The Seagram Company Ltd.

Report for the twelve months ended
January 31, 1989

Building for the Future

The Seagram Company Ltd. is a leading producer and marketer of distilled spirits, wines, coolers and juices, with affiliates in 28 countries.

Net income increased 13.1 percent to $589.5 million, including $486.9 million representing the Company's share of the earnings from E.I. du Pont de Nemours and Company, in which Seagram held an approximate 22.9 percent interest at year-end. Sales advanced 32.5 percent to $5.1 billion.

Highlights

(U.S. dollars in thousands, except per share amounts)

	Twelve Months Ended January 31,		
Statement of Income	1989	1988	1987
Beverage Operations			
Sales and Other Income	$5,055,671	$3,815,480	$3,344,820
Operating Income	425,370	285,713	192,832
Income from Beverage Operations and Du Pont Dividends	$305,044	$309,882	$256,914
Net Income	$589,460	$521,088	$423,458
Earnings Per Share	$ 6.12	$5.46	$4.45
Dividends Paid Per Share	$1.175	$1.05	$ .95

	At January 31,		
Balance Sheet	1989	1988	1987
Current Assets	$3,181,574	$2,950,355	$2,701,884
Total Assets	9,696,510	7,543,465	6,886,462
Shareholders' Equity	$4,974,272	$4,457,515	$3,955,560
Per Share Data			
Book Value	$50.65	$47.03	$41.42
Market Value—New York Stock Exchange	$71.13	$55.13	$67.13
—Canadian Exchanges	C$84.50	C$70.00	C$89.63

To our Shareholders

The Seagram Company Ltd. had record sales and operating income and a substantial increase in net income for the twelve months ended January 31, 1989. It was an outstanding year in which the Company showed improved contributions from every component – Canada, the United States and all four divisions of Seagram International.

Sales advanced 32.5 percent to $5.1 billion. This improvement reflects the additions of Tropicana and Martell as well as significant growth in our international business. Operating income reached $425.4 million, a gain of 48.9 percent.

Net income rose 13.1 percent to $589.5 million, notwithstanding amortization of goodwill and the interest expense associated with the acquisitions of Martell and Tropicana. The increase in net income reflected the strength of our beverage business and the particularly good year enjoyed by E.I. du Pont de Nemours and Company. At year-end, Seagram held an approximate 22.9 percent interest in Du Pont. This ownership interest, however, is expected to increase to as much as 24.9 percent as a result of Du Pont's planned share repurchase program, announced in January.

Dividend income from Du Pont rose to $202.5 million from $179.5 million, and Du Pont has announced an increase in its quarterly dividend from $.95 to $1.05 per share, effective in the first quarter of 1989. Unremitted earnings from Du Pont were $284.4 million, compared with $211.2 million in the prior year.

The major events of the year, of course, were the additions of Martell and Tropicana to the Seagram family, and these two fine companies are the subject of the special section of this Report that begins on page 5. Martell filled a longtime gap in the Seagram portfolio of premium brands and is a key to our international growth strategy. When the acquisition was completed, we moved swiftly and successfully to integrate Martell into our core distilled spirits and wine business and to resolve its complex distribution arrangements in several important markets.

With Tropicana, Seagram has entered another dynamic area of the beverage business. Tropicana's *Pure Premium* has increased its commanding lead, despite a major competitor's entry, in the fast-growing premium segment of the ready-to-serve orange juice category in the United States. In fact, Tropicana has gained share in each market where the competitor's product has been introduced. *Tropicana Twister,* a new line of citrus-based beverages, is already among the leaders in the non-refrigerated juice beverage category.

Seagram's most important and profitable distilled spirits brands performed well in the United States, with sales gains for Crown Royal Canadian Whisky, Seagram's Extra Dry Gin, The Glenlivet Single Malt Scotch, Captain Morgan Spiced Rum and Myers's Original Dark Rum. The Company gained a position in the premium imported vodka category by obtaining the rights to act as the exclusive U.S. agent for Wyborowa Vodka from Poland. Although there has been no growth in the cooler market as a whole during the past year, Seagram's Wine Coolers continued to hold the leadership position in the category, increased market share and successfully added three new flavours.

To sharpen our focus on premium brands, Seagram identified for divestiture 25 non-premium distilled spirits products that represent just 8 percent of our U.S. distilled spirits case sales. The Company also streamlined operations and announced plans to consolidate production in the United States.

Our U.S. fine wine businesses also prospered. Seagram Chateau & Estate Wines Company reported growth in its Bordeaux imports and significant increases in sales of Perrier-Jouët Champagne. The Seagram Classics Wine Company expanded sales of its Sterling Vineyards and The Monterey Vineyard Wines, and signed a long-term agreement with C. Mondavi & Sons for worldwide marketing and sales of the latter's Charles Krug table wines.

In Canada, Seagram's share of the Canadian whisky market increased, led by Crown Royal, which continued to show dramatic growth. Sales of Chivas Regal and The Glenlivet Scotch Whiskies and Captain Morgan Rums also registered solid gains. Seagram's Spirits Coolers led their category with a more than 80 percent share. Five new flavours have been introduced, including Elquila Tropical Lime Tequila Cooler and Country Berry Vodka Cooler.

Seagram International had a very impressive year, with every major affiliate, but most notably those in Brazil, Germany, Italy and Japan, reporting improved results. Sales of our world-recognized brands as well as strong brands in local markets have contributed to this profitable growth. The Seagram Overseas Sales Company, which serves the thriving international duty-free and other special markets, once again recorded substantial sales increases, especially for Chivas Regal and Royal Salute Scotches.

Underscoring our commitment to a region where demand for beverage alcohol, especially Cognac, is expanding rapidly, Seagram has relocated its headquarters for operations in Asia to Hong Kong. We continued our strategy of geographic expansion by establishing a joint venture in the People's Republic of China, Shanghai Seagram Limited, which will produce whiskies and sparkling wines for local consumption and for distribution in other markets in the region.

Expansion of Seagram's agency business is another strategy for international growth. We continued to build this business by adding several International Distillers and Vintners brands in Asia and broadening our distribution links with Allied-Lyons in France. Seagram will also represent Jack Daniel's Tennessee Whiskey and Southern Comfort Liqueur in France.

Seagram closed an important and profitable chapter in its history in July. The sale of our remaining share in two gas concessions in the Gulf of Thailand completed the divestment of direct interests in oil and gas. Of course, the Company continues to participate indirectly in the oil and gas business through Du Pont's ownership of Conoco.

At its February 16 meeting the Board appointed Edgar Bronfman, Jr., President and Chief Operating Officer, effective July 1, 1989. He will succeed David G. Sacks, who has been named Vice Chairman and will continue to serve as a Director of both Seagram and Du Pont. Under David's direction, we achieved records in sales and in operating and net income from our core business and enhanced Seagram's position as a broad-based international beverage company. We are very pleased that our close and productive relationship with him will gain a new dimension as he continues to advise Seagram on all major matters and oversee the Company's ongoing program to increase operating efficiencies.

The Board also nominated as a Director Edgar S. Woolard, Jr., President and Chief Operating Officer of Du Pont, who will become that company's Chairman, effective April 26. Upon his election, the Seagram Board will expand to 18 members.

Seagram raised the quarterly dividend 16.7 percent to U.S. \$.35 from U.S. \$.30 per share, effective March 1989. This follows a 9 percent increase last June. Total dividends paid in the twelve months ended January 31, 1989, amounted to \$1.175 per share, compared with \$1.05 in the prior year.

We have enjoyed a year of record results and great achievement. We express our gratitude to our shareholders, distributors and retailers, and to the men and women of Seagram, Martell and Tropicana, whose talents and dedication have made our success possible. Together we will continue to build successfully for the future.

On behalf of the Board,

Edgar M. Bronfman
Chairman

Charles R. Bronfman
Co-Chairman

March 16, 1989

Building for the Future

Two major events in 1988 – the acquisitions of Martell S.A. and Tropicana Products, Inc. – underscored Seagram's stated objective of enhancing its position as a broad-based international beverage company, focusing on the production and marketing of premium brands.

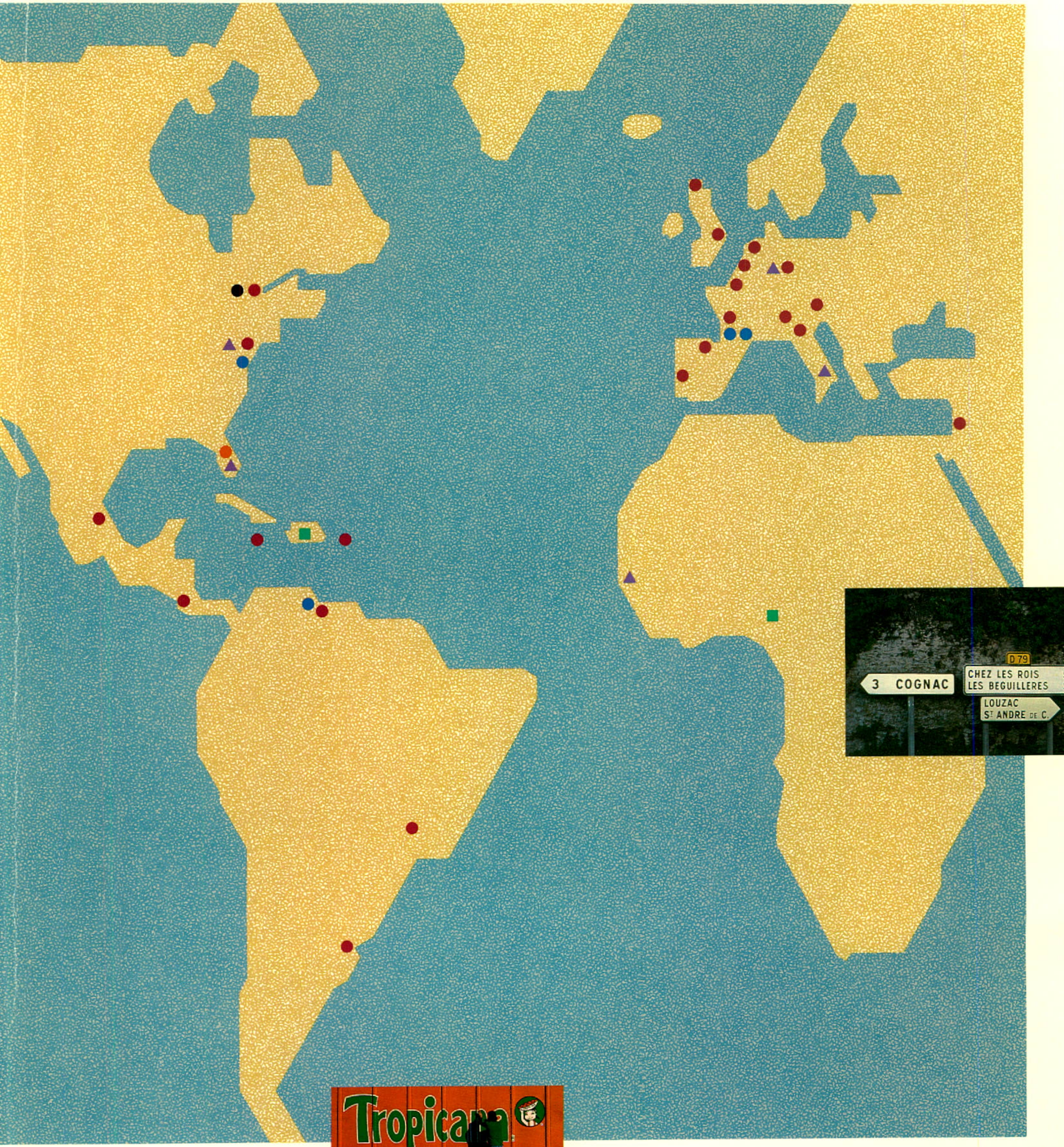
With the acquisition of Martell, Seagram reached a significant milestone. It became the only company in the world that produces and markets a premium brand in each of the three worldwide spirits and wine categories: Scotch, Champagne and Cognac. Seagram also has an unmatched diversity of premium brands within its portfolio.

