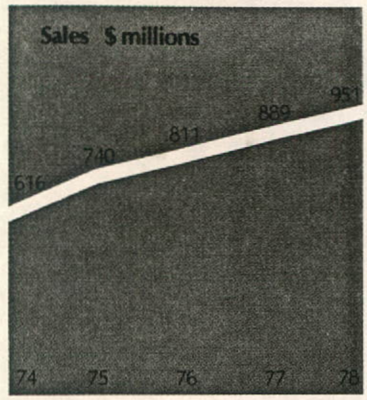
1978

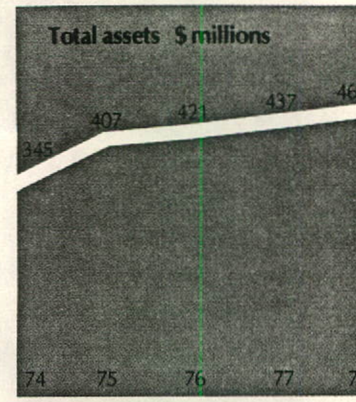
THE MOLSON COMPANIES

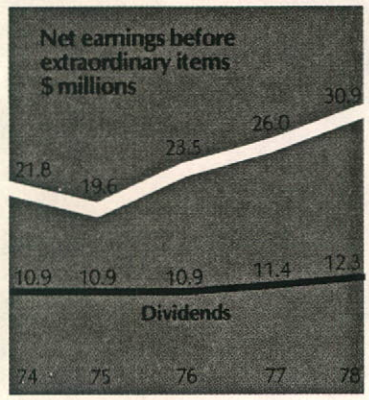
Annual Report 1978

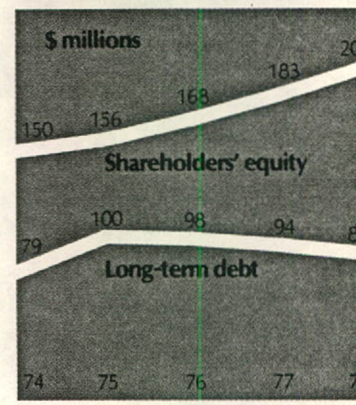
The annual and special general meeting of the shareholders will be held in the Salon Viger at Le Chateau Champlain, Montreal, Quebec, on June 22, 1978 at 11:30 a.m. EDT.

Si vous désirez recevoir ce rapport en français, veuillez vous adresser au Secrétaire, case postale 1600, Place d'Armes, Montréal (Québec) H2Y 3L3









The Molson Companies Limited

Financial Highlights

March 31	1978	1977
Operations (millions of $)		
Sales	**$951.9**	$889.0
Net Earnings—before extraordinary items	**30.9**	26.0
—after extraordinary items	**33.0**	26.0
Per Share		
Net Earnings—before extraordinary items	**$2.25**	$1.90
—after extraordinary items	**2.41**	1.90
Dividends	**.888**	.832
Financial Position (millions of $)		
Working Capital	**$119.1**	$102.8
Long-term Debt	**88.0**	94.0
Shareholders' Equity	**204.3**	183.6
Total Assets	**462.4**	437.8

D.G. Willmot

J.T. Black

DIRECTORS' REPORT TO THE SHAREHOLDERS

Operating highlights The 1978 fiscal year recorded sales of $951.9 million, up 7% from last year's $889.0 million. Net earnings before extraordinary items were $30.9 million or $2.25 per share, up 18% from 1977's $26 million or $1.90 per share. There was a net extraordinary gain of $2.1 million or 16¢ per share which had the effect of increasing net earnings to $33.0 million or $2.41 per share. The sale of our 47.5% interest in The Rainier Companies, Inc. and of the John Wood Division resulted in a gain of $9.1 million which was offset to the extent of $7 million by a provision for expenses and possible losses on the planned disposition or discontinuance of certain businesses. This year's earnings included the Federal Government's 3% inventory allowance which added $2.0 million or 15¢ per share to earnings. Considering the uncertain state of the economy and the low level of consumer confidence which prevailed through much of the year under review, we believe that the results achieved were satisfactory.

The Brewing Group's Canadian sales volume increased by 1.7% during the 1978 fiscal year compared to an increase of 1.0% for the industry, resulting in a small increase in our national market share. Total brewing sales volume, including substantially higher export sales, increased 3.6% to 6.45 million barrels. The Retail Merchandising Group had a net sales gain of 2%, resulting from a 9% increase in retail store sales offset by significant decline in Home sales, and achieved a sizeable increase in earnings. While our other businesses achieved a 5% dollar sales gain, losses incurred by the Office and Education Products Group were offset by the earnings contribution of the Commercial Products and Services Group. The operations of our various businesses are reviewed in detail in the Group sections of this Annual Report.

Dividends At its meeting in November 1977, the Board of Directors increased the quarterly dividend payable on January 1, 1978 by 6% to 22.8¢ from 21.6¢. This increase was the maximum allowable under the Federal Government's Anti-Inflation Program.

As a result of measures in the March 1977 Federal Budget, Canadian companies will be unable, after December 31, 1978 to continue to pay tax-deferred cash dividends, thus eliminating, in our case, the reasons for the existence of our Class 'C and Class 'D' common shares after that date. Accordingly, a the Special General Meeting of Shareholders to be held or June 22, 1978 shareholders will be asked to approve the reclassification of Class 'C' and Class 'D' shares into Class 'B' anc Class 'A' shares respectively. Details of this proposal are se out in the Information Circular.

Capital Spending Capital spending during the 1978 fiscal yea was $28.5 million, excluding business acquisitions, representing a 14% increase over last year's level of $24.9 million. Majo projects this past year included the completion of an additional high-speed bottling line at the Montreal brewery, brewhouse expansion in Barrie, the expansion of storage facilities a the Vancouver, Edmonton and Lethbridge breweries and the opening of Beaver Home Centres in Thornhill, Ontario anc Kirkland, Quebec. This year, we plan to spend approximately $31 million, the bulk of which will be allocated to the Brewing Group for expansion and efficiency improvements.

Corporate growth strategy In the past year, your Company has taken important steps toward the achievement of its long term growth strategy of capital resource re-deployment intc new businesses consistent with our strengths in marketing and distribution.

We have previously reported the fact that we have acquirec a 10.6% share interest in The Diversey Corporation of Chicago Illinois, a leading multinational producer and marketer o specialty chemical products used for cleaning and sanitizing applications in food and beverage processing and institutional industries. On May 19, 1978, we commenced a cash tende offer to purchase any and all shares not owned by Molson a U.S. $30 per share. If all of the remaining shareholders tende their shares to us, the cost, including related expenses, will be approximately U.S. $55 million. Unless extended, the offe will expire on Friday, June 9, 1978. This matter is referred to ir more detail in note 10 of the Notes to Consolidated Financia Statements on page 20 of this Report.

During the year several "add-on" acquisitions, designed tc complement our existing businesses, were completed. In October 1977, Anthes Equipment acquired the Beaver-Advance Corporation, of Philadelphia, Pennsylvania, an access shoring and scaffolding supplier to the U.S. construction industry

Also during the year, Molson's Brewery (Ontario) Limited purchased certain assets of Hyatt Transport, a company which had been the primary supplier of trucking services to our Toronto brewery. In addition, Beaver Lumber purchased a relatively new competitive facility in Timmins, Ontario which has recently been re-opened as a Beaver Building Centre.

Toward the end of the year agreements were reached to sell the John Wood Division of the Commercial Products and Services Group, a manufacturer of water heaters and industrial gauges, as well as three smaller Aikenhead Hardware stores in the Toronto area. In addition, pursuant to an agreement dated March 29, 1978, our interest in The Rainier Companies, Inc. of Seattle, Washington, consisting principally of The Robert Mondavi Winery and The Robert Mondavi Vineyards, was sold.

Employee relations Fifty-one of our 67 collective bargaining agreements were re-negotiated during the year, all without work stoppage. A further five contracts were still under negotiation at the year end.

