

## ANNUAL • REPORT • 1987



---

# CONTENTS

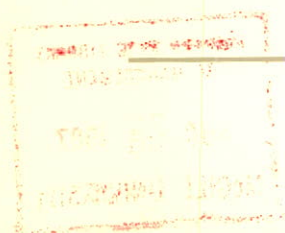
---

	Page
<b>Highlights</b> . . . . .	1
<b>Letter to Shareholders</b> . . . . .	4
<b>Group Reviews</b>	
Financial Summary . . . . .	7
Brewing . . . . .	8
Agri Products . . . . .	12
Packaged Food . . . . .	18
Other Investments and Partly-Owned Businesses . . . . .	24
<b>Financial Section</b>	
Financial Review . . . . .	27
Responsibility for Financial Statements . . . . .	31
Consolidated Financial Statements . . . . .	32
Auditors' Report . . . . .	36
<b>Corporate Information</b> . . . . .	45
<b>Shareholders' Information</b> . . . . .	50
<b>Five Year Review</b> . . . . .	51

*Pour obtenir la version  
française du présent rapport,  
écrire au secrétaire de John  
Labatt, 451, rue Ridout nord,  
C.P. 5870, Succursale A, London  
(Ontario) N6A 5L3*

For further information please write:

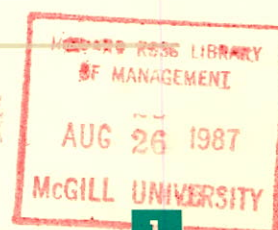
Investor Relations  
John Labatt Limited  
P.O. Box 5870, Terminal A  
London, Ontario  
N6A 5L3





## HIGHLIGHTS

<i>(in millions except per share and other data)</i>	1987	1986	% Change
<b>Operating Results</b>			
Gross sales	\$4,253.3	\$3,581.4	18.8
Net earnings	125.2	101.5	23.4
Funds provided from operations	233.6	201.2	16.1
Common share dividends	39.6	32.3	22.7
Acquisitions, capital expenditures and additional investments, net	556.3	164.1	
<b>Financial Position</b>			
Working capital	\$ 204.7	\$ 338.7	(39.6)
Total assets	2,355.0	1,785.3	31.9
Non-convertible long-term debt	378.3	287.2	31.7
Convertible debentures and shareholders' equity	1,066.3	850.8	25.3
<b>Per Share Data</b>			
Fully diluted net earnings	\$ 1.55	\$ 1.38	12.3
Dividends	0.5475	0.5025	9.0
Convertible debentures and shareholders' equity	12.06	10.22	18.0
<b>Other Data</b>			
Return on average shareholders' equity	17.3%	17.0%	
Number of common shareholders	13,160	12,006	
Number of employees	16,200	14,200	



## JOHN LABATT

John Labatt is a broadly based food and beverage company carrying on business in three major industrial groups: Brewing, Agri Products and Packaged Food.

The principal operating divisions and products within the three major groups are as follows:

### THE BREWING GROUP

Production and sale of beer, ale, malt liquor, stout and malt-based beverages in Canada and abroad through the Labatt Brewing Company.



#### Labatt Breweries of Canada

Labatt Breweries of Canada brews and markets 39 brands of beer. National brands include "Labatt's Blue", "Labatt's 50", "Budweiser", "John Labatt Classic", and "Labatt's Lite" and account for most of the company's sales. Important regional brands include "Keith's" in the Maritimes, "Club" in Manitoba, "Kokanee" in B.C. and "Blue Light" in Ontario.



#### Labatt Importers

Sale of beer and ale in the United States.

#### Labatt Breweries of Europe

Sale and production of beer in Europe (starting Fiscal '88).

### THE AGRI PRODUCTS GROUP



Production and sale of cheese, butter, fresh table milk, cultured products, margarine, ice cream, novelties, powders and other milk products in Canada.



Production and sale of fresh table milk, ice cream, novelties, yogourt and other milk products, fruit juices, fruit drinks and spring water in the United States.



Production and sale of flour and other milled grain products in Canada and for export. Production and sale of starch, gluten and livestock feeds in Canada and the United States. Production and sale of specialty blended food products in the United States.



## THE PACKAGED FOOD GROUP



Production and sale of prepared frozen foods including soups, specialty vegetables, cakes and other baked goods in the United States and Canada.



Production and sale of wine and wine-based refreshments in Canada.



*Holiday Juice*

Production and sale of fruit juices and fruit drinks in Canada and the United States.



Production and sale of pre-made pizza, pizza ingredients and support services in the United States.



Production and sale of pasta, jams, marmalades, pickles, soups, sauces, packaged flour, puddings, table and maple syrup and fresh mushrooms in Canada. Production and sale of maple syrup, processed meats, soups and condiments in the United States.

## OTHER INVESTMENTS AND PARTLY-OWNED BUSINESSES

**John Labatt has a number of other investments and partly-owned businesses:**

### The Sports Network

Television sports broadcasting service in Canada. TSN is 100% owned by John Labatt.



**THE SPORTS NETWORK™**

### McGavin Foods Limited

Production and sale of baked goods in western Canada. John Labatt has a 60% share interest and a 50% voting interest.

### Allelix Inc.

Applied research in biotechnology in Canada. John Labatt has a 30% partnership interest.

### Catelli-Primo Limited

Production and sale of packaged foods in Trinidad. John Labatt has a 46.4% share interest.

### Auscan Closures Canada and Company, Limited

A manufacturer of patented caps for bottled beverages, for sale in Canada and the United States. John Labatt has a 50% interest.

### Toronto Blue Jays Baseball Club

American League baseball. John Labatt has a 45% partnership interest.



### Canada Malting Co., Limited

Production and sale of malt for the brewing and distilling industries in Canada and for export. John Labatt has a 19.9% share interest.

---

## LETTER TO SHAREHOLDERS

---

### To Our Shareholders:

It is a pleasure to report that John Labatt continued its strong performance and growth during fiscal 1987. Sales for the fiscal year passed the \$4 billion mark for the first time in the Company's history, an increase of 19% over the previous year. Net earnings of \$125.2 million were up 23%. Earnings per share on a fully diluted basis were \$1.55, up from \$1.38 last year, and return on shareholders' equity remained strong at over 17%.

Each of John Labatt's major business groups contributed to the strong earnings performance in fiscal 1987. Labatt Brewing increased its earnings contribution by 27% and its leading Canadian market share to over 41%, the third consecutive year of improvement.

The Agri Products group maintained earnings at the record level achieved last year. Strong performances in most product lines were offset by the effects of significant price discounting in table milk markets in Ontario and New York City. The Packaged Food group achieved 20% earnings growth as a result of good performance in all divisions, the disposition of LaMont Winery and the positive impact of acquisitions. The Sports Network (TSN) continued to progress and exceeded the milestone of one million subscribers during the year. Results from partly-owned businesses showed a small loss, much improved from the loss a year ago. Effective March, 1987, the Company sold, without significant gain or loss, its 30% interest in Casco to the majority partner, Canada Starch Company Inc.

John Labatt continued its capital investment programs during fiscal 1987, investing \$158 million in the upgrading and expansion of its production facilities to provide for future growth and profitability. The Company obtained the funds for its acquisition and capital spending programs from operating cash flow and from the \$225 million proceeds of two debenture issues, supplemented by short-term borrowings.

Fiscal 1987 was a year of exceptional progress, during which the Company acquired six businesses for \$388 million. The businesses acquired were Pasquale Food Company, Birmingham, Alabama (pizza and pizza ingredients); Tuscan Industries, Union, New Jersey (dairy); Green Spring Dairy, Baltimore, Maryland; EverFresh Juice, Detroit, Michigan; Louise's Home Style Ravioli, Boston, Massachusetts; and Lactantia, Victoriaville, Quebec (premium butter and other dairy products). These acquisitions significantly increase Labatt's presence in the United States and for the fiscal year 1987, 32% of sales were in the United States, up from 25% a year ago.

Strategically, the Company is continuing its development as a broadly based North American food and beverage company. John Labatt will continue to focus on its core businesses and in its acquisition program seek strong regional companies. Competitive advantage will be maintained through productivity improvement, new-product development and excellence in marketing and sales execution.

In fiscal 1988, the Company will emphasize the integration of its newly-acquired businesses to maximize the attractive profit potential of its much-expanded operations.



---

A key to John Labatt's success through diversification is its adherence to the principle of divisional autonomy. In other words, the Company hires good people and gives them the freedom to act, while ensuring accountability through comprehensive planning and reporting systems. This approach enables John Labatt to attract highly motivated and competitive managers and to address opportunities in a number of businesses in different geographic areas. The Company's reputation for its decentralized management approach has also been important to its success in acquiring well-managed private businesses.

The Company is actively communicating with Canadian governments regarding free trade negotiations being conducted between Canada and the United States. Until the terms of a proposed agreement are announced, the impact, if any, on John Labatt cannot be determined. The Company supports the principle of freer trade. However, there are many very difficult issues that government negotiators must resolve to ensure a fair trading environment for both Canadian and American business.

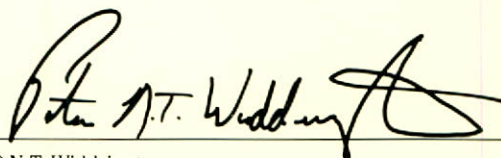
John Labatt has developed a strong business base in Canada and the United States which, together with a strong financial position, provide the Company with exceptional potential. John Labatt's 16,200 employees have the initiative, creativity, know-how and competitive spirit to ensure the Company's continued success.

### *Tribute*

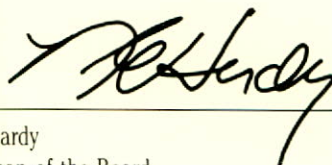
During this past year, Mr. Alexander S. Graydon, a valued member of the Labatt Board of Directors for thirty-five years, passed away. He had served the Company with distinction and dedication and will be missed.

Also, Madame Andrée Ruffo resigned from the Board. The Honorable Judge Ruffo served on the Board for the past two years and we thank her for her valued counsel.

The Company's Board was strengthened during the year with the addition of three distinguished new members: Mr. Jack L. Cockwell, Madame Francine Harel Giasson and Mr. Peter F. Hannam. These directors will add significantly to the Board's wealth of experience, diverse expertise and valued counsel.



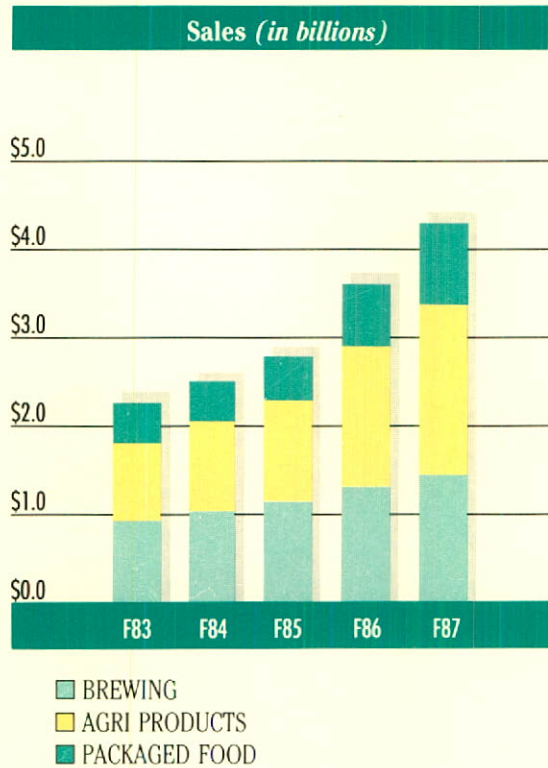
P.N.T. Widdrington  
President and Chief Executive Officer



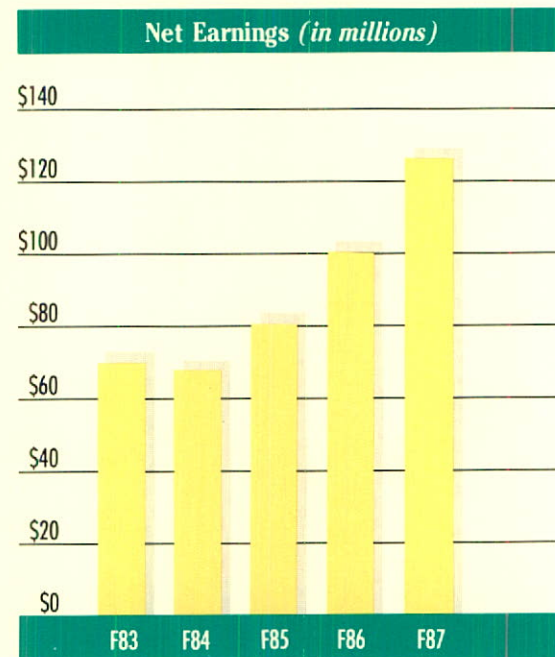
N.E. Hardy  
Chairman of the Board

## SALES AND EARNINGS

Sales passed the \$4.0 billion level, reaching \$4.3 billion in fiscal 1987.



Net earnings increased 23% to a record high of \$125.2 million. Fully diluted net earnings per share were \$1.55, up 12% from \$1.38 the previous year.





