 1977, the Federal Government proposed a change with respect to tax-deferred dividends paid out of tax-paid undistributed surplus on hand or 1971 capital surplus on hand. This change would have the effect of eliminating the reasons for the existence, as presently structured of Molson's Class 'C' and Class 'D' common shares after December 31, 1978. When this proposed change is made law and the regulations issued, an appropriate course of action will be determined for presentation to shareholders.

Capital Spending

During the year, your Company spent $22.8 million on capital projects, excluding business acquisitions, unchanged from last year but considerably less than the $34 million spending level which was estimated in the 1976 Annual Report. Some major projects were deferred due to unfavourable business conditions.

During the current year, we expect to spend $34 million. Of this amount, $23 million will be spent by the Brewing Group, $7 million for expansion and renovations by the Retail Merchandising Group and the balance by our other businesses.

Corporate Growth Strategy

Your Company continues to examine the deployment of its resources relative to its long-term goals. While we expect, over time, to make further minor acquisitions to complement our existing businesses, we are also actively exploring the possibility of taking a new business direction in Canada or abroad. To this end, we have identified those fields of business we believe offer the best opportunities for this Company.

Acquisitions in the year included the assets of Hodgins Lumber Limited of Ottawa and Eastern Ontario, and the assets of Beam Building Materials Ltd., comprising a lumber and building material store in Cranbrook, British Columbia. These stores are now operating under the Beaver name.

As part of the ongoing reallocation of resources, we sold during the year certain small businesses not considered essential to the main business courses we are pursuing. These were Tuscan Engineering Company Limited of Bridgend, Wales, a manufacturer of special purpose electric motors, one of the Bennett Pump companies; and both the door and frame manufacturing unit and the industrial and contract hardware division of Aikenhead Hardware Limited.

In the Nine Month Report, it was indicated that The Rainier Companies, Inc. of Seattle, Washington, in which your Company holds a 48% interest, had reached agreement to sell its brewing interests to G. Heileman Brewing Company, Inc. for cash. This sale was completed effective February 28, 1977. Rainier continues to hold its interests in the Mondavi winery and vineyards in the Napa Valley of California. It is our intention to sell or otherwise realize on our investment in Rainier when an appropriate opportunity can be found.

Employee Relations

During the past year, significant moderation in salary and wage increases occurred and these have once again begun to bear a closer relationship to the increase in the cost of living, in large measure, the result of the Anti-Inflation Program.

Employee benefits continue to be improved to provide appropriate protection. However, the costs of benefits, especially pensions, are escalating faster than wages and salaries and this is a matter of substantial concern.

Of the 38 collective bargaining agreements negotiated during the year, 35 were concluded without work stoppage. There were 3 strikes: one at the St. John's Newfoundland Brewery which lasted some 19 weeks; and 2 others, each of which was of a few days duration. Additionally, 14 contracts which expired in the last quarter of the fiscal year, are still under negotiation.

The very high cost of a strike in both human and economic terms is not always recognized. Not only are there the direct costs of loss of wages to the employee and loss of sales and earnings to the company, but there is almost always a difficult and extended period following a strike during which substantial efforts are required to regain market share lost during the work stoppage with the result that employment and earnings often take several months, and indeed sometimes years, to return to pre-strike levels.

National Issues

A considerable amount of management time has been devoted to matters relating to the Anti-Inflation Program, to which we have given our full support. Concern has now shifted, as it should, from that of effective implementation as a means of stemming inflationary pressures, to consideration of the means by which the country can successfully extricate itself from controls, without setting off further rounds of inflation.

Since our roots go deep into Canada's history, recent events in Quebec have commanded our interest. We have sincere concern for the apparent direction now being taken in Quebec and its possible impact on the future shape of Canadian society. We believe that a united Canada — however imperfect — represents the highest common good, and therefore that all Canadians should strive energetically with goodwill and understanding to find ways to accommodate the diversity that is Canada.

Directors and Officers

Norman E. Whitmore, of Regina, a Director of the Company since 1966, chose not to stand for re-election to the Board at the 1976 annual meeting and subsequently was appointed an Honorary Director. Charles Perrault of Montreal was elected to the Board to fill the vacancy created by Mr. Whitmore's retirement.

During the year, Zotique Lespérance, Vice President, retired following 31 years of valuable service to the Molson organization in Quebec.

David Lakie, Senior Vice President, Corporate Relations is on leave of absence with the Federal Department of Industry, Trade and Commerce under a two year Executive Interchange Program.

During the year, Barry F. Boardman, formerly Controller, Commercial Products and Services Group, was appointed Controller of the Company, at which time Lawrence R. Sinclair's title was changed to Senior Vice President, Accounting and Control; William A. Harshaw joined the Company in November, 1976 as Treasurer; and Shirley A. Hoffman, Jacques Lagassé and John F. Osterman were appointed assistant secretaries of the Company.

Outlook

During the current fiscal year ending on March 31, 1978, we expect continued, though relatively slow, economic growth for Canada which, when combined with lower inflation, should lead to improved profitability as the year progresses. We are confident that our strong position in the various fields in which we participate will yield higher sales and improved earnings.

On behalf of the Board:

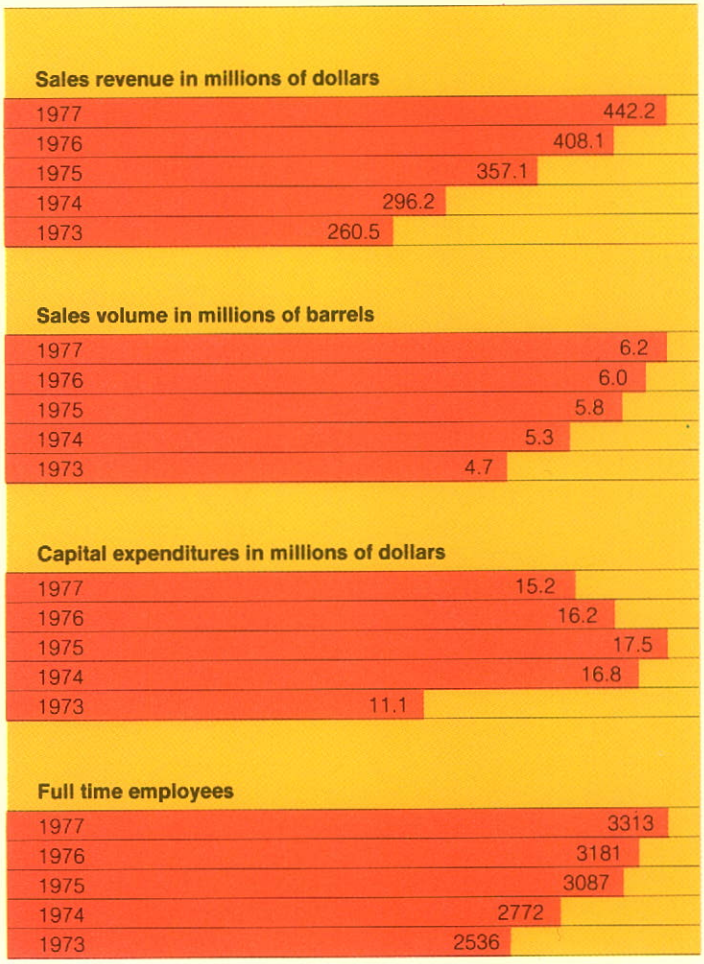
D. G. Willmot
Chairman of the Board

J. T. Black
President

May 19, 1977

Brewing group

	1977	1976	1975	1974	1973
Sales revenue (millions of $)	442.2	408.1	357.1	296.2	260.5
Sales volume (millions of barrels)	6.2	6.0	5.8	5.3	4.7
Capital expenditures (millions of $)	15.2	16.2	17.5	16.8	11.1
Full time employees	3313	3181	3087	2772	2536