There was continued moderation in the rate of increase of wages and salaries during the fiscal year. Prospects are that this will continue to be the case, at least through the first half of the current fiscal year, since the Anti-Inflation Program will continue to affect these increases for most employees during the course of calendar 1978. However, the rise in benefit costs at a faster rate than salaries and wages continues to be of concern.

The trend toward increased disclosure of the costs of employee benefits and pension funding arrangements became more evident during the course of the year. Programs to improve employee understanding of benefit plans and the costs of these plans were undertaken and will be further developed in the coming months.

Segmented earnings To provide more complete financial information about the Company, the Segmented Earnings and Inflation Accounting section of this Report, on pages 14 and 15, provides for the first time, earnings data of our major businesses, expressing the return on investment on both historical and replacement cost bases.

Directors Two directors, having reached retirement age, will not be eligible for re-election to the Board at the Annual Shareholders' Meeting June 22, 1978. Mr. Roger Létourneau, a partner of Létourneau, Stein, Marseille, Delisle and LaRue, Barristers and Solicitors, of Quebec City has been a member of the Board since 1964. Mr. Frank M. Covert, a partner of Stewart MacKeen & Covert, Barristers and Solicitors of Halifax has served your Company as a Director since 1974. Our thanks go to each of them for their valued service to the Company.

Dr. Lloyd I. Barber, President and Vice-Chancellor of the University of Regina and Jean A. Beliveau, Vice-President of Club de Hockey Canadien, Inc. will be nominated as directors at the June 22 meeting, to fill the vacancies.

Officers During the last half of the year, Albert C. Plant became Senior Vice President of the newly-formed Office and Education Products Group, and President, Willson Office Specialty Ltd. This Group consists of those businesses, previously part of the Commercial Products and Services Group, which serve the office and education markets.

Also during the year, Lawrence R. Sinclair, formerly Senior Vice President, Accounting and Control, succeeded John P. G. Kemp as Senior Vice President, Commercial Products and Services Group, and President Anthes Imperial Limited, following Mr. Kemp's retirement from active management. In addition, Peter B. Stewart, formerly Executive Vice President, Operations was appointed Executive Vice President with responsibility for all Corporate Staff functions with the exception of Corporate Development and Finance.

Thomas H. P. Molson We must record with regret the death on April 4, 1978 of Mr. T. H. P. Molson, former Chairman of the Board, at age 76. During his 50 year association with the Company, he served in many important capacities and made a major contribution to the growth and development of the Company, especially in the field of brewing technology. Appointed a Vice President in 1938, he became Chairman of the Board in 1953. After 13 years as Chairman he was named Honorary Chairman in 1966 and, following his retirement as a Director in 1974, was named an Honorary Director.

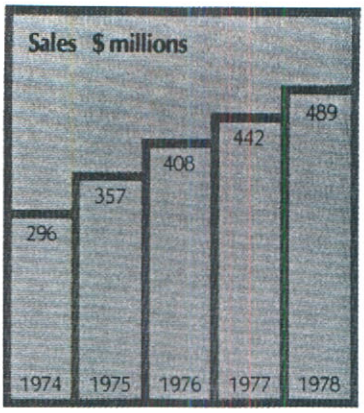
Outlook During the past year, your Company's overall results have been satisfactory in spite of increased competitive pressure on margins and weak markets for certain of our businesses. Management emphasis during the coming year will continue to be placed on improving our ability to manage our resources effectively and on increasing the competitiveness of our businesses. We are confident that these actions will yield higher sales and earnings, both in the coming year and in the future.

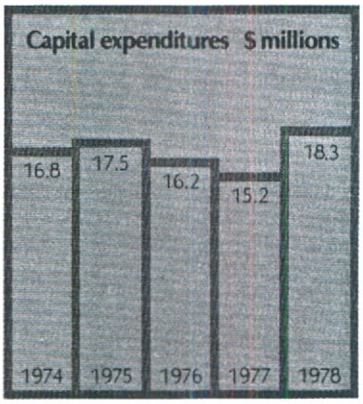
On behalf of the Board:

D.G. Willmot, Chairman of the Board

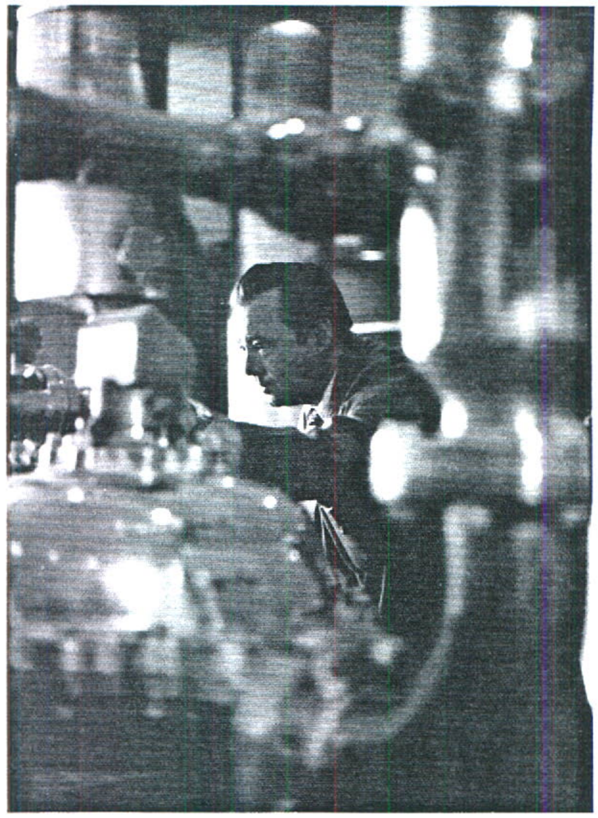
J.T. Black, President

May 25, 1978





The Brewing process is carefully monitored at each stage to maintain Molson's reputation for consistent, high-quality beer.



BREWING GROUP

Across Canada, Molson's 29 national and regional brands are brewed to suit the specific tastes of each major market segment. The three national brands, Molson Export Ale, Molson Canadian and Molson Golden are complemented by strong regional brands including India Beer in Newfoundland, Laurentide and Brador in Quebec, Diamond and Stock Ale in Ontario, Pilsner and Bohemian in Saskatchewan, Lethbridge Pilsner in Alberta, and Old Style in British Columbia.

Operations

In contrast to 1977, when total industry volume decreased, total volume for the Canadian beer industry increased modestly in fiscal 1978, up 1.0% from the previous year. While the return of the industry to a position of sales growth is encouraging, the growth rate remained well below that experienced from 1969-1976, reflecting, to some extent at least, the continued sluggish performance of the Canadian economy and reduced consumer discretionary income.

Molson sales volume in Canada, on the other hand, improved 1.7%, substantially in excess of the industry, with resulting increases in market share in a number of provinces.

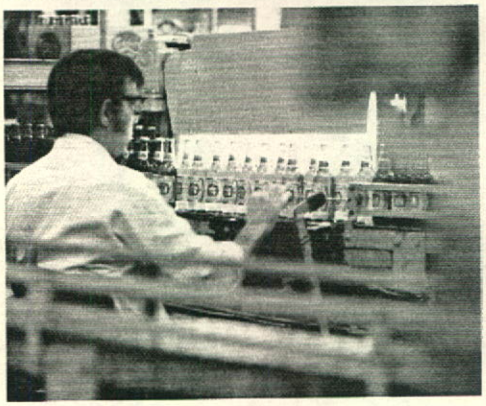
Volume increases were recorded in Alberta, Saskatchewan, Ontario, Quebec and Newfoundland. Slight volume decreases were experienced in British Columbia, where we are recovering from a protracted strike, and in Manitoba as a result of the declining draught beer market. Sales to export markets increased 36% over the previous year.

Sales revenues for fiscal 1978, including export sales, were up 10% to $489.3 million. These revenue increases came about through the volume gains previously referred to, and price increases obtained in all provinces between January and May 1977 and, together with rigorous expense and cost controls, resulted in satisfactory net earnings for the year.