## GROUP FINANCIAL SUMMARY

(in thousands)

Operating Results	1987	1986	1985	1984	1983
Gross sales					
Brewing	\$1,423,584	\$1,274,382	\$1,149,275	\$ 984,218	\$ 937,991
Agri Products	2,018,248	1,605,020	1,074,518	973,750	792,554
Packaged Food	811,428	702,039	578,836	491,521	494,437
	<b>\$4,253,260</b>	<b>\$3,581,441</b>	<b>\$2,802,629</b>	<b>\$2,449,489</b>	<b>\$2,224,982</b>
Earnings before interest and income taxes					
Brewing	\$ 118,132	\$ 93,305	\$ 77,695	\$ 83,981	\$ 83,543
Agri Products	92,549	92,063	72,278	58,008	49,076
Packaged Food	60,755	50,604	30,971	28,029	21,383
	<b>271,436</b>	<b>235,972</b>	<b>180,944</b>	<b>170,018</b>	<b>154,002</b>
Unallocated income (expense)	<b>10,209</b>	<b>(509)</b>	<b>(1,590)</b>	<b>11,033</b>	<b>5,482</b>
Interest	<b>(59,873)</b>	<b>(49,700)</b>	<b>(38,332)</b>	<b>(32,568)</b>	<b>(30,233)</b>
Income taxes	<b>(95,385)</b>	<b>(79,631)</b>	<b>(52,494)</b>	<b>(58,223)</b>	<b>(51,322)</b>
Earnings before the following	<b>126,387</b>	<b>106,132</b>	<b>88,528</b>	<b>90,260</b>	<b>77,929</b>
Share of net losses of partly-owned businesses	<b>(1,176)</b>	<b>(4,669)</b>	<b>(6,864)</b>	<b>(3,831)</b>	<b>(5,272)</b>
Earnings before bottle write-off and extraordinary items	<b>125,211</b>	<b>101,463</b>	<b>81,664</b>	<b>86,429</b>	<b>72,657</b>
Provision for bottle write-off	—	—	—	(19,700)	—
Extraordinary items	—	—	—	—	(3,500)
Net earnings	<b>\$ 125,211</b>	<b>\$ 101,463</b>	<b>\$ 81,664</b>	<b>\$ 66,729</b>	<b>\$ 69,157</b>
<b>Capital Expenditures</b>					
Brewing	\$ 54,468	\$ 54,705	\$ 61,204	\$ 43,107	\$ 24,416
Agri Products	56,561	35,356	15,878	6,489	7,863
Packaged Food	46,644	25,515	33,978	21,084	20,769
	<b>\$ 157,673</b>	<b>\$ 115,576</b>	<b>\$ 111,060</b>	<b>\$ 70,680</b>	<b>\$ 53,048</b>
<b>Acquisitions</b>	<b>\$ 387,755</b>	<b>\$ 47,568</b>	<b>\$ 182,013</b>	<b>\$ 69,666</b>	<b>\$ 6,616</b>

## BREWING





	1987	1986	1985	1984	1983
Industry volume (000 hl.)	<b>20,416</b>	19,766	20,392	20,412	20,135
Labatt domestic volume (000 hl.)	<b>8,401</b>	8,097	7,937	7,177	7,407
Market share	<b>41.2%</b>	41.0%	38.9%	35.2%	36.8%
(in thousands) Gross sales	<b>\$1,423,584</b>	\$1,274,382	\$1,149,275	\$984,218	\$937,991
Assets employed	<b>385,368</b>	343,421	316,593	244,594	207,766
Capital expenditures	<b>54,468</b>	54,705	61,204	43,107	24,416
Depreciation and amortization	<b>30,967</b>	25,425	22,164	17,745	17,113
Earnings before interest and income taxes	<b>\$ 118,132</b>	\$ 93,305	\$ 77,695	\$ 83,981	\$ 83,543

### Executive and Marketing Offices:

**Labatt Brewing Company**  
**#2 First Canadian Place**  
**Suite 3200, P.O. Box 69**  
**Toronto, Ontario**  
**M5X 1E7**

### Head Office:

**Labatt Brewing Company**  
**150 Simcoe Street**  
**London, Ontario**  
**N6A 4M3**

**Number of Plants: 12**

**Number of Employees: 4,336**

Labatt Brewing produces and markets quality malt-based beverages for sale in Canada, the United States and other countries around the world. In Canada, the company markets 39 brands, including such national brands as "Labatt's Blue", "Labatt's 50", "Budweiser", "Labatt's-Lite", and "John Labatt Classic", and important regional brands such as "Keith's" in the Maritimes, "Labatt's Blue Light" in Ontario, "Club" in Manitoba and "Kokanee" in British Columbia.

The company operates twelve plants across Canada with a combined capacity of 10.7 million hectolitres.

In the United States, Labatt Importers markets a number of Labatt brands in 45 states through a network of more than 400 distributors. Brands available include "Labatt's Blue", "Labatt's Blue Light", "Labatt's 50", and "Schooner". During the year, Labatt Importers began distributing "Moussy", a European non-alcoholic beer, and "Quenchette", a French wine-based cooler.

### Group Highlights and Outlook

- Labatt Brewing sales exceeded \$1.4 billion in the fiscal year ended April 30, 1987, an increase of 12% over the prior year. Earnings before interest and income taxes were \$118.1 million, a 27% increase over 1986.
- Industry volume recovered during fiscal 1987 from the level of the previous year when work stoppages reduced sales in Newfoundland, Quebec and Alberta. However, unusually wet weather in most parts of the country, together with increasing competition from other beverage categories, held industry volume below normal levels.
- In the very competitive Canadian brewing market, Labatt increased its market share for the third consecutive year, to over 41%. This market share was achieved in part by the strong growth of "Labatt's Blue", Canada's most popular beer, which enjoys more than twice the market share of its nearest competitor.



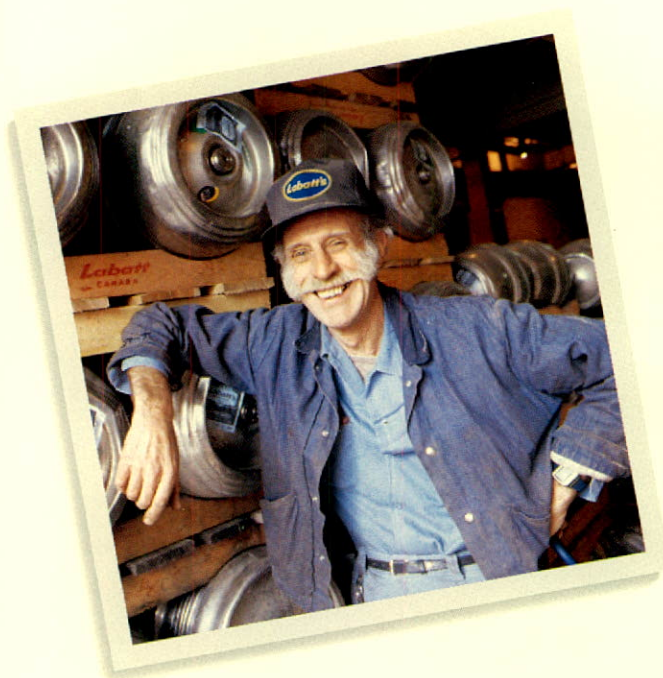
- Labatt continued its tradition of product development, innovation and sponsorship in fiscal 1987. The Company:
  - introduced “John Labatt Classic Light”, Canada’s first premium light beer, to the Ontario market.
  - extended “Bud Light” to Alberta, following a successful launch in Quebec.
  - introduced the “Swift-off”, a new patented bottle closure providing a smoother, easier-to-use cap.
  - was proudly associated with the success of Expo ’86 in Vancouver, British Columbia, through its status as the “official brewer” of the fair and its sponsorship of the “Labatt Expo Theatre”.
  - was awarded “official sponsor” status for the 1988 Winter Olympics in Calgary, Alberta.
- In the United States, Labatt Importers’ growth continued to outpace other Canadian brewers in the very competitive import segment of the market, with volume gains of 9% over the previous year.
- Labatt Importers extended its product line during the year by acquiring exclusive distribution rights in the United States for two additional products — “Quenchette”, a French wine cooler, and “Moussy”, the leading imported non-alcoholic beer.



*Labatt brands enjoy widespread popularity in regional, national and international markets.*



- Brewing established a new operating unit, Labatt Breweries of Europe, to increase its focus on international expansion. This unit will identify and develop opportunities in the United Kingdom and western Europe.



- In May, 1987, Labatt Breweries of Europe entered into production and distribution agreements with Greenall Whitley, an important United Kingdom regional brewer. Plans are in place to develop Labatt's high-quality lager as a national brand in the United Kingdom through a series of production and distribution agreements with regional brewers.
- Brewing continues to emphasize capital spending and other programs designed to increase capacity, reduce operating costs and improve efficiency. To support these programs, capital spending planned for fiscal 1988 will substantially exceed the \$54 million invested during the previous year.
- In June 1987, Labatt Brewing announced that it acquired the Canadian brewing and marketing rights to the Carlsberg group of brands, effective July 1, 1988. The agreement with United Breweries International Ltd. of Copenhagen, Denmark, provides Labatt with the rights to Carlsberg, Carlsberg Light, Carlsberg Bock and Carlsberg Gold. Labatt plans to make these brands a significant part of the Canadian beer market.
- The Canadian brewing industry is expected to remain intensely competitive in fiscal 1988. Labatt will strengthen its position as Canada's leading brewer through superior execution of all aspects of its business while also pursuing opportunities for growth in international markets.





---

## AGRI PRODUCTS

---





<i>(in thousands)</i>	1987	1986	1985	1984	1983
Gross sales	<b>\$2,018,248</b>	\$1,605,020	\$1,074,518	\$973,750	\$792,554
Assets employed	<b>664,120</b>	403,689	278,347	232,477	165,935
Capital expenditures	<b>56,561</b>	35,356	15,878	6,489	7,863
Depreciation and amortization	<b>34,446</b>	27,554	15,351	14,432	11,662
Earnings before interest and income taxes	<b>\$ 92,549</b>	\$ 92,063	\$ 72,278	\$ 58,008	\$ 49,076

#### The Agri Products Group includes:

- Ault Foods
- Johanna Farms
- Ogilvie

#### Group Highlights and Outlook:

- The group expanded significantly in fiscal 1987 through Johanna's purchase of Tuscan Dairies and Green Spring Dairy and Ault's acquisition of Lactantia.
- Group sales reached a record \$2.0 billion and accounted for 47% of total Company sales. Earnings of \$92.5 million were marginally higher than the prior year, but constrained by significant price discounting in the Ontario and New York City table milk markets.
- In June 1987, Johanna acquired additional distribution routes and milk processing facilities in the New York city market.
- Increased sales and earnings are expected for Agri Products in fiscal 1988.

#### AULT FOODS

##### Head Office:

405 The West Mall  
Etobicoke, Ontario  
M9C 5J1

**Number of Plants: 20**

**Number of Employees: 2,449**

Ault Foods, one of Canada's largest milk processors, produces and markets a complete line of dairy products in Ontario, Quebec and Manitoba.

Fresh table milk and complementary lines of creams, yogurt, cottage cheese, butter, margarine, sour cream, ice cream, frozen novelties and fruit juices account for approximately two-thirds of Ault's total sales. These products are marketed primarily under the "Sealtest", "Silverwood" and "Light n' Lively" brand names. The "Lactantia" brand name, with an outstanding reputation for quality and value, was acquired this past year. Ault's well-known regional brand names include "Dallaire", "Royal Oak" and "Copper Cliff".

Ault distributes its branded products to retail grocery chains, convenience stores, independent grocers, and to restaurants and other segments of the foodservice industry.

Ault's industrial operation, which accounts for approximately one-third of its sales, is a major supplier of products to food manufacturers for further processing and to retailers for their brand-name and private-label business. Exports, particularly to the United Kingdom and the United States, include cheese, butter, demineralized whey powder, whey powder, skim milk powder and many custom-blended dairy powders.

Ault operates twenty plants in Ontario, Quebec and Manitoba.

## Performance Highlights and Outlook:

- In fiscal 1987, Ault's earnings were lower than in the previous year, reflecting heavy price discounting at the wholesale level in the Ontario table milk market.
- Ault's cheddar won The World's Best Cheese award at the World Championship Cheese Contest in Wisconsin, demonstrating Ault's excellent reputation for quality.
- Important product launches and market initiatives during the year included:
  - The new Sealtest "Light n' Lively" yogourt, which drew excellent consumer response. Ault continues to gain an increasing share of the expanding yogourt market.
  - The introduction of 1% cottage cheese and light sour cream, to respond to consumer demand.
  - The successful roll-out of several frozen confections in the premium category, including: "Fruit Fantasy", "Oh Henry! Junior", "Chipwich Jr." and "Eskimo Pie". Ault holds a leading share of the frozen confections market.

- Ault achieved share gains in the premium ice cream and frozen confection markets. Sealtest "All Natural" and "Parlour" ice cream volume increased nearly 10% in a flat market for premium ice cream.
- The Lactantia acquisition provides Ault with the leading position in the premium butter market and a strong consumer franchise for margarine.
- Operationally, Ault completed several major projects:
  - The consolidation of Toronto production in the expanded and modernized Don Mills plant to serve the Metro Toronto market.
  - The expansion of the Napanee cultured products plant to meet growing consumer demand.
  - The upgrading of the frozen-confection operation in London to satisfy increased demand.
- In fiscal 1988, Ault will maintain its leading share of the table milk market through competitive pricing and customer service. Significant new operating efficiencies will also contribute to improved operating results.

