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For further information please write:

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Attention: Investor Relations

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

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Highlights

(in millions except per share and other data)		1989		1988	% Change
Operating Results					
Gross sales	\$5	424.2	\$5	,107.0	6.2%
Net earnings		135.1		140.6	(3.9)%
Funds provided from operations		279.7		288.8	(3.2)%
Common share dividends		50.6		45.5	11.2%
Acquisitions, capital expenditures and other investments		280.3		341.8	(18.0)%
Proceeds on divestitures		328.7		_	_
Financial Position					
Working capital	\$	543.9	\$	228.0	138.4%
Total assets	2	,756.5	2	,538.0	8.6%
Non-convertible long-term debt		532.3		481.6	10.5%
Convertible debentures and shareholders' equity	1	,398.2	1	,158.4	20.7%
Per Common Share Data					
Fully diluted net earnings	\$	1.60	\$	1.68	(4.8)%
Dividends	\$	0.685	\$	0.62	10.5%
Convertible debentures and common shareholders' equity	\$	13.90	\$	13.01	6.8%
Other Data					
Return on average common shareholders' equity		14.6%		17.2%	
Return on average common shareholders' equity and convertible debentures		11.9%		13.5%	
Number of common shareholders	1	13,999		14,838	
Number of employees	1	16,000		17,900	
Number of common shares outstanding — end of year (in millions)		74.6	- 151	73.8	

♠ JOHN LABATT

John Labatt is a major North American food and beverage company carrying on business in two principal groups, Brewing and Food.



Labatt Brewing Company



Labatt Breweries of Canada

Labatt Breweries of Canada brews and markets 38 brands of beer. National brands including Labatt's Blue, Labatt's 50, Budweiser, John Labatt Classic, and Labatt's Lite account for most of the company's sales. Important regional brands include Keith's in the Maritimes, Club in Manitoba, Kokanee in B.C., Labatt's Blue Light and Carlsberg in Ontario, and Légère in Quebec.













Labatt's USA

Sale of beer and ale in the United States through Labatt Importers and production and sale of beer through Latrobe Brewing.





Labatt Breweries of Europe

Production and sale of beer in Europe.



Communications and Entertainment

BCL Entertainment Corp.
Rock concert promotions and merchandising in North America, a 45% interest.

Supercorp Entertainment

Creative writing, sound recording, animation and television commercial production for the advertising industry in Canada, a 50% interest.

International Talent Group A rock music talent agency in the United States, a 50% interest.

Auscan Closures Canada and Company, Limited

Manufacturer of patented caps for bottled beverages, a 50% interest.

Canada Malting Co., Limited

Production and sale of malt for the brewing and distilling industries, a 19.9% interest.

Broadcast Group

The Sports Network

English language all-sports specialty television programming service in Canada, 100% owned by John Labatt.

THE SPORTS NETWORK-

Le Réseau des Sports

French language all-sports specialty television programming service in Eastern Canada, a partnership with Telemedia Communications Inc.

Dome Productions

Television and video post production facility at the Toronto SkyDome, 100% owned by John Labatt.

Labatt Food Company

Ault Foods

Production and sale of fresh table milk, cheese, butter, cultured products, margarine, ice cream, frozen novelties,

powders and other milk products in Canada.



Johanna Dairies

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



Everfresh

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

Ogilvie Mills

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.

John Labatt Foods

Production and sale of food through: Chef Francisco - frozen soups Delicious Foods — frozen vegetables Omstead Foods - fish and frozen vegetables Pasquale Foods - pizza Oregon Farms - retail grocery products















Catelli-Primo Limited

Production and sale of grocery products in Trinidad, a 46.4% interest.

McGavin Foods Limited

Production and sale of baked goods in western Canada, a 60% interest (a 50% voting interest.)

Other Investments

Toronto Blue Jays Baseball Club

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

Allelix

Applied research in biotechnology in Canada. A 30% partnership interest. llelix

Letter to Shareholders

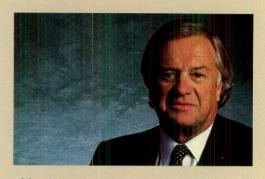
Peter N.T. Widdrington Chairman and Chief Executive Officer

John Labatt made significant progress in fiscal 1989. Our Company's position and potential were substantially enhanced by development of our businesses, important rationalizations in operations, and the successful sale of Catelli and the Wine operations. Sales reached a record \$5.4 billion, a 6% increase achieved in very competitive markets.

Despite the growth in sales, earnings were hurt by a temporary setback in Labatt Food Company's contribution. As a result, overall earnings slipped 4% to \$135 million or \$1.60 per common share fully diluted, a disappointing result compared with the \$1.68 per common share earned in fiscal 1988.

Labatt Food Company experienced a difficult year in fiscal 1989. A combination of very adverse industry conditions which narrowed margins in many of our food businesses, the roll-out costs associated with new products, and some significant one-time costs reduced earnings. However, with the benefit of recent and ongoing initiatives, recovery is anticipated this year.

Higher brewing earnings supported overall results, as our Brewing Company had another successful year. Earnings were 12% ahead



of fiscal 1988 as market share in Canada edged up to 42%, and business expansion in the United States and the United Kingdom progressed significantly supported by aggressive market development spending.

The brewing and food operations are addressed more specifically by the Company Presidents, Mr. Sidney Oland and Mr. George Taylor respectively, in the Operations Reviews which follow this letter.

The Broadcast Group achieved important progress during the year. TSN recorded a solid earnings gain, while newly-formed Dome Productions completed construction of its state-of-the-art video post production and broadcasting facilities located in the Toronto SkyDome. Le Réseau des Sports (RDS), an all-sports French network located in Montreal, a partly-owned business with Telemedia, is progressing toward launch on September 1, 1989.

During the year, the Company disposed of several businesses which no longer held strategic relevance, including most notably, Catelli and the Canadian Wine operations. These transactions resulted in an unusual pre-tax gain of \$141 million. During our strategic review, management concluded that,

as a result of the changes in the environment in which several of the Company's businesses compete, the net carrying value of certain of these businesses had been impaired. Accordingly, the Company, in recognition of these changed circumstances, recorded an unusual pre-tax charge to earnings of \$150 million.

John Labatt is well positioned for future growth. We are now deriving nearly one-half of our business from United States operations, and are building our business internationally, particularly in the Brewing Company. Our Company's major priority continues to be to maximize the benefits from our sizeable business base. Labatt will accomplish this by continuing operational integrations, pursuing internally generated business and product development and ensuring optimal strategic positioning for our businesses. The proceeds from dispositions and the issue of \$150 million of preferred shares during the year improved the Company's balance sheet significantly and makes substantial funds available for strategic growth opportunities.

To support the Company's growth and strategic thrust, we are continuing to make substantial

investments in business development and in plant facilities. Our capital expenditures in fiscal 1989 were \$238 million, and significant further investment is planned for this year.

In summary, John Labatt's prospects are very good. For the current fiscal year we expect strong earnings performance, particularly in the second half of the year. Improved earnings will reflect solid recovery by Labatt Food Company, continuing strong growth from Brewing and the positive impact from the sizeable divestiture proceeds.

On behalf of management and the board, we thank our shareholders, customers, and suppliers for their valued support, and our 16,000 employees for their outstanding contribution to the success of our Company.

Peter N.T. Widdrington

Chairman and Chief Executive Officer

Labatt Brewing Company

Labatt Brewing Company

Labatt Breweries of Canada

Labatt's USA

Labatt Breweries of Europe

Communications and Entertainment

Labatt Brewing Company Executive Offices: # 2 First Canadian Place. Suite 3200 PO. Box 69 Toronto, Ontario M5X 1E7

Head Office: 150 Simcoe Street PO. Box 5050. Terminal "A" London, Ontario N6A 4M3

Number of Plants: 13 Number of Employees: 4,600

Fiscal 1989 was another record year for Labatt Brewing. We achieved solid earnings growth while supporting significant brand development activities in the United States and the United Kingdom, as part of our long-term expansion strategy to become a significant international brewer. Labatt's worldwide volume surpassed 10 million hectolitres, a milestone in the Company's history.