Marketing

Molson Canadian experienced volume gains in all provinces while Export showed continued growth, particularly in Quebec. The key regional brands, particularly Lethbridge Pilsner in Alberta and Laurentide in Quebec, continue their upward momentum and contribute significantly to overall market strength.

In the second half of fiscal 1978, a number of new brands were introduced in various provinces by Canadian brewers including Molson. These introductions significantly increased the level of competition and, consequently, of marketing costs. This was particularly true in the case of British Columbia, where five new brands were placed on the market within a period of five months. Molson continues to study the individual provincial markets in order to identify



Top left Each Molson brewmaster takes personal pride in all the beers he brews: from first-quality ingredients to the finished product.

Left Every beer is carefully inspected on the bottling line.

Top right An expert taste-panel regularly tests all Molson brands.

Bottom right Molson products are distributed, by truck, from the Montreal, Toronto and Vancouver breweries, to nineteen U.S. States.

new-brand needs and opportunities. However, we fully recognize that the benefits of additional brand development must be carefully weighed against the high costs of obtaining new-brand awareness and the possibility of conflict with existing principal brands.

After two years of market and product research, Molson introduced, in November 1977, a beer brewed for the British Columbia market — Ryder. Bearing the name of the Ryder Lake district of that province, Ryder provides a natural complement for Molson Canadian and Old Style, Molson's other major British Columbia brands.

During the year, the issue of "Light" beer gained prominence within the industry and with the beer consumer. After careful consideration of all aspects of the situation, Molson Light was introduced into the Ontario market in April, 1978.

The challenge for Molson Light was to create a lighter-bodied beer with real beer taste. We believe that our brewmasters have succeeded in this difficult assignment and, in view of the taste superiority of Molson Light, we are confident that the brand will achieve substantial consumer interest and acceptance.

The introduction of Brador into Ontario, followed in May. Brewed in Quebec, and a popular brand in that province, Brador is a premium-quality, premium-priced product.

Hockey Night in Canada remains the most important advertising vehicle for all major Molson brands. During the past year, Molson also sponsored several major wheel sport races — motorcycle and automobile — promoting Molson brands. In fiscal 1979, the campaign will be increased and will include races at Mosport Park, Le Circuit Mont Tremblant, Deux Montagnes and Trois Rivières.

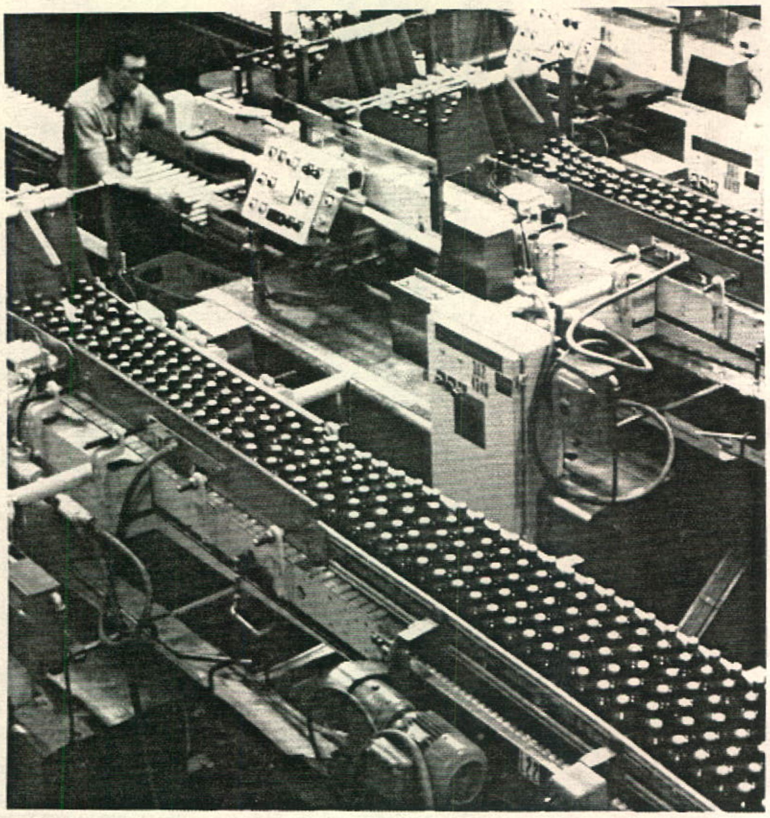
As part of Molson's continuing commitment to amateur sport, the Company is taking a major sponsorship role in the XI Commonwealth Games, to be held in Edmonton, August 3-12, 1978.

Exports to the United States

Sales volume of Molson brands in the United States continues to grow at a gratifying rate. Martlet Importing Co. Inc., the U.S. subsidiary importing Molson products, is the second largest importer of all beers to that country and the largest importer of Canadian beer. In April 1978, Martlet introduced Molson Canadian to the State of Washington, bringing to 19, the number of states where Molson brands are available. Brewed in Montreal, Toronto and Vancouver, Canadian, Export and Golden are the three brands distributed in the U.S., with Golden accounting for the largest part of the sales.

Facilities

Total capital spending on brewing facilities in fiscal 1978 amounted to $18.3 million, up from $15.2 million the previous year, but below projected levels as a result of some deferrals of capacity-related projects. In light of



Left A new high-speed bottling line was completed in Montreal, in April 1978, in time for peak season production.

Top right Package and label design are an essential ingredient in the success of a new brand.

Right Molson brands are available in retail outlets in all ten Canadian provinces and two territories.

reduced industry market growth, additional emphasis was directed toward improving production efficiencies and productivity at our ten breweries.

In Montreal, the brewery's third high-speed bottling line was completed in the spring of this year, ready for peak summer production. At the Toronto brewery, a new Seitz high speed filler – the first of its kind in a North American brewery – was installed.

In Barrie, brewhouse capacity has been increased to correspond with the capacity of the second packaging line completed last year. In addition, after three years of experimentation, a new deep-shaft system for treatment of brewery effluent was installed at Barrie. To our knowledge, the first of its kind in a brewery, the new treatment is environmentally and economically superior to the use of effluent lagoons or traditional waste water systems.

New outdoor and indoor fermentation and storage tank installations were completed during the year in Lethbridge, Edmonton and Vancouver. Also in Lethbridge, a new warehouse and distribution centre, to replace one lost by fire, is under construction.

The level of capital expenditures in the coming year will be comparable to those in the year just ended with the largest share of expenditures devoted to production facilities in Alberta and Quebec.

Product quality

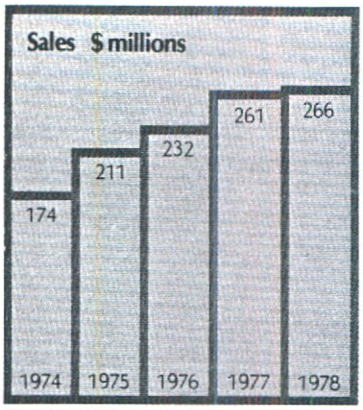
Over the years, Molson breweries have been able to retain their internationally recognized position of leadership in product quality and research through the dedicated efforts of experienced employees. This commitment to quality is evidenced by continuing advances in production technology and in product development, by advanced marketing research techniques and projects, and is reinforced by ongoing training programs to upgrade individual capabilities in all facets of the organization.

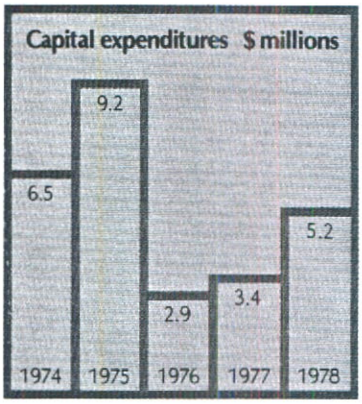
Personnel Changes

During the year, Zoltan Valyi, formerly Technical Director, Molson Breweries of Canada Limited, was appointed Vice President, Production, following the retirement of Robert J.D. Martin, after 38 years of valuable service.

Outlook

Given the continuation of current economic conditions in Canada, it is not likely that industry volume will increase beyond two percent in the coming fiscal year. However, by concentrating on long-term brand building and on efforts to increase production efficiencies, Molson expects to continue to outperform the industry and to achieve both sales and earnings increases in the coming year.