The Beer Market in Canada

For the first time in twenty years, the Canadian beer market experienced a decline. The total volume of beer sold by the brewing industry in Canada fell by one half of one percent. The most significant declines occurred in Ontario and Newfoundland and there was little or no market growth in Quebec, Manitoba and Saskatchewan. Unusually poor weather throughout the year, particularly during the important summer months, was the primary cause in most eastern markets. Other negative factors also played their part, including high unemployment, an uncertain economic environment, and the reallocation of discretionary expenditures by consumers to accommodate the rising costs of fuel, food and shelter.

The Year in Summary

Molson Breweries enjoyed a year of steady growth in the face of this decline in industry volume. Its share of the national market in Canada, the market for imported beer in the United States, and its contribution to consolidated earnings achieved record levels in fiscal 1977.

Sales of Molson brands in Canada increased by 0.5% and export sales, particularly to the United States, rose substantially. Regional results in Canada were mixed, however. In Newfoundland, our products were off the market for over six months due to a strike at the St. John's brewery and our recovery in British Columbia from the depressed market position caused by a strike the year before was slower than anticipated. Sales volume in Ontario was also disappointing, although Molson brands declined less than the total industry. On the bright side, however, were the buoyant sales recorded by Molson products in Quebec, Manitoba, Saskatchewan and Alberta.

Sales Revenues and Costs

Sales revenues from our ten breweries, including export revenues, rose 8.3% to $442.2 million. Price adjustments in all provinces but Newfoundland, complemented by volume growth, accounted for the improvement.

The cost of brewing materials, notably malted barley, subsided from the levels of a year ago. However, substantial cost increases in packaging materials, labour rates negotiated before the full introduction of the Anti-Inflation Program, municipal taxes, and utilities and outside services, more than offset the savings in brewing material costs. In addition, we were unable to fully achieve planned productivity improvements because production and delivery volumes did not reach anticipated levels. The net result, however, was that earnings of our brewing operations were higher than a year ago.

Marketing

Across Canada, Molson's important national brands again increased their share of the market. Molson Canadian posted noteworthy gains in a number of markets, while in both Ontario and Quebec, Molson Export continued its upward momentum.

Our key regional brands, including Laurentide and Brador in Quebec, Golden in Ontario, Pilsner and Bohemian in Saskatche-

wan, Lethbridge Pilsner in Alberta and Old Style in British Columbia, continued to enjoy a high level of popularity among beer drinkers and represent a significant part of our total sales volume. In the Prairie Provinces, greater emphasis was given to the marketing of Crown, a low alcohol brand and, during its first year in the Ontario market, Molson Diamond achieved an encouraging level of acceptance.

Local Molson representatives play a prominent role in organizing and supporting recreational and community projects across the country. One example of their efforts is "Molstar", a program in which over 35,000 recreational downhill and cross-country skiers throughout Canada were able to test and improve their skiing abilities this past winter, while helping "Molstar" make a substantial financial contribution to the National Ski Team. Another example is "Molson's Hole-in-One" program, which has been in operation since 1971, where proceeds enabled several hundred handicapped children from the four western provinces to attend camp for a week each summer. Molson also operates a marine patrol boat, the "Big M", in the Vancouver harbour area, which works in conjunction with the Canadian Coast Guard and the R.C.M.P. in providing recreational boaters with safety and rescue services. In Ontario, "Molson Coaches' Clinics" each year provide approximately 3,000 minor league hockey coaches an opportunity to add to their skills. In Québec, through the Mérite Sportif Québécois program, awards are presented annually to the athlete, team, trainer and administrator of the year in amateur sports, as well as to the outstanding athlete in each of the 68 sports represented in the Confédération des Sports du Québec.

Last summer, Molson was proud to participate in the television sponsorship of the Games of the XXIst Olympiad, held in Montreal. However, our long-standing sponsorship of Hockey Night in Canada remains our most effective marketing vehicle, and continues to be of mutual advantage to NHL hockey in Canada and Molson's progress in the market.

Exports to the United States

The acceptance of Molson beers in the United States continues to increase at a gratifying rate. Martlet Importing Co. Inc., our U.S. subsidiary responsible for the sale of our products in the United States, is now the second largest importer of beer in that country. Recently, Molson brands were introduced to California and Florida, extending our distribution network to eighteen states.

Research

The acceptance of Molson products in the Canadian beer market is closely related to our active programs of both product and market research.

Over the years, the Company has achieved an international reputation in the field of product research and quality control. And notwithstanding our long experience in the field of consumer research, the market research methods which enable us to identify the changing taste preferences of beer consumers are being continually improved. With this research support, our brewmasters are able to produce a wide variety of quality brands, each with its own distinctive appeal to the discriminating beer drinker.

Facilities

Total expenditures on additions to facilities amounted to $15.2 million, a dollar level comparable with recent years. This level of spending was below the original plan as a result of deferral of a number of capacity related projects in light of reduced industry volume.

In Montreal, construction was started on a packaging extension which, when completed in the spring of 1978, will house the Montreal brewery's third high speed bottling line. At the Barrie brewery in Ontario, a new high speed packaging line was installed.

Capital projects designed to improve productivity and plant services were completed at the Toronto brewery, while at Winnipeg, fermenting capacity was increased and additional property was purchased for future plant development.

Construction of new fermenting and storage cellars began at the Edmonton brewery and its sister brewery at Lethbridge made major improvements to its water treatment and beer filtering systems. In Vancouver, the major project was the installation of additional tankage for cellaring operations.

We anticipate that capital spending on expanded brewing facilities will rise to $23 million in the coming year, about half of which will be devoted to completing projects already in progress. The balance of the spending will be on a wide variety of projects at all breweries to increase capacity and improve efficiency and productivity.

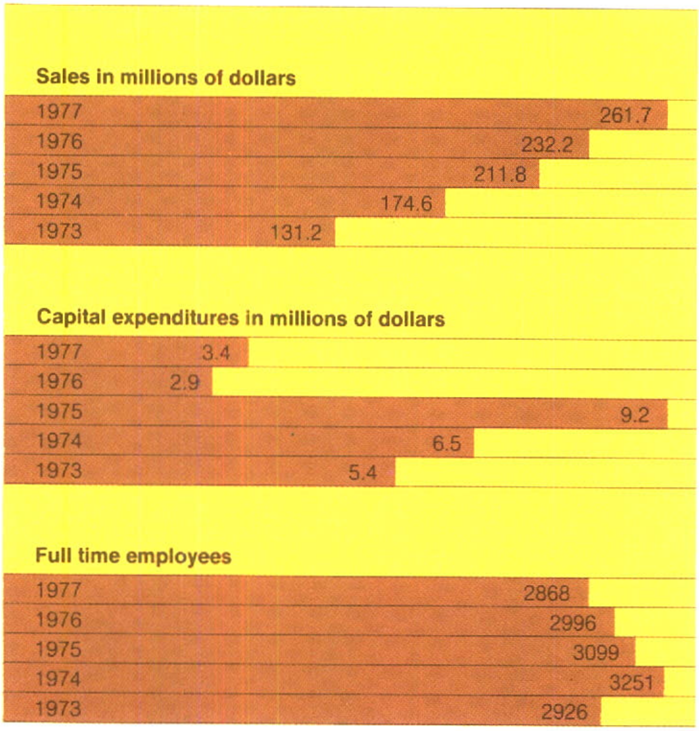
Outlook

Given more normal weather conditions and an improving economy, the volume decline experienced by the brewing industry in the past year is unlikely to be repeated and annual industry market growth should return to the 2% level. While we expect to continue to surpass the industry average growth rate, profit margins will remain under pressure as cost increases are likely to moderate only slightly. Under the circumstances, we expect profit contribution from brewing operations to increase modestly during the current year.

