THE MOLSON COMPANIES

BREWING RETAIL MERCHANDISING CHEMICAL SPECIALTIES OFFICE & EDUCATION PRODUCTS DISTRIBUTION

ANNUAL REPORT 1980

The Molson Companies Limited . . .

is a diversified Canadian company employing over 12,000 people in more than 250 Canadian communities and countries around the world. One of Canada's oldest companies, the Molson organization comprises the following businesses:

Molson Breweries of Canada Limited

Molson Breweries of Canada Limited operates ten breweries in seven Canadian provinces. Its operating divisions are: Molson Newfoundland Brewery Limited, Molson's Brewery Quebec Limited, Molson's Brewery (Ontario) Limited, Molson's Western Breweries (1976) Limited, and Molson Breweries International.

Molson produces and markets three national brands (Export, Canadian and Golden) which are distributed in Canada, to 27 U.S. states, plus the District of Columbia, and to several other countries. In addition, Molson produces 18 regional brands which are distributed in various provinces.

Number of employees: 3,886

Sales for the year ended March 31, 1980: $685.2 million.

Beaver Lumber Company Limited

Beaver Lumber Company Limited is the largest lumber, building materials and related hard-goods dealer in Canada, primarily serving the do-it-yourself market.

Beaver Lumber retails to the consumer and commercial building trade, lumber and building materials, floor coverings, hardware, plumbing and electrical supplies, paint, wallpaper and decorative products, power and hand tools, housewares, lawn and garden supplies.

Beaver Lumber has 258 owned or franchised stores from British Columbia to Quebec, which operate under the Beaver, Le Castor bricoleur, C.B.S., Biltrite, Saveway and Aikenhead names.

Number of employees: 2,595

Sales for the year ended March 31, 1980: $334.2 million.

The Diversey Corporation

The Diversey Corporation is a leading worldwide organization marketing chemical specialty products and systems to industrial, institutional and commercial users.

Diversey produces and markets over 1,000 chemical specialty products, including cleaning and sanitizing compounds, bactericides, lubricants, polishers, deoxidizers and metal surface protectors.

Diversey has plants in 32 countries and markets its products in over 100 countries. These activities are supported by major research and development facilities in the United Kingdom and Canada and 12 other strategically located technical centres.

Number of employees: 3,832

Sales for the year ended March 31, 1980: $239.7 million.

Willson Office Specialty Ltd.

Willson Office Specialty Ltd. is the leading Canadian commercial and retail distributor of business and educational products, supplies, and related office planning and design services.

Willson Business Supplies Division operates from distribution centres in all major cities in Canada, from Montreal westward. Willson Retail Stationery Division serves the small business, home and office products market through its 55 retail stores. The Business Environments Division operates office planning and design showrooms in every major city in Canada. The Education Supplies Division, which includes Moyer Education Supplies, serves school boards and teachers through Moyer's eight Teachers' Stores and its mail order catalogue.

Number of employees: 1,093

Sales for the year ended March 31, 1980: $93.5 million.

Seaway/Midwest Ltd.

Seaway/Midwest Ltd. is Canada's largest public warehousing and distribution company, providing storage, warehousing, distribution, cartage, freight consolidation, break-bulk and cross-dock, and other special distribution services, through a network of 24 warehouses (with a total of 2.6 million square feet) and cartage facilities in eight Canadian cities.

Number of employees: 837

Sales for the year ended March 31, 1980: $26.3 million.

Molson across Canada

		% of total			
	Total	West	Ontario	Quebec	Atlantic
Sales revenues ($ millions)	1,102	33.3%	40.9%	23.3%	2.5%
Capital employed ($ millions)	380	33.2	42.9	21.2	2.7
Shareholders	10,061	28.1	43.9	24.6	3.4
Employees	8,988	32.0	38.6	26.1	3.3

Financial Highlights

March 31	1980	1979
Operations (millions of $)		
Revenues	$1,395.4	$1,200.3
Net earnings	50.9	44.1
Per share		
Net earnings	$ 3.65	$ 3.20
Dividends	1.26	1.056
Financial position (millions of $)		
Working capital	$ 89.1	$ 97.2
Total assets	706.1	630.1
Long-term debt	102.2	113.1
Shareholders' equity	274.0	237.9
Return on shareholders' equity (average)	19.9%	19.9%

Contents

Annual Meeting

The annual meeting of the shareholders will be held in the Salon Viger at Le Chateau Champlain, Montreal, Quebec, on June 26, 1980 at 11:30 a.m. EDT.

French Copy

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

Directors' report to the shareholders

D. G. Willmot, Chairman of the Board (top) and J. T. Black, President and Chief Executive Officer

Record levels of sales and earnings and further progress towards the attainment of corporate strategic objectives were achieved during our fiscal year which ended March 31, 1980. These favorable results were achieved in an operating environment made more than usually difficult by the continuing high level of inflation and the rapid increases in interest rates in Canada and those other countries where the company does business.

Financial highlights included:

- A revenue increase of 16.2% from $1.200 billion to $1.395 billion.
- Net earnings growth from $44.1 million to $50.9 million.
- An increase in net earnings per share from $3.20 to $3.65.
- An increase of 10% in the annual dividend rate from $1.20 to $1.32 per share, commencing with the January 1, 1980 quarterly payment.

Significant strategic achievements included:

- The acquisition of the chemical specialties business of the U.S. based BASF Wyandotte Corporation, effective April 1, 1980, to further improve Diversey's competitive position in the North American market.
- The purchase, in December 1979, of the remaining 50% interest in Diversey France, S.A., not previously owned.
- The completion of the restructuring of our Office and Education Products Group into a marketing and distribution organization through the divestment of their remaining manufacturing operations.

Operating highlights

Total sales volume of our Brewing business, including significantly higher export shipments to the United States and other export markets, increased by 9.3%, to 8.60 million hectolitres (7.56 million Canadian barrels). In Canada, sales volume increased 6.4% compared to an industry increase of 7.2%, primarily due to a lengthy strike at our Edmonton brewery last summer. By the end of the year, however, Molson Breweries of Canada Limited had achieved the leading overall market share position in Canada.

Beaver Lumber recorded a 13.6% increase in sales revenues to $334.2 million. However, due to upward pressure on operating costs and strong competitive activity, the increase in earnings was modest.

Sales revenues for the worldwide operations of Diversey were $239.7 million, a 51.9% increase over the amount included for the ten month period of Molson ownership in the previous year. Diversey's contribution to consolidated earnings was also substantially ahead of last year. Sales revenues and earnings from the remaining 50% interest in Diversey France, S.A., acquired in December, 1979, have been consolidated, effective January 1, 1980.

Our other continuing businesses, including Willson Office Specialty, Seaway/Midwest and the remaining foreign gas pump operations of Bennett Pump, registered modest sales gains in the aggregate.

The performance of each of our major businesses is reviewed in more detail in the Operating Review section of this Annual Report and comments on the financial results are contained in the Financial Review section.

Capital spending

During the year, $53.5 million was spent on capital projects, an increase of approximately one-third over the previous year. Of this amount, $31.7 million was invested in our Brewing operations, primarily for capacity expansion. Diversey's expenditures totalled $13.9 million, principally for new and expanded production facilities in various parts of the world.

During the fiscal year ending March 31, 1981, capital spending is expected to increase to a record high of $80 million. Approximately three-quarters of this amount will be for Brewing expansion, in part to meet the increased demand for Molson brands in U.S. markets. In addition, Diversey will continue its investment program to upgrade and increase its productive capacity.

Corporate development

As already noted, we acquired the chemical specialties business of BASF Wyandotte Corporation and the remaining 50% of Diversey France, S.A. In addition our program of asset re-deployment was continued during the year as businesses which did not meet our size, profitability or growth criteria were divested. In particular, the Office and Education Products Group completed its transition to a national marketing and distribution organization through the divestment of its remaining manufacturing operations: the office furniture manufacturing plant at Holland Landing, Ontario; the file folder manufacturing and flat printing operation at Brampton, Ontario; and the school furniture manufacturing business at Farnham, Quebec. During the coming year, it is expected that the divestment of the Bennett Pump operations in Europe and New Zealand will be completed.