In purchasing Tropicana, Seagram gained one of the best-known premium brand names in the United States and an extensive product line renowned for the superior quality of its fruit juices and juice beverages.

These dramatic moves both reaffirmed Seagram's position as a leader within the spirits and wine industry and enriched the range and variety of Seagram products. Each brings extraordinary potential for continued expansion.

Seagram's Worldwide Locations

● Headquarters
● Affiliate
● Martell
● Tropicana
■ Joint Venture
▲ SOSCO Sales Office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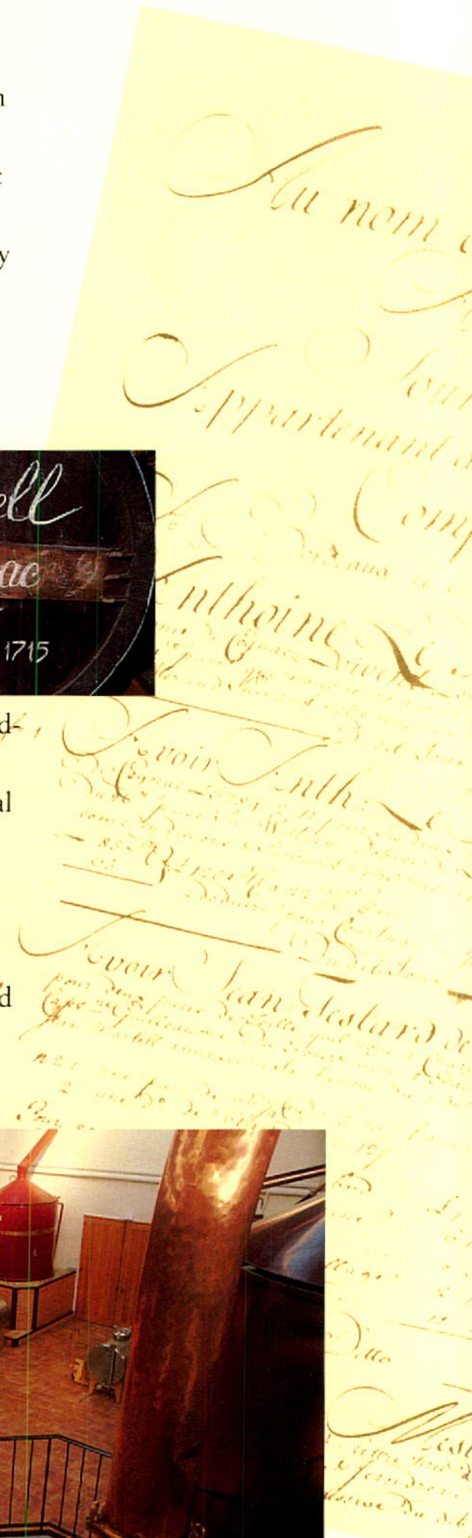
Martell, founded in 1715, is France's oldest major Cognac house. It is one of only four truly international Cognacs, which together share about 70 percent of the worldwide market. In acquiring Martell, Seagram instantly gained a substantial position in this market as well as a valuable inventory, equivalent to 100 million bottles. It is a rapidly growing category as Cognac increases in lustre as a global status symbol.

Martell is now in its seventh generation of family management. Its family tradition contributes to the compatibility of our two companies, as does its historic commitment to premium quality. The sense of shared values is highlighted by the company's Chairman, René Firino Martell, in these words: "In addition to our common heritage of family management, we share a commitment to quality and leadership in the beverage alcohol industry. We expect that this combination will result in even greater growth and prosperity for Martell."



Martell becomes the latest of the superior brands to be incorporated into Seagram's worldwide selection of premium spirits and wine products. It joins The Glenlivet Single Malt, Royal Salute and Chivas Regal Scotch Whiskies, Crown Royal Canadian Whisky, Sandeman Ports and Sherries, and such *grandes marques* as Mumm and Perrier-Jouët Champagnes.

Martell Cognacs are exported to 135 countries. Foremost among them is Martell Cordon Bleu, first introduced in 1912. Often called the connoisseur's Cognac, Martell Cordon Bleu, in its Baccarat decanter, is a masterful blend,

Martell's fine Cognacs are distilled in the age-old method, requiring two heatings in a copper still. Distilling is an exacting art handed down from generation to generation.

Cognac is bottled only when ready for shipment. Once in bottles, it does not age.

René Firino Martell, Chairman, carries on the tradition of premium quality synonymous with his family name. The Martells are proprietors of the Château de Chanteloup, whose origins date from the 16th century. This photograph (right) was taken in 1885.

Vines are harvested by hand or with the aid of modern machinery. Martell owns one of the largest and oldest existing stocks of Cognac, with some dating to 1845.

Martell Cognac and Janneau Armagnac are featured in this Oddbins shop in London. Seagram-owned Oddbins is the most successful spirits and wine retail operation in the United Kingdom.

Hong Kong harbour receives a delivery of Martell Cognac. The market for beverage alcohol, especially Cognac, is rapidly expanding in Asia and around the Pacific Rim. Japan, which already has Martell bars like this one in Kyoto, is a key growth area.

Seagram's Wine Coolers have won a strong following among young, style-setting adults in the United States and in Thailand (above). Advertising and marketing reflect their originality and superior quality, and, in a category where flavour comes first, Seagram captured the leadership position by introducing a variety of new tastes.

Martell Cognacs promise Seagram a "halo" effect, the derivative benefit brands gain through their association with one another. This gives our sales force the advantageous ability to offer the customer, in a single visit, access to premium products in every major category. Martell, in turn, will benefit from its place in the company of Seagram's other premium brands.

Seagram's integration of Martell into its global marketing effort is in tandem with a worldwide consumer trend toward the premium brands in every category. The trend is apparent in the sales increases of Chivas Regal, The Glenlivet, Royal Salute, Crown Royal, Mumm and Perrier-Jouët, all of which set new standards last year. It has long been Seagram's strategy to concentrate on products with demonstrated vigour and growth potential in a marketplace with an affinity for the quality implicit in prestigious brands.

Consumers have also become increasingly eclectic in their consumption of beverages, stimulated to a great extent by the proliferation of new choices adorning retailers' shelves. Thus Seagram, as a marketer of spirits and wines, no longer competes solely in its own categories, or even with the other main form of beverage alcohol, beer. We compete for the adult consumer's attention against sparkling mineral waters, colas and other carbonated and flavoured sodas as well as fruit juices and a wide variety of juice-based drinks.

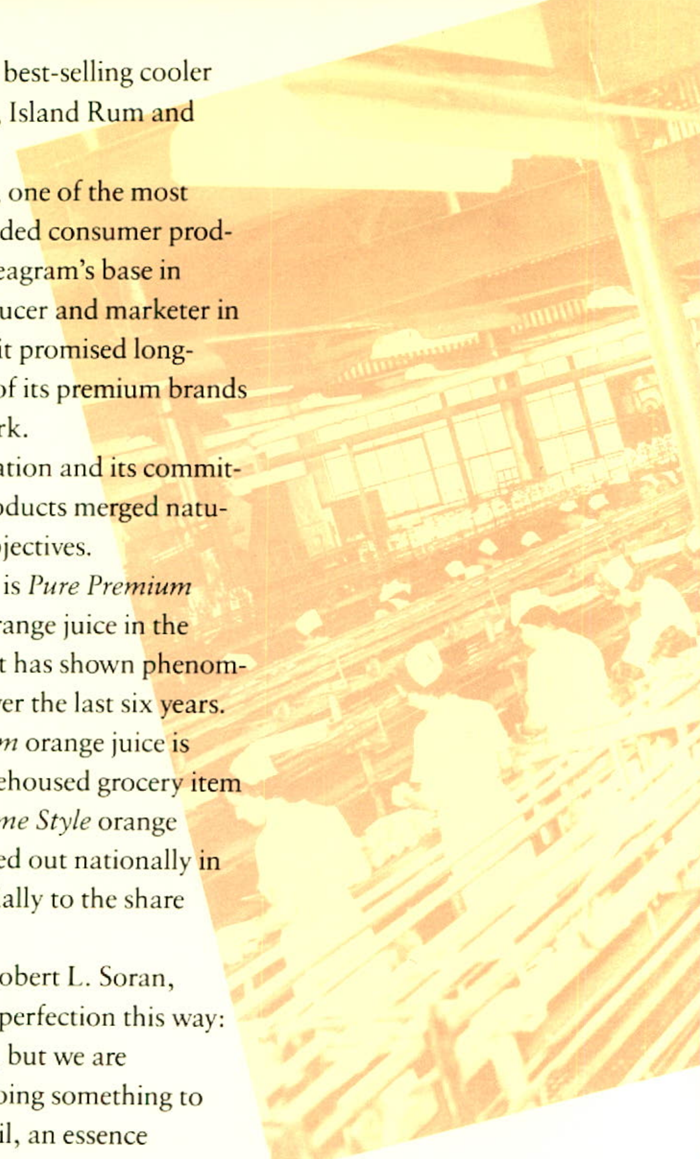
To meet demand for Seagram's Wine Coolers in a market measured by millions of cases, the Company installed a state-of-the-art, high-speed production line that can fill and package coolers at speeds of up to 1,000 bottles per minute.

The Company's successful venture with wine coolers was a bold step into this newly defined, taste-driven marketplace, where in less than two years Seagram's Wine Coolers rose to category leadership. That step took Seagram into supermarkets and convenience stores to fight for shelf space alongside other consumer products and put the Seagram name prominently before a new generation of adult consumers.