Earnings reached a record \$158 million, up 12% from the \$140 million in fiscal 1988, primarily due to the continuing strong performance of the Canadian brewing operations. During the year Labatt Brewing increased its Canadian market share to 42%. In addition, profitability was significantly improved by cost efficiencies and productivity gains.

In the United States, Labatt's and Rolling Rock brands achieved strong growth of 9% during the year in a highly competitive no-growth industry. In the United Kingdom, we are proud of our successful introduction of Labatt's Canadian Lager, which achieved sizeable market share penetration in its launch markets during the first full year of operation.

In addition, we broadened our presence in the communications and entertainment industries by acquisitions in the commercial film making and rock talent agency businesses. Earnings from the communications and entertainment division improved primarily due to the success of the rock concert operations as well as the sale of licenced merchandise.



The outlook for fiscal 1990 is exciting. Our Canadian brewing operation will continue to build on its successful position and will take advantage of market opportunities including those that may arise from the recent Elders/Molson business merger. In the United States and the United Kingdom, aggressive marketing programs are being implemented to achieve significant brand development and volume growth in fiscal 1990. Our communications and entertainment division is also forecasting good growth. Consistent with our international growth strategy, in the first quarter of this fiscal year we acquired a 70% interest in a new brewing operation in Italy, Birra Moretti, which itself is a combination of the Birra Moretti and Prinz Brau brewing companies. We are pleased to be associated with this quality company in the growing Italian beer market.

Overall, we are expecting a year of solid growth in both our business base and earnings.

President, Labatt Brewing Company

(\$ in millions)	1989	1988	1987	1986	1985
Gross sales	\$1,818.1	\$1,632.6	\$1,487.3	\$1,333.1	\$1,201.6
Assets employed	516.1	527.3	428.8	386.8	362.6
Capital expenditures	78.6	74.6	56.1	56.4	63.8
Depreciation and amortization	43.2	38.9	33.3	27.4	23.9
Earnings before interest and income tax	157.5	140.1	120.9	94.1	77.1
Domestic industry volume — hl mill.	20.5	20.5	20.4	19.8	20.4
Labatt's domestic volume — hl mill.	8.5	8.4	8.4	8.1	7.9
Domestic market share	42%	41%	41%	41%	39%
Labatt's worldwide volume — hl mill.	10.3	9.4	8.9	8.5	8.3

Note: The results do not include the Communications & Entertainment division. Those results are included under partly-owned businesses.





Canada

 Labatt's is the leading brewer in Canada, producing and marketing 38 high-quality maltbased beverages for sale in Canada and for export. National brands are: Labatt's Blue, Labatt's 50, Budweiser, Labatt's Lite, John Labatt Classic.

Important regional brands are: **Keith's** in the Maritimes, **Légère** in Quebec, **Labatt's Blue Light** and **Carlsberg** in Ontario, **Club** in Manitoba, **Kokanee** in British Columbia.

Labatt's improved its leading market share position, averaging close to 42% for the year. This performance was achieved primarily through the addition of Carlsberg and Carlsberg Light, aggressive new programs for Budweiser and record market share levels in Quebec. In spite of increased competition, Labatt's Blue continues to be Canada's most popular beer.

 Earnings increased significantly as a result of higher volumes, improved margins and productivity programs.

 In January, 1989, Elders, the Australian owners of Carling O'Keefe, and Molson announced their intention to merge their Canadian brewing operations. Labatt's is in a strong position to capitalize on opportunities which may arise from this merger.

Labatt's Dry, a refreshingly crisp, clean-flavoured beer with no aftertaste, was successfully launched in May.



- In fiscal 1989, Labatt's continued its substantial capital investment programs to expand capacity, reduce operating costs and improve efficiencies.
- Importation and preferential treatment of low-priced American beer by liquor boards in some provinces is a growing concern of Canadian brewers. The industry is vigorously pursuing the issue with provincial authorities.
- During the year, the Canadian and United States governments ratified a free-trade agreement. The agreement is not expected to have a material effect on the brewing industry.
- The Canadian government is currently reviewing the interprovincial beer shipment

- restrictions with the provincial governments and the beer industry. Management is monitoring these developments closely and does not anticipate any material impact on operations in the short term.
- For fiscal 1990, Labatt's anticipates an increase in national market share and higher earnings. Labatt's major brands continue to enjoy strong market positions and will be complemented by the recent introduction of **Labatt's Dry** and aggressive new marketing programs.
- The wine operation was sold effective April 30, 1989.





Labatt's was the first Canadian brewer to launch a national trademark licensing and merchandising program. Through officially-licensed manufacturers and distributors, quality Labatt's brand and event-identified merchandise is now available in the retail marketplace.

Labatt's USA Inc.

Rolling Rock, a regional favourite, has maintained impressive sales growth in helping Labatt's USA achieve record levels.

United States

- In the United States, Labatt's imports and markets a number of brands including Labatt's Blue, Labatt's Blue Light, Labatt's 50 and Schooner, and distributes Moussy, a nonalcoholic beer imported from Europe.
- The Latrobe Brewing Company, a wholly-owned subsidiary, produces and markets the popular regional brand Rolling Rock, reflecting Labatt's niche marketing strategy in the United States.
 - Labatt's brands achieved a strong 10% growth in sales, outpacing the 6% growth of the Canadian imported beer segment, while Rolling Rock achieved a solid 9% sales growth in a flat U.S. domestic beer industry.



Communications and Entertainment

- Labatt's has a 45% interest in BCL Entertainment, a North American leader in rock concert promotions and merchandising. BCL sales and earnings were significantly higher than last year.
- Labatt's has a 50% interest in Supercorp Entertainment, a Kessler group of companies, which is prominent in the creative writing, sound recording, animation and television commercial production segments of the communications industry. During fiscal 1989, Supercorp acquired a 50% interest in Partners' Film Company, one of North America's largest producers of commer-

cials, broadening Supercorp's presence in the communications industry.



 During fiscal 1989, Labatt's acquired a 50% interest in International Talent Group, (ITG), a rock music talent agency in New York City. ITG represents major rock artists.



Through BCL Entertainment Inc., Labatt's is co-owner of one of North America's largest rock concert promoters.

Europe

- Since its introduction in the United Kingdom in February 1988, Labatt's Canadian Lager, produced in partnership with a number of regional brewers, has been very well received, achieving sizeable market share penetration in its launch markets.
- Negotiations with other regional brewers continue and introduction of Labatt's Canadian Lager into the London market and the home consumer market was launched in June 1989. Significant market development spending will continue throughout fiscal 1990.
- In the first quarter of fiscal 1990, Labatt Breweries of Europe acquired a 70% interest in Birra Moretti, a quality regional brewer in northern Italy which itself has acquired the Prinz Brau brewing company, located in central Italy. The combined operations are now the third largest brewing company in Italy. These

acquisitions mark the second major step in Labatt Breweries of Europe's planned expansion in the European beer market.





Labatt Breweries of Europe's latest acquisition, Birra Moretti, is now Italy's third largest brewer.

Labatt's market share in the United Kingdom continues to grow, as agreements with regional brewers expand the distribution of draught lager.



Labatt Food Company

Labatt Food Company

Ault Foods Dairies in Canada

Jobanna DairiesDairies in United States

Ogilvie MillsFlour, Starch,
Gluten and Feeds

Everfresh Juices and Drinks

John Labatt Foods Frozen Food Service and Pizza

Labatt Food Company Executive Offices: 130 Adelaide Street West Suite 3400 Toronto, Ontario M5H 3P5

Number of Plants: 66 Number of Employees: 11,200 Fiscal 1989 was a year of major challenge for the Labatt Food Company. We made important progress in the rationalization of our businesses and strategically positioned them for future profit growth.