Employee relations

The labour relations climate throughout the company was generally positive. Of our 77 collective bargaining agreements, 41 were renegotiated, and an additional 21 contracts were under negotiation at year end. However, in addition to three minor work stoppages which occurred during the year, there was a nine week strike at our Edmonton brewery.

In the last two years, the major brewing companies in Canada introduced industry bargaining and executed collective agreements on this basis in the provinces of British Columbia, Saskatchewan, Manitoba, Ontario and Newfoundland. Currently, labour contracts are being renegotiated on an industry basis in British Columbia and Manitoba. In Alberta, it is anticipated that industry bargaining will take place for the first time in the coming year. We are confident that industry bargaining will contribute to ongoing industrial relations stability in the brewing industry in Canada.

Public affairs

The major public concern for all companies operating in Canada continues to be the national unity issue. As a company that had already been in business in Canada for over 80 years at the time of Confederation, we continue to be proud of our Canadian origins and are more strongly committed than ever to the future of Canada.

Naturally, in recent months, most attention has been focused on the referendum in Quebec. It is clear, however, that other regions of the country also desire constitutional change. It is our conviction that the common purposes of the Canadian federation must be maintained but in a manner that also permits regional and provincial identities and aspirations to be fulfilled.

We sense that people throughout Canada are growing weary and impatient with the perceived lack of accomplishment on national unity, and, in spite of their differences, are eager for a demonstration of progress on all sides. While recognizing both the complexity and the emotion that surround these problems, we urge our elected representatives at all levels of government to respond swiftly to this desire. The protracted debate and inability to achieve tangible results must give way soon to the achievement of substantive and demonstrable change.

Directors

At last year's annual meeting, Mr. R. C. McPherson, Chairman, Dana Corporation, Toledo, Ohio, was elected a Director to succeed Mr. W. P. Frankenhoff. In February, 1980, the Board of Directors was expanded from 16 to 17 members and Mr. J. Peter Gordon, Chairman and Chief Executive Officer, The Steel Company of Canada, Limited, Toronto, Ontario, was appointed to the Board.

Outlook

The past year has been characterized by slow economic growth, high inflation and record high interest rates. It is now clear that the economies of Canada, the United States and other major countries will continue to reflect the effects of uncertainty and low economic growth in the coming year. However, we believe that our businesses will prove to be largely resistant to the impact of an economic slowdown and, thus, are confident that the company will achieve continued growth in sales revenues and earnings in the year ahead.

On behalf of the Board:

D. G. Willmot
Chairman of the Board

J. T. Black
President and Chief Executive Officer

May 26, 1980

Operating Review

BREWING
RETAIL MER-
CHANDISING
CHEMICAL
SPECIALTIES
OFFICE & ED-
UCATION
PRODUCTS
DISTRIBUTION

Brewing

Capacity is being increased at a number of breweries, including the Barrie, Ontario, Brewery, where an expanded brewhouse, under construction, is seen on the facing page. Brewing capital spending in the next year is expected to be a record $60 million.

To commemorate the 75th anniversary of the entry into Confederation of Alberta and Saskatchewan, a new brand known as "Anniversary 75", and seen below, was introduced in those provinces.

The past year was a period of impressive growth for Molson Breweries of Canada Limited. Total sales revenues increased 18.8% from $577.0 million to $685.2 million as the result of volume growth in Canada, price increases in all provinces, and strong export sales to the U.S.A.. Despite continuing inflationary pressure on cost and expense levels, earnings growth kept pace with the growth in sales revenues.

In Canada, industry sales volume increased by 7.2%. A major portion of this growth rate was attributable to a recovery from the depressed growth rate of the previous year, which resulted from labour disputes in Manitoba, Alberta and British Columbia.

Molson sales volume in Canada increased by 6.4%. While our performance in Alberta was affected by the closure of the Edmonton brewery during the key selling months of July and August, 1979, Molson's market share in Quebec, Ontario, Saskatchewan and British Columbia reached levels that were unequalled in recent years. By the end of the year, we were in the leading position in overall market share in Canada.

In the United States, Molson's growing popularity as an imported beer was again demonstrated in the 27 states and the District of Columbia where it is available. Molson brands rank second in terms of total sales of all beers imported into the U.S.A., with an annual level of one million Canadian barrels having been reached for the first time.

Total capital spending on brewing facilities in fiscal 1980 was $31.5 million, compared to $22.2 million in fiscal 1979. Planned spending of approximately $60 million for the coming year represents a record level of expenditure and is required to maintain our leading position in the Canadian market and to enable us to serve the fast growing U.S. market. The major expansion program started last year at the Edmonton brewery will continue, and additional production capacity will be added at Barrie, Regina and Vancouver.

Our concern with matters related to energy and the environment is reflected in the acceleration of our efforts in the areas of energy conservation, reduction of water usage, waste water recovery, liquid waste water treatment, noise reduction, and atmospheric emission control. A deep shaft waste water treatment project, now nearing completion in Barrie, is typical of the pioneering efforts which we have undertaken in this respect.

The long-standing association with Hockey Night in Canada continues as the major marketing vehicle across the country. Molson sponsors hockey broadcasts in all provinces where not prohibited by provincial regulation.

In addition to our ownership of Club de Hockey Canadien, Inc., the company is involved in a variety of sports promotion activities. In particular, we have recently entered into agreements to provide advertising and sales promotion support to the Saskatchewan Rough Riders' Football Club, and the Toronto Blizzard and Edmonton Drillers clubs in the North American Soccer League. We also actively support a wide range of international, national and local sporting events across Canada.

Prospects for Brewing growth in the coming years are encouraging as industry growth rates in Canada are forecast to slightly exceed those of the past five years. We are confident that Molson will participate fully in that growth. In the process, our efforts will be directed towards consolidating our position as the leading brewer in Canada, and further expanding our export activities. Successful achievement of these goals will result in continued major investment in brewing technology, production capacity and job creation in Canada.

In spite of the general softness in retail sales levels, sales revenues for the full year increased 13.6% over the previous year to $334.2 million. Major gains continued to come from those regions which registered above average economic growth. In addition, the performance of the Ontario chain of 14 Biltrite lumber and building material stores, acquired last year, has met our expectations in the first full year of operation. At year end, there were 258 owned and franchised stores in operation from Quebec to British Columbia.

High interest rates and inflation, and the resultant general economic uncertainty, have had an adverse effect on personal disposable incomes and consumer confidence. This, in turn, has affected the rate of new construction and major home renovations, and has brought about a levelling of earnings in the past year. Nevertheless, we are confident that our emphasis on the do-it-yourself segment of the home improvement market provides a solid foundation for future growth and continuing profitability.

The improvement in efficiency of Beaver's internal operations during the past year has been encouraging, and is expected to continue in the coming year. While pressures on margins from rising costs and strong competitive activity have persisted, total expenses on a comparable year-to-year basis rose only 5.6%, significantly below the average rate of inflation. This improvement in productivity has been achieved through the efforts of Beaver employees at all levels, and has enabled us to continue to offer our merchandise at very competitive prices.

The Beaver franchising program has proven successful in its three years of operation in helping to increase market penetration, improve the quality of store management in rural areas and provide entry into new markets, while generating a higher return on capital employed. At the beginning of the past year, there were 15 franchises in existence and this was increased to 30 by year end. Several of these new franchises are in communities in which Beaver was not previously represented, including Kelowna, Penticton, Trail and Duncan in British Columbia, and Grande Centre, Alberta, as well as a number of smaller communities.

The franchise program will be accelerated during the next few years, and will eventually constitute an extensive network of stores, owned and operated by local entrepreneurs, known and respected in the communities they serve. Our ongoing store improvement program, and actions stemming from increased consumer research, will also contribute to our future growth.

Consumer education programs continued to be an important element in Beaver's service to its customers. In this connection, "Show Me How" programs were carried out in Vancouver, Winnipeg, Montreal and Toronto in the past year, and Beaver stores across the country utilize a wide range of in-store print and audio-visual consumer education material.

In a market where economic realities have made all consumers more knowledgeable and cost conscious, Beaver is proud that its customers have made it the leading retailer of building and lumber supplies, and home improvement products in Canada.

Retail Merchandising

Beaver's franchising program continued during the year. One of the company's franchised dealers is Rick Wonnacott of Midland, Ontario, seen at the right on the facing page with customer Gerry White of Honey Harbour, Ontario.