As Molson's has grown from its modest beginnings in Montreal, the craftsmen who have followed John Molson have not forgotten that it is barley malt, hops, pure water and infinite care which are the mainstays in the art of brewing Molson beer.

Retail merchandising group

	1977	1976	1975	1974	1973
Sales (millions of $)	261.7	232.2	211.8	174.6	131.2
Capital expenditures (millions of $)	3.4	2.9	9.2	6.5	5.4
Full time employees	2868	2996	3099	3251	2926
Number of stores	251	250	252	261	261



Operations

During the year, sales of Beaver Lumber and its associated companies totalled $261 million, up 12% from $232 million in fiscal 1976. Because of the buoyant western economy, sales in the Prairie Provinces, and in particular, Alberta, were relatively stronger than those of Eastern Canada. The maturing of our recently opened Home Centres has also generated sales increases, especially in Quebec and Alberta. Sales of Beaver Homes, on the other hand, were below expectations.

Earnings also improved significantly over recent years, reflecting both the higher level of sales and tighter control of store operating expenses and regional and divisional overhead costs.

Review of Progress

The 1977 fiscal year represented the fifth full year of operation of the Retail Merchandising Group. During this period, sales have almost doubled and Beaver has evolved from what was essentially a rural lumber yard operation to become the leading Canadian retailer of lumber and building materials and home related hardgoods in both the urban and rural markets. During the past five years, we have opened 20 major urban Home Centres and have rebuilt or relocated 39 Building Centres. In addition, during the same period, we have added by acquisition, five Home Centres and nine Building Centres, including the three CBS stores in Montreal and Quebec City. This aggressive expansion program has resulted in a level of earnings below what would normally be considered acceptable, due to the high costs of new store openings and high central warehousing start-up expenses. And even though profitability has substantially improved in the two most recent fiscal years, it is recognized that continued improvement of earnings and return on investment is necessary. Thus our main goal in the current and future years is to improve profitability by controlling our operating and overhead expenses and level of investment, while maintaining a healthy sales growth rate.

Major Developments

Capital spending increased to $3.4 million from the previous year's level of $2.9 million. During 1977, new Home Centres were opened at Edmonton's Northtown Mall and Garden City in Winnipeg. Our acquisition of the assets of Hodgins Lumber Limited brought two large, well placed Ottawa Home Centres under the Beaver banner and allowed Beaver to enter the four additional Eastern Ontario markets of Cornwall, Brockville, Pembroke and Morrisburg with well established and well located stores. The two former Hodgins stores, added to our existing Ottawa store, have put us in the leading position in the Ottawa market. In addition, the CBS store in Greenfield Park, Quebec was renovated; Beaver facilities were modernized and expanded at Fort McMurray, Alberta; Weyburn, Saskatchewan; and Treherne, Russell and Beausejour, Manitoba; and two Aikenhead stores in Toronto were remerchandised. Also, during the year, eight marginal stores were closed, bringing to 251 the number of retail stores in operation at year end.

Although Beaver Lumber has been selling lumber, building materials and hardware to the home improvement market for many years, changing methods of retailing, our expanded presence in urban markets and a better understanding of consumer buying

More and more Canadians are enjoying making "do-it-yourself" improvements around the home with materials and tools purchased at Beaver Home and Building Centres. Families, like this one in the Edmonton Northtown Home Centre, are also finding that Beaver's "Info Shops" give them all the information they need to put Beaver products to good use.

patterns mean that our views on optimum store size and merchandise assortment are continually evolving. During the year under review, three western stores were modified accordingly and sales results have been encouraging. Our new North Yonge Home Centre, on the northern edge of Toronto, which opened in May, 1977, reflects in its layout, appearance and product assortment our experience in do-it-yourself retailing over the past few years. We are also continually refining our thinking on store size, layout, and merchandise assortment in Building Centres and hardware stores, and recent new stores and renovations to existing stores reflect these improvements.

The major Home Centres are giving more emphasis in their merchandise assortment to traditional Beaver lines of lumber and building materials and less to housewares and toys. New departments include Horticultural Centres for the home gardener, Celsius Shops to bring all energy conservation items into focus and Info Shops, a series of audio-visual "how-to" programs on T.V. cassettes for instant viewing and illustrated brochures for the do-it-yourselfer.

A comprehensive Beaver franchise program has now been developed. During the course of the next few years, we expect to convert a number of existing stores to franchise operation and to enter, via the franchising route, markets where Beaver is not yet fully represented.

Successful Beaver "SHOW ME HOW" shows were held in Montreal, Toronto and Winnipeg during the Spring of 1977, with the objective of increasing consumer awareness of the broad range of home improvement products offered by Beaver. With the assistance of a large number of suppliers, classes in do-it-yourself projects were conducted and new and unique products were presented to many thousands of interested do-it-yourselfers by demonstrations, films and brochures.

A comprehensive Career Management Program aimed at attracting, training and retaining store manager candidates has been further strengthened and expanded to ensure that all our stores are staffed with people having a high level of management know-how, product knowledge and merchandising expertise. We expect some 100 potential managers selected from among current Beaver employees and by on-campus recruiting to complete the program during the current year.

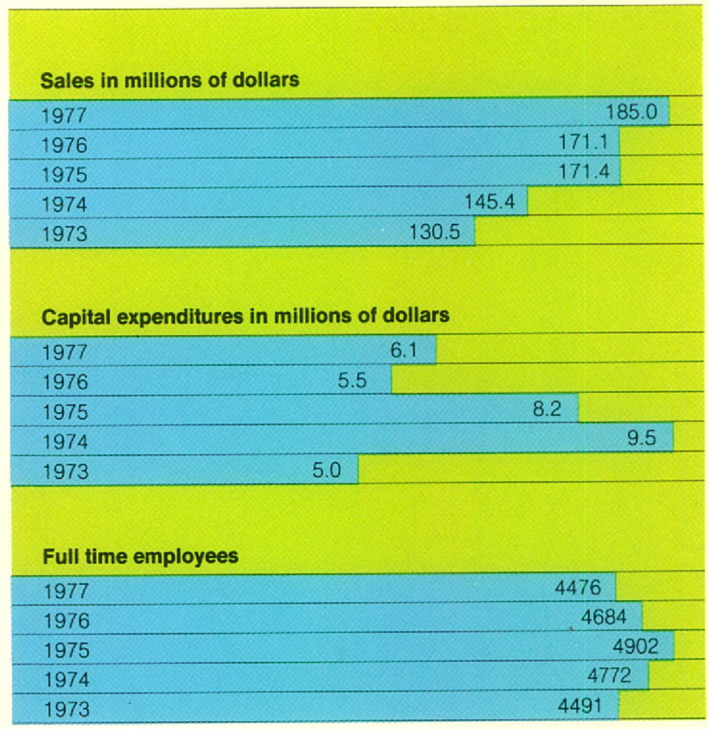
Outlook

Our expansion in the major urban markets and other key markets will continue in the year ahead. To this end, and in addition to the North Yonge store just opened, new Home Centres will be opened in the fall of 1977 in Quebec City and Montreal West Island, and a number of existing Beaver and Saveway Stores in medium-sized communities will be expanded or relocated.