Beaver's Annual Show-Me-How/Comment s'y prendre Exhibitions provide an educational forum for all home improvement customers.

RETAIL MERCHANDISING GROUP

Beaver Lumber Company Limited currently operates 246 stores from Quebec to British Columbia. The Company's 51 Home Centres, primarily located in the major urban markets, serve the do-it-yourself and home improvement consumer with a complete selection of lumber, building materials and home related hardgoods. The 195 Building Centres also serve the do-it-yourselfer, but in addition cater to the requirements of the commercial building trade and the small contractor.

Retail operations

During fiscal 1978, sales of Beaver retail operations increased by 9%, exclusive of 1978 franchise sales. Beaver sales in Manitoba and Alberta were particularly strong and sales in Ontario and Quebec were well ahead of last year, despite unusually severe winter weather conditions in the fourth quarter. Current reports of performance within the retailing industry suggest that Beaver's recent sales performance has outpaced both the industry in general and its major competitors.

During the year, a combination of sales growth, margin improvement and effective expense controls resulted in significant growth in earnings for the retail operations. Unfortunately, this growth was offset to some extent, by a reduction in earnings of the Beaver Homes Division. Although earnings for the Group have not yet reached levels considered appropriate for an investment in the retailing business, steady progress in this direction is being made.

In the past year, Home Centres were opened in Thornhill and Kirkland, suburbs of Toronto and Montreal respectively. These new stores reflect new standards developed from experience and research into store size, layout and merchandise mix. Net selling area has been condensed, fixtures lowered, lumber and building material dominance reinforced, and assortments now more truly reflect the needs of our target market. A comprehensive program to bring the other Home Centres across Canada into line with these new merchandising standards, is underway and will continue in the coming year. In addition, a prototype Building Centre, recently opened in Peterborough, Ontario, will act as a model for future Building Centres in all markets.

Beaver's second annual series of *Show Me How* shows in Montreal and Toronto in April and May, 1978, were exceptionally well attended. The objective of these Shows is to increase consumer awareness of the broad range of home improvement products and ideas offered by Beaver. Their success is due, in large part, to the increasing number of Beaver suppliers who participate in the staging of classes in do-it-yourself projects and new product demonstrations.

Left Home Centres provide a full-range of panelling and ceiling materials for the do-it-yourselfer.

Right Beaver provides easy, one-stop shopping for all lumber and building materials.

Above Regular sale items reinforce a commitment to competitively priced, quality merchandise.

Far right Expert staff will assist customers with all of their flooring needs.

Beaver Homes

In contrast to the successful sales and earnings results of the retail operations, sales and earnings of the Beaver Homes Division were considerably below last year, due primarily to the negative impact of the Western farm economy on housing starts, and despite successful efforts to reduce overhead and production costs. The Homes business remains important to Beaver, especially in Western Canada, because of the incremental sales of finishing and decorating materials it brings to the retail stores. Throughout the coming year, Homes management will be concentrating on obtaining a larger share of the available market.

Franchise operations

With the completion of a comprehensive franchising package early in the year, the first two franchise stores were opened in Erickson, Manitoba and Whitehorse, Yukon Territory. After further careful consideration, 5 additional stores were converted to franchise operation late in the year, in White Rock, British Columbia; Falher, Beaverlodge and Forestburg, Alberta; and Essex, Ontario.

Initial indications are that franchisees are benefitting from the program, and Beaver shares in that success by realizing an improved rate of return on a reduced level of capital employed. Plans are underway to open more franchise stores in all provinces currently served by Beaver.

Other developments

A substantial portion of Beaver's fiscal 1978 capital spending was directed to projects designed to upgrade existing facilities. These projects included the acquisition of an existing Building Centre in Timmins, Ontario to replace outdated facilities there, the relocation of facilities in Grande Prairie, Alberta and Prince Albert, Saskatchewan, and the rebuilding of the Niagara Falls, Ontario Building Centre which was destroyed by fire, early in the year. During the year, 9 marginal stores were closed. Plans for fiscal 1979 include the opening of new Home Centres in Surrey, British Columbia and in Quebec City.

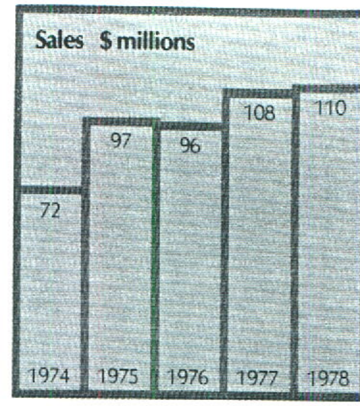
Personnel Changes

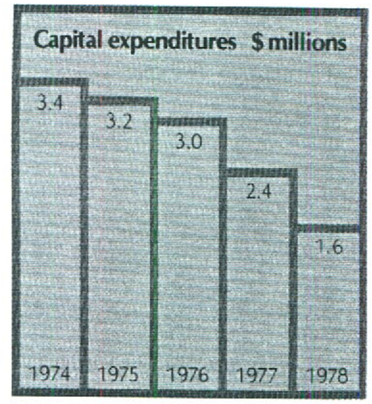
Andrew G. Gemmell, formerly Vice President, Beaver Western Operations, was appointed Vice President, Franchising, and was succeeded by Allan W. Wright, previously Manager, Alberta Division.

Outlook

The programs introduced in the areas of competitive pricing, merchandise assortment and presentation, store design and staff training and development continue to improve Beaver's competitive strength in the do-it-yourself marketplace.

As a result, we expect that Beaver will show continued sales and earnings growth in the coming year, in spite of the anticipated lacklustre performance of the consumer segment of the economy.





Commercial Products and Services Group

COMMERCIAL PRODUCTS AND SERVICES GROUP

Sales and earnings of the Commercial Products and Services Group continue to be adversely affected by the poor performance of the Canadian economy. Sales revenues of the individual Divisions showed only slight improvement over last year, or declined. The highly competitive environment resulting from declining markets and surplus capacity seriously reduced margins and earnings of the businesses in this Group.

The six companies which made up the Commercial Products and Services Group during the year employed 2,595 people in seven manufacturing plants, 17 warehouse and distribution centres and twelve sales branches in Canada, the United States and the United Kingdom.

Anthes Equipment Limited

Anthes Equipment rents and sells access scaffolding and shoring and related equipment to the construction industry in Canada and the United States.

Sales and margins were adversely affected by the slow growth in the Canadian construction industry and the heightened competition which resulted. Although efforts to reduce overhead costs were successful, profit contribution declined.

In order to participate in the future development of the U.S. construction industry, Anthes Equipment acquired the operations of Beaver-Advance Corporation, Philadelphia, during the year. Beaver-Advance sells and rents scaffolding and related construction equipment through five branches in the states of Pennsylvania, Florida, Washington and California.

Bennett Pump Company

Bennett Pump supplies petroleum marketing equipment to markets throughout the world from its main plant and headquarters in Muskegon, Michigan, and from wholly-owned subsidiaries in the United Kingdom and New Zealand. It also has joint-venture assembly and distribution operations in other parts of the world.

Industry demand for gasoline dispensing equipment has levelled after a period of recovery in most markets served by Bennett Pump. Sales volume was ahead of the previous year, but profits suffered a temporary decline for a number of reasons including lower initial margins on newly introduced electronic dispensing systems and the one-time costs of withdrawing an earlier generation of systems thus made obsolete.

The competitiveness of U.S. manufacturers in world markets has continued to improve, leading to a growth in export orders for U.S.-based plants. During the year, Bennett's Muskegon plant secured a major order from the Algerian National Oil Company. Shipments under this

Left During the year, the Vilas upholstery line in Montreal was re-organized to improve production efficiency.

Right Anthes' engineers are part of a service team, meeting the scaffolding and shoring needs of the North American construction industry.

Above Seaway/Midwest provides a full-service storage, repackaging and distribution service, from facilities across Canada.

contract started during fiscal 1978 and will be completed in the coming year.