Beaver's commitment to consumer education was demonstrated at a number of "Show Me How" programs, such as the one seen below.


BEAVER

Chemical Specialties

Diversey sales and service staff make regular calls on customers in the countries around the world in which the company is active. Reg Williams, seen on the facing page, is testing a washing solution at a Cara Flight Kitchen.

In addition to major research and development facilities in Canada and the United Kingdom, Diversey has 12 strategically-located technical centres, such as the one seen below.

Worldwide markets for chemical specialties experienced significant growth in the past year. We are pleased to report that Diversey sales of cleaning and sanitizing products and systems to industrial, institutional and commercial users continued to exceed industry growth rates. Diversey sales revenues, in the year ended March 31, 1980, were $239.7 million, an increase of 24% over the previous twelve month period. Earnings were also ahead of the same period last year.

Sales revenues were particularly strong in Europe, the Middle East and Africa, increasing 35% over the previous 12 months. This performance reflected the capability of long established Diversey companies serving these markets, and resulted from increases in both market growth and share. During the year, Diversey enhanced its leading position in Europe by acquiring the remaining 50% of Diversey France, S.A.. The operations in Greece and South Africa, long troubled by economic and operating constraints, were sold to local licensees.

In North America, sales revenues increased by 16%, including 20% growth in Canada. On April 1, 1980, a major step to strengthen Diversey's position in the North American market was taken with the acquisition of the U.S. and Canadian chemical specialty operations of BASF Wyandotte Corporation. The acquired business had annual sales revenues of $70 million and provides Diversey with an entry into additional market segments, as well as an increased presence in institutional markets and food service industries.

Diversey technical sales and service specialists make an average of 15,000 sales and service calls a day in over 100 countries around the world. For every eight salesmen, there is a Diversey employee involved in research and development — evidence of Diversey's commitment to providing customers with new and improved products and cleaning systems. Major research and development facilities are located in Canada and the United Kingdom. They are responsible for undertaking long term major projects for new technology, which is then transferred to Diversey organizations around the world. Short and medium term research and development projects are the responsibility of 12 other technical centres, strategically located in various Diversey operations.

Leadership in the chemical specialties business depends on new product development, based on effective research of customer needs. This is achieved through a close association between the customer and Diversey sales, marketing and research specialists, who draw on the support of modern manufacturing facilities operating under the highest standards of production and quality control.

Diversey's growth is also dependent on an ongoing program of capital expenditure to upgrade and increase productive capacity. During the past year, $13.9 million was expended, primarily in Canada, the United Kingdom and Germany. During the next year, $13.3 million will be invested. Major projects include the continued expansion of production and warehousing facilities in the United Kingdom and France, and the completion of a new plant in Spain.

The prospects are excellent for continued future growth in the chemical specialities industry. Markets now served by Diversey are expected to grow steadily, and significant growth potential exists in entering new markets or countries in which Diversey is not currently represented. The strength of Diversey is based on its proven ability to develop, produce and market highly reliable and cost-effective products and cleaning systems on a worldwide scale.

The performance of the Office and Education Products Group continued to improve in the past year, with an increase in sales revenues from continuing businesses of 15.3% to $93.5 million and a return to profitability. This was primarily due to more efficient direction of internal operations, improved controls over costs and expenses, and more effective management of inventories.

During the year, Willson Office Specialty Ltd. completed its restructuring into a marketing and distribution company with four operating divisions – Retail Stationery; Business Supplies; Business Environments; and Education Supplies. As part of this reorganization, the remaining manufacturing facilities at Holland Landing, Ontario, Brampton, Ontario and Farnham, Quebec were sold.

In the Retail Stationery Division, sales revenues increased 27.1% over the previous year. There were 55 Willson retail stores operating from Montreal to Victoria at year end.

Willson is the leader in the Western Canada retail stationery market and will continue to consolidate its position in this market in the coming year. There is significant growth potential in new and existing markets in Eastern Canada, however. In the year ahead, emphasis will be given to increasing Willson's retail penetration in the Montreal, Toronto and other Southern Ontario markets.

In the Business Supplies Division, sales growth has been significant and is expected to continue at a high rate. A national accounts system was introduced in the past year in order to provide significant purchasing economies to its commercial customers with national operations. The system enables these customers to centralize their purchasing of business supplies with one supplier who can offer a widespread and decentralized service and supply network.

Emphasis is also being placed on serving the fast growing market for word processing equipment supplies. Willson Business Supplies is the first Canadian company to enter this expanding field on a national basis, and has entered into distribution arrangements that will permit it to offer a complete range of products, as well as a high level of customer service.

The Business Environments Division, formed in the past year, serves an expanding market for office furniture and open office systems. Open office design offers companies opportunities to improve both the quality of the office working environment and the control of internal administrative costs. Business Environments showrooms are now in operation in every major city across Canada.

The Education Supplies Division distributes an increasing range of educational products and supplies through its Moyer catalogue operation, which serves educational institutions across the country, and through a chain of eight Teachers' Stores. In the past year, an audio-visual aids distributing company was acquired to supplement the educational product line, and further product acquisition possibilities are being examined. Four new Teachers' Stores are planned in the coming year and additional expansion of the retail product line, into educational toys and supplies for use in the home, will also be considered.

We are confident that sales revenues and earnings of Willson Office Specialty Ltd. will continue to grow at a high rate in the future, thanks to Willson's ability to identify and meet the varying supply needs of major corporate customers, individual retail purchasers, teaching professionals and concerned parents.

Office and Education Products

Willson's Business Supplies Division is providing a range of products to the fast growing word processing equipment supplies market. Some of those products are seen in the photograph on the facing page.

A chain of "Teachers' Stores", such as the one seen below, are the retail side of the operations of Willson's Education Supplies Division, and offer stimulating educational products and teaching aids to parents and educators.


Willson
TONER
3400

Distribution

Seaway/Midwest was chosen this year as the exclusive Canadian distributor for a new line of appliances being sold by The Bay and Simpsons department stores. Brian Gouthro is seen below checking a shipment of these Beaumark appliances being loaded by John Mackay in a Seaway distribution centre.

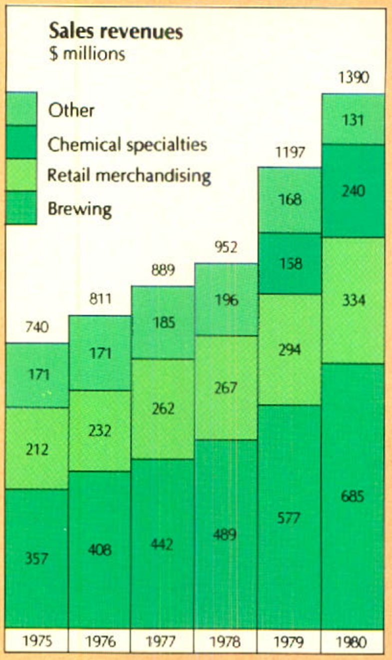
SEAWAY/MIDWEST During the year, the Canadian public warehousing and distribution industry continued to be characterized by over-capacity in a number of regions of the country and aggressive competition for available business. As a result, Seaway/Midwest suffered a small operating loss.

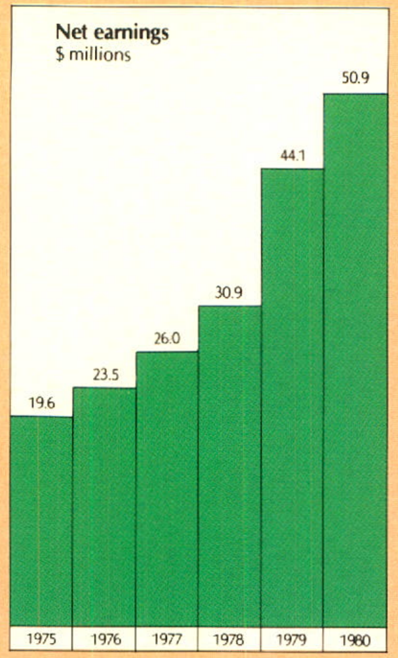
A restructuring of the management responsibilities contributed to a substantial increase in internal operating efficiency and to a lowering of operating expense levels during the year.