New product introductions in fiscal 1988 will include Silverwood and Sealtest 1% milk in the Manitoba and Quebec markets and "Fruit Fantasy Frozen Yogourt Bars" nationally.

Ault expects to achieve increased sales and earnings in fiscal 1988.



*A selection of brands reflecting Ault's leadership in Canadian dairy products.*



## JOHANNA FARMS

### Head Office:

Johanna Farms Road  
P.O. Box 272  
Flemington, New Jersey 08822

Number of Plants: 12

Number of Employees: 3,230

Johanna Farms is a large dairy operation in the north-eastern United States that processes, packages and markets fresh table milk, cottage cheese, yogurt, ice cream and other frozen products as well as fruit juices, fruit drinks and spring water.

Johanna's major branded products include table milk under the "Johanna", "Abbotts", "Lehigh" and "Tuscan" labels; juice under the "Johanna" and "Florida Citrus" labels and French-style yogurt under the "La Yogurt" label. The company also markets shelf-stable juices and drinks under the "Tree Ripe" and "Ssips" labels and ice cream under the "Abbotts Old Philadelphia" and "Louis Sherry" labels. Customers for these products include major super-market chains, grocery wholesalers and independent

stores. Johanna serves primarily the New Jersey, New York, Pennsylvania, Maryland and Washington areas, while also serving markets as distant as Florida and Colorado. As a major private-label packager, Johanna supplies super-market chains and wholesale distributors and acts as co-packer for several major national companies.

Johanna operates twelve plants in New Jersey, Pennsylvania, Maryland and New York.

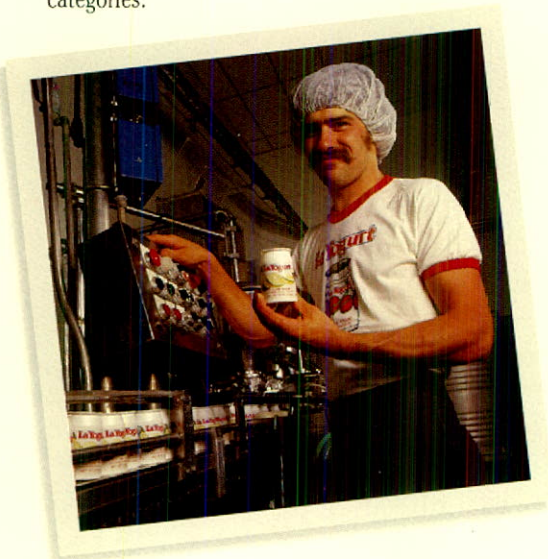
### Performance Highlights and Outlook:

- Johanna continued its strong growth in sales and earnings in fiscal 1987.
- In December, 1986, Johanna acquired Tuscan, which significantly expanded Johanna's table milk business in New Jersey and provided entry into the New York City table milk market. Tuscan also provides Johanna with production capability for frozen novelties and a stronger presence in the foodservice market.
- Also in December, 1986, Johanna acquired Green Spring Dairy of Baltimore, which increased its table milk business in the Baltimore/Washington market.



*Some of Johanna's leading brands.*

- Johanna was able to maintain its market share for table milk. Significant price discounting in the New York City market has reduced margins in the short term. However, this market provides exciting opportunities for the longer term.
- In June 1987, Johanna acquired the distribution routes and two processing facilities of Queens Farms, Inc., a major milk processing company in New York City.
- Sales of "La Yogurt" increased 14% during fiscal 1987, the result in part of entering the Chicago and Detroit markets during the year. Johanna expects the strong sales growth of "La Yogurt" to continue.
- Shelf-stable juices and drinks sold under the "Tree Ripe" and "Ssips" labels also achieved significant sales increases, while lower margin juice and drink sales to private-label customers remained stable.
- In fiscal 1988, Johanna will emphasize the integration of the Tuscan, Green Spring and Queens Farms Dairy acquisitions. The company is also substantially increasing its capital spending to ensure production of the highest-quality products at low cost and provide capacity for future growth.
- The highly competitive table milk markets are expected to show only modest growth in fiscal 1988. Johanna's strategy is to expand sales of other products (such as juices, yogourt and novelties) through its now very extensive retail distribution network. Johanna expects further earnings gains from higher sales in all product categories.



## OGILVIE

### Head Office:

1 Place Ville Marie  
Suite 2100  
Montreal, Quebec  
H3B 2X2

Number of Plants: 12

Number of Employees: 1,105

Ogilvie operates the Company's grain processing businesses.

Ogilvie's major activity is the milling and sale of flour to bakeries, pasta and biscuit producers and a number of industrial food processors. The company mills the "Five Roses" brand of family flour, which Catelli markets nationally. Ogilvie also exports flour by direct sale and through government foreign-aid supply programs.

Ogilvie leads the world in the production of wheat starch and gluten. Wheat starch is used in the food processing, corrugating, textile, paper, mining, building products and adhesives industries and is sold in Canada and the United States. Wheat gluten, a vegetable protein, is used in the baking, cereal and pet-food industries and is sold domestically and internationally, with the United States representing the major market.

Livestock feed operations comprise the third element of Ogilvie's business. The company purchases food and beverage industry by-products in Canada and the United States for sale as feed to the livestock industry.

In Canada, Ogilvie operates seven plants in Quebec, Ontario, Manitoba and Alberta.

In the United States, Ogilvie operates a large starch and gluten facility in Iowa and feed-blending plants at four other locations.



### Performance Highlights and Outlook:

- Operating earnings showed a significant improvement over last year.
- Flour operations achieved a higher contribution despite lower market prices for by-products.
- International demand for wheat gluten continued to exceed supply. The company's starch and gluten operations ran at full capacity and generated a significant increase in contribution over last year.
- Feeds operations also improved over last year. Lower material costs and effective cost control more than offset the reduced selling prices resulting from depressed commodity markets.
- A major expansion of the starch and gluten facilities in Candiach, Quebec, is underway. Capacity at the Keokuk, Iowa, facility will also be expanded.
- Ogilvie expects continued good results for fiscal 1988.



---

## PACKAGED FOOD

---





(in thousands)	1987	1986	1985	1984	1983
Gross sales	\$811,428	\$702,039	\$578,836	\$491,521	\$494,437
Assets employed	623,649	372,175	343,979	250,110	246,820
Capital expenditures	46,644	25,515	33,978	21,084	20,769
Depreciation and amortization	24,892	17,937	14,432	10,355	9,578
Earnings before interest and income taxes	\$ 60,755	\$ 50,604	\$ 30,971	\$ 28,029	\$ 21,383

#### The Packaged Food Group includes:

- Chef Francisco
- Catelli
- Pasquale
- Holiday Juice
- Chateau-Gai

#### Group Highlights and Outlook:

- The group achieved solid growth in sales and earnings, with particularly strong contributions from Chef Francisco and the recently-acquired Pasquale operation. The elimination of LaMont's losses through its disposition in July, 1986 also improved group results.
- Late in fiscal 1987 a new organization, John Labatt Foods, was created, incorporating the three major food divisions, Chef Francisco, Catelli, and Pasquale Foods. The new organization will develop a co-ordinated and focused marketing approach to the North American food markets.
- Strong earnings gains are expected from Packaged Food in fiscal 1988, with all divisions anticipating solid growth.

#### CHEF FRANCISCO

##### Head Office:

1500 Valley River Dr.

Suite 140

Eugene, Oregon 97440

Number of Plants: 10

Number of Employees: 1,873

Chef Francisco produces a variety of frozen food products for the foodservice industry and the retail grocery trade. Frozen soups, specialty vegetables, cakes and other baked goods are sold to the foodservice industry. Under the "Oregon Farms" brand name, frozen baked goods are marketed across the United States through the retail grocery trade. In the United States, Chef Francisco operates seven plants in Oregon, Pennsylvania, Arkansas, Nebraska, North Dakota, Wisconsin and Massachusetts.



Demand for Chef Francisco products continued to grow through 1987.

Chef's Canadian operation, Omstead Foods, located in Wheatley, Ontario, processes and markets a variety of frozen vegetables and fish. Omstead sells primarily to the foodservice industry in North America and also to a number of overseas markets. In addition, the division markets onion rings, vegetables and other products to the retail grocery trade under the "Omstead" and "Leo D'or" brand names.

#### Performance Highlights and Outlook:

- Chef Francisco increased its sales and earnings in fiscal 1987 and continues to expand its business base successfully.
- The foodservice segment in which Chef Francisco is positioned continued to show good growth, although the total market for food products grew only moderately.
- The vegetable operations of both Omstead and Delicious Foods performed well as a result of strong demand.
- "Oregon Farms" carrot cake gained market share, although overall demand for frozen cakes continues to decline.
- The Company is the largest producer of retail dough products in the United States. Its frozen dough sold under the "Rhodes" label showed good results.
- The Company acquired Louise's Home Style Ravioli Company of Boston, Massachusetts, in September, 1986. "Louise's" is the leading brand of frozen ravioli and other Italian specialties sold in grocery stores throughout New England.
- Delicious Foods also expanded its sales base through the addition of new products. Particularly successful introductions were: "corn nuggets", "hush puppies" and cheese appetizers.
- Chef increased its production capacity for frozen soup at the King of Prussia plant. Delicious Foods also increased its capacity for coated vegetables at Grand Island, Nebraska.
- The foodservice market in the United States is continuing to grow, and Chef's product lines are well positioned to achieve higher market shares. Chef anticipates strong growth in sales and earnings in fiscal 1988.

#### CATELLI

##### Head Office:

Place Air Canada  
500 Dorchester West  
Suite 700  
Montreal, Quebec  
H2Z 1W7

Number of Plants: 12

Number of Employees: 1,450

Catelli is a leading Canadian manufacturer of grocery products, marketing a wide range of goods to retail grocery outlets under the "Catelli", "Habitant", "Five Roses" and other brand names. Catelli operations in New England produce quality processed meats sold under the "Schonlands" and "M.M. Mades" labels.

Catelli is the Canadian market leader in dry and fresh pasta, shelf-stable puddings and spaghetti sauces. Other major products include ready-to-serve soups, packaged flour, pickles, fresh mushrooms, jams, marmalades, table syrup, maple syrup and milk flavouring.

Catelli's eight Canadian plants are located in Quebec, Ontario and Alberta. Facilities in the United States are located in New Hampshire, Maine and Vermont.



*Catelli, a leading manufacturer of grocery products.*



### Performance Highlights and Outlook:

- Catelli recorded slightly higher earnings in fiscal 1987, despite a difficult pasta market.
- Catelli's pasta business remained under pressure from a combination of high domestic wheat prices and imports of subsidized Italian pasta. Canada has a two price policy for wheat under which domestic wheat prices are much higher than world prices. Catelli is required to purchase its wheat at the substantially higher domestic price, which leaves it at a significant cost disadvantage. This policy enables foreign producers to make pasta offshore using Canadian wheat purchased at the lower world prices. This significant cost advantage together with the subsidies enjoyed by European producers enables them to ship their pasta into the Canadian market at prices lower than those of domestic producers.
- Catelli introduced several new products in fiscal 1987, including new soup flavours, new "Morning Delight" jam flavours and new single-serve puddings for convenience stores. Fresh pasta was introduced to several new markets including Quebec and New England.
- Catelli expects moderate improvement in sales and earnings in fiscal 1988.

### PASQUALE

#### Head Office:

19 West Oxmoor Road  
Birmingham, Alabama  
35209

Number of Plants: 5

Number of Employees: 550

Pasquale, through a national production, sales and distribution network, markets three major product lines: pizza ingredients and support services, pre-made pizza, and pasta and sauces.

The pizza ingredients business, comprising approximately two-thirds of revenues, processes and markets all ingredients for the preparation, packaging and merchandising of pizza within supermarket deli departments. Packaging materials, in-store preparation booths and specialized display equipment are provided together with comprehensive training and merchandising support. Pasquale also markets pizza kits specifically designed for convenience stores.

Pasquale's remaining revenues are derived from frozen pre-made pizza sold in the meat departments of supermarkets, and pizza crusts, fresh pasta, and a variety of sauces.

Pasquale has five plants located in Washington, Tennessee, Alabama and Texas.





#### Performance Highlights and Outlook:

- Pasquale's progress has been very significant. Pasquale has added over 1,300 new accounts since acquisition, and now has installed the "Take and Bake Centre" concept in over 25% of all supermarket deli departments in the United States. The company is also achieving substantial growth in its other product lines.
- Pasquale is pursuing opportunities to distribute other Labatt food products through its extensive distribution system.
- Per capita consumption of pizza and other pasta products will continue to grow rapidly as consumers are increasingly demanding the convenience, taste and quality of these foods. Pasquale's strategy specifically addresses these trends through its unique marketing approach and high-quality products.
- Plans for fiscal 1988 include the introduction of new products, increased market penetration and, in co-operation with Catelli, the extension of the Pasquale concept to Canada. Accordingly, Pasquale expects continued rapid growth and major gains in sales and earnings.

#### HOLIDAY JUICE

##### Head Office:

1030 Walker Road  
Windsor, Ontario  
N8Y 2N5

Number of Plants: 3

Number of Employees: 489

Holiday Juice is a leading producer of fruit juices and fruit drinks in Canada and has aggressively expanded its business base in the United States. Holiday Juice sells its products through distributors to the foodservice and retail markets.