Earnings were lower, as last summer's drought and intense competitive industry conditions affected many of our operations. This difficult environment and a number of one-time costs caused earnings to decline to \$106 million from \$155 million in the preceding year.

Significantly higher costs for key raw materials, including raw milk, juice concentrate, pizza cheese, and wheat, could not be recovered through price increases as competitive pressures for market share intensified. In addition, earnings were reduced as a result of the strengthening of the Canadian dollar, expenditures on product development, and one-time costs arising from the start-up of new facilities and rationalization of others. However, we believe that the current year will show significant improvement.

Our primary strategic goal continues to be to rationalize and improve the performance of our present business base. We made substantial progress during the past year through the sale of Catelli and the rationalization and repositioning of other businesses. Concentrating



on this priority in the current year, we plan to achieve further operating improvements to enhance our competitive position, increase research and development, and invest substantially in further upgrading production facilities. We will also pursue growth opportunities primarily through internally generated business development, while considering complementary acquisitions.

In summary, we are positive on this year's prospects. Industry conditions, while still intensely competitive, are expected to improve, allowing for better operating margins. The combination of improved industry conditions, operating improvements, repositioning of certain of our businesses, and specific new growth initiatives should provide strong earnings recovery in the second half of this year and substantial future growth.

George S. Taylor President, Labatt Food Company

(\$ in millions)	1989	1988	1987	1986	1985
Gross sales	\$3,606.1	\$3,474.4	\$2,785.9	\$2,261.3	\$1,605.6
Assets employed	1,110.4	1,308.3	1,244.4	732.5	576.3
Capital expenditures	159.8	117.9	101.6	59.2	47.3
Depreciation and amortization	83.8	75.4	58.1	44.4	28.7
Earnings before interest and income taxes	105.8	154.6	146.1	132.1	93.7







The world's best cheese is made in Canada and Canada's best is made in Balderson.

Ault Foods

 Ault Foods, one of Canada's largest milk processors, produces and markets a complete line of dairy and industrial milk products in Ontario, Quebec and Manitoba and in addition, markets certain of its products in the Maritimes, Western Canada and internationally.

Ault's dairy operations are organized into fluid, refrigerated, frozen and food service divisions and account for approximately two-thirds of Ault's sales. These divisions market fresh table milk and complementary products including

creams, yogourt, cottage cheese, sour cream, ice cream, frozen novelties and juices. Products are marketed under major brand names such as: Sealtest, Silverwood, Light n' Lively, Alpenfresh, Dallaire, Royal Oak and Copper Cliff. Popular product brands include: Oh Henry!, Drumstick and Parlour ice cream.

The industrial milk operation accounts for approximately one-third of Ault's sales and markets top quality butter and cheeses under the **Lactantia** and **Balderson** brand names. Ault also supplies cheese and other products to food manufacturers for further processing and to retailers for their brand name and private label business. The division exports cheese, butter, whey powders, skim milk powder and many custom-blended dairy products around the world. Ault received the Canadian Federal Government's Export Award in 1988 for excellence in its export program.

 Ault's earnings increased in fiscal 1989 in both dairy and industrial milk operations. Profit growth reflected improved operations, stabilized prices, significant cost reductions and volume growth. Industrial milk division results



The label says light, the taste says amazing.



Muppets Yogourt — a special, fun product designed especially for kids.

benefited from strong export and specialty cheese sales, operational efficiencies and significant volume growth of **Lactantia** butter in Ontario.

- Ault continued to capitalize on its strong marketing and research programs with the successful launch of several new products. These products, including Muppets Yogourt, Drumstick, Mr. Shake and Parlour Light achieved broad consumer acceptance.
- Reflecting dedication to product innovation, Lactantia recently launched the world's first pure light butter, Pure & Simple. Pure & Simple maintains the unique taste, texture and purity of butter and is made with completely natural ingredients. This represents an important breakthrough in proprietary technology, significantly reducing fat, cholesterol, calories and salt, without the use of additives.
- During the year, Ault improved plant operations and efficiencies through capital investment and rationalization. These improvements contributed to higher product quality, longer shelf life, increased productivity and cost reductions. In particular, renovations made to the frozen products facility in London, Ontario make it one of the most efficient ice cream and novelty plants in North America.
- In fiscal 1990, Ault expects strong increases in both sales and operating earnings.

Johanna Dairies

Johanna Dairies is one of the largest dairy operations in the Northeastern United States. Major branded products include:
 Table Milk — Johanna, Tuscan, Abbotts, Lehigh and Green Spring.
 Juice — Johanna, Tree Ripe and Florida Citrus.

Shelf-stable juices and drinks — **Ssips** and **Tree Ripe**.

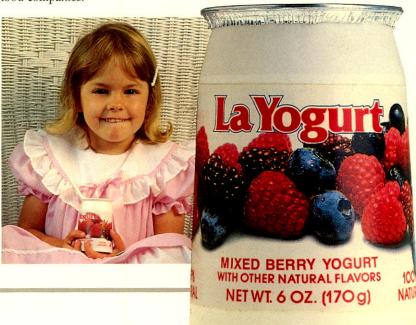
Premium ice cream — Abbotts Old Philadelphia and Tuscan Supreme. Yogourt — La Yogurt.

Liquid yogourt drink — Tuscan.

The dairies' customer base includes major supermarket chains, grocery wholesalers, independent grocery and variety stores, as well as foodservice accounts. The dairies distribute primarily in New Jersey, New York, Pennsylvania, Maryland and the District of Columbia; however, some branded products enjoy wide distribution into the Midwest, Southern, and Rocky Mountain markets.

Several operations offer private label products to large supermarket chains and wholesale distributors. Juices, drinks and yogourt are also co-packed for certain national packaged food companies. JOHANNA Dairies Incorporated

La Yogurt, available in 14 delicious flavours, is now thicker and creamier with more fruit flavour.







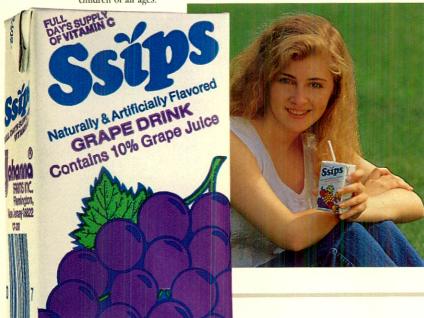
Johanna Dairies' leading brands in table milk are the heart of the Johanna business.

- Sales growth in fiscal 1989 came from both new accounts and increased volumes to existing customers. However, earnings declined from fiscal 1988 levels due to extremely competitive market conditions, higher raw milk and material costs, and continued rationalization expenses arising from consolidation of acquisitions made over the past two years.
- Substantial price discounting continues in the intensely competitive New York City table milk market as out-of-town competitors with labour and material cost advantages seek to gain new accounts. Price competition has spread from New York City into neighboring markets and continues to constrain our ability to fully recover the higher raw material costs.

Despite this, strong customer relationships and a reputation for good service and quality products have enabled Johanna to protect its customer base.

- The Baltimore dairy plant expansion and renovation was completed during the year, which achieved consolidation of two plant facilities and is providing significant operating savings. This facility is now one of the most efficient dairy plants in North America and is serving an enlarged customer base.
- The Allentown cultured products business and a portion of the ice cream business was exchanged during the year for a long-term fluid milk contract. The plant facility was closed and will be sold.
- Production efficiencies in all plants improved this past year, and efforts to reduce distribution costs have begun. Initiatives to further improve production and distribution efficiencies will continue aggressively during the current fiscal year.
- The Johanna operations anticipate significant earnings recovery in the second half of fiscal 1990, as a result of rationalization activities, elimination of duplicate operating costs, increased efficiency and expected improvement in industry conditions. Product and packaging innovations, as well as continued commitment to quality and customer service will confirm Johanna Dairies' market leadership position.