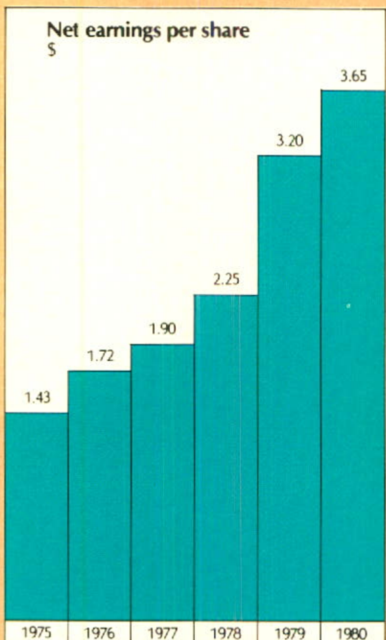
Our ability to serve the fast growing Alberta market has been improved by the opening of a new 150,000 sq. ft. distribution centre in the Edmonton area to replace a smaller facility.

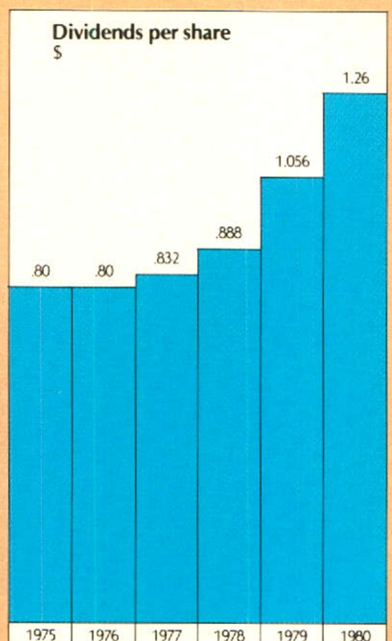
While the outlook for the industry is affected by the slow growth of the Canadian economy, the internal improvements in Seaway/Midwest are expected to result in profitable operations next year.

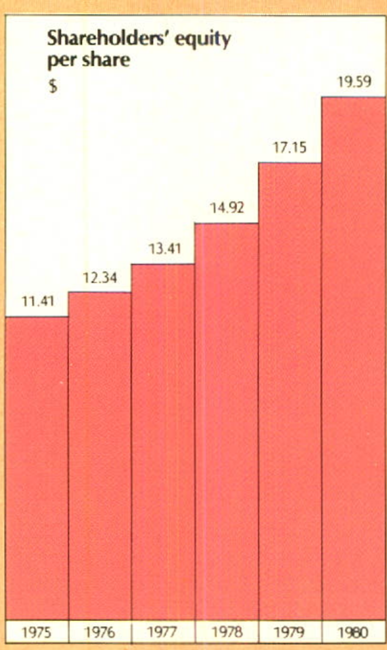
Financial Section

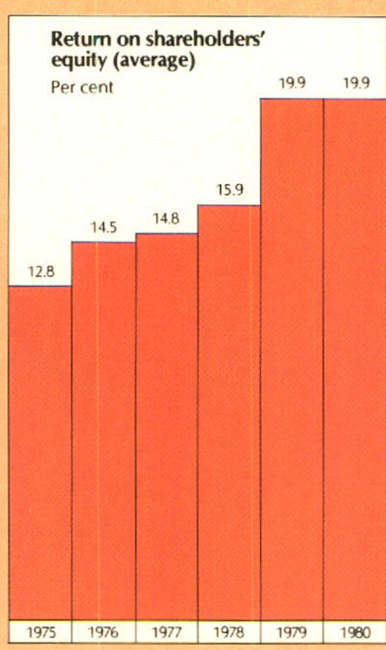












Consolidated statement of earnings

Revenues for fiscal year 1980 were $1.395 billion, a 16.2% increase over last year.

Net earnings for the year were $50.9 million or $3.65 per share compared to $44.1 million or $3.20 per share last year. The average number of shares outstanding were 13,949,000 compared to 13,743,900 for the same period last year. Results for The Diversey Corporation were included for the full year compared to only ten months last year. The favourable effect of this on net earnings comparisons was offset by the absence this year of earnings from businesses previously sold.

All business groups contributed to the growth in earnings with the most significant increases coming from Brewing and Chemical Specialties.

Other income of $4.9 million includes interest income, National Hockey League expansion fees and our share of net income from both Canada Malting Co., Limited (14% owned) and Diversey France, S.A., up to December 20, 1979, when we acquired the remaining 50% interest.

Total interest expense increased to $20.9 million from $18 million last year. This increase was attributable to the escalation in interest rates during the year, when the Canadian prime lending rate increased from 12% to 16.5%.

During the year, changes in the value of the Canadian dollar in relation to other currencies resulted in exchange losses before income taxes of $1.4 million compared to a gain of $0.8 million last year. The $1.4 million included unrealized losses arising from the translation to Canadian dollars of assets and liabilities recorded in foreign currencies and a realized exchange loss resulting from the repayment of long-term debt incurred to acquire The Diversey Corporation in fiscal year 1979. In contrast to these exchange losses, the profits of our brewing business benefited from sales of Canadian produced beer to the U.S.A., which were invoiced in U.S. dollars.

As a result of growing business operations outside of Canada, foreign currency fluctuations will become an increasingly important and relatively unpredictable factor, with the result that exchange gains or losses could affect earnings trends in future years.

The Corporation's consolidated income tax rate decreased to 39.6% from 41.3% in 1979. Significant factors in this reduction were changes in tax laws in the United Kingdom which resulted in income tax savings of $1.4 million.

Consolidated balance sheet

During the year, the total assets of the Corporation increased by 12.1%, to $706.1 million from $630.1 million. This increase reflects the growth of our businesses and the consolidation of the remaining 50% interest in Diversey France.

The decrease in cash and short-term investments to $13.4 million from the $30.9 million reported last year reflects the $18.5 million which was held at fiscal year-end 1979 for the repayment of indebtedness incurred to acquire Diversey.

Investments of $23.5 million include notes receivable and preferred shares which were part of the proceeds from businesses previously divested. Also included is our interest in Canada Malting, the principal supplier of malt to our brewing business.

Fixed assets less accumulated depreciation increased by $34 million during the year, reflecting our continuing program of investment in production capacity (primarily Brewing and Chemical Specialties), plus the consolidation of Diversey France.

Included in our Balance Sheet for the first time and discussed fully in Notes 2 and 9 to the Financial Statements, is the effect of capital leases. These are leases which transfer substantially all of the benefits and risks of ownership of property to the lessee. Under this new accounting policy, now required by the Canadian Institute of Chartered Accountants, properties under capital leases entered into after March 31, 1979 have been treated as if fixed assets had been purchased and an equivalent debt obligation incurred. The effect of this accounting change on net earnings was insignificant, as shown in Note 2 to the Financial Statements.

The increase of $45.8 million in current liabilities to $278.4 million reflects the growth of our businesses and the Diversey France consolidation. The decrease in total long-term debt, including current portion, during the year from $134.6 million to $107.1 million reflects the repayment of a total of $25.8 million of the indebtedness incurred during fiscal year 1979 to purchase Diversey.

Consolidated statement of changes in financial position

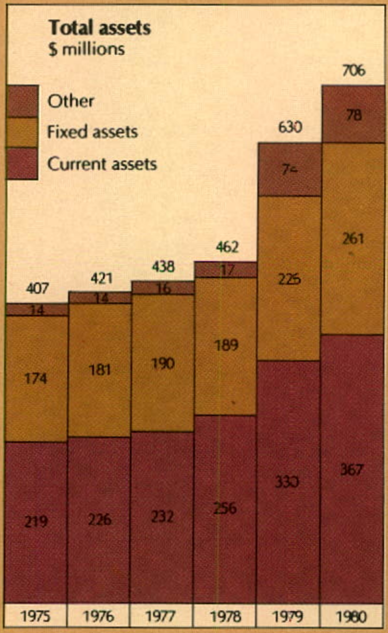
Working capital provided from business operations was $75.1 million, a 15.7% increase over last year. A further $18.4 million came from other sources, principally the sale of fixed assets and the manufacturing businesses of the Office and Education Products Group, for a total source of working capital of $93.5 million.