Also during the year, Beck and Co. (Meters) Limited, Bennett's wholly-owned U.K. subsidiary was converted from a manufacturing to an assembly operation.

Home furniture

The market for furniture in Canada was very weak throughout fiscal 1978, resulting in poor performance by many individual companies in the industry.

This market is served by *Vilas Furniture Company Limited*, a manufacturer of colonial furniture, and by *Deluxe Upholstering Limited*, the Canadian licensee of the La-Z-Boy Chair Co. of the United States.

Vilas' operations have been affected by the weak market and the persisting after-effects of strike action in 1976. Vigorous programs have been initiated at Vilas' three plants to achieve operating efficiencies and to reduce expenses and capital employed.

During the year, Vilas restyled its casegoods line as part of its continuing efforts to meet changing consumer tastes, and the new "Emberglow" finish, introduced in fiscal 1977, has been well accepted. In addition, the Vilas upholstery line was redesigned and simplified, with resulting improvement in production efficiency.

Although Vilas again operated at a loss, the steps which have been taken during the past two years to improve the efficiency of operations and to reduce capital employed have put the company in a better position to return to profitable operations. In April 1978, Vilas' head office staff moved to Montreal from Cowansville to provide better contact with their three manufacturing locations and with major dealers and suppliers.

Improved manufacturing efficiencies have enabled Deluxe to maintain profits at the level of the previous year despite a small decline in the number of La-Z-Boy chairs sold.

John Wood Limited

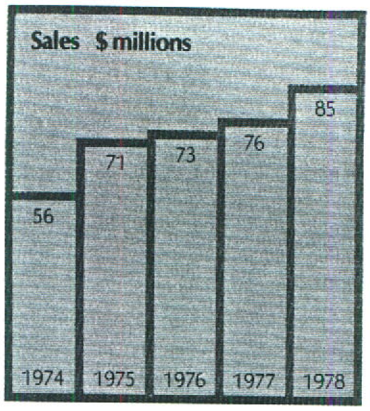
John Wood, Canada's leading manufacturer of domestic water heaters, maintained its share of the market, although sales declined slightly. Severe price competition in depressed markets reduced margins, resulting in a profit contribution below last year. During the year, John Wood began manufacturing water heater elements to supply its own needs. In addition, other recent capital projects will substantially reduce costs and strengthen John Wood's competitive position.

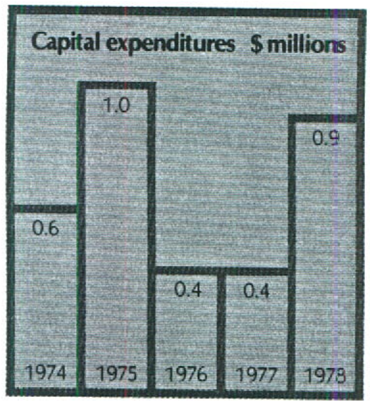
The sale of the John Wood Division to a group of private investors with effect from March 31, 1978, was completed shortly after the close of the fiscal year.

Seaway/Midwest Ltd.

Seaway/Midwest, operating Canada's largest public warehousing business,

Bennett Pump engineers provide final hook-up and testing services for all new installations.





provides a wide range of warehousing and related distribution services to industry, governments and retailers, through a nationwide network of distribution centres.

During the past year, Seaway/Midwest revenues showed modest increases despite a continuing surplus of warehouse space across Canada. More aggressive competition for the available business, however, reduced margins and profits. A thorough reassessment of the strategic position of Seaway/Midwest in the public warehousing and distribution industry is underway, with a view to identifying and implementing opportunities for growth and expansion.

Personnel Changes

Norman M. Seagram was appointed President of Seaway/Midwest Ltd., replacing Reginald Goldsmith who reached retirement age. Mr. Seagram was previously Vice President, Planning and Industry Affairs, Molson Breweries of Canada Limited.

Outlook

Revenues of the businesses which make up the Commercial Products and Services Group are expected to show only modest improvement in the coming year, reflecting slow growth in the economy, generally, and in the markets which they serve. Some recovery in profit contribution and in returns on capital employed in these businesses is expected as a result of cost reduction programs initiated during the past year, the maturing of recently acquired operations and new products, and continuing tight controls on capital expenditures and inventories.

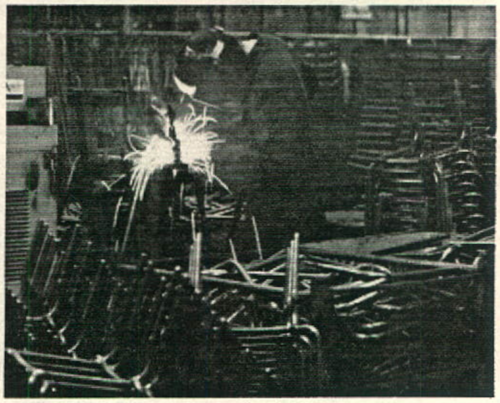
OFFICE AND EDUCATION PRODUCTS GROUP

The businesses of the Office and Education Products Group serve commerce, industry, government, and institutions across Canada, providing a broad range of products including office furniture, stationery and related items, rotary and sheet-printed forms, school and library furniture, and school supplies and teaching aids.

The five strategic business units – Office Supplies, Furniture, Moyer Education Supplies, Moyer Equipment and Anthes Business Forms – employ some 1,500 people and operate in six manufacturing plants, 20 distribution centres, sales offices in all major cities and a total of 50 stores and showrooms under the names of Willson's, Office Specialty and The Teachers' Store.

Operations

Sales of the Office and Education Products Group in fiscal 1978 were 11%



Top left and right The Office Speciality house brand name is gaining wide acceptance in Willson's retail stores across Canada.

Left The Moyer Equipment Division manufactures furniture for the education and hospitality markets.

ahead of the previous year, as a result of some strengthening in the markets for its products and the opening of four new stationery stores. However, the Group again suffered a small operating loss.

Sales of *Office Supplies* grew satisfactorily in Ontario, Manitoba, and the Maritimes, but showed weakness in Quebec and the West. During the year, steps were taken to rationalize the number and variety of items available to the consumer both through the catalogue and the retail outlets, resulting in more efficient inventory control and an effective product mix. In addition, after careful study, an internal reorganization of commercial and retail market servicing was undertaken in selected regions. Its effects are already being seen in sales increases and more efficient order processing.

The *Office Furniture* markets continue to be adversely affected by reduced demand as many businesses postpone purchase decisions in the light of current economic conditions. Efforts are currently underway to restructure the manufacturing and marketing programs of this division to ensure compatibility with what we believe are the long term strengths of the division. To this end, emphasis will be placed in fiscal 1979, on the expanding market in modular open office systems, the introduction of the "Modifile II" filing cabinet, and on the establishment of a high-quality chair manufacturing line at the office furniture plant in Holland Landing, Ontario.

As reported earlier, studies undertaken prior to fiscal 1978, led to the consolidation of the number of distribution centres serving the *Educational Supplies* market. These moves have resulted in improved return on investment without negative effect on customer service. Teachers' Stores, which successfully operate in seven Canadian cities, continue to provide strong retail support for the institutional sales force.

Markets for *Educational Furniture and Equipment* were relatively weak in all provinces reflecting reduced spending by school boards and educational institutions. As a result, our plants in Farnham, Quebec and Markham, Ontario, which manufacture for these markets, continue to operate well below capacity. To offset depressed Canadian demand, new overseas markets, in addition to those already established in the Caribbean, are being actively sought, both for fully-assembled products and those capable of assembly in the recipient markets. In addition, changes and innovations in product design are permitting entry into the non-education market, particularly chairs and equipment for the hospitality industry.

Above The Teachers' Stores sell a complete line of educational supplies and teaching aids, in seven retail outlets across Canada.

Left Anthes Business Forms prints a wide variety of rotary forms to meet the needs of all its customers.

Right Willson Office Speciality sells and installs modular office systems to meet its customers' requirements.

