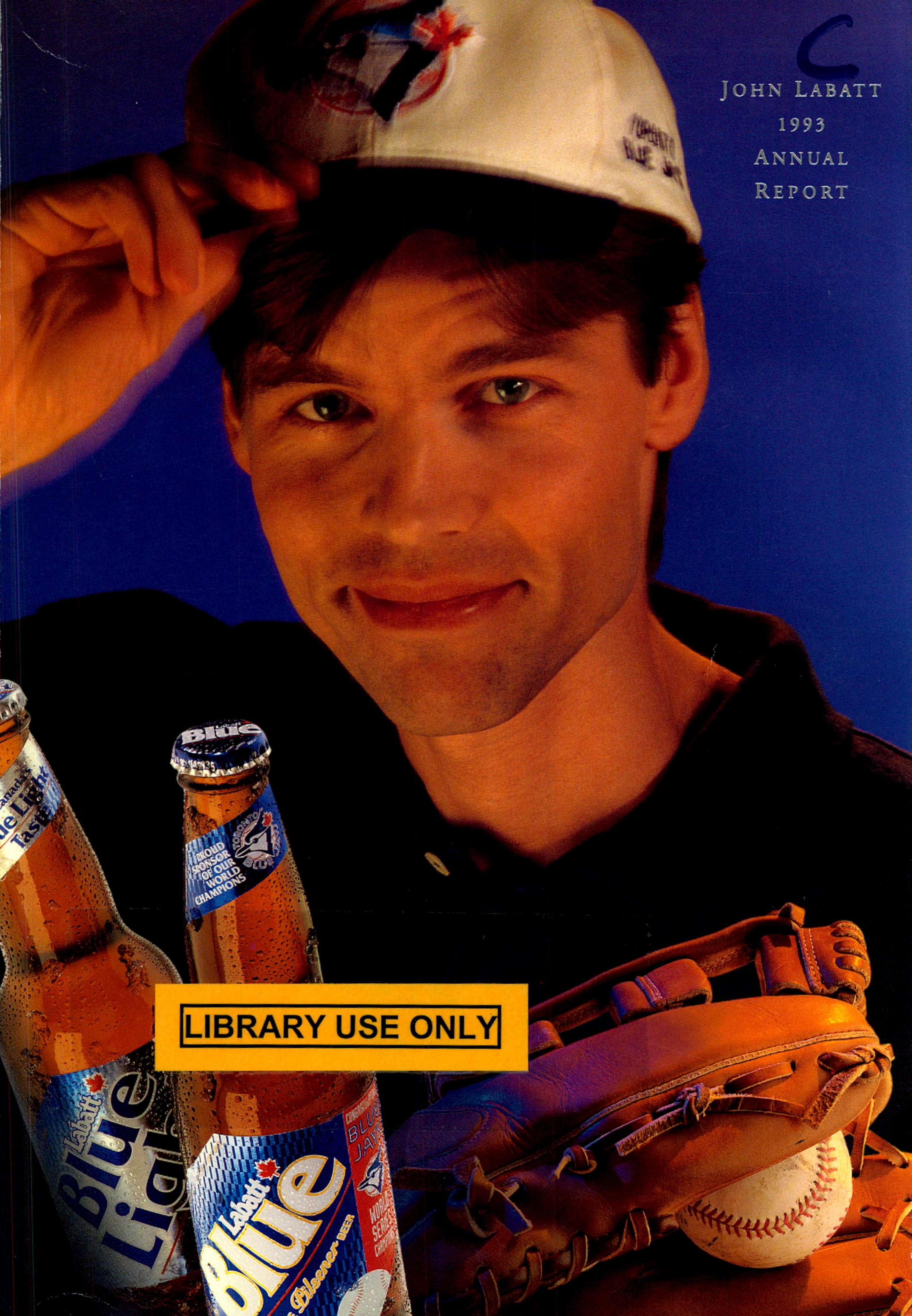
C

JOHN LABATT 1993 ANNUAL REPORT



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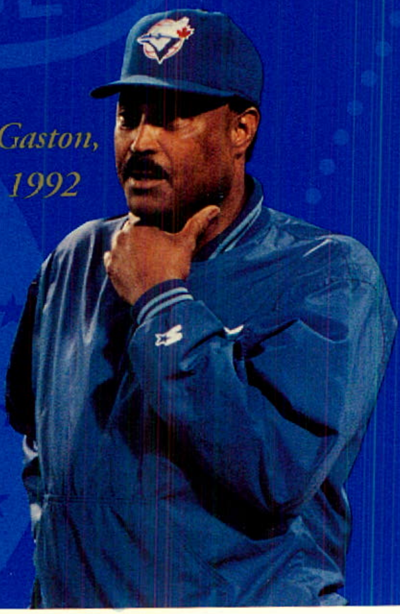
Cito Gaston,
Manager, 1992

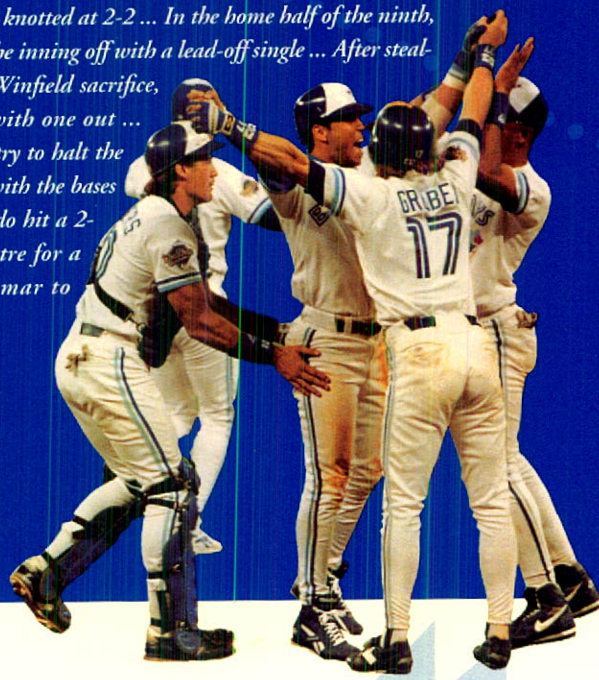


GAME 3

Jays	Braves
3	2

White Glove and Sweet Candy

The move to the SkyDome marked the first time a World Series game had been played outside of the United States ... In another pitching duel, Steve Avery and Juan Guzman both went eight innings ... Atlanta was kept off the board in the fourth with a splendid centre-field catch by Devon White off of David Justice ... Joe Carter drew first blood for Toronto with a solo homer in the fourth ... In the sixth inning, the Braves rallied to tie the game at 1-1 ... Each team traded runs in the eighth keeping the contest knotted at 2-2 ... In the home half of the ninth, Roberto Alomar started the inning off with a lead-off single ... After stealing second and a Dave Winfield sacrifice, Alomar stood at third with one out ... Jeff Reardon came in to try to halt the Blue Jays' advance, but with the bases loaded, Candy Maldonado hit a 2-strike pitch to right-centre for a base hit, allowing Alomar to score the winning run.



4

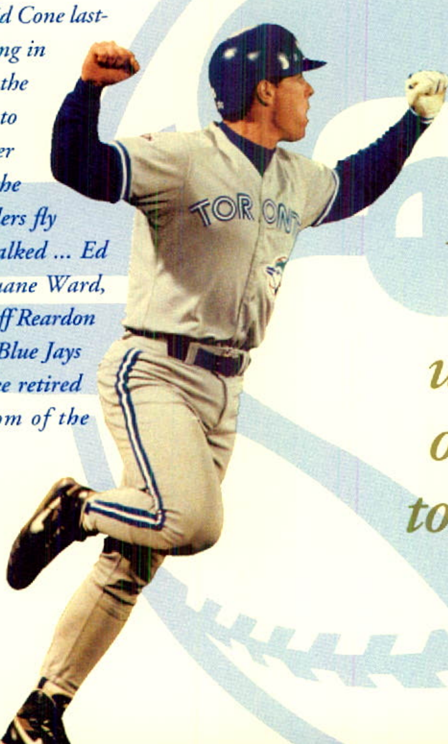
2

Ninth

Ed Sprague proved to be the hero for the Blue
at Fulton County Stadium ... David Cone last-
ngs, allowing four runs before exiting in
l Wells ... Cone also contributed at the
r of hits and an RBI ... Heading into
g, the Blue Jays trailed 4-2 ... After
p of the eighth, Toronto entered the
ailing by one ... After a Pat Borders fly
ek Bell (pinch hitting for Lee) walked ... Ed
gue, pinch hitting for pitcher Duane Ward,
nocked a first-pitch fastball from Jeff Reardon
over the left field fence to put the Blue Jays
ahead 5-4 ... Tom Henke retired
the Braves in the bottom of the
ninth for the save.

Braves

4



Like all good things, it took time. Exactly sixteen years, 2,621 games, 242 players, and four Divisional titles. By the fall of 1992, the Toronto Blue Jays were the first team based outside the United States to become the World Series Champions.

The message on the SkyDome JumboTron seemed to say it all. On October 26, 1992, two days after the final out that their fans had dreamt of since 1977, the electronic message hit home:

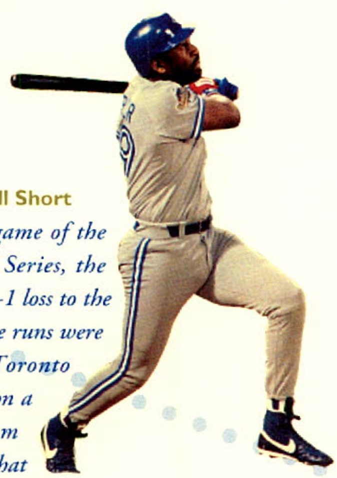
"The Toronto Blue Jays Thank You ... And All of Canada."

"All I feel rig
happiness for
the city ... my
and all the p
worked so hard
happe

Blue Jays

TORONTO BLUE JAYS

ATLANTA BRAVES



GAME 1

Jays	Braves
1	3

One Forkball Short

In the first game of the 89th World Series, the Blue Jays suffered a 3-1 loss to the Atlanta Braves ... Home runs were the story of the game as Toronto took an early 1-0 lead in the fourth on a Joe Carter solo homer off starter Tom Glavine ... It would be the only run that Toronto would score ... Jack Morris continued his shutout innings streak against the Braves, extending it to 18 innings until it was ended by a 3-run homer by catcher Damon Berryhill in the sixth ... Glavine went the distance for the Braves, becoming the first pitcher to toss a complete game in a World Series opener since Jack Morris accomplished the feat in San Diego, in 1984.

Sprague in th

Reserve catche
Jays in Game 2
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GAME 2

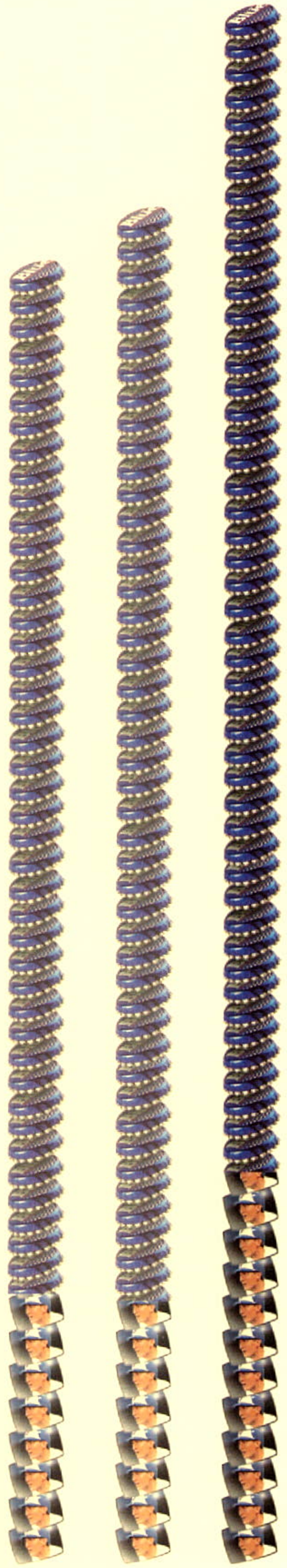
Jays
5

HIGHLIGHTS

Segmented Net Sales*

$ millions

1991	1992	1993
$1,861	$1,938	**$2,218**



Earnings before interest, restructuring charges and income taxes increased by 14% in fiscal 1993.

The company paid a special dividend of $3.00 per common share in October, 1992 and distributed its Canadian dairy operations to shareholders after year end.

The U.S. dairy operations are being held for sale. The assets held for sale have been written down to realizable value, resulting in a consolidated loss for the year.

The success of Labatt Genuine Draft *and* Labatt Ice Beer *boosted Labatt Canada's national market share to an all-time high of 44 percent.*

Broadcast posted another year of record earnings.

The Toronto Blue Jays became the first team based outside the United States to win the World Series.

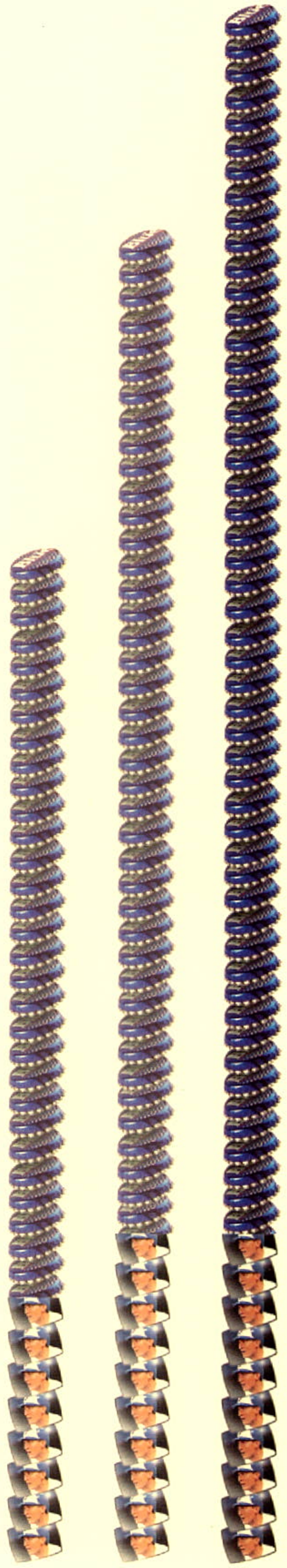
Brewing segment *Entertainment segment*

** Includes the results of partly owned businesses in the proportion of John Labatt ownership.*

Segmented Earnings*

$ millions

1991	1992	1993
$180	$236	**$274**



CORPORATE ORGANIZATION

BREWING

Labatt Breweries of Canada

Labatt Breweries of Canada operates ten breweries across the country and produces 36 brands of beer. Seven brands are marketed nationally while the others are sold on a regional basis. Through Labatt International Brands, the division also markets specialty and import brands of beer and wines to Canadian and international markets.

Labatt's USA

Labatt's USA operates in the high-quality segment of the U.S. beer business. The division brews and markets the Rolling Rock *brands of its Latrobe Brewing Company. Through Labatt Importers, the division also imports and markets selected* Labatt's *brands from Canada, the* Moretti *brands from Labatt's Italian breweries, and other inter-national brands.*

Labatt Breweries of Europe

Labatt Breweries of Europe has two operating units. Labatt Brewing UK maintains contractual arrangements with several regional partners in the United Kingdom for the brewing and/or distribution of Labatt's Canadian Lager *within the United Kingdom. The company imports* Rolling Rock *and* Moretti *brands for sale at pub and retail outlets. Birra Moretti, Italy's third-largest domestic brewer, produces several brands for sale in Italy as well as in selected export markets.*

ENTERTAINMENT

JLL Broadcast Group

The JLL Broadcast Group includes five television broadcasting and broadcast-related businesses: TSN is an English-language, all-sports specialty television service; RDS is a French-language counterpart to TSN; TSN Enterprises is a supplier of broadcast support and ancillary services; Dome Productions is a television production and video post-production facility; and The Rep Shoppe is an advertising sales representation agency whose principal clients are TSN and RDS.

Toronto Blue Jays Baseball Club

The Toronto Blue Jays are an American League East Division baseball club and the 1992 World Series Champions. The club is based in Toronto's SkyDome.

John Labatt Entertainment Group

The John Labatt Entertainment Group comprises entertainment and marketing services businesses. Supercorp provides services to the advertising industry for commercial film production, media buying, animation, and audio production. BCL is a live-event promoter and merchandiser of related apparel. Skyvision creates, develops and produces television programming for world markets. International Talent Group represents music, film and television artists in North America and in the United Kingdom.

Fiscal 1993 was another year of dramatic and positive change at John Labatt Limited.

The program of restructuring that we began four years ago is producing the intended beneficial effect on the Company's financial results. Fully diluted earnings per share from continuing operations before restructuring charges increased 15 percent over 1992 to $1.63. Brewing delivered significantly higher earnings and notable gains in market share.

John Labatt undertook various restructuring initiatives during the year, but their costs, at $45 million, were less than half those incurred last year. The Company also recorded a loss from discontinued operations due primarily to a provision for the write-down of our U.S. dairy assets to realizable value. Despite the significant improvement in earnings from continuing operations and reduced restructuring charges in fiscal 1993, the loss from discontinued operations resulted in a consolidated loss of $70 million compared to net earnings of $101 million in fiscal 1992.

The restructuring we have accomplished is radical and far-reaching, and we firmly believe that the strategy now in place will greatly enhance long-term value for shareholders.

SETTING THE STAGE

In 1989 we embarked on a plan to remake John Labatt into a company of fewer and stronger core businesses. By fiscal 1992 we had completed the disposition of our food-related businesses, setting the stage for the next step in the strategic development of the Company.