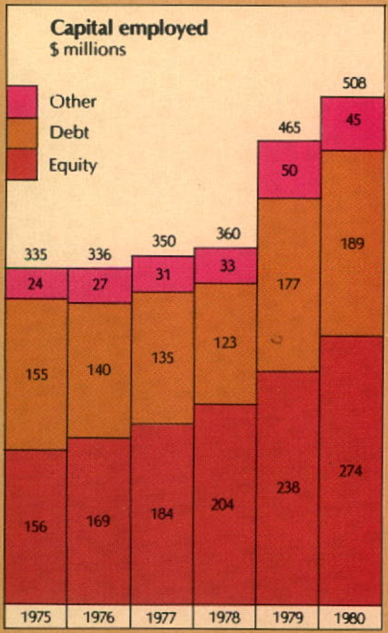
Working capital of $101.7 million was used (compared to $159 million last year), mainly for the payment of cash dividends to shareholders, investments in fixed assets, the acquisition of Diversey France and the repayment of long-term debt.

Investments in fixed assets for the year totalled $53.5 million, with Brewing Group accounting for $31.7 million and Diversey $13.9 million. Brewing spending is largely capacity related and is required to meet increasing market demand. Diversey investments are part of an ongoing capital investment program to upgrade and increase production capacity. In fiscal year 1981, the Corporation has planned a capital investment program of $80 million, with further brewing expansion being the major element.

Segmented financial information

We have included in this report financial information which analyzes our operations by industry and major world wide geographic segments. In addition, information on Molson's business by region within Canada is shown on the inside front cover. The geographic segment information is included for the first time and illustrates the extent of our international operations which has resulted from the acquisition of Diversey and the significant growth in Molson beer sales in the U.S.A.





Segmented financial information and inflation accounting

We have expanded the segmented financial information which follows to include a summary of our activities by significant geographic segments, in addition to the industry segment information given in previous reports. As in the past, we have related the net operating income of each industry segment to year-end capital employed, stated at net book values and at estimated replacement costs.

The geographic data illustrates the size of our international operations resulting from the acquisition of Diversey and the significant growth in Molson beer sales in the U.S.A. Profit from continuing business in the U.S.A. is after charging normal markup on beer imported from Canada and a royalty for the use of Molson trade marks, etc. In addition, the volume of U.S. beer sales has had a positive impact on total brewing operations by increasing the utilization of production facilities in our Quebec and Ontario breweries.

This Segmented Information does not form part of the financial statements and accordingly has not been audited.

There have been many studies of the effects of inflation on business results and the methods whereby businesses could report the effects of changing price and cost levels on their operations. An exposure draft on current cost accounting was recently issued by the Canadian Institute of Chartered Accountants. However, the proposals are still at a discussion stage and pending finalization of an accounting recommendation on this issue, replacement cost information should be used with caution, since the data is by nature subjective, and methods can and do vary from one corporation to another.

In computing return on capital employed at estimated replacement cost in the attached summary, net operating income before interest has not been adjusted for inflationary effects. It should be noted that the use of current cost accounting instead of historic values could be expected to have a negative effect on income measurement and a significant impact on the Balance Sheet of a corporation.

The data for Capital Employed at estimated replacement cost shown in the Summary of Segmented Financial Information was developed on a basis consistent with prior years, and consisted of either applying an index to prior years data or using one of the following methods:

Land

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

Buildings

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.

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.

Notes

1 Profit from Continuing Businesses is segment sales revenue less expenses which are directly attributable to each segment. Segment expenses do not include general corporate expenses, interest expense and income taxes.

2 Income taxes in the consolidated statement of earnings of $34.6 million (1979—$31.9) includes income taxes applicable to the industry segments of $43.1 million (1979—$39.5) less amounts applicable to interest expense of $8.5 million (1979—$7.6).

3 Net Operating Income before interest is after allocating to segments, general corporate expenses and sundry income on the basis of net sales revenues, income taxes at the rate applicable to each segment, and is before charging interest expense and minority interest.

4 Capital employed at net book values consists of directly identifiable assets less the current liabilities of each segment at year-end, exclusive of short-term borrowings and corporate items.

5 Capitalized Value of Leases is based on leases entered into after March 31, 1979.

6 U.S.A. Profit from Continuing Business is after charging both a normal markup on beer imported from Canada and a royalty of $3.5 million for the use of Molson trade marks, etc., pursuant to existing contractual arrangements.

7 Chemical Specialties information for 1979 pertains to ten months only, with the exception of return on capital employed data which has been annualized.

Summary of segmented financial information – unaudited ($ millions)

Industry segments	Consolidated		Brewing		Retail Merchandising		Chemical Specialties (7)		Other	
	1980	1979	**1980**	1979	**1980**	1979	**1980**	1979	**1980**	1979
Sales by continuing businesses	**1,388.2**	1,140.1	**685.2**	577.0	**334.2**	294.3	**239.7**	157.8	**129.1**	111.0
Sales by divested businesses	**2.3**	56.8							**2.3**	56.8
Total sales revenues	**1,390.5**	1,196.9	**685.2**	577.0	**334.2**	294.3	**239.7**	157.8	**131.4**	167.8
Profit from continuing businesses (1)	**111.4**	94.6	**76.0**	63.9	**15.1**	14.8	**19.2**	15.8	**1.1**	0.1
Profit from divested businesses	**0.1**	3.9							**0.1**	3.9
Total operating profit	**111.5**	98.5	**76.0**	63.9	**15.1**	14.8	**19.2**	15.8	**1.2**	4.0
General corporate expense	**(7.4)**	(6.3)	**(3.5)**	(2.6)	**(1.7)**	(1.7)	**(1.6)**	(0.9)	**(0.6)**	(1.1)
Sundry income	**4.0**	3.4	**2.0**	1.7	**1.0**	0.9	**0.7**	0.4	**0.3**	0.4
Income taxes (2)	**(43.1)**	(39.5)	**(31.3)**	(25.9)	**(4.8)**	(4.9)	**(6.6)**	(7.2)	**(0.4)**	(1.5)
Net operating income, before interest (3)	**65.0**	56.1	**43.2**	37.1	**9.6**	9.1	**11.7**	8.1	**0.5**	1.8
Capital employed at net book values (4)	**492.1**	444.3	**206.7**	193.8	**114.5**	112.0	**129.2**	101.9	**41.7**	36.6
Return on average capital employed	**13.9**	12.9	**21.6**	20.8	**8.5**	8.2	**10.1**	9.7	**1.3**	3.1
Capital employed at estimated replacement cost	**715.5**	622.8	**395.9**	356.1	**123.4**	122.1	**145.0**	102.9	**51.2**	41.7
Return on average capital employed	**9.7**	9.3	**11.5**	11.3	**7.8**	7.5	**9.4**	9.7	**1.1**	2.6
Capital expenditures	**53.5**	40.8	**31.7**	22.4	**5.1**	5.3	**13.9**	6.9	**2.8**	6.2
Capitalized value of leases (5)	**7.6**	–	**3.5**	–	**2.3**	–	**1.1**	–	**0.7**	–
Depreciation	**22.7**	20.9	**12.0**	10.9	**3.3**	3.1	**5.7**	3.8	**1.7**	3.1

Geographic segments	Consolidated		Canada		U.S.A.		Europe		Other	
	1980	1979	**1980**	1979	**1980**	1979	**1980**	1979	**1980**	1979
Sales by continuing businesses	**1,388.2**	1,140.1	**1,102.1**	945.5	**121.1**	91.4	**132.5**	78.7	**32.5**	24.5
Profit from continuing businesses (1)	**111.4**	94.6	**91.9**	78.7	**(6)5.6**	(6)4.1	**11.7**	8.8	**2.2**	3.0

Reconciliation of net operating income and net earnings

	1980	1979
Net operating income (3)	**$65.0**	$56.1
Interest expense	**(20.8)**	(18.4)
Income tax on interest expense (2)	**8.5**	7.6
Minority interest	**(1.8)**	(1.2)
Net earnings, per consolidated statement of earnings	**$50.9**	$44.1

Reconciliation of capital employed and total assets

	1980	1979
Capital employed at net book values (4)	**$492.1**	$444.3
Corporate items	**16.4**	20.4
Total capital employed	**508.5**	464.7
Current liabilities	**278.4**	232.6
Short term borrowings	**(80.8)**	(67.2)
Total assets, per consolidated balance sheet	**$706.1**	$630.1

Consolidated Statement of Earnings ($000's)

Year ended March 31	1980	1979
Revenues		
Sales revenues	$1,390,486	$1,196,859
Other income	4,896	3,469
	1,395,382	1,200,328
Costs and expenses		
Cost of sales, selling and administrative costs	1,078,681	912,597
Brewing excise and sales taxes	185,925	171,595
Depreciation	22,666	20,881
Interest on long-term debt	11,257	12,491
Other interest	9,595	5,517
	1,308,124	1,123,081
Earnings before income taxes	87,258	77,247
Income taxes	34,550	31,939
	52,708	45,308
Minority interest	1,770	1,232
Net earnings for the year	$ 50,938	$ 44,076
Net earnings per share	$ 3.65	$ 3.20

Consolidated Statement of Retained Earnings ($000's)

Year ended March 31	1980	1979
Balance – beginning of year	$185,502	$155,961
Net earnings for the year	50,938	44,076
	236,440	200,037
Dividends		
Cash	16,316	14,535
Stock	1,275	–
	17,591	14,535
Balance – end of year	$218,849	$185,502

(see Notes to Consolidated Financial Statements)

Consolidated Balance Sheet ($000's)

As at March 31	1980	1979
Assets		
Current assets		
Cash and short-term investments	$ 13,351	$ 30,925
Accounts receivable	138,298	117,367
Inventories	201,909	172,033
Prepaid expenses	13,881	9,486
	367,439	329,811
Investments	23,505	23,945
Fixed assets		
Land, buildings and equipment	438,856	396,567
Accumulated depreciation	178,277	169,988
	260,579	226,579
Properties under capital leases – less depreciation	6,483	–
Other assets – less amortization		
Intangible assets of acquisitions	47,402	49,025
Debenture discount and expenses	667	742
	48,069	49,767
	$706,075	$630,102
Liabilities		
Current liabilities		
Bank indebtedness	$ 49,197	$ 34,554
Notes payable	39,734	23,989
Accounts payable	142,164	120,137
Income taxes	19,226	11,643
Excise and sales taxes	14,836	13,179
Dividends payable	4,616	4,159
Current instalments on long-term debt	4,820	21,510
Deferred revenue	3,782	3,393
	278,375	232,564
Long-term debt	102,240	113,080
Obligations under capital leases	5,493	–
Deferred income – less amortization	3,489	4,432
Deferred liabilities	2,882	2,584
Minority interest	4,552	6,816
Deferred income taxes	35,053	32,758
	432,084	392,234
Shareholders' equity		
Capital stock	55,142	52,366
Retained earnings	218,849	185,502
	273,991	237,868
	$706,075	$630,102

Signed on Behalf of the Board: Director [signature]

Director [signature]

(see Notes to Consolidated Financial Statements)

Consolidated Statement of Changes in Financial Position *($000's)*

Year ended March 31	1980	1979
Source of working capital		
Net earnings	$ 50,938	$ 44,076
Items not affecting working capital –		
Depreciation	22,666	20,881
Amortization of intangible assets	1,711	1,308
Deferred income taxes	2,807	2,794
Gain on sale of fixed assets	(3,278)	(4,241)
Equity in earnings of other companies less dividends received	(1,181)	(745)
Other	1,427	825
Total provided from operations	75,090	64,898
Proceeds from –		
Sale of fixed assets	5,681	7,007
Disposal of investments	550	298
Sale of businesses (less working capital sold of $4,907; 1979 – $11,282)	2,453	14,014
Long-term borrowing	2,718	46,889
Issue of capital stock	1,501	3,976
Additions to obligations under capital leases (net)	5,493	–
	93,486	137,082
Use of working capital		
Cash dividends	16,316	14,535
Investment in fixed assets	53,536	40,812
Purchase of investments	3,053	7,458
Business acquisitions (less working capital acquired of $4,266; 1979 – $26,897)	3,347	63,657
Repayment and current portion of long-term debt	14,026	32,254
Additions to properties under capital leases	7,623	–
Purchase of minority interest	3,768	247
	101,669	158,963
Decrease in working capital	(8,183)	(21,881)
Working capital at beginning of year	97,247	119,128
Working capital at end of year	$ 89,064	$ 97,247

(see Notes to Consolidated Financial Statements)

Notes to Consolidated Financial Statements

1. Accounting policies

Consolidation

The accounts of all subsidiaries are consolidated.

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 March 31 rate and other balance sheet accounts and related depreciation are translated at the rate on the date of acquisition. Earnings before income taxes in 1980 include foreign exchange losses of $1,427,000 (gains of $833,000 in 1979), of which $1,248,000 were unrealized.

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 companies over which the Corporation exercises significant influence 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, principally at annual rates of 2½% for buildings and from 7% to 25% for equipment.

Intangible assets of acquisitions

Intangible assets of acquisitions after April 1, 1974 are being amortized by charges to earnings on a straight-line basis over periods not exceeding forty years, except for $12 million of hockey franchises which are not amortized as the Corporation believes there has been no decrease in their value.

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. Change in accounting policy

In the current year, the Corporation adopted the recommendation of the Canadian Institute of Chartered Accountants related to accounting for leases. As a result, leases entered into after March 31, 1979 that transfer substantially all of the benefits and risks of ownership of property are classified as capital leases and are recorded as if fixed assets had been purchased and an equivalent debt obligation incurred. The assets so recorded, are described as Properties Under Capital Leases and are depreciated on a straight-line basis. The debt obligations are described as Obligations Under Capital Leases and are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases and the rental costs are expensed as incurred.

The effect of this change in accounting policy was a reduction in net earnings in 1980 of $135,000 ($0.01 per share). If this change in accounting policy had been applied retroactively to capital leases in existence on March 31, 1979, Properties Under Capital Leases, less depreciation, and Obligations Under Capital Leases at March 31, 1980 would have increased by $72,738,000 and $76,052,000 respectively, and net earnings would have been reduced by $865,000 or $0.06 per share.

3. Business combinations

Effective December 20, 1979, the Corporation acquired the remaining 50% interest in Diversey France, S.A., for cash.

(In thousands of dollars)	
Net tangible assets acquired	**$ 4,221**
Assigned to fixed assets	**2,958**
Intangible assets of acquisitions	**434**
Purchase price	**$ 7,613**

4. Inventories

(In thousands of dollars)	**1980**	1979
Finished goods	**$157,474**	$138,486
Work in process	**10,704**	6,361
Raw materials and supplies	**33,731**	27,186
	$201,909	$172,033

5. Investments

(In thousands of dollars)	**1980**	1979
Mortgages and loans, at cost	**$ 4,195**	$ 3,777
Investments, on equity method	**6,225**	8,630
Other investments, at cost	**13,085**	11,538
	$ 23,505	$ 23,945

6. Fixed assets

(In thousands of dollars)	**1980**	1979
Land	**$ 26,096**	$ 25,575
Buildings	**163,743**	146,442
Equipment	**249,017**	224,550
	438,856	396,567
Accumulated depreciation	**178,277**	169,988
	$260,579	$226,579

7. Long-term debt

(In thousands of dollars)	1980 Current	1980 Total	1979 Current	1979 Total
Sinking fund debentures:				
8¼% maturing in 1991	$ –	$ 34,222	$ –	$ 35,655
8¼% maturing in 1995	900	27,300	900	28,200
6% maturing in 1982	–	–	–	1,696
5¼% maturing in 1989	23	120	–	537
Notes payable:				
9% repayable by 1989	1,536	15,361	1,536	16,897
5¾% repayable by 1985	200	1,200	200	1,400
Other	175	3,836	89	2,015
Term loan maturing December 31, 1986, bearing interest at London Inter-bank Offered Rate plus ¼% ($10,073 U.S.) (1)	–	12,000	18,550	36,438
Term loan maturing December 31, 1986, bearing interest at London Inter-bank Offered Rate plus ¼% (1)	–	10,000	–	10,000
Sundry	827	1,862	235	1,752
	$3,661	$105,901	$21,510	$134,590
Current instalments		3,661		21,510
		$102,240		$113,080

(1) The terms of these loans have been renegotiated since December 31, 1979.

Sinking fund requirements and principal payments during the next five years are; 1981 – $3,661; 1982 – $3,932; 1983 – $4,691; 1984 – $9,945; 1985 – $9,742.