Strong price competition has adversely affected the *Business Forms* industry for much of the past three years. However, recent indications point to a modest sales recovery and improved margins at industry levels. Current studies underway in the Anthes Business Forms, Brampton, Ontario plant are intended to improve inventory control, production planning and productivity. New products, to be introduced early in the coming year, facilities rationalization and improved internal control procedures, will better position the Company for future growth.

During the coming year, special emphasis will be placed on improving the effectiveness of the sales force in all divisions by restructuring selling regions, expanding product education, improving order processing procedures, and intensifying training and development programs.

Outlook

The management reorganization during the past year within the Office and Education Products Group has laid the foundation for revitalizing the operations of these businesses, and as a result, for a much improved longer-term outlook.

During the coming year, continued efforts will be made to further identify the specific strengths of all aspects of the business and to develop distinctive marketing thrusts for each of the divisions. While some consolidation of existing operations and addition of new or re-merchandised facilities is projected, capital spending in the coming year will be restricted, reflecting the emphasis on evaluation of current activities and on strategic planning. By the end of the coming year, there will likely be fewer facilities serving our expanding markets and sales base. The greater understanding of market strengths and increased efficiency made possible by the restructuring of the businesses comprising the Office and Education Products Group, is expected to bring about a return to profitability in the short term and renewed growth in the future.

SEGMENTED EARNINGS AND INFLATION ACCOUNTING

We are, for the first time this year, providing supplemental information, which we believe will be of assistance to shareholders, in the form of earnings by business segment showing separately those businesses which normally account for more than 10% of total sales revenues. In addition, we have related these earnings to capital employed stated at book values and at estimated replacement costs. The Summary of Segmented Financial Information does not form part of the financial statements and, accordingly, has not been audited.

In recent years there has been much discussion and study of the various methods which could be adopted to reflect the effects of inflation on a business. No consensus on these methods has yet emerged. Initial approaches involving the use of a general price index failed to gain wide acceptance because no single index could be found to accurately reflect price changes in different industries. More recently, the trend has been toward a replacement cost or current value approach. However, the greatest drawback to the general acceptance of this approach is the subjectivity of methods used. To date, no uniform method has been developed which is suitable for use by all companies to estimate the replacement costs of assets. Consequently, published replacement cost data must be read with caution as the methods adopted can and do vary from one company to another.

Earnings, in the attached schedule, have not been adjusted for inflationary effects, although it should be noted that the use of inflation accounting instead of historic values usually has a significant effect on income measurement as well as on the balance sheet of a company.

To arrive at the replacement cost data used in the Summary of Segmented Financial Information, we were guided by the views expressed in the Discussion Paper issued by the Canadian Institute of Chartered Accountants in August 1976 and by guidelines issued by the U.S. Securities and Exchange Commission in March 1976. The methods adopted were as follows:

Land
Stated at historic costs as shown on the consolidated balance sheet.

Buildings
Replacement costs were estimated using one of the following methods:

Unit cost method – Estimated current building cost per square foot for the size and type of building which would replace the existing facility.

Indexing method – National and provincial cost indices published by a leading business publication firm applied to detailed cost records.

Equipment
Replacement costs were estimated using one of the following methods:

Cost per unit of output – An engineering estimate based on production capacities of existing plants.

Direct pricing – Current prices of equipment manufacturers.

Accumulated depreciation
Calculated on the replacement costs of buildings and equipment at the same rates used in the consolidated balance sheet.

Working capital, investments and other assets
Stated at historic costs as shown on the consolidated balance sheet.

Summary of segmented financial information ($ millions)

Year ended March 31	Consolidated 1978	Consolidated 1977	Brewing 1978	Brewing 1977	Retail Merchandising 1978	Retail Merchandising 1977	Other 1978	Other 1977
Sales and other revenues	$953.2	$890.7	$490.4	$443.9	$266.7	$261.7	$196.1	$185.1
Operating income	$ 59.8	$ 56.8	$ 51.2	$ 42.7	$ 9.1	$ 8.0	$ (0.5)	$ 6.1
Provision for income taxes	$ 22.8	$ 23.8	$ 20.7	$ 17.7	$ 2.9	$ 3.9	$ (0.8)	$ 2.2
Net operating income (before interest expense)	$ 37.0	$ 33.0	$ 30.5	$ 25.0	$ 6.2	$ 4.1	$ 0.3	$ 3.9
Capital employed at net book values	$354.7	$356.8	$163.1	$148.4	$110.2	$112.5	$ 81.4	$ 95.9
Return on capital employed	10.4%	9.2%	18.7%	16.8%	5.6%	3.6%	0.3%	4.0%
Capital employed at estimated replacement costs	$514.6	$507.5	$299.5	$269.2	$121.4	$122.6	$ 93.7	$115.7
Return on capital employed	7.2%	6.5%	10.2%	9.3%	5.1%	3.3%	0.3%	3.4%

Net operating income in the above summary is after allocating corporate administrative expenses and income taxes to business segments and is before amounts included in the reconciliation below. Corporate administrative expenses have been allocated on the basis of net sales. Income taxes are reflected at the rates applicable to the respective business segments.

Capital employed used above consists of directly identifiable assets less current liabilities of each segment, exclusive of short-term borrowings and unallocated items, as reconciled below.

Reconciliation of net operating income

	1978	1977
Net operating income, as above	$ 37.0	$ 33.0
Interest expense	(10.7)	(12.3)
Income tax effect of interest expense	4.9	5.6
Minority interest	(0.3)	(0.3)
Net earnings per consolidated statement of earnings before extraordinary items	$ 30.9	$ 26.0

Reconciliation of capital employed

	1978	1977
Capital employed at net book values, as above	$354.7	$356.8
Current liabilities	136.6	129.3
Short-term borrowings	(30.9)	(38.2)
Unallocated items	2.0	(10.1)
Total assets per consolidated balance sheet	$462.4	$437.8

The Molson Companies Limited

Consolidated Statement of Earnings

Year ended March 31	1978	1977
Revenues		
Sales and revenues	$951,919,000	$889,012,000
Investment income	510,000	439,000
Equity in earnings of other companies	791,000	1,288,000
	953,220,000	890,739,000
Costs and expenses		
Cost of sales, selling and administrative costs	724,966,000	675,032,000
Brewing excise and sales taxes	150,216,000	142,202,000
Depreciation	18,211,000	16,728,000
Interest on long-term debt	7,791,000	8,205,000
Other interest	2,920,000	4,054,000
	904,104,000	846,221,000
Earnings before income taxes	49,116,000	44,518,000
Income taxes	17,916,000	18,228,000
	31,200,000	26,290,000
Minority interest	256,000	259,000
Net earnings before extraordinary items	30,944,000	26,031,000
Extraordinary items	2,120,000	–
Net earnings for the year	$ 33,064,000	$ 26,031,000
Net earnings per share		
Before extraordinary items	$2.25	$1.90
After extraordinary items	2.41	1.90

The Molson Companies Limited

Consolidated Statement of Retained Earnings

Year ended March 31	1978	1977
Balance – beginning of year	$135,260,000	$120,621,000
Net earnings for the year	33,064,000	26,031,000
	168,324,000	146,652,000
Dividends	12,363,000	11,392,000
Balance – end of year	$155,961,000	$135,260,000

See Notes to Consolidated Financial Statements

The Molson Companies Limited

Consolidated Balance Sheet

As at March 31	1978	1977
Assets		
Current Assets		
Cash	$ 5,185,000	$ 2,632,000
Accounts receivable	83,555,000	77,265,000
Due from sale of a business and an investment	19,367,000	—
Inventories	141,825,000	148,333,000
Prepaid expenses	5,767,000	3,806,000
	255,699,000	232,036,000
Investments	13,226,000	11,818,000
Fixed Assets		
Land, buildings and equipment	359,724,000	340,510,000
Accumulated depreciation	170,371,000	150,899,000
	189,353,000	189,611,000
Other Assets — less amortization		
Intangible assets of acquisitions	3,330,000	3,421,000
Debenture discount and expenses	838,000	924,000
	4,168,000	4,345,000
	$462,446,000	$437,810,000
Liabilities		
Current Liabilities		
Bank indebtedness	$ 15,288,000	$ 21,421,000
Notes payable	30,284,000	29,951,000
Accounts payable	72,885,000	57,120,000
Income taxes	2,696,000	5,284,000
Excise and sales taxes	9,504,000	9,739,000
Dividends payable	3,122,000	2,934,000
Current instalments on long-term debt	2,792,000	2,821,000
	136,571,000	129,270,000
Long-term Debt	88,000,000	94,028,000
Minority Interest	3,606,000	3,723,000
Deferred Income Taxes	27,009,000	24,764,000
Deferred Income — less amortization	2,909,000	2,394,000
Shareholders' Equity		
Capital Stock	48,390,000	48,371,000
Retained Earnings	155,961,000	135,260,000
	204,351,000	183,631,000
	$462,446,000	$437,810,000