Television advertising has been an important factor in moving our spirits coolers to top position in a rapidly expanding market in Canada. This unique product line

With a more than 80 percent market share, Seagram's Spirits Coolers are the undisputed category leader in Canada. Gaily coloured, umbrella-topped stands are used to serve consumers in restaurants, sports clubs and bars.

includes Seagram's Wildberry Vodka, the best-selling cooler (wine or spirits) in Canada, Peach Vodka, Island Rum and Tequila-based Elquila.



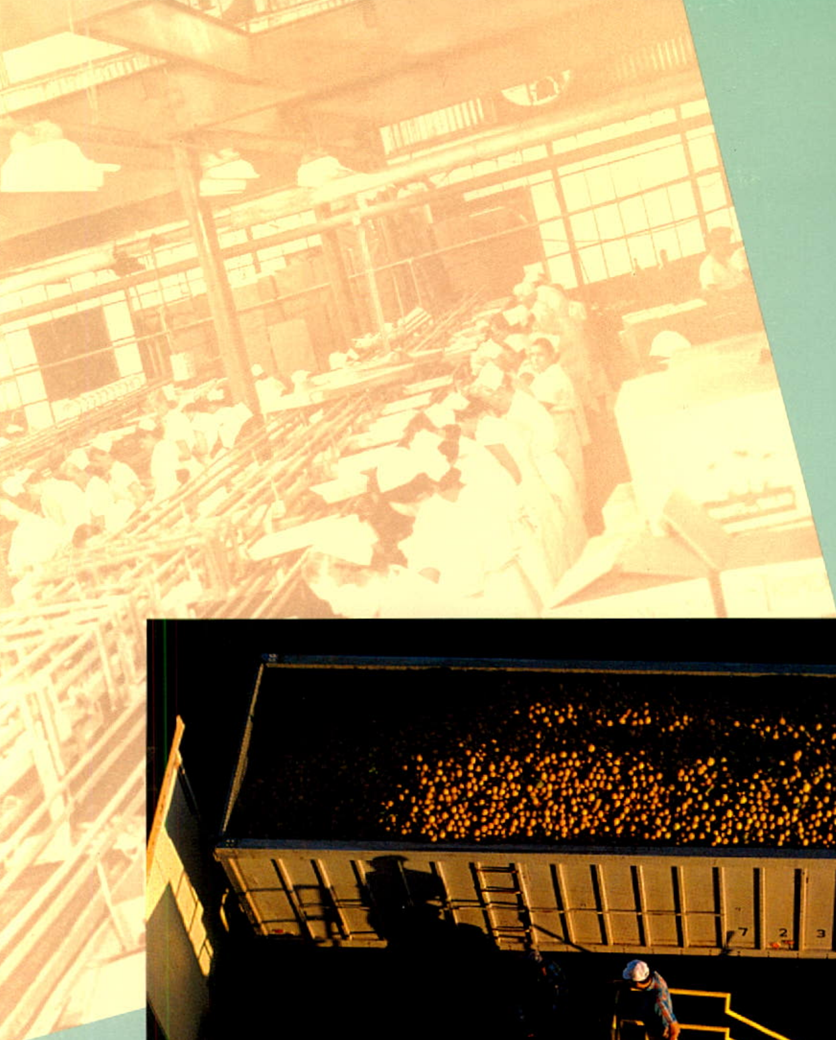
The purchase of Tropicana, one of the most widely respected trademarks among branded consumer products, was a logical next step to broaden Seagram's base in the beverage market. As the premier producer and marketer in its field – fruit juices and juice beverages – it promised long-term values in both the growth potential of its premium brands and the extension of its valuable trademark.

Tropicana purchases the highest-quality fruit to make 100 percent pure juices. Nothing goes to waste. Skins of oranges yield their oils for flavour extract and perfume. Dried pulp, seeds and rinds make a high-fibre feed for dairy cattle.

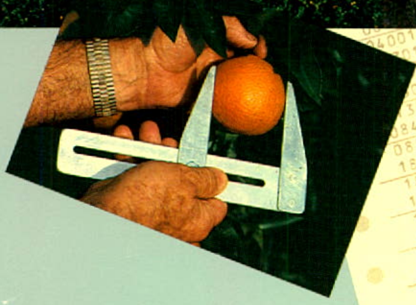
Tropicana's record of innovation and its commitment to perfection in the quality of its products merged naturally with Seagram's style and strategic objectives.

Tropicana's principal brand is *Pure Premium* orange juice, the leading ready-to-serve orange juice in the United States. The ready-to-serve segment has shown phenomenal growth, with a 44 percent increase over the last six years. Tropicana's 64-ounce-carton *Pure Premium* orange juice is also, in dollar sales, the single-largest warehoused grocery item in America. Tropicana *Pure Premium Home Style* orange juice, containing bits of the fruit, was rolled out nationally in June. Its introduction has added substantially to the share gains *Pure Premium* has made.

The company's President, Robert L. Soran, describes Tropicana's relentless search for perfection this way: "We've already made the big leap in quality, but we are always doing something to save an oil, an essence or a precious aroma that may have been lost. This constant evolution means that *Pure Premium* is better this year than it was last year and will be even better next year. Our goal is to make *Pure Premium* as close



On an average day, Tropicana receives more than 50 million oranges, fills more than 4 million containers and packs more than 1.3 million gallons of product for shipment to market.



"The Big Orange," with up to 65 railroad cars, carries 1.2 million gallons of juice two or three times a week to Tropicana's Northeast Distribution Centre at Kearny, New Jersey.

as possible to freshly squeezed orange juice."

Tropicana's history, like our own, has its roots in family ownership and is a history of "firsts." Tropicana was the first to:

- offer 100 percent Florida orange juice, not from concentrate, all year round;
- win the "Citrus Bowl," with a greater than 50 percent share of the ready-to-serve market in metropolitan New York, which has the highest per capita consumption of orange juice, almost double that of the rest of the country;
- own and operate a train and fleet of refrigerated trucks for widespread distribution of chilled, fresh-tasting juices and beverages;
- introduce a superior carton that retains quality and ensures peak flavour;
- preserve quality and delicate citrus flavours by packing cold juice in glass containers using a unique process;
- integrate packaging and manufacturing with production of high-quality glass, plastic containers and corrugated boxes.

Tropicana also produces glass, plastic and corrugated containers at its 214-acre Bradenton, Florida, headquarters, one of the largest and most vertically integrated facilities in the United States.

A key to *Pure Premium's* superior flavour is Tropicana's extracting process. It is "gentle" with the orange, preserving the juice sac and keeping the peel and seeds intact to avoid releasing any bitterness. The quality of *Pure Premium* also derives from the fact that it is made only from Florida oranges. The company is the largest buyer of Florida fruit and, tied as it is to the crop, Tropicana approaches its source with a reverence makers of fine wines would respect. There is also a litany of great varieties, among them Valencia, Hamlin, Pineapple Orange, Parson Brown and a recent Valencia hybrid, Rhode Red, which are blended for the greatest possible quality and consistency of taste.

Mr. Soran points with pride to Tropicana's close relationship with Florida growers, whom the company regards as partners: "They produce the highest-quality juice oranges – the best in the world – and we process and market better than

Robert L. Soran, President, has led Tropicana for more than three years. With its superior people and one of the most widely recognized trademarks among branded consumer products, there are many opportunities for expansion.

anyone else." Grove owners, meanwhile, have introduced cultivation systems as advanced as the technology Tropicana has applied to processing. Trees can be planted 200 to an acre, double the current average, with a yield in four years rather than six. Flooding has given way to micro-jet irrigation, significantly cutting water usage per tree, and *fertigation* allows a consistent application of fertilizer in smaller quantities.

The result is a faster-yielding, secure crop that allows both growers and Tropicana to react more quickly to market opportunities. This has been vital to the growth of *Pure Premium* which over the last year has been expanded throughout the United States. When Tropicana introduced *Pure Premium* in the Los Angeles market, it gained 90 percent distribution within 72 hours, demonstrating its remarkable acceptance.

Fresh taste is the Tropicana standard, and its *Pure Premium* orange juice is the leader in the fastest-growing segment of this $3 billion industry. Established in 1946, Tropicana enjoys a reputation founded on outstanding products and a commitment to quality.

Tropicana also produces frozen concentrated orange juice and a line of ready-to-serve juices and beverages made from concentrates, including grapefruit, lemonade, orange-pineapple, apple and fruit punch. Its newest product, *Tropicana Twister*, a unique line of citrus-based blends made possible by technology developed by Tropicana, was introduced broadly last summer, supported by a strong national television advertising campaign and a vigorous promotion program.

Having successfully achieved the goal of national expansion from its stronghold east of the Mississippi, there is enormous opportunity for Tropicana to build this market. There also remains substantial opportunity for Tropicana to extend its reach into overseas markets.

The addition of Martell and Tropicana and their superior brands has dramatically broadened Seagram's premium product base and demonstrated again the ability to grasp new opportunities as they arise. These major acquisitions reinforce the foundation for growth in the years ahead and stand in time as strategic markers on a continuing route toward even greater successes and profits.

Contents

Management's Discussion and Analysis

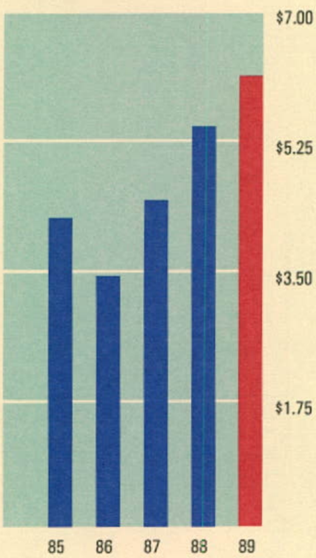
Highlights

For the twelve months ended January 31, 1989:

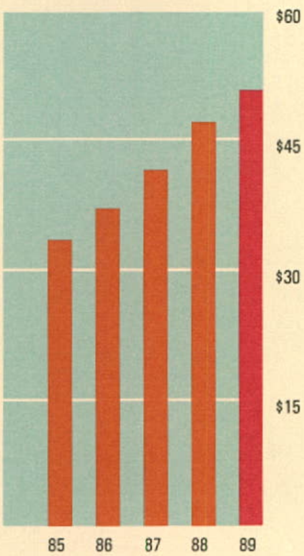
- Beverage revenues advanced 32.5 percent to $5.1 billion.
- Operating income was $425.4 million, a gain of 48.9 percent.
- Dividends received from E.I. du Pont de Nemours and Company increased 12.8 percent to $202.5 million and equity in unremitted earnings of Du Pont rose 34.7 percent to $284.4 million.
- Net income was $589.5 million, up 13.1 percent.
- Assets increased to nearly $10 billion and shareholders' equity to $5 billion.

In April 1988, Seagram acquired Martell S.A., the second-largest Cognac producer in the world, and Tropicana Products, Inc., a leading United States producer of high-quality branded fruit juices and juice beverages.