Major brands include "EverFresh", "Mr. Citrus" and "Sunkist" in Canada and "EverFresh", "Fresh n' Pure", "JZ", "Mr. Citrus" and "Rich n' Ready" in the United





States. The company also has significant private-label and co-pack volume in the United States.

Holiday Juice operates three plants located in Ontario, Illinois and Michigan.

#### Performance Highlights and Outlook:

- Revenues grew by 62% last year.
- Through the acquisition of EverFresh Juice Co. in Detroit, Michigan, the company obtained the rights in the United States to its leading brand name, "EverFresh", and added significant selling and processing capability in the United States.
- A significant investment in the Chicago facility provides Holiday Juice with advanced technology and much-needed additional capacity.
- In fiscal 1988, market growth for fruit juices and drinks will continue to outstrip most other packaged food categories. Accordingly, Holiday Juice expects its volume of business to nearly double next year.

#### CHATEAU-GAI

##### Head Office:

201 City Centre Drive  
Suite 405  
Mississauga, Ontario  
L5B 2T4

Number of Plants: 4

Number of Employees: 387

Wines and wine-based "cooler" products are produced under the Chateau-Gai label at wineries located in Ontario, Alberta and New Brunswick, and under the Casabello label at a winery in British Columbia.



#### Performance Highlights and Outlook:

- The Canadian wine market declined 3% in fiscal 1987. The decline was shared equally by domestic and imported wines. Chateau-Gai held its market share in all but the British Columbia market against domestic competitors, but lost some market position to imports. However, there are indications that domestic wines are currently regaining market share from imported wines for the first time in several years.
- Canada Cooler strengthened its already dominant position in the Canadian wine cooler market through the introduction of new flavours, new package sizes and aggressive marketing support. In the fall of 1986, Chateau-Gai launched "Canada Cooler" in Quebec and quickly established a substantial market position in that province.
- The successful launch of "Sun Country" in most Canadian markets further strengthened Chateau-Gai's dominance of the Canadian wine cooler market.
- Chateau-Gai improved its earnings in fiscal 1987, primarily because of the continuing success of its cooler products.
- In fiscal 1988, continued growth from key brands, coupled with market expansion in Quebec and selective new-product activities, are expected to increase share in a growing domestic segment and improve earnings.



---

*OTHER INVESTMENTS AND  
PARTLY-OWNED BUSINESSES*

---





---

## THE SPORTS NETWORK (TSN)

### Head Office:

1155 Leslie Street  
Don Mills, Ontario  
M3C 2S6

### Number of Employees: 114

TSN, a wholly-owned Labatt subsidiary, is a 24-hour all-sports specialty programming service delivered to viewers via cable television systems.

TSN provides coverage of professional baseball, hockey and football, as well as many other popular professional and amateur sporting events. Programming consists of the production of sports events, sports news and other specials by TSN, and acquired sports programming.

### Performance Highlights and Outlook:

- TSN now has over one million Canadian subscribers.
- In fiscal 1988, TSN programming will include extensive coverage of the 1988 Winter Olympics in Calgary.
- TSN has applied for an amendment to its licence to permit distribution of TSN as a basic cable service. In partnership with Télémédia Inc., TSN has also applied for a licence to distribute a French-language sports specialty service, Le Réseau des Sports (RDS), on basic cable in eastern Canada. TSN expects a decision on both applications during fiscal 1988.
- TSN reported improved results in fiscal 1987 and further improvement is expected in fiscal 1988.



## PARTLY-OWNED BUSINESSES:

For fiscal 1987, the loss from partly-owned businesses was \$1.2 million, much improved from the \$4.7 million loss a year ago, due to improved results at Casco Company.

Effective March, 1987, Labatt sold its 30% interest in Casco Company to its partner, Canada Starch Company Inc.

### McGAVIN FOODS

McGavin Foods, the largest bakery in western Canada, operates five plants in British Columbia, Alberta, Saskatchewan and Manitoba. McGavin produces and sells a wide variety of breads, rolls and specialty baked goods to grocery and convenience stores and to the foodservice industry, primarily under the "Homestead" and "Buttercup" labels. John Labatt and Maple Leaf Mills hold equal voting interests in McGavin.

### Performance Highlights and Outlook:

- McGavin's results continue to be depressed by difficult market conditions. In the important Vancouver market, McGavin faces severe price competition from American bakeries. These bakeries benefit from lower wheat costs, while McGavin is required to pay the high domestic price set by the Canadian government.
- Although McGavin has made solid progress from rationalization of product lines, consolidation of production facilities, and reduction of manufacturing costs, the company will have difficulty achieving profitability in fiscal 1988.

### ALLELIX

Allelix Inc., a joint venture between John Labatt, Canada Development Corporation and the Ontario Development Corporation, is a leading Canadian biotechnology company.

Allelix continues its development of technologies and products aimed at three market areas: food processing, agriculture and diagnostics. Allelix has proprietary technology in all three areas, and with joint-venture partners is developing several projects that show commercial promise.

### TORONTO BLUE JAYS

John Labatt has a 45% partnership interest in the Toronto Blue Jays baseball club.

Labatt's partners are Mr. Howard Webster, with a 45% interest and the Canadian Imperial Bank of Commerce, with a 10% interest.

The financial results of the club do not provide a profit contribution to John Labatt.

The growing popularity of the Blue Jays will be further enhanced by the opening of the Sky Dome for the 1989 season.

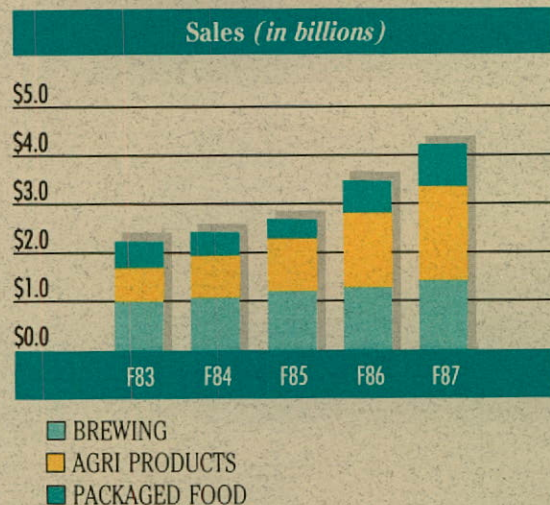




## FINANCIAL REVIEW

### Sales and Earnings

Sales passed the \$4.0 billion level, reaching \$4.3 billion in fiscal 1987. The 19% increase over last year, and the 15% compound growth rate over the past five years, reflect the significant continuing growth of the Company.

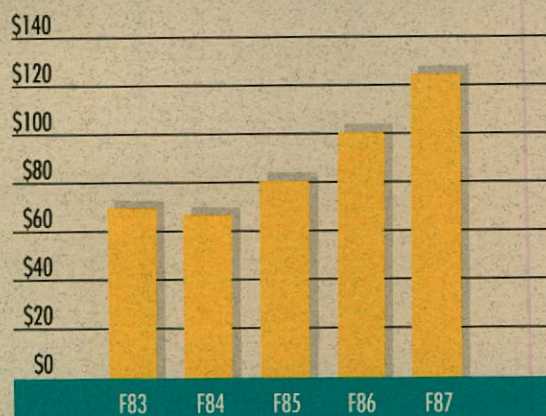


Net earnings increased 23% to a record high of \$125.2 million. Fully diluted net earnings per share were \$1.55, up 12% from \$1.38 the previous year. The growth in fully diluted earnings per share for fiscal 1987 was achieved despite the dilutive effect of two issues of convertible debentures in the 1986 and 1987 fiscal years.

Return on average shareholders' equity remained strong at over 17%.

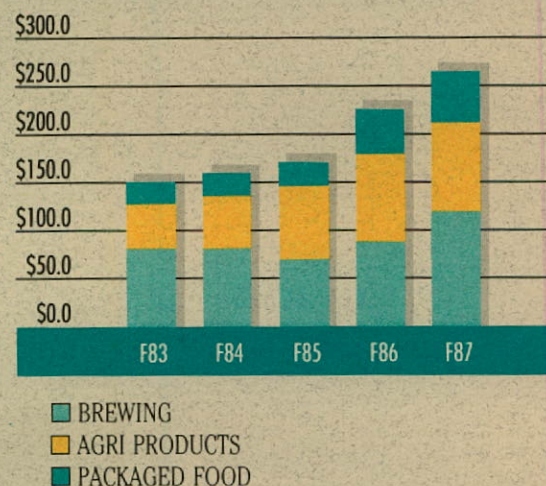
The growth in earnings was achieved mainly through strong performances from the Brewing and Packaged Food segments. In Brewing, the 27% increase in contribution was generated through higher industry volume, increased market share and successful cost-reduction programs.

### Net Earnings (in millions)



The Packaged Food group's 20% increase in contribution resulted from strong performances from the existing product lines and the positive results reported by recently acquired companies. The profit contributed by the Agri Products group was approximately the same as last year, reflecting significant price discounting in the Ontario and New York City table milk markets.

### Contribution by Business Segment (in millions)



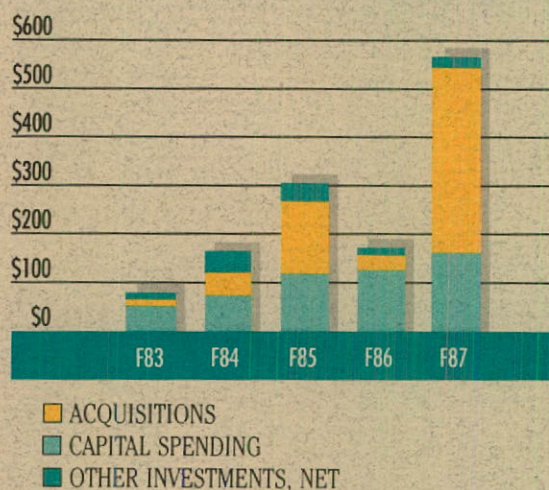


## Changes in Financial Position

Investment activities reached record levels in fiscal 1987. Total investment spending of \$556.3 million more than tripled the \$164.1 million spent last year. Funds provided from operations of \$234 million, two debenture issues raising \$225 million together with additional short-term borrowings provided the cash necessary to support this record level of investment activity.

Acquisition spending of \$388 million was significantly higher than the previous record in fiscal 1985 of \$182 million. Most of the acquisitions were located in the United States, as the Company pursued its strategy of becoming North American in scope.

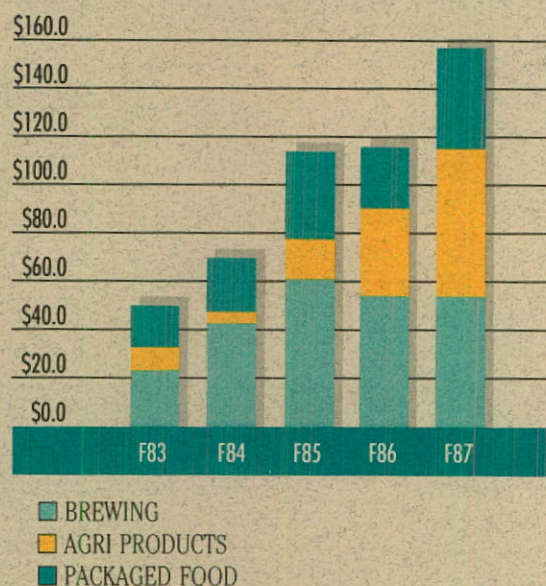
### Investment Activities (in millions)



Capital expenditures in fiscal 1987 increased to a record level of \$158 million. Spending by Agri Products and Packaged Food grew substantially, and the \$42 million increase over last year was divided equally between these two groups.

Brewing capital expenditures continued at a high level, with emphasis on projects designed to increase operating efficiencies and capacity. Agri Products spending increased by 60% to \$57 million with an emphasis on projects in the North American dairy industry aimed at improving operating efficiencies, expanding capacity and extending product lines. Packaged Food spending of \$47 million exceeded expenditures in the prior year by 83% with the main thrust being increased production capacity.

### Capital Spending by Business Segment (in millions)



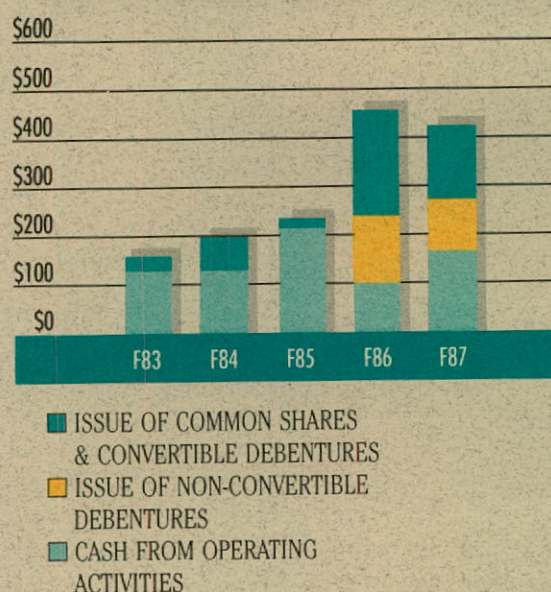


In fiscal 1987, the Company raised \$225 million from two debenture issues. In January, 1987, a \$100 million 9-1/2% debenture issue due January 21, 1992, was sold in the European capital markets and in April, 1987, \$125 million of adjustable rate convertible debentures were issued in Canada.