Sales of these and other recently opened stores, added to the expected growth of base store sales, will contribute to our goal of achieving significant sales and earnings growth from our Retail Merchandising operations during the coming year.

Molson's other businesses

	1977	1976	1975	1974	1973
Sales (millions of $)	185.0	171.1	171.4	145.4	130.5
Capital expenditures (millions of $)	6.1	5.5	8.2	9.5	5.0
Full time employees	4476	4684	4902	4772	4491



Commercial Products and Services Group
Petroleum Marketing Equipment Division

The economy, which did not recover as expected in the second half of our 1977 fiscal year, had an adverse effect on most of our other businesses. Over-capacity in a number of industries in which we are engaged and the competitive pressures which this condition generated prevented us, in many cases, from passing through cost increases with the result that profit margins eroded.

Office & Educational Products

Willson Office Specialty Ltd., Anthes Business Forms Limited and Moyer Vico Corp. serve the market for office and educational products. Willson Office Specialty offers a broad range of office furniture and stationery related items to industry, government and institutions across Canada, both through direct sales and a chain of retail stores. Anthes Business Forms manufactures and markets rotary and sheet printed forms as well as stationery items and while most of its sales are in Ontario and Quebec, it is currently developing markets elsewhere in Canada. Moyer Vico merchandises a broad range of educational products across Canada, including school and library furniture, school supplies, teaching aids and home educational products.

The turnaround anticipated at Willson Office Specialty operations did not take place as rapidly as we had hoped. Notwithstanding rigorous expense controls and some organization and management changes, the operations of this division have not yet returned to profitability although the loss was substantially reduced from the previous year's level. Regionally, results from the Prairie Provinces were good and British Columbia showed developing strength by year end. Operations in Ontario and Quebec, however, were still below acceptable levels of sales and profit, but are improving. The office furniture manufacturing plant at Holland Landing, Ontario was under-utilized as government and industry expenditures on office furniture continued at a low level.

The business forms industry reacted to the economic climate with very competitive tendering on all contracts and Anthes Business Forms found sales volumes weak and margins reduced. However, we are working through this phase of the economic cycle and backlogs at all three business forms and printing plants are lengthening, indicating a better year ahead.

The educational supplies market continues to show weakness in every province, with spending by school boards and educational institutions depressed as increased wage and salary costs claim a larger share of available budgets. As a result, Moyer Vico's school furniture plants at Markham, Ontario and Farnham, Quebec operated well below capacity. During the year, a number of steps were taken to restructure Moyer's operations in light of reduced demand. One such step, carried out after careful study, was the closing of distribution centres in Winnipeg and Edmonton, thus concentrating the distribution of school supplies and teaching aids from warehouses in Moncton, Montreal and Toronto. The substantial cost and inventory reductions achieved through this and other operating adjustments should allow Moyer to weather the present difficult times.

Moyer Teachers' Stores have proven successful and are now in operation in Vancouver, Calgary, Edmonton, Winnipeg, Hamilton, Toronto and Ottawa.

Home Furniture

Vilas Industries Limited, well known across Canada for its high quality colonial furniture, suffered severely from the very lengthy and costly strike at its Cowansville, Quebec plant, which ended in March 1976. Weak markets then compounded the problem and Vilas' operations have not yet returned to profitability. The furniture market generally has not recovered from its severe recession of 1975 and current trends indicate that a recovery cannot be expected until the second half of the coming year at the earliest. Efforts to recover Vilas' traditional market from competitive inroads during the strike are showing results and overhead costs have been closely examined and pared wherever possible. Production at the Cowansville and Thurso casegoods plants was curtailed during the last quarter of the fiscal year in order to reduce and balance finished goods inventories.

Sales of La-Z-Boy chairs from Deluxe Upholstering Limited of Waterloo, Ontario, which manufactures and markets the well-known chair under license from La-Z-Boy Chair Co. of the United States, showed modest improvement over last year and this company is well positioned to move with an improving market.

Distribution Services

Manufacturers' inventories were at a relatively low level during fiscal 1977 and excess warehouse space was available across Canada, particularly in the Toronto area. As a result, Seaway/Midwest Ltd.'s warehousing and distribution centres operated at less than optimum capacity but nevertheless showed some improvement in both revenues and earnings compared to the previous year.

Meeting competitive rates continues to keep pressure on profit margins but Seaway/Midwest's operations — located in seven provinces — are in first class condition and offer a diverse range of warehousing, delivery, billing and other customer services on a national scale not matched by competition today. With a view to future requirements, space was added in Montreal to replace an older and less efficient warehouse and the St. John's, Newfoundland facilities were expanded.

Construction Products & Services

John Wood Limited continues as the leading manufacturer in the Canadian water heater market and, in the past year, slightly improved its already high market share. However, very severe price competition, particularly from the United States, has made it difficult to obtain the price increases needed to recover cost increases for steel and labour. Margins, as a result, have been reduced and while the John Wood results must be considered satisfactory, they were lower than the previous year. During the year, the decision was taken to manufacture electric water heater elements, and equipment has now been installed in John Wood's plant in Toronto so that by the end of the current year we will be manufacturing elements for most of our production needs with attendant cost savings.

The valve and gauge supply operations of the Penberthy Injector Division of John Wood again produced a satisfactory profit. Efforts are continuing to broaden the product line of this relatively small operation whose single manufacturing facility is in St. Catharines, Ontario, and the export market is being examined for additional sales opportunities.

Anthes Equipment Limited serves the construction industry from eleven branches across Canada with access scaffolding, shoring and other related equipment on a rental and sale basis. Operations were at a lower level than in the two previous years and prospects for recovery in the short term are not encouraging as high rise construction in most major Canadian centres continues to be at relatively low levels. During the year, a new experimental rental branch handling "Hi-Reach" equipment and "Powered Mobile Platforms" was opened in Toronto, with results which exceeded our expectations.

Petroleum Marketing Equipment

Bennett Pump Company experienced a third consecutive year of recovery in both sales and earnings. In large part, this reflects a continuation of the recovery in industry demand for gasoline dispensing equipment in the United States. In addition, the introduction to the U.S. market of Bennett's new line of electronic dispensing systems gave a substantial boost to Bennett's market share. Severe winter weather, however, had the effect of slowing U.S. sales in the closing months of the year.