8. Capital stock

Authorized

The Corporation was continued under the Canada Business Corporations Act effective June 28, 1979. Under its Articles of Continuance ("Articles"), the Corporation is authorized to issue:

(a) an unlimited number of Class "A" common shares without nominal or par value;

(b) an unlimited number of Class "B" common shares without nominal or par value;

(c) an unlimited number of preference shares without nominal or par value, which shall rank in priority to the common shares and may be issued from time to time in series with the designation, rights, privileges, restrictions and conditions attaching to each series as and in the manner set out in the Articles.

The Class "A" common 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. The Class "B" common shares are fully voting.

The Class "A" common shares are entitled to non-cumulative preferential dividends aggregating 20¢ per share per annum. No further dividend can be paid until the Class "B" common shares receive a dividend or dividends aggregating 20¢ per share per annum, and thereafter the Class "A" and Class "B" common shares rank equally as to dividends.

Issued and outstanding

At March 31, the following common shares were issued and outstanding:

	1980 Shares	1980 Amount	1979 Shares	1979 Amount
Class "A" common	8,897,550	$45,936,000	8,781,500	$43,184,000
Class "B" common	5,090,650	9,206,000	5,089,300	9,182,000
	13,988,200	$55,142,000	13,870,800	$52,366,000
Average number of common shares outstanding	13,949,000		13,743,900	

During the year, the following common shares were issued:

	1980 Shares	1980 Amount	1979 Shares	1979 Amount
Class "A"				
Employee stock option purchases	44,850	$1,060,000	94,700	$2,227,000
Stock dividends (1)	51,600	1,275,000	–	–
Debenture conversions (2)	19,600	417,000	77,900	1,657,000
	116,050	$2,752,000	172,600	$3,884,000
Class "B"				
Employee stock option purchases	1,350	$ 24,000	5,200	$ 92,000

(1) Issued in payment of dividends under Shareholders' Optional Stock Dividend Plan which became effective with the dividend paid on April 1, 1979.

(2) Pursuant to the right, which expired on May 1, 1979, of holders of 5¼% debentures of a subsidiary to convert such debentures into Class "A" shares on the basis of 47 shares per $1,000 debenture.

Stock options

At March 31, the following options to employees to purchase common shares were outstanding:

	Expiry date	1980 Option price	1980 Shares	1979 Option price	1979 Shares
Class "A"	August 14, 1980	$19.375	600	$19.375	1,950
Class "B"	August 14, 1980	$17.50	600	$17.50	1,950
			1,200		3,900
Class "A"	November 27, 1983	$23.75	34,000	$23.75	80,500
Class "A"	April 19, 1984 (3)	$25.25	4,000	–	–
			39,200		84,400

(3) Granted during the year under employee stock option plan adopted by the Board of Directors on November 20, 1978.

Common shares reserved at March 31:	1980	1979
For employee stock options – Class "A"	273,000	317,800
– Class "B"	6,000	7,300
For optional stock dividends – Class "A"	48,400	100,000
For debenture conversions – Class "A" (2)	–	30,600

9. Leases

Properties under capital leases entered into after March 31, 1979 comprise the following:
(In thousands of dollars)

Land	$ 180
Buildings	764
Equipment	6,679
	7,623
Accumulated depreciation	1,140
	$6,483

The capitalized value of building and equipment leases is depreciated on the straight-line method using the rates of depreciation applied to fixed assets.

The following table discloses minimum rental payments due after March 31, 1980 under all lease commitments together with the present value of the obligations under those capital leases entered into after March 31, 1979. Properties leased include warehouses, retail stores and sports arenas.

Fiscal year (In thousands of dollars)	Capital leases entered into after March 31, 1979	Other leases	Total
1981	$ 2,092	$ 19,577	$ 21,669
1982	2,027	17,481	19,508
1983	1,651	15,429	17,080
1984	1,190	14,442	15,632
1985	915	14,157	15,072
Thereafter to 2012	2,944	137,572	140,516
Total minimum rental payments	$10,819	$218,658	$229,477
Less: Imputed interest at an average rate of 14.4%	4,167		
	6,652		
Less: Current portion (1)	1,159		
Obligations under capital leases	$ 5,493		

(1) Included in Balance Sheet with current instalments on long-term debt.

10. 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 charged to earnings and funded over periods not exceeding 15 years. The unrecorded unfunded liability for past service pension costs amounted to $22,500,000 at March 31, 1980 (1979 – $26,000,000).

Classes of business

Consolidated sales revenues by class of business are as follows:

	1980		1979	
	$000's	**%**	$000's	%
Brewing	**$ 685,203**	**49**	$ 576,969	48
Retail merchandising	**334,172**	**24**	294,320	25
Chemical specialties	**239,744**	**17**	157,803	13
Other businesses	**131,367**	**10**	167,767	14
	$1,390,486	**100%**	$1,196,859	100%

Income taxes

Income taxes for the year ended March 31, 1980 have been reduced by tax credits of $1,400,000 relating to prior years which arose from changes in tax laws in the United Kingdom.

11. Subsequent event

On April 1, 1980, the Corporation acquired the chemical specialties business of BASF Wyandotte Corporation for approximately U.S. $20 million in cash. In addition, under the purchase agreement, the Corporation has agreed to acquire, subject to local approvals, certain related foreign subsidiaries of BASF Wyandotte Corporation for approximately U.S. $5.5 million in cash.

Auditors' report to the shareholders

We have examined the consolidated balance sheet of The Molson Companies Limited as at March 31, 1980 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 Corporation as at March 31, 1980 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 which have been applied, except for the change in the method of accounting for capital leases now required by the Canadian Institute of Chartered Accountants (as described in note 2), on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants, May 26, 1980

Operating and Financial Record

Dollars in millions except amounts per share	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Operations										
Sales revenues										
brewing	**$ 685.2**	$ 577.0	$ 489.3	$ 442.2	$ 408.1	$ 357.1	$ 296.2	$ 260.5	$ 232.1	$ 201.3
retail merchandising	**334.2**	294.3	266.7	261.8	232.2	211.8	174.6	131.2	33.2	–
chemical specialties	**239.7**	157.8	–	–	–	–	–	–	–	–
other	**131.4**	167.8	195.9	185.0	171.1	171.4	145.3	130.5	110.7	113.4
Total sales revenues	**1390.5**	1196.9	951.9	889.0	811.4	740.3	616.1	522.2	376.0	314.7
Depreciation	**22.7**	20.8	18.2	16.7	15.2	13.3	11.5	9.9	8.4	7.1
Earnings before income taxes	**87.3**	77.2	49.1	44.5	40.0	33.8	37.7	42.9	33.5	28.9
Income taxes	**34.6**	31.9	17.9	18.2	16.2	13.8	15.6	20.6	16.5	15.0
Net earnings										
Before extraordinary items	**50.9**	44.1	30.9	26.0	23.5	19.6	21.8	22.0	16.6	13.6
After extraordinary items	**50.9**	44.1	33.0	26.0	23.6	18.6	21.9	22.0	16.7	12.6
Working capital from operations	**75.1**	64.9	50.2	43.3	43.1	35.9	37.6	33.2	25.5	22.9
Financial										
Working capital	**89.1**	97.2	119.1	102.8	98.9	92.4	104.2	72.3	72.1	38.9
Current ratio (current assets: current liabilities)	**1.3:1**	1.4:1	1.8:1	1.8:1	1.8:1	1.7:1	2.1:1	1.9:1	2.3:1	2.0:1
Investments in fixed assets (net)	**47.9**	33.8	24.2	22.9	23.3	54.9	21.3	22.5	36.8	10.5
Total assets	**706.1**	630.1	462.4	437.8	421.3	407.0	345.3	285.1	248.8	169.4
Long-term debt	**102.2**	113.1	88.0	94.0	98.1	100.3	79.6	51.2	51.0	17.7
Shareholders' equity	**274.0**	237.9	204.3	183.6	168.9	156.3	150.0	138.9	125.8	98.6
Return on shareholders' equity*	**19.9%**	19.9%	15.9%	14.8%	14.5%	12.8%	15.1%	16.6%	14.8%	14.0%
Per Share										
Net earnings										
Before extraordinary items	**3.65**	3.20	2.25	1.90	1.72	1.43	1.60	1.62	1.40	1.20
After extraordinary items	**3.65**	3.20	2.41	1.90	1.72	1.36	1.60	1.62	1.40	1.11
Dividends	**1.26**	1.056	.888	.832	.80	.80	.80	.80	.72	.72
Shareholders' equity	**19.59**	17.15	14.92	13.41	12.34	11.41	10.98	10.18	9.29	8.67
Other										
Number of shares										
Outstanding (thousands)	**13,988**	13,871	13,692	13,692	13,692	13,690	13,667	13,637	13,530	11,374
Number of shareholders	**10,394**	11,151	11,819	12,457	13,199	13,656	14,134	13,988	15,016	13,700
Number of employees	**12,481**	12,251	10,336	10,758	10,965	11,211	10,928	10,455	9,210	6,674

*Based on average shareholders' equity.