Non-convertible debt, as a percent of total capitalization at the end of the year, was 26.2% and the overall capital structure continues to be maintained at a prudent level.

Dividends per share were increased to 54.75 cents and total dividends for the year amounted to \$39.6 million compared with \$32.3 million in fiscal 1986.

### Sources of Cash (in millions)



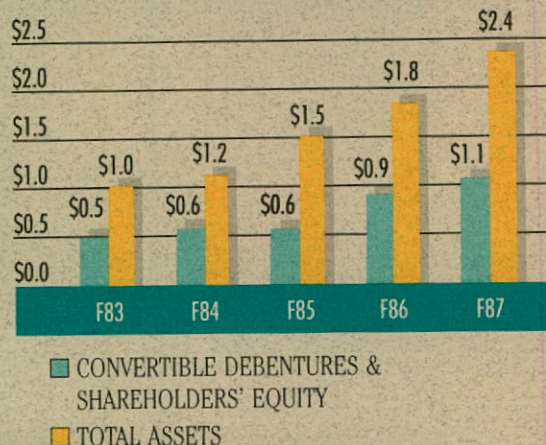
### Financial Position

The working capital ratio at year end of 1.26 declined from last year. The decline was attributable to the use of short-term borrowings to finance a portion of the investment activity during the year.

The average number of days' sales in accounts receivable, at 29, was comparable to last year. The average number of days' sales in inventory, at 46, declined from 57 last year due to the change in business mix resulting from recent acquisitions.

The Company's financial position at April 30, 1987 continued to be strong. Total assets at \$2.4 billion, surpassed the \$2.0 billion mark for the first time. Convertible debentures and shareholders' equity stood at \$1.1 billion, an increase of \$215.5 million during the year.

### Total Assets Compared to Convertible Debentures & Shareholders' Equity (in billions)





# SUMMARY OF QUARTERLY FINANCIAL INFORMATION

(in thousands except per share amounts)

Year ended April 30, 1987	Quarter				Total
	First	Second	Third	Fourth	
Sales	\$1,078,771	\$1,029,635	\$1,050,457	\$1,094,397	<b>\$4,253,260</b>
Net earnings	31,415	35,206	26,158	32,432	<b>125,211</b>
Net earnings per common share:					
Basic	0.44	0.48	0.36	0.45	<b>1.73</b>
Fully diluted	0.39	0.44	0.32	0.40	<b>1.55</b>
Dividends per common share	0.1275	0.14	0.14	0.14	<b>0.5475</b>

Year ended April 30, 1986	Quarter				Total
	First	Second	Third	Fourth	
Sales	\$ 932,532	\$ 927,270	\$ 844,159	\$ 877,480	<b>\$3,581,441</b>
Net earnings	26,699	29,474	21,798	23,492	<b>101,463</b>
Net earnings per common share:					
Basic	0.44	0.47	0.31	0.32	<b>1.54</b>
Fully diluted	0.37	0.41	0.30	0.30	<b>1.38</b>
Dividends per common share	0.12	0.1275	0.1275	0.1275	<b>0.5025</b>



---

# RESPONSIBILITY FOR FINANCIAL STATEMENTS

---

## MANAGEMENT

The accompanying consolidated financial statements of John Labatt were prepared by the management of the Company in conformity with generally accepted accounting principles.

The Company is responsible for the integrity and objectivity of the information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates, requiring careful judgment in those cases where transactions affecting a current accounting period are dependent upon future events.

The Company's accounting procedures and related internal control systems are designed to provide assurance that accounting records are reliable and to safeguard the Company's assets. The accompanying consolidated financial statements have been prepared by qualified personnel in accordance with policies and procedures established by management, and in management's opinion these statements fairly reflect the financial position of the Company, the results of its operations and the changes in its financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in Note 1 to the Consolidated Financial Statements.

## External Auditors

Clarkson Gordon, Chartered Accountants, as the Company's external auditors appointed by the shareholders, have examined the consolidated financial statements for the year ended April 30, 1987, and their report is presented on page 36.

Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards and a review of the Company's accounting systems and procedures, as well as its internal controls. Based upon the evaluation of these systems, the external auditors conduct appropriate tests of the Company's accounting records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly in accordance with generally accepted accounting principles.

## Audit Committee

The Audit Committee, a majority of whose members are not officers of the Company, meets quarterly to review the Company's financial statements for approval by the Board of Directors. The Audit Committee also reviews, on a continuing basis, reports prepared by both the internal and external auditors of the Company relating to the Company's accounting policies and procedures as well as its internal control systems. The Audit Committee meets regularly with both the internal and external auditors, without management present, to review their activities and to consider the results of their audits. The Audit Committee recommends the appointment of the Company's external auditors, who are elected annually by the Company's shareholders.



# CONSOLIDATED STATEMENT OF EARNINGS

(in thousands except per share amounts)

For the year ended April 30, 1987 (with comparative amounts for the year ended April 30, 1986)		1987	1986
<b>Revenue</b>			
Gross sales		\$4,253,260	\$3,581,441
Less excise and sales taxes		471,026	420,255
		<b>3,782,234</b>	<b>3,161,186</b>
<b>Operating costs</b>			
Cost of products sold		2,542,684	2,135,741
Selling and administration		880,396	723,102
Depreciation and amortization		90,305	70,916
Interest — long-term		30,356	26,970
— convertible debentures		10,642	9,312
— short-term (note 2)		18,875	13,418
		<b>3,573,258</b>	<b>2,979,459</b>
<b>Operating earnings</b>		<b>208,976</b>	<b>181,727</b>
<b>Other income</b>		<b>12,796</b>	<b>4,036</b>
<b>Earnings before income taxes</b>		<b>221,772</b>	<b>185,763</b>
<b>Income taxes — current</b>		<b>80,048</b>	<b>59,069</b>
(note 3)      — deferred		15,337	20,562
		<b>95,385</b>	<b>79,631</b>
<b>Earnings before share of net losses of partly-owned businesses</b>		<b>126,387</b>	<b>106,132</b>
<b>Share of net losses of partly-owned businesses</b>		<b>1,176</b>	<b>4,669</b>
<b>Net earnings</b>		<b>\$ 125,211</b>	<b>\$ 101,463</b>
<b>Net earnings per common share (note 4)</b>		<b>\$1.73</b>	<b>\$1.54</b>
<b>Fully diluted net earnings per common share (note 4)</b>		<b>\$1.55</b>	<b>\$1.38</b>

See accompanying notes



# CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands)

For the year ended April 30, 1987 (with comparative amounts for the year ended April 30, 1986)		1987	1986
<b>Operations</b>			
Net earnings	\$ 125,211	\$ 101,463	
Net charges to earnings which do not reduce funds	108,400	99,698	
Funds provided from operations	233,611	201,161	
Changes in non-cash working capital (note 5)	(52,282)	(94,788)	
<b>Cash provided from operating activities</b>	<b>181,329</b>	<b>106,373</b>	
<b>Dividends paid to shareholders</b>	<b>(39,640)</b>	<b>(32,312)</b>	
<b>Investment activities</b>			
Additions to fixed assets	(157,673)	(115,576)	
Proceeds on disposal of fixed assets	4,073	13,202	
Acquisitions (note 14)	(387,755)	(47,568)	
Other investments (net)	(14,905)	(14,181)	
<b>Cash used for investments</b>	<b>(556,260)</b>	<b>(164,123)</b>	
<b>Financing activities</b>			
Issue of common shares (note 11)	13,990	88,720	
Net decrease in debentures	(29,623)	(87,186)	
Loans to employees under share purchase and option plans	(440)	(1,797)	
Issue of debentures	224,678	256,523	
<b>Cash provided from financing</b>	<b>208,605</b>	<b>256,260</b>	
<b>Increase (decrease) in net cash</b>	<b>(205,966)</b>	<b>166,198</b>	
<b>Net cash surplus (deficit) beginning of year</b>	<b>72,222</b>	<b>(93,976)</b>	
<b>Net cash surplus (deficit) end of year</b>	<b>\$(133,744)</b>	<b>\$ 72,222</b>	
<b>Net cash consists of:</b>			
Short-term investments	\$ 200,000	\$ 206,498	
Bank advances and short-term notes	(333,744)	(134,276)	
<b>Net cash surplus (deficit) end of year</b>	<b>\$(133,744)</b>	<b>\$ 72,222</b>	

See accompanying notes



# CONSOLIDATED BALANCE SHEET

(in thousands)

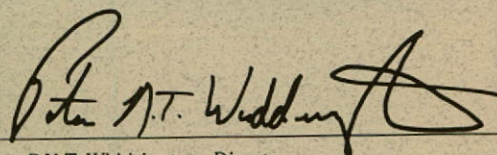
April 30, 1987 (with comparative amounts as at April 30, 1986)	1987	1986
<b>Assets</b>		
<b>Current</b>		
Short-term investments	\$ 200,000	\$ 206,498
Accounts receivable	373,888 <sup>86120</sup>	283,118
Inventories (note 6)	354,974 <sup>81264</sup>	338,805
Prepaid expenses	56,521	33,463
	<b>985,383</b>	<b>861,884</b>
<b>Fixed, at cost</b>		
Land	47,892	36,198
Buildings and equipment	1,243,158	1,030,015
	<b>1,291,050</b>	<b>1,066,213</b>
Less accumulated depreciation	453,707	393,070
	<b>837,343</b>	<b>673,143</b>
<b>Investments and other assets (note 7)</b>	<b>532,291</b>	<b>250,225</b>
	<b>\$2,355,017</b>	<b>\$1,785,252</b>

See accompanying notes

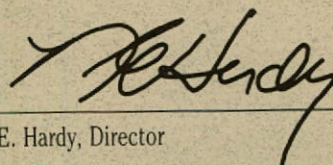


<b>Liabilities</b>	<b>1987</b>	<b>1986</b>
<b>Current</b>		
Bank advances and short-term notes	\$ 333,744	\$ 134,276
Accounts payable	390,289	356,029
Taxes payable	49,831	24,913
Long-term debt due within one year	6,866	7,959
	<b>780,730</b>	<b>523,177</b>
<b>Non-convertible long-term debt (note 9)</b>	<b>378,331</b>	<b>287,213</b>
<b>Deferred income taxes</b>	<b>129,667</b>	<b>124,045</b>
<b>Convertible debentures and shareholders' equity</b>		
Convertible debentures (note 10)	295,395	174,800
Shareholders' equity		
Share capital (note 11)	244,155	230,165
Retained earnings	526,900	441,329
Accumulated foreign currency translation adjustment (note 1)	(161)	4,523
	<b>770,894</b>	<b>676,017</b>
	<b>1,066,289</b>	<b>850,817</b>
	<b>\$2,355,017</b>	<b>\$1,785,252</b>

On behalf of the Board



P.N.T. Widdrington, Director



N.E. Hardy, Director



# CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(in thousands except per share amounts)

For the year ended April 30, 1987 (with comparative amounts for the year ended April 30, 1986)	1987	1986
Balance beginning of year	\$441,329	\$372,178
Net earnings	125,211	101,463
	566,540	473,641
Common dividends (\$0.5475 per share fiscal year 1987) (\$0.5025 per share fiscal year 1986)	39,640	32,312
<b>Balance end of year</b>	<b>\$526,900</b>	<b>\$441,329</b>

See accompanying notes

## Auditors' Report

### To the Shareholders of John Labatt Limited

We have examined the consolidated balance sheet of John Labatt Limited as at April 30, 1987 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 April 30, 1987 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.

London, Canada,  
June 4, 1987

Clarkson Gordon  
Chartered Accountants



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

April 30, 1987

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and also conform in all material respects with International Accounting Standards. Significant accounting policies observed in the preparation of the financial statements are summarized below:

### Principles of consolidation

The consolidated financial statements include the accounts of all subsidiary companies. The results of operations of subsidiaries acquired or sold during the year are included from or to their respective dates of acquisition or sale.

### Foreign currency translation

The accounts of foreign subsidiaries are translated into Canadian dollars on the following basis:

#### Income and expenses

- at average exchange rates prevailing during the year

#### Assets and liabilities

- at the exchange rate in effect at the balance sheet date

The adjustments arising on translation of foreign subsidiaries' balance sheets are deferred and reported as a separate component of shareholders' equity.

### Net earnings per common share

Net earnings per common share have been calculated using the weighted monthly average number of shares outstanding during the year.

Fully diluted net earnings per common share have been calculated assuming that the convertible debentures and common share options outstanding at the end of the year had been converted to common shares or exercised at the later of the beginning of the year or at the date of issuance.

### Short-term investments

Short-term investments are carried at cost, which approximates market value.

### Inventories

Inventories, other than containers, are valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Containers are valued at redemption price or at amortized cost, which does not exceed replacement cost.

### Fixed assets

Fixed assets are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, generally at rates of 2 1/2% for buildings, 10% for machinery and equipment and 20% for vehicles.

### Income taxes

The Company follows the deferral method of tax allocation accounting. Investment tax credits arising from the acquisition of fixed assets are applied to reduce the cost of the fixed assets.

### Research and development costs

Research and development costs amounting to \$8,814,000 in 1987 (\$8,241,600 in 1986) have been charged to earnings as incurred.