Signed on Behalf of the Board:

Director

Director

See Notes to Consolidated Financial Statements

The Molson Companies Limited

Consolidated Statement of Changes in Financial Position

Year ended March 31	1978	1977
Source of funds		
Net earnings before extraordinary items	$ 30,944,000	$ 26,031,000
Add (deduct) items not affecting working capital		
Depreciation	18,211,000	16,728,000
Deferred income taxes	3,648,000	4,056,000
Gain on sale of fixed assets	(2,430,000)	(2,233,000)
Equity in earnings of other companies (net of dividends received)	(526,000)	(1,059,000)
Other	365,000	(181,000)
Funds from operations	50,212,000	43,342,000
Proceeds on sale of –		
Fixed Assets	4,540,000	4,322,000
Investments	2,093,000	342,000
Extraordinary item – proceeds on sale of business and investment (less working capital sold of $5,681,000)	16,085,000	–
	72,930,000	48,006,000
Use of funds		
Dividends	12,363,000	11,392,000
Purchase of –		
Fixed assets	28,581,000	24,917,000
Investments	5,192,000	1,828,000
Business acquisitions (excluding working capital of $389,000; 1977 – $930,000)	2,537,000	1,923,000
Repayment and current portion of long-term debt	6,009,000	4,156,000
Extraordinary item – provision for estimated losses arising from planned disposal or discontinuance of businesses ($7,000,000 less items not affecting working capital)	1,886,000	–
	56,568,000	44,216,000
Working capital		
Increase in the year	16,362,000	3,790,000
At beginning of year	102,766,000	98,976,000
At end of year	$119,128,000	$102,766,000

See 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. Net earnings in 1978 include translation gains of $1,142,000 ($380,000 in 1977).

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 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 a trucking company and a construction equipment company were acquired for cash and a note during the year and have been included on the basis of purchase accounting.

	1978	1977
Value of net tangible assets and goodwill acquired	**$ 2,926,000**	$ 2,853,000

3. Inventories

	1978	1977
Finished goods	**$112,653,000**	$113,291,000
Work in process	**12,236,000**	12,437,000
Raw materials and supplies	**16,936,000**	22,605,000
	$141,825,000	$148,333,000

4. Investments

	1978	1977
Mortgages and loans, at cost	**$ 1,754,000**	$ 3,790,000
Investments, at equity	**4,279,000**	6,570,000
Other investments, at cost	**7,193,000**	1,458,000
	$ 13,226,000	$ 11,818,000

Investments include marketable investments carried at $6,493,000 (1977—$6,099,000) which had a quoted value of $6,774,000 at March 31, 1978 (1977—$8,443,000).

5. Fixed Assets

	1978	1977
Land	**$ 20,921,000**	$ 21,721,000
Buildings	**126,372,000**	120,663,000
Equipment	**212,431,000**	198,126,000
	359,724,000	340,510,000
Accumulated depreciation	**170,371,000**	150,899,000
	$189,353,000	$189,611,000

6. Long-Term Debt

	1978 Current	1978 Total	1977 Current	1977 Total
Sinking Fund Debentures:				
8¼% maturing in 1991	**–**	**$36,249,000**	–	$ 38,769,000
8¼% maturing in 1995	**$ 900,000**	**29,100,000**	$ 900,000	30,000,000
6% maturing in 1982	**–**	**1,710,000**	$ 115,000	2,575,000
5¼% convertible maturing in 1989	**–**	**2,194,000**	–	2,213,000
8¾% maturing in 1988	**–**	**1,000,000**	–	1,000,000
Notes Payable:				
9% repayable by 1989	**1,536,000**	**18,433,000**	1,536,000	19,969,000
5¾% repayable by 1985	**200,000**	**1,600,000**	200,000	1,800,000
Sundry	**156,000**	**506,000**	70,000	523,000
	$2,792,000	**90,792,000**	$2,821,000	$ 96,849,000
Current instalments		**2,792,000**		2,821,000
		$88,000,000		$ 94,028,000

Sinking fund requirements and principal payments during the next five years are:
1979—$2,792,000; 1980—$3,012,000; 1981—$4,008,000; 1982—$5,860,000; 1983—$4,151,000.

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, until December 31, 1978.

Issued and Outstanding:	1978 Shares	1978 Amount	1977 Shares	1977 Amount
Class "A"	**8,322,000**	**$37,977,000**	8,306,600	$38,370,000
Class "B"	**3,988,600**	**7,293,000**	4,647,300	7,966,000
Class "C"	**1,095,500**	**1,797,000**	436,800	648,000
Class "D"	**286,900**	**1,323,000**	301,400	1,387,000
	13,693,000	**$48,390,000**	13,692,100	$48,371,000
Average number of shares outstanding	**13,692,800**		13,692,100	

During the year, the following shares were converted between the classes:	1978	1977
Class "A" to Class "D"	**117,900**	115,700
Class "D" to Class "A"	**132,400**	119,900
Class "B" to Class "C"	**748,200**	15,400
Class "C" to Class "B"	**89,500**	572,500

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, 1978, 108,500 (1977—109,400) Class "A" shares were 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:

	1978		1977	
	Option Price	**Shares**	Option Price	Shares
Class "A"	**$19.37**	**7,650**	$19.37	8,600
Class "B"	**17.50**	**7,650**	17.50	8,600
		15,300		17,200

Of the options outstanding at March 31, 1978, options covering 6,000 Class "A" shares and 6,000 Class "B" shares were held by officers, three of whom were also directors.

8. Extraordinary Items

Extraordinary items of $2,120,000 in 1978 (1977—nil) include the following:

Gain on sale of the John Wood division and the investment in The Rainier Companies, Inc. (net of deferred and current income taxes of $1,897,000 and $100,000)	$9,120,000
Provision for estimated losses arising from planned disposal or discontinuance of businesses (net of deferred income taxes of $3,300,000)	7,000,000
	$2,120,000

9. 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 16 years. The unfunded liability for past service pension costs which has not been recorded amounted to $27,000,000 at March 31, 1978 (1977—$25,300,000).

Commitments: Lease commitments which expire within thirty years require the following payments during the next five years: 1979—$11,800,000; 1980—$10,900,000; 1981—$9,900,000; 1982—$8,800,000; 1983—$8,400,000.

Properties leased are principally warehouses and retail stores.

Remuneration of Directors and Officers	**1978**	1977
Directors—number	**16**	16
—aggregate remuneration	**$ 73,000**	$ 72,000
Officers —number	**21**	22
—aggregate remuneration	**$1,338,000**	$1,263,000
Number of officers who are also directors	**5**	5

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

	1978	1977
Brewing	**51%**	50%
Retail Merchandising	**28**	29
Other Businesses	**21**	21
	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. These controls will phase out over the period from April 14 to December 31, 1978.

Income Taxes: Current income taxes for the year ended March 31, 1978, have been reduced by $2,050,000 resulting from the 3% inventory allowance which became effective on April 1, 1977.

Comparative Figures: Certain 1977 figures in the Consolidated Statement of Changes in Financial Position have been re-classified to conform with 1978 presentation.