Ssips, Johanna's full line of juice drinks, is enjoyed by children of all ages.



8.45 fl. oz. (250 ml)

Ogilvie Mills

Ogilvie operates Labatt Food Company's grain processing businesses. Ogilvie's principal activity is the milling and sale of flour to bakeries, pasta and biscuit producers and industrial food processors. The company mills and markets the Five Roses brand of family flour in Canada and exports flour directly and through government foreign-aid programs. Ogilvie is a major manufacturer and marketer of numerous oat products sold to the breakfast cereal and bakery industries throughout Canada and the United States.

Ogilvie is also one of the world's largest producers of wheat starch and gluten and a major participant in the North American livestock feed business.

- Ogilvie's earnings declined in fiscal 1989 primarily as a result of higher wheat costs caused by the 1988 drought and an increasingly competitive market environment.
- Flour division sales and earnings declined from the previous year. Sales to Cuba were significantly reduced, as subsidized European competition has made it increasingly difficult for Canadian-based mills to compete internationally. Domestic flour margins declined due to highly competitive market conditions, reflecting excess industry capacity aggravated by reduced export business.
- The Starch and Gluten division achieved volume gains as a result of recent completion of plant expansions at Candiac, Quebec and Keokuk, Iowa. However, earnings were disappointing due to an inability to recover the significantly higher wheat costs experienced across North America.

- The Feed division achieved significant increases in sales and earnings over the previous year due to improved selling prices resulting from higher prices for competitive commodities caused by North American drought conditions.
- While fiscal 1989 was disappointing, Ogilvie implemented significant steps which will positively impact future earnings:
 - -Commencement of construction of a stateof-the-art oat mill in Midland, Ontario.
 - -Plant expansions and development of new value-added products were completed at starch and gluten plants in Canada and the United States.
 - -The strategic acquisition of a majority interest in a wheat starch and gluten plant in Bordeaux, France in partnership with Grands Moulins de Paris, the largest flour milling company in France and UNCAC, an important wheat producers' cooperative.
 - -Consolidation of the Western Canadian flour milling operations into the Medicine Hat, Alberta plant, which increased plant efficiencies and allowed the closing of an aging facility in Winnipeg.
 - -Important productivity improvement projects in our flour mills.
- Although milling industry market conditions will remain difficult this year due to excess capacity, Ogilvie expects improved earnings due to its initiatives of plant upgrading, expansion projects and continuing marketing focus on value-added wheat starch opportunities.



Five Roses, the brand of flour that means great baking across Canada.

Inset: starch being applied to the papermaking process.





John Labatt Foods

 John Labatt Foods markets a variety of food products to the foodservice and retail food industries primarily in the United States.

Major operations are:

Chef Francisco — frozen soups
Delicious Foods — frozen vegetables
Omstead Foods — fish and frozen vegetables
Pasquale Foods — pizza
Oregon Farms — retail grocery products
Catelli — retail grocery products, sold effective
April, 1989

These operations market products which have leading market share positions in many food categories.

John Labatt Foods achieved higher sales, outperforming the industry, but earnings declined. Food service operations performed very well. However, retail operations encountered rising costs and intensified competition which, combined with significant market development spending supporting the launch of new products such as **Kissle**, reduced earnings.

-Chef Francisco had a good year as its frozen soup business gained market share in a growing segment.



A selection of Pasquale's delicious pizza varieties available at supermarkets and deli counters.





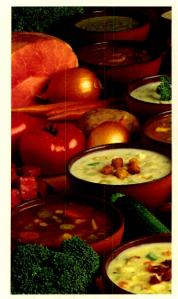
- -Delicious Foods achieved solid sales and earnings gains and maintained its position as the number one supplier of coated vegetables to the foodservice industry.
- Omstead's earnings equalled last year's, constrained by a stronger Canadian dollar and by a reduced supply of smelt and vegetables.
- -Despite the loss of some major supermarket chain accounts due to buyouts and reorganizations in the retail industry, Pasquale achieved good sales growth. However, earnings declined due to increased raw material costs, particularly cheese, which could not be recovered through pricing due to competitive industry conditions.
- -Oregon Farms' frozen cakes and Rhodes frozen bread dough made further market share gains this past year.
- John Labatt Foods continued its success with new products:
 - -Oregon Farms expanded marketing of **Kissle**, a yogourt-like product, to approximately

- 60% of United States markets, with very positive trade and consumer acceptance.
- -Delicious Foods introduced new cheese appetizer products to the United States food-service industry.
- -Oregon Farms test-marketed **Bagel Bites** as appetizers in selected United States markets.
- Important capacity expansions were completed this past year. Omstead constructed a new cold storage warehouse in Wheatley, Ontario; Pasquale installed a new production line for pizza crust in the Dallas Fresh Express plant and Delicious Foods commissioned a new coated vegetables production line at Grand Island, Nebraska.
- Slow growth is expected to continue in the food industry in North America. However, John Labatt Foods, operating in segments with better than average growth such as restaurants and convenience stores, expects good sales and earnings growth in fiscal 1990.









Superb quality from Chef Francisco, the world's leader in frozen soups, a natural for today's lifestyles.



Choice quality Great Lakes fish from Omstead for domestic and international markets



"Fryer Saver" battered and breaded vegetables from Delicious Foods.



The latest addition to the

Everfresh product line combines

Sparkling Mineral Water with

Pure Fruit Juice. 100% pure. 100% natural. 100% refreshing.

Everfresh

100% NATURAL/NATURELLE

• Everfresh is a major producer and marketer of fruit juices and fruit drinks in North America. The Company operates three production facilities, located in Windsor, Ontario; Detroit, Michigan; and Chicago, Illinois. Its products are marketed through an extensive sales and distribution network combining distributors, brokers and Everfresh's own distribution system. Major brand names are: Everfresh, Fresh 'n Pure, Rich n' Ready, Wagner, and Mr. Citrus. The Company also

contract-packs significant volume in the United States for other companies with leading brands in the fruit juice and fruit drink markets.

Fiscal 1989 was a difficult year for the Company. Intense competition in its markets continued and planned volume growth was not achieved. Significant initiatives were taken during the second half of the year to integrate recent acquisitions. These efforts



Pure ideas from Everfresh...to satisfy the human thirst.

will be completed in fiscal 1990 and result in more efficient operations with lower unit costs and higher product quality.

 Sales and earnings are expected to show substantial improvement in the second half of fiscal 1990 as a result of new marketing initiatives and new product introductions.



Other Investments - The Broadcast Group

The Sports Network (TSN)

- TSN is a wholly-owned English language, 24-hour, all sports specialty television programming service delivered to the consumer primarily via cable.
- TSN's Canadian subscriber base grew to 1.9 million, an increase of 49% over last year.
- The majority of cable operators will move TSN to basic cable in September, 1989 which will again substantially increase TSN's subscriber base.



The central equipment room at Dome Productions with the new Sony D2 digital videotape technology.



One of Dome Production's Sony 360 cameras at SkyDome Opening Ceremonies, June 3, 1989.



Le Réseau des Sports (RDS) goes on air in September and will provide 24-hour French-language sports programming.

 During the past year, the C.R.T.C. renewed TSN's operating licence to August 31, 1993.

Dome Productions

- Dome Productions is a state-of-the-art, world class television and video post production facility located at Toronto's SkyDome. It is ideally positioned to provide television production facilities for all types of events at SkyDome plus video post production packaging and computer graphics resources to meet the needs of commercial television, film and video clientele.
- Dome Productions, the premiere video post production house in Canada, began operations with the opening of SkyDome in June, 1989.