## 2. SHORT-TERM INTEREST EXPENSE

(in thousands)	1987	1986
Interest expense on bank advances and short-term notes	\$ 22,362	\$ 17,484
Interest income from short-term investments	3,487	4,066
	\$ 18,875	\$ 13,418

## 3. INCOME TAXES

The effective income tax rate is comprised of the following:

	1987	1986
Combined basic federal, provincial and state income tax rates	49.7%	49.9%
<b>Less:</b>		
Manufacturing and processing deduction	3.8	4.9
3% inventory allowance and research investment tax credits	—	1.4
Non-taxable income, net of non-allowable expenses	2.9	0.7
	43.0%	42.9%



#### 4. NET EARNINGS PER COMMON SHARE

The number of shares used in calculating net earnings per common share is as follows:

	1987	1986
Basic	72,390,774	65,885,402
Fully diluted	84,957,612	78,298,992

Effective July 15, 1986, the Company issued a stock dividend consisting of one common share for each common share outstanding. This dividend had the effect of a two-for-one stock split. The 1986 balances have been restated to reflect the stock dividend.

#### 5. CHANGES IN NON CASH WORKING CAPITAL

(in thousands)	1987	1986
<b>Increase in current assets</b>		
Accounts receivable	\$(90,770)	\$(37,128)
Inventories	(16,169)	(10,706)
Prepaid expenses	(23,058)	(6,356)
<b>Increase (decrease) in current liabilities</b>		
Accounts payable	34,260	(60,008)
Taxes payable	24,918	11,821
Long-term debt due within one year	(1,093)	1,468
Working capital from acquisitions	19,630	6,121
<b>Net decrease in cash</b>	<b>\$(52,282)</b>	<b>\$(94,788)</b>

#### 6. INVENTORIES

(in thousands)	1987	1986
Finished and in process	\$216,442	\$209,475
Materials and supplies	110,516	89,896
Containers	28,016	39,434
	<b>\$354,974</b>	<b>\$338,805</b>

#### 7. INVESTMENTS AND OTHER ASSETS

(in thousands)	1987	1986
Investments in partly-owned businesses (note 8)	\$ 34,894	\$ 70,568
Investments in and advances to other companies	62,512	10,724
Loans to employees under share purchase and option plans (note 11)	15,506	15,066
Goodwill, licences, trademarks and other proprietary rights	411,875	145,973
Unamortized debt financing expense	7,504	7,894
	<b>\$532,291</b>	<b>\$250,225</b>

Partly-owned businesses are companies and partnerships in which the Company has significant influence and are accounted for using the equity method of accounting.

Investments in other companies are carried at the lower of cost and net realizable value. Income is recognized when dividends are received.

Goodwill and other proprietary rights acquired prior to May 1, 1974 (\$33,804,000 at April 30, 1987) are carried in the accounts at cost, without amortization. Goodwill and other proprietary rights acquired after April 30, 1974 are being amortized by charges to earnings over the lesser of their estimated useful lives and forty years. Amortization expense was \$12,917,000 in 1987 and \$6,913,000 in 1986.

Debt financing expenses are amortized over the term of the issue to which they relate.

#### 8. PARTLY-OWNED BUSINESSES

Effective March 1987, the Company sold, without significant gain or loss, its 30% interest in Casco Company to Canada Starch Company Inc. which had previously owned the remaining 70% of the company.

Investments in partly-owned businesses include the following:

	% Equity Interest
<b>Canada</b>	
Allelix Inc.	30.0
Auscan Closures Canada and Company, Limited	50.0
Canada Malting Co., Limited	19.9
McGavin Foods Limited (50% voting)	60.0
Toronto Blue Jays Baseball Club	45.0
<b>Trinidad</b>	
Catelli-Primo Limited	46.4



## 9. NON-CONVERTIBLE LONG-TERM DEBT

<i>(in thousands)</i>	1987	1986
Sinking fund debentures		
6-1/4% Series D to mature June 15, 1987	\$ 475	\$ 488
6-1/4% Series E to mature October 1, 1989	93	1,520
7-1/8% Series F to mature April 15, 1992	1,625	2,375
9-1/4% Series G to mature September 1, 1990	12,366	16,376
8-1/4% Series H to mature March 1, 1993	16,775	18,765
9% Series I to mature March 15, 1994	18,649	20,979
11-1/8% Series J to mature October 1, 1999	35,083	37,845
Bank term loan — secured by Series K collateral debenture to mature June 30, 2003, at discounted amount	30,493	31,762
10-1/2% debentures to mature July 30, 1995	133,000	138,000
9-1/2% debentures to mature January 21, 1992	100,000	—
	<b>348,559</b>	<b>268,110</b>
Advances, mortgages and other long-term liabilities	33,084	24,260
Obligations under capital leases	3,554	2,802
	<b>385,197</b>	<b>295,172</b>
Less portion due within one year included in current liabilities	6,866	7,959
	<b>\$378,331</b>	<b>\$287,213</b>

The above balances include long-term debt of \$181,214,000 at April 30, 1987 and \$178,328,000 at April 30, 1986, denominated in United States dollars translated at the rate of exchange at the balance sheet date.

The bank term loan had rates of interest to maturity significantly below market rates at the date of assumption. The principal balance of this loan was \$40,565,000 (U.S. \$30,500,000) at April 30, 1987 and \$42,780,000 (U.S. \$31,000,000) at April 30, 1986. However, for financial reporting purposes, this principal balance has been discounted based on an interest rate of 10.5% to an amount

of \$30,493,000 (U.S. \$22,927,000) at April 30, 1987 and \$31,762,000 (U.S. \$23,016,000) at April 30, 1986. Earnings of the Company reflect interest expense calculated at a rate of 10.5% on this discounted amount.

Maturities and sinking fund requirements for the years ending April 30, 1988, through 1992 are: \$6,866,000; \$8,091,000; \$11,487,000; \$19,131,000; and \$116,729,000, respectively.

The sinking fund debentures and the Series K collateral debenture are secured by a floating charge on the undertaking, property and assets of John Labatt Limited. At April 30, 1987, the Company had satisfied all of the covenants under the trust deed relating to the sinking fund debentures, including the provision whereby dividends paid by the Company subsequent to April 30, 1984 may not exceed consolidated net earnings, as defined in the trust deed, earned subsequent to that date plus \$25,000,000.

## 10. CONVERTIBLE DEBENTURES

The convertible debentures are reported under the heading of convertible debentures and shareholders' equity on the balance sheet. This presentation is supported by the long maturities, the low initial interest rates and an indication by many of the holders of these debentures that they intend ultimately to convert. The convertible debentures are unsecured obligations and are subordinated to all other indebtedness of the Company.

Particulars of the convertible debentures are as follows:

<i>(in thousands)</i>	1987	1986
1983 adjustable rate debentures to mature June 16, 2003	\$ 45,400	\$ 49,800
1986 adjustable rate debentures to mature February 27, 2006	124,995	125,000
1987 adjustable rate debentures to mature April 1, 2007	125,000	—
	<b>\$295,395</b>	<b>\$174,800</b>

The 1983 adjustable rate convertible debentures pay a minimum interest rate of 6% and are convertible, at the holder's option, on or before the earlier of June 16, 2003, or the last business day prior to redemption, into common shares of the Company at a conversion price of \$11.25 per share unless the Company fixes an interest rate of 6-1/2%, whereupon the conversion price becomes \$13.4375 per share. The debentures are redeemable at par plus accrued interest.



The 1986 adjustable rate convertible debentures pay a minimum interest rate of 6% and are convertible, at the holder's option, on or before the earlier of February 27, 2006, or the last business day prior to redemption, into common shares of the Company at an initial conversion price of \$17.875 per share until February 28, 1990 and, thereafter, if the Company fixes an interest rate of 7%, at a conversion price of \$20.00 per share. The debentures are redeemable at par plus accrued interest after February 28, 1990, and at any time prior to this date, at 106% of par plus accrued interest if at least 85% of the original principal amount of the debentures have been converted.

The 1987 adjustable rate convertible debentures pay a minimum interest rate of 5% and are convertible, at the holder's option, on or before the earlier of March 31, 2007, or the last business day prior to redemption, into common shares of the Company at an initial conversion price of \$27.00 per share until April 1, 1992, and, thereafter, if the Company fixes an interest rate of 6%, at a conver-

sion price of \$30.00 per share. The debentures are redeemable at par plus accrued interest after April 1, 1992 and at any time prior to this date, at 105% of par plus accrued interest if at least 85% of the original principal amount of the debentures have been converted. On April 1, 2007, the Company has the option to retire any debentures then outstanding by issuing common shares of equivalent fair market value to the debenture holders.

## 11. SHARE CAPITAL

### Authorized and issued

The authorized capital stock of the Company is as follows:

4,000,000 preferred shares with conditions and preferences as determined by the Board of Directors.

Common shares of no par value in unlimited amount.

The changes in issued and fully paid common shares of the Company are as follows:

(\$ in thousands)	1987		1986	
	Shares	Amount	Shares	Amount
Issued and outstanding, beginning of year	71,878,092	\$230,165	60,783,864	\$141,445
Issued under employee share purchase and option plans	221,738	3,983	697,026	7,957
Issued as a result of conversions of 9-1/2% convertible debentures at \$4.5625 per share	—	—	277,316	1,052
Issued as a result of conversions of 11% convertible debentures at \$7.90625 per share	—	—	10,096,126	79,355
Issued as a result of conversions of 1983 adjustable rate convertible debentures at \$11.25 per share	391,109	4,400	—	—
Issued as a result of conversions of 1986 adjustable rate convertible debentures at \$17.875 per share	279	5	—	—
Issued to effect acquisitions	223,380	5,249	—	—
Issued under shareholder dividend reinvestment plan and stock dividend election program	15,397	353	23,760	356
	851,903	13,990	11,094,228	88,720
Issued and outstanding, end of year	72,729,995	\$244,155	71,878,092	\$230,165



## Shares available for share purchase and option plans

Details of unissued common shares for allotment to employees under share purchase or option plans as of April 30, 1987 are as follows:

Unissued common shares originally designated for allotment under By-Law No. 3 (1983)		4,000,000
<b>Less:</b>		
Issued	2,203,734	
Under option beginning 1983	439,700	
Reserved for employee share purchase plan maturing in July 1987	462,574	3,106,008
Shares available for issue		893,992

Shares under option to employees under By-Law No. 3 and under a predecessor By-Law No. 3 as of April 30, 1987, are as follows:

Plan	Number of shares	Price per share	Expiry date
1979 Share option	112,000	\$ 5.4375	December 1989
1983 Share option	67,200	10.7540	October 1993
1984 Share option	100,000	9.7100	June 1994
1985 Share option	190,000	13.5925	June 1995
1986 Share option	82,500	22.2330	December 1996
	551,700		

Of the 551,700 shares under option, there are 92,000 under option to officers of the Company. Under these plans, the individuals are entitled to purchase the shares over periods of up to 10 years.

The following schedule sets out details of the loans to employees for shares purchased:

(\$ in thousands)	1987	1986
Officers	\$ 11,305	\$ 13,899
Other employees	4,201	1,167
	\$ 15,506	\$ 15,066
Number of shares	1,381,297	1,564,854

## 12. LEASES

### Operating leases

The Company has entered into long-term operating leases, substantially all of which will be discharged within 14 years. Fixed rental expense for 1987 was \$14,204,000 (\$10,071,000 in 1986). Future annual fixed rental payments for years ending April 30 are as follows:

1988	\$10,470,000
1989	8,122,000
1990	6,192,000
1991	4,575,000
1992	3,848,000

In aggregate, fixed rental payments for subsequent years amount to \$11,893,000.

### Capital leases

Assets leased by the Company subsequent to May 1, 1979 under agreements which transfer substantially all of the benefits and risks of ownership of the assets to the Company are accounted for as capital leases.

At April 30, 1987, fixed assets acquired under capital leases, net of accumulated depreciation, amounted to \$2,171,000 (\$3,276,000 in 1986).

Future lease payments required under capital leases at April 30, 1987 for years ending April 30 are as follows:

1988	\$1,530,000
1989	865,000
1990	1,465,000
1991	222,000
1992	116,000
1993 and thereafter	120,000
Total future minimum lease payments	4,318,000
Less imputed interest	764,000
Present value of minimum lease payments	\$3,554,000



### 13. PENSION PLANS

The Company provides retirement benefits for its employees. Past service costs relating to improved benefits are funded and charged to earnings over periods not exceeding 15 years. Current service costs are funded and charged to earnings as they accrue.

Based on the most recent actuarial valuations, the Company's unfunded obligations under certain of the pension plans were \$18,328,000 at December 31, 1986 (\$9,285,000 at December 31, 1985).

### 14. ACQUISITIONS

During the year, the Company made the following business acquisitions, substantially all for cash:

#### **Agri Products —**

Effective October 1, 1986, Le Groupe Lactantia Limitée of Victoriaville, Quebec, a producer of premium butter and other dairy products, margarine and convenience foods in Canada.

Effective December 13, 1986, Tuscan Industries, Inc. of Union, New Jersey, a processor and marketer of table milk, juice, ice cream, novelties, cultured products and frozen specialty products in the United States.

Effective December 19, 1986, Green Spring Dairy, Incorporated of Baltimore, Maryland, a processor of table milk products in the United States.