Earnings Per Share



Book Value Per Share

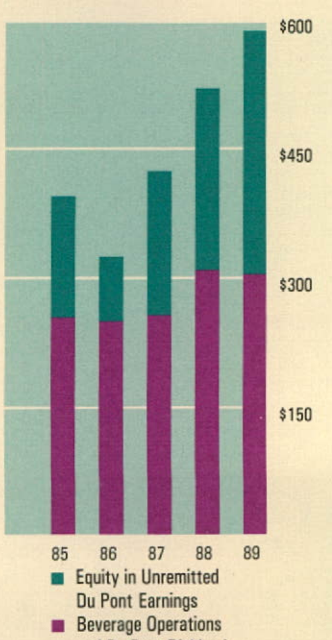


Earnings Summary

	Twelve Months Ended January 31,		
	1989	1988	1987
		(millions)	
Beverage revenues	**$5,055.7**	$3,815.5	$3,344.8
Beverage operating income	**$425.4**	$285.7	$192.8
Dividends received from Du Pont	**202.5**	179.5	165.5
Equity in unremitted Du Pont earnings	**284.4**	211.2	169.1
Interest expense, net	**(238.5)**	(80.4)	(86.8)
Provision for income taxes	**(84.3)**	(74.9)	(17.1)
Net income	**$589.5**	$521.1	$423.5
Earnings per share	**$6.12**	$5.46	$4.45

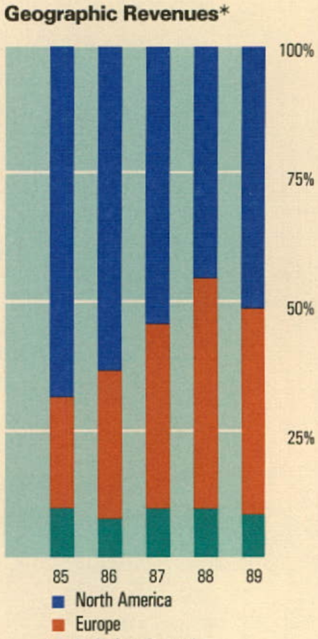
The significant factors affecting the components of Seagram's earnings are explained in the sections that follow. Quarterly data are presented on page 40.

After-Tax Income*



*Excluding interest expense on share repurchase.

Geographic Revenues*



*Excluding excise taxes.

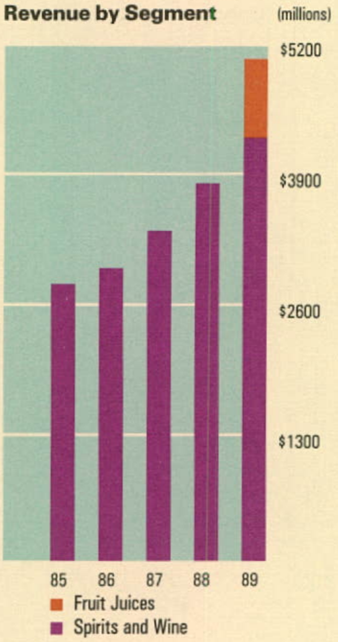
Spirits and Wine—Seagram is a worldwide producer and marketer of distilled spirits and wines, with affiliates in 28 countries. The Company's traditional strength has been in North America. In recent years, however, markets outside of North America have grown rapidly and now account for more than one-half of total spirits and wine revenues.

Fruit Juices—Tropicana, the principal component of the juice segment, produces and distributes fruit juices and juice beverages, primarily throughout the United States. It is the market leader in the ready-to-serve orange juice segment and is a leading producer of premium branded fruit juices and juice beverages.

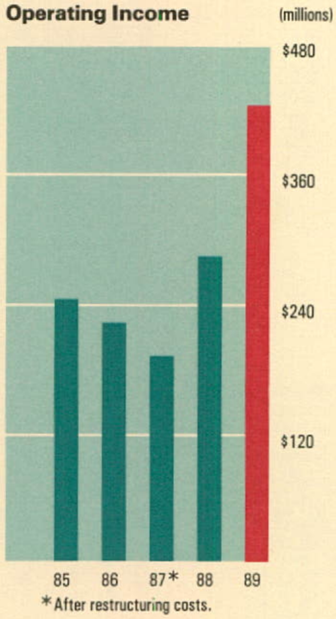
Beverage revenues for the twelve months ended January 31, 1989 increased 32.5 percent over the prior year. The April 1988 acquisitions of Tropicana and Martell and an advance in international operations were the primary factors in the sales increase. The acquisitions added nearly $1 billion to Seagram's revenues. Sales outside the United States and Canada rose $444 million as a result of the addition of Martell, higher case sales volume and, to a lesser extent, appreciation of certain currencies against the U.S. dollar. Revenues in Canada advanced due to price increases, strengthening of the Canadian dollar, and continued growth in spirits coolers and Crown Royal Canadian Whisky. U.S. volumes declined primarily as a result of the April 1987 divestment of medium-priced New York and California wines and champagnes. U.S. wine cooler case sales were essentially unchanged, although market share increased.

In the twelve months ended January 31, 1988, revenues advanced 14.1 percent. Operations outside North America accounted for most of the increase as a result of higher case sales volume, appreciation of certain currencies against the U.S. dollar and acquisitions during the year.

Revenue by Segment



Operating Income

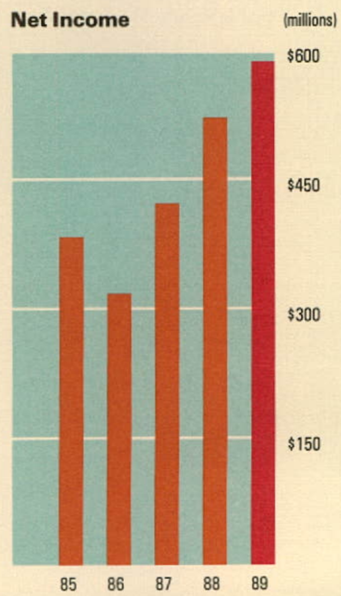


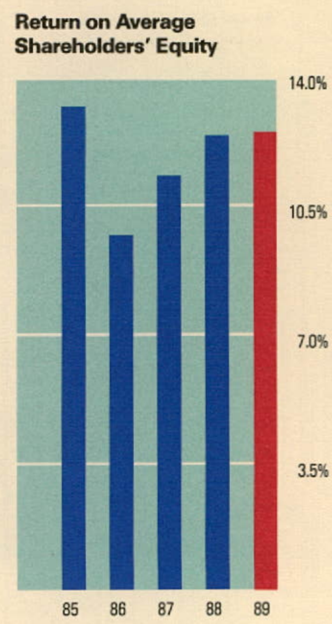
*After restructuring costs.

Operating income for the twelve months ended January 31, 1989 rose $139.7 million, or 48.9 percent, over the prior period as a result of higher revenues and an improvement in the gross profit margin to 37.3 percent from 36.1 percent. Selling, general and administrative expense for the latest twelve months included amortization of the goodwill recorded for the Martell and Tropicana acquisitions and a $13.7 million pretax expense associated with staff reductions and personnel relocations. Excluding goodwill amortization and the special charge, total selling, general and administrative expense declined slightly as a percentage of revenues.

Operating income in the twelve months ended January 31, 1988 reflected a gain of 48.2 percent as a result of higher revenues, an improvement in the gross profit margin to 36.1 percent from 34.5 percent and the absence of special charges incurred in the prior period. In the twelve months ended January 31, 1987, a $35 million pretax provision was recorded for restructuring costs arising from a loss on the sale of medium-priced U.S. wine and champagne operations and a reorganization of the Company's U.S. spirits marketing division.

To maintain consumer demand for the Company's products, substantial expenditures are made worldwide for advertising and sales promotion. For the twelve months ended January 31, 1989, these were $425.7 million, a 16.3 percent increase over the prior year, almost entirely as a result of the Tropicana and Martell acquisitions. Expenditures for the twelve months ended January 31, 1988 were $366.1 million, 6.4 percent greater than the previous twelve-month period.





Earnings from Du Pont Holdings

	Twelve Months Ended January 31,		
	1989	1988	1987
		(millions)	
Dividends received	$202.5	$179.5	$165.5
Unremitted earnings	284.4	211.2	169.1
	$486.9	$390.7	$334.6

In August 1981, Seagram obtained 20.2 percent of the then outstanding common shares of Du Pont. Additional shares were subsequently purchased in the market and more than 54.7 million shares, or approximately 22.9 percent, of Du Pont's outstanding shares were held at January 31, 1989. The market value of Seagram's Du Pont holdings was $5.6 billion at January 31, 1989, compared with a book carrying value of $3.9 billion.

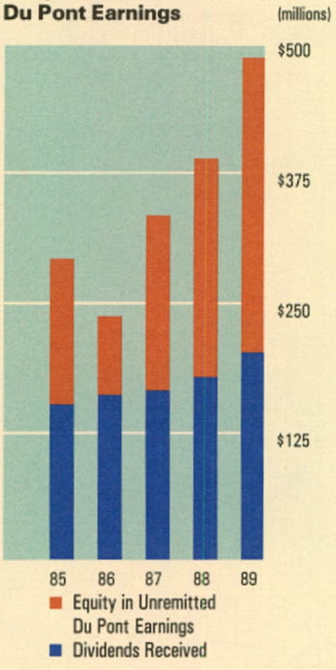
Du Pont is the largest chemical company in North America and, with its ownership of Conoco, has significant reserves of and operations in oil, gas and coal. For its year ended December 31, 1988, Du Pont reported sales of $32.9 billion, earnings of $2.2 billion and assets of $30.7 billion.

Seagram received dividends of $3.70, $3.30 and $3.05 per share in the twelve months ended January 31, 1989, 1988 and 1987, respectively.

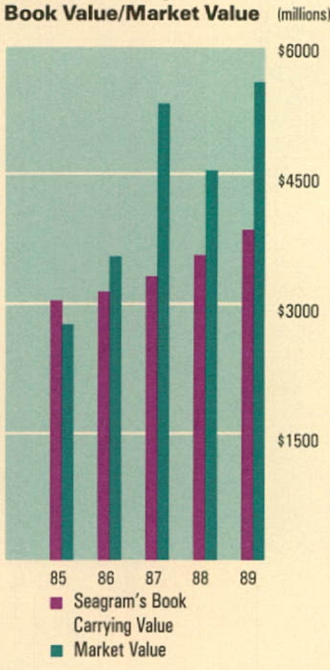
After-Tax Income

Net income for the twelve months ended January 31, 1989 advanced 13.1 percent to $589.5 million, notwithstanding increases in goodwill amortization of $33.7 million and net interest expense of $158.1 million as a result of the Tropicana and Martell acquisitions. The effective income tax rate for the January 31, 1989 twelve-month period was 22 percent, compared with a 20 percent rate in the prior year.