Le Réseau des Sports (RDS)

- RDS is a partnership of TSN and Telemedia Communications Inc.
- RDS, to be launched in September, 1989, will be a 24-hour, all sports, French language specialty programming television service delivered to consumers in Eastern Canada primarily via cable.
- RDS will provide viewers with the same high quality and variety of sports programs specifically produced for Francophone audiences, that has become identified with TSN.







TSN's SPORTSDESK provides up-to-the-minute scores and in-depth news from the world of sports, five times daily.



Other Investments



The Toronto Blue Jays Baseball Club is now in its 13th year of American League play.

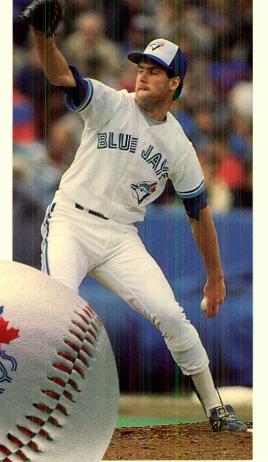
Toronto Blue Jays

 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.

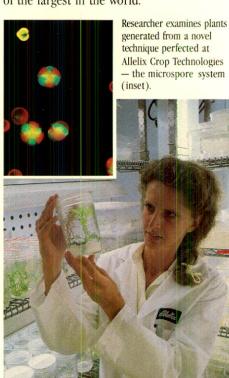
Assisted by strong attendance, the Blue Jays Baseball Club made a small profit contribution to John Labatt in fiscal 1989.

The opening of SkyDome has given Blue Jays fans much improved facilities and provides the Club with the potential for substantially increased attendance.



Allelix Crop Technologies

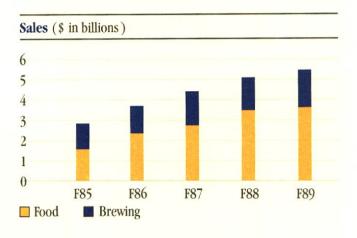
- Allelix Crop Technologies ("ACT") is a biotechnology company concentrating on the development of specialized products for crop agriculture through the application of both classical scientific techniques and leading-edge biotechnology. It is continuing many of the activities begun by the agricultural division of Allelix Inc. before the reorganization of Allelix Inc. into separate entities. ACT is funded by John Labatt, NOVA Corporation of Alberta and the Ontario Development Corporation.
- Product development in the seeds area is primarily targeted on breeding high-yielding hybrid and specialty oilseed crops. ACT's hybrid canola program is believed to be one of the largest in the world.



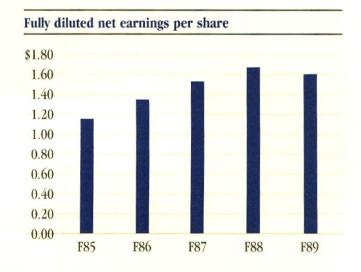
Financial Review

Sales and Earnings

- Sales of \$5.4 billion in fiscal 1989 increased by 6% over last year. Sales growth slowed compared to previous years, as good results in Labatt Brewing Company were somewhat offset by lower growth in the Labatt Food Company, which experienced intensely competitive market environments.
- Despite substantial productivity gains through facility improvements, operating costs rose more rapidly than revenues, largely as a result of significant increases in raw material costs in the Food Company, which could not be recovered through pricing due to very competitive market environments. In addition, after several years of rapid growth through acquisitions, the Company incurred substantial consolidation costs rationalizing operations and commissioning new facilities.
- During the year John Labatt conducted detailed reviews of business operations and the carrying values of operating assets and as a result made provisions for the estimated costs associated with the restructuring of certain business operations and the write-down of operating assets to net realizable value. This provision was applied against the net gains on dispositions, principally the sale of Catelli. Accordingly, a net pre-tax charge of \$9.0 million as an unusual item was deducted in computing earnings for the year.
- The Company's apparent income tax rate declined, mainly as a result of a lower effective tax rate on the capital gain arising from the sale of Catelli.
- Net earnings of \$135 million were 4% lower than last year's record level and fully diluted net earnings per share were \$1.60, a decline of 5%.
- Return on average common shareholders' equity was 15%, 12% on a fully diluted basis, compared to 17% and 14% respectively for the prior year.







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. 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 with 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, 1989, and their report is presented on page 30.

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 and 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, none of the members of which are officers of the Company, meets quarterly to review the Company's financial statements before recommending the statements to the Board of Directors for approval. It also reviews, on a continuing basis, reports prepared by both the internal and external auditors of the Company on the Company's accounting policies and procedures and internal control systems. The 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 Committee also recommends the appointment of the Company's external auditors, who are appointed annually by the Company's shareholders.

Consolidated Statement of Earnings

For the year ended April 20, 1000			
For the year ended April 30, 1989 (with comparative amounts for the year ended April 30, 1988)	1989		1988
Revenue			
Gross sales	\$5,424.2	\$5	,107.0
Less excise and sales taxes	567.4		496.0
	4,856.8	4	,611.0
Operating costs			
Cost of sales, selling and administration	4,466.5	4	,202.0
Depreciation and amortization	127.0		114.3
Interest (note 2)	69.4		66.9
	4,662.9	4	,383.2
Operating earnings	193.9		227.8
Unusual items (note 3)	(9.0)		_
Earnings before income taxes	184.9		227.8
Income taxes (note 4)			
— current	53.6		63.9
— deferred	3.0		22.0
	56.6		85.9
Earnings before share of net earnings (losses) in partly-owned businesses	128.3		141.9
Share of net earnings (losses) in partly-owned businesses	6.8		(1.3)
Net earnings	\$ 135.1	\$	140.6
Net earnings per common share (note 5)			
Basic	\$ 1.80	\$	1.92
Fully diluted	\$ 1.60	\$	1.68

See accompanying notes

Consolidated Statement of Changes in Financial Position

(in millions)		
For the year ended April 30, 1989 (with comparative amounts for the year ended April 30, 1988)	1989	1988
Operations		
Net earnings	\$ 135.1	\$ 140.6
Net charges to earnings which do not reduce funds	144.6	148.2
Funds provided from operations	279.7	288.8
Changes in non-cash working capital (note 6)	(37.2)	35.0
Cash provided from operating activities	242.5	323.8
Dividends paid to shareholders	(50.6)	(45.5)
Investment activities		
Additions to fixed assets, net	(238.4)	(192.5)
Acquisitions (note 15)	(16.0)	(135.4)
Proceeds on divestitures (note 15)	328.7	_
Other investments, net	(25.9)	(13.9)
Cash provided from (used for) investments	48.4	(341.8)
Financing activities		
Issue of common shares (note 12)	14.7	13.8
Issue of preferred shares (note 12)	150.0	_
Issue of non-convertible debt (note 10)	59.5	99.2
Net decrease in non-convertible and convertible debentures	(15.9)	(4.2)
Cash provided from financing	208.3	108.8
Increase in net cash	448.6	45.3
Net cash deficit beginning of year	(88.4)	(133.7)
Net cash surplus (deficit) end of year	\$ 360.2	\$ (88.4)
Net cash consists of:		
Cash receivable on divestitures	\$ 315.2	s —
Short-term investments	200.0	200.0
Bank advances and short-term notes	(155.0)	(288.4)
Net cash surplus (deficit) end of year	\$ 360.2	\$ (88.4)