#### **Packaged Food —**

Effective December 8, 1986, Pasquale Food Company, Inc., based in Birmingham, Alabama, a processor and supplier of fresh pasta, pizzas, pizza ingredients and support services to supermarkets and variety stores in the United States.

Effective December 10, 1986, EverFresh Juice Co. of Detroit, Michigan, a processor of fruit juices and fruit drinks in the United States.

Effective September 28, 1986, the assets and operations of Louise's Home Style Ravioli Company of Revere, Massachusetts, a producer of frozen Italian food in the United States.

Details of the combined net assets acquired, accounted for using the purchase method, are as follows:

(in thousands)	Current	Non-current	Total
Identifiable assets acquired at assigned values	\$ 95,277	\$ 119,122	\$ 214,399
Less liabilities assumed	(75,647)	(27,659)	(103,306)
Identifiable net assets acquired	19,630	91,463	111,093
Excess of purchase price over assigned values of identifiable assets	—	276,662	276,662
Purchase price	\$ 19,630	\$ 368,125	\$ 387,755

Effective July 11, 1986, the Company sold the assets and business of the LaMont Winery, located in Di Giorgio, California. There was no significant gain or loss on the sale.

### 15. SEGMENTED FINANCIAL INFORMATION

#### **Information by class of business**

The classes of business of the Company are as follows:

Brewing comprises the Company's brewing activities in Canada and the sale of Canadian-made beer and ale in the United States and overseas.

Agri Products includes operations that process agricultural products into basic foods in Canada and the United States.

Packaged Food includes operations that manufacture and distribute food products in Canada and the United States and wines in Canada.

The following is a summary of key financial information by business segment for the years ended April 30, 1987 and 1986.



(in thousands)	1987		1986	
	Gross sales	Inter-segment sales	Gross sales	Inter-segment sales
Brewing	\$1,423,584	\$ 4,770	\$1,274,382	\$ 1,447
Agri Products	2,018,248	44,355	1,605,020	41,130
Packaged Food	811,428	1,832	702,039	712
	\$4,253,260	\$ 50,957	\$3,581,441	\$ 43,289
	Capital expenditures	Depreciation & amortization	Capital expenditures	Depreciation & amortization
Brewing	\$ 54,468	\$ 30,967	\$ 54,705	\$ 25,425
Agri Products	56,561	34,446	35,356	27,554
Packaged Food	46,644	24,892	25,515	17,937
	\$ 157,673	\$ 90,305	\$ 115,576	\$ 70,916
	Contribution	Assets employed	Contribution	Assets employed
Brewing	\$ 118,132	\$ 385,368	\$ 93,305	\$ 343,421
Agri Products	92,549	664,120	92,063	403,689
Packaged Food	60,755	623,649	50,604	372,175
	271,436	1,673,137	235,972	1,119,285
Interest	59,873		49,700	
Unallocated (income)/expense	(10,209)		509	
Earnings before income taxes	\$ 221,772		\$ 185,763	
Short-term investments		200,000		206,498
Investments in partly-owned businesses		34,894		70,568
Current liabilities other than bank advances and short-term notes		446,986		388,901
Total assets per consolidated balance sheet		\$2,355,017		\$1,785,252

(1987 figures include acquisitions, most of which were completed in December 1986.)



### Information by geographic segment

The Company operates principally in the geographic areas of Canada and the United States. Geographic segmentation is determined on the basis of the business location where the sale originates.

The following is a summary of key financial information by geographic segment for the years ended April 30, 1987 and 1986.

(in thousands)	1987		1986	
	Gross sales	Inter-segment sales	Gross sales	Inter-segment sales
Canada	\$2,899,291	\$ 42,724	\$2,675,523	\$ 36,802
United States	1,353,969	1,379	905,918	898
	<b>\$4,253,260</b>	<b>\$ 44,103</b>	<b>\$3,581,441</b>	<b>\$ 37,700</b>
	Capital expenditures	Depreciation & amortization	Capital expenditures	Depreciation & amortization
Canada	\$ 101,044	\$ 59,442	\$ 91,324	\$ 52,021
United States	56,629	30,863	24,252	18,895
	<b>\$ 157,673</b>	<b>\$ 90,305</b>	<b>\$ 115,576</b>	<b>\$ 70,916</b>
	Contribution	Assets employed	Contribution	Assets employed
Canada	\$ 210,514	\$ 921,957	\$ 189,051	\$ 768,691
United States	60,922	751,180	46,921	350,594
	<b>271,436</b>	<b>1,673,137</b>	<b>235,972</b>	<b>1,119,285</b>
Interest	59,873		49,700	
Unallocated (income)/expense	(10,209)		509	
Earnings before income taxes	<b>\$ 221,772</b>		<b>\$ 185,763</b>	
Short-term investments		<b>200,000</b>		206,498
Investments in partly-owned businesses		<b>34,894</b>		70,568
Current liabilities other than bank advances and short-term notes		<b>446,986</b>		388,901
Total assets per consolidated balance sheet		<b>\$2,355,017</b>		<b>\$1,785,252</b>

(1987 figures include acquisitions, most of which were completed in December 1986.)

### 16. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company entered into transactions with affiliates and partly-owned businesses on competitive commercial terms similar to those with unrelated parties. These transactions did not have a material impact on reported net earnings.

At April 30, 1987 and 1986, the Company held

\$172,000,000 of marketable securities of affiliates. The total income earned on these marketable securities during the year was \$12,830,000 (\$8,500,000 in 1986).

The Company's principal shareholder, Brascan Limited, purchased during the year one-half of the \$125,000,000 1987 adjustable rate convertible debentures issued by the Company.



---

## C O R P O R A T E I N F O R M A T I O N

---

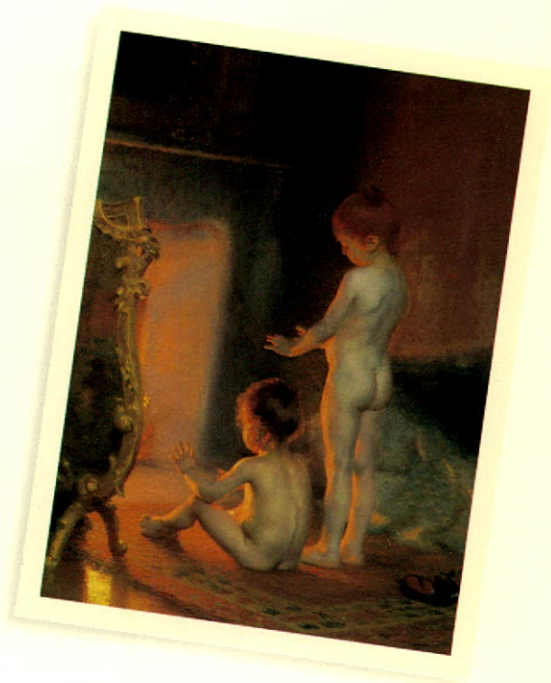
### John Labatt's Public Responsibility Programs

John Labatt was one of the first Canadian Companies to establish a Public Responsibility Committee of the Board of Directors. The committee meets quarterly to review matters such as donations, government relations, and health and safety, and deals with matters concerning the Company's direct involvement with the general public. The Company continues to monitor new developments carefully in order to fulfill its responsibility to the public.

In fiscal 1987, John Labatt established the Business Conduct Review Committee, comprised of outside Directors, whose purpose is to review transactions between the Company and affiliated companies to ensure that they are in the best interests of all shareholders of the Company.

### Donations:

John Labatt continues its tradition of corporate philanthropy through an extensive donation program. In fiscal 1987, the Company donated \$2.5 million to a wide variety of non-profit organizations. The donations were distributed in the following ways: 52% to health and welfare agencies, 15% to educational institutions, 15% to cultural groups and 18% to civic and sports organizations.



*John Labatt was one of the major sponsors of the Paul Peel Retrospective Exhibition. Over 100,000 Canadians attended this exhibit on its national tour. (Paul Peel, Canadian 1860-1892. After the Bath, 1890. Oil on canvas, Art Gallery of Ontario, Toronto. Gift of the Government of the Province of Ontario, 1972.)*



### Labatt's People in Action:

Labatt's People In Action program provided summer employment to 219 students, who worked with 85 non-profit agencies across Canada. The Company provides funds to these agencies to hire students to work directly with the disadvantaged. Since 1977, over 1,300 students have participated in the program, which last year was extended to the Northwest Territories and Labrador.

In addition to sponsoring the People In Action program, John Labatt provides summer employment to over 1,100 students in plant facilities throughout the Company.



*"People helping People" is the theme of the Labatt's People In Action Program.*

### Business Employee Education Program:

In 1977 the Company established the Business Employee Education Program which provides employees the opportunity to hear the views of senior management on the Company's results and plans.

### J.H. Moore Awards for Excellence:

The J.H. Moore Awards for Excellence encourage and reward outstanding personal performance in community and other non-business activities by employees, retired employees, their spouses and dependants. Applications are reviewed by an outside panel of judges, and awards are granted annually.

#### 1986 JHM Winners were:

- Trophy Winner:* Christiane Lanoue  
Montréal, Québec
- Medal Winners:* Marie-Josée Fredette  
Town of Mount Royal, Québec
- Barbara Cartwright  
London, Ontario
- Joseph Dallaire  
Rouyn, Quebec
- Antoinette Grech  
London, Ontario
- Bud Jay  
Highland Creek, Ontario
- Award Winners:* Clifford Adcoe  
Kitchener, Ontario
- Kathryn Curielli  
Burnsville, Minnesota
- Cara Tench  
White Rock, British Columbia

### "Smile" Program:

The Company's "Smile" program, designed to provide children of employees with a better understanding of North America, enables children between the ages of 12 and 14 to visit children of other employees on an exchange basis. Each summer about 120 children participate in this program.



## CORPORATE OFFICERS

Norman E. (Peter) Hardy,  
*Chairman of the Board*  
Peter N. T. Widdrington,  
*President and  
Chief Executive Officer*  
George S. Taylor,  
*Executive Vice-President*  
Edward G. Bradley,  
*Executive Vice-President,  
Corporate Development  
and Planning*  
Guy Saint-Pierre,  
*Senior Vice-President*  
Neal Blackburn,  
*Vice-President,  
Engineering Services*  
Robert F. Dolan,  
*Vice-President,  
Human Resources*  
Frank Elsener,  
*Vice-President*  
J. Herbert England,  
*Vice-President*  
Ilay C. Ferrier,  
*Vice-President, Finance*  
R. Bruce Fraser,  
*Vice-President*  
Graham P. M. Freeman,  
*Vice-President*  
Dean C. Kitts,  
*Vice-President,  
Administration and  
General Counsel*  
Sidney M. Oland,  
*Vice-President*  
Larry J. Innanen,  
*Secretary*  
W. James Emmerton,  
*Treasurer*  
Norman R. Davis,  
*Assistant Treasurer*  
Paul L. Meier,  
*Controller*

## Labatt Brewing Company

Sidney M. Oland,  
*President*  
Gordon R. Currie,  
*Vice-President, Finance*  
John L. Dunwell,  
*Vice-President,  
Technical Operations*  
Thomas R. Errath,  
*Vice-President, Marketing*

## Labatt Breweries of Canada

Pierre Desjardins,  
*President*  
Edward E. Stewart,  
*Executive Vice-President*  
Robert A. Binnendyk,  
*Vice-President and  
General Manager,  
Prairie Region*  
Marcel Boisvert,  
*President,  
La Brasserie Labatt Limitée*  
Gregory W. Canning,  
*Vice-President and  
General Manager,  
Ontario Region*  
Philip C. Carter,  
*Vice-President and  
General Manager,  
British Columbia Region*  
J. Roderick McLeod,  
*Vice-President and  
General Manager,  
Atlantic Region*  
John J. Brennan,  
*Vice-President, Marketing*  
J. Michael Hill,  
*Vice-President, Finance*  
John R. Lumsden,  
*Vice-President, Operations*  
Howard J. Morgan,  
*Vice-President, Personnel*

## OPERATING DIVISIONS

### Labatt Breweries of Europe

John F. Morgan,  
*President*

### Labatt Importers

Richard R. Fogarty,  
*President*

### Ault Foods

Graham P. M. Freeman,  
*Chairman and  
Chief Executive Officer*  
Raymond J. Elliott,  
*President, Ault Industries*  
Anthony I. Kalhok,  
*President, Retail*  
Douglass G. McDougall,  
*President, Lactantia*  
Lawrence H. Orton,  
*President, Food Service*  
Robert G. Vaux,  
*Executive Vice-President*  
Guy Bergeron,  
*Vice-President and  
General Manager,  
Quebec*  
Jeremy P. Hobbins,  
*Vice-President and  
General Manager,  
Central Ontario*  
Axel Breuer,  
*Vice-President, Finance*  
Dr. Mahmoud M. Eino,  
*Vice-President,  
Operations Ontario*  
D. Lawrence Morden,  
*Vice-President,  
Human Relations*  
Andrew M. Schell,  
*Vice-President, Logistics*

### Johanna Farms

Kurt Goldman,  
*President*  
Peter S. Goldman,  
*Executive Vice-President*  
R. Bruce Fraser,  
*Vice-President,  
U.S. Dairy Development*  
Louis S. Caiola,  
*President and  
Chief Executive Officer,  
Tuscan Industries*  
Cary Reimer,  
*Senior Vice-President,  
Operations*  
John Kazanas,  
*President,  
Yogurt Division*  
Kenneth Rosenthal,  
*Vice-President*