10. Subsequent Event

On March 31, 1978, the Company was the beneficial owner of 140,600 common shares of The Diversey Corporation constituting approximately 7% of the total number outstanding, which the Company purchased at an aggregate cost of U.S. $2,471,555. During the period from March 31, 1978, through April 11, 1978, the Company purchased an additional 73,400 Diversey shares at an aggregate cost of U.S. $1,755,783, and is presently the beneficial owner of a total of 214,000 Diversey shares constituting approximately 10.6% of the total number outstanding. On May 19, 1978, the Company made a tender offer to purchase any and all outstanding Diversey shares at U.S. $30 per share in cash. Unless extended by the Company, the offer will expire on June 9, 1978. The total amount required to complete the cash tender offer at such price, assuming the acquisition of all Diversey shares remaining outstanding, and to pay all related fees and expenses, is estimated to be approximately U.S. $55,000,000. An unsecured bank loan, reducible by the proceeds of sales of certain businesses and investments, has been arranged to provide these funds.

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of The Molson Companies Limited as at March 31, 1978 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, 1978 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.

Coopers & Lybrand

Chartered Accountants   May 19, 1978

Operating and Financial Record

Dollars in millions except amounts per share	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969
Operations										
Sales										
brewing	$489.3	$442.2	$408.1	$357.1	$296.2	$260.5	$232.1	$201.3	$192.7	$177.0
retail merchandising	266.7	261.8	232.2	211.8	174.6	131.2	33.2	–	–	–
other	195.9	185.0	171.1	171.4	145.3	130.5	110.7	113.4	120.0	118.5
Total sales	951.9	889.0	811.4	740.3	616.1	522.2	376.0	314.7	312.7	295.5
Depreciation	18.2	16.7	15.2	13.3	11.5	9.9	8.4	7.1	6.8	6.6
Earnings before income taxes	49.1	44.5	40.0	33.8	37.7	42.9	33.5	28.9	28.3	30.6
Income taxes	17.9	18.2	16.2	13.8	15.6	20.6	16.5	15.0	14.7	15.0
Net earnings										
Before extraordinary items	30.9	26.0	23.5	19.6	21.8	22.0	16.6	13.6	13.3	13.8
After extraordinary items	33.0	26.0	23.6	18.6	21.9	22.0	16.7	12.6	12.1	15.0
Cash flow	50.2	43.3	43.1	35.9	37.6	33.2	25.5	22.9	20.3	20.8
Financial										
Working capital	119.1	102.8	98.9	92.4	104.2	72.3	72.1	38.9	32.3	45.6
ratio	1.8:1	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
Net additions to fixed assets	24.2	22.9	23.3	54.9*	21.3	22.5	36.8*	10.5	11.7	10.5
Total assets	462.4	437.8	421.3	407.0	345.3	285.1	248.8	169.4	164.1	150.6
Long-term debt	88.0	94.0	98.1	100.3	79.6	51.2	51.0	17.7	10.6	11.1
Shareholders' equity	204.3	183.6	168.9	156.3	150.0	138.9	125.8	98.6	95.5	96.0
Per Share										
Net earnings										
Before extraordinary items	2.25	1.90	1.72	1.43	1.60	1.62	1.40	1.20	1.17	1.23
After extraordinary items	2.41	1.90	1.72	1.36	1.60	1.62	1.40	1.11	1.07	1.33
Cash flow	3.66	3.16	3.14	2.62	2.75	2.43	1.89	2.01	1.79	1.83
Dividends	.888	.832	.80	.80	.80	.80	.72	.72	.72	.72
Shareholders' equity	$ 14.92	$ 13.41	$ 12.34	$ 11.41	$ 10.98	$ 10.18	$ 9.29	$ 8.67	$ 8.41	$ 8.46
Other										
Number of shares outstanding (thousands)	13,692	13,692	13,692	13,690	13,667	13,637	13,530	11,374	11,362	11,346
Number of shareholders	11,819	12,457	13,199	13,656	14,134	13,988	15,016	13,700	13,166	13,252
Number of employees	10,336	10,758	10,965	11,211	10,928	10,455	9,210	6,674	7,360	7,500

*Includes net fixed assets of acquired businesses (1975 – $20,035,000; 1972 – $25,399,000).
All data have been restated to reflect a business combination on a pooling of interest basis.

Corporate Management

A.L. Keyworth

L.R. Sinclair

A.G. McCaughey

P.B. Stewart
G.A. Jupp

The Molson Companies Limited

Directors

Hon. John B. Aird	Toronto	Partner, Aird & 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	Management Consultant
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, U A P Inc.
†J.D. Riley	Winnipeg	Director, United Canadian Shares Limited
*P.B. Stewart	Toronto	Executive Vice President
*D.G. Willmot	Toronto	Chairman of the Board

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

Honorary Director

N.E. Whitmore — Regina, Saskatchewan

H.E.C. Stoneham

A.C. Plant

C.R. Cook
M. McCammon

W.J. Gluck

K.A.F. Gates

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
A.L. Keyworth	Senior Vice President, Retail Merchandising Group
Morgan McCammon	Senior Vice President, Brewing Group
A.C. Plant	Senior Vice President, Office and Education Products Group
L.R. Sinclair	Senior Vice President, Commercial Products and Services Group
°David Lakie	Senior Vice President, Corporate Relations
A.G. McCaughey	Senior Vice President, Finance
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

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
J.F. Osterman, Vice President, Controller
J.R. Taylor, Vice President, Marketing
Z. Valyi, Vice President, Production

Molson Newfoundland Brewery Limited
St. John's, Newfoundland
G.M. Winter, President

Molson's Brewery Quebec Limited
Montreal, Quebec
D.V. Pleshoyano, President
J. Allard, Vice President, Marketing
P. Falardeau, Vice President, Sales
A.L. Jones, Vice President, Production

Molson's Brewery (Ontario) Limited
Toronto and Barrie, Ontario
J.P. Rogers, President
D.B. Macaskill, Vice President, Administration and Secretary
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

International Division
J. R. Taylor, President

Martlet Importing Co. Inc.
Great Neck, New York
G. 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
A.G. Gemmell, Vice President, Franchising

Western Operations, Winnipeg, Manitoba
A.W. Wright, Vice President

Eastern Operations, Toronto, Ontario
L. Van Geest, Vice President

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

Office and Education Products Group

2 International Blvd., Rexdale, Ontario
A.C. Plant, Senior Vice President
R.L. Drayton, Controller
D.H. Kerry, Director, Personnel
G.E. Metcalfe, Manager, Marketing Planning

Anthes Business Forms Limited
K.L. Gallinger, President

Willson Office Specialty Ltd.
Supplies Division
L.J. Craddock, Vice President and General Manager

Furniture Division
D.W. Gray, Vice President and General Manager

Moyer Vico Corp.
Educational Supplies Division
M.A. Risso, General Manager

Equipment Division
J.K. Stephenson, General Manager

Commercial Products and Services Group

2 International Blvd., Rexdale, Ontario
L.R. Sinclair, Senior Vice President
S.P. Baker, Controller
R. Eccles, Director, Planning
D.H. Stanley, Director, Personnel

Anthes Equipment Limited
Mississauga, Ontario
P.M. Duynstee, President
K.R. Craig, Vice President, Canadian Operations
D.A. Voight, General Manager, Beaver-Advance Corporation, U.S.A.

Bennett Pump Company
Muskegon, Michigan, U.S.A.
P.M. Turner, President
A.C. Raschke, Vice President, Marketing—Domestic and International
R.A. Ramey, Vice President, Administration
P.A. Mankin, Vice President and Assistant to the President
E.L. Prentice, Chairman and Managing Director, Beck and Co. (Meters) Ltd., London, England

Deluxe Upholstering Limited
Waterloo, Ontario
D.W. Eby, President

Seaway/Midwest Ltd.
Dorval, Quebec and Toronto, Ontario
N.M. Seagram, President
E.A. Backhouse, Vice President, Marketing

Vilas Furniture Company Limited
Montreal, Quebec
G.L. Townsend, President

The Molson Companies Limited

Incorporated under the laws of Canada

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Executive Office
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Transfer Agent
The Royal Trust Company, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Auditors
Coopers & Lybrand

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