See accompanying notes

Consolidated Balance Sheet

(in millions)			
April 30, 1989		1000	1000
(with comparative amounts as at April 30, 1988) Assets		1989	1988
N 55 2012			
Current		4 247.2	
Cash receivable on divestitures		\$ 315.2 200.0	\$ — 200.0
Short-term investments Accounts receivable		307.3	301.5
Inventories (note 7)		344.7	407.9
Prepaid expenses		59.7	54.6
		1,226.9	964.0
Fixed, at cost			
Land		46.6	49.9
Buildings and equipment		1,507.9	1,473.2
		1,554.5	1,523.1
Less accumulated depreciation		552.7	531.0
		1,001.8	992.1
Other assets (note 8)		527.8	581.9
		\$2,756.5	\$2,538.0
Liabilities			
Current			
Bank advances and short-term notes		\$ 155.0	\$ 288.4
Accounts payable		468.1	427.1
Taxes payable Long-term debt due within one year		44.4 15.5	9.9 10.6
tong-term debt due within one year		683.0	736.0
Non-conventible lang-town debt (note 10)			100
Non-convertible long-term debt (note 10)		532.3	481.6
Deferred income taxes Convertible debentures and shareholders' equity		143.0	162.0
Convertible debentures (note 11)		289.4	290.7
Shareholders' equity			
Share capital (note 12)		150.0	
Preferred shares Common shares		150.0 272.7	258.0
Retained earnings		706.5	622.0
Accumulated foreign currency translation adjustment		(20.4)	(12.3)
		1,108.8	867.7
		1,398.2	1,158.4
		\$2,756.5	\$2,538.0
See accompanying notes	On behalf of the Board		
			,
	Det 17. Wilden To	J 857	22
	P.N.T. Widdrington, Director	J.T. Eyton, Dire	ector

Consolidated Statement of Retained Earnings

(in millions except per share amounts)		
For the year ended April 30, 1989 (with comparative amounts for the year ended April 30, 1988)	1989	1988
Balance beginning of year Net earnings	\$622.0 135.1	\$526.9 140.6
	757.1	667.5
Common dividends (\$0.685 per share fiscal year 1989) (\$0.62 per share fiscal year 1988)	50.6	45.5
Balance end of year	\$706.5	\$622.0

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, 1989 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, 1989 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 14, 1989 Clarkson Gordon Chartered Accountants

Notes to the Consolidated Financial Statements

April 30, 1989

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 returnable containers, are valued at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis. Returnable 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 2½% 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 \$9.1 million in 1989 (\$9.5 million in 1988) are charged to earnings as incurred.

2. Interest Expense

2.7	\$66.9
2.7	11.6
16.4	16.3
\$50.3	\$39.0
1989	1988
	1989

Short-term interest is net of income from short-term investments as follows:

(in millions)	1989	1988
Interest expense on bank advances and short-term notes	\$22.5	\$28.9
Income from short-term investments	(19.8)	(17.3)
	\$ 2.7	\$11.6

3. Unusual Items

The consolidated statement of earnings includes the following unusual items:

(in millions)	
Unusual expenses	
Labatt Brewing Company	\$ 45.0
Labatt Food Company	104.5
	149.5
Net gain on dispositions	(140.5)
	\$ 9.0

During the year, the Company disposed of several businesses which no longer held strategic relevance, including most notably, Catelli and the Canadian Wine operations. These transactions resulted in an unusual pre-tax gain of \$140.5 million. During its strategic review, management concluded that as a result of the changes in the environment in which several of its food businesses compete, the net carrying value of certain components of Labatt Food Company businesses had been impaired. Accordingly, the Company, in recognition of these changed circumstances, recorded an unusual pre-tax charge to earnings of \$104.5 million. Similarly, a review of Labatt Brewing Company resulted in a pre-tax charge of \$45.0 million for the impairment in the carrying value of certain assets.

4. Income Taxes

The effective income tax rate is comprised of the following:

	1989	1988
Combined basic federal, provincial and state income tax rates	45.4%	47.6%
and state income tax rates	45.4%	4/.0%
Less:		
Manufacturing and processing deduction	3.0	4.4
Reduction in income tax rates for		
income taxed as capital gains	10.4	_
Non-taxable income, net of		
non-allowable expenses	1.4	5.5
	30.6%	37.7%

5. Net Earnings Per Common Share

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

(in millions)	1989	1988
Basic	74.0	73.4
Fully diluted	90.6	89.8

6. Changes in Non-Cash Working Capital

(in millions)	1989	1988
Decrease (increase) in current assets		
Accounts receivable	\$ (5.8)	\$72.3
Inventories	63.2	(52.9)
Prepaid expenses	(5.1)	1.9
Increase (decrease) in current liabilitie	es .	
Accounts payable	66.0	36.8
Taxes payable	9.5	(39.9)
Long-term debt due within one year	4.9	3.7
Working capital relating to acquisitions	,	
divestitures and unusual items	(169.9)	13.1
Net increase (decrease) in cash	\$(37.2)	\$35.0

7. Inventories

(in millions)	1989	1988
Finished and in process	\$224.5	\$243.6
Materials and supplies	97.5	133.1
Containers	22.7	31.2
	\$344.7	\$407.9

8. Other Assets

(in millions)	1989	1988
Investments in partly-owned businesses (note 9)	\$ 86.8	\$ 54.8
Investments in and advances to other companies	47.2	65.9
Loans to employees under share purchase plans (note 12)	21.5	14.1
Goodwill, licences, trademarks and other proprietary rights	363.6	438.5
Unamortized debt financing expense	8.7	8.6
	\$527.8	\$581.9

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 are being amortized by charges to earnings over the lesser of their estimated useful lives and forty years. Amortization expense was \$19.2 million in 1989 and \$20.4 million in 1988.

9. Partly-Owned Businesses

Investments in partly-owned businesses include the following:

Canada 9	6 Equity Interest
BCL Entertainment Corp.	45.0
Supercorp Entertainment	50.0
Canada Malting Co. Limited	19.9
Auscan Closures Canada and Company, Limite	ed 50.0
Toronto Blue Jays Baseball Club	45.0
McGavin Foods Limited (50% voting)	60.0
Allelix Crop Technologies	30.0
United States	
International Talent Group (ITG)	50.0
Trinidad	
Catelli-Primo Limited	46.4

During the year, Allelix Inc. was reorganized into three separate entities. John Labatt continues to hold a 30% interest in Allelix Crop Technologies, formerly the Agriculture division of Allelix Inc.

10. Non-Convertible Long-Term Debt

(in millions)	1989	1988
Sinking fund debentures 6½% Series E to mature October 1, 1989	\$ 0.1	\$ 0.1
73/8% Series F to mature April 15, 1992	1.4	1.6
9½% Series G to mature September 1, 1990	9.8	10.5
8½% Series H to mature March 1, 1993	10.4	12.4
9¼% Series I to mature March 15, 1994	13.3	14.5
11%% Series J to mature October 1, 1999	32.0	33.0
9½% debentures to mature January 21, 1992	100.0	100.0
10½% debentures to mature July 30, 1995	119.0	123.0
10%% debentures to mature April 21, 1998	100.0	100.0
Note issuance facility	59.5	_
Bank term loan to mature June 30, 2003 at discounted amount	27.0	28.2
Other long-term liabilities	472.5 75.3	423.3 68.9
	547.8	492.2
Less portion due within one year included in current liabilities	15.5	10.6
	\$532.3	\$481.6

During the year, the Company arranged a U.S.\$50.0 million floating rate note issuance facility with a consortium of financial institutions. Under this facility, which provides access to the Euro-Short-Term Paper Market for a minimum of eight years, funds can be raised at market interest rates through the issue of unsecured notes.

The above balances include long-term debt of \$253.3 million at April 30, 1989 and \$206.8 million at April 30, 1988, denominated in United States dollars translated at the rate of exchange at the balance sheet date.

Maturities and sinking fund requirements for the years ending April 30, 1990, through 1994 are; \$15.5 million; \$22.0 million; \$115.9 million; \$95.9 million; and \$14.8 million, respectively.

The sinking fund debentures are secured by a floating charge on the undertaking, property and assets of John Labatt Limited. At April 30, 1989, the Company had satisfied all of the covenants under the trust deed relating to the sinking fund debentures.

11. Convertible Debentures

The convertible debentures are reported under the heading of convertible debentures and shareholders' equity on the balance sheet to reflect the permanent nature of this capital. This presentation is supported by the long maturities, the low initial interest rates, an indication by many of the holders of these debentures that they intend to convert in the future and the Company's intention to ultimately have them converted to equity. The convertible debentures are unsecured obligations and are subordinated to all other indebtedness of the Company.

Particulars of the convertible debentures are as follows:

1989	1988
\$ 40.2	\$ 41.1
124.2	124.6
125.0	125.0
\$289.4	\$290.7
	\$ 40.2 124.2 125.0

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 the last business day prior to either redemption or June 16, 2003, into common shares of the Company at a conversion price of \$11.25 per share unless the Company fixes an interest rate of 6½%, 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 the last business day prior to either redemption or February 27, 2006, 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 has 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 the last business day prior to either redemption or March 31, 2007, 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 conversion 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 has 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.

12. Share Capital

Authorized and issued

The authorized capital stock of the Company is as follows:

4,000,000 preferred shares issuable in series, of which 300 consist of a series designated as "Series 1 Preferred Shares".

Common shares of no par value in unlimited amount.

Preferred Shares

During the year, the Company issued by private placement 300 Series 1 Preferred Shares for \$150 million. The dividend rate on the shares is fixed at 7.85% per annum, payable quarterly until March 31, 1994. The dividend rate for subsequent periods will be established by negotiation between the Company and the holders of the Series 1 Preferred Shares or, if no agreement is reached, by a bid solicitation procedure involving investment dealers or, if no bids are accepted, by a monthly auction procedure. The shares are redeemable by the Company on or after March 31, 1994 at par plus any accrued and unpaid dividends.

Common Shares

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

(in millions)	illions) 1989		19	88
	Shares	Amount	Shares	Amount
Issued and out- standing, beginning of year	73.79	\$258.0	72.73	\$244.2
Issued under employee share purchase and option plans	0.72	13.0	0.64	8.7
Issued as a result of debenture conversions	0.10	1.3	0.40	4.7
Issued under share- holder dividend reinvestment plan and stock dividend election program	0.02	0.4	0.02	0.4
	0.84	14.7	1.06	13.8
Issued and out- standing, end				
of year	74.63	\$272.7	73.79	\$258.0

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, 1989 are as follows:

Unissued common shares designat for allotment under By-Law No. 3		3,000,000
Less:		
Issued	581,082	
Under option	120,000	
Reserved for employee share		
purchase plan maturing in July 19	89 427,329	1,128,411
Shares available for issue		1,871,589

Shares under option to employees under By-Law No. 3 and previous By-Laws as of April 30, 1989, are as follows:

Plan	Number of shares	Price per share	Expiry	date
1979 Share option	20,000	\$ 5.44	December	1989
1983 Share option	42,000	10.75	October	1993
1984 Share option	8,000	9.71	June	1994
1985 Share option	121,603	13.59	June	1995
1986 Share option	60,500	22.23	December	1996
1987 Share option	90,000	22.68	November	1997
1988 Share option	30,000	22.17	March	1999
	372,103			

Of the 372,103 shares under option there are 51,603 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:

Number of shares	1.4	1.2
	\$21.5	\$ 14.1
Other employees	4.7	3.6
Officers	\$16.8	\$10.5
(in millions)	1989	1988

13. Leases

Operating leases

The Company has entered into long-term operating leases, substantially all of which will be discharged within 10 years. Fixed rental expense for 1989 was \$23.9 million (\$20.8 million in 1988). Future annual fixed rental payments for years ending April 30 are as follows:

(in millions)		
1990	\$21.9	
1991	19.3	
1992	17.4	
1993	12.5	
1994	10.3	

In aggregate, fixed rental payments for subsequent years amount to \$23.4 million.

Capital leases

Assets leased by the Company 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. The total fixed assets acquired under capital leases at the end of the year were not material.

14. Pension Plans

The Company has retirement programs which provide benefits based on employee years of service and in some instances, employee earnings. Based on the most recent actuarial valuations, using the accrued benefit method and management's best estimates, the Company's pension plan funded status is as follows:

(in millions)	
Estimated present value of pension plan obligations	\$334.0
Pension plan assets at market value	\$334.0

15. Acquisitions and Divestitures

During the year, the Company made the following business acquisitions and divestitures:

Labatt Brewing Company

Effective April 30, 1989, the Company sold the Canadian wine business which operates four wineries across Canada.

Effective November 2, 1988, the Company purchased a 50% interest in International Talent Group (ITG), a rock artist talent agency in New York City.

Labatt Food Company

Effective April 30, 1989, the Company sold Catelli, the retail packaged food processing business operating primarily in Canada.

Effective December 31, 1988, the Company purchased a 50.5% interest in a wheat starch and gluten company in Bordeaux, France.

16. Segmented Financial Information

Information by class of business

The classes of business are as follows:

Labatt Brewing Company comprises the brewing activities in Canada and the United States, the sale of Canadian-made beers in the United States and overseas, and the marketing in the United Kingdom of lager produced and distributed under agreements with U.K. brewers.

Labatt Food Company comprises the production and sale of dairy products, food products and fruit juices, primarily in Canada and the United States.

Partly-owned businesses are not allocated to the business segments.

The segmented reporting has been changed this year to conform with the two distinct operating companies structure established last year.

The following is a summary of key financial information by business segment for the years ended April 30, 1989 and 1988.

Information by class of business

	1989				1988				
(in millions)		Gross sales		Depreciation & Amortization		Gross sales		Depreciation & Amortization	
Brewing Company Food Company		,818.1 ,606.1	\$	43.2 83.8		,632.6 3,474.4	\$	38.9 75.4	
	\$5	,424.2	\$	127.0	\$5	5,107.0	\$	114.3	
		Capital ditures				Capital ditures			
Brewing Company Food Company	\$	78.6 159.8			\$	74.6 117.9			
	\$	238.4			\$	192.5			
	Contr	ibution		Assets ployed	Contr	ibution	er	Assets nployed	
Brewing Company Food Company	\$	157.5 105.8		516.1 ,110.4	\$	140.1 154.6	\$	527.3 1,308.3	
		263.3	1	,626.5		294.7		1,835.6	
Unusual items		(9.0)				7—7			
Interest		(69.4)				(66.9)			
Earnings before income taxes	\$	184.9			\$	227.8			
Cash receivable on divestitures Short-term investments Investments in partly-owned businesses Current liabilities other than bank advances and short-term notes				315.2 200.0 86.8 528.0				200.0 54.8 447.0	
Total assets per consolidated balance sheet			\$:	2,756.5				\$2,538.0	

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.

On the following page is a summary of key financial information by geographic segment for the years ended April 30, 1989 and 1988.

Information by geographic segment

	1989				1988		
(in millions)		Gross sales	Depre & Amort	ciation ization	Gross sales	Depre & Amor	eciation tization
Canada United States		3,398.9 2,025.3	\$	77.0 50.0	\$3,136.4 1,970.6	\$	69.6 44.7
	\$5	5,424.2	\$	127.0	\$5,107.0	\$	114.3
	expen	Capital ditures			Capital expenditures		
Canada United States	\$	166.6 71.8			\$ 127.8 64.7		
	\$	238.4			\$ 192.5		
	Contr	ibution	em	Assets	Contribution	em	Assets ployed
Canada United States	\$	231.8 31.5	\$	843.6 782.9	\$ 232.8 61.9	\$	958.5 877.1
		263.3	1	,626.5	294.7	1	1,835.6
Unusual items		(9.0)			_		
Interest		(69.4)			(66.9)		
Earnings before income taxes	\$	184.9			\$ 227.8		
Cash receivable on divestitures Short-term investments Investments in partly-owned businesses Current liabilities other than bank advances and short-term notes				315.2 200.0 86.8 528.0			200.0 54.8 447.6
Total assets per consolidated balance sheet		Right - S	\$2	,756.5		\$2	2,538.0

17. 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, 1989 the Company held \$158.0 million (\$158.0 million at April 30, 1988) of marketable securities of affiliates.