That step was initiated at the Annual General Meeting on September 10, 1992. At that time we announced our Shareholder Value Enhancement Program and the payment of a special dividend of $3.00 per share to enable shareholders to participate in the gains made on previous dispositions. We also indicated our intention to further restructure Labatt's core businesses by distributing ownership of the dairy operations directly to the common shareholders. We had reached the conclusion that the strong, focussed management which the distribution would encourage was the best way to maximize value for shareholders.

Labatt subsequently received several expressions of interest for the purchase of some or all of the dairy operations. Ultimately, we excluded our dairy operations in the United States from the distribution because it appeared unlikely that their inherent value would have been reflected in the market price of the common shares to be issued by the new public company, Ault Foods Limited.

At a special meeting held on April 29, 1993, holders of Labatt common shares overwhelmingly approved the Plan of Arrangement to distribute the Canadian dairy operations, Ault Foods Limited; the distribution was completed on June 4, 1993. In the United States, Tuscan Dairy has been sold and the balance of the dairy operations are being held for sale.

BRASCAN SALE

In an unrelated but no less important development, Brascan Limited sold its significant interest in Labatt in March 1993. Following the sale Brascan agreed to assure the orderly monetization over three to five years of Labatt's preferred share portfolio, at our investment cost of $300 million. As agreed, the first $50 million was received prior to year end.

The Brascan interest was sold into the market to individual and institutional investors in Canada and abroad. We welcome the broader base of shareholders and the confidence they have shown in the future of John Labatt Limited.

New phase of development

As the disposition of the dairy business is completed, Labatt increasingly has the opportunity to concentrate its financial and management resources on its two core businesses of brewing and broadcast. The restructuring we have accomplished is radical and far-reaching, and we firmly believe that the strategy now in place will greatly enhance long-term value for shareholders.

John Labatt enjoys a long and prestigious tradition in brewing. We have achieved a solid record of success and an excellent reputation, not only in Canada but also around the world. This year Labatt will sell approximately 12 million hectolitres of beer worldwide – more than any other Canadian brewer. Our market share in Canada is at an all-time high of 44 percent and growing. *Rolling Rock* volume growth has outperformed the United States industry year after year, albeit from a small base. We have developed a solid and well-respected niche in the United Kingdom. In Italy, as a result of our significant progress in producing and marketing the *Moretti* brands, we are today the third-largest domestic brewer, with a ten-percent share of the market.

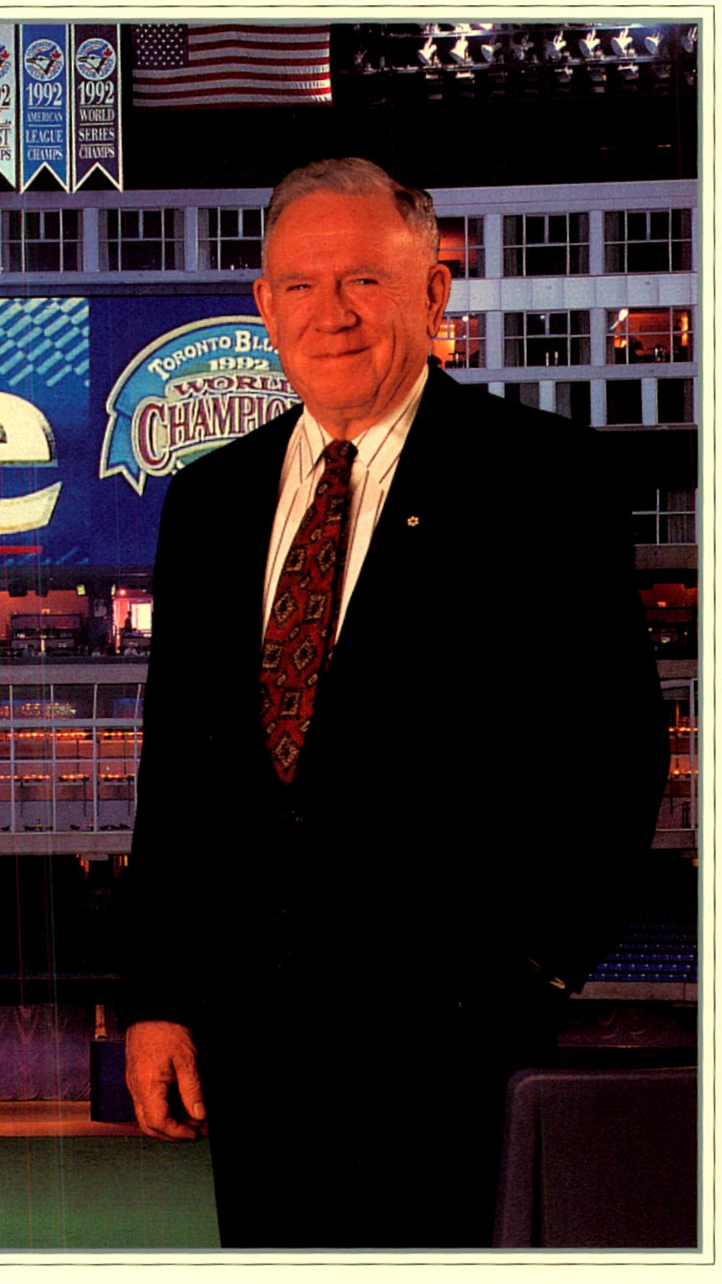
It would be misleading to say that brewing is without challenges. Labatt has significant challenges to face in all of its brewing businesses, and in every market in which we have chosen to compete. We are meeting these challenges today through a variety of initiatives, which include aggressive marketing plans, market segmentation strategies and ongoing cost reduction.

At Labatt Canada, for example, cost reduction and expense management continue to be key priorities. We have closed breweries in Kitchener-Waterloo and Saskatoon, and the Saint John facility will close by December 1993. We have reorga-

George S. Taylor

nized our national marketing and sales efforts and completed the conversion to a new standard bottle. These initiatives have been very effective in increasing our cost competitiveness.

At the same time as we are pushing costs down, we are developing and marketing products that will drive our market share up. Experience has shown us that investment in innovation is rewarded with gains in market share. *Labatt Genuine Draft* created and captured the major share of the bottled



Samuel Pollock

draft-beer category in Canada. Its success has exceeded even our own high expectations. Labatt Canada also made a substantial investment to develop and patent the ice-brewing process for *Labatt Ice Beer*. Again, this product created an entirely new category of beer in Canada. The early success of *Labatt Ice Beer* has surpassed even that achieved by *Labatt Genuine Draft*.

In Labatt's U.S. and Italian brewing operations, an overall reduction in costs has helped improve operating results. Sharply targetted marketing programs and new arrangements with brewing partners are also boosting results in the United Kingdom. As in Canada, we continue to increase distribution of our brands in these important markets each year through highly effective promotion.

Our record of cost reduction, marketing and product innovation in each of our brewing divisions gives us confidence that John Labatt can, through dedication and determination, be a leader in the international brewing industry.

Trade in Beer

Since July 1992, when retaliatory measures over trade in beer were invoked by both the United States and Canada, numerous discussions have been held in an attempt to resolve the outstanding issues between the two countries. At the time of writing, these discussions are continuing, but no mutually satisfactory resolution has been achieved.

Two of Labatt's primary objectives throughout these discussions have been to provide certainty and to create a level playing field for the Canadian industry as it adjusts to the challenges of international competition. We believe that when these objectives are achieved, Labatt Canada's ongoing efforts to lower production costs and develop new products will enable the company to compete effectively in a market with more open international trade.

Bigger in Broadcast

John Labatt's other core business is as exciting, and can be as rewarding, as brewing.

In 1984 we were granted a broadcast licence for an all-sports specialty television network, TSN, and, subsequently, for RDS. Since that time TSN and RDS have gained strong reputations within the Canadian broadcast industry, and within sports circles internationally.

We view Canadian broadcasting as a high-potential growth opportunity for John Labatt. We are exploring a variety of strategic options to further our interests in the broadcast industry, including initiatives such as the previously announced joint-venture project in Canada with the Discovery Channel. We will also strengthen our skills in the development of conventional programming and in specialized production and broadcast.

Our long involvement with the World Series Champions, the Toronto Blue Jays, has proven beneficial to Labatt and to sports fans across Canada. During the past ten seasons the Club has been the only team in major league baseball with a record of over .500 in every season. The Blue Jays have captured four American League East pennants in the last eight years, and in 1992 went on to win the American League Championship and the World Series. The inside front and back covers of this report pay tribute to the Blue Jays' historic victory.

We believe that the association of brewing and sports can be successfully expanded. It is in this broad context that John Labatt is very pleased to be associated with the Tanenbaum Group and Canadian Imperial Bank of Commerce in a bid to win a National Basketball Association franchise for Toronto.

These two core businesses – brewing and broadcast, each a major factor in its industry and both backed by the significant financial strength of the Company, provide the foundation for further growth and development.

Directors and Management

At the Annual and Special Shareholders' Meeting held September 10, 1992, Sidney Oland was appointed Vice Chairman, John Labatt Limited and Group Chairman, Brewing. George Taylor, formerly Executive Vice-President of the Company, became President and Chief Executive Officer.

Following the sale by Brascan of its interest in John Labatt, the Board established a special committee to review the size and composition of the Company's Board of Directors and to recommend a slate of directors for election at the Annual Meeting to be held on September 9, 1993. The results of the special committee's review, and the proposed slate of directors, are contained in the Management Proxy Circular which accompanies this report.

We thank Brascan for their support and commitment to John Labatt during the many years they were a shareholder. We also thank the Directors of the Company who are not standing for re-election to the Board for their guidance and efforts on our behalf.

The measurable improvements in productivity that our businesses achieved during the past year are due in large part to the significant contribution made by employees throughout our operations. We thank them for their efforts and for their commitment to the development of John Labatt Limited.

Samuel Pollock

Samuel Pollock
Chairman of the Board

George S. Taylor
President and Chief Executive Officer

June 16, 1993

"These two core businesses – brewing and broadcast, each a major factor in its industry and both backed by the significant financial strength of the Company, provide the foundation for further growth and development."

George S. Taylor
President and Chief Executive Officer

BREWING

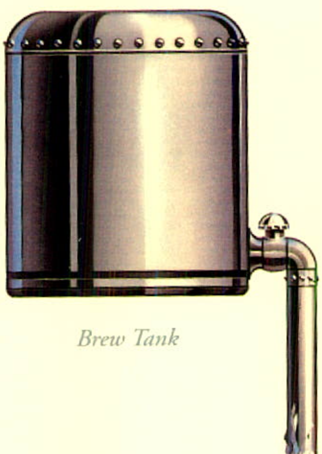
Labatt Ice Beer was conceived in Labatt Canada's modern research and development facilities in London, Ontario. Development of the process began in 1982.

The launch of Labatt Ice Beer *in March 1993 represented a first for the Canadian brewing industry. Produced using exclusive* Ice Brew *technology,* Labatt Ice Beer *creates a new beer category that opens the way for international partnerships and market development originating in Canada.*

As the diagram illustrates, the *Ice Brew* process combines a Deep Chill Heat Exchanger with a Recrystallizer, which allows the brewing temperature to be dramatically lowered, to –4°C. The ice crystals created by this process are then gently removed before aging, resulting in a unique, premium-quality product with a distinctive taste and smoothness.

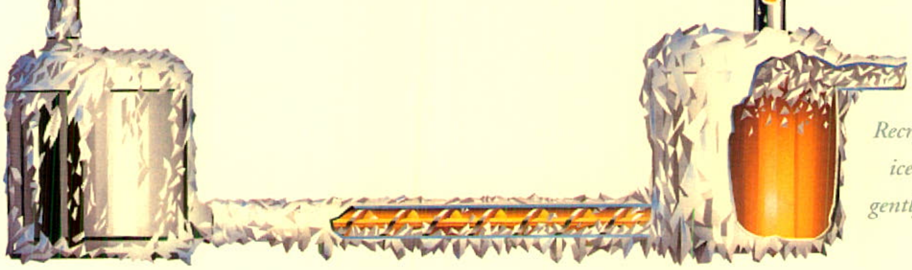
Upon perfecting *Ice Brew* technology, Labatt Canada applied for patent protection for the process. The company now has exclusive Canadian and U.S. rights to use the equipment required to produce *Labatt Ice Beer.* It is also developing an exclusive arrangement with the equipment manufacturer to license the process and equipment in other countries.

The launch of *Labatt Ice Beer* was the most successful in Labatt Canada's history, exceeding even the tremendous acceptance of *Labatt Genuine Draft.* The demand for the two brands, both of which are available across Canada, has propelled Labatt Canada's national market share to an all-time high.



Brew Tank

Labatt Ice Beer *flows into the Aging Tank.*



Deep Chill Heat Exchanger forms tiny ice crystals.

Recrystallizer grows ice crystals, then gently removes them.


IF IT'S NOT ICE BREWED,
IT'S NOT ICE BEER.
ICE BREWED
Labatt
ICE

LABATT BREWERIES OF CANADA

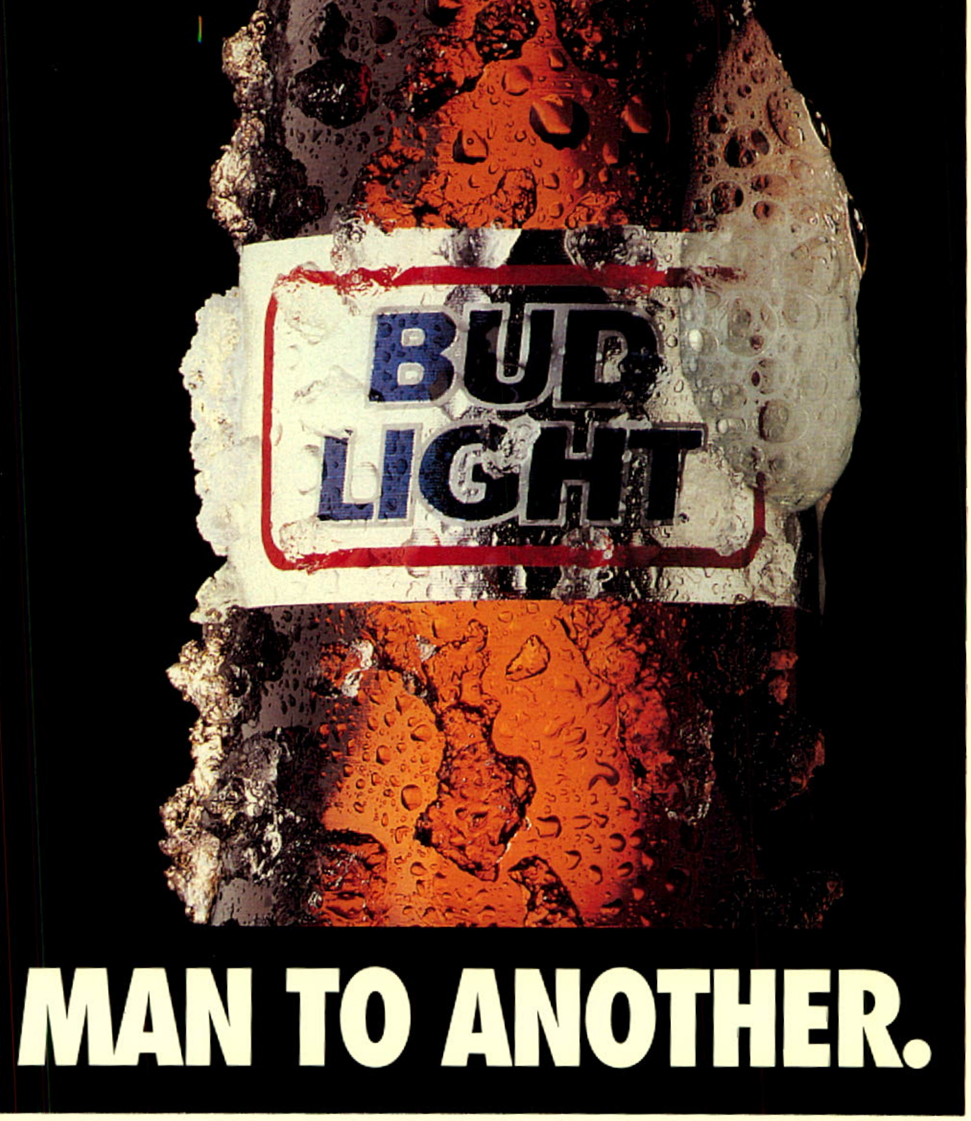
Confident, genuine, honest: these are the attributes held in high esteem by Budweiser's *target group of 19-to-24-year olds. The brand is being supported with aggressive television and on-premise promotion.*

One of Labatt Canada's primary competitive advantages is its ability to meet the needs of consumers in various parts of the country. The company's strong portfolio of quality brands gives consumers a broad choice of distinct brand identities at various price points. As these pages discuss, Labatt Canada continues to make progress towards its goal of having a leading brand in each segment of the Canadian marketplace.

The images of quality and genuineness portrayed in the *"You Bet It's Blue"* advertising campaign generated a very positive response from consumers of *Labatt Blue.* The brand strengthened its position as Canada's most popular beer and regained the premier spot in the key Ontario market. During the coming year *Labatt Blue* will be supported by a campaign to be known as the *"Labatt Blue Big Inning"*, a major promotion featuring the Toronto Blue Jays. Labatt Canada will also sponsor the *True Blues Tour.* The Tour will feature Canadian blues artists and culminate in the first Toronto Blues Festival, in the fall of 1993.

Ongoing promotion helped Carlsberg *hold its share of the market despite the success of new Labatt brand introductions. A new marketing program in local communities will build on* Carlsberg's *international positioning.*

Blue Light benefitted greatly from the introduction of more-contemporary packaging last year and the awareness generated by its innovative *"Imagine"* television advertising campaign. *Blue Light* exceeded expectations by holding its share throughout the year despite the great success of new Labatt products in the marketplace. Labatt Canada is currently making a similar investment in the packaging of *Labatt Lite.* As a family of brands, Labatt's light beers continue to lead the Canadian market.



The Kokanee *family of brands will be supported by a campaign of new packaging and give-away promotions. Promotional spending at the retail outlet provides added value for consumers.*

The development and introduction of new brands in new categories propelled Labatt Canada's national market share to record high levels in fiscal 1993. The launch and subsequent national rollout of *Labatt Genuine Draft* exceeded all expectations for its initial year of sale. The brand created the bottled draft category in Canada and is the dominant beer in the segment. In the coming year *Labatt Genuine Draft* will be supported by a promotion featuring a national tour by the popular rock band, Tragically Hip, and a new tagline – "*Where You Are Is Where It's At.*"

Initial indications are that *Labatt Ice Beer* will be as successful as *Labatt Genuine Draft*, if not more so. Launched in March 1993, and supported by strong advertising and national availability, *Labatt Ice Beer* quickly won the approval of the majority of purchasers in the

A major packaging facelift and renewed investment in building priority markets are expected to promote volume growth for Labatt Lite. *The brand also received new television and radio advertising based on the theme "Now That's Refreshing."*

Labatt .5 is now Canada's leading non-alcoholic beer. Further gains will come from distribution and shelf-pricing strategies focussed on the wide variety of retail outlets that sell the product.

new category. The rich, amber liquid and smooth, distinctive taste of the product delivers on the brand's claim that *"If It's Not Ice Brewed, It's Not Ice Beer."*

The *Wildcat* brand was also introduced late in the fiscal year in Alberta, Saskatchewan and Quebec, and subsequently in Ontario. The brand gives Labatt Canada a strong entry into the emerging popular-price segment in some Canadian markets, yet does not sacrifice product quality. Production economies, lower packaging costs and targetted promotion allow lower pricing at retail outlets.

Budweiser, Canada's leading licensed brand, continued its strong growth trend this year. The brand's consistent "Bud Man" positioning appeals to the young adult segment, as do its promotional tie-ins with NFL football, motor sports, rodeos and country music. *Bud Light,* which was promoted as part of the Budweiser portfolio, will receive its own advertising platform in the coming year.

Labatt Canada has successfully pursued a niche brand strategy aimed at the drinking attitudes or regional loyalties of specific target groups. Keith's *current campaign builds on the brand's Nova Scotia heritage.*

Labatt Canada's regional brands appeal to characteristics such as long-standing consumer loyalties and local history or geography. In the past year the company made significant promotional investments in selected regional brands to take advantage of the position each brand holds in its market area. For example, an entirely new advertising campaign was developed for *Keith's* that focusses on the Nova Scotia heritage of the brand. Similarly, the *Kokanee* brand, sold in western Canada, received new packaging and an advertising campaign based on the slogan, *"The Best of BC."*

With the Labatt *name on the label, consumers are assured that the new* Wildcat *brand is a good-quality beer at a very good price.* Wildcat *is Canada's first national brand in the emerging popular-price segment.*


WHERE YOU ARE IS WHERE IT'S AT.
CONCLUS
NATURAL
FRESH TA
REAL DR
Labatt
COLD FILTERED
NO PRESERVATIVES
Labatt
GENUINE DRAFT
COLD FILTERED

LABATT'S USA

A compelling combination of product quality, eye-catching packaging and award-winning advertising helped push Latrobe Brewing's *Rolling Rock* brand to another year of strong volume gains in fiscal 1993. This excellent performance was achieved despite flat consumption in both the high-quality segment and the overall domestic industry in the United States.

Brands imported by Labatt's USA from Labatt's Italian brewery are finding excellent acceptance with U.S. wholesalers and consumers. On- and off-premise sales are being driven by active promotional support and packaging variations such as the 25 oz. "La grande" *bottle.*

In the coming year *Rolling Rock* will continue to build on its brand image – which has not changed since 1939 – with the slogan, *"Same As It Ever Was."* Promotional spending will be increased significantly in an effort to build the brand's distribution network and drive additional on-premise and off-premise volume. A new, 22 oz. *"Big Rock"* bottle will also be introduced.

An expanded promotional campaign featuring integrated marketing support, four strong creative programs and a sharp focus on building distribution is expected to boost volume of Labatt's Blue. *The positioning of the brand's ideal pilsener taste will be reinforced with the tag,* "When Only Blue Will Do."

The import segment in the United States showed some growth this year after two years of declining volume. *Labatt's Blue* and *Labatt's Blue Light* volumes advanced despite uncertainties surrounding the tariff dispute between Canada and the U.S. *Labatt's Blue* maintained its position as the fifth-largest import in the United States; *Blue Light* also held its share. In fiscal 1994, both *Blue* and *Blue Light* will be supported by integrated promotional campaigns of television advertising and point-of-sale materials. The *Blue Light* campaign will be based on the slogan, *"The Northern Light."*

The small but quickly growing niche brands of the Specialty Import Division of Labatt Importers generated a 25 percent increase in volume last year. The gain was due to brand growth as well as the impact of a full year of *Red Stripe* volume.

Moretti *from Italy,* Clausthaler *non-alcoholic beer from Germany, and* Red Stripe *and* Dragon Stout *from Jamaica all continued to be top performers in their respective import categories. The brands are marketed and distributed by the Specialty Import Division of Labatt Importers.*

Same as it ever was.
ROCK
LIGHT
ROLLING ROCK
ROLLING ROCK
PREMIUM BEER
Extra Pale
©1939
LATROBE BREWING CO. LATROBE
ROLLING ROCK LIGHT

Labatt Breweries of Europe

At the Birra Moretti division of Labatt Breweries of Europe, innovative packaging and rock music sponsorship continued to promote broader awareness of the company's brands. Despite competitive discounting, deepening recession and poor summer weather in Italy, overall volume increased five percent compared to marginal growth for the industry.

The *Moretti* brand, which competes in the mainstream segment, again built on its positioning as a genuine, honest beer. Bolstered by a full year of new packaging, the famous "Moretti man" label and the slogan, *"The Beer for Any Occasion"*, the brand performed well against competitive products. The premium-quality *Sans Souci* – the company's "rock 'n roll" brand – maintained its strong growth momentum. *Sans Souci* sponsored 200 rock concerts in fiscal 1993. The same number will be supported in the current year.

Baffo d'oro is the all-malt version of *Moretti.* This premium brand has more than doubled its volume during the past three years. In the last year the company has restyled *Baffo d'oro*'s packaging to present a more upscale image and launched a fully integrated, on-premise promotional program. The program ties in opportunities for retailers to earn brand-name gold jewellery and for consumers to win 14k-gold bottle crowns.

The company implemented a major program to restage the packaging for its major brands. New tall-neck bottles, foil neck wraps, foil labels and a variety of bottle sizes add up to the upscale image of these premium-quality beers.

Birra Moretti *has concentrated on establishing a premium position for its brands rather than competing on price simply to gain volume. This strategy, which is driven by creative advertising and promotional programs, has proven to be very successful, especially for the* Baffo d'oro *and* Sans Souci *brands.*


BIRRA MORETTI, VIVA LA SINCERITA'!
BIRRA MORETTI
DAL 1859
BIRRA MORETTI
DAL 1859

Attractive packaging graphics and a new, long-neck bottle are helping Labatt's Strong *build market share in the growing market for off-premise consumption in the United Kingdom.*

The Labatt UK division of Labatt Breweries of Europe has contract-brewing arrangements with several regional partners. These partnerships brew, and in some cases distribute, *Labatt's Canadian Lager* within the United Kingdom. Brand building was very challenging in the difficult economic climate and highly competitive environment that prevailed throughout fiscal 1993. *Labatt's Canadian Lager* nevertheless maintained its sales volume while overall industry lager volume declined by two percent.

Having gained strong brand awareness throughout the United Kingdom during the past five years, Labatt UK is now launching a very focussed campaign for key accounts that will enable it to target its promotional spending to local areas and specific retailers. This approach is expected not only to make the best use of marketing expenditures but also to strengthen the brand franchise in proven areas of the country.

Among the imports, *Rolling Rock* continued to build on the momentum it has enjoyed since its introduction to the United Kingdom. Sales volume of the premium-quality brand advanced by six percent despite the competitive marketplace. Volume of *Moretti* also increased due to increased sales to Italian-style restaurant, pizza and pasta chains in the U.K.

The building of Labatt UK's pub estate proceeded more slowly than planned during fiscal 1993, as the number of potential acquisitions that met the stringent standards for return on investment was lower than expected. At year end the company held interests in partnerships and joint ventures owning more than 300 pubs. In all, Labatt brands are marketed through approximately 12,000 pubs. A program of installing new *Labatt's* draught-beer counter mounts in pubs is currently underway in order to boost point-of-purchase awareness of the brands.

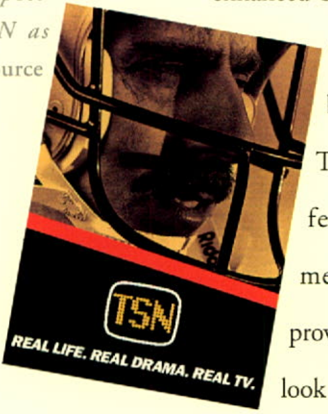
Like Labatt Canada and Birra Moretti, Labatt UK sponsors rock music in support of selected brands. The company has teamed up with the Virgin 1215 radio station, Britain's first commercial rock station, to create the Virgin Labatt's Album Chart. *This listing is the official rock chart of the UK music industry.*

In early fiscal 1994 the renowned rock venue, the Hammersmith Apollo, was renamed the Labatt's Apollo Hammersmith. *Under an exclusive sponsorship arrangement, the* Labatt's *brands and identity will be prominently featured for a half-million concert-goers annually.*

ENTERTAINMENT

BROADCAST

The breadth of commentary offered by programming such as Sportsdesk, TSN Sportsradio *and* Inside Sports, *as well as expanded coverage of live, major-league sporting events, has positioned TSN as* "Canada's source for sports."

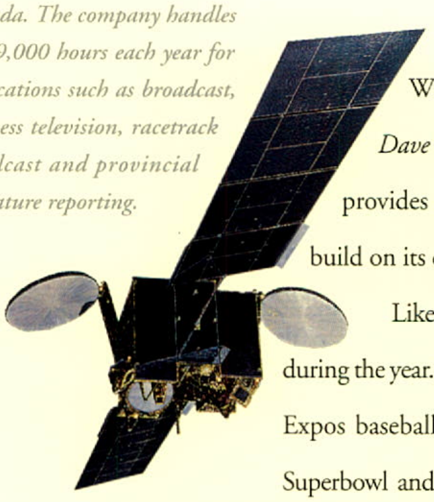


Broader coverage of major sporting events and excellence in sports commentary were just two factors leading to higher revenues for the JLL Broadcast Group last year. TSN's ability to hold audiences throughout the prime-time period was enhanced by an expanded roster of Toronto Blue Jays and Canadian Football League broadcasts, as well as by on-air hosting of major live sporting events. The network also launched *TSN Inside Sports,* featuring well-known commentator Dave Hodge, which provides viewers with an in-depth look at sports issues of the day. The first of its kind in Canada, the show complements TSN's critically acclaimed documentary series, *For the Love of the Game,* as well as the network's comprehensive daily *Sportsdesk* news service. TSN also introduced another innovative concept in fiscal 1993: *KSN – the Kids Sports Network.* The Sunday morning schedule is devoted to sports programming for children.

TSN was nominated for five Gemini Awards for creative broadcast production and excellence in sports commentary. It won "Best Individual Information Program Segment" *for an episode of the documentary series,* For the Love of the Game.

Each week, more than three million listeners in major Canadian markets tune into *TSN Sportsradio.* With over 100 *TSN Sportsradio* updates and 14 *Dave Hodge Commentaries* weekly, radio syndication provides an excellent opportunity for the network to build on its existing expertise in sports journalism.

TSN Enterprises' Satellite Services Group is the largest reseller of satellite time in Canada. The company handles over 9,000 hours each year for applications such as broadcast, business television, racetrack simulcast and provincial legislature reporting.



Like TSN, RDS expanded its major event coverage during the year. The network increased the number of Montreal Expos baseball telecasts, secured the rights to air the NFL Superbowl and covered the first round of the 1992 National

Hockey League playoffs. RDS' comprehensive schedule of French-language national and regional sporting events is available to all subscribers of basic cable services in the province of Quebec. Early in fiscal 1993, Labatt acquired the remaining 30 percent of RDS to own 100 percent.

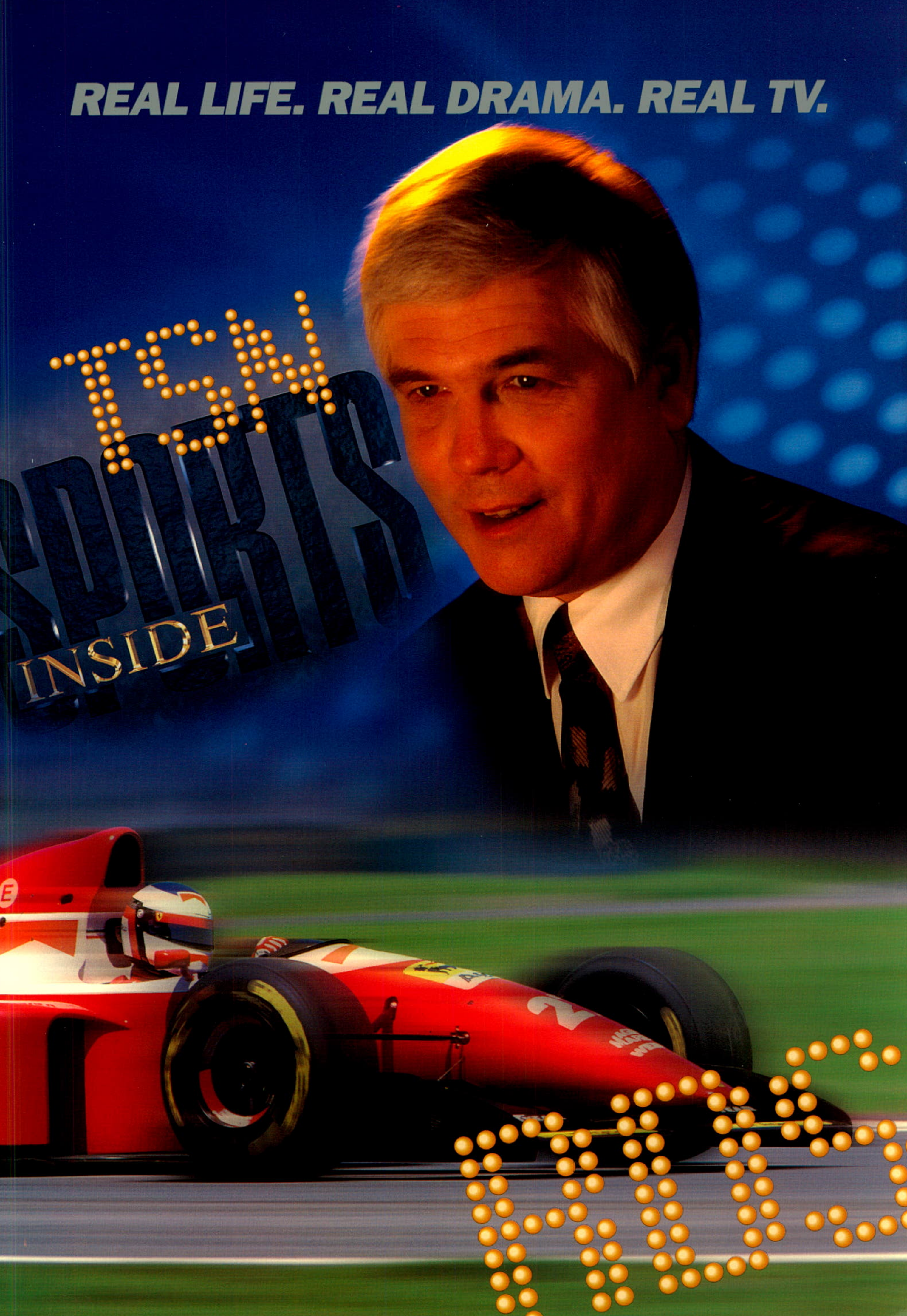
In October 1992 the JLL Broadcast Group announced that it had reached an agreement in principle for a joint-venture project with the Discovery Channel of the United States. The Group will apply to the Canadian Radio-television and Telecommunications Commission for a license to operate a new Canadian non-fiction specialty service for launch in fiscal 1995.

The Rep Shoppe/ Médias Ventes owned by the JLL Broadcast Group, is an advertising sales representation agency whose primary clients are TSN and RDS.

Dome Productions is one of North America's leading television production and video post-production facilities. The company's post-production work, contracted by both U.S. and Canadian producers, includes popular shows such as *Top Cops*, *Ready or Not*, *Secret Service* and *Heart of Courage*. The mobile division, which acquired two new mobile production facilities during fiscal 1993, handles most of the mobile broadcast needs of TSN and RDS, as well as for an increasing number of third-party users.

Dome's live event division was the host broadcast facility for baseball's premier sporting event, the World Series. Dome provided the live "feed" for Canadian, U.S. and foreign broadcasters for all games held at the SkyDome, earning the facility an international reputation for quality. In addition, Dome's award-winning animation division garnered further honours, receiving a major award from the Canadian Computer Graphics Association for the CTV Barcelona Olympics package.

Dome's computer animation facility brought the French's mustard bottle to life for television audiences. The animation division also developed graphics for programs such as ABC News Prime Time, CBC Prime Time News *and the* CTV Olympics Lillehammer '94 *animation package. The division also created the identity used by ABC for its election night coverage in the United States.*

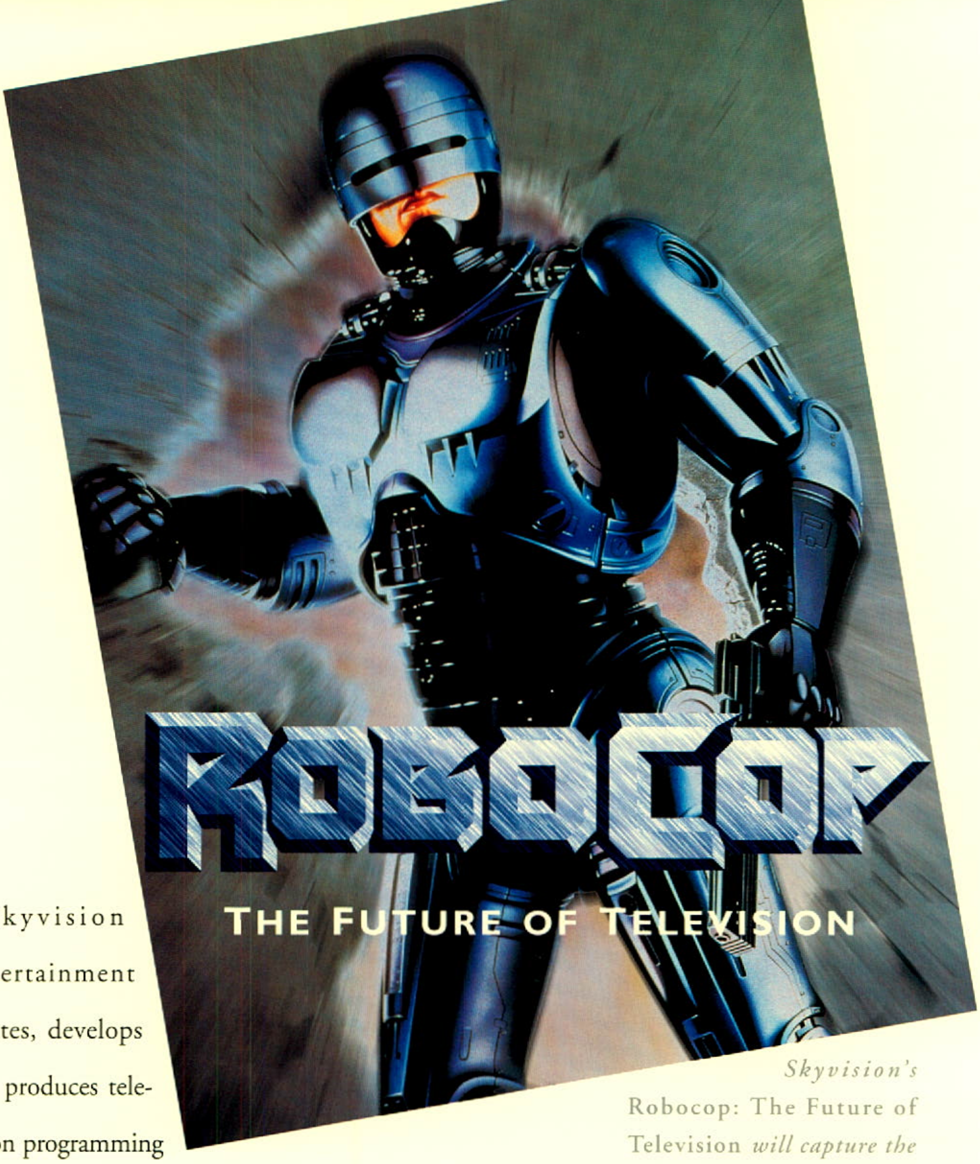

REAL LIFE. REAL DRAMA. REAL TV.
INSIDE

After four American League East pennants in eight years and ten consecutive years with a record of over .500, the Toronto Blue Jays captured the World Series in October 1992. The inside covers of this report provide a game-by-game description of the team's historic victory.

Entertainment

Supercorp Entertainment is one of the world's largest producers of television and radio advertising. The group offers comprehensive services encompassing commercial film production, media planning and buying, and audio recording and post-production. In 1993 Supercorp's businesses related to the production of commercials continued to grow. In the coming year the company expects to increase its efforts to capture a share of the advertising production business of the United States while maintaining its market leadership in the Canadian advertising production business.

The Partners Canada commercial film production division of Supercorp produced the new, "high-tech" television commercials for Labatt Canada's Labatt Genuine Draft.



Skyvision's Robocop: The Future of Television *will capture the action adventure, memorable characters and special effects that made the motion picture releases successful.*

Skyvision Entertainment creates, develops and produces television programming for Canadian and international markets. Now in its third year of operation, the company's production roster continues to grow. *Secret Service* is a total of 22 one-hour episodes airing on NBC and Baton Broadcasting. The 22 half-hour segments of *Heart of Courage* profile ordinary citizens involved in individual acts of bravery; the series won a Silver Award in the 1993 Worldfest Houston competition. Skyvision also acquired world live-action television rights to the successful *Robocop* films. A total of 23 hours of episodic programming for *Robocop* is currently in production. The series is being sold in every major territory in the broadcasting marketplace.

At BCL Entertainment, revenues were driven by an improved concert line-up, strong merchandise sales and the Rolling Stones' *At the Max*. The film, one of the highest-grossing concert documentaries ever to be released, continues to open in selected IMAX® theatres around the world.

Brockum, BCL's merchandising division, posted improved merchandising sales, particularly for the Guns 'n Roses and Metallica tours. The Live Entertainment Division (CPI) produced more than 700 shows, including Genesis, U2, Elton John and Guns 'n Roses. In Canada, over 2.2 million fans attended. CPI's Theatre Division contributed significantly, with impressive results from the road productions of *Les Mis, Cats* and *Evita*.

The rock band Genesis, an ITG client, had successful tours in the United States, Canada and Europe.

BCL presented successful tours by top rock artists such as Paul McCartney and Guns 'n Roses.

20 CONCERT PRODUCTIONS INTERNATIONAL 1973 ★ 1993

BCL will continue to build on increased demand for live entertainment. Artists touring for CPI in fiscal 1994 include The Tragically Hip, Neil Young, Rod Stewart and Aerosmith. A unique joint venture with the Disney Corporation created the Disney Symphonic Fantasy, which is currently touring the United States. Brockum expects to maintain its market share with merchandise sales from major clients such as Paul McCartney, Bon Jovi and Guns 'n Roses.

Financial report

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion and analysis provides a review of the activities, results of operations and financial condition of John Labatt Limited (the "Company" or "Labatt") for the fiscal year ended April 30, 1993 ("1993") in comparison with those for fiscal 1992 ("1992"). This discussion should be read in conjunction with the 1993 Consolidated Financial Statements.

Overview

In 1989 management of John Labatt Limited embarked on a plan to reposition the Company into fewer, stronger core businesses. This plan first led to the Company's disposition of its food-related businesses, as Labatt sold Catelli, JLFoods, Ogilvie Mills, Everfresh and Miracle Feeds.

On September 10, 1992 the Company announced its intention to further restructure its core businesses by separating its dairy operations from its brewing and entertainment businesses and distributing ownership of the dairy operations directly to Labatt common shareholders. Labatt concluded that, due to major differences between the industries in which its brewing and dairy businesses operate, the strong, focussed management that each requires to maximize value for shareholders could best be achieved by such a segregation.

Following this announcement, Labatt received numerous expressions of interest for the purchase of some or all of its dairy operations. In light of the discussions that ensued, and the fact that there was a limited operating relationship between the Company's Canadian and U.S. dairy businesses, the Board of Directors of Labatt decided on March 11, 1993 to proceed with the distribution of only the Canadian dairy operations which would be carried on by a new public company, Ault Foods Limited ("Ault"). The U.S. dairy operations were not included in the proposed Plan of Arrangement (the "Arrangement"), which was undertaken to bring about the dairy distribution, as it was unlikely that the inherent value of the U.S. dairy business would have been reflected in the market price of the common shares to be issued by Ault. The Board also concluded that it could realize greater value for shareholders by selling the U.S. dairy businesses, and so on March 24, 1993 approved a plan to dispose of those businesses as well as to write down the U.S. dairy assets assets to estimated net realizable value.

At a Special Meeting of the Common Shareholders held on April 29, 1993, Labatt shareholders approved the Arrangement recommended by the Labatt Board and management. Under the Arrangement, which was completed on June 4, 1993, each common shareholder and convertible debenture holder received one common share of Ault for every five Labatt common shares, or convertible debenture equivalent, held on the May 13, 1993 record date for the Arrangement.

On May 8, 1993 Labatt completed the sale of Tuscan Dairy Farms as part of its plan to divest of its U.S. dairy businesses. Discussions are continuing for the sale of the balance of these operations. As a result, the 1993 results of operations, financial position and changes in financial position of the Canadian and U.S. dairy businesses are reported as "Discontinued operations" in the Consolidated Financial Statements.

During 1993 the Company completed the sale of the Ogilvie Mills flour and starch business. The Ogilvie sale was initiated and accounted for in 1992 as part of the disposition of non-dairy food interests.

Fully diluted earnings per share from continuing operations before restructuring charges increased by 15% over 1992 to $1.63.

Fully Diluted Earnings per Share, Continuing Operations

	1993	1992	
Before restructuring charges	$ 1.63	$ 1.42	+15%
Restructuring charges	0.31	0.66	-53%
	$ 1.32	$ 0.76	+74%

The Company continued with the major restructuring of its Canadian brewing operations during the year. Charges of $0.31 per share were taken in 1993 for the implementation of strategies to enable the Company to become more competitive in the North American marketplace. These charges include the costs associated with capacity optimization and administrative restructuring.

The Company recorded a loss per share from discontinued operations. This amount includes the provision for the write-down of U.S. dairy assets to their estimated net realizable value, net of the operating earnings of the Canadian and U.S. dairies for 1993.

Labatt recorded a net loss per share compared to net earnings in 1992. The major improvement in earnings from continuing operations was more than offset by the loss from discontinued operations.

Consolidated Financial Results

The following discussion and analysis addresses the key items in the John Labatt Limited Consolidated Financial Statements.

Consolidated net sales from continuing operations increased 24% to $2.1 billion compared to $1.7 billion in 1992. Both the Brewing and Entertainment segments contributed to the increase, two-thirds of which was attributable to additional revenues from acquisitions made during the past two years.

The Company's 1993 consolidated results include a full year of the sales and earnings from BCL Entertainment ("BCL") and Supercorp Entertainment ("Supercorp"). The results of BCL were consolidated with those of the Company effective May 1, 1992, while the results of Supercorp have been consolidated since the fourth quarter of 1992.

The portion of consolidated net sales provided by the Brewing businesses increased by 7% over 1992. All domestic and international operations contributed to the growth in revenue. Sales of Labatt Breweries of Canada ("Labatt Canada") increased 6.0% despite a 3.4% decline in industry sales volume. National market share rose to record levels, primarily due to the success of *Labatt Genuine Draft*, which was launched in late 1992.

Consolidated net sales from the Entertainment companies increased by 124%. This was largely attributable to the full-year impact of business acquisitions made during 1993 and 1992. The net sales increase for Entertainment, however, was 22% before taking into account the consolidation of businesses due to the acquisition of additional interests. Higher revenues were derived mainly from increased advertising sales in the JLL Broadcast group and from the World Series Champion Toronto Blue Jays. Labatt owns 90% of the Blue Jays.

Depreciation and amortization expense increased to $89 million in 1993 from $75 million in the prior year. The increase was due to a full year of expense on 1992 capital expenditures, such as the expansion of brewing capacity in Italy and the United States and the installation of cold-filtering process equipment for the production of *Labatt Genuine Draft* in Canada.

Earnings before interest, restructuring charges and income taxes rose 14% in 1993, from $232 million to $265 million, propelled by increased earnings from the Brewing businesses.

Interest expense – the cost of funds borrowed net of income earned on securities – before the allocation to discontinued operations decreased 14% in 1993. Long-term interest expense increased during 1993 due to a full year of interest costs on the $250 million of debentures issued during 1992 in excess of the savings of interest on the $100 million of debentures retired late in 1992. Interest on convertible debentures declined due to the conversion of $144 million of debentures in 1993. In 1993, interest of $2 million was earned on cash balances, compared to interest expense of $5 million on short-term borrowings in 1992. Income from securities, which is netted against interest expense, increased due to the earnings on the proceeds received from the various businesses sold during the last two fiscal years.

Net interest increased by $15 million for the year as a result of the reduced allocation of $11 million of interest to discontinued operations. This compared to an allocation of $32 million during 1992, when the discontinued businesses included both the food and dairy operations.

With the effect of the increase in net interest charged to continuing operations, earnings before restructuring charges and income taxes increased 8% to $239 million versus $221 million in 1992.

Restructuring charges totalled $45 million in 1993 compared to $101 million in the prior year. The initiatives to which the major portion of the restructuring charges apply will help Labatt Canada become more cost-competitive with brewers throughout North America. While some benefits of restructuring were realized during 1993, the impact will be greater in subsequent years.

The 1993 restructuring charges related to the closing of the Saskatoon brewery in May 1993 and the planned closing of the Saint John, New Brunswick brewery by December 1993, the second phase of the Labatt Canada restructuring programs that were started in fiscal 1991, and other administrative restructuring. The 1992 charges also arose from strategic decisions that were intended to improve competitiveness. These included Labatt Canada's return to a standard bottle, the closing of its Kitchener-Waterloo brewery, and staffing reductions at both Labatt Canada and the John Labatt Corporate offices.

Tax expense as a percentage of pre-tax income increased to 33% in 1993 compared to 26% in 1992. In 1993 more earnings occurred in jurisdictions with relatively higher tax rates and non-taxable dividends constituted a lower proportion of total income.

Earnings from partly owned businesses were $3 million compared to a loss of $8 million in the prior year. In 1992 earnings from partly owned businesses included the results of BCL and Canada Malting as well as the results of Supercorp prior to the acquisition of a controlling interest in the fourth quarter of 1992. In 1993, following the purchase of a controlling interest in BCL, the only significant partly owned business was a 20% interest in Canada Malting. Accordingly, 1993 earnings are due primarily to the performance of Canada Malting, while the 1992 loss was due to poor results at BCL.

Earnings from continuing operations totalled $133 million in 1993 – a 64% increase over the prior year. The major portion of the increase is due to the $56 million reduction in restructuring charges in the current year compared to last year.

Labatt recorded a loss of $203 million from discontinued operations. This amount includes the after-tax earnings of the Canadian and U.S. dairy operations, less a $173 million write-down to an estimated net realizable value of $140 million for the assets of the U.S. dairy business. The results of discontinued operations also incorporate additional provisions for the expected costs of litigation relating to previously sold businesses, deferred tax charges and an allocation of interest expense. Similarly, in 1992, earnings from discontinued operations included earnings from dairy operations, the gains and losses on the sale of non-dairy food businesses and their after-tax earnings, and an allocation of interest and corporate expenses.

The Company recorded a loss of $70 million in 1993 compared to net earnings of $101 million in 1992. The major improvement in earnings from continuing operations and sharply reduced restructuring charges were more than offset by the loss on discontinued operations.

RESULTS OF OPERATIONS

In the following discussion, earnings before interest, restructuring charges and income taxes are referred to as "segmented earnings."

BREWING

The Brewing segment comprises three divisions: Labatt Breweries of Canada, Labatt's USA and Labatt Breweries of Europe.

Higher market shares drove volume growth at the Brewing divisions in 1993, resulting in a combined net sales increase of 7% for the year. Industry volumes were lower or flat in all markets in which Labatt operations compete, with the exception of Italy which experienced a marginal increase. In Canada, Labatt's national market share increased to a record level, driven by very successful product introductions and marketing programs.

Segmented earnings of $218 million increased by 22% over the results of last year. This improvement is attributable to higher revenues and to increased cost-effectiveness in all Brewing operations.

Labatt Breweries of Canada

Labatt Canada operates ten breweries across the country and produces 36 brands of beer. Seven brands are marketed nationally while the others are sold on a regional basis. Through Labatt International Brands, the division also markets specialty and import brands of beer and wines to Canadian and international markets.

Labatt Canada generated increased segmented earnings. Revenue growth and cost-reduction programs were the key factors in the improved performance.

Volume remained essentially flat at the division despite a 3.4% year-over-year decline in domestic industry volume. The industry decline was due primarily to poor weather in central Canada during the summer of 1992 and a sluggish economic environment in most parts of the country. Net sales advanced 6% compared to 1992. Labatt Canada's average national market share stood at 43.7% at year end, an increase of 1.4 points over the prior year. The division experienced year-over-year market-share growth in seven of ten provinces – which in aggregate represent

95% of industry volume – with record shares reported in Quebec, Manitoba and Alberta. The major portion of this increase was attributable to the very successful launch and rollout of *Labatt Genuine Draft* in late 1992.

Bolstered by a new advertising campaign, *Labatt Blue* again led the industry as Canada's most popular beer; the brand also achieved market leadership in the Quebec market. *Budweiser* maintained its position as the country's leading licensed beer. *Budweiser* is brewed under license from Anheuser-Busch. Sales of on-premise keg draft beer also grew, as Labatt Canada increased national share from 39.2% to 41.0% of all on-premise keg beer sales. Keg sales represented 11.4% of total domestic beer volume in 1993.

Following the launch of *Labatt Genuine Draft* in March 1992, the product was rolled out in eight provinces and quickly captured the largest market share in Canada for bottled draft beer. One year later Labatt Canada matched the success of the *Labatt Genuine Draft* launch in its introduction of *Labatt Ice Beer.* Produced using proprietary *Ice Brew* technology, this high-quality strong beer created a new beer category that has gained rapid consumer acceptance. Distribution of *Labatt Ice Beer* was expanded to all provinces within six weeks of the initial launch. Labatt Canada also introduced the *Wildcat* brand, an entrant in the popular-price segment. The brand was launched in Alberta and Quebec in late 1993 and in Ontario early in 1994. These brands reflect Labatt Canada's strategy of offering consumers a balanced portfolio of leading brands in the primary segments of the Canadian beer market.

The division invested a total of $98 million in plant and equipment, primarily for facility upgrades and the development of new products.

One of Labatt Canada's key objectives is to improve its cost-competitiveness. The division will have reduced the number of breweries in operation from 12 to 9 with the closings of the Kitchener-Waterloo facility in November 1992, the Saskatoon brewery in May 1993 and the Saint John, New Brunswick facility by December 1993. In addition, the overall salaried workforce was significantly reduced. Conversion to the new standard bottle was completed within the fiscal year and the efficiency of marketing and promotion programs was improved. These cost restructuring programs were an integral component of the improved results in 1993 and will continue to provide benefits in future periods.

In fiscal 1994 Labatt Canada will continue to focus on innovative new products and cost management. Total Canadian domestic consumption is expected to remain flat in the 1994 fiscal year. Labatt Canada will work toward volume growth through increased market share with initiatives for new products, the strong momentum of *Labatt Genuine Draft* and *Labatt Ice Beer,* and advertising and promotional programs. It will also continue to move toward its goal of cost competitiveness. Full year benefits of 1993's bottle conversion and cost restructuring programs will provide significant cost improvements. In addition, Labatt Canada will continue to seek and implement improvements to all facets of its cost structure from procurement through to distribution.

The resolution of trade disputes between Canada and the United States continued to be a central issue for the Canadian brewing industry during 1993. In April 1992 an agreement in principle was reached between Canada and the United States to implement changes mandated by a panel report of the General Agreement on Tariffs and Trade (the "GATT") in October 1991. The first phase dealing with pricing, markups and listings was completed in June 1992; the second phase dealing with delivery and access to points of sale is expected to be completed by September 30, 1993. However, Canada's efforts to implement trade reforms that would satisfy the GATT panel have not been met with approval from the United States.

In July 1992 the United States imposed a 50% tariff on all beer shipped out of Ontario. The Canadian government immediately responded by imposing duties on certain U.S. imports into Ontario. Labatt is monitoring this situation closely, and is working with the Federal and Provincial governments on ways to resolve these outstanding issues. The outcome and its timing, however, are difficult to predict.

Labatt Canada has continued to ship normal volumes from Ontario to support its market in the United States. The retaliatory measures do not affect shipments of Labatt brands to the U.S. from plants in British Columbia or Quebec. During 1993 these retaliatory duties affected the earnings of Labatt's USA, which has been absorbing the duties rather than raise its prices. The effect of the duties was offset to some extent by cost-cutting measures at Labatt's USA.

Labatt's USA

Labatt's USA operates in the high-quality segment of the U.S. beer business. The division brews and markets the *Rolling Rock* brands of its Latrobe Brewing Company. Through Labatt Importers, the division also imports and markets *Labatt's Blue, Labatt's Blue Light,* and other Labatt Canada brands. The Specialty Import Division markets and distributes niche malt beverage products such as *Moretti* and *La Rossa* from Labatt's Italian breweries, *Clausthaler* non-alcoholic beer from Germany, and *Red Stripe* and *Dragon Stout* from Jamaica.

Sales volume at Labatt's USA increased 6% in 1993, adding to the 9% increase last year. The division gained market share in its high-quality segment despite flat consumption in both the segment and the overall domestic industry in the United States. This gain is particularly noteworthy as it occurred in an environment marked by severe price and promotional competition among mainstream brewers.

Sales volume of *Rolling Rock* increased 9% in 1993; this compares to an exceptional 15% increase last year. *Rolling Rock,* which represents 60% of the division's sales, has consistently outperformed the U.S. domestic beer industry, and is being given aggressive marketing support for continued strong growth. Latrobe Brewing completed a major capacity expansion during the year to sustain the ongoing development of the *Rolling Rock* and *Rolling Rock Light* brands.

The import segment showed some growth in 1993 after two years of declining volume. *Labatt's Blue* and *Labatt's Blue Light* volumes were up a combined 1% despite the impact of uncertainties surrounding the Canada-U.S. tariff dispute. However, the combined volume of Labatt's brands, which represents 35% of Labatt's USA total volume, declined by 1% in aggregate as selected brands and packages were discontinued due to the consolidation of Labatt Canada operations. As in prior years, Labatt's USA made an important contribution to the 1993 earnings of Labatt Canada through its purchases of Labatt Canada products.

Brands distributed and marketed by the Specialty Import Division represent approximately 5% of total Labatt's USA volume. These small but quickly growing niche brands showed a combined 25% increase in volume due to brand growth and the impact of a full year of *Red Stripe* volume.

The strong performance of Labatt's USA resulted in a modest profit before interest and taxes – and before the impact of the tariff – compared to a loss last year. Labatt's USA has been absorbing the full cost of the tariff, which was approximately $9 million in 1993, rather than passing it on in the form of increased pricing to customers. The effect of the tariff was mitigated by maintaining marketing expenditures at 1992 levels and tightly managing overhead costs.

The outlook for Labatt's USA for fiscal 1994 and beyond is promising, even though the Labatt's brands may be affected by ongoing trade issues. *Rolling Rock* volume is expected to continue to grow at a healthy rate as marketing support is increased. This will have a short-term impact on profitability but should result in strong, long-term growth of the brand. In addition, Labatt's USA intends to develop new business through product-line extensions and ongoing promotion in the Specialty Import Division.

Margins and profitability should be enhanced through a combination of price maintenance, cost control and asset management programs. Over the longer term, Labatt's USA is well positioned for growth in the high-quality segment of the U.S. beer business.

Labatt Breweries of Europe

Labatt Breweries of Europe has two operating units: Labatt Brewing UK and Birra Moretti. Labatt Brewing UK ("Labatt UK") maintains contractual arrangements with several regional partners in the United Kingdom for the brewing and/or distribution of *Labatt's Canadian Lager* within the United Kingdom. The division imports *Rolling Rock* and *Birra Moretti* brands for sale at pub and retail outlets in these markets as well. Birra Moretti ("Moretti") brews several brands for sale in Italy and for export to other countries. With the volume gains made in 1993, the company is now Italy's third-largest domestic brewer, with a 10% share of the market.

Labatt Breweries of Europe improved its volumes and decreased its operating losses during 1993, despite difficult market conditions in both the United Kingdom and Italy.

Labatt U.K.

Total industry lager volume in the United Kingdom declined 1% compared to 1992 due primarily to the recessionary economic climate that prevailed during the year. Labatt brand volume was down marginally for the year while *Rolling Rock* continued to build its premium category niche with a 6% growth in volume.

Net sales grew by 8% with improved margins. This progress reflects an ongoing shift towards cost-efficient contract brewing arrangements, increased earnings from pub retailing and effective cost-cutting and efficiency programs.

The challenges of building brands in a difficult economic climate and highly competitive environment were very apparent during 1993. Cost-cutting measures were instituted to preserve margins but results, while improved, were still affected by these factors.

At year end Labatt UK held interests in partnerships and joint ventures owning approximately 300 pubs. Acquisitions have been slower than anticipated due to the company's insistence on acquiring only pubs that have excellent prospects for strong performance. In all, Labatt brands are marketed through approximately 12,000 pubs, in addition to sales through outlets for off-premise consumption. These pubs helped improve Labatt brand performance and operating results during the year.

The trading environment in the United Kingdom will remain difficult in the coming year. In this climate Labatt UK will continue to focus its activities on augmenting its strong brand franchises and building a solid pub estate.

Birra Moretti

Birra Moretti gained momentum in 1993 – sales volume rose 5% compared to marginal industry growth in Italy. The company maintained market share under very challenging operating conditions, which included nationwide discounting by competitors, poor summer weather and deepening recession, and successive upsets in Italy's political, economic and industrial environment.

Brand building continued, supported by marketing techniques such as rock music sponsorship and innovative packaging. Volume of the mainstream *Moretti* brand increased 7% over last year. *Sans Souci,* Moretti's key premium product, boosted its volume by 3%. Several smaller premium entries also made solid gains, and *Prinz Pilsener* performed well in the highly competitive, price-brand segment of the market.

Moretti has concentrated on establishing a premium position for its brands rather than competing on price simply to gain volume. This strategy, which was driven by creative advertising and promotional programs, proved to be successful in 1993.

Moretti expects to capitalize on the market acceptance of its brand portfolio in Italy. Aggressive marketing will remain the company's primary tool for maintaining its trend of market-share growth in the face of competitive pricing pressures. The economic climate, however, is currently uncertain due to continuing recession.

Entertainment

The Entertainment segment comprises three divisions: the JLL Broadcast Group, the Toronto Blue Jays Baseball Club and the John Labatt Entertainment Group.

Boosted by higher ownership levels, Entertainment segment net sales increased by 46% in 1993. Net sales at each operation actually grew by an aggregate of 11%. Segmented earnings were, however, down 3% year over year, as the Broadcast Group's and BCL's improvements were offset by decreased Blue Jays earnings.

JLL Broadcast Group

The JLL Broadcast Group (the "Broadcast Group") includes five television broadcasting and broadcast-related businesses: The Sports Network ("TSN") is an English-language, all-sports specialty television service; Le Réseau des sports ("RDS") is a French language counterpart to TSN; TSN Enterprises ("TSNE") is a supplier of broadcast support and ancillary services; Dome Productions ("Dome") is a television production and video post-production facility; and The Rep Shoppe is an advertising sales representation agency whose principal clients are TSN and RDS.

Advertising revenues for the Broadcast group were 19% higher in 1993 than the prior year. Despite vigorous competition for advertising expenditures, TSN's expanded coverage of major sporting events, as well as its own innovative sales and marketing campaigns, proved attractive to advertisers. TSN launched "TSN Inside Sports" with commentator Dave Hodge and introduced live coverage of Formula One auto racing. TSN also increased its programming of Toronto Blue Jays' baseball games to 75 for baseball's 1992 season. RDS expanded its programming as well, increasing the number of Montreal Expos baseball telecasts, securing the rights to air the NFL Superbowl, and covering the first round of the 1992-1993 season NHL playoffs.

TSN continued to improve the quality of its on-air presentation during the year, incorporating new dynamic graphic presentations to promote its programs. The division was nominated for five Gemini Awards for creative broadcast production. It won one Gemini: "Best Individual Information Program Segment" for an episode of the documentary series *For the Love of the Game.*

TSN is the most-watched specialty television service in Canada. The increase in popular programming not only supported the growth in advertising revenue in 1993, but also helped increase subscriber levels for TSN beyond 98% of basic cable subscribers in English Canada. RDS' comprehensive schedule of national and regional sporting events is available to nearly all subscribers of basic cable services in the province of Quebec. Early in 1993, Labatt acquired the remaining 30% of RDS to own 100%.

TSN SportsRadio provides two daily sports services to 86 private radio stations across Canada. These syndicated features – *TSN SportsRadio Updates* and *The Dave Hodge Commentary* – are designed to meet the needs of radio broadcasters and their audiences for timely sports news and information.

As part of the Broadcast Group's horizontal integration strategy, Dome Productions acquired two mobile production facilities during the year. These facilities will accommodate most of the Canadian mobile broadcast needs for both TSN and RDS.

TSNE's satellite services group provides end-to-end broadcast distribution services throughout North America for applications such as news gathering, video-conferencing, distance education and reporting from provincial legislatures. TSNE is recognized as the leading re-seller of occasional-use satellite time in Canada.

Segmented earnings from the Broadcast Group increased in 1993. Higher advertising revenues and an expanded subscriber base combined with effective cost management to generate the increase.

During the year the Canadian Radio–television and Telecommunications Commission ("CRTC") undertook a review of the evolving communications environment and its impact on the existing and future structure of the Canadian broadcasting system. As part of this proceeding – known as the "Structural Hearing" – the CRTC considered a number of issues, including: the distribution, packaging and carriage of programming services by cable television systems; the role and potential impact of other distribution technologies such as direct-to-home satellite services and multipoint distribution systems; financial support for Canadian programming; criteria for licensing and authorizing new broadcast undertakings (including new Canadian specialty services) and other video services; and cable industry proposals for changes related to the regulation of cable fees.

The Structural Hearing was a primary focus of senior Broadcast Group personnel during 1993. Submissions by other parties were reviewed, analysed and considered in preparing the Group's attendance at, and participation in, the public hearing. The CRTC released its decision of policies and proposals for regulatory change resulting from this proceeding on June 3, 1993.

Broadcast Group management believes that the CRTC's new policies and proposals are very positive for TSN and RDS. The CRTC authorized dual status for all existing English- and French-language specialty services that are licensed on an "optional-to-basic" basis – a status currently held only by TSN and MuchMusic. RDS will now enjoy this "optional-to-basic" status. "Optional-to-basic" means that when such services are distributed by a cable undertaking, they must be distributed on the basic service unless the specialty service licensee consents to distribution on a discretionary basis. This status provides flexibility to the specialty services in establishing the terms for carriage of their programming by cable operators. The CRTC also noted that it would be prepared to consider a dual-carriage status (basic and discretionary) for English- and French-language specialty services that may be licensed in the future, which would affect any new specialty licenses granted to the Broadcast Group.

Other new policies of particular importance to TSN and RDS, as well as to any future specialty service in the Broadcast Group, included a change in the linkage ratio for cable packaging of services. The current 2:1 linkage ratio, whereby up to two of certain non-Canadian satellite services may be distributed in a package with each discretionary Canadian specialty service, will be changed to a 1:1 ratio by no later than January 1, 1995.

In the coming year the Broadcast Group will consider each of the challenges and opportunities arising from the Structural Hearing decision. It will continue to actively position itself to take advantage of the opportunities resulting from the fundamental changes that are evolving in the Canadian broadcasting industry.

One such planned action is to apply for a licence for a new Canadian non-fiction entertainment specialty service in response to the current CRTC call for applications. In October 1992 the Broadcast Group reached an agreement in principle with Discovery Communications, Inc. of the United States to apply to the CRTC for such a licence. The anticipated launch date, if a licence is awarded, would be late calendar 1994 or early 1995.

It is expected that applications for licence renewals will be filed for TSN, RDS and Viewer's Choice Canada, which is 25% owned by the JLL Broadcast Group. Current licences expire on August 31, 1994. Much effort will be expended in the coming year to ensure that each of these licences is renewed on acceptable terms for as long a renewal period as possible.

The Broadcast Group expects that the cost of program rights, especially for current renewals, will escalate during fiscal 1994. Furthermore, the major portion of revenue growth is more likely to be derived from new ventures such as the Discovery Channel project than from existing businesses.

Toronto Blue Jays Baseball Club

The Toronto Blue Jays are an American League East Division baseball club based in SkyDome.

In October 1992 the Toronto Blue Jays became the first team based outside the United States to win the World Series. The team also led major league baseball in attendance for the third consecutive year, drawing more than four million fans for the second year in a row.

Revenues for the club grew 23% during 1993 to a record-high level due to increased broadcast revenue and to the Blue Jays' participation in the American League championship and World Series games. The increased revenues, however, were not enough to offset increases in the player payroll, resulting in a significant decline in earnings compared to 1992.

Looking ahead, the continuing trend to generally higher player salaries is of concern. While top-quality players are essential for team performance, high salary expense reduces the profitability of franchise ownership. Also, the terms upon which the Blue Jays share in the revenue from the sale of major league baseball television broadcast rights will change. Major league baseball has entered into an agreement with NBC and ABC to form a venture for the development of the television broadcast rights over the next several years. This contract will result in substantially decreased revenue from these television rights for all major league baseball teams, including the Blue Jays, at least in the short term.

John Labatt Entertainment Group

The John Labatt Entertainment Group comprises entertainment and marketing services businesses. Supercorp provides services to the advertising industry, primarily in the areas of commercial film production, media planning and buying, animation, and audio recording and post-production. BCL is a live-event promoter and merchandiser of related apparel. Skyvision Entertainment ("Skyvision") creates, develops and produces television programming for Canadian and world markets. International Talent Group ("ITG") represents contemporary and rock music artists, and film and television artists, in North America and the United Kingdom.

Entertainment Group performance improved in 1993. All businesses contributed to increased revenues. Sales rose significantly due to the full consolidation of BCL and of Supercorp in 1993 compared to the inclusion of proportional results in 1992. Labatt's share of earnings included in the Entertainment segment's results for both years increased with the successive increases in ownership of Supercorp and BCL: from 69% to 80% of Supercorp, effective at the beginning of the fourth quarter of 1992 and from 80% to 100% effective February 1, 1993; and from 45% to 75% of BCL, effective from the beginning of 1993.

Supercorp revenues increased 19% in 1993. The increase was due primarily to improved sales in its businesses related to film production. Segmented earnings remained at last year's level. Reduced overheads should improve results in 1994. In the coming year, Supercorp expects to place further emphasis on capturing a share of the commercials production business in the United States while maintaining its market leadership in advertising production businesses in Canada.

Sales at BCL remained at last year's level. However, BCL's results moved to small positive segmented earnings in 1993 from a loss due to write-downs taken in 1992. Brockum, BCL's merchandising division, posted improved merchandise sales, particularly for the Guns 'n Roses and Metallica tours. The Live Entertainment Division was also more profitable due to the successful touring of popular artists such as Genesis, U2, Elton John and Guns 'n Roses.

BCL will continue to build on increased demand for live entertainment. The Brockum division expects to maintain its market penetration with merchandise sales for tours of top performing artists and groups such as Paul McCartney, Bon Jovi and Guns 'n Roses.

Skyvision Entertainment acquired the worldwide rights to produce a television series based on the successful *Robocop* movies. The series is currently in pre-production planning.

ITG reported small but positive earnings in 1993. Revenues were driven by the success of Genesis tours in North America, Europe and the United States. The company, however, has reduced expectations for fiscal 1994.

Financial position

Labatt's working capital declined to $255 million as at April 30, 1993 from $832 million in 1992. The current ratio correspondingly fell to 1.3:1 from 1.9:1. The decline was due primarily to the payment of the special $3.00 dividend per common share paid on October 15, 1992, which reduced cash, and to the reclassification of certain of the Company's investments.

In 1992 the Company held $300 million in securities classified as current assets, a large portion of which were securities of then-related parties. During 1993, $50 million of these securities were liquidated at their book value. Due to a change in circumstances arising from market conditions, and from the sale by Brascan Limited of its Labatt shares in the fourth quarter of 1993, the Company reclassified the remaining $250 million of these securities from current assets to long-term assets.

Labatt has a binding agreement under which Brascan has agreed to ensure the orderly monetization of these investments at the Company's book value over the next three to five years. Following the year end, $34 million of the $250 million of these securities was transferred to Ault under the Arrangement. The Brascan undertaking also applies to Ault's holdings of these securities.

Excluding cash, bank advances and short-term notes, the working capital ratio remained at 1.1:1 as at April 30, 1993. Excluding cash and the net assets of discontinued operations, the working capital ratio remained fairly constant at 1.1:1 compared to 0.9:1 in 1992.

Fixed assets of continuing businesses, less accumulated depreciation, increased to $784 million in 1993 compared to $684 million in the prior year. Additions to fixed assets totalled $203 million in 1993 versus $122 million in 1992. Expenditures related to equipment upgrades in Canada, the purchase of pubs in the United Kingdom and to additional plant and/or equipment upgrades in Italy and the United States.

Other assets include securities, intangible assets and investments in partly owned businesses. Other assets increased to $597 million from $319 million in 1992, due mainly to the reclassification of $250 million in securities. As noted under the discussion of changes in working capital, $250 million in securities classified as current assets in 1992 were reclassified as long-term assets in 1993. A portion of the increase is also due to the goodwill attributable to the acquisition of an additional 30% interest in BCL during 1993.

Net assets of discontinued businesses totalled $446 million in 1993. This amount includes the net assets of the Canadian dairy business, the ownership of which was distributed to Labatt shareholders subsequent to year end, as well as the assets of Johanna Dairies ("Johanna"), which are being held for sale. Johanna's assets have been written down to their estimated net realizable value of $140 million.

Non-convertible, long-term debt did not change significantly during the year, decreasing by $16 million as a result of debt repayments . No new debt was issued in 1993. In the prior year $250 million of non-convertible debentures was issued and $100 million of non-convertible debentures repaid.

A total of $144 million of convertible debentures was converted to common share capital in 1993. The major portion of the conversion was of debentures held by Brascan, which were converted and sold by Brascan in connection with the sale of its interest in Labatt in March 1993.

The changes in values of net assets held in foreign countries due to changes in the value of various currencies do not affect the Company's earnings unless foreign operations are sold. Labatt operations in the United States, Italy and the United Kingdom are self-sustaining. Consequently, the change in the value of assets and liabilities denominated in foreign currencies is recorded in the cumulative translation adjustment in shareholders' equity.

The Company's exposure to currency fluctuations is partially hedged both by local currency borrowings and foreign exchange swap contracts. Gains or losses from these hedges are also recorded in the cumulative translation account. The Company's practice will continue to be one of managing and hedging its foreign currency exposures to the extent that it is practical to do so.

Liquidity and Capital Resources

During 1993 Labatt funded its day-to-day cash requirements and capital expenditures from cash generated by operations, from cash received from the sales of businesses in 1993 and 1992, and from occasional short-term borrowings.

Capital spending totalled $203 million, and was allocated to Labatt Canada for major projects such as modifications for equipment to accommodate the new standard bottle and brewing equipment for *Labatt Genuine Draft*, to pub acquisitions in the United Kingdom, and to additional plant and/or equipment upgrades in Italy and the United States.

The Company has short-term commercial paper programs in both Canada and the United States; the programs total $200 million and US$200 million respectively. At year end $6 million was outstanding in Canada and $25 million in the United States. Labatt commercial paper and other ratings are shown in the table below.

In the current year, the Company expects to fund its cash needs from a variety of sources, including cash generated from operations, payment of all or part of a $109 million promissory note due from Ault in connection with the Arrangement, and proceeds from the sale of the U.S. dairy business. If required, additional amounts will be borrowed from the commercial paper program, or through other available credit.

The Company has $630 million of long-term debt outstanding. No new debt was issued during 1993 and no significant debt repayments were made. In the prior year $250 million of debentures was issued and $100 million of debentures repaid. No new debt issues are anticipated during fiscal 1994, nor are any major debt repayments due.

Labatt's debt-to-equity ratio stood at 33:67 in 1993 compared to 28:72 in 1992 – a prudent ratio. The relatively small increase results primarily from a decrease in shareholders' equity due to the payment of the special dividend in October 1992. The Company's debt-to-equity ratio is calculated by dividing total long-term debt by the sum of total long-term debt, convertible debentures and total shareholders' equity.

Preferred share dividends paid during 1993 totalled $19 million. The $2 million decrease from 1992 is attributable to a decline in dividends paid on the Series 2 preferred shares, which carry a dividend rate that varies with the movement in interest rates for Bankers' Acceptances. Those rates declined during the year.

Common shareholders continue to participate in the Company's growth and earnings. In September 1992 quarterly dividends paid per common share were increased from $0.20 to $0.205. Normal quarterly dividends per common share paid during 1993 were $0.815. The Company's target dividend payment ratio continues to be 40% of the previous year's fully diluted earnings per common share.

At the Board of Directors' meeting held on June 16, 1993, a dividend of $0.205 was declared. This dividend is consistent with the prior quarter's dividend and was not impacted by the distribution of the Company's Canadian dairy operations.

The Company paid a special dividend of $3.00 per common share on October 15, 1992. Holders of convertible debentures received an equivalent payment.

Inflation continues to hold at relatively low levels in Labatt's major trading jurisdictions, and thus had no meaningful impact in the Company's businesses during the past year.

The Arrangement will result in a minor decrease in the Company's liquidity. Convertible debentures and shareholders' equity will decline by approximately $271 million to reflect the transfer of net assets to the new, publicly traded dairy company. The debt to equity ratio as at April 30, 1993 after adjusting for the impact of the transfer of net assets would be 38:62 versus 33:67 prior to the transfer. The new ratio, although higher, still represents a relatively prudent position.

Credit Ratings

		Long-Term Debt			
	Commercial Paper	Sinking Fund Debentures	Unsecured Debentures	Convertible Subordinated Debentures	Preferred Shares
CBRS	A-1	A(high)	A	B++(high)	P2
DBRS	R-1(mid)	AA(low)	AA(low)	A(high)	P1
Moody's	P-1	n/a	n/a	n/a	n/a
Standard & Poor	A-1	n/a	n/a	n/a	n/a

Corporate financial objectives

The Company's long-term financial objective of 15% annual growth in fully diluted earnings per share was met in 1993 – calculated with reference to net earnings from continuing operations before restructuring charges ("Base"). The objective of 15% return on average common shareholders' equity, fully diluted was not met; however, the 12% return achieved in 1993 was a significant improvement from the 9% attained in 1992.

Calculated with reference to earnings from continuing operations, the annual growth in fully diluted earnings per share objective was met.

Labatt's Long-Term Financial Objectives

	Long-Term Targets	Fiscal 1993 Base[2]	Fiscal 1993 Continuing[3]	Fiscal[1] 1992 Base[2]	Fiscal[1] 1992 Continuing[3]
Annual growth in fully diluted earnings per share	15%	15%	74%	30%	(5%)
Return on average common shareholders' equity, fully diluted	15%	12%	10%	9%	5%

1 Restated to conform to the current presentation of continuing operations.

2 Calculated using net earnings from continuing operations, before restructuring charges.

3 Calculated using net earnings from continuing operations.

Outlook

The outlook for each of the Company's operating divisions has been noted in the pertinent sections of this discussion and analysis.

The overall repositioning of Labatt that was initiated in fiscal 1989 has been completed. The food-related businesses have been sold, the Canadian dairy assets distributed to the Company's common shareholders, and the U.S. dairy assets written down and held for sale. In addition, the Company has focussed its efforts during the past five years to restructure its ongoing core businesses for increased competitiveness.

John Labatt Limited now has two strong core businesses – brewing and broadcast. Both businesses enjoy growing market shares and good operating performance. Backed by the significant financial strength of the Company, these businesses provide a solid base for continuing growth.

SIX-YEAR REVIEW

(millions, except per share information and number of employees)	1993	1992	1991	1990	1989	1988
Continuing operations						
Net sales	$ 2,135	$ 1,727	$ 1,518	$ 1,389	$ 1,231	$ 1,115
Earnings before interest, income taxes and restructuring charges	$ 265	$ 232	$ 161	$ 184	$ 149	$ 125
Interest expense, net	$ 26	$ 11	$ (2)	$ (2)	$ 39	$ 41
Net earnings	$ 133	$ 81	$ 88	$ 141	$ 48	$ 55
Fully diluted earnings per share, before restructuring charges	$ 1.63	$ 1.42	$ 1.17	$ 1.47	$ 0.79	$ 0.73
Fully diluted earnings per share	$ 1.32	$ 0.76	$ 0.80	$ 1.47	$ 0.64	$ 0.72
Capital expenditures	$ 203	$ 122	$ 111	$ 109	$ 88	$ 76
Net assets employed	$ 1,343	$ 890	$ 771	$ 810	$ 543	$ 472
Number of employees	5,700	5,500	5,500	5,500	4,900	4,800
Return on convertible debentures and shareholders' equity	9.8%	4.9%	5.4%	10.3%	4.8%	5.9%
Net earnings						
Net earnings (loss)	$ (70)	$ 101	$ 109	$ 169	$ 135	$ 141
Fully diluted earnings per share	$ A/D	$ 0.98	$ 1.03	$ 1.78	$ 1.60	$ 1.68
Return on convertible debentures and shareholders' equity	(6.6%)	6.3%	6.9%	12.5%	12.1%	13.6%
Other information						
Working capital	$ 255	$ 832	$ 321	$ 556	$ 544	$ 228
Total assets	$ 3,020	$ 3,388	$ 3,138	$ 2,946	$ 2,757	$ 2,538
Non-convertible long-term debt	$ 630	$ 646	$ 416	$ 544	$ 533	$ 482
Convertible debentures and shareholders' equity	$ 1,317	$ 1,748	$ 1,676	$ 1,644	$ 1,398	$ 1,158
Regular common share dividends – per share	$ 0.815	$ 0.795	$ 0.770	$ 0.730	$ 0.685	$ 0.620
– total	$ 65	$ 62	$ 59	$ 55	$ 51	$ 45
Number of common shares – basic	79.68	77.56	76.18	75.09	73.99	73.40
– fully diluted	92.38	91.92	91.26	90.71	90.57	89.78

(A/D: Antidilutive)

Note: Continuing operations for all years comprise the Brewing and Entertainment segments. The Food and Dairy segments have been restated as discontinued operations for all relevant years.

(millions, except per share information)	**1993**	1992	1991	1990	1989	1988
Analysis						
Working capital ratio, excluding cash and discontinued operations	**1.1**	0.9	1.1	1.4	0.9	1.0
Debt to equity ratio, fully diluted	**33:67**	28:72	24:76	26:74	28:72	30:70
Convertible debentures and common shareholders' equity per share	**$ 11.01**	$ 15.75	$ 15.07	$ 14.81	$ 13.90	$ 13.01
Brewing segment						
Net sales	**$ 1,672**	$ 1,564	$ 1,474	$ 1,376	$ 1,229	$ 1,117
Depreciation and amortization	**74**	64	59	52	42	37
Segmented earnings	**218**	178	133	167	144	123
Capital expenditures	**191**	117	109	98	75	75
Net assets employed	**1,146**	823	792	812	552	483
Labatt's domestic volume, hectolitres	**8.2**	8.3	8.3	8.5	8.5	8.4
Labatt's worldwide volume, hectolitres	**11.9**	11.7	11.5	11.2	10.3	9.4
Entertainment segment						
Total net sales	**$ 560**	$ 505	$ 666	$ 698	$ 332	$ 163
Labatt share of net sales	**546**	374	387	369	177	93
Depreciation and amortization	**15**	11	5	6	2	1
Segmented earnings	**56**	58	47	35	17	6
Capital expenditures	**12**	5	2	11	13	1
Net assets employed	**283**	140	96	89	59	26

Management's responsibility for financial statements

The accompanying consolidated financial statements of John Labatt Limited and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board and comprises non-management directors. The Committee meets periodically with management, as well as the internal auditors and the independent external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when the Board approves the financial statements for issuance to the Company's shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

On behalf of the shareholders, the financial statements have been audited by Ernst & Young, the external auditors, in accordance with generally accepted auditing standards. Ernst & Young has full and free access to the Audit Committee.

Toronto, Canada
June 16, 1993

George S. Taylor,
President and Chief Executive Officer

Auditors' report

To the Shareholders of John Labatt Limited

We have audited the consolidated statements of financial position of John Labatt Limited as at April 30, 1993 and 1992 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1993 and 1992 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young

Chartered Accountants

London, Canada
June 16, 1993

CONSOLIDATED STATEMENTS OF EARNINGS

Year ended April 30

(millions)	1993	1992
Net sales		
Gross sales	$ 2,780	$ 2,294
Less: Excise and sales taxes	645	567
	2,135	1,727
Costs and expenses		
Cost of sales, selling and administration expenses	1,781	1,420
Depreciation and amortization	89	75
Interest expense (note 2)	26	11
	1,896	1,506
Earnings before the undernoted	239	221
Restructuring charges (note 3)	45	101
Earnings before income taxes	194	120
Income taxes (note 4)		
Current	68	88
Deferred	(4)	(57)
	64	31
	130	89
Share of net earnings (losses) of partly owned businesses	3	(8)
Earnings from continuing operations	133	81
Earnings (loss) from discontinued operations (note 5)	(203)	20
Net earnings (loss)	$ (70)	$ 101
Net earnings (loss) per common share (note 6)		

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Year ended April 30

(millions)	1993	1992
Balance, beginning of year	$ 844	$ 826
Net earnings (loss)	(70)	101
Dividends		
Preferred	19	21
Common	65	62
Special (note 7)	260	–
Balance, end of year	$ 430	$ 844

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at April 30

(millions)	1993	1992
ASSETS		
Current assets		
Cash and securities	$ 276	$ 740
Accounts receivable	286	246
Inventories (note 8)	192	195
Taxes recoverable	8	–
Prepaid expenses	85	82
Discontinued operations	340	473
	1,187	1,736
Fixed assets (note 9)	784	684
Other assets (note 10)	597	319
Discontinued operations	452	649
	$ 3,020	$ 3,388
LIABILITIES		
Current liabilities		
Bank advances and short-term notes	$ 88	$ –
Accounts payable and accrued charges	532	484
Taxes payable	–	33
Long-term debt due within one year	14	41
Discontinued operations	298	346
	932	904
Non-convertible long-term debt (note 11)	630	646
Deferred income taxes		
Continuing operations	93	61
Discontinued operations	48	29
	1,703	1,640
CONVERTIBLE DEBENTURES AND SHAREHOLDERS' EQUITY		
Convertible debentures (note 12)	111	255
Shareholders' equity		
Share capital (note 13)		
Preferred shares	300	300
Common shares	486	337
Retained earnings	430	844
Cumulative translation adjustment	(10)	12
	1,206	1,493
	1,317	1,748
	$ 3,020	$ 3,388

On behalf of the Board

Samuel Pollock

Samuel Pollock, Director

George S. Taylor, Director

Consolidated Statements of Changes in Financial Position

Year ended April 30

(millions)	1993	1992
Continuing operations		
Net earnings	$ 133	$ 81
Items not affecting funds	136	85
Changes in non-cash working capital (note 14)	(41)	163
	228	329
Investment activities		
Additions to fixed assets	(203)	(122)
Acquisitions (note 15)	(9)	(94)
Increase in other assets	(9)	(3)
Reclassification of other investments (note 10)	(250)	–
	(471)	(219)
Financing activities		
Issue of common shares (note 13)	149	29
Issue of non-convertible debentures	–	250
Decrease in non-convertible debt	(68)	(130)
Decrease in convertible debt	(144)	(17)
	(63)	132
Dividends	(344)	(83)
Increase (decrease) in cash		
Continuing operations	(650)	159
Discontinued operations	98	546
Increase (decrease) in cash	(552)	705
Cash, beginning of year	740	35
Cash, end of year	$ 188	$ 740

Cash consists of cash and securities net of bank advances and short-term notes

Notes to the Consolidated Financial Statements

(millions, except earnings per share)

1 Summary of significant accounting policies

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. Significant accounting policies followed in the preparation of the consolidated financial statements are summarized below.

Certain comparative amounts have been restated to conform with the current year's presentation. Specifically, net assets classified as "Net assets of discontinued operations" in 1992 have been reclassified to conform with the presentation adopted in 1993.

Principles of consolidation

The consolidated financial statements include the accounts of the Company together with all of its subsidiaries.

Foreign currency translation

Assets and liabilities of foreign subsidiaries are translated into Canadian dollars at the exchange rate in effect at the statement of financial position date. Income and expenses are translated at average exchange rates prevailing during the year.

Adjustments arising on translation of foreign subsidiaries' statements of financial position are deferred and reported as the cumulative translation adjustment, a separate component of shareholders' equity. Exchange gains or losses on long-term monetary liabilities denominated in foreign currencies and on currency swap agreements that are designated as hedges of net investments in foreign subsidiaries are also recorded in the cumulative translation adjustment.

Retirement benefits

Pension expenses charged to operations reflect both current service costs and amortization of experience gains and losses. Unrecognized gains and losses are amortized over the expected average remaining service lives of the employee groups covered by pension plans. Pension expenses are certified by independent actuaries. Medical and other non-pension retirement benefits are expensed as incurred.

Income taxes

The Company follows the deferral method of tax allocation accounting.

Securities

Securities are carried at cost, which approximates realizable 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 not exceeding replacement cost.

Fixed assets

Fixed assets are recorded at cost. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, generally at annual rates of 2½% for buildings, 10% for machinery and equipment and 20% for vehicles.

Other assets

Goodwill and other proprietary rights are amortized using the straight-line method over the lesser of their estimated useful lives and forty years.

Securities and investments in and advances to other companies are carried at cost. Income from these investments is recognized when received.

Investments in companies and partnerships over which the Company has significant influence ("Partly owned businesses") are accounted for using the equity method.

2 Interest expense

	1993	1992
Non-convertible long-term debt	$ 59	$ 53
Convertible debentures	12	15
Short-term debt/(cash)	(2)	5
Income from securities	(32)	(30)
	37	43
Less: Allocated to discontinued operations	11	32
	$ 26	$ 11

3 Restructuring charges

	1993	1992
Brewing	$ 39	$ 87
Entertainment	–	4
Corporate	6	10
	$ 45	$ 101

Restructuring charges relate primarily to the rationalization of brewing capacity in Canada as well as to administrative reorganizations.

4 Income taxes

	1993	1992
Combined basic federal, provincial and state income tax rates	42.8%	40.7%
Manufacturing and processing deduction	(3.8)	(3.2)
Capital gains, non-taxable dividends and other permanent items	(6.0)	(11.7)
Effective tax rate	33.0%	25.8%

5 Discontinued operations

✣ Discontinued operations

Ownership of the Company's Canadian dairy business was distributed to shareholders effective June 4, 1993, pursuant to a Plan of Arrangement which received shareholder approval on April 29, 1993 ("measurement date") and Court approval on May 3, 1993. On March 24, 1993 ("measurement date"), the Board of Directors approved a formal plan to dispose of the United States dairy business and management believes that the operations will be sold during 1994.

During 1992, the Company recorded the disposition of its interests in the non-dairy food businesses: JLFoods, Everfresh and the Ogilvie Mills group. The net proceeds of disposition of $570 are included in "Increase (decrease) in cash, discontinued operations" in the Consolidated Statements of Changes in Financial Position for 1992.

Note 5 continued

Net earnings (loss) from discontinued operations

	1993	1992
Net sales	$ 2,085	$ 2,780
Earnings before income taxes	$ 11	$ 7
Income taxes	11	5
Net income from operations, to measurement dates	0	2
Estimated loss on disposal, net of estimated income from discontinued operations subsequent to the measurement dates (a)	(203)	18
	$ (203)	$ 20

(a) In 1993 this amount includes a provision to write down the assets of the U.S. dairy business to an estimated net realizable value of $140 and provisions for estimated further liabilities from businesses sold in prior years. In 1992 the net gain on disposition was net of income taxes of $21.

Canadian dairy distribution

The summarized Pro Forma Statement of Financial Position of the Company, had the Plan of Arrangement been effective as at April 30, 1993, is as follows:

	1993
Current assets, continuing	$ 939
Current assets, discontinued	159
Fixed assets	784
Other assets, continuing	563
Other assets, discontinued	116
	$ 2,561
Current liabilities, continuing	$ 634
Current liabilities, discontinued	158
Non-convertible long-term debt	630
Deferred income taxes	93
Convertible debentures	111
Shareholders' equity	935
	$ 2,561

Excluded above are the pro forma net assets of Ault Foods Limited of $329 as at April 30, 1993. Also recognized are the following adjustments made on June 4, 1993 pursuant to the Plan of Arrangement: the transfer to Ault Foods Limited of cash of $17 and long-term investments of $34, as described in Note 10(b), and the receipt from Ault Foods Limited of an interest-bearing promissory note of $109.

U.S. dairy disposition

Subsequent to year end, Tuscan Dairy Farms was sold as part of the plan of disposition of the U.S. dairy business.

6 Net earnings (loss) per common share

	1993	1992
Basic		
Continuing operations	$ 1.43	$ 0.78
Discontinued operations	(2.55)	0.26
	$ (1.12)	$ 1.04
Fully diluted		
Continuing operations	$ 1.32	$ 0.76
Discontinued operations	A/D	0.22
	A/D	$ 0.98

(A/D: Antidilutive)

The numbers of shares used in calculating net earnings per common share are:

	1993	1992
Basic	79.68	77.56
Fully diluted	92.38	91.92

Fully diluted net earnings per 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 the date of issuance, with an appropriate adjustment to earnings to reflect the net interest avoided by the assumed early conversion ($8 in 1993; $10 in 1992).

7 Special dividend

On October 15, 1992, the Company paid a special dividend of $3.00 per common share, and an equivalent special interest payment on convertible debentures, amounting to a $260 cash distribution net of $14 of income taxes.

8 Inventories

	1993	1992
Finished goods and work in process	$ 82	$ 112
Materials and supplies	46	45
Returnable containers	64	38
	$ 192	$ 195

9 Fixed assets

	1993	1992
Land	$ 41	$ 27
Buildings and equipment	1,279	1,130
	1,320	1,157
Accumulated depreciation	536	473
	$ 784	$ 684

10 Other assets

	1993	1992
Goodwill, licenses, trademarks and other proprietary rights (a)	$ 161	$ 131
Investments in and advances to other companies (b)	349	81
Investments in partly owned businesses	63	78
Loans to employees under share purchase plans (c)	18	21
Unamortized debt financing expense	6	8
	$ 597	$ 319

(a) Goodwill amortization was $8 in 1993 ($4 in 1992) and accumulated amortization was $16 as at April 30, 1993 ($12 in 1992).

(b) In 1993 includes $250 of securities which were classified as current assets as at April 30, 1992. Management of the Company has determined that its portfolio of previously related-party investments should be liquidated over a period of time. These investments consist of common and preferred shares of two private corporations which invest primarily in dividend-paying preferred shares of public and private corporations principally in the Edper Enterprises Ltd. group of companies. Brascan Limited has provided a binding undertaking in favour of the Company to ensure the orderly monetization of such investments at the Company's book value over three to five years. Management believes that the disposal of these investments will realize full book value over these periods. Prior to year end, $50 of the portfolio was liquidated at book value, reducing the portfolio from $300 as at April 30, 1992 to $250 as at April 30, 1993. On June 4, 1993, $34 of the $250 of these investments were transferred to Ault Foods Limited under the Plan of Arrangement described in Note 5. Brascan Limited's undertaking extends to these transferred investments.

(c) Includes $15 ($20 in 1992) due from certain officers of the Company under share purchase plans. Under the terms of the purchase plans, the Company lends the purchase price of the shares to the officers. The shares are held in trust and are released pro rata as the loan is repaid. The quoted market value of the shares held as collateral exceeded the amount of the loans as at April 30, 1993 and 1992. Interest is payable on the loans at a rate equal to the quarterly common share dividend and the loans are repayable in full not later than five years from the date of the agreement to subscribe for the shares.

11 Non-convertible long-term debt

	1993	1992
11⅜% Sinking fund debentures to mature October 1, 1999	$ 26	$ 28
10½% Debentures to mature July 30, 1995, US$100	127	119
10⅜% Debentures to mature April 21, 1998	100	100
9¼% Debentures to mature March 6, 2002	250	250
Note issuance facility, $US50, at an average rate of 4.3%	64	60
Bank term loan to mature June 30, 2003, at discounted amount, US$22	28	27
	595	584
Other long-term liabilities, including US$8 (US$21 in 1992)	49	103
	644	687
Less: Long-term debt due within one year	14	41
	$ 630	$ 646

Note 11 continued

Maturities and sinking fund requirements for 1994 through 1998 are: $14, $11, $135, $7 and $169, respectively.

The sinking fund debentures are collateralized by a floating charge on the undertaking, property and certain assets of the Company. As at April 30, 1993, the Company had satisfied all of the covenants under the trust deed relating to the sinking fund debentures.

12 Convertible debentures

The convertible debentures are reported under the heading of "Convertible debentures and shareholders' equity" in the Consolidated Statements of Financial Position 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 ultimately to have them converted to equity. The convertible debentures are unsecured obligations and are subordinated to all other indebtedness of the Company.

Maturity Date	Conversion Price(a)	Minimum interest rate(a)	Issue amount	1993	1992
June 16, 2003	$ 11.250	6%	$ 50	$ 30	$ 30
February 28, 2006	$ 17.875	6%	125	19	100
April 1, 2007	$ 27.000 (b)	5%	125	62	125
			$ 300	$ 111	$ 255

(a) The Company has the option to fix interest rates of 6½%, 7% and 6%, respectively. Under these amended interest rates, the conversion prices become $13.4375, $20.00 and $30.00, respectively.

(b) On April 1, 2007, the Company has the option to retire any debentures then outstanding by issuing common shares to the debenture holders of equivalent market value.

The debentures are redeemable at par plus accrued interest. The convertible debentures are each convertible into common shares of the Company, at the holder's option, on or before the business day preceding the earlier of the maturity date and the date fixed for redemption, if any.

13 Share capital

- Authorized
  - 4,000,000 preferred shares issuable in series, of which 300 consist of a series designated as "Series 1 Preferred Shares" and 150 consist of a series designated as "Series 2 Preferred Shares."
  - An unlimited number of common shares of no par value.

- Preferred shares

	1993	1992
– Series 1, dividend rate of 7.85% until March 31, 1994, payable quarterly, cumulative	$ 150	$ 150
– Series 2, floating rate dividend equal to 72% of 30-day Bankers' Acceptances, compounded monthly until December 31, 1994, payable quarterly, cumulative	150	150
	$ 300	$ 300

Subsequent to March 31, 1994 and to December 31, 1994, the dividend rate for the Series 1 and Series 2 Preferred Shares, respectively, is intended to be established by negotiation between the Company and the holders of the two series. Should an agreement not be reached, a bid-solicitation procedure involving investment dealers will be used; if no bids are accepted, a monthly auction procedure will take place.

Note 13 continued

The Series 1 and Series 2 Preferred Shares are redeemable by the Company on or after March 31, 1994 and December 31, 1994, respectively, at par plus any accrued and unpaid dividends.

Common shares

	1993		1992	
	Number	Amount	Number	Amount
Issued and outstanding, beginning of year	78.35	$ 337	76.56	$ 308
Issued under employee share purchase and option plans	0.25	5	0.45	11
Issued as a result of debenture conversions	6.84	144	1.32	17
Issued under the shareholder dividend reinvestment plan and the stock dividend election program	0.02	–	0.02	1
	7.11	149	1.79	29
Issued and outstanding, end of year	85.46	$ 486	78.35	$ 337

As at April 30, 1993, 1.8 million shares were available for allocation to stock option and purchase plans. There were outstanding stock options with expiry dates from December 1996 to November 2002 to purchase 804,500 common shares at prices ranging from $18.80 to $26.00, with a weighted average price of $22.97.

14 Changes in Non-Cash Working Capital

	1993	1992
(Increases) decreases in current assets		
Accounts receivable	$ (40)	$ (90)
Inventories	3	(26)
Taxes recoverable	(8)	–
Prepaid expenses	(3)	(25)
Increases (decreases) in current liabilities		
Accounts payable and accrued charges	48	273
Taxes payable	(33)	32
	(33)	164
Less: Non-cash working capital relating to acquisitions	8	1
	$ (41)	$ 163

15 Acquisitions

During 1993, the Company made business acquisitions including

- An additional 30% of the equity of BCL Entertainment Corp., increasing its interest to 75%, effective May 1, 1992
- The 20% minority interest of the partnership equity of Supercorp Entertainment, effective February 1, 1993

During 1992, the Company made business acquisitions including

- An additional 45% of the partnership equity of the Toronto Blue Jays Baseball Club, increasing its interest to 90%, effective May 1, 1991
- The 22½% minority interest in Birra Moretti, S.p.A., effective September 30, 1991
- An additional 11% of the partnership equity of Supercorp Entertainment, increasing its interest to 80%, effective December 31, 1991

Note 15 continued

The acquisitions have been accounted for using the purchase method.

	1993	1992
Identifiable assets acquired at assigned values	$ 45	$ 38
Liabilities assumed	77	29
Net identifiable assets acquired	(32)	9
Excess of acquisition price over assigned values of identifiable assets acquired	41	85
	$ 9	$ 94

16 Commitments

- Lease commitments

The Company has entered into long-term operating leases, substantially all of which will be discharged within 10 years. Fixed rental expense for 1993 was $13 ($11 in 1992). Future annual fixed rental payments for the years 1994 through 1998 are: $12, $11, $9, $7 and $7, respectively. In aggregate, fixed rental payments for years subsequent to 1998 amount to $33.

- Contractual commitments

A subsidiary of the Company has commitments for employment contracts totalling US$65 to 1996.

17 Retirement programs

The Company has retirement programs which provide benefits, including pension rights 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 funded status of the Company's continuing defined-benefit pension plans for continuing operations was:

	1993	1992
Estimated present value of pension plan obligations	$ 347	$ 337
Pension plan assets at market value	$ 306	$ 299

Registered pension plans are funded through contributions which are determined by actuarial valuations performed in accordance with generally accepted actuarial principles.

18 Related party transactions

In the normal course of business, the Company enters into transactions with affiliates and partly owned businesses on competitive commercial terms similar to those with unrelated parties. Significant transactions with affiliates, other than in the normal course of business, are reviewed by an independent committee of the Board of Directors.

19 Segmented financial information

- Information by class of business

The classes of business within which the Company operates are Brewing and Entertainment.

The Brewing segment comprises the brewing activities in Canada, the United States and Italy, the sale in other countries, including the United Kingdom, of beers brewed in Canada, the United States and Italy, and, in the United Kingdom, the marketing of lager produced and distributed under agreements with U.K. brewers as well as the ownership of pubs.

Note 19 continued

The Entertainment segment comprises television broadcast activities, a major league baseball franchise, radio and television commercials production, and concert promotion businesses, primarily in Canada and the United States.

Corporate expenses and assets relating to continuing operations are allocated between the two business segments. Financial information for partly owned businesses is included in the proportion of John Labatt ownership.

	1993	1992
Net sales		
Brewing	$ 1,672	$ 1,564
Entertainment	546	374
	2,218	1,938
Less: Partly owned businesses	83	211
	$ 2,135	$ 1,727
Depreciation and amortization		
Brewing	$ 74	$ 64
Entertainment	15	11
	$ 89	$ 75
Earnings before interest, restructuring charges and income taxes		
Brewing	$ 218	$ 178
Entertainment	56	58
	274	236
Less: Partly owned businesses	9	4
	265	232
Interest expense	26	11
	$ 239	$ 221
Additions to fixed assets		
Brewing	$ 191	$ 117
Entertainment	12	5
	$ 203	$ 122
Net assets employed		
Brewing	$ 1,146	$ 823
Entertainment	283	140
	1,429	963
Less: Partly owned businesses	86	73
	1,343	890
Cash and securities	276	740
Investments in partly owned businesses	63	78
Current liabilities, other than bank advances and short-term notes, netted above	546	558
Total assets of continuing operations	2,228	2,266
Total assets of discontinued operations	792	1,122
	$ 3,020	$ 3,388

Note 19 continued

Information by geographic area

The Company operates principally in the geographic areas of Canada, the United States and Europe – specifically the United Kingdom and Italy. Geographic segmentation is determined on the basis of the location where a business' sales originate.

As no single operation outside Canada constitutes a reportable geographic segment, all such operations are reported together as the International segment.

Corporate expenses and assets relating to continuing operations are allocated to the two geographic segments. Financial information for partly owned businesses is included in the proportion of John Labatt ownership.

	1993	1992
Net sales		
Canada	$ 1,865	$ 1,625
International	353	313
	2,218	1,938
Less: Partly owned businesses	83	211
	$ 2,135	$ 1,727
Depreciation and amortization		
Canada	$ 71	$ 61
International	18	14
	$ 89	$ 75
Earnings before interest, restructuring charges and income taxes		
Canada	$ 292	$ 256
International	(18)	(20)
	274	236
Less: Partly owned businesses	9	4
	265	232
Interest expense	26	11
	$ 239	$ 221
Additions to fixed assets		
Canada	$ 110	$ 82
International	93	40
	$ 203	$ 122
Net assets employed		
Canada	$ 1,056	$ 721
International	373	242
	1,429	963
Less: Partly owned businesses	86	73
	1,343	890
Cash and securities	276	740
Investments in partly owned businesses	63	78
Current liabilities, other than bank advances and short-term notes, netted above	546	558
Total assets of continuing operations	2,228	2,266
Total assets of discontinued operations	792	1,122
	$ 3,020	$ 3,388

Corporate Information

THE JOHN LABATT FOUNDATION

The formation of the John Labatt Foundation on May 1, 1992 established a new approach to giving for the Company. The Foundation is an important symbol, both internally and externally, of our commitment to support charitable organizations across the country.

In its first year of operation the Foundation made significant progress in its mission to carry on and advance the charitable traditions established by the Company. In addition to the Company's long history of corporate giving, it was part of a select group of founding members of the Imagine campaign, the awareness program developed by the business community to encourage Canadians to participate financially, and as volunteers, in the not-for-profit sector. The Foundation, after its first year of operations, is already recognized as one of the largest corporate donors to charitable causes in Canada, granting in excess of 500 donations totalling $3.3 million during fiscal 1993. It also continued our long-standing support of broadly based community initiatives such as the United Way / Centraide Campaign.

The Foundation's overall support of education, health and welfare organizations, cultural groups, civic and sports campaigns, and environmental initiatives has been significant. Other programs, such as the Peter Hardy Matching Gift Program, have encouraged participation from individuals throughout the Company, while the Labatt's People in Action Program has assisted students and participating organizations in providing programs for the disadvantaged and for the protection of the environment.

Nevertheless, the simple act of giving money is not enough to realize the goals of the donors. John Labatt acknowledges the efforts of those thousands of Canadians who freely volunteer their time and energy – every day and every year – to improve the quality of life in our country. The effectiveness of the Foundation's efforts is greatly enhanced by their dedication.

Board of Directors

Sir John Banham
London, England
Chairman, Local Government Commission for England

Peter F. Bronfman[3]
Toronto, Ontario
Chairman, Edper Enterprises Ltd.

Charles Diamond[2]
Vancouver, British Columbia
President, B.C. Turf Ltd.

J. Trevor Eyton, O.C.[2*]
Caledon, Ontario
Chairman, Brascan Limited

Eric F. Findlay[3]
Toronto, Ontario
Corporate Director

Gordon F. Hughes, O.C.[1]
Windsor, Nova Scotia
Chairman, Ocean Company Limited

Mervyn L. Lahn[1*]
London, Ontario
Corporate Director

Dr. Maurice J. LeClair, C.C.[2]
Ville Mt-Royal, Quebec
Corporate Director

Sidney M. Oland
Toronto, Ontario
Vice-Chairman, John Labatt Limited

Herbert C. Pinder[3]
Saskatoon, Saskatchewan
President, Saskatoon Trading Company Limited

Samuel Pollock, O.C.[3]
Toronto, Ontario
Chairman, John Labatt Limited

Herbert H. Solway, Q.C.
Toronto, Ontario
Chairman, Goodman & Goodman

Helga M. Stephenson
Toronto, Ontario
Executive Director, Festival of Festivals

George S. Taylor
St. Marys, Ontario
President and Chief Executive Officer, John Labatt Limited

John H. Tory, Q.C.
Toronto, Ontario
Partner, Tory Tory DesLauriers & Binnington

Jean Denis Vincent[2]
Montreal, Quebec
Corporate Director

William P. Wilder[1]
Toronto, Ontario
Corporate Director

Honorary Directors

Marcel Bélanger, O.C., F.C.A.
John B. Cronyn
Edwin A.Goodman, O.C., Q.C.
Alexander J. MacIntosh, Q.C.
Jaime Ortiz-Patiño
Wallace F. Read
Peter N.T. Widdrington

Board Committees

[1] Audit Committee

[2] Management Resources and Pension Committee

[3] Public, Environmental and Product Responsibility Committee

* Committee Chairman

The following members of the Board of Directors have tendered their resignations as Directors of the Company:

Jack L. Cockwell
Gordon R. Cunningham
Francine Harel Giasson
Melvin M. Hawkrigg, F.C.A.
Keith C. Hendrick
Willard J. L'Heureux, Q.C.

Management

John Labatt Limited

Samuel Pollock, O.C.
Chairman of the Board

Sidney M. Oland
Vice-Chairman and Group Chairman, Brewing

George S. Taylor*
President and Chief Executive Officer

Robert F. Dolan*
Vice-President, Human Resources

W. James Emmerton*
Vice-President and General Counsel

Thomas R. Errath*
Vice-President, Marketing

R. Bruce Fraser
Vice-President, Corporate Planning & Development

Lorne C. Stephenson*
Vice-President, Corporate Affairs

Giselle S. Branget
Treasurer

Hugh M. Colquhoun
Director of Taxation

P. Ian Reece
Corporate Controller

Joanne D. Rusnell
Secretary and Assistant General Counsel

* Denotes Member of Management Committee

Brewing

Labatt Breweries of Canada

Hugo Powell*
President

Robert A. Binnendyk
President, West

Marcel Boisvert
President, Quebec

Philip C. Carter
President, Atlantic

J. Bruce Elliot
Vice-President, Marketing & Sales

J. Michael Hill
Executive Vice-President, Finance

Larry J. Innanen
Executive Vice-President and General Counsel

Lawrence J. Macauley
Executive Vice-President, Operations

Sharon Paul
Executive Vice-President, Public Affairs

Timothy C. Vauthier
Executive Vice-President, Human Resources

Michael H. Conde
President, Labatt International Group

Labatt's USA

Richard R. Fogarty*
President

Robert H. Barghaus
Vice-President, Finance and Administration

Andrew J. Brennan
Vice-President, Sales

Albert W. Spinelli
Vice-President, Operations

Richard J. Vassos
Vice-President, Marketing

Labatt Breweries of Europe

Bruce E. Peer*
President

William G. Bourne
General Manager, Birra Moretti

John R. Council
Director, Operations

R. John Diakiw
Director, Marketing

John N. Eckmire
Managing Director, Labatt Brewing UK

Michael D.M. Izza
Vice-President, Finance

Entertainment

John Labatt Entertainment Group

Thomas R. Errath*
President

JLL Broadcast Group

Gordon Craig*
President and Chief Executive Officer

Robert Bleasby
Vice-President and General Manager, Dome Productions

Gérald Janneteau
President, Le Réseau des sports

Allan Johnson
Vice-President and General Counsel

Cindy R. McNichol
Vice-President, Human Resources

Jim Thompson
Vice-President and General Manager, The Sports Network and TSN Enterprises

Gerry Tymon
Vice-President and General Manager, The Rep Shoppe

Shareholders' Information

- Executive Office
  John Labatt Limited
  Labatt House
  BCE Place
  181 Bay Street
  Suite 200, P.O. Box 811
  Toronto, Ontario, Canada
  M5J 2T3
  Tel: (416) 865-6000
  Fax: (416) 865-6074

- Stock Symbol
  LBT

- Stock Exchanges
  Montreal, Toronto, Vancouver

- Transfer Agent and Registrar
  The R-M Trust Company – Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

- Auditors
  Ernst & Young, Chartered Accountants
  London, Ontario

- Common Shareholders
  As at April 30, 1993, John Labatt Limited had 12,500 registered shareholders, of which 12,100 with addresses in Canada held 97.8% of the Company's common shares.

- Shareholders' Inquiries
  The R-M Trust Company operates a telephone information line for inquiries regarding change of address, stock transfer, registered shareholdings, dividends and lost certificates, which can be reached by dialing toll-free 1-800-387-0825. Shareholders in Toronto or outside Canada should telephone (416) 813-4500.

  Correspondence should be addressed to:
  The R-M Trust Company
  Corporate Trust Services
  P.O. Box 7010
  Adelaide Street Postal Station
  Toronto, Ontario, Canada
  M5C 2W9

Pour obtenir la version française du présent rapport, écrire au secrétaire de John Labatt Limitée, Labatt House, BCE Place, 181 Bay Street, Suite 200, P.O. Box 811, Toronto, (Ontario), M5J 2T3.

- Dividends
  An increase from 20.0¢ per share to 20.5¢ per share in the quarterly dividend paid on common shares was announced at the September, 1992 Annual Meeting. During fiscal 1993, $65 million or $0.815 per common share was paid in dividends to common shareholders, up from $62 million or $0.795 per share in fiscal 1992. In addition, the Company paid a special $3.00 dividend per common share on October 15, 1992.

- Quarterly Dividend Payment History
  (cents per common share)

Fiscal	Fiscal Quarters				
Year	July	Oct.	Jan.	April	Total
1989	16.0	17.5	17.5	17.5	68.5
1990	17.5	18.5	18.5	18.5	73.0
1991	18.5	19.5	19.5	19.5	77.0
1992	19.5	20.0	20.0	20.0	79.5
1993	**20.0**	**20.5**	**20.5**	**20.5**	**81.5**

- Dividend Reinvestment
  Quarterly cash dividends can be reinvested automatically in the shares of the Company through the Dividend Reinvestment Plan. Shareholders also have the option of receiving quarterly dividends in the form of additional shares of the Company through the Stock Dividend Election Plan. Shareholders may wish to consult a tax advisor prior to selecting either of these plans.

- Common Share Market Price History
  ($ per common share)

Fiscal Year	Low	High	April 30
1989	20⅝	24⅜	22¾
1990	20½	27½	20⅝
1991	18⅜	26	23⅛
1992	22¼	27⅞	25¾
1993	**24¼**	**30⅜**	**25**

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Principal Photography: Ron Baxter Smith
Imaging: Herzig Somerville Limited
Printing: Arthurs-Jones Lithography Inc.

This Report is printed on environmentally friendly, acid-free papers and is recyclable.

Series Grand
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seal the victory
for at least one
started the ball
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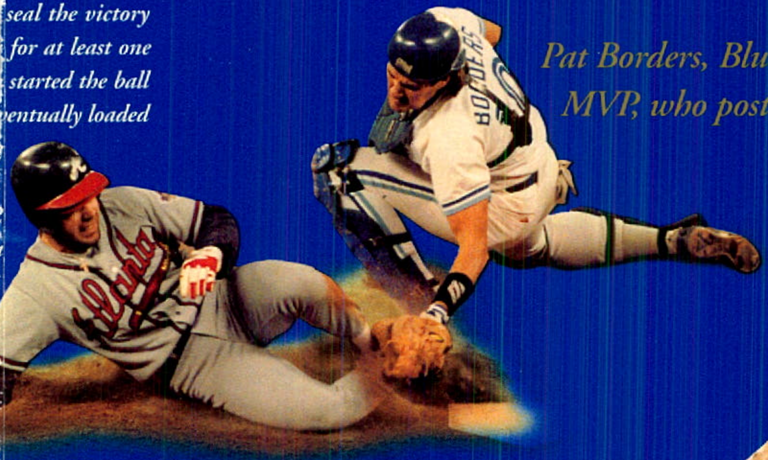
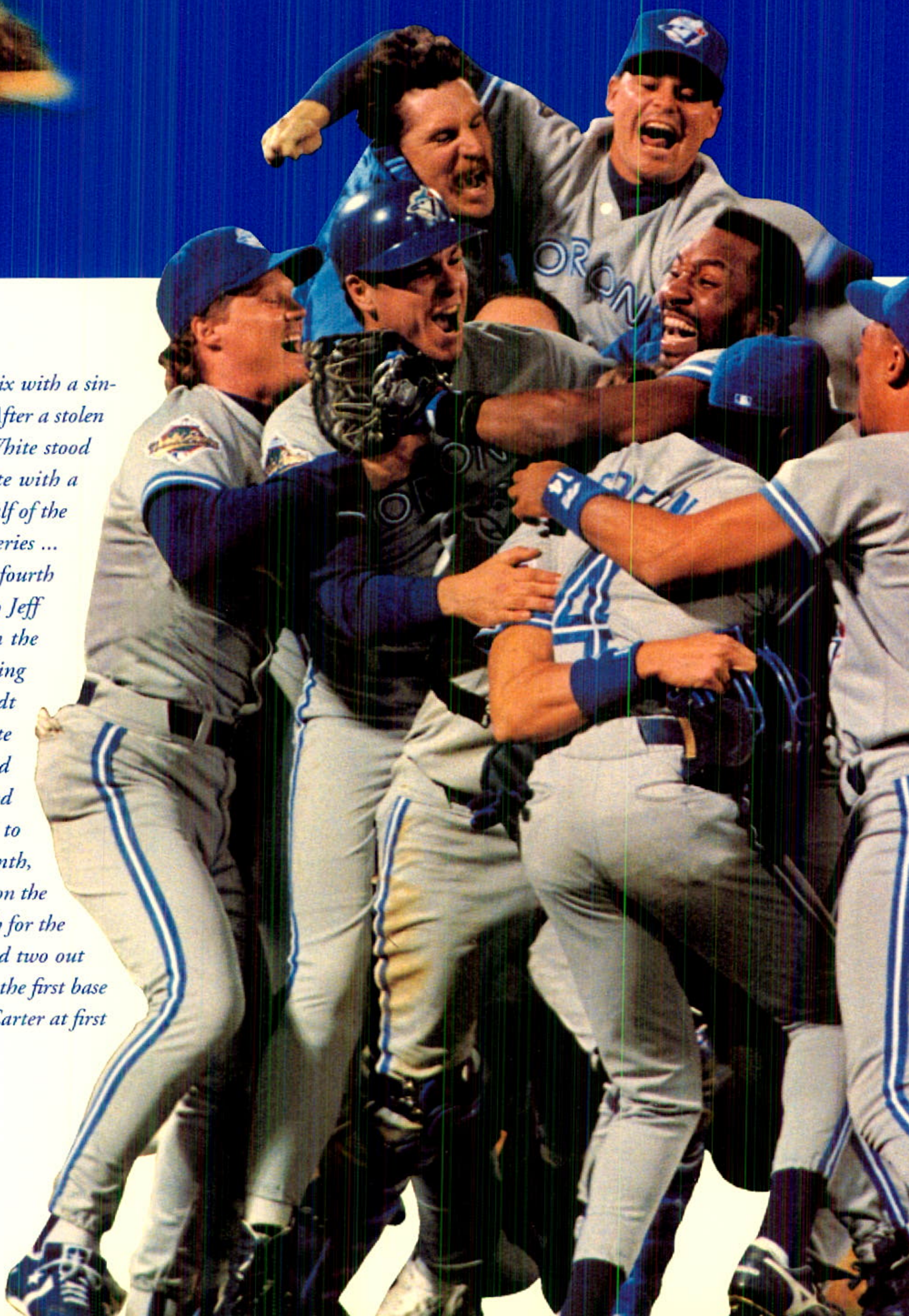
"*I can't describe the joy in my heart right now ... when we made the last out ... I waited a second just to make sure it was over.*"

Pat Borders, Blue Jays catcher and Series MVP, who posted a .450 series average.

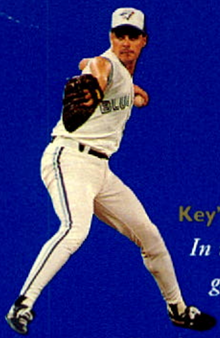




Braves
3

History in Eleven Innings

Devon White led off Game Six with a single off starter Steve Avery ... After a stolen base and a ground out by Alomar, White stood on third ... Carter then drove in White with a sacrifice fly ... Atlanta responded in their half of the
l as Deon Sanders scored his fourth run of the series ...
nto regained the lead with a run in the top of the fourth
Maldonado lead-off homer ... Atlanta shortstop Jeff
ser tied the score in the bottom of the ninth. In the
nth, the Blue Jays led off with Jimmy Key popping
.. Devon White was hit by a Charlie Leibrandt
ing ... Alomar then singled to centre allowing White
ove up to second ... With two out, a determined
e Winfield stepped up to the plate and doubled
n the left-field line allowing White and Alomar to
, making it 4-2 Toronto ... In the Braves' eleventh,
nta scored once with Game Four hero Jimmy Key on the
und ... Unheralded Mike Timlin came in to pitch for the Blue Jays with pinch-runner Smoltz on third and two out ... speedy Otis Nixon attempted a drag bunt up the first base line that was fielded by Timlin who threw to Carter at first to seal the victory.

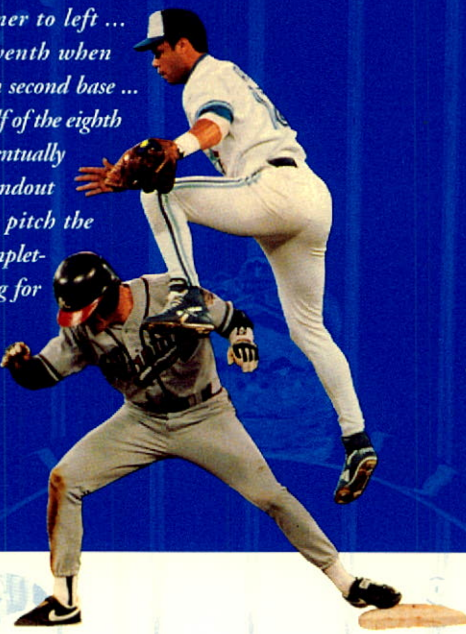


Key's Five-Hitter

In what became the third consecutive one-run game of the 1992 World Series, the Blue Jays posted a 2-1 win behind a strong pitching effort from starter Jimmy Key ... Key went 7.2 innings allowing just five hits and one earned run while striking out six Braves batters ... Toronto earned their first run in the third inning as catcher Pat Borders continued on his post season hit streak with a solo homer to left ... Toronto made the score 2-0 in the seventh when Devon White drove in Kelly Gruber from second base ... Atlanta managed to score a run in their half of the eighth as Ron Gant led off with a double and eventually scored on a Mark Lemke groundout ... Tom Henke came in to pitch the ninth for Toronto and completed a 1-2-3 inning for his second save of the series.

GAME 4

Jays	Braves
2	1



GAME 5

Jays	Braves
2	7

All-Time ... Slam Nu...

The game ... fashion to the p... Entering the fifth i... was tied at 2-2 ... The B... ed a run in the first and fourth i... Blue Jays captured runs in the seco... The fifth inning proved to be Atl... they crossed the plate five times to... and send the series back to Atlanta... more game ... An Otis Nixon singl... rolling in the fifth and the Braves e... the bases on Toronto starter Jack... Morris ... Lonnie Smith stepped up... to the plate and sent Morris' 1-... offering over the right field wall for ... grand slam, making the score 7-2.

GAME 6

Jays
4

third ... Toro... on a... Bla... elev... o... Dav... dow... score... Atla... m...

For the 45,551 faithful rivetted to the live broadcast of Game Six at Toronto's SkyDome, it happened at 12:30 a.m. ... the early Sunday finale to the longest Saturday night ever.

Victory. History. Memories of a lifetime. And the incredible burst of pride of a team, a city, and a nation.

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