Bennett Pump sales in Canada began the year well but slowed down by year end as the major oil companies reduced capital spending on service stations. The current trend toward fewer, but larger, multi-hose self-serve stations will likely result in the growth of the electronic segment of the market. Bennett appears to be well-positioned in this respect.

Beck & Co. (Meters) Limited, Bennett's British subsidiary, improved its market position and had a profit turnaround in fiscal 1977. Beck sold its electric motor subsidiary, Tuscan Engineering Company Limited.

During the year, Bennett's affiliate, Hockman-Lewis Limited, a U.S. based sales agency specializing in service station equipment, did well. Industrias Guillermo Murguia S.A. of Mexico, a service station equipment manufacturer, had reduced earnings due to the severe devaluation of the Mexican Peso. Molson holds a minority share interest in each of these companies.

The increasing competitiveness of U.S. industry compared to that of the United Kingdom and Europe has brought about growth in export orders from Bennett's plant at Muskegon, Michigan, and we anticipate a further increase in export activity from this plant during the current year. In addition, the recovering economy in the United States and customer interest in electronic gasoline dispensing systems should contribute to a reasonable year for Bennett in 1978.

In 1975, Willson Business Services Limited and Office Specialty Inc. were merged to form one of the largest office furniture and supplies businesses in Canada. The well known Office Specialty name has been preserved as a house brand name for products sold across Canada by Willson Distribution Centres and Retail Stores.

The electronic gasoline dispensing system has been successfully introduced by Bennett Pump in the United States and is now being field-tested at selected service stations in the United Kingdom and Canada.

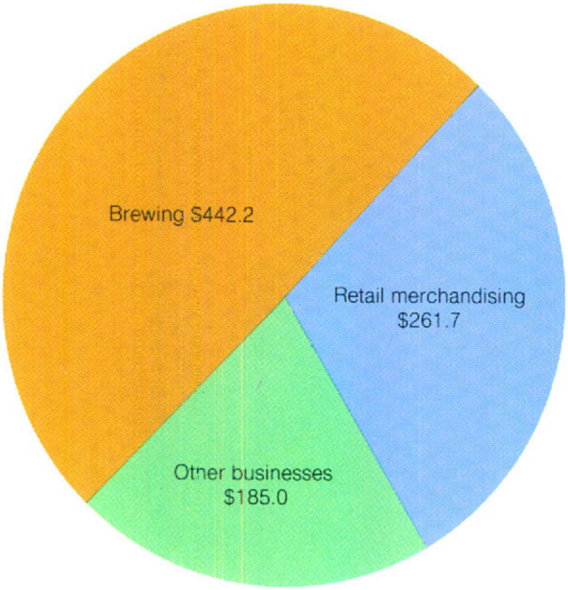
Anthes Equipment rents and sells construction equipment from coast to coast which, over the past few years, has helped to create or restore such well-known public buildings as the Olympic facilities and the Parliament Buildings. In fiscal 1977, Anthes Equipment access scaffolding was used in restoration of the rock face at Niagara Falls.


Willson
Office Specialty
Office Specialty
élastiques en caoutchouc
poids net 1/4 lb 113g
numéro de commande
grandeur
Office Specialty
best quality pencils

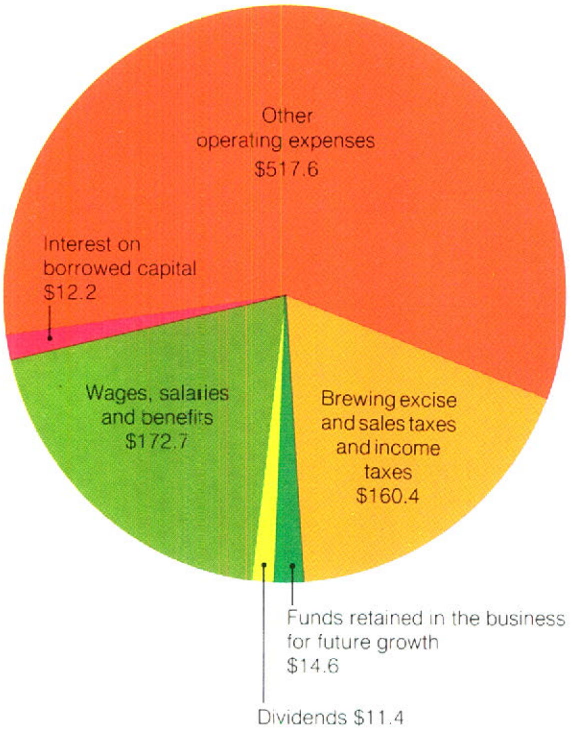

REGULAR
LEAD FREE
11
TOTAL SALE
GALLONS
12
$ 5.00
TOTAL SALE
5.38
GALLONS
THIS HOSE SERVES THIS DIAL ONLY
.929
PRICE PER GALLON ALL TAXES INCLUDED
BENNETT

Financial review

Where our 1977 sales revenue came from
in millions of dollars



How our 1977 sales revenue was spent
in millions of dollars



Earnings Statement

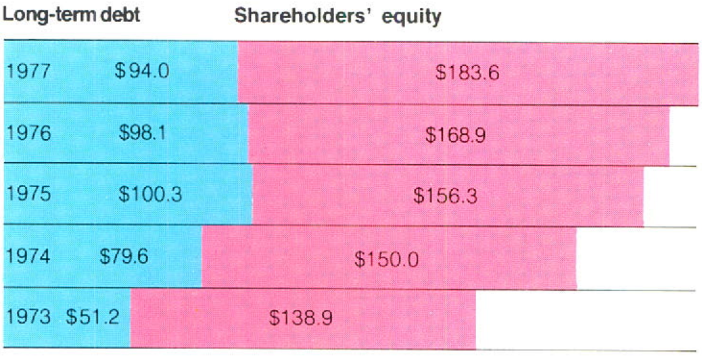
Sales for the 1977 fiscal year were $889 million, a 9% increase over 1976. Net earnings rose by 10% to $26 million while cash flow was $46.9 million, up 8% from last year's $43.1 million. Return on average shareholders' equity was 14.7% for the year compared to 14.5% in 1976.

Investment income of $439,000 comprises interest and dividends from our investments most of which are directly related to our various businesses, including Hockman-Lewis Limited, a U.S. based service station equipment sales agency (30% owned), and Industrias Guillermo Murguia S.A., a Mexican service station equipment manufacturer (34% owned). Equity in earnings of other companies of $1,288,000 represents primarily our share of net income of The Rainier Companies, Inc. of Seattle, Washington (48% owned) and Canada Malting Co. Limited (14% owned), the latter having been accounted for on the equity method for the first time in 1977.

Depreciation increased from $15.2 million to $16.7 million as a result of capital spending programs.

Interest expense on borrowed funds at $12.2 million was approximately the same as last year. Interest on long-term debt declined slightly, a result of sinking fund retirements and principal repayments. Short-term interest costs were slightly higher as the level of borrowings was higher in the early part of the year. During the year, prime bank interest rates ranged between 10.25% and 8.75% on a falling trend, compared to a range of 9.0% and 10.25% on a rising trend in the previous year. Short-term borrowings in the form of commercial paper were maintained at approximately $30 million throughout the year at a cost slightly below the prime rate.