Seagram's Share of Du Pont Earnings



Du Pont Holdings— Book Value/Market Value



Financial Position

	January 31,		
	1989	1988	1987
		(millions)	
Working capital	**$1,187.5**	$1,556.7	$1,599.6
Current ratio (current assets to current liabilities)	**1.6:1**	2.1:1	2.5:1
Short- and long-term indebtedness net of cash and short-term investments	**$2,913.2**	$1,013.3	$ 851.0
Debt*/Debt* + equity ratio	**37%**	19%	18%
Shareholders' equity	**$4,974.3**	$4,457.5	$3,955.6
Return on average shareholders' equity	**12.5%**	12.4%	11.3%

*Net of cash and short-term investments.

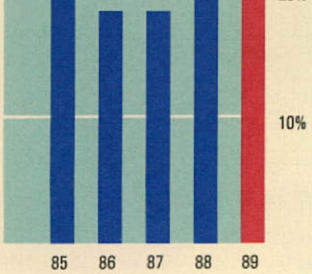
To fund seasonal working capital requirements, the Company relies primarily on U.S. dollar-denominated commercial paper supported by bank credit facilities and also borrows different currencies from various sources. The acquisitions of Martell and Tropicana were financed through intermediate- and long-term borrowings.

Capital expenditures, including those at companies subsequent to acquisition, amounted to $141.6 million in the twelve months ended January 31, 1989, compared with $89.1 million in the prior year and $106.3 million in the twelve-month period ended January 31, 1987.

The Company is not required to adopt Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," until its fiscal year beginning February 1, 1990. As discussed in Note 3 to the Consolidated Financial Statements, it is not practicable at this time to estimate the effects the new statement may have.

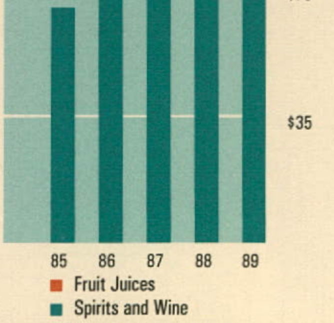
With funds generated from beverage operations and Du Pont dividends, no difficulty is expected in meeting future financial obligations.

Debt*/Debt*+Equity Ratio



*Net of cash and short-term investments.

Capital Expenditures* (millions)



*Excluding property, plant and equipment arising from acquired companies and corporate capital expenditures.

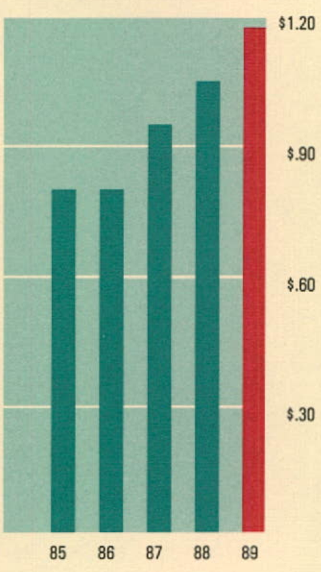
Return to Shareholders

During the twelve months ended January 31, 1989, the Company paid quarterly dividends of \$.275 per share in the first quarter and \$.30 per share in the final three quarters. In the twelve-month period ended January 31, 1988, dividends were \$.25 per share in the first two quarters and \$.275 per share for the final two quarters of the year. Dividends paid to shareholders totaled \$113.2 million for the twelve months ended January 31, 1989 and \$100.3 million in the prior period.

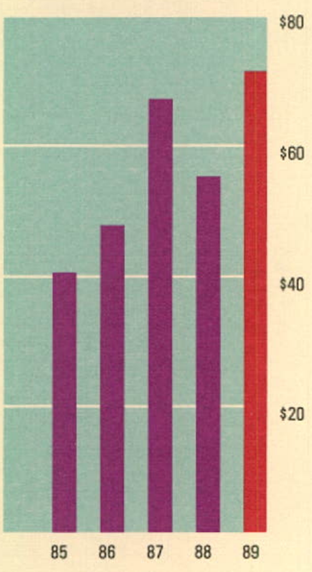
The Company's common shares are traded on the New York, Montreal, Toronto, Vancouver, London and Paris Stock Exchanges. The Company had approximately 9,800 shareholders of record at March 3, 1989. Market prices at January 31, 1989 were Canadian \$84.50 and U.S. \$71.13. The quarterly high and low prices were as follows:

	Twelve Months Ended			
	January 31, 1989		January 31, 1988	
	High	Low	High	Low
Canadian Stock Exchanges (Canadian Dollars)				
First Quarter	**C\$73 1/4**	**C\$62**	C\$104 1/2	C\$87 3/4
Second Quarter	**70**	**62 5/8**	106	90 1/2
Third Quarter	**74 1/8**	**64 1/2**	109 1/2	64 1/2
Fourth Quarter	**84 1/2**	**67 1/4**	79	64 1/2
New York Stock Exchange				
First Quarter	**US\$58 1/4**	**US\$50**	US\$79 3/4	US\$65 5/8
Second Quarter	**58**	**50 3/8**	80	67
Third Quarter	**61 3/4**	**52 1/8**	82 3/4	49
Fourth Quarter	**71 1/2**	**55 3/4**	60	49

Dividends Per Share



End-Of-Year Share Price



Consolidated Statement of Income

(U.S. dollars in thousands, except per share amounts)

The Seagram Company Ltd.
(Incorporated under the Canada Business Corporations Act)
and Subsidiary Companies

	Twelve Months Ended January 31,		
	1989	1988	1987
Sales and other income*	$5,055,671	$3,815,480	$3,344,820
Cost of goods*	3,170,165	2,436,640	2,189,628
	1,885,506	1,378,840	1,155,192
Selling, general and administrative expenses	1,460,136	1,093,127	927,360
Restructuring costs	—	—	35,000
Operating Income	425,370	285,713	192,832
Dividend income from E.I. du Pont de Nemours and Company	202,541	179,481	165,511
	627,911	465,194	358,343
Interest expense, net	238,495	80,397	84,294
Income before income taxes and unremitted Du Pont earnings	389,416	384,797	274,049
Provision for income taxes	84,372	74,915	17,135
Income from Beverage Operations and Du Pont Dividends	305,044	309,882	256,914
Interest expense related to share repurchase, after income taxes	—	—	(2,513)
Equity in unremitted Du Pont earnings	284,416	211,206	169,057
Net Income	$ 589,460	$ 521,088	$ 423,458
Earnings per share data:			
Income from beverage operations and Du Pont dividends	$3.17	$3.25	$2.67
Equity in unremitted Du Pont earnings	2.95	2.21	1.78
Net Income	$6.12	$5.46	$4.45

*Includes excise taxes of $1.1 billion, $1.0 billion and $.9 billion for the twelve months ended January 31, 1989, 1988 and 1987, respectively.

Consolidated Balance Sheet

(U.S. dollars in thousands)

Assets	January 31, 1989	January 31, 1988
Current Assets		
Cash and short-term investments at cost, which approximates market	$ 234,721	$ 633,748
Receivables	904,766	713,917
Inventories	1,947,697	1,535,464
Prepaid expenses	94,390	67,226
Total current assets	3,181,574	2,950,355
Common Stock of E.I. du Pont de Nemours and Company	3,879,301	3,587,455
Property, Plant and Equipment, at cost	1,329,809	1,006,673
Accumulated depreciation	(451,355)	(404,305)
	878,454	602,368
Excess of Cost over Fair Value of Assets Acquired	1,513,567	110,827
Sundry Assets, including investments in and advances to spirits and wine companies	243,614	292,460
	$9,696,510	$7,543,465

Liabilities and Shareholders' Equity	January 31, 1989	1988
Current Liabilities		
Short-term borrowings	$ 791,810	$ 522,310
United States excise taxes	64,856	62,558
Payables and accrued liabilities	940,156	587,915
Income and other taxes	170,535	154,127
Indebtedness payable within one year	26,748	66,774
Total current liabilities	1,994,105	1,393,684
Long-Term Indebtedness	2,329,368	1,057,981
Deferred Income Taxes and Other Credits	398,765	634,285
Shareholders' Equity		
Shares without par value		
1989—98,214,423 shares; 1988—94,786,225 shares	414,632	276,417
Share purchase warrants	—	27,275
Cumulative currency translation adjustments	(175,612)	(105,922)
Retained earnings	4,735,252	4,259,745
Total shareholders' equity	4,974,272	4,457,515
	$9,696,510	$7,543,465

Approved by the Board: Edgar M. Bronfman, Director, and C.E. Medland, Director.

Consolidated Statement of Cash Flows

(U.S. dollars in thousands)

The Seagram Company Ltd.
(Incorporated under the Canada Business Corporations Act)
and Subsidiary Companies

	Twelve Months Ended January 31, 1989	1988	1987
Operating Activities			
Income from beverage operations and Du Pont dividends	$ 305,044	$309,882	$256,914
Adjustments			
Depreciation	77,283	48,153	48,332
Amortization of excess of cost over fair value of assets acquired	35,802	2,060	940
Sundry (principally retirements)	37,814	15,006	3,019
Changes in assets and liabilities, excluding acquisitions			
Receivables	(107,857)	(55,312)	(54,443)
Inventories	(18,411)	(108,710)	(25,262)
Prepaid expenses	(16,501)	(17,739)	5,134
U.S. excise taxes, payables and accrued liabilities	164,670	84,519	(15,114)
Income and other taxes	30,607	101,546	(11,934)
Deferred income taxes	(227,914)	(278,753)	(37,975)
	(24,507)	(209,230)	(87,303)
Net cash provided by beverage operations and Du Pont dividends	280,537	100,652	169,611
Investing Activities			
Purchase of Tropicana Products, Inc. shares	(1,200,000)	—	—
Purchase of Martell S.A. shares and debentures	(732,379)	(87,849)	—
Acquisitions and other	(79,497)	(55,809)	(19,138)
Purchase of additional shares of E.I. du Pont de Nemours and Company	—	(39,925)	—
Sale of gas properties	64,211	—	—
Sale of wine company assets	—	220,000	—
Capital expenditures	(141,578)	(89,121)	(106,274)
Net cash used for investing activities	(2,089,243)	(52,704)	(125,412)
Financing Activities			
Dividends paid	(113,219)	(100,279)	(90,376)
Issuance of shares for exercise of warrants and conversion of LYONs	82,895	4,666	3,982
Repurchase and cancellation of shares	(778)	(63,254)	(18,579)
Issuance of long-term indebtedness	1,295,882	228,722	292,340
Reduction of long-term indebtedness	(13,342)	(103,836)	(174,250)
Increase in short-term borrowings and indebtedness payable within one year	158,241	26,191	149,808
Net cash provided by (used for) financing activities	1,409,679	(7,790)	162,925
Net (Decrease) Increase in Cash and Short-Term Investments	$ (399,027)	$ 40,158	$207,124

Consolidated Statement of Shareholders' Equity

(U.S. dollars in thousands, except per share amounts)