The total income earned on these marketable securities during the year was \$12.5 million (\$12.3 million in 1988).

18. Subsequent Event

In June 1989, Labatt Brewing Company announced its 70% equity investment in a new Italian-based brewing company which will combine the brewing businesses of Birra Moretti S.p.A. and Prinz Brau, S.p.A.

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 Investments Limited 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

Francine Harel Giasson, Montreal, Quebec Associate Professor and Director of Programs, École des Hautes Études Commerciales Elected 1987 Gordon F. Hughes, o.c. Windsor, Nova Scotia President, Ocean Company Limited Elected 1973

David B. Jenkins, Duxbury, Massachusetts Chairman and Chief Executive Officer, Shaw's Supermarkets, Inc. Elected 1987

Mervyn L. Lahn, London, Ontario Chairman and Chief Executive Officer, CT Financial Services Inc. Elected 1978

Alexander J. MacIntosh, Q.C. Toronto, Ontario Partner, Blake, Cassels & Graydon Elected 1967

Sidney M. Oland, Toronto, Ontario Executive Vice-President, John Labatt Limited and President of Labatt Brewing Company Elected 1987

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

Robin B. Smith, Centerport, New York President, Publishers Clearing House Elected 1987 George S. Taylor, St. Mary's, Ontario Executive Vice-President, John Labatt Limited and President of Labatt Food Company Elected 1987

Jean Denis Vincent, Montreal, Quebec President and Chief Executive Officer, Alliance-Industrial Financial Corporation Elected 1985

Peter N.T. Widdrington, London, Ontario Chairman, President and Chief Executive Officer, John Labatt Limited Elected 1973

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

Honorary Directors

John B. Cronyn, London, Ontario Corporate Director Elected 1959 Appointed Honorary Director 1986

Norman E. (Peter) Hardy, London, Ontario Corporate Director Elected 1966 Appointed Honorary Director 1987

Wallace F. Read, London, Ontario Corporate Director Elected 1970 Appointed Honorary Director 1987

Board Committees

Executive

Chairman: J. Trevor Eyton; Jack L. Cockwell, Charles Diamond, Edwin A. Goodman, Mervyn L. Lahn, Alexander J. MacIntosh, Jean Denis Vincent, Peter N. T. Widdrington

Audit

Chairman: Marcel Bélanger; Jack L. Cockwell, Peter F. Hannam, Gordon F. Hughes, Mervyn L. Lahn, Jaime Ortiz-Patiño, Robin B. Smith

Business Conduct Review

Chairman: Charles Diamond; Gordon F. Hughes, David B. Jenkins, Alexander J. MacIntosh

Management Resources and Compensation

Chairman: J. Trevor Eyton; Jack L. Cockwell, Edwin A. Goodman, David B. Jenkins, Alexander J. MacIntosh

Pension Investment Advisory

Chairman: Samuel Pollock; Eric F. Findlay, Francine Harel Giasson, Herbert C. Pinder, William P. Wilder

Public Responsibility

Chairman: Peter F. Bronfman; Francine Harel Giasson, Herbert C. Pinder, Samuel Pollock, Robin B. Smith

Shareholders' Information

Stock Exchanges

Montreal, Toronto, Winnipeg, Alberta, Vancouver

Transfer Agents

The Royal 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, 1989, 13,525 Canadian residents located across Canada held 97% of John Labatt common shares. A regional summary of shareholders is shown in the following table:

	Number of Shareholders	Percent of Shareholders
Atlantic	568	4.1
Quebec	1,422	10.2
Ontario	9,527	68.0
West	2,008	14.3
Total Canada	13,525	96.6
Non-Residents	474	3.4
Total	13,999	100.0

Dividends

The quarterly dividend paid on common shares was increased at the September, 1988 Annual Meeting to 17.5¢ per share from 16¢ per share. During fiscal 1989, \$50.6 million or 68.5¢ per share was paid in dividends to common shareholders, up from \$45.5 million and 62¢ per share in fiscal 1988.

Quarterly Dividend Payment History

(Cents Per Common Share)

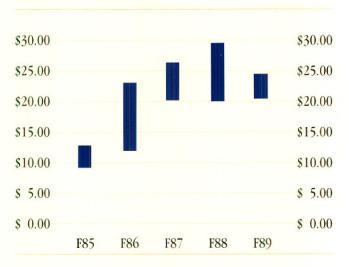
	Fiscal Quarters						
	July	October	January	April	Fiscal Year		
1985	11.25	12.00	12.00	12.00	47.25		
1986	12.00	12.75	12.75	12.75	50.25		
1987	12.75	14.00	14.00	14.00	54.75		
1988	14.00	16.00	16.00	16.00	62.00		
1989	16.00	17.50	17.50	17.50	68.50		

Labatt Common Share Market Price History On Fiscal Year Basis

	April 30		
	Low	High	Year End
1985	87/8	127/8	11¾
1986	117/8	23	225/8
1987	201/4	271/4	243/8
1988	201/8	293/4	23%
1989	20%	243/8	22¾

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

Labatt Common Share Values Annual Market High/Low



Five Year Review

Operating Results	1989	1988	1987	1986	1985
Gross sales	\$5,424.2	\$5,107.0	\$4,273.2	\$3,594.4	\$2,807.1
Group earnings before interest and taxes	263.3	294.7	267.0	226.3	170.8
Interest expense	69.4	66.9	45.2	40.5	29.8
Income taxes	56.6	85.9	95.4	79.6	52.5
Net earnings	135.1	140.6	125.2	101.5	81.7
Funds provided from operations	279.7	288.8	233.6	201.2	165.7
Common share dividends	50.6	45.5	39.6	32.3	28.2
Capital expenditures, net	238.4	192.5	153.6	102.4	108.2
Acquisitions and other investments	41.9	\$ 149.3	\$ 403.1	\$ 61.7	\$ 193.7
Proceeds on divestitures	\$ 328.7	_	_	_	_
Financial Position					
Working capital	\$ 543.9	\$ 228.0	\$ 204.7	\$ 338.7	\$ 71.6
Fixed assets	1,001.8	992.1	837.3	673.1	637.9
Total assets	2,756.5	2,538.0	2,355.0	1,785.3	1,548.1
Non-convertible long-term debt	532.3	481.6	378.3	287.2	154.5
Convertible debentures	289.4	290.7	295.4	174.8	131.3
Shareholders' equity	1,108.8	867.7	770.9	676.0	518.1
Convertible debentures and shareholders' equity	\$1,398.2	\$1,158.4	\$1,066.3	\$ 850.8	\$ 649.4
Debt/equity ratios					
- includes convertible debentures as equity	12:88	33:67	33:67	21:79	28:72
 includes convertible debentures as debt 	30:70	50:50	51:49	37:63	43:57
Interest coverage	3.7 X	4.4 X	5.9 X	5.6 X	5.7 X
Data Per Common Share					
Net earnings fully diluted	\$1.60	\$1.68	\$1.55	\$1.38	\$1.18
Common share dividends	0.681/2	0.62	0.54¾	0.501/4	0.471/
Convertible debentures and			100 100	27.000.000.00	202 120
common shareholders' equity	\$13.90	\$13.01	\$12.06	\$10.22	\$8.58
Other Data					
Return on average common shareholders' equity	14.6%	17.2%	17.3%	17.0%	16.9%
Return on average common shareholders' equity	11.00/	12.50/	12 70/	14.2%	14.4%
and convertible debentures	11.9% 2.5%	13.5% 2.8%	13.7% 2.9%	2.8%	2.9%
Net earnings as a percent of gross sales			1.26	1.65	1.11
Working capital ratio	1.80 74.6	73.8	72.7	71.9	60.8
Common shares outstanding (in millions) Number of common shareholders	13,999	14,838	13,160	12,006	11,648
Number of common snareholders Number of employees	16,000	17,900	16,200	14,200	13,000



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