The effect on net earnings of currency fluctuations was a gain of $290,000 in 1977 compared to a loss of $623,000 last year. The foreign currencies primarily involved are the U.S. Dollar and the Pound Sterling. During the year, the U.S. Dollar rose in value while Sterling declined. Molson's foreign investments are principally in



in millions of dollars

The Rainier Companies, Inc., Martlet Importing Co., Inc., and the U.S. and international operations of the Bennett Pump Company.

The provisions for income taxes by Molson and its subsidiaries resulted in a composite rate of 41%, up slightly from 40.5% last year. This composite rate is affected by various items including non-taxable dividend income, equity in earnings of other companies and the investment tax credit based on capital expenditures.

The Federal budget brought down on March 31, 1977 proposed a deduction equal to 3% of the opening value of "tangible moveable property" included in inventories for fiscal years commencing after December 31, 1976 in recognition of the effects of inflation on corporate liquidity. This allowance will have a beneficial effect on the results of our fiscal year which began April 1, 1977. Detailed regulations have not yet been issued.

Balance Sheet

At March 31, 1977, consolidated working capital was $102.7 million, up $3.7 million this year compared to an increase of $6.5 million last year. The ratio of current assets to current liabilities was 1.8:1, the same as a year ago.

During the year, long-term debt declined from $98 million to $94 million, while fixed assets have grown from $319 million to $340 million. The ratio of long-term debt to shareholders' equity improved from 36:64 to 33:67.

	Quarterly Data ('000s omitted)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1977 Fiscal Year	Sales and other Revenues	$236,835	$246,492	$226,024	$181,388
	Earnings before Income Taxes	14,594	16,755	10,149	2,761
	Income Taxes	6,500	6,900	4,400	428
	Net Earnings	$ 8,094	$ 9,855	$ 5,749	$ 2,333
	Per Share:				
	Earnings	$0.59	$0.72	$0.42	$0.17
	Dividends	0.20	0.20	0.216	0.216
	*Price:				
	High	$18½	$17⅞	$18¾	$17⅝
	Low	16¾	16½	14½	15
1976 Fiscal Year	Sales and other Revenues	$202,662	$225,694	$212,744	$171,497
	Earnings before Income Taxes	12,369	16,420	9,579	1,443
	Income Taxes	5,500	7,400	4,100	(770)
	Net Earnings	$ 6,869	$ 9,020	$ 5,479	$ 2,239
	Per Share:				
	Earnings	$0.50	$0.66	$0.40	$0.16
	Dividends	0.20	0.20	0.20	0.20
	*Price:				
	High	$19⅞	$22¾	$20¼	$19¾
	Low	17½	18½	16½	16¾

*Price denotes the high and low prices at which board lots of Class "A" shares traded on the Toronto Stock Exchange during the quarter.

Consolidated Statement of Earnings

Year ended March 31	1977	1976
Revenues		
Sales and revenues	$889,012,000	$811,410,000
Investment income	439,000	635,000
Equity in earnings of other companies	1,288,000	552,000
	890,739,000	812,597,000
Costs and Expenses		
Cost of sales, selling and administrative costs	675,032,000	607,517,000
Brewing excise and sales taxes	142,202,000	137,635,000
Depreciation	16,728,000	15,281,000
Interest on long-term debt	8,205,000	8,390,000
Other interest	4,054,000	3,719,000
	846,221,000	772,542,000
Earnings before Income Taxes	44,518,000	40,055,000
Income taxes	18,228.000	16,230,000
	26,290,000	23,825,000
Minority Interest	259,000	244,000
Net Earnings before Extraordinary Items	26,031,000	23,581,000
Extraordinary Items	—	26,000
Net Earnings for the Year	$ 26,031,000	$ 23,607,000
Net Earnings per Share	$1.90	$1.72

(see Notes to Consolidated Financial Statements).

Consolidated Balance Sheet

As at March 31	1977	1976
Assets		
Current Assets		
Cash	$ 2,632,000	$ 3,293,000
Accounts receivable	77,265,000	75,149,000
Inventories	148,333,000	143,827,000
Prepaid expenses	3,806,000	3,718,000
	232,036,000	225,987,000
Investments	11,818,000	9,273,000
Fixed Assets		
Land, buildings and equipment	340,510,000	319,127,000
Accumulated depreciation	150,899,000	137,539,000
	189,611,000	181,588,000
Other Assets — less amortization		
Intangible assets of acquisitions	3,421,000	3,513,000
Debenture discount and expenses	924,000	1,002,000
	4,345,000	4,515,000
	$437,810,000	$421,363,000

Liabilities		
Current Liabilities		
Bank indebtedness	$ 21,421,000	$ 22,019,000
Notes payable	29,951,000	29,945,000
Accounts payable	57,120,000	54,811,000
Income taxes	5,284,000	6,124,000
Excise and sales taxes	9,739,000	9,437,000
Dividends payable	2,934,000	2,700,000
Current instalments on long-term debt	2,821,000	1,975,000
	129,270,000	127,011,000
Long-term Debt	94,028,000	98,184,000
Minority Interest	3,723,000	3,989,000
Deferred Income Taxes	24,764,000	20,708,000
Deferred Income — less amortization	2,394,000	2,479,000
Shareholders' Equity		
Capital Stock	48,371,000	48,371,000
Retained Earnings	135,260,000	120,621,000
	183,631,000	168,992,000
	$437,810,000	$421,363,000

Signed on Behalf of the Board:

Director

Director

(see Notes to Consolidated Financial Statements).

Consolidated Statement of Retained Earnings

Year ended March 31	1977	1976
Balance — beginning of year	$120,621,000	$107,967,000
Net earnings for the year	26,031,000	23,607,000
	146,652,000	131,574,000
Dividends	11,392,000	10,953,000
Balance — end of year	$135,260,000	$120,621,000

Consolidated Statement of Changes in Financial Position

Year ended March 31	1977	1976
Source of Funds		
Net earnings before extraordinary items	$ 26,031,000	$ 23,581,000
Depreciation	16,728,000	15,281,000
Deferred income taxes	4,056,000	4,222,000
Other	85,000	31,000
Funds from operations	46,900,000	43,115,000
Issue of common shares	—	29,000
Sale of investments	—	1,092,000
	46,900,000	44,236,000
Use of Funds		
Dividends	11,392,000	10,953,000
Purchase of—		
Fixed assets	22,828,000	22,883,000
Investments	2,545,000	655,000
Minority interest	266,000	561,000
Business acquisitions (excluding working capital of $930,000; 1976—$1,410,000)	1,923,000	506,000
Repayment of long-term debt	4,156,000	2,162,000
Extraordinary items	—	(26,000)
	43,110,000	37,694,000
Working Capital		
Increase in the year	3,790,000	6,542,000
At beginning of year	98,976,000	92,434,000
At end of year	$ 102,766,000	$ 98,976,000

(see Notes to Consolidated Financial Statements).

Notes to Consolidated Financial Statements

1. Accounting Policies

Consolidation The accounts of all subsidiaries are consolidated. Purchase accounting principles are followed for subsidiaries acquired except for Anthes Imperial Limited in 1968 which was on the basis of pooling of interests.

Foreign Exchange Earnings of foreign operations are translated at the average rate of exchange during the year. Current assets and current liabilities are translated at the rate at March 31 and other balance sheet accounts and related depreciation are translated at the rate on the date of acquisition. The resulting exchange gains or losses are included in the consolidated statement of earnings.