	Shares Without Par Value		Share Purchase Warrants	Cumulative Currency Translation Adjustments	Retained Earnings
	Number	Amount			
January 31, 1986	95,145,420	$222,426	$27,691	$(311,874)	$3,583,738
Twelve months ended January 31, 1987					
Net income					423,458
Dividends—$.95 per share					(90,376)
Change in translation adjustments				83,418	
Shares issued—conversion of LYONs	657,936	35,602			
—exercise of share purchase warrants	1,500	68	(12)		
Shares repurchased and cancelled	(310,000)	(728)			(17,851)
January 31, 1987	95,494,856	257,368	27,679	(228,456)	3,898,969
Twelve months ended January 31, 1988					
Net income					521,088
Dividends—$1.05 per share					(100,279)
Change in translation adjustments				122,534	
Shares issued—conversion of LYONs	347,344	19,977			
—exercise of share purchase warrants	51,025	2,293	(404)		
Shares repurchased and cancelled	(1,107,000)	(3,221)			(60,033)
January 31, 1988	94,786,225	276,417	27,275	(105,922)	4,259,745
Twelve months ended January 31, 1989					
Net income					589,460
Dividends—$1.175 per share					(113,219)
Change in translation adjustments				(69,690)	
Shares issued—exercise of share purchase warrants	3,443,198	138,259	(27,275)		
Shares repurchased and cancelled	(15,000)	(44)			(734)
January 31, 1989	**98,214,423**	**$414,632**	**$ —**	**$(175,612)**	**$4,735,252**

Summary of Significant Accounting Policies

The Company's accounting policies are generally accepted, in all material respects, in both Canada and the United States.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of The Seagram Company Ltd. and its subsidiaries consolidated from the date of acquisition using purchase accounting. Investments and advances relate primarily to nonconsolidated affiliates owned 20 percent or more, which are accounted for using the equity method. The excess of cost over fair value of assets acquired (goodwill) is amortized over varying periods, principally forty years.

Foreign Currency Translation

A substantial portion of the Company's operations occurs in the United States and, therefore, the Consolidated Financial Statements are expressed in United States currency. Except for operations in highly inflationary economies, all assets and liabilities of companies outside the United States are translated using end-of-year exchange rates; revenues and expenses are translated using the average exchange rate for the year. Unrealized currency translation adjustments are deferred in shareholders' equity, whereas realized transaction gains and losses are recognized currently in net income. For operations in countries which are considered to have highly inflationary economies, inventories and property, plant and equipment are translated using historical exchange rates, with the related translation effects included in income when significant.

Inventories

Inventories are stated at cost, which is not in excess of market, and consist principally of spirits, wines and fruit juices. Cost is determined by either the last-in, first-out (LIFO) method or the identified cost method. The LIFO method, used by the Company in the United States and Venezuela, recognizes in cost of goods the current costs of producing beverages and reflects inventories in the balance sheet at production costs of prior periods.

The Company's general practice is to expense, as incurred, costs associated with the ageing of spirits and wines. In accordance with industry practice, current assets include spirits and wines which, in the Company's normal business cycle, are aged for varying periods of years.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is determined for financial reporting purposes using the straight-line method over estimated useful asset lives, generally at annual rates of 2-10 percent for buildings, 4-20 percent for machinery and equipment, and 2-20 percent for other assets.

Income Taxes

Deferred income taxes are provided for items reported for tax purposes in different periods than recognized in the financial statements. Such provisions relate principally to accelerated depreciation methods for tax purposes and the tax treatment as an installment sale of the proceeds from the sale of United States oil and gas properties. Deferred taxes are not provided for that portion of undistributed earnings of subsidiaries outside Canada which is permanently reinvested.

Pensions

The Company has pension plans covering substantially all of its employees. Pension costs and plan contributions are determined by independent consulting actuaries. Pension benefits generally are based on years of service and compensation levels near the end of employee service. The Company's funding policy for tax-qualified pension plans is consistent with applicable statutory funding requirements and regulations.

Revenue and Expense Items

Sales and other income and cost of goods include excise taxes and duties paid or accrued on spirits and wines. Advertising and promotion expenses are charged to income as incurred.

Earnings Per Share

Net income per share is based on the average number of outstanding common shares plus, when dilutive, employee stock options.

Notes to Consolidated Financial Statements

Note 1: Equity in Du Pont

The Company owns 54.7 million shares, approximately 22.9 percent at January 31, 1989, of the outstanding common stock of E.I. du Pont de Nemours and Company. The Company and Du Pont have entered into an agreement which provides that the Company will be entitled to representation on the Du Pont board of directors proportional to its stock ownership. The Company will not as a general matter exceed a 25 percent holding of Du Pont common stock unless another party acquires or offers to acquire a substantial stock position, and Du Pont will have a right of first refusal if the Company offers its Du Pont shares for sale or transfer during the term of the agreement. The agreement may be terminated on two years' notice given at any time on or after April 2, 1997, but is subject to earlier termination upon the occurrence of specified events, including dilution of the Company's stock ownership.

The Company accounts for its interest in Du Pont using the equity method whereby its proportionate share of Du Pont earnings is included in income. The $401 million excess at acquisition of the Company's carrying value above the equity in Du Pont net assets was allocated primarily to Du Pont LIFO inventory. The portion allocated to property, plant and equipment and long-term borrowings is being amortized over varying periods, none exceeding fifteen years.

Summarized financial information for Du Pont, based upon its publicly reported financial statements, follows:

	Twelve Months Ended December 31,		
	1988	1987	1986
		(millions)	
Sales	$32,917	$30,468	$27,148
Cost of goods sold and other expenses	29,518	27,132	24,436
Net income	2,190	1,786	1,538

	December 31,	
	1988	1987
	(millions)	
Current assets	$10,238	$ 9,953
Noncurrent assets	20,481	18,256
	$30,719	$28,209
Current liabilities	$ 6,696	$ 6,140
Noncurrent liabilities	8,443	7,825
Stockholders' equity	15,580	14,244
	$30,719	$28,209

In the twelve months ended January 31, 1989, 1988 and 1987, interest expense allocated against unremitted Du Pont earnings amounted to $11.3 million, $11.2 million and $10.7 million, respectively, and the related income tax benefits were $3.8 million, $4.4 million and $4.9 million, respectively.

Cumulative unremitted Du Pont earnings of $1.1 billion are included in consolidated retained earnings at January 31, 1989; no provision for taxes has been made in view of available options for realization.

Note 2: Credit Arrangements and Long-Term Indebtedness

Short-term borrowings at January 31, 1989 comprised bank borrowings of $319.9 million and commercial paper of $471.9 million, bearing interest at prime or equivalent rates, respectively. The Company's unused lines of credit at January 31, 1989, a portion of which supports outstanding commercial paper, totaled $1.5 billion.

Long-term indebtedness comprised:

	January 31,	
	1989	1988
	(thousands)	
Eurodollar Notes, due February 24, 1991 and August 16, 1994; interest at 8.1% on average (7.8% in 1988)	$ 61,862	$ 107,816
7 5/8% Debentures, due December 15, 1991	8,457	10,331
Term Loan, due April 7, 1993; interest at 8.5% on average	300,000	—
7% Eurodollar Subordinated Debentures, due May 15, 1993	11,166	49,774
9 3/8% Eurodollar Bonds, due October 21, 1993	152,341	—
12 1/4% Guaranteed Eurodollar Bonds, due November 23, 1994	49,819	49,249
10 7/8% Debentures, due June 1, 1995	18,808	19,739
10% Eurodollar Bonds, due June 27, 1995	100,000	100,000
8 1/2% Eurodollar Bonds, due April 15, 1996	100,000	100,000
12% Guaranteed Promissory Notes, due July 15, 1996	21,900	29,200
9.65% Guaranteed Notes, due May 1, 1998	249,405	—
9 3/4% Guaranteed Notes, due June 15, 2000	248,471	—
Liquid Yield Option Notes, due March 5, 2006	93,278	86,323
8 3/8% Guaranteed Debentures, due February 15, 2007	200,000	200,000
12 3/8% Debentures, due October 31, 2012 (£50,000,000)	87,247	87,956
9.65% Guaranteed Debentures, due August 15, 2018	249,377	—
6% Swiss Franc Bonds, due September 30, 2085 (Sfr. 250,000,000)	156,250	182,750
Sundry	247,735	101,617
	2,356,116	1,124,755
Less: Indebtedness payable within one year	26,748	66,774
	$2,329,368	$1,057,981

Interest expense on long-term indebtedness was $165.2 million, $59.0 million and $68.2 million in the twelve months ended January 31, 1989, 1988 and 1987, respectively. Annual repayments and redemptions for the five years subsequent to January 31, 1989 are: 1990—$26.7 million; 1991—$90.6 million; 1992—$84.0 million; 1993—$51.5 million; 1994—$489.3 million.

Joseph E. Seagram & Sons, Inc. (JES), the principal United States spirits and wine subsidiary, has outstanding Liquid Yield Option Notes (LYONs), which are zero coupon notes with no interest payments due until maturity on March 5, 2006. The LYONs are convertible at the option of the holders into the Company's common shares at a conversion rate of 4.61 shares for each $1,000 face amount LYON. At January 31, 1989, the LYONs were convertible into 1,643,833 of the Company's common shares. The Company has guaranteed the LYONs on a subordinated basis.

In addition, the Company has unconditionally guaranteed JES's 12 1/4% Eurodollar Bonds due November 23, 1994, 12% Promissory Notes due July 15, 1996, 9.65% Notes due May 1, 1998, 9 3/4% Notes due June 15, 2000, 8 3/8% Debentures due February 15, 2007 and 9.65% Debentures due August 15, 2018.

Summarized financial information for JES and its subsidiaries follows:

	Twelve Months Ended January 31,		
	1989	1988	1987
	(thousands)		
Sales and other income	$3,073,582	$2,977,409	$2,777,905
Cost of goods	2,052,659	2,008,101	1,911,043
Net income	495,595	418,414	337,649

	January 31,	
	1989	1988
	(thousands)	
Current assets	$1,694,771	$2,436,124
Noncurrent assets	6,250,780	4,291,099
	$7,945,551	$6,727,223
Current liabilities	$1,334,520	$1,042,489
Noncurrent liabilities	1,952,757	1,452,168
Shareholder's equity	4,658,274	4,232,566
	$7,945,551	$6,727,223

Note 3: Income Taxes

The components of pretax income from beverage operations and Du Pont dividends were:

	Twelve Months Ended January 31,		
	1989	1988	1987
	(thousands)		
Canada and the U.S.	$ 99,189	$152,460	$121,829
Other jurisdictions	290,227	232,337	152,220
	$389,416	$384,797	$274,049

The components of income tax expense were:

	Twelve Months Ended January 31,		
	1989	1988	1987
	(thousands)		
Income tax applicable to			
Beverage operations	$ 70,599	$ 60,801	$ 5,715
Dividend income from Du Pont	13,773	14,114	11,420
Tax benefit from interest expense relating to share repurchase and Du Pont holdings	(3,828)	(4,415)	(6,962)
Total income tax expense	$ 80,544	$ 70,500	$10,173
Current			
United States Federal			
Tax on dividend income	$ 13,773	$ 14,114	$11,420
Tax benefit applicable to beverage operations	(5,385)	(33,183)	(50,162)
Tax on Sun note payment	88,366	57,881	60,825
Tax treatment of sale of U.S. oil and gas properties and other items	105,332	234,694	(18,029)
Tax benefit from interest expense relating to share repurchase and Du Pont holdings	(3,828)	(4,415)	(6,962)
Other jurisdictions	110,200	80,162	60,256
	308,458	349,253	57,348
Deferred			
United States Federal			
Tax on Sun note payment	(88,366)	(57,881)	(60,825)
Tax treatment of sale of U.S. oil and gas properties and other items	(105,332)	(234,694)	18,029
Depreciation and other	(20,034)	8,135	2,168
Other jurisdictions	(14,182)	5,687	(6,547)
	(227,914)	(278,753)	(47,175)
Total income tax expense	$ 80,544	$ 70,500	$10,173

The Company's effective income tax rate for income from beverage operations and Du Pont dividends differed from the statutory rate in the United States as a result of the following factors:

	Twelve Months Ended January 31,		
	1989	1988	1987
Statutory rate	34%	40%	45%
Dividend income from Du Pont	(14)	(15)	(23)
Operations outside the U.S.	2	(5)	(11)
U.S. restructuring costs	—	—	(5)
Effective income tax rate	22%	20%	6%

Various taxing authorities have proposed or levied assessments for additional income taxes of prior years; management believes that settlements will not have a material effect on the financial position of the Company.

Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes," issued in December 1987, establishes new accounting standards for income taxes. The Company has until its fiscal year beginning February 1, 1990 to adopt the statement. It is not practicable to estimate the effects of the new statement on the Company inasmuch as Du Pont's adoption of the statement will affect the Company's timing and method of adoption. In general, however, recent reductions in corporate income tax rates will result in a credit to income but changes required in the accounting for past acquisitions are expected to more than offset this income.

Note 4: Stock Option Plan

Under the Company's employee stock option plan, options may be granted to purchase the Company's common shares at not less than the fair market value of the shares on the grant date. The options become exercisable commencing one year from the date of grant and expire ten years after the grant date. The plan also permits the granting of stock appreciation rights (SARs) whereby the option holder may surrender options and receive payment in cash, shares, or a combination of cash and shares, equivalent to the difference between the option price and the market value of the underlying shares.

At January 31, 1989, stock options for 796,035 shares were outstanding; no SARs had been granted. The options become exercisable on March 22, 1989 at $54.375 a share.

Note 5: Common Shares and Earnings Per Share

The Company is authorized to issue an unlimited number of common shares without nominal or par value. At January 31, 1989, 2,439,868 common shares were potentially issuable upon the conversion of the LYONs described in Note 2 and the exercise of employee stock options. The dilutive effect on the Company's earnings per share from the assumed issuance of these shares would be less than 3 percent. Net income per share was based on the following weighted average number of shares outstanding in the twelve-month periods ended January 31: 1989—96,365,418; 1988—95,478,342; 1987—95,112,193.

Note 6: Retirement Plans

Pension costs were $16.3 million, $11.0 million and $5.4 million for the twelve months ended January 31, 1989, 1988 and 1987, respectively. The net cost of the Company's U.S. pension plans included the following components:

	Twelve Months Ended January 31,		
	1989	1988	1987
		(thousands)	
Service cost—benefits earned during the period	$10,620	$10,958	$ 7,672
Interest cost on projected benefit obligation	34,404	31,033	30,609
Return on plan assets			
Actual (gain) loss	(88,812)	19,479	(79,735)
Deferred actuarial gain (loss)	46,982	(57,827)	45,749
Net amortization	1,192	1,192	541
Net pension cost	$ 4,386	$ 4,835	$ 4,836

The expected long-term rate of return on plan assets for the twelve months ended January 31, 1989 was 10.75 percent, compared with 10 and 11 percent for the twelve-month periods ended January 31, 1988 and 1987, respectively.

The year-end status of the U.S. plans follows:

	January 31, 1989		January 31, 1988	
	Funded Plans	Unfunded Plans	Funded Plans	Unfunded Plans
		(thousands)		
Actuarial present value of				
Vested benefit obligation	$(300,789)	$(23,199)	$(270,564)	$(21,923)
Accumulated benefit obligation	$(319,824)	$(24,362)	$(283,664)	$(22,895)
Projected benefit obligation	$(396,714)	$(27,085)	$(347,465)	$(26,002)
Plan assets at fair value, principally U.S.-listed securities	462,562	—	351,585	—
Plan assets in excess of (less than) projected benefit obligation	65,848	(27,085)	4,120	(26,002)
Deferred net actuarial (gain) loss	(29,712)	9,634	21,956	10,388
Unamortized increase (decrease) in prior service cost	428	164	(179)	179
Unamortized transition (asset) obligation	(2,138)	8,561	(2,375)	9,339
Prepaid (accrued) pension cost	$ 34,426	$ (8,726)	$ 23,522	$ (6,096)

The rates used in determining the actuarial present value of the year-end projected benefit obligations were:

	January 31,	
	1989	1988
Discount rate	9%	8.75%
Assumed rates of increase in future compensation levels	6.5-7%	7%

The net pension cost for the Company's Canadian plans was $1.1 million for the twelve months ended January 31, 1989. The present value of the plans' projected benefit obligations was $94.1 million, most of which was for vested benefits, and the fair value of plan assets was $114.2 million. The majority of the Company's pension plans outside the United States and Canada are insured plans.

Health care and life insurance benefits are provided for retirees, including those in certain foreign countries, who were employed by the Company at retirement. The Company expenses the related cost as incurred, which was $5.3 million, $5.3 million and $4.9 million for the twelve months ended January 31, 1989, 1988 and 1987, respectively.

Note 7: Acquisitions

The Company acquired Martell S.A. and Tropicana Products, Inc. in early April 1988 for $2 billion. As purchase transactions, the acquisitions required an allocation of the respective purchase prices to the net assets acquired and a determination of additional depreciation and amortization of the revalued net assets. The aggregate purchase price not so allocated was recorded as excess of cost over the fair value of assets acquired and will be amortized over forty years.

The Company's income statement for the twelve months ended January 31, 1989 includes Martell's and Tropicana's results of operations subsequent to the acquisitions. Operating results for the twelve months would not be significantly different if the acquisitions had been made as of February 1, 1988.

Note 8: Business Segment and Geographic Data

The Company operates principally in two business segments: spirits and wine, including wine and spirits coolers, and, primarily through Tropicana Products, Inc., fruit juices and juice beverages. Financial information relating to the Company's business segments follows:

	Spirits and Wine	Fruit Juices	Corporate[1]	Total
	(millions)			
January 31, 1989				
Sales and other income[2]	$4,282	$ 774	$ —	$5,056
Depreciation	60	14	3	77
Amortization of goodwill	16	20	—	36
Operating income (expense)	374	66	(15)	425
Identifiable assets	4,161	1,354	4,182	9,697
Capital expenditures	92	38	12	142

[1] Includes corporate expenses and assets not identifiable with either business segment. Includes Du Pont holdings, which represent 93 percent of corporate assets.

[2] Intersegment sales approximate market and are not significant.

Financial information relating to significant geographic areas is presented below. Sales to unrelated parties reflect shipments made to locations both within and without each geographic segment. Sales among geographic areas include intercompany transactions on a current market price basis.

	Sales and Other Income: Unrelated Parties	Sales and Other Income: Inter-company	Operating Income	Total Assets*
	(millions)			
January 31, 1989				
United States	$2,469	$ 123	$ (7)	$2,321
Europe	1,831	680	248	2,795
Latin America and Asia-Pacific	568	10	93	411
Canada	188	256	91	290
	$5,056	$1,069	$425	$5,817
January 31, 1988				
United States	$1,686	$ 18	$ (59)	$1,465
Europe	1,476	187	203	1,836
Latin America and Asia-Pacific	479	16	67	353
Canada	174	332	75	302
	$3,815	$ 553	$286	$3,956
January 31, 1987				
United States	$1,778	$ 51	$ (67)	$1,595
Europe	1,015	188	133	1,313
Latin America and Asia-Pacific	402	17	61	329
Canada	150	143	66	320
	$3,345	$ 399	$193	$3,557

The above data are classified solely in accordance with the requirements of the Ontario Securities Commission and are not used by management.

*Excludes Du Pont holdings.

Note 9: Additional Financial Data

	Twelve Months Ended January 31, 1989	1988	1987
	(thousands)		
Interest expense, net			
Interest expense	$256,673	$125,127	$122,290
Interest income	(18,178)	(44,730)	(37,996)
	$238,495	$ 80,397	$ 84,294
Minority interest in net income of subsidiary companies	$ 6,472	$ 4,607	$ 3,371

In the twelve months ended January 31, 1989, cash payments of interest expense, net of interest income received, were $237.7 million and cash payments of income taxes were $321.1 million.

	January 31, 1989	1988
	(thousands)	
Receivables		
Trade	$ 829,502	$ 655,059
Other	112,503	89,513
	942,005	744,572
Less: Allowance for doubtful accounts and other valuation accounts	(37,239)	(30,655)
	$ 904,766	$ 713,917
Inventories		
Spirits, wines and fruit juices	$1,841,613	$1,458,797
Materials and supplies	106,084	76,667
	$1,947,697	$1,535,464
Property, plant and equipment		
Land	$ 106,713	$ 68,282
Buildings	359,928	266,888
Machinery and equipment	480,176	367,403
Oil and gas properties	—	52,154
Other, including construction in progress	382,992	251,946
	$1,329,809	$1,006,673
Payables and accrued liabilities		
Trade	$ 385,477	$ 265,535
Other	554,679	322,380
	$ 940,156	$ 587,915
Deferred income taxes and other credits		
Deferred income taxes	$ 198,024	$ 439,603
Other credits	170,261	162,172
Minority interest	30,480	32,510
	$ 398,765	$ 634,285

Inventories accounted for using the LIFO inventory method amounted to $326.6 million at January 31, 1989 and $231.9 million at January 31, 1988. The excess of current estimated replacement cost over LIFO carrying value was $206.7 million and $184.6 million at January 31, 1989 and 1988, respectively.

Financial Statement Responsibility

The Company's management is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including the estimates and judgments required for such preparation. Financial information appearing throughout this annual report to shareholders is consistent with the financial statements.