## OPERATING DIVISIONS

### Ogilvie

Guy Saint-Pierre,  
*President and  
Chief Executive Officer*

Terrence McDonnell,  
*Executive Vice-President  
and General Manager,  
Grains*

Yves Bertrand,  
*Vice-President, Finance*

Robert J. Dunn,  
*Vice-President and  
General Manager,  
Ogilvie Mills, U.S.*

John Neufeld,  
*Vice-President, Logistics*

Bradley W. Morrison,  
*Vice-President, Technology*

Richard Patenaude,  
*Vice-President,  
Manufacturing*

Lawrence W. Smith  
*Vice-President, Sales*

Dr. John H. Linton,  
*President, Miracle Feeds*

### John Labatt Foods

Frank Elsener,  
*President*

J. Herbert England,  
*President, Retail Division*

Gary M. Knight,  
*Executive Vice-President,  
Staff Services*

Donald A. Bobo,  
*Vice-President,  
Human Resources*

#### Retail Division

J. Herbert England  
*Chairman and  
Chief Executive Officer,  
Catelli*

Pierre-Paul Amyot  
*Executive Vice-President,  
Retail*

Lester Nuby, Jr.  
*President,  
Pasquale Food Company*

Nick R. Chilton,  
*President,  
Oregon Farms*

#### Food Service Division

Patrick S. Johnston,  
*President,  
Chef Francisco*

Leonard H. Omstead,  
*President,  
Omstead Foods*

Robert E. Martin,  
*President,  
Delicious Foods*

### Holiday Juice

Daniel F. Kotwicki,  
*President and  
Chief Executive Officer*

Charles E. Jamail,  
*Executive Vice-President*

James E. Zakoor,  
*Executive Vice-President,  
Boden Products*

Michael A. Allen,  
*President,  
Everfresh Juice Company*

Patrick A. Daly,  
*Vice-President,  
Administration & Planning*

Kenneth R. Ford,  
*Vice-President, Operations,*

Michael Petric,  
*Technical Director*

### Chateau-Gai

Michael H. Condé,  
*President, Canadian Wines*

Dr. Allen H. Jackson,  
*Executive Vice-President,  
Operations and  
Business Development*

Peter B. Patchet,  
*Vice-President, Finance  
and Administration*

John K. Hall,  
*Vice-President and  
General Manager, Ontario*

Rod Y. Harris  
*Vice-President and  
General Manager,  
Prairies*

Charles E. Ruddick  
*Vice-President and  
General Manager,  
Casabello Wines*

Ron F. Purdon,  
*Director of Operations,  
Quebec*

Peter J. Granger,  
*General Manager,  
Maritimes*

### The Sports Network

Gordon Craig,  
*President and  
General Manager*

Joanne McKenna,  
*Vice-President,  
Finance and Administration*

David R. Sanderson,  
*Vice-President, Marketing*

Terry Snazel,  
*Vice-President, Operations*

James S. Thompson,  
*Vice-President,  
Programming*



**DIRECTORS****Marcel Bélanger,  
O.C., F.C.A.**

Quebec, Quebec  
President, Gagnon et  
Bélanger Inc.  
Elected 1972

**Peter F. Bronfman,**

Toronto, Ontario  
Chairman of the Board,  
Edper Enterprises Ltd.  
Elected 1979

**Jack L. Cockwell,**

Toronto, Ontario  
Executive Vice-President  
and Chief Operating Officer,  
Brascan Limited  
Elected 1986

**Charles Diamond,**

Vancouver, British Columbia  
President, B.C. Turf Ltd.  
Elected 1981

**J. Trevor Eyton,  
O.C., Q.C.,**

Toronto, Ontario  
President and  
Chief Executive Officer,  
Brascan Limited  
Elected 1979

**Eric F. Findlay,**

Toronto, Ontario  
Chairman of the Board and  
Chief Executive Officer,  
Silcorp Limited  
Elected 1984

**Edwin A. Goodman,  
O.C., Q.C.,**

Toronto, Ontario  
Partner,  
Goodman & Goodman  
Elected 1966

**Peter F. Hannam,**

Guelph, Ontario  
President,  
First Line Seeds Ltd.  
Elected 1986

**Norman E. (Peter) Hardy,**

London, Ontario  
Chairman of the Board,  
John Labatt Limited  
Elected 1966

**Francine Harel Giasson,**

Montreal, Quebec  
Associate Professor and  
Director of Programs,  
École des Hautes Études  
Commerciales  
Appointed 1987

**Gordon F. Hughes,**

Windsor, Nova Scotia  
President,  
Ocean Company Limited  
Elected 1973

**Mervyn L. Lahn,**

London, Ontario  
Chairman and  
Chief Executive Officer,  
Canada Trustco  
Mortgage Company  
Elected 1978

**Alexander J.  
MacIntosh, Q.C.,**

Toronto, Ontario  
Partner,  
Blake, Cassels & Graydon  
Elected 1967

**Jaime Ortiz-Patiño,**

Geneva, Switzerland  
President and Chief Executive,  
Patiño Investments S.A.  
Elected 1980

**Herbert C. Pinder,**

Saskatoon, Saskatchewan  
President,  
Saskatoon Trading  
Company Limited  
Elected 1977

**Samuel Pollock, O.C.,**

Montreal, Quebec  
Chairman and President,  
Carena Bancorp Equities Ltd.  
Elected 1981

**Wallace F. Read,**

London, Ontario  
Corporate Director  
and Consultant,  
John Labatt Limited  
Elected 1970

**Jean Denis Vincent,**

Pointe-Claire, Quebec  
President and  
Chief Executive Officer,  
Alliance-Industrial  
Financial Corporation  
Elected 1985

**Peter N. T. Widdrington,**

London, Ontario  
President and  
Chief Executive Officer,  
John Labatt Limited  
Elected 1973

**William P. Wilder,**

Toronto, Ontario  
Chairman of the Board,  
The Consumers' Gas  
Company Ltd.  
Elected 1970

**Honorary Director****John B. Cronyn,**

London, Ontario  
Corporate Director  
Elected 1959  
Appointed Honorary  
Director 1986

**COMMITTEES****Executive Committee****Chairman:**

Norman E. (Peter) Hardy;  
Charles Diamond,  
J. Trevor Eyton,  
Edwin A. Goodman,  
Mervyn L. Lahn,  
Alexander J. MacIntosh,  
Peter N. T. Widdrington

**Audit Committee****Chairman:**

Marcel Bélanger;  
Jack L. Cockwell,  
Mervyn L. Lahn,  
Jaime Ortiz-Patiño,  
Peter N. T. Widdrington

**Business Conduct  
Review Committee****Chairman:**

Charles Diamond;  
Gordon F. Hughes,  
Alexander J. MacIntosh

**Management Resources  
and Compensation  
Committee****Chairman:**

Norman E. (Peter) Hardy;  
J. Trevor Eyton,  
Edwin A. Goodman,  
Alexander J. MacIntosh

**Pension Investment  
Advisory Committee****Chairman:**

Jean Denis Vincent;  
Eric F. Findlay,  
Samuel Pollock,  
William P. Wilder

**Public Responsibility  
Committee****Chairman:**

Peter F. Bronfman;  
Peter F. Hannam,  
Herbert C. Pinder,  
Samuel Pollock,  
Wallace F. Read



# SHAREHOLDERS' INFORMATION

## Stock Exchanges

Montreal, Toronto, Winnipeg, Alberta, Vancouver

## Transfer Agents

The Canada Trust Company — Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver

The Canadian Bank of Commerce Trust Company, New York, U.S.A.

## Registrars

The Royal Trust Company — Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver

Bank of Montreal Trust Company, New York, U.S.A.

## Auditors

Clarkson Gordon,  
Chartered Accountants  
London, Ontario

## Shareholders

As of April 30, 1987, 12,753 Canadian residents located across Canada held 97% of John Labatt shares. A regional summary of shareholders is shown in the following table:

	Number of Shareholders	Percent of Shareholders
Atlantic	443	3.4
Quebec	1,549	11.8
Ontario	8,550	64.9
West	2,211	16.8
Total Canada	12,753	96.9
Non-Residents	407	3.1
Total	13,160	100.0

## Dividends

The quarterly dividend paid on common shares was increased at the September, 1986 Annual Meeting to 14¢ per share from 12-3/4¢ per share. During fiscal 1987, \$39.6 million or \$0.5475 per share was paid in dividends to common shareholders, up from \$32.3 million and \$0.5025 per share in fiscal 1986.

## Quarterly Payment History

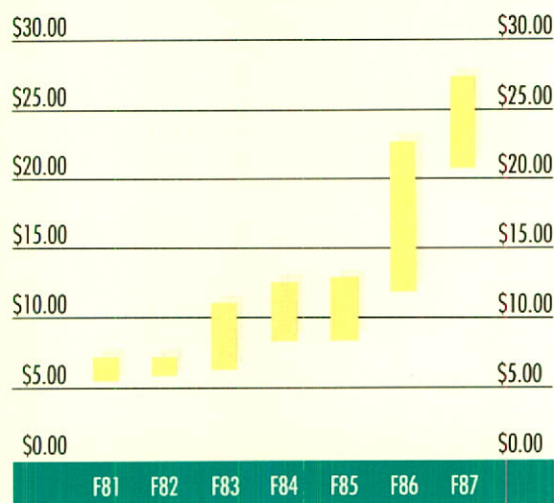
	July	Quarter Oct.	Jan.	Apr.	Fiscal Year
1983	09.25¢	09.90¢	09.90¢	09.90¢	38.95¢
1984	09.90	11.25	11.25	11.25	43.65
1985	11.25	12.00	12.00	12.00	47.25
1986	12.00	12.75	12.75	12.75	50.25
1987	12.75	14.00	14.00	14.00	54.75

## Share Price History On Fiscal Year Basis

	Low	High	April 30
1983	\$ 6-1/8	\$11-1/8	\$11
1984	8-7/8	12-5/8	9
1985	8-7/8	12-7/8	11-3/4
1986	11-7/8	23	22-5/8
1987	20-1/4	27-1/4	24-3/8

**Note:** Market prices above are shown on an adjusted basis after share splits. The shares were split 2 for 1 in September, 1983 and 2 for 1 in July, 1986.

## Labatt Share Values Annual Market High/Low





## FIVE YEAR REVIEW

(in millions, except per share and other data)

Operating Results	1987	1986	1985	1984	1983
Gross sales	<b>\$4,253.3</b>	\$3,581.4	\$2,802.6	\$2,449.5	\$2,225.0
Depreciation and amortization	<b>90.3</b>	70.9	51.9	42.5	38.4
Interest expense	<b>59.9</b>	49.7	38.3	32.6	30.2
Income taxes	<b>95.4</b>	79.6	52.5	58.2	51.3
Earnings before bottle write-off and extraordinary item	<b>125.2</b>	101.5	81.7	86.4	72.7
Net earnings	<b>125.2</b>	101.5	81.7	66.7	69.2
Funds provided from operations	<b>233.6</b>	201.2	165.7	123.1	131.1
Common share dividends	<b>39.6</b>	32.3	28.2	24.9	21.3
Capital expenditures	<b>157.7</b>	115.6	111.1	70.7	53.1
Acquisitions and other investments	<b>\$ 402.6</b>	\$ 61.7	\$ 193.7	\$ 96.1	\$ 23.9

Financial Position					
Working capital	<b>\$ 204.7</b>	\$ 338.7	\$ 71.6	\$ 241.5	\$ 253.1
Fixed assets	<b>837.3</b>	673.1	637.9	418.2	333.8
Total assets	<b>2,355.0</b>	1,785.3	1,548.1	1,185.6	953.3
Non-convertible long-term debt	<b>378.3</b>	287.2	154.5	150.5	152.0
Convertible debentures and shareholders' equity	<b>\$1,066.3</b>	\$ 850.8	\$ 649.4	\$ 588.0	\$ 480.7

Data Per Common Share					
Fully diluted earnings					
Before bottle write-off and extraordinary item	<b>\$ 1.55</b>	\$ 1.38	\$ 1.18	\$ 1.26	\$ 1.13
Net earnings	<b>1.55</b>	1.38	1.18	1.00	1.08
Common share dividends	<b>0.54%</b>	0.50%	0.47%	0.43%	0.39
Convertible debentures and shareholders' equity	<b>12.06</b>	10.22	8.58	7.82	6.97
Price range — high	<b>27¼</b>	23	12¾	12½	11½
— low	<b>\$ 20¼</b>	\$ 11¾	\$ 8¾	\$ 8¾	\$ 6¼

Other Data					
Return on average shareholders' equity	<b>17.3%</b>	17.0%	16.9%	16.0%	20.3%
Net earnings as a percent of sales	<b>2.9%</b>	2.8%	2.9%	2.7%	3.1%
Working capital ratio	<b>1.26</b>	1.65	1.11	1.67	2.08
Common shares outstanding (in thousands)	<b>72,730</b>	71,878	60,784	58,754	55,066
Number of shareholders	<b>13,160</b>	12,006	11,648	11,727	10,325
Number of employees	<b>16,200</b>	14,200	13,000	10,500	9,000





451 Ridout Street North, London, Ontario N6A 5L3