Inventories Inventories are valued at the lower of cost or net realizable value except for retail lumber inventories which are valued at the lower of cost or replacement cost. Cost is determined on a first-in, first-out basis.

Investments Investments in effectively controlled companies and joint ventures are carried on the equity method. Other investments are carried on the cost basis.

Fixed Assets Fixed assets are carried at cost. Depreciation is provided from the date assets are put into service on the straight-line method over their estimated useful lives, primarily at annual rates of 2½% for buildings and from 7% to 10% for equipment.

Intangible Assets of Acquisitions Effective April 1, 1974, the amounts by which the purchase price exceeds the value of assets acquired in business combinations are carried as intangible assets and amortized on the straight-line basis over forty years.

Income Taxes Deferred income taxes represent amounts deferred to future years due to the earlier deduction of certain expenses, principally depreciation, for tax purposes. Investment tax credits are reflected in earnings in the year they are claimed for tax purposes.

2. Business Combinations

The assets of two retail lumber businesses were acquired for cash effective October 5, 1976 and March 1, 1977, and have been included on the basis of purchase accounting.

	1977	1976
Value of net tangible assets acquired	$ 2,853,000	$ 1,916,000

3. Inventories

	1977	1976
Finished goods	$113,291,000	$109,173,000
Work in process	12,437,000	13,862,000
Raw materials and supplies	22,605,000	20,792,000
	$148,333,000	$143,827,000

4. Investments

	1977	1976
Mortgages and loans, at cost	$ 3,790,000	$ 2,933,000
Investments, at equity	6,570,000	2,599,000
Other investments, at cost	1,458,000	3,741,000
	$ 11,818,000	$ 9,273,000

Investments include marketable investments carried at $6,099,000 (1976 — $4,299,000) which had a quoted value of $8,443,000 at March 31, 1977 (1976 — $5,647,000).

Notes continued

5. Fixed Assets

	1977	1976
Land	$ 21,721,000	$ 21,486,000
Buildings	120,663,000	116,106,000
Equipment	198,126,000	181,535,000
	340,510,000	319,127,000
Accumulated depreciation	150,899,000	137,539,000
	$189,611,000	$181,588,000

6. Long-Term Debt

	1977		1976	
	Current	Total	Current	Total
Sinking Fund Debentures:				
8¼% maturing in 1991	-	$38,769,000	-	$ 40,000,000
8¼% maturing in 1995	$ 900,000	30,000,000	-	30,000,000
6% maturing in 1982	115,000	2,575,000	$ 170,000	2,820,000
5¼% convertible maturing in 1989	-	2,213,000	-	2,213,000
8¾% maturing in 1988	-	1,000,000	-	1,000,000
Notes Payable:				
9% repayable by 1989	1,536,000	19,969,000	1,536,000	21,505,000
5¾% repayable by 1985	200,000	1,800,000	200,000	2,000,000
Sundry	70,000	523,000	69,000	621,000
	$2,821,000	96,849,000	$1,975,000	100,159,000
Current instalments		2,821,000		1,975,000
		$94,028,000		$ 98,184,000

Sinking fund requirements and principal payments during the next five years are:
1978 — $2,821,000; 1979 — $4,168,000; 1980 — $4,166,000; 1981 — $4,112,000; 1982 — $5,783,000.

7. Capital Stock

Authorized: Convertible common shares without par value — 15,000,000 Class "A", 7,000,000 Class "B", 7,000,000 Class "C", 15,000,000 Class "D".

Class "A" and "D" shares are interconvertible and Class "B" and "C" shares are interconvertible, on a one for one basis.

Class "A" and "D" shares are non-voting except, voting separately and as a class, the holders thereof are entitled to elect three members of the Board of Directors annually. Class "B" and "C" shares are fully voting.

Class "A" and "D" shares are entitled to a non-cumulative preferential dividend of 20¢ per share per annum. After the Class "B" and "C" shares receive dividends of 20¢ per annum, all shares rank equally as to dividends.

Dividends on Class "C" and "D" shares may be paid in cash out of tax-paid undistributed surplus on hand, or out of 1971 capital surplus on hand as defined in the Income Tax Act. Legislation has been proposed which will eliminate this type of dividend after December 31, 1978.

Notes continued

Issued and Outstanding:	1977		1976	
	Shares	Amount	Shares	Amount
Class "A"	8,306,600	$38,370,000	8,302,400	$38,354,000
Class "B"	4,647,300	7,966,000	4,090,200	7,149,000
Class "C"	436,800	648,000	993,900	1,465,000
Class "D"	301,400	1,387,000	305,600	1,403,000
	13,692,100	$48,371,000	13,692,100	$48,371,000
Average number of shares outstanding	13,692,100		13,691,000	

During the year, the following shares were converted between the classes:	1977	1976
Class "A" to Class "D"	115,700	60,400
Class "D" to Class "A"	119,900	55,100
Class "B" to Class "C"	15,400	123,600
Class "C" to Class "B"	572,500	140,500

Convertible Debentures Holders of the 5¼% debentures of a subsidiary may convert these debentures on or before May 1, 1979, into Class "A" shares on the basis of 47 shares for each $1,000 debenture. At March 31, 1977 and 1976, 104,000 Class "A" shares have been reserved for this purpose.

Stock Options At March 31, the following options to employees to purchase shares on or before August 14, 1978 were outstanding:

	1977		1976	
	Option Price	Shares	Option Price	Shares
Class "A"	$19.37	8,600	$19.37	9,100
Class "B"	17.50	8,600	17.50	9,100
		17,200		18,200

Of the options outstanding at March 31, 1977 and 1976, options covering 6,500 Class "A" shares and 6,500 Class "B" shares were held by officers, three of whom were also directors.

8. Additional Information

Pension Plans The funding requirements for current service pension costs, based on actuarial determinations, are charged to earnings. Past service costs are being funded and charged to earnings, equally over the next 17 years. The unfunded liability for past service pension costs amounted to $25,300,000 at March 31, 1977 (1976 — $17,800,000).

Commitments Lease commitments which expire within thirty years require the following payments during the next five years: 1978 — $11,600,000; 1979 — $10,700,000; 1980 — $10,000,000; 1981 — $9,100,000; 1982 — $8,700,000. Properties leased are principally warehouses and retail stores.

Gains on Disposals Net earnings include gains on disposals of land and buildings of $1,642,000 (1976—$1,412,000).