The Company has a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and financial records properly reflect all transactions. A program of internal audits allows management to be reasonably confident that such controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. Management believes that its long-standing emphasis on the highest standards of conduct and business ethics, as set forth in written policy statements, serves to reinforce the system of internal accounting controls.

The Company's independent auditors, Price Waterhouse, review the system of internal accounting controls to the extent they consider necessary to evaluate the system as required by generally accepted auditing standards. Their report covering their examination of the financial statements is presented herein.

The Audit Committee of the Board of Directors, solely comprising Directors who are not officers or employees of the Company, meets with the independent auditors, the internal auditors and management to ensure that each is discharging its respective responsibilities relating to the financial statements. The independent auditors and the internal auditors have direct access to the Audit Committee to discuss, without management present, the results of their audit work and any matters they believe should be brought to the Committee's attention.

Edgar M. Bronfman — Richard Karl Goeltz

Edgar M. Bronfman Chairman of the Board and Chief Executive Officer	Richard Karl Goeltz Executive Vice President, Finance

Edward Falkenberg

Edward Falkenberg
Controller

Auditors' Report

To the Shareholders of
The Seagram Company Ltd.

We have examined the consolidated balance sheet of The Seagram Company Ltd. and subsidiary companies as at January 31, 1989 and 1988 and the consolidated statements of income, shareholders' equity and cash flows for each of the twelve-month periods ended January 31, 1989, 1988 and 1987. 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 financial statements present fairly the financial position of the Company as at January 31, 1989 and 1988 and the results of its operations and its cash flows for each of the twelve-month periods ended January 31, 1989, 1988 and 1987, in accordance with generally accepted accounting principles applied on a consistent basis.

Price Waterhouse
Montreal, Canada
March 16, 1989

Quarterly Data

(U.S. dollars in thousands, except per share amounts)

	Twelve Months Ended January 31, 1989				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Beverage Operations					
Sales and other income	$936,757	$1,246,127	$1,306,676	$1,566,111	$5,055,671
Gross profit	329,849	467,368	511,925	576,364	1,885,506
Operating income	83,368	100,521	130,089	111,392	425,370
Income from Beverage Operations and Du Pont Dividends	$ 77,494	$ 74,793	$ 92,469	$ 60,288	$ 305,044
Equity in unremitted Du Pont earnings	85,020	90,701	49,974	58,721	284,416
Net Income	$162,514	$ 165,494	$ 142,443	$ 119,009	$ 589,460
Net Income Per Share	$1.71	$1.74	$1.46	$1.21	$6.12

	Twelve Months Ended January 31, 1988				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Beverage Operations					
Sales and other income	$832,110	$868,960	$927,382	$1,187,028	$3,815,480
Gross profit	292,131	330,943	323,663	432,103	1,378,840
Operating income	69,147	60,948	89,987	65,631	285,713
Income from Beverage Operations and Du Pont Dividends	$ 74,080	$ 72,304	$ 94,876	$ 68,622	$ 309,882
Equity in unremitted Du Pont earnings	41,786	67,104	52,298	50,018	211,206
Net Income	$115,866	$139,408	$147,174	$ 118,640	$ 521,088
Net Income Per Share	$1.21	$1.46	$1.53	$1.26	$5.46

Financial Summary

(U.S. dollars in thousands, except per share amounts)

	Twelve Months Ended January 31, 1989	1988	1987	1986	1985
Beverage Operations					
Beverage revenues	$5,055,671	$3,815,480	$3,344,820	$2,970,669	$2,821,245
Beverage operating income—Amount	425,370	285,713	192,832	214,655	245,613
—Percent of revenues	8.4%	7.5%	5.8%	7.2%	8.7%
Dividends Received from Du Pont	202,541	179,481	165,511	162,017	151,766
Income After Income Taxes					
Income from beverage operations and Du Pont dividends	305,044	309,882	256,914	250,063	255,111
Equity in unremitted Du Pont earnings	284,416	211,206	169,057	75,694	141,352
After-tax income	589,460	521,088	425,971	325,757	396,463
Interest expense related to share repurchase	—	—	(2,513)	(6,683)	(12,845)
Net Income—Amount	$ 589,460	$ 521,088	$ 423,458	$ 319,074	$ 383,618
—Percent of average shareholders' equity	12.5%	12.4%	11.3%	9.7%	13.2%
Dividends Paid	$ 113,219	$ 100,279	$ 90,376	$ 74,181	$ 72,721
Financial Position					
Cash and short-term investments	$ 234,721	$ 633,748	$ 593,590	$ 386,466	$ 126,886
Current assets	3,181,574	2,950,355	2,701,884	2,181,109	1,535,084
Common stock of Du Pont	3,879,301	3,587,455	3,329,727	3,150,611	3,041,883
Property, plant and equipment (net)	878,454	602,368	498,959	571,528	644,173
Total assets	9,696,510	7,543,465	6,886,462	6,222,157	5,544,029
Short-term debt, including indebtedness payable within one year	818,558	589,084	532,830	375,790	311,412
Current liabilities	1,994,105	1,393,684	1,102,294	943,483	740,556
Long-term indebtedness	2,329,368	1,057,981	911,764	803,601	780,760
Total liabilities	4,722,238	3,085,950	2,930,902	2,700,176	2,492,511
Shareholders' equity	4,974,272	4,457,515	3,955,560	3,521,981	3,051,518
Per Share Data					
Income from beverage operations and Du Pont dividends	$ 3.17	$ 3.25	$ 2.67	$ 2.63	$ 2.67
Equity in unremitted Du Pont earnings	2.95	2.21	1.78	.81	1.55
Net income	$ 6.12	$ 5.46	$ 4.45	$ 3.44	$ 4.22
Dividends	$1.175	$ 1.05	$ .95	$ .80	$ .80
Shareholders' equity	50.65	47.03	41.42	37.02	33.20
End-of-year market price:					
New York Stock Exchange	71.13	55.13	67.13	47.88	40.63
Canadian Stock Exchanges	C84.50	C70.00	C89.63	C68.00	C53.63
Average shares outstanding (thousands)	96,365	95,478	95,112	92,625	90,897

Directory

Directors

Edgar M. Bronfman[1]
Chairman of the Board and
Chief Executive Officer
The Seagram Company Ltd.

Charles R. Bronfman, O.C.[1]
Co-Chairman of the Board and
Chairman of the Executive Committee
The Seagram Company Ltd.

Edgar Bronfman, Jr.
Executive Vice President,
U.S. Operations
The Seagram Company Ltd.

David M. Culver, C.C.[3]
Chairman and
Chief Executive Officer
Alcan Aluminium Limited
(a Canadian multinational aluminium company)

The Hon. William G. Davis, P.C., C.C., Q.C.[2]
Counsel
Tory, Tory, DesLauriers & Binnington
(attorneys)

Paul Desmarais, C.C.[1,2]
Chairman of the Board and
Chief Executive Officer
Power Corporation of Canada
(a holding and management company)

Marie-Josée Drouin[2]
Executive Director
The Hudson Institute
of Canada Inc.
(a non-profit economics research institute)

A. Jean de Grandpré, C.C., Q.C.[3]
Chairman of the Board
BCE Inc.
(a management holding company)

Alain de Gunzburg[1]
Chairman of the Board
G. H. Mumm & Co.
(a subsidiary of the Company)

Richard E. Heckert[3]
Chairman of the Board and
Chief Executive Officer
E.I. du Pont de Nemours and Company
(a diversified chemical, energy and specialty products company)

Edward G. Jefferson[3]
Chairman, Finance Committee
E.I. du Pont de Nemours and Company
(a diversified chemical, energy and specialty products company)

David L. Johnston, O.C.[3]
Principal and Vice-Chancellor
McGill University
(an educational institution)

The Hon. E. Leo Kolber, Senator[1,3]
Chairman
Claridge Inc.
(an investment company)

C. Edward Medland[1,2]
Corporate Director

Neil F. Phillips, Q.C.[2]
Resident Senior Counsel (New York)
Goodman, Phillips & Vineberg
(attorneys)

David G. Sacks[1]
President and
Chief Operating Officer
The Seagram Company Ltd.

John L. Weinberg[3]
Senior Partner
Goldman, Sachs & Co.
(investment bankers)

Honorary Directors

Harold Fieldsteel
John L. Loeb
Fred H. McNeil
The Hon. Ian D. Sinclair, O.C.
Sir Iain Tennant, K.T.

[1]Member of the Executive Committee.
[2]Member of the Audit Committee.
[3]Member of the Human Resources Committee.

Officers

Edgar M. Bronfman
Chairman of the Board and
Chief Executive Officer

Charles R. Bronfman
Co-Chairman of the Board and
Chairman of the Executive Committee

David G. Sacks
President and
Chief Operating Officer

Edgar Bronfman, Jr.
Executive Vice President,
U.S. Operations

Richard Karl Goeltz
Executive Vice President,
Finance

Stephen E. Herbits
Executive Vice President,
Corporate Policy and
External Affairs

Edward F. McDonnell
Executive Vice President,
International

Ronald P. Carzoli
Vice President,
Human Resources

Gabor Jellinek
Vice President,
Production

Arnold M. Ludwick
Vice President

Daniel R. Paladino
Vice President,
Legal Affairs

Edward Falkenberg
Controller

Michael C. L. Hallows
Secretary

Jeananne K. Hauswald
Treasurer

Honorary Secretary

Alan A. Sharp

Shareholder Information

Annual Meeting of Shareholders
The Annual Meeting of Shareholders will be held on Thursday, May 25, 1989, at 11:30 a.m. (E.D.T.) at Le Château Champlain, Place du Canada, Montreal, Quebec, Canada.

Auditors
Price Waterhouse

Transfer Agents and Registrars
The Royal Trust Company
Corporate Trust Services
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16th Floor
Montreal, Quebec H3A 2A6

The Royal Trust Company
Corporate Trust Services
74 Victoria Street
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Corporate Trust Services
700 The Dome Tower
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The Royal Trust Company
Corporate Trust Services
Royal Trust Tower
Bentall Centre
505 Burrard Street
Vancouver, B.C. V7X 1R5

Manufacturers Hanover Trust Company
Shareholder Services
450 West 33rd Street
New York, New York 10001

Stock Symbol
VO

Stock Exchange Listings
Montreal, Toronto, Vancouver, New York, London and Paris

Corporate Information
Requests for a copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., and other corporate information, should be directed to the Secretary, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec, Canada H3A 1S9.

Shareholder Inquiries
Shareholder inquiries should be addressed to Shareholder Services, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec, Canada H3A 1S9 or telephoned to (514) 849-5271.

Edition française du rapport annuel
On peut se procurer l'édition française de ce rapport en écrivant au Secrétaire, La Compagnie Seagram Ltée, 1430, rue Peel, Montréal, Québec, Canada H3A 1S9.

Design: Richard Danne & Associates Inc.
Location Photography: René Burri/Magnum
Cover Photography: Susan Goldman
Printed in Canada

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