

THE SEAGRAM COMPANY LTD.
REPORT FOR THE TWELVE MONTHS ENDED
JANUARY 31, 1984

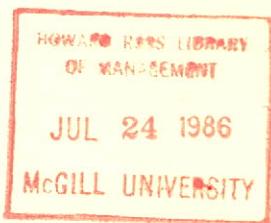


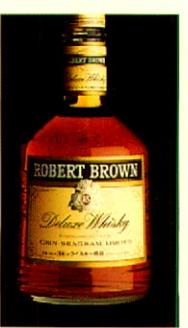
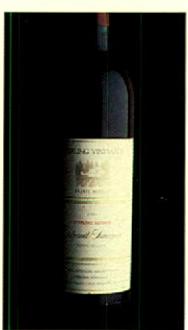


The Seagