JOHN LABATT

1990 Annual Report

Contents

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

Highlights

(in millions except per share and other data)	**1990**	1989	% Change
Operating Results			
Gross sales	**$5,274**	$5,424	(2.8)%
Net earnings	**169**	135	25.2 %
Funds provided from operations	**280**	280	—
Common share dividends	**55**	51	7.8 %
Acquisitions, capital expenditures and other investments	**314**	280	12.1 %
Proceeds on divestitures	**—**	328	N/A
Financial Position			
Working capital	**$ 556**	$ 544	2.2 %
Total assets	**2,946**	2,757	6.9 %
Non-convertible long-term debt	**544**	533	2.1 %
Convertible debentures and shareholders' equity	**1,644**	1,398	17.6 %
Per Common Share Data			
Fully diluted net earnings	**$ 1.78**	$ 1.60	11.3 %
Fully diluted funds provided from operations	**3.09**	3.09	—
Dividends	**0.73**	0.685	6.6 %
Convertible debentures and common shareholders' equity	**14.81**	13.90	6.5 %
Other Data			
Working capital ratio	**1.9**	1.8	
Net debt/equity ratio, fully diluted	**16:84**	12:88	
Fully diluted return on common equity	**12.4 %**	11.9 %	
Interest coverage	**8.2 x**	3.7x	

JOHN LABATT

John Labatt is a major consumer products company carrying on business in two principal groups, Brewing and Food. The Company is also active in the Broadcast and Entertainment field.

Brewing

Labatt Breweries of Canada

Labatt Breweries of Canada brews and markets 38 brands of beer. National brands include **Labatt's Blue, Labatt's 50, Budweiser, John Labatt Classic, Labatt's Lite, Carlsberg, Carlsberg Light** and **Labatt's Dry**. Important regional brands include **Keith's, Schooner** and **Oland Export** in the Maritimes, **Légère** in Quebec, **Blue Light** and **Crystal** in Ontario, **Club** in Manitoba and Alberta, **Kokanee** and **Lucky** in British Columbia.

Labatt International Brands sells specialty domestic beers (**IPA, Guinness, Twistshandy**); import beers (**Michelob, Michelob Dry, Tuborg, Birra Moretti**) and import wines, and exports **Labatt's Blue** and **Labatt's Dry** to over 20 countries.

Labatt's USA

Sale of beer and ale in the United States through Labatt Importers and production and sale of beer through Latrobe Brewing. Imported brands include **Labatt's Blue, Blue Light, Labatt's 50, Labatt's Dry** and **Birra Moretti. Rolling Rock** and **Rolling Rock Light** are brewed by **Latrobe**.

Labatt Breweries of Europe

Production and sale of **Labatt's Strong Canadian Lager** and **Labatt's Canadian Lager** in the United Kingdom through agreements with regional brewers. Production and sale of beer in Italy through **Birra Moretti**.

Broadcast and Entertainment

The Sports Network

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

Le Réseau des Sports

French language all-sports specialty television rogramming service in Eastern Canada, a part- hip with Telemedia Communications Inc., nterest.

...ions

...eo post production ... SkyDome, 100%

Toronto Blue Jays Baseball Club

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

Supercorp Entertainment

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

International Talent Group

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

BCL Entertainment Corp.

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

Food

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

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

Everfresh
Production and sale of fruit juices, fruit drinks, and sparkling mineral water and juice in Canada and the United States.

Ogilvie Mills
Production and sale of flour and other milled grain products in Canada and for export. Production and sale of starch, gluten and livestock feeds and pea hull fibre in Canada and the United States.

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

Other Investments

Catelli-Primo Limited
Production and sale of grocery products in Trinidad, a 46.4% interest.

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

Allelix Crop Technologies
Applied research in biotechnology in Canada. A 30% partnership interest.

Auscan Closures Canada and Company, Limited
Manufacturer of patented caps for bottled beverages, a 50% interest.

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

Letter to Shareholders

Peter N.T. Widdrington,
Chairman of the Board

Sidney M. Oland,
President and
Chief Executive Officer

John Labatt continues to build on the strength of its North American operations to achieve its longer term strategic objective of developing and expanding the Company's international business presence. The Company made important progress this past year by better positioning its core businesses through rationalizations, operating improvements and facility upgrades, and expanding brewing operations in the United Kingdom and Italy. These initiatives strengthened the business and financial position of John Labatt, providing a solid base for major growth and international expansion in the years ahead.

During this past year, management of the Labatt Brewing Company and Labatt Food Company was combined within John Labatt Limited under the leadership of Peter N.T. Widdrington as Chairman of the Board and Sidney M. Oland as President and Chief Executive Officer. This centralization has improved the Company's organizational effectiveness and efficiency and provides strong senior management leadership in support of the Company's strategic thrust toward major international expansion.

Results for the fiscal year ended April 30, 1990 showed good improvement despite difficult industry conditions in the Food businesses and a high level of business development spending.

Sales for the year were $5.3 billion compared to fiscal 1989 sales of $5.4 billion. The lower sales were the result of the disposition of Catelli and Ridout Wines a year ago which more than offset the growth from ongoing operations. Net earnings recovered to a new high of $169 million, up 25% over fiscal 1989 earnings of $135 million. Earnings per common share reached $1.78 on a fully diluted basis compared to $1.60 the year before. The improvement reflects gains from operations, much lower interest costs and better results from partly-owned businesses.

Brewing Segment sales reached a new milestone of $1.9 billion, up 6%, reflecting business expansion in Europe and good performance in Canada where market share grew to over 42% for the year. Canadian sales were up 5% despite industry pressures from low-priced U.S. imports. Brewing Segment earnings reached $174 million, up 11% from fiscal 1989 earnings of $157 million. Operating gains in Canada supported aggressive business development spending in the United Kingdom and the United States markets as well as integration costs at the newly acquired Italian breweries.

In the Food Segment, operating results were disappointing with a second consecutive year of lower earnings. Sales, at $3.4 billion, were down from fiscal 1989 sales of $3.6 billion, reflecting the disposition of Catelli a year ago and limited sales growth due to intensely competitive industry conditions. Earnings were $90 million, reflecting dispositions and lower results from most ongoing operations. Although earnings remained under pressure, good progress was made in improving the competitive position and future earnings potential. Important new product initiatives were launched and major rationalizations were implemented throughout the business operations. For example, in our U.S. dairy business, operations were improved late in the year with the closure of our two milk processing facilities in New York City and the sourcing of product supply from alternate plants.

The Broadcast and Entertainment Group had a very successful year, contributing positively to overall Company results. TSN nearly tripled its subscriber base to 5.5 million with the Network's conversion to basic cable service. Dome Productions and the French language sports network, Le Réseau des Sports (RDS), were both successfully launched during this past year. Dome Productions is a world class television video post production facility which is quickly establishing itself in a leading position in the Canadian market, while RDS is now delivered to over 1.5 million homes in Quebec and Eastern Canada. The Toronto Blue Jays enjoyed a very successful move to the SkyDome, winning the American League East Championship. Post-season play and an all-time American League record attendance for the club resulted in improved earnings. BCL, a major rock concert promotion and merchandising business, promoted the Rolling Stones "Steel Wheels Tour" which played to sold out audiences across North America.

A more in-depth discussion of the Company's operations follows this letter.

John Labatt is at a challenging and exciting stage in its development. Over the past five years, the Company has established itself as a broadly-based North American food and beverage company through an aggressive strategy of expansion and diversification. With the increasing globalization of its core businesses, John Labatt's long-term objective is to concentrate on fewer, larger businesses and to grow internationally. Towards this objective, management will focus on the following important steps:

- Pursue major international growth initiatives primarily by building on the Company's strengths in Brewing.
- Rationalize the Food businesses to achieve improved results in fiscal 1991 and maximize resources for better returns longer term.
- Divest of smaller non-strategic operations.
- Expand the Company's Broadcast and Entertainment businesses.

John Labatt expects to achieve good growth in fiscal 1991 in addition to accomplishing major progress in the implementation of the Company's international expansion strategy. This strategy contemplates a significant international acquisition at some point over the next two years and to this end, the Company is investigating and evaluating several potentially attractive opportunities.

The Company is in a strong financial position and able to fund major growth initiatives. The Company generates substantial internal cash flow, and has sizable financial resources and borrowing capacity at this time.

To support the Company's growth strategy, John Labatt continues to invest substantially in business development and in operating facilities and efficiency improvements. Capital expenditures in fiscal 1990 exceeded $200 million and further investments in the range of $250 million are planned for the current year.

International pressures with respect to freer trade emanating from both The General Agreement on Tariffs and Trade (GATT) and the Canada/U.S. Free Trade Agreement continue to be a concern for Canada's brewing and dairy industries. The Canadian Government is evaluating the various issues involved, including the role of marketing boards and trade restrictions created by inter-provincial trade barriers. These issues are complex and it seems unlikely that significant trade regulation changes will be resolved in the near term. The international trade scene continues to change with new political developments, making it difficult to predict current trends with any confidence. Our Company is closely monitoring ongoing GATT negotiations and developments, and is actively working with the federal and provincial governments to ensure that our Canadian beer and dairy industries can continue to compete on a fair and level playing field.

During this past year, Mr. Edwin A. Goodman, O.C., Q.C., retired from the Board after 23 years of distinguished service. Mr. Goodman's advice, counsel, hard work and commitment will be missed. Mr. Goodman was appointed an Honorary Director of the Company at the 1989 Annual Meeting.

The Company's Board was strengthened during the year with the addition of two new members; Mr. Melvin M. Hawkrigg and Dr. Maurice J. LeClair. These directors further complement the Board's experience, diverse expertise and valued counsel.

On behalf of management and the Board, we thank our shareholders, customers and suppliers for their valued support and our 16,500 employees for their outstanding contribution to the success of our Company.

Peter N.T. Widdrington
Peter N.T. Widdrington,
Chairman of the Board

S.M. Oland
Sidney M. Oland,
President and
Chief Executive Officer

Brewing

HIGHLIGHTS

- Group earnings rose 11% above last year's record level. Earnings gains in Canada supported aggressive business development spending in the United States, the United Kingdom and Italy.
- In Canada, market share increased to over 42%. Share gains were achieved in six provincial markets, most notably Quebec, and Labatt's Blue continued to be Canada's most popular beer.
- In the United States, Labatt brands achieved 10% volume growth, well outpacing the import market segment, and Rolling Rock achieved 16% volume growth in a flat U.S. domestic beer market. Labatt's Blue now ranks as the 5th largest import beer in the United States.
- In Europe, Labatt made solid sales gains in the U.K. market, launched major marketing initiatives, and acquired the Moretti and Prinz Brau operations in Italy.
- The Group anticipates strong gains this year and will continue to pursue significant international expansion.

FINANCIAL HIGHLIGHTS

($ in millions)	**1990**	1989	1988	1987	1986
Gross sales	**$1,920**	$1,818	$1,633	$1,487	$1,333
Assets employed	**717**	516	527	429	387
Capital expenditures	**98**	78	75	56	56
Depreciation and amortization	**52**	43	39	33	27
Earnings before interest and income tax	**174**	157	140	121	94
Domestic industry volume – hl. mill.	**20.1**	20.5	20.5	20.4	19.8
Labatt's domestic volume – hl. mill.	**8.5**	8.5	8.4	8.4	8.1
Domestic market share	**42%**	42%	41%	41%	41%
Labatt's worldwide volume – hl. mill.	**11.2**	10.3	9.4	8.9	8.5

LABATT BREWERIES OF CANADA

John F. Morgan, *President*
David A. Barbour, *Executive V.P., Marketing*
Bob A. Binnendyk, *President, Prairie Region*
Marcel Boisvert, *President, La Brasserie Labatt Limitée*
Philip Carter, *President, Labatt Breweries of British Columbia*
Joseph F. Clark, *Executive V.P., Public Affairs*
J. Michael Hill, *Executive V.P., Finance*
John R. Lumsden, *Executive V.P., Operations*
J. Rod McLeod, *President, Oland Breweries Limited*
Tim C. Vauthier, *Executive V.P., Human Resources*

- Labatt is a world-class brewer, producing and marketing 38 high-quality malt-based beverages for sale in Canada and for export.

  National brands are: *Labatt's Blue, Labatt's 50, Budweiser, Labatt's Lite, John Labatt Classic, Labatt's Dry, Carlsberg* and *Carlsberg Light*.

  Important regional brands are: *Blue Star* in Newfoundland, *Keith's, Oland's Export* and *Schooner* in the Maritimes, *Légère* in Quebec, *Blue Light* and *Crystal* in Ontario, *Club* in Manitoba and *Kokanee* in Alberta and British Columbia.

- Earnings increased over last year as a result of increased share, improved margins and productivity programs.

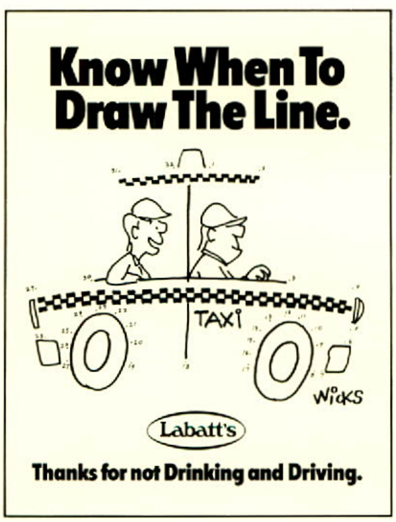
- Labatt achieved record annual market share of over 42% for the year.
  - Growth came from the national launch of Labatt's Dry and aggressive new programs for national and regional brands.

Labatt sponsored the Canadian portion of the successful Rolling Stones "Steel Wheels Tour".

- Share growth was achieved in six provinces, producing record annual share in Newfoundland, Quebec, Manitoba, Saskatchewan and Alberta.
- Labatt's Blue continued to be Canada's most popular beer and Budweiser maintained its position as Canada's largest selling licensed beer.

- Important brand marketing programs were initiated, including:
  - Labatt's Blue was given a distinctive new look in Ontario in April 1990 with its conversion to a new painted label bottle.
  - Carlsberg and Carlsberg Light were converted to a new tall-neck bottle.
  - Labatt introduced the partitionless carton in Ontario, further demonstrating corporate environmental responsibility.
  - Labatt continued its substantial capital investment programs to expand capacity, reduce operating costs and improve efficiencies.
  - In May 1990, Labatt launched Labatt .5 in Montreal and Quebec City. This de-alcoholized beer (.5% alcohol) is brewed using unique technology which removes alcohol while retaining a real beer taste.
  - Labatt has an agreement with Suntory, a major Japanese brewery, whereby technology for cold filtering has been installed in Labatt's New Westminster brewery. The Suntory bottled draught beer is now in production for sale in the United States.

- For fiscal 1991, Labatt will continue to strive for increased national market share through new marketing programs focused on major brands, supported by important regional brands, and new initiatives such as the newly announced low-alcohol brand Labatt .5.



Labatt's has consistently shown leadership in developing anti-drinking and driving campaigns.

These distinctive beers are marketed in Canada by Labatt International Brands.

LABATT'S USA

Richard R. Fogarty, *President*
Robert H. Barghaus, *V.P., Finance and Administration*
John P. O'Connell, *V.P., Sales*
Albert W. Spinelli, *V.P., Operations*
Richard J. Vassos, *V.P., Marketing*

- In the United States, Labatt imports and markets a number of brands including *Labatt's Blue, Labatt's Blue Light, Labatt's 50* and *Labatt's Canadian Dry,* and recently added *Birra Moretti,* imported from Labatt's Italian breweries.

- Latrobe Brewing of Latrobe, Pennsylvania produces and markets the popular *Rolling Rock* and *Rolling Rock Light* brands which are in national distribution in the United States.

- Labatt brands achieved a strong 10% volume growth, outpacing total imports and the growth of the Canadian segment of the market, while Rolling Rock achieved a healthy 16% volume growth in a flat U.S. domestic beer industry.

- Labatt's Blue now ranks as the fifth largest selling imported beer in the United States and in 1990, the Latrobe Brewing Company became the ninth largest domestic brewer.

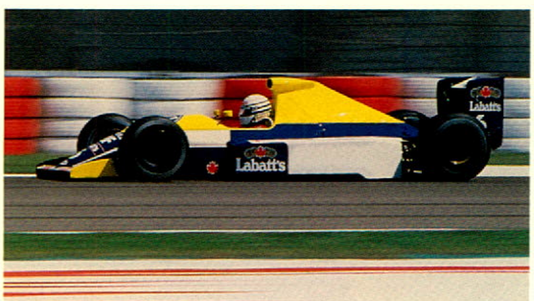
- Continuing sales growth is expected in fiscal 1991, helped by the attractive packaging of the Labatt's and Rolling Rock brands in popular green, long-neck, bottles.

LABATT BREWERIES OF EUROPE

Bruce E. Peer, *President*
George Allen, *Director Production, Labatt Breweries of Europe*
Adam S. Humphryes, *V.P., Finance, Labatt Breweries of Europe*
Michael D. Hurst, *V.P., Marketing, Labatt Breweries of Europe*
Robert J. Kemble, *General Manager, Labatt Brewing UK*
Luigi Moretti, *Chairman, Birra Moretti SpA*

Labatt Brewing U.K.

- Since its introduction in the United Kingdom in February 1988, *Labatt's Canadian Lager,* produced in partnership with a number of regional brewers, has been very well received, achieving sizable market share penetration.
- Labatt's sales in the U.K. in fiscal 1990 increased strongly, with draught sales up 35% and packaged sales up 78%, within the U.K. lager market. These sales gains considerably strengthened the position of the Labatt brand in the U.K. market. Labatt lager is now one of the top 10 brands in the U.K. on-premise lager market, after only two years.
- The regional brewer strategy has proven a successful route in developing a significant distribution base in the U.K. Labatt draught is now served in over 5,000 pubs and distribution is growing. Distribution at this level for Labatt brands is now approaching the size achieved by U.K. national brewers. On the retail side, Labatt now has almost universal distribution for the *Labatt's Canadian Lager* brands, primarily through supermarkets and other retail chains.
- Major growth is expected in fiscal 1991 with new initiatives in all areas, including new advertising and continued involvement in major sponsorships such as the British Touring Car Championships. Sales-promotional initiatives will continue with planned programs for the on and off-premise segments, at both trade and consumer levels. New distribution opportunities will continue to be pursued.
- The U.K. market is undergoing considerable change. Regulatory changes require some brewers to restructure their holdings between brewing and retailing operations. These changes in the U.K. market could provide significant opportunities for the development of the Company's business in the United Kingdom.



A major initiative this past year for Labatt's Europe was the sponsorship agreements with the Formula 1 Williams Racing Team and the Formula 3,000 Paul Stewart racing team headed by Jackie Stewart.

Birra Moretti

- In the first quarter of fiscal 1990, Labatt acquired a 77.5% interest in Birra Moretti and Prinz Brau Brewing Company, quality regional brewers located in northern and central Italy, respectively. These acquisitions marked important progress as part of John Labatt's strategy of significant international expansion.
- The combined business has three breweries (San Giorgio di Negaro, Crespellano and Barigiano) with a total capacity of 1.2 million hl.
- Moretti's efforts during the year were focused on integrating the Moretti and Prinz Brau brewery organizations, sales forces and distribution networks.
- Major sales growth is anticipated over the next two years through the national rollout of *Birra Moretti* and *Sans Souci* brands, and the development of a Labatt brand.

Food

HIGHLIGHTS

- Most of the Group's businesses faced difficult market conditions during this past year.
- Group sales at $3.4 billion were down from the prior year's $3.6 billion due to the disposition of Catelli a year ago and competitive industry conditions.
- Group earnings were $90 million, 15% below the prior year.
- Although earnings remained under pressure, the group made good progress in improving its competitive position and earnings potential. Important new product initiatives were launched and major rationalizations were implemented, including the closure of Johanna's New York City processing operations.
- Group results for fiscal 1991 are expected to show improvement.

FINANCIAL HIGHLIGHTS

($ in millions)	**1990**	1989	1988	1987	1986
Gross sales	**$3,354**	$3,606	$3,474	$2,786	$2,261
Assets employed	**1,233**	1,111	1,308	1,244	732
Capital expenditures	**108**	160	118	102	59
Depreciation and amortization	**82**	84	75	58	44
Earnings before interest and income tax	**90**	106	155	146	132

AULT FOODS

Graham Freeman, *Chairman and Chief Executive Officer*
Serge Bragdon, *President, Fluid Quebec*
Axel Breuer, *Corporate V.P., Finance*
Dr. Moni Eino, *Corporate V.P., Operations, President, International Division*
Ian Ferguson, *President, Frozen Products Division*
R. (Dick) Innes, *President, Industrial Division*
D. Larry Morden, *Corporate V.P., Human Resources*
Wayne Newson, *President, Central Canada Dairies*
Michael Ramsay, *V.P., Planning and Acquisition*
Andrew Schell, *V.P. and General Manager, Central District*
Li Sienna, *President, Refrigerated Products Division*

- Ault Foods, one of Canada's largest milk processors, produces and markets a complete line of dairy and industrial milk products in Ontario, Quebec and Manitoba, and in addition, markets certain of its products in the Maritimes, western Canada and internationally.
- Ault's dairy operations are organized into fluid, refrigerated, frozen and food service divisions and account for approximately two-thirds of Ault's sales. These divisions market fresh table milk and complementary products including creams, yogourt, cottage cheese, sour cream, ice cream, frozen novelties and juices. Products are marketed under major brand names such as: *Sealtest, Silverwood, Light n' Lively, Alpenfresh, Dallaire, Royal Oak* and *Copper Cliff.* Popular product brands include *Oh Henry!, Drumstick* and *Parlour* ice cream.
- The industrial milk operation accounts for approximately one-third of Ault's sales, and markets top quality butter and cheeses under the *Lactantia* and *Balderson* brand names. Ault also supplies cheese and other products to food manufacturers for further processing and to retailers for their brand name and private label businesses. The division exports cheese, butter, whey powders, skim milk powder and many custom-blended dairy products around the world.

Reese Peanut Butter Cups, Parlour Light Ice Cream, and Movenpick Ice Cream, three new additions to the Ault Premium Frozen Products line.

- Fiscal 1990 was a disappointing year for Ault Foods. Although still a major profit contributor, Ault experienced a decline from previous year operating results. This reduction was caused by lower prices for commodity dairy products such as whey powder as well as domestic industry-wide supply shortages of industrial milk.
- Significant progress was made in ensuring the long-term growth of the company through plant rationalizations and important marketing initiatives:
  - The successful consolidation of Ault's two Ontario ice cream production facilities into one major upgraded facility.
  - The new yogourt lines, *Muppets* and *Diet Light n' Lively* as well as the success of the *Fresh Squeezed Juice* program contributed to strong performance for Ault's refrigerated business which achieved record market share by year end.
  - Launched in Ontario in July 1989, Lactantia *Pure & Simple*, the world's first pure light butter. This new product is now in wide distribution and is being evaluated for introduction through licences in the United States and the United Kingdom.
- For fiscal 1991, little improvement is anticipated in business conditions; however, it is anticipated that results will improve at Ault. While raw material supply conditions continue to be a concern, Ault remains committed to quality leadership in the dairy industry, and will focus on several important initiatives in the year ahead.

Sealtest offers a wide range of popular yogourts.

JOHANNA DAIRIES

John W. Andersen, *President and Chief Executive Officer*
Robert A. Facchina, *Senior V.P.*
Donald E. Herr, *Senior V.P.*
Gary M. Knight, *Senior V.P.*
Gene E. Madill, *V.P.*
Dori M. Reap, *V.P.*
Cary Reimer, *V.P.*

- Johanna Dairies is one of the largest dairy operations in the northeastern United States. Table milk is the major product line, under the labels of *Johanna, Tuscan, Abbotts, Lehigh* and *Green Spring*. The company markets shelf-stable juices and drinks under the *Tree Ripe* and *Ssips* brands and yogourt under *La Yogurt*. Johanna's customer base includes major supermarket and convenience store chains, dairy distributors, grocery wholesalers and independent grocery stores, as well as many foodservice accounts. The dairies distribute primarily in New Jersey, Metropolitan New York, Pennsylvania, Maryland and the District of Columbia.
- Fiscal 1990 was a disappointing year for Johanna. While sales volumes were maintained in an intensely competitive market environment, margins declined. Raw material cost increases, particularly for milk, could not be fully recovered through pricing and eroded earnings.
- During the year, there was a significant shortage of raw milk in the northeastern United States. Competition for milk supplies by fluid milk handlers, cheese makers and butter powder manufacturers drove up prices to record highs in late 1989 and early 1990. In addition, out-of-state competitors entered the New York City table milk market, an already intensely competitive market area, further depressing margins.
- Notwithstanding the difficult market environment, Johanna completed important and necessary cost rationalizations. In the New York City market both the Woodside and Lindenhurst plants were closed with production moved to other processing facilities, significantly lowering Johanna's operating costs going into the current year.
- Major productivity programs were implemented in all plants and are resulting in significant improvement in yields, efficiencies, costs and quality of products.
- Improved earnings are expected at Johanna in fiscal 1991 as raw milk supplies are anticipated to be adequate, the New York market is showing signs of stabilization and rationalization benefits will be fully realized. Johanna, through its market leadership position, will continue to provide its customers exceptional quality, service and product selection.

OGILVIE MILLS

Terrence McDonnell, *President*
Mark C. Alexander, *V.P., Human Resources*
Yves Bertrand, *V.P., Finance and Administration*
Georges Bourelle, *V.P. and General Manager, Starch/Gluten*
David J. Clarke, *Director, Business Development and Strategic Planning*
Robert J. Dunn, *V.P. and General Manager, Ogilvie Inc.*
John H. Linton, *President, Miracle Feeds*
John Neufeld, *V.P., Logistics*
Richard Patenaude, *V.P., Engineering and Manufacturing Services*
Lawrence W. Smith, *V.P. and General Manager, Flour*

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

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

- Ogilvie's earnings declined in fiscal 1990 primarily as a result of lower gluten prices in the United States and international markets. Severe competition in the domestic milling market continued and higher raw material costs resulted from unfavourable crop conditions.

Five Roses Flour, a traditional favourite in many Canadian homes.

  - Flour division results declined due to strong price competition in the domestic and export markets and reduced government food aid volumes.
  - Starch and gluten volumes increased due to good starch sales in the paper, construction and food sectors and gluten volume gains in North America. However, earnings declined due to continuing high raw material costs, lower starch and gluten prices, and an unfavourable shift in the U.S. exchange rate.
  - Feeds had a successful year by maintaining margins, diversifying product lines and reducing costs. This was accomplished despite lower U.S. brewery volume supply and the unfavourable shift in the U.S. exchange rate.

- Ogilvie implemented significant steps which will impact positively on future earnings. Ogilvie entered the fibre ingredient market through the purchase of Woodstone Foods, and acquired Richmond Bagel and Gourmet Baker in the rapidly expanding Canadian frozen baked goods market. In value-added starches, several important marketing initiatives were made in industrial and food product areas.

- Although industry conditions will remain difficult this year, earnings at Ogilvie are expected to improve through further value-added processing and commercialization of starch and gluten products and further development and expansion of the newly acquired businesses.

Envirostrip — a breakthrough for paint-stripping in the aircraft industry — is a biodegradable, starch-based product formulated by Ogilvie.

EVERFRESH

Hugo G. Powell, *President and Chief Executive Officer*
Patrick G. Crowley, *V.P., Finance and Information Systems*
Tom Gworek, *National Sales Manager (USA)*
Paul Marcotte, *V.P., and General Manager (Canada)*
James M. Pratt, *V.P. Operations*
Gordon Putz, *V.P. Marketing*
Cheryl Yannello, *V.P. Human Resources*

- Everfresh produces and markets fruit juices, fruit drinks and sparkling mineral water with juice in North America. The company operates three production facilities, located in Windsor, Ontario, Detroit, Michigan and Chicago, Illinois. Its products are marketed through an extensive sales and distribution network combining distributors, brokers and Everfresh's own distribution system. Major brand names are: *Everfresh, Rich n' Ready, Wagner* and *Mr. Citrus*. The company also contract-packs some volume in the United States for other companies.

- Fiscal 1990 sales and earnings were down due to intensely competitive markets and cost and margin pressures.

- Everfresh implemented a number of initiatives to better position the company. Everfresh rationalized product lines under the Everfresh Juice label, upgraded existing product quality and packaging, and successfully introduced *Everfresh Sparkling mineral water with pure fruit juice* in Canada and the United States. This new line was recently awarded the distinction of "Grocery Product of the Year" by the Grocery Products Manufacturers of Canada.

- Sales of Everfresh brands in the second half of fiscal 1990 established strong growth rates. The refocusing initiatives of the past year and the continuing success of Everfresh's new products are expected to lead to improved sales and earnings in fiscal 1991.

JL FOODS

Frank Elsener, *President*
Donald Bobo, *V.P., Staff Services*
Nick R. Chilton, *President, Oregon Farms*
Michael Doherty, *V.P., Export Development*
Paul Gurtler, *Director, Financial Control and Analysis*
Patrick S. Johnston, *President, Chef Francisco*
Robert E. Martin, *Chairman, Omstead/Delicious Foods*
Marcus Wright, *Director, Planning and Business Development*

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

  Major operations are: Chef Francisco (frozen soups), Delicious Foods (frozen vegetables), Omstead Foods (fish and frozen vegetables), Pasquale Foods (pizza), and Oregon Farms (retail grocery products).

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

- In fiscal 1990, foodservice industry volumes increased 1.5%. JL Foods volumes outperformed the industry. However, results were adversely impacted by raw material cost pressures and major marketing support spending.

  - Chef's frozen soup sales were strong and the company continued to strengthen its position as market leader in this product line. Delicious Foods' sales of coated vegetables increased significantly and market share gains improved the company's market leadership position. Pasquale's pizza sales volumes increased, but margins were reduced by steep increases in cheese costs. Omstead results were constrained by supply shortages of Lake Erie fish and Ontario vegetables. Pizza sales in the United Kingdom made considerable gains with the acquisition of Hall's European Fine Foods. Hall's supplies pizza components to in-store supermarket delicatessens in the United Kingdom.

Omstead offers superior quality frozen fresh fish, seafood, vegetables and fruit through its Krunchy Breaded and Tempura-Lite lines.

- JL Foods focused its strategy during this past year on foodservice opportunities for core products. This resulted in a decision to divest of the Company's smaller grocery retail product lines.

- Important capacity expansions were completed this past year. Delicious Foods added capacity at its Grand Island, Nebraska facility and the rapid expansion of *Bagel Bites* sales required expansion of its production facility.

- In fiscal 1991, good results are expected at JL Foods. While the foodservice industry is expected to show modest growth, JL Foods' products are positioned in high growth market segments that meet the convenience needs of consumers and should continue to enjoy superior sales growth. Supplies of key raw materials and costs are expected to improve, restoring margins to normal levels.

Chef Francisco supplies over 60 varieties of quality frozen soups to foodservice operators across North America.

Broadcast and Entertainment

- The Broadcast and Entertainment group comprises the following businesses:

	Ownership
The Sports Network (TSN)	100%
Le Réseau des Sports (RDS)	70%
Dome Productions	100%
Toronto Blue Jays Baseball Club	45%
BCL Entertainment	45%
Supercorp	50%
International Talent Group (ITG)	50%

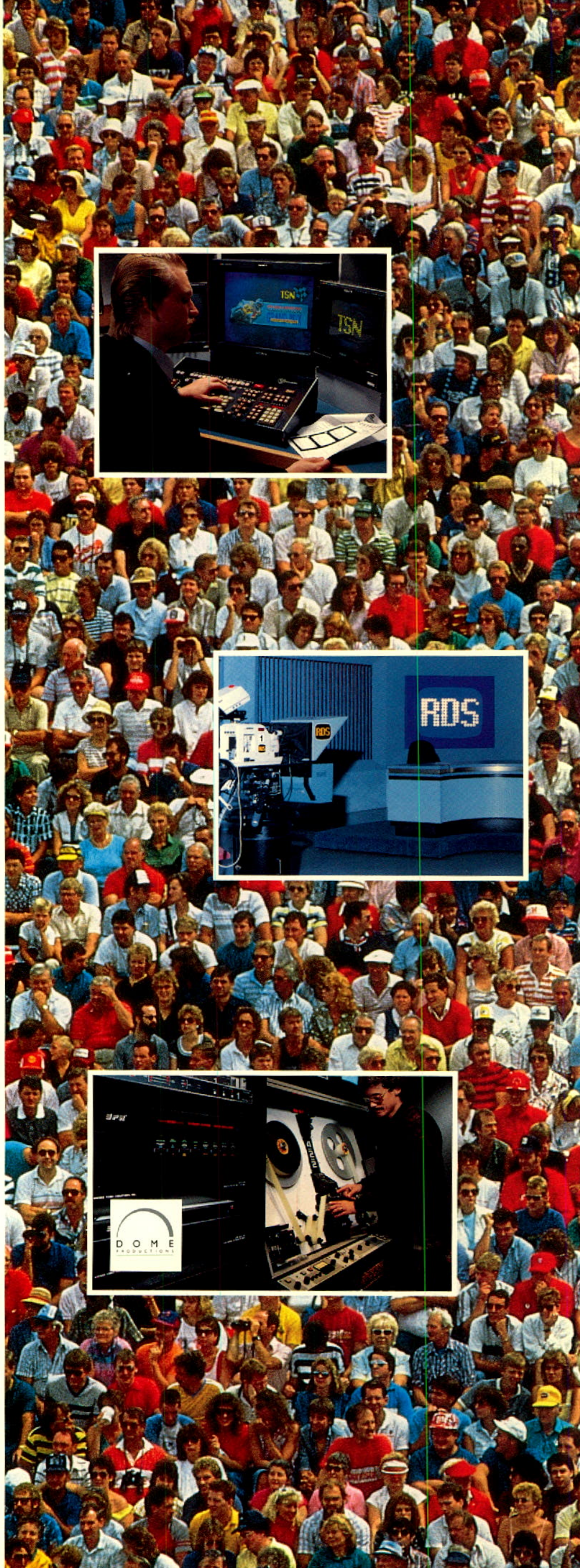
- This group has been developed aggressively over the past several years and now represents a successful, dynamic and promising area of expansion and new opportunities for the Company. These businesses, last year, collectively generated total sales of $698 million.

THE BROADCAST GROUP

Gordon Craig, *President and Chief Executive Officer, JLL Broadcast Group*
Joanne McKenna, *Corporate V.P. — JLL Broadcast Group V.P. and General Manager — TSN Enterprises*
Brian Ross, *V.P. and General Manager — Dome Productions*
Terry Snazel, *V.P., Operations, TSN*
Jim Thompson, *V.P., and General Manager — TSN*

The Sports Network (TSN)

- TSN is an English language, all-sports specialty television programming service delivered to consumers primarily via cable.
- TSN's subscriber base nearly tripled to 5.5 million as a majority of cable operators elected to add TSN to their basic cable service in September 1989.
- TSN contributes to the Canadian broadcasting system by increasing the overall availability of popular sports programming designed specifically for the Canadian viewer. It has also provided wide public exposure for numerous Canadian athletes and teams as they compete nationally and internationally.
- TSN's contributions to the vitality of the Canadian broadcasting industry are illustrated by the commitments which underpin its CRTC licence:
  - 50% of its 24 hour broadcast day is devoted to Canadian programs, including significant coverage of Canadian amateur sports; 75% of TSN's total programming expenditures are spent on Canadian programs; extensive use of Canadian freelance talent and independent producers; and, closed captioning for the hearing impaired in an increasing number of programs.



- TSN will continue to provide its viewers with extensive coverage of key events and a unique variety of sports programming including exclusive coverage in Canada of the 1990 World Cup Soccer championship from Italy.

Le Réseau des Sports (RDS)

- RDS is a 24 hour, all-sports, French language, specialty television programming service delivered to consumers primarily via cable.
- RDS was launched on September 1, 1989 and now has over 1.5 million subscribers in Quebec and Eastern Canada. Its high profile position with viewers was earned almost immediately with its exclusive French language coverage of World Series baseball and the Grey Cup.
- RDS is designed to appeal to French-speaking Canadians, particularly those residing in Quebec. Twenty-five percent of its schedule is devoted to the coverage of programs produced in Quebec or acquired from producers carrying on business in Quebec.

Dome Productions

- Dome Productions, which began operations in June 1989, is a state-of-the-art, world class television and video post production facility located at Toronto's SkyDome. It is ideally positioned to provide television production facilities for all events at SkyDome plus video post production packaging and computer graphics resources to commercial television, film and video clientele.
- Dome Productions has recently concluded an agreement with Telesat Canada to manage and operate the only High Definition Television (HDTV) mobile production facility in North America.

Shortstop Tony Fernandez, winner of four consecutive gold gloves, helped lead the Blue Jays to the 1989 American League East Championship.

TORONTO BLUE JAYS

- Toronto Blue Jays are an American League baseball club.
- The Blue Jays enjoyed a very successful move to the SkyDome in June 1989, winning the American League East championship. Post-season play and an all-time American League record attendance at the SkyDome resulted in improved earnings for the club.

BCL ENTERTAINMENT

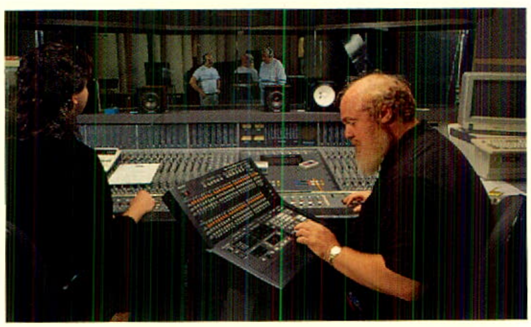
- BCL Entertainment is a leader in rock concert promotions and merchandising internationally. BCL had a very successful year, buoyed significantly by its promotion of the Rolling Stones "Steel Wheels Tour". The tour placed BCL in the forefront of international rock concert touring and provides a solid base for future growth.

SUPERCORP

- Supercorp Entertainment is prominent in the creative writing, sound recording, animation and television commercial production segments of the communications industry. Supercorp operations and results were adversely affected in fiscal 1990 by the current downturn in the commercial production industry.

INTERNATIONAL TALENT GROUP (ITG)

- ITG is a rock music talent agency in New York City, representing major rock artists. The business was expanded during the past year with the opening of its new Los Angeles office.

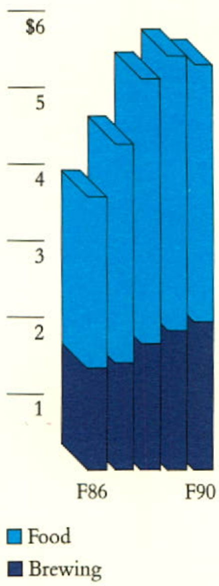


Radio commercial production at the Sounds Interchange Studios of Supercorp Entertainment.

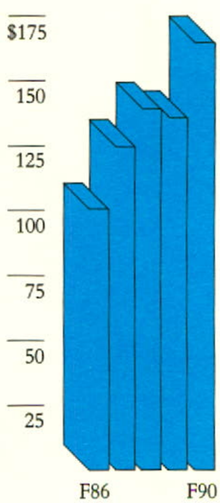
Management's Discussion and Analysis of Results of Operations and Financial Condition

The discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in this Annual Report to Shareholders.

Sales
(in billions)



Net Earnings
(in millions)



RESULTS OF OPERATIONS

Sales at $5.3 billion declined 3% from a year ago, as last year's divestitures of Catelli and Ridout Wines more than offset the impact of acquisitions and gains in other businesses. Brewing Segment sales reached $1.9 billion, up 6%, reflecting business expansion in Europe and good performance in Canada where market share grew to over 42%. Canadian brewing revenues were up 5%, constrained somewhat by lower domestic industry volumes largely caused by an aggressive presence of low-priced U.S. beer imports in Ontario, Alberta and British Columbia. The Company's international brewing expansion continued in the United States, United Kingdom and Italy, with good growth achieved, albeit from a small base. The Food Segment, which accounts for over 60% of total sales, reported lower sales reflecting divestitures and generally flat sales volumes due to intensely competitive markets. Sales at the dairy operations in Canada and the United States were essentially unchanged from the previous year. Broadcast operations doubled their revenues with TSN's move to basic cable and the launch of Dome Productions and Le Réseau des Sports (RDS).

Earnings before interest and taxes were at last year's level despite the impact of dispositions, substantial investment spending related to international brewing expansion and the marketing of new products. As a percent return on sales, earnings before interest and tax improved from 4.9% in fiscal 1989 to 5.0% in fiscal 1990.

Net interest expense was reduced by over 50%, reflecting lower borrowing levels. The lower borrowings resulted largely from the proceeds of last year's divestitures and the issuance of two $150.0 million series of preferred shares. The first issue was in March 1989, and the latter was in November 1989.

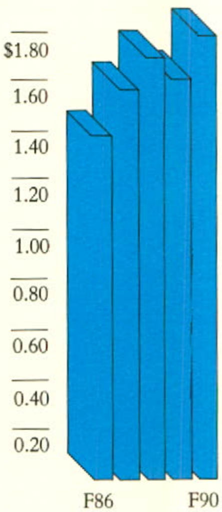
Included in fiscal 1989 earnings, was an unusual item in the form of a $9 million charge which reflected the net effect of the significant gains realized on divestitures in that year offset by charges arising from a strategic re-evaluation of certain Company assets. The principal operation revalued was Johanna's New York City dairy processing facilities. During fiscal 1990, these New York processing facilities were closed. The provision for rationalization established in fiscal 1989 was sufficient to cover these costs and the current year's earnings were not affected by these closures.

The effective tax rate this fiscal year was marginally higher than last year. Fiscal 1989 tax expense was affected by the inclusion of significant capital gains which were taxed at rates lower than rates applied to operating income. Fiscal 1990 rates reflected the change in the relative proportion of income earned in the various tax jurisdictions.

Contributions from partly-owned businesses rose significantly compared to a year ago. The Toronto Blue Jays enjoyed a very rewarding first year in the SkyDome, playing before sold out crowds for most of the season. Canada Malting and McGavin Foods recorded increased earnings and BCL Entertainment had a successful year, which included the promotion of the Rolling Stones "Steel Wheels Tour".

Net earnings rose $34 million to $169 million, 25% greater than last year. Fully diluted earnings per share rose to $1.78, an 11% improvement. This performance provided a 12% return on common shareholders' equity, on a fully diluted basis.

Fully Diluted Net Earnings per Share



BREWING SEGMENT

($ millions)	**1990**	1989
Sales	**$1,920**	$1,818
Operating income	**174**	157
Assets employed	**717**	516
Capital expenditures	**98**	78
Depreciation and amortization	**52**	43

Segment sales increased 6% over a year ago, with the addition of the Italian operations early in fiscal 1990, as well as growth in both the United Kingdom and the United States. This was achieved despite significant pressure in the home Canadian market and the divestiture of the Canadian wines operation.

Operating income increased this year by 11%, as a result of good Canadian earnings, offset to some extent by investment in foreign markets.

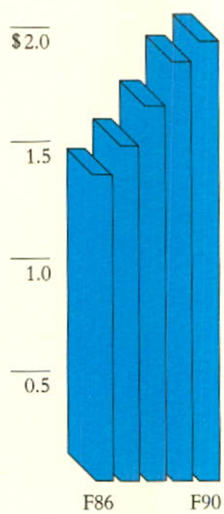
Canadian Brewing

Despite a 2% decrease in Canadian brewing industry volume caused to a great extent by the influx of low-priced American beer, the Company managed to increase domestic revenues by 5%. This was made possible by a small increase in national market share.

Contribution was improved over a year ago primarily due to volume growth and good cost control. Sustained capital investment is critical to the achievement of lower costs. Proposed legislation affecting both provincial and international borders is moving closer to supporting open borders between provinces in the near term and internationally in the future. This will bring with it the necessity for greater economies of scale. However, Labatt is committed to continuing in regions that it currently operates in, as long as they remain economically viable.

Near the end of fiscal 1989, the Company divested its Canadian wines operation.

Brewing Sales
(in billions)



United States Brewing

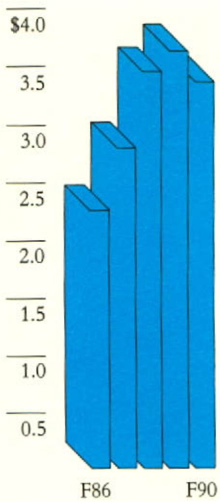
United States operations also had improved sales despite a flat domestic and declining import market. Significant spending behind new marketing programs supported volume growth of 10% for imported Labatt products, while the domestic Rolling Rock brand reported a solid 16% volume increase. If volume growth is sustained at this level, Labatt's USA will be in a position to make a substantial contribution to the overall profit growth of Labatt in future years.

European Brewing

The substantial growth in sales reflected the July 1989 acquisitions of Birra Moretti and Prinz Brau, both located in Italy. In addition, sales of both packaged beer and draught beer through our partner brewers in the United Kingdom exceeded those of a year ago. Greater volume growth is believed to have been possible had it not been for the uncertainty generated by the recent report on the brewing industry by the British Government's Mergers and Monopolies Commission.

These operations generated losses this fiscal year as the U.K. operation endeavoured to increase its overall market penetration and the Italian companies pursued integration of their operations. The Italian acquisition takes on significant strategic relevance in light of the anticipated elimination of trade constraints within the European Economic Community by 1992.

Food Sales
(in billions)



FOOD SEGMENT

($ millions)	**1990**	1989
Sales	**$3,354**	$3,606
Operating income	**90**	106
Assets employed	**1,233**	1,111
Capital expenditures	**108**	160
Depreciation and amortization	**82**	84

Segment sales were lower than last year due to the disposition of several businesses, most notably Catelli. The businesses that remain, being principally dairies in both Canada and the United States, operate in markets that are currently very price competitive resulting in limited revenue growth.

Food segment income was 15% below the level of fiscal 1989 because of marketing investment in new products, and margin erosion. The latter related to higher raw material costs and the general inability to pass through cost increases to customers.

Canadian Food Operations
Sales from Canadian operations declined from a year ago due to the divestiture of Catelli. However, revenues from ongoing operations for the year were marginally ahead of last year. Market prices on ice cream and margarine were under pressure limiting profit growth in these product lines, while a tight supply of industrial milk further restricted growth. Sales at other Canadian operations were ahead of last year.

Ault
Fiscal 1990 was a disappointing year for Ault Foods. Although still a major profit contributor, Ault experienced a decline from the previous year's operating results. This reduction was caused by lower prices for commodity dairy products such as whey powder as well as domestic industry-wide supply shortages of industrial milk.

Significant progress was made in ensuring the long-term growth of the division through plant rationalizations and important marketing initiatives, the most significant being the launch in Ontario in July 1989, of Lactantia "Pure & Simple", the world's first pure light butter. This new product is now in wide distribution and is being evaluated for introduction through licences in the United States and the United Kingdom. "Pure & Simple", which contains only half the fat, cholesterol and calories of regular butter, responds to consumers' growing desire for good tasting, nutritious and healthy products.

Ogilvie
Ogilvie's earnings declined in fiscal 1990 primarily as a result of gluten price erosion in the United States and international markets. Severe competition in the domestic milling market continued and higher raw material costs resulting from unfavourable crop conditions reduced margins.

Flour division results declined due to strong price competition in the domestic and export markets and reduced government food aid volumes. Starch and gluten volumes increased due to good starch sales in the paper, construction and food sectors and gluten volume gains in North America. Earnings declined, however, due to continuing high raw material costs, lower starch and gluten prices, and an unfavourable shift in the U.S. exchange rate. Feeds had a successful year by maintaining margins, diversifying product lines and reducing costs. This was accomplished despite lower U.S. brewery volume supply and the unfavourable shift in the U.S. exchange rate.

United States Food Operations

Total revenues showed a modest decrease over a year ago. Johanna Dairies' sales were down, reflecting the disposal of some unprofitable product lines during last year. The declines, however, were partially offset by growth at JL Foods. The juice operations experienced revenue declines as rationalization of product lines resulted in elimination of marginally profitable items.

Johanna

While sales volumes were maintained in an intensely competitive market environment, margins declined as raw material cost increases, particularly for milk, could not be fully recovered through pricing.

During the year, there was a significant shortage of raw milk in the northeastern United States. Competition for milk supplies by fluid milk handlers, cheese makers and butter/powder manufacturers drove prices to record highs in late 1989 and early 1990. In addition, out-of-state competitors entered the New York City table milk market, an already intensely competitive market area, further depressing margins.

Notwithstanding the difficult market environment, Johanna completed important and necessary cost rationalizations. In the New York City market both the Woodside and Lindenhurst processing plants were closed with production moved to other processing facilities. This places Johanna in a position to lower its future operating costs. Strong customer relationships and a reputation for good service and quality products has enabled Johanna to maintain the majority of its customer base in this market.

Major productivity programs were implemented in all plants and are resulting in significant improvements in yields, efficiencies, costs and quality of products.

JL Foods

JL Foods focused its strategy during fiscal 1990 on foodservice opportunities for core products. Volume increases in foodservice generally outperformed the industry. The overall division's results, however, were adversely impacted by raw material cost pressures and major marketing support spending. Oregon Farms rolled out the second phase of its "Kissle" brand launch and incurred significant marketing and sales promotion costs.

Important capacity expansions were completed this past year. Delicious Foods added capacity at its Grand Island, Nebraska facility and the rapid growth of "Bagel Bites" sales required additional production facilities in Fort Myers, Florida.

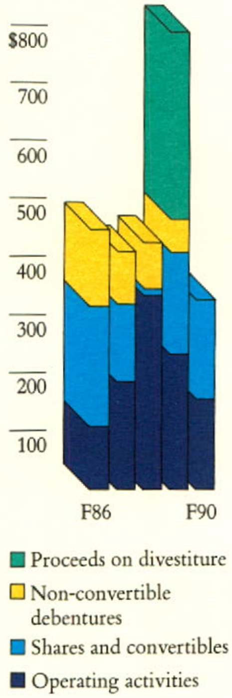
Everfresh

Everfresh implemented a number of initiatives to better position the company. Product lines were rationalized under the "Everfresh Juice" brand label, with upgrading of existing quality and packaging.

"Everfresh Sparkling mineral water with pure fruit juice" was launched in Canada and the United States. This new product line was recently awarded the distinction of "Grocery Product of the Year" by the Grocery Products Manufacturers of Canada.

Sales of Everfresh brands in the second half of fiscal 1990 established strong growth rates. The refocusing initiatives of the past year and the continuing success of Everfresh's new products are expected to lead to improved sales and earnings in fiscal 1991.

Sources of Cash
(in millions)



Other Operating Results

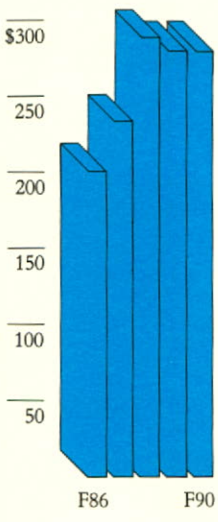
The Broadcast Group, results of which are allocated between the Brewing and Food Segments, registered another successful year. Revenues doubled due to the major conversion of TSN to basic cable from discretionary pay television. Although the subscription rate per subscriber was significantly reduced, the increase in customers more than compensated for this rate reduction. The substantially larger audience has also attracted additional advertising dollars. Although not material in sales or revenues at this early juncture, Dome Productions and Le Réseau des Sports launched in fiscal 1990 provide exciting growth opportunities for the future.

Trade Regulations

The Canadian brewing and dairy businesses are currently the subject of regulatory scrutiny under GATT and the Free Trade Agreement. The Canadian brewing industry is subject to some uncertainty with increasing pressures to remove provincial trade barriers. The dairy industry is faced with potential competition from U.S. milk producers who have a significant cost advantage due to lower raw milk input costs. While the possibility exists that regulatory changes might come into effect which would adversely impact both industries, the Company and industry organizations in which it participates, have effectively worked with the governments to ensure a fair business environment. While there is no assurance, it is management's belief that the eventual outcome of the current trade negotiations will fairly address the legitimate concerns of both industries.

FINANCIAL CONDITION

Funds from Operations
(in millions)



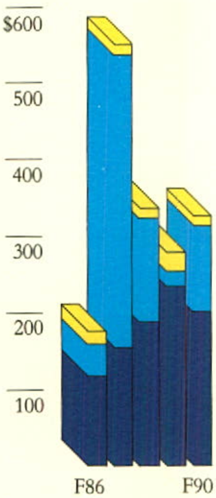
Funds Provided from Operations

Funds provided from operations at $280 million were even with a year ago. The funds from operations did not increase with the improved net income as there were fewer non-cash charges in this year's earnings. This was due to timing in the recognition of certain income items for tax purposes and the non-cash nature of some of the fiscal 1989 asset revaluations. Management expects that for fiscal 1991, the growth in funds from operations will approximate the Company's earnings growth. The net cash position of $255 million as at April 30, 1990 was a decrease of $105 million from the level at the end of the previous year.

Working Capital and Liquidity

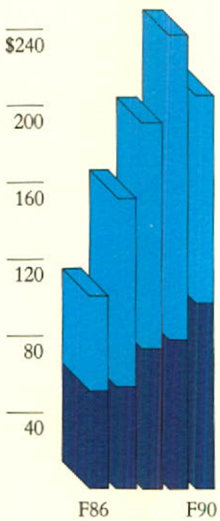
Non-cash working capital increased $124 million during the year. Of this increase, $30 million resulted from a reduction in the use of the receivables sale arrangement which was in place last year. An additional $24 million resulted from higher working capital needs at the Italian brewery after acquisition and a pricing policy change by the Canadian Wheat Board which increased inventory values by $12 million. The Company, on balance, has high quality receivables, reflecting its association in Canada with provincial liquor Boards and Brewers' Retail, as well as major grocery retailers and other major customers throughout North America. With respect to the Company's accounts payable, the

Uses of Cash
(in millions)



■ Other investments
■ Acquisitions
■ Capital spending

Capital Spending
(in millions)



■ Food
■ Brewing

Company purchases the majority of its raw materials from major suppliers such as the provincial milk marketing boards and the Canadian Wheat Board whose terms are not negotiable. Total working capital at April 30, 1990, was $556 million, up $12 million from a year ago. The current ratio at year end was a very solid 1.9:1, improved from last year's 1.8:1, demonstrating more than adequate liquidity.

Dividends

The Company's common share dividend payment was increased from $0.175 to $0.185 per common share at the Annual Meeting held in September 1989. A total of $55 million was distributed to our common shareholders this fiscal year. In addition, $18 million of preferred share dividends were paid, representing all normal quarterly dividends on the preferred shares issued in 1989. The Company's policy on common share dividends is to pay out approximately 40% of the prior year's fully diluted earnings to common shareholders.

Capital Expenditures

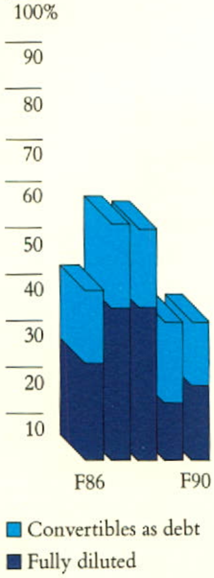
Consolidated net capital expenditures at $206 million were 13% below that of last year. Brewing operations continued to spend at high levels to improve processing and packaging efficiencies. The Food segment companies have generally completed an intensive expansion and rationalization phase and will be spending at a somewhat reduced rate in the near term. Total spending, however, is expected to rise as Canadian brewing facilities put major projects in place to provide the Company with improved efficiencies and production flexibilities. The food businesses will continue to pursue opportunities designed to integrate production and improve efficiencies. Capital spending in fiscal 1991 will be funded from operational cash flow.

During fiscal 1990, the following major projects were completed or substantially completed:

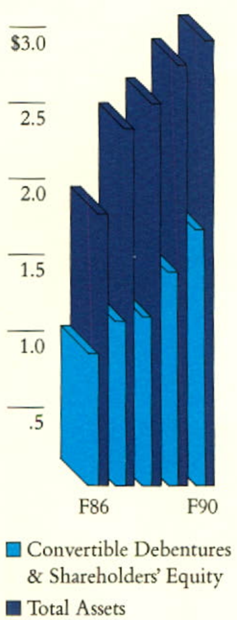
- Starch and gluten capacity expansion in Montreal; Montreal brewing line upgrade; Toronto brewing line depallitizer; Edmonton brewery warehouse expansion; Grand Island, Nebraska plant expansion at Delicious Foods; Ice cream consolidation and cheese facilities upgrade at Ault Foods;

($ millions)	**1990**	1989
Brewing	**$ 98**	$ 78
Food	**108**	160
	$206	$238

Debt as Percentage of Capitalization



Total Assets vs Convertible Debentures & Shareholders' Equity (in billions)



Capital Resources

The Company increased its equity base by successfully placing $150 million of preferred shares during March 1989 and a further $150 million in November 1989. As a result of continuing profitable operations, recent dispositions and the infusion of equity, the Company's balance sheet is strong and positioned to finance major investments. The year-end net debt to equity ratio of 16:84, including convertible debentures as equity (convertible debentures 30:70), would support the addition of significant debt should the right investment opportunity arise. The Company classifies the convertible debentures with equity due to the more permanent nature of those instruments. Further supporting the Company's ability for growth, is the solid interest coverage at 8.2 times, up from last year's 3.7 times.

The Company maximizes its use of funds and minimizes interest expense through an extensive centralized cash management system throughout its operations.

The Company follows a policy of generally hedging foreign exchange exposures and uses various hedging techniques to reduce the effects of foreign currency movements. These techniques range from direct borrowing in the foreign markets involved, to currency swap arrangements.