Notes continued

Remuneration of Directors and Officers	1977	1976
Directors — number	16	16
— aggregate remuneration	$ 72,000	$ 71,000
Officers — number	22	22
— aggregate remuneration	$1,263,000	$1,116,000
Number of officers who are also directors	5	5

Classes of Business The following are the proportions of consolidated sales by class of business:

	1977	1976
Brewing	50%	50%
Retail merchandising	29	28
Other businesses	21	22
	100%	100%

Anti-Inflation Legislation The Canadian operations of the company are subject to federal legislation which became effective October 14, 1975 and established controls on prices, profit margins, compensation to employees and dividends to shareholders. Dividends are currently restricted to the present quarterly rate.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Molson Companies Limited as at March 31, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants
May 17, 1977

Operating and Financial Record

Dollars in thousands except amounts per share	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
Operations										
Sales										
brewing	$442,274	$408,076	$357,134	$296,236	$260,505	$232,163	$201,298	$192,689	$177,082	$164,187
retail merchandising	261,707	232,254	211,841	174,607	131,249	33,201	–	–	–	–
other	185,031	171,080	171,362	145,319	130,484	110,676	113,394	120,061	118,493	111,167
Total sales	889,012	811,410	740,337	616,162	522,238	376,040	314,692	312,750	295,575	275,354
Depreciation	16,728	15,281	13,360	11,552	9,929	8,440	7,139	6,804	6,682	6,007
Earnings before income taxes	44,518	40,055	33,803	37,744	42,912	33,501	28,994	28,329	30,672	35,689
Income taxes	18,228	16,230	13,895	15,625	20,600	16,500	15,000	14,700	15,000	17,200
Net earnings – before extraordinary items	26,031	23,581	19,620	21,848	22,018	16,686	13,662	13,316	13,899	15,986
– after extraordinary items	26,031	23,607	18,618	21,928	22,022	16,725	12,627	12,173	15,073	15,986
Cash flow	46,900	43,115	35,977	37,619	33,241	25,586	22,954	20,365	20,859	22,487
Financial										
Working capital	102,766	98,976	92,434	104,297	72,338	72,162	38,984	32,353	45,636	44,098
–ratio	1.8:1	1.8:1	1.7:1	2.1:1	1.9:1	2.3:1	2.0:1	1.7:1	2.7:1	2.3:1
Net additions to fixed assets	24,751	23,389	54,939(1)	21,365	22,581	36,865(1)	10,543	11,796	10,525	10,748
Total assets	437,810	421,363	407,052	345,316	285,138	248,803	169,471	164,196	150,691	151,024
Long-term debt	94,028	98,184	100,346	79,656	51,249	51,047	17,797	10,654	11,128	11,357
Shareholders' equity	183,631	168,992	156,309	150,037	138,905	125,811	98,642	95,524	96,025	90,890
Per Share										
Net earnings – before extraordinary items	1.90	1.72	1.43	1.60	1.62	1.40	1.20	1.17	1.23	1.41
– after extraordinary items	1.90	1.72	1.36	1.60	1.62	1.40	1.11	1.07	1.33	1.41
Cash flow	3.42	3.14	2.62	2.75	2.43	1.89	2.01	1.79	1.83	1.98
Dividends	.832	.80	.80	.80	.80	.72	.72	.72	.72	.72
Shareholders' equity	$ 13.41	$ 12.34	$ 11.41	$ 10.98	$ 10.18	$ 9.29	$ 8.67	$ 8.41	$ 8.46	$ 8.02
Other										
Number of shares outstanding (thousands)	13,692	13,692	13,690	13,667	13,637	13,530	11,374	11,362	11,346	11,329
Number of shareholders	12,457	13,199	13,656	14,134	13,988	15,016	13,700	13,166	13,252	–
Number of employees	10,758	10,965	11,211	10,928	10,455	9,210	6,674	7,360	7,500	–

Note 1. Includes net fixed assets of acquired businesses (1975 – $20,035,000; 1972 – $25,399,000).
All data except dividends for 1968 have been restated to reflect a business acquisition on a pooling of interest basis.

Group and Divisional Officers

Brewing Group

Molson Breweries of Canada Limited
1555 Notre Dame St. E., Montreal, Quebec

Morgan McCammon, President
E. H. Molson, Executive Vice President
K. Laursen, Vice President, Personnel
R. J. D. Martin, Vice President, Production
J. F. Osterman, Vice President, Controller
N. M. Seagram, Vice President, Planning and Industry Affairs
J. R. Taylor, Vice President, Marketing

Molson Newfoundland Brewery Limited
St. John's, Newfoundland

G. M. Winter, President

Molson's Brewery Quebec Limited
Montreal, Quebec

D. V. Pleshoyano, President
P. Falardeau, Vice President, Sales
A. L. Jones, Vice President, Production

Molson's Brewery (Ontario) Limited
Toronto and Barrie, Ontario

J. P. Rogers, President
C. G. Bourne, Vice President & Assistant to the President
D. B. Macaskill, Vice President, Administration
R. S. Maguire, Vice President, Marketing
F. C. Mann, Vice President, Operations

Molson's Western Breweries (1976) Limited,
Calgary, Alberta

H. H. Brace, President
D. A. Barbour, Vice President, Marketing
W. J. Bradley, Vice President Production
G. R. Hallamore, Vice President & Secretary

British Columbia Region
H. J. Moran, Vice President & General Manager
Alberta Region
T. M. Sterling, Vice President & General Manager
Saskatchewan Region
H. R. Deeks, Vice President & General Manager
Manitoba Region
R. F. J. Deeb, Vice President & General Manager

Martlet Importing Co. Inc.
Great Neck, New York

G. V. Regan, President

Retail Merchandising Group

Beaver Lumber Company Limited
Executive Office: 245 Fairview Mall Drive, Willowdale, Ontario

A. L. Keyworth, President
K. A. Mitchell, Senior Vice President
R. F. Knowles, Vice President, Personnel
B. E. Smith, Vice President, Administration
D. K. Wilson, Vice President, Merchandising

Western Operations, Winnipeg, Manitoba
A. G. Gemmell, Vice President
Eastern Operations, Toronto, Ontario
L. Van Geest, Vice President

Division Managers
W. J. Mann, British Columbia
A. W. Wright, Alberta
S. W. McGowan, Saskatchewan
A. F. Styles, Manitoba
M. C. Manto, Ontario Home Centres
J. A. Swanson, Ontario Building Centres
W. A. Climie, Ontario Saveway
R. Lock, Aikenhead Hardware
M. Laberge, Quebec
D. J. Dolgopol, Beaver Homes

Commercial Products and Services Group

2 International Boulevard, Rexdale, Ontario

J. P. G. Kemp, Senior Vice President
S. P. Baker, Controller
R. E. Eccles, Director, Planning
D. H. Stanley, Director, Personnel

Anthes Business Forms Limited, Brampton, Ontario
K. L. Gallinger, President
Anthes Equipment Limited, Mississauga, Ontario
P. M. Duynstee, President
K. R. Craig, Vice President, Rental Operations
Deluxe Upholstering Limited, Waterloo, Ontario
D. W. Eby, President
John Wood Limited, Toronto, Ontario
W. A. Farnell, President
Moyer Vico Corp., Toronto, Ontario
D. W. Gray, President
J. K. Stephenson, Vice President, Equipment Division
O. E. L. Manufacturing Corp., Holland Landing, Ontario
A. N. Crawford, Vice President
Seaway/Midwest Ltd., Dorval, Quebec
R. Goldsmith, President
E. A. Backhouse, Executive Vice President, Operations
Vilas Industries Limited, Cowansville, Quebec
G. L. Townsend, President
Willson Office Specialty Ltd., Winnipeg, Manitoba
G. C. Berry, President
L. J. Craddock, Vice President, Marketing

Petroleum Marketing Equipment Operations

Bennett Pump Company, Muskegon, Michigan, U.S.A.

P. M. Turner, President
A. C. Raschke, Vice President, North American Operations
I. A. Cross, Vice President, International Operations
R. A. Ramey, Controller

Beck & Co. (Meters) Limited, London, England

E. L. Prentice, Chairman & Managing Director

Printed in Canada