Directors and Officers

Directors

Hon. John B. Aird, Toronto
Partner, Aird & Berlis, Barristers and Solicitors

W. R. Allen, Toronto
Barrister and Solicitor

Dr. L. I. Barber, Regina
President and Vice-Chancellor, University of Regina

Jean Béliveau, Montreal
Senior Vice President, Corporate Affairs, Club de Hockey Canadien, Inc.

J. T. Black, Toronto
President and Chief Executive Officer

J. P. Gordon, Toronto*
Chairman and Chief Executive Officer, The Steel Company of Canada, Limited

Donald Harvie, Calgary,
Chairman, The Devonian Group, and Deputy Chairman, Petro Canada

T. E. Ladner, Vancouver
Partner, Ladner Downs, Barristers and Solicitors

A. G. McCaughey, Toronto
Senior Vice President, Finance

R. C. McPherson, Toledo
Chairman of the Board, Dana Corporation

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, UAP 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

Honorary Directors

Frank M. Covert, Halifax
Roger Létourneau, Quebec
N. E. Whitmore, Regina

*effective February 21, 1980

Board Committees

Executive

D. G. Willmot, Chairman
Hon. J. B. Aird
J. T. Black
A. G. McCaughey
Hon. H. deM. Molson
E. H. Molson
Gérard Plourde

Audit

J. D. Riley, Chairman
Dr. L. I. Barber
T. E. Ladner
E. H. Molson
P. B. Stewart

Pension Fund

A. G. McCaughey, Chairman
W. R. Allen
Jean Béliveau
Donald Harvie
Charles Perrault

Management Resources and Compensation

D. G. Willmot, Chairman
Hon. J. B. Aird
J. T. Black
R. C. McPherson
Hon H. deM. Molson
Gérard Plourde

Officers

Hon. H. deM. Molson
Honorary Chairman of the Board

D. G. Willmot
Chairman of the Board

J. T. Black
President and Chief Executive Officer

P. B. Stewart
Executive Vice President

S. L. Hartley
Senior Vice President, Planning and Control

A. G. McCaughey
Senior Vice President, Finance

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

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 and Assistant to the President

H. E. C. Stoneham
Vice President, Corporate and Employee Relations

W. A. Harshaw
Treasurer

Shirley A. Hoffman
Assistant Secretary

J. F. Osterman
Assistant Secretary

Senior Operating Management

Brewing

Molson Breweries of Canada Limited
1555 Notre Dame Street East, Montreal, Quebec

Morgan McCammon, President
E.H. Molson, Executive Vice President
D.V. Pleshoyano, Executive Vice President
R.L. Bowman, Counsel
C. Harari, Vice President, Industrial Relations
K. Laursen, Vice President, Personnel
J.F. Osterman, Vice President, Controller
B.A. Smith, Vice President, Marketing
Z. Valyi, Vice President, Production

Molson Newfoundland Brewery Limited
St. John's, Newfoundland

R.I. McKenzie, President

Molson's Brewery Quebec Limited
Montreal, Quebec

J.J. Allard, President
P. Crépin, Vice President, Personnel
P. Falardeau, Vice President, Executive Assistant to the President
A.L. Jones, Vice President, Production

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

J.P. Rogers, President
D.A. Barbour, Vice President, Marketing
G.S. Burkett, Vice President, Personnel
D.B. Macaskill, Vice President, Administration and Secretary
F.C. Mann, Vice President, Operations

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

T.M. Sterling, President
W.J. Bradley, Vice President, Production
G.R. Hallamore, Vice President and Secretary
D.H. Henderson, Vice President, Marketing
D.B. Muir, Vice President, Controller
B.E. Peterson, Vice President, Personnel

British Columbia Region: H.J. Moran, President
Alberta Region: T.C. Broden, President
Saskatchewan Region: H.R. Deeks, President
Manitoba Region: R.F.J. Deeb, President

Molson Breweries International

H.H. Brace, President

R.D. Guest, Vice President, Administration and Planning
G. Regan, Vice President and President, Martlet Importing Co. Inc., Great Neck, New York

Retail Merchandising

Beaver Lumber Company Limited
245 Fairview Mall Drive, Willowdale, Ontario

A.L. Keyworth, President
R.F. Knowles, Senior Vice President, Group Services
L. Van Geest, Senior Vice President, Operations
D.K. Wilson, Senior Vice President, Merchandising
S.P. Baker, Vice President, Controller
A.G. Gemmell, Vice President, Franchise Development
A.W. Wright, Vice President, Personnel and Industrial Relations

Division Managers
Western Division, Edmonton, Alberta: C.P. Campbell
Central Division, Winnipeg, Manitoba: W.J. Mann
Ontario Division: M.C. Manto
Quebec Division: M. Laberge
Biltrite/Saveway Division: J.W. Baird

Office and Education Products

Willson Office Specialty Ltd.
1515 Matheson Boulevard, Mississauga, Ontario

A.C. Plant, President
D.H. Kerry, Vice President, Personnel
G.E. Metcalfe, Vice President and General Manager, Education Supplies Division
J.W. Pennington, Vice President, Accounting and Control
M.A. Risso, Vice President, Retail
F.J. Visser, Vice President, Distribution
J.G. Baroux, National Sales Manager, Business Supplies Division
J.N. Douglas, National Sales Manager, Business Environments Division
R.J. Simmons, Director, Marketing

Commercial Products and Services

2 International Boulevard, Rexdale, Ontario.

L.R. Sinclair, Senior Vice President
I.A. Cross, Vice President, Special Projects
D.H. Stanley, Vice President, Personnel

Seaway/Midwest Ltd., Rexdale, Ontario

N.M. Seagram, President
D.H. MacKinnon, Executive Vice President, Operations
E.A. Backhouse, Vice President, Marketing
G. Redston, Vice President, Client Services

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

E.L. Prentice, Chairman and Managing Director

The Diversey Corporation, Chicago, U.S.A.

J. Perry, President
J.E. Ashley, Vice President, Planning and Secretary
J.J. Nicholson, Vice President and Treasurer
Dr. M.W. Siefken, Vice President, Technical
J.D. Taylor, Vice President, Marketing

Region and General Management
A.E. Preston, Senior Vice President, Europe, Africa and Middle East Region
A. Galsgaard – Denmark, Norway, Sweden and Finland
S. Baliteau – France, Belgium, Switzerland, Portugal, Morocco and Ivory Coast
D. Obstoj – Germany, Netherlands and Austria
F. Zironda – Italy
J. Ruiz-Valeta – Spain
M.D. Steer – United Kingdom, Ireland and Kenya

J.C. Pick, Vice-President, North American Region
I.R. Newall – Canada, Jamaica and Trinidad
J. Kirkham – United States

N.A. Nuwar, Vice President, Latin America and Caribbean Region
O. Motta – Brazil
I. Lewis – Guatemala
A. Lavagnino – Venezuela

J. Kane, Vice President, Pacific and Far East Region
R.H. Gardiner – Australia
J. King – Hong Kong
G. Miyashita – Japan
B.G. Tuck – New Zealand
J. Alexander – Philippines
C. Chai – Singapore
T. Whate – Thailand

Corporate information

The Molson Companies Limited
Incorporated under the laws of Canada
Registered office: 1555 Notre Dame Street East, Montreal, Quebec H2L 2R5
Executive office: 2 International Boulevard, Rexdale, Ontario M9W 1A2

Registrar. National Trust Company, Limited, Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

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

Auditors. Coopers & Lybrand

Printed in Canada