Impact of Inflation and Economic Cycles

The Company operates primarily in North America where inflation is relatively low and the overall impact on the business is not material. In addition, the industries in which the Company operates, have traditionally been less sensitive to the swings of economic business cycles.

Corporate Financial Objectives

John Labatt's overall corporate goals include the following longer-term key financial objectives:

	Long-Term Goal	Past 5 Years	Past 1 Year
Growth in earnings per share	15%	9%	11%
Return on equity fully diluted	15%	13%	12%
Dividend payout percentage	40%	38%	41%

To achieve these objectives, John Labatt's current mix of businesses will be further streamlined, consistent with the strategic goal of focusing on core businesses of significant size. Continued growth will be achieved through a combination of investments in existing businesses and acquisitions.

Management's Responsibility For Financial Statements

The accompanying consolidated financial statements were prepared by the management of the Company in conformity with generally accepted accounting principles. The management of John Labatt Limited is responsible for the integrity and objectivity of the information contained in the financial statements. The preparation of financial statements necessarily involves the use of estimates requiring careful judgment in those cases where transactions affecting a current accounting period are dependent upon future events.

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

Ernst & Young, Chartered Accountants, as the Company's external auditors appointed by the shareholders, have examined the consolidated financial statements and their report is presented below. Their opinion is based upon an examination conducted in accordance with generally accepted auditing standards and a review of the Company's accounting systems and procedures and internal controls. Based upon the evaluation of these systems, the external auditors conduct appropriate tests of the Company's accounting records and obtain sufficient audit evidence to provide reasonable assurance that the financial statements are presented fairly in accordance with generally accepted accounting principles.

The Audit Committee, none of the members of which are officers of the Company, meets quarterly to review the Company's financial statements before recommending the statements to the Board of Directors for approval. It also reviews, on a continuing basis, reports prepared by both the internal and external auditors of the Company on the Company's accounting policies and procedures and internal control systems. The Committee meets regularly with both the internal and external auditors, without management present, to review their activities and to consider the results of their audits. The Committee recommends the appointment of the Company's external auditors, who are appointed annually by the Company's shareholders.

Auditors' Report

To the Shareholders of John Labatt Limited

We have examined the consolidated balance sheets of John Labatt Limited as at April 30, 1990 and 1989 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at April 30, 1990 and 1989 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 applied on a consistent basis.

London, Canada
June 14, 1990

Ernst & Young
Chartered Accountants

Consolidated Statement of Earnings

Year Ended April 30, ($ in millions, except per share data)	1990	1989
Revenue	**$5,274**	$5,424
Gross sales		
Less excise and sales taxes	**593**	567
	4,681	4,857
Operating costs		
Cost of sales, selling and administration	**4,283**	4,467
Depreciation and amortization	**134**	127
Interest (note 2)	**33**	69
	4,450	4,663
Operating earnings	**231**	194
Unusual items (note 3)	**—**	(9)
Earnings before income taxes	**231**	185
Income taxes (note 4)		
— current	**91**	54
— deferred	**(19)**	3
	72	57
Earnings before share in partly-owned businesses	**159**	128
Share of net earnings in partly-owned businesses	**10**	7
Net earnings	**$ 169**	$ 135
Net earnings per common share after preferred dividends (note 5)		
Basic	**$ 2.00**	$ 1.80
Fully diluted	**$ 1.78**	$ 1.60

Consolidated Statement of Retained Earnings

Year Ended April 30, ($ in millions, except per share data)	1990	1989
Balance beginning of year	**$706**	$622
Net earnings	**169**	135
	875	757
Preferred issue costs	**(1)**	—
Dividends		
Preferred	**(18)**	—
Common	**(55)**	(51)
($0.73 per share fiscal year 1990)		
($0.685 per share fiscal year 1989)		
Balance end of year	**$801**	$706

See accompanying notes

Consolidated Balance Sheet

April 30, ($ in millions)	**1990**	1989
Assets		
Current		
Cash receivable on divestitures	**$ —**	$ 315
Short-term investments	**300**	200
Accounts receivable (note 6)	**418**	307
Inventories (note 7)	**397**	345
Prepaid expenses	**69**	60
	1,184	1,227
Property, plant and equipment (note 8)	**1,181**	1,002
Other assets (note 9)	**581**	528
	$2,946	$2,757
Liabilities		
Current		
Bank advances and short-term notes	**$ 45**	$ 155
Accounts payable	**473**	468
Taxes payable	**84**	44
Long-term debt due within one year	**26**	16
	628	683
Non-convertible long-term debt (note 10)	**544**	533
Deferred income taxes	**130**	143
	1,302	1,359
Convertible Debentures and Shareholders' Equity		
Convertible debentures (note 11)	**277**	289
Shareholders' equity		
Share capital (note 12)		
Preferred shares	**300**	150
Common shares	**295**	273
Retained earnings	**801**	706
Cumulative translation adjustment	**(29)**	(20)
	1,367	1,109
	1,644	1,398
	$2,946	$2,757

See accompanying notes

On behalf of the Board

P.N.T. Widdrington, Director

S.M. Oland, Director

Consolidated Statement of Changes in Financial Position

Year Ended April 30, ($ in millions)	**1990**	1989
Operating Activities		
Net earnings	**$ 169**	$ 135
Net charges to earnings which do not reduce funds	**111**	145
Funds provided from operations	**280**	280
Changes in non-cash working capital (note 14)	**(124)**	(42)
Cash provided from operating activities	**156**	238
Investment Activities		
Net additions to fixed assets	**(206)**	(238)
Acquisitions (note 15)	**(92)**	(16)
Other investments, net	**(16)**	(26)
Proceeds on divestitures (note 15)	**—**	328
Cash provided from (used for) investment activities	**(314)**	48
Financing Activities		
Issue of common shares (note 12)	**22**	15
Issue of preferred shares (note 12)	**150**	150
Issue of non-convertible debt (note 10)	**—**	59
Net increase in non-convertible and convertible debentures	**(46)**	(11)
Cash provided from financing activities	**126**	213
Dividends paid to shareholders	**(73)**	(51)
Increase (decrease) in net cash	**(105)**	448
Net cash surplus (deficit) beginning of year	**360**	(88)
Net cash surplus end of year	**$ 255**	$ 360
Net cash consists of:		
Short-term investments	**$ 300**	$ 200
Bank advances and short-term notes	**(45)**	(155)
Cash receivable on divestitures	**—**	315
Net cash surplus end of year	**$ 255**	$ 360

See accompanying notes

Notes to the Consolidated Financial Statements

April 30, 1990

1. Accounting Policies

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

Principles of consolidation

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

Foreign currency translation

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

Income and expenses — at average exchange rates prevailing during the year

Assets and liabilities — at the exchange rate in effect at the balance sheet date

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

Net earnings per common share

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

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

Short-term investments

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

Inventories

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

Property, Plant and Equipment

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

The Company capitalizes interest costs on major construction projects when the period of construction exceeds one year. Capitalization of interest ceases once operations commence at the facility. Interest capitalized at April 30, 1990 and April 30, 1989 was not material.

Income taxes

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

Research and development costs

Research and development costs amounting to $8 million in 1990 ($9 million in 1989) are charged to earnings as incurred.

Intangible assets

Goodwill and other proprietary rights are amortized using the straight-line method over the lesser of their estimated useful lives and forty years. Amortization expense was $15 million in 1990 ($19 million in 1989).

Long-term investments

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

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

2. Interest Expense

(in millions)	**1990**	1989
Long-term debt	**$53**	$50
Convertible debentures	**16**	16
Short-term debt	**1**	23
Income from short-term investments	**(37)**	(20)
	$33	$69

3. Unusual Items

The consolidated statement of earnings includes the following unusual items:

(in millions)	**1990**	1989
Net unusual expenses	**—**	$9

During fiscal 1989, the Company disposed of several businesses which no longer held strategic relevance, including most notably, Catelli and the Canadian Wine operations for a pre-tax gain of $141 million. During its strategic review, management concluded that, as a result of the changes in the environment in which the food and brewing segments operate, the net carrying value of certain assets of these segments had been impaired. In recognition of these changed circumstances, the Company recorded pre-tax charges to earnings of $150 million resulting in a net unusual expense of $9 million.

4. Income Taxes

The effective income tax rate is comprised of the following:

	1990	1989
Combined basic federal and provincial income tax rates	**43.8%**	45.4%
Less:		
Manufacturing and processing deduction	**(2.8)**	(3.0)
Capital gains and non-taxable income	**(9.8)**	(11.8)
	31.2%	30.6%

5. Net Earnings Per Common Share

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

(in millions)	**1990**	1989
Basic	**75.09**	73.99
Fully diluted	**90.71**	90.57

6. Accounts Receivable

The Company has entered into an agreement giving it the right, on a continuing basis, to sell accounts receivable. Under the agreement, the Company continues to administer the receivables. At April 30, 1990, the Company had received proceeds of $90 million ($120 million in 1989) in respect of outstanding accounts receivable sold under this agreement.

7. Inventories

(in millions)	**1990**	1989
Finished and in process	**$251**	$224
Materials and supplies	**116**	98
Containers	**30**	23
	$397	$345

8. Property, Plant and Equipment

(in millions)	**1990**	1989
Property	**$ 45**	$ 47
Plant and equipment	**1,798**	1,508
	1,843	1,555
Less: accumulated depreciation	**(662)**	(553)
	$1,181	$1,002

9. Other Assets

(in millions)	**1990**	1989
Investments in partly-owned businesses (see below)	**$113**	$87
Investments in and advances to other companies	**55**	47
Loans to employees under share purchase plans (note 13)	**18**	21
Goodwill, licences, trademarks and other proprietary rights	**388**	364
Unamortized debt financing expense	**7**	9
	$581	$528

Investments in partly-owned businesses include the following:

Canada	% Equity Interest	
	1990	1989
BCL Entertainment Corp.	**45.0**	45.0
Supercorp Entertainment	**50.0**	50.0
Canada Malting Co. Limited	**19.9**	19.9
Auscan Closures Canada and Company, Limited	**50.0**	50.0
Toronto Blue Jays Baseball Club	**45.0**	45.0
McGavin Foods Limited (50% voting)	**60.0**	60.0
Allelix Crop Technologies	**30.0**	30.0
United States		
International Talent Group (ITG)	**50.0**	50.0
Trinidad		
Catelli-Primo Limited	**46.4**	46.4

10. Non-Convertible Long-Term Debt

(in millions)	**1990**	1989
Sinking fund debentures		
7⅜% Series F to mature April 15, 1992	**$ –**	$ 2
9½% Series G to mature September 1, 1990	**10**	10
8½% Series H to mature March 1, 1993	**10**	10
9¼% Series I to mature March 15, 1994	**12**	13
11⅜% Series J to mature October 1, 1999	**31**	32
9½% debentures to mature January 21, 1992	**100**	100
10½% debentures to mature July 30, 1995	**117**	119
10⅜% debentures to mature April 21, 1998	**100**	100
Note issuance facility	**59**	60
Bank term loan to mature June 30, 2003 at discounted amount	**26**	27
	465	473
Other long-term liabilities	**105**	76
	570	549
Less portion due within one year included in current liabilities	**(26)**	(16)
	$544	$533

The above balances include long-term debt of $237 million at April 30, 1990 and $253 million at April 30, 1989, denominated in United States dollars translated at the rate of exchange at the balance sheet date. In addition, the Company has entered into currency swaps that effectively convert $100 million of long-term debt to debt denominated in United States dollars. These United States dollar exposures have been designated as a hedge of the Company's investment in subsidiaries in the United States. Included in other long-term liabilities is $20 million (nil in 1989) of minority interest in consolidated subsidiaries.

Maturities and sinking fund requirements for the years ending April 30, 1991, through 1995 are; $27 million; $109 million; $113 million; $17 million; and $6 million, respectively.

The sinking fund debentures are secured by a floating charge on the undertaking, property and assets of John Labatt Limited. At April 30, 1990, the Company had satisfied all of the covenants under the trust deed relating to the sinking fund debentures.

During fiscal 1989, the Company arranged a U.S. $50 million floating rate note issuance facility with a consortium of financial institutions. Under this facility, which provides access to the Euro-Commercial Paper Market for a minimum of seven years, funds can be raised at market interest rates through the issue of unsecured notes.

11. Convertible Debentures

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

Particulars of the convertible debentures are as follows:

Adjustable Rate Debenture	Maturity date	Conversion price per share	Minimum interest rate	Balance (in millions) 1990	1989
1983	June 16, 2003	$11.25 (a)	6%	**$ 40**	$ 40
1986	February 28, 2006	$17.875 (b)	6%	**112**	124
1987	April 1, 2007	$27.00 (c)	5%	**125**	125
				$277	$289

The debentures are convertible into common shares of the Company, at the holder's option, on or before the earlier of the last business day prior to either redemption or the respective maturity dates for the 1983 and 1986 debentures or March 31, 2007 for the 1987 debentures.

(a) Should the Company fix an interest rate of 6½%, the conversion price becomes $13.4375. The debentures are redeemable at par plus accrued interest.

(b) Should the Company fix an interest rate of 7%, the conversion price becomes $20.00. The debentures are redeemable at par plus accrued interest.

(c) Initial conversion price until April 1, 1992. Thereafter, should the Company fix an interest rate of 6%, the conversion price becomes $30.00 per share. These debentures are redeemable at par plus accrued interest after April 1, 1992 and at any time prior to this date, at 105% of par plus accrued interest if at least 85% of the original principal amount of the debentures has been converted. On April 1, 2007, the Company has the option to retire any debentures then outstanding by issuing common shares of equivalent fair market value to the debenture holders.

12. *Share Capital*

Authorized and issued

The authorized capital stock of the Company is as follows:

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

Preferred Shares

During the year, the Company issued a $150 million private placement of 150 Series 2 Preferred Shares. The dividend rate on the shares is a floating rate per annum equal to 72% of the 30-day bankers' acceptance rates, compounded monthly, payable quarterly, until December 31, 1994.

During fiscal 1989, the Company issued a $150 million private placement of 300 Series 1 Preferred Shares. The dividend rate on the shares is fixed at 7.85% per annum, payable quarterly until March 31, 1994.

Subsequent to the expiry of the initial five year term for both the Series 2 and Series 1 Preferred Shares, (December 31, 1994 and March 31, 1994, respectively), the dividend rate will be established by negotiation between the Company and the holders of each respective series. Should an agreement not be reached, a bid solicitation procedure involving investment dealers will be used and if no bids are accepted, a monthly auction procedure will take place. The shares are redeemable by the Company on or after the respective initial five year terms at par plus any accrued and unpaid dividends.

Common Shares

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

	1990		1989	
(in millions)	**Shares**	**Amount**	Shares	Amount
Issued and outstanding, beginning of year	**74.63**	**$273**	73.79	$258
Issued under employee share purchase and option plans	**0.46**	**9**	0.72	13
Issued as a result of debenture conversions	**0.68**	**12**	0.10	1
Issued under shareholder dividend reinvestment plan and stock dividend election program	**0.02**	**1**	0.02	1
	1.16	**22**	0.84	15
Issued and outstanding, end of year	**75.79**	**$295**	74.63	$273

13. Shares Available For Share Purchase and Option Plans

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

	1990	1989
Unissued common shares designated for allotment under By-Law No. 3 (1987)	**3,000,000**	3,000,000
Less:		
Issued	**(979,229)**	(581,082)
Under option	**(182,500)**	(120,000)
Reserved for employee share purchase plan maturing in July 1991 (July 1989 for 1989 amount)	**(294,768)**	(427,329)
Shares available for issue	**1,543,503**	1,871,589

Shares under option to employees under By-Law No. 3 and previous By-Laws as of April 30, 1990, are as follows:

Plan	**Number of shares**	**Price per share**	**Expiry date**
1983 Share option	17,000	10.75	October 1993
1984 Share option	4,000	9.71	June 1994
1985 Share option	48,000	13.59	June 1995
1986 Share option	53,500	22.23	December 1996
1987 Share option	82,500	22.68	November 1997
1988 Share option	30,000	22.17	March 1999
1989 Share option	70,000	21.80	February 2000
	305,000		

Of the 305,000 shares under option there are 65,000 under option to officers of the Company. Under these plans, the individuals are entitled to purchase the shares over periods of up to 10 years. Loans to employees for shares purchased were: officers — \$17 million (\$17 million in 1989) and other employees \$1 million (\$5 million in 1989). The number of shares related to these loans was 1,096,228 (1,377,815 in 1989).

14. Changes in Non-Cash Working Capital

(in millions)	1990	1989
Decrease (increase) in current assets		
Accounts receivable	**$(111)**	$ (6)
Inventories	**(52)**	63
Prepaid expenses	**(9)**	(5)
Increase (decrease) in current liabilities		
Accounts payable	**5**	66
Taxes payable	**40**	10
Working capital relating to acquisitions, divestitures and unusual items	**3**	(170)
Net increase in non-cash working capital	**$(124)**	$ (42)

15. Acquisitions and Divestitures

During the year, the Company made various business acquisitions for cash. Major acquisitions are summarized below:

Effective June 3, 1989, a 77.5% share interest in Birra Moretti, S.p.A., a regional brewer located in Northern Italy and a 77.5% share interest in Prinz Brau, S.p.A., a brewer located in Central Italy.

Effective June 15, 1989, the assets and operations of the cheese producing division of Aliments Delisle Ltée., a Quebec-based manufacturer of dairy products.

Effective July 1, 1989, Woodstone Foods Ltd., a Portage La Prairie, Manitoba producer of pea fibre, starch and protein.

Effective August 9, 1989, Hall's European Foods Ltd., a Lancashire, England, distributor of a component pizza program.

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

(in millions)	Current	Non-current	Total
Identifiable assets acquired at assigned values	$11	$107	$118
Less liabilities assumed	(8)	(57)	(65)
Identifiable net assets acquired	3	50	53
Excess of purchase price over assigned values of identifiable assets	—	39	39
Purchase price	$ 3	$ 89	$ 92

15. (cont'd)

During fiscal 1989, the Company made the following business acquisitions and divestitures:

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

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

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

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

16. Leases

Operating leases

The Company has entered into long-term operating leases, substantially all of which will be discharged within 10 years. Fixed rental expense for 1990 was $27 million ($24 million in 1989). Future annual fixed rental payments for years ending April 30 are as follows:

(in millions)	
1991	$22
1992	20
1993	14
1994	12
1995	10

In aggregate, fixed rental payments for subsequent years amount to $33 million.

Capital leases

Assests leased by the Company under agreements which transfer substantially all of the benefits and risks of ownership of the assets to the Company are accounted for as capital leases. The total fixed assets acquired under capital leases at the end of the year were not material.

17. Pension Plans

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

(in millions)	**1990**	1989
Estimated present value of pension plan obligations	**$355**	$334
Pension plan assets at market value	**$368**	$334

18. Segmented Financial Information

Broadcasting operations and corporate overhead are allocated to the two business segments. Partly-owned businesses are not allocated to the business segments.

Information by class of business

The classes of business are as follows:

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

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

The following is a summary of key financial information by business segment for the years ended April 30, 1990 and 1989.

	1990		1989	
(in millions)	**Gross sales**	**Depreciation & amortization**	Gross sales	Depreciation & amortization
Brewing	**$1,920**	**$ 52**	$1,818	$ 43
Food	**3,354**	**82**	3,606	84
	$5,274	**$ 134**	$5,424	$ 127
	Capital expenditures		Capital expenditures	
Brewing	**$ 98**		$ 78	
Food	**108**		160	
	$ 206		$ 238	
	Contribution	**Assets employed**	Contribution	Assets employed
Brewing	**$ 174**	**$ 717**	$ 157	$ 516
Food	**90**	**1,233**	106	1,111
	264	**1,950**	263	1,627
Unusual items	**—**		(9)	
Interest	**(33)**		(69)	
Earnings before income taxes	**$ 231**		$ 185	
Cash receivable on divestitures		**—**		315
Short-term investments		**300**		200
Investments in partly-owned businesses		**113**		87
Current liabilities other than bank advances and short-term notes		**583**		528
Total assets per consolidated balance sheet		**$2,946**		$2,757

Information by geographic segment

The Company operates principally in the geographic areas of Canada and the United States. Geographic segmentation is determined on the basis of the business location where the sale originates. At this time, operations in the United Kingdom and Italy do not constitute reportable geographic segments and are, therefore, included in the Canadian segment below.

The following is a summary of key financial information by geographic segment for the years ended April 30, 1990 and 1989.

	1990		1989	
(in millions)	**Gross sales**	**Depreciation & amortization**	Gross sales	Depreciation & amortization
Canada	**$3,372**	**$ 86**	$3,399	$ 77
United States	**1,902**	**48**	2,025	50
	$5,274	**$ 134**	$5,424	$ 127
	Capital expenditures		Capital expenditures	
Canada	**$ 158**		$ 166	
United States	**48**		72	
	$ 206		$ 238	
	Contribution	**Assets employed**	Contribution	Assets employed
Canada	**$ 240**	**$1,092**	$ 232	$ 844
United States	**24**	**858**	31	783
	264	**1,950**	263	1,627
Unusual items	**—**		(9)	
Interest	**(33)**		(69)	
Earnings before income taxes	**$ 231**		$ 185	
Cash receivable on divestitures		**—**		315
Short-term investments		**300**		200
Investments in partly-owned businesses		**113**		87
Current liabilities other than bank advances and short-term notes		**583**		528
Total assets per consolidated balance sheet		**$2,946**		$2,757

19. Related Party Transactions

In the normal course of business, the Company entered into transactions (reviewed regularly by the Company's Business Conduct Review Committee) with affiliates and partly-owned businesses on competitive commercial terms similiar to those with unrelated parties. At April 30, 1990 the Company held $258 million ($158 million at April 30, 1989) of marketable securities of affiliates. The total income earned on these marketable securities during the year was $23 million ($12 million in 1989).

Corporate Information

John Labatt takes pride in its commitment to "good corporate citizenship". We not only want to conduct ourselves in a responsible manner, but to contribute to the quality of life of the communities we serve. Given the increased expectations on the part of both government and the general public, the requirements of good corporate citizenship are growing more extensive and demanding. John Labatt is committed to meet that challenge through programs such as the following:

COMBATING ALCOHOL ABUSE

Particular demands are placed upon companies which market alcoholic beverages. Public concerns about alcohol abuse are generally growing and special efforts are required to address such matters. Labatt's was the first brewing company in Canada to undertake a program of moderation advertising. Our campaigns, which have been in effect since 1984, have been directed particularly to overcoming the problems of drinking and driving. A new television commercial, featuring the well-known Canadian cartoonist, Ben Wicks, was launched nationally in the spring of 1990 under the theme "Know when to draw the line". This is supplemented in Ontario with an array of presentations in which we teamed up with the Toronto Blue Jays to express the message: "Thanks for not drinking and driving". Further efforts along similar lines are supported by our participation in industry programs that have been organized by the Brewers Association of Canada. We have also taken the "Don't Drink and Drive" message to U.K. audiences through programs initiated by Labatt's Breweries of Europe.

CONTRIBUTING TO THE COMMUNITY

Donating to Worthy Causes

John Labatt has a well known record of assisting charitable and not-for-profit organizations which contribute to a better community. Whether measured on the basis of total giving ($4.3 million in 1990) or as a percentage of profit, John Labatt sets a standard that is recognized across Canada. This past year, John Labatt assisted over 1,800 groups and organizations in both Canada and the United States. As a prime supporter of the "Imagine" campaign, we are also active in encouraging others, both companies and individuals, to lend their support to worthy causes.

Supporting Worthy Causes

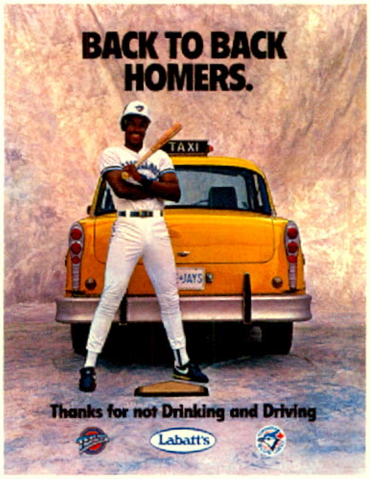
Among the many excellent promotional events sponsored by our Company, one of the most successful is the Labatt Blue Light 24-Hour Relay. Now held in almost every major centre in Canada, companies and other organizations are encouraged to form teams, members of whom run a 2-3 kilometre course, in sequence, around the clock. By gaining financial pledges related to their efforts, moneys are raised for important community based programs. In 1989 it is estimated that through 17 such events over $3 million was raised for a variety of worthy causes.

Employee Service for Worthy Causes

The Company also encourages its employees and their families to contribute to their communities with both financial support and time and effort – and recognizes them for such efforts. Toward this end, the Company has put in place such programs as:

- Smile, a program which offers exchange opportunities throughout North America for children of employees, aged 12 to 14.
- The Peter Hardy Matching Gift Program, through which the Company matches a charitable donation by an employee, to a maximum of $250.
- Labatt's People in Action through which the Company provides funds to not-for-profit organizations to hire students for summer programs that, in turn, serve disadvantaged groups.
- The J.H. Moore Award for Excellence through which we recognize Labatt employees and/or their family members who have made outstanding community contributions.

John Labatt believes in good corporate citizenship. These are some of the ways in which we strive to live up to this obligation.



One of Labatt's most recent moderation ads.

Directors

Marcel Bélanger, O.C., F.C.A.
Quebec, Quebec
President,
Gagnon et Bélanger Inc.
Elected 1972

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

Jack L. Cockwell,
Toronto, Ontario
Executive Vice-President
and Chief Operating Officer,
Brascan Limited
Elected 1986

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

J. Trevor Eyton, O.C., Q.C.
Toronto, Ontario
President and
Chief Executive Officer,
Brascan Limited
Elected 1979

Eric F. Findlay,
Toronto, Ontario
Chairman of the Board and
Chief Executive Officer,
Silcorp Limited
Elected 1984

Peter F. Hannam,
Guelph, Ontario
President,
First Line Seeds Ltd.
Elected 1986

Francine Harel Giasson,
Montreal, Quebec
Associate Professor and
Director of Programs,
École des Hautes Études
Commerciales
Elected 1987

Melvin M. Hawkrigg,
Waterdown, Ontario
Chairman,
Trilon Financial Corporation
Elected 1989

Gordon F. Hughes, O.C.
Windsor, Nova Scotia
Chairman,
Ocean Company Limited
Elected 1973

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

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

Dr. Maurice J. LeClair, C.C.
Montreal, Quebec
Vice-Chairman,
Canadian Imperial
Bank of Commerce
Elected 1989

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

Sidney M. Oland,
Toronto, Ontario
President and
Chief Executive Officer,
John Labatt Limited
Elected 1987

Jaime Ortiz-Patiño,
Geneva, Switzerland
Chairman, President and
Chief Executive Officer,
Patiño Properties Limited Bermuda
Elected 1980

Herbert C. Pinder,
Saskatoon, Saskatchewan
President,
Saskatoon Trading Company Limited
Elected 1977

Samuel Pollock, O.C.
Montreal, Quebec
Chairman and President,
Carena Bancorp Equities Inc.
Elected 1981

Robin B. Smith,
Centerport, New York
President and
Chief Executive Officer,
Publishers Clearing House
Elected 1987

George S. Taylor,
St. Marys, Ontario
Executive Vice-President,
John Labatt Limited
Elected 1987

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

Peter N.T. Widdrington,
London, Ontario
Chairman,
John Labatt Limited
Elected 1973

William P. Wilder,
Toronto, Ontario
Corporate Director
Elected 1970

Honorary Directors

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

Edwin A. Goodman, O.C., Q.C.
Toronto, Ontario
Partner, Goodman & Goodman
Elected 1966
Appointed Honorary Director
1989

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

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

Board Committees

Executive

Chairman: J. Trevor Eyton;
Peter F. Bronfman,
Jack L. Cockwell,
Charles Diamond,
Peter F. Hannam,
Melvin M. Hawkrigg,
Mervyn L. Lahn,
Alexander J. MacIntosh,
Sidney M. Oland,
Peter N.T. Widdrington

Audit

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

Business Conduct Review

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

Management Resources and Compensation

Chairman: J. Trevor Eyton;
Jack L. Cockwell,
David B. Jenkins,
Alexander J. MacIntosh,
Jean Denis Vincent,
Peter N.T. Widdrington

Pension Investment Advisory

Chairman: Samuel Pollock;
Eric F. Findlay,
Francine Harel Giasson,
Dr. Maurice J. LeClair,
Herbert C. Pinder,
Robin B. Smith,
George S. Taylor,
William P. Wilder

Public Responsibility

Chairman: Francine Harel Giasson;
Eric F. Findlay,
Melvin M. Hawkrigg,
Herbert C. Pinder,
Samuel Pollock

John Labatt Management

Peter N.T. Widdrington
Chairman of the Board

Sidney M. Oland
President and
Chief Executive Officer

George S. Taylor
Executive Vice-President

Senior Corporate Management

* **John W. Andersen**
President/CEO, Johanna Dairies

* **Robert F. Dolan**
Vice-President, Human Resources

* **John L. Dunwell**
Vice-President, Technical Operations

* **Frank Elsener**
President, JL Foods

* **W. James Emmerton**
Vice-President, Legal

* **J. Herbert England**
Senior Vice-President,
Strategic Development

* **Thomas R. Errath**
Vice-President, Marketing

* **Richard R. Fogarty**
President, Labatt's USA

* **Graham P.M. Freeman**
Chairman/CEO, Ault Foods

*•**J. Lyman MacInnis**
President, Entertainment Group

*•**John F. Morgan**
President, Labatt Breweries of Canada

*•**Bruce E. Peer**
President, Labatt Breweries of Europe

* **Lorne C. Stephenson**
Vice-President, Corporate Affairs

* **Edward E. Stewart**
Vice-President

* **Robert G. Vaux**
Vice-President, Finance

Neal Blackburn
Vice-President, Engineering Services

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

Larry J. Innanen
Secretary

Roy J. Pearce
Controller

Ken Rosenthal
Vice-President, Law
John Labatt Inc.

*Denotes Member of JLL Management Committee

•Appointment effective September 4, 1990

Shareholders' Information

Stock Exchanges
Montreal, Toronto, Winnipeg, Alberta, Vancouver

Transfer Agents
The Royal Trust Company – Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver

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

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

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

Auditors
Ernst & Young, Chartered Accountants, London, Ontario

Common Shareholders
As of April 30, 1990, 13,966 Canadian residents located across Canada held 99% of John Labatt common shares. A regional summary of shareholders is shown in the following table:

	Number of Shareholders	Percent of Shareholders
Atlantic	603	4.2
Quebec	1,491	10.3
Ontario	9,943	69.0
West	1,929	13.4
Total Canada	13,966	96.9
Non-Residents	442	3.1
Total	14,408	100.0

Dividends
The quarterly dividend paid on common shares was increased at the September, 1989 Annual Meeting to 18.5¢ per share from 17.5¢ per share. During fiscal 1990, $55 million or $0.73 per common share was paid in dividends to common shareholders, up from $51 million and $0.685 per share in fiscal 1989.

Quarterly Payment History
(Cents Per Common Share)

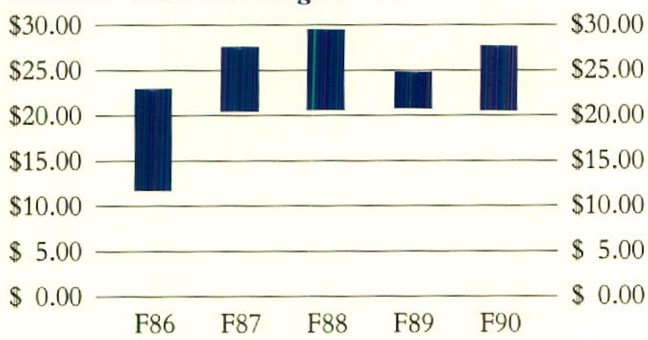
	Fiscal Quarters				Fiscal
	July	Oct.	Jan.	April	Year
1986	12.00	12.75	12.75	12.75	50.25
1987	12.75	14.00	14.00	14.00	54.75
1988	14.00	16.00	16.00	16.00	62.00
1989	16.50	17.50	17.50	17.50	68.50
1990	**17.50**	**18.50**	**18.50**	**18.50**	**73.00**

Labatt Common Share Market Price History On Fiscal Year Basis

	Low	High	April 30 Year End
1986	11⅞	23	22⅝
1987	20¼	27¼	24⅜
1988	20⅛	29¾	23⅞
1989	20⅝	24⅜	22¾
1990	**20½**	**27½**	**20⅝**

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

Labatt Share Values Annual Market High/Low



Five Year Review

(in millions except per share and other data)					
Operating Results	**1990**	1989	1988	1987	1986
Gross sales	**$5,274**	$5,424	$5,107	$4,273	$3,594
Group earnings before interest and taxes	**264**	263	295	267	226
Interest expense	**33**	69	67	45	40
Income taxes	**72**	57	86	95	80
Net earnings	**169**	135	141	125	101
Funds provided from operations	**280**	280	289	234	201
Common share dividends	**55**	51	45	40	32
Capital expenditures	**206**	238	193	154	102
Acquisitions and other investments	**108**	42	149	403	62
Proceeds on divestitures		328			
Financial Position					
Working capital	**$ 556**	$ 544	$ 228	$ 205	$ 339
Fixed assets	**1,181**	1,002	992	837	673
Total assets	**2,946**	2,757	2,538	2,355	1,785
Non-convertible long-term debt	**544**	533	482	378	287
Convertible debentures	**277**	289	291	295	175
Shareholders' equity	**1,367**	1,109	867	771	676
Convertible debentures and shareholders' equity	**1,644**	1,398	1,158	1,066	851
Debt/equity ratios — includes convertible debentures as equity	**16:84**	12:88	33:67	33:67	21:79
Interest coverage	**8.2x**	3.7x	4.4x	5.9x	5.6x
Data Per Common Share					
Net earnings fully diluted	**$ 1.78**	$ 1.60	$ 1.68	$ 1.55	$ 1.38
Common share dividends	**0.73**	0.68½	0.62	0.54¾	0.50¼
Convertible debentures and shareholders' equity	**$14.81**	$13.90	$13.01	$12.06	$10.22
Other Data					
Return on average shareholders' equity and convertible debentures	**12.4%**	11.9%	13.5%	13.7%	14.2%
Net earnings as a percent of gross sales	**3.2%**	2.5%	2.8%	2.9%	2.8%
Working capital ratio	**1.9**	1.8	1.3	1.3	1.6
Common shares outstanding (in millions)	**75.8**	74.6	73.8	72.7	71.9
Number of shareholders	**14,408**	13,999	14,838	13,160	12,006
Number of employees	**16,500**	16,000	17,900	16,200	14,200

JOHN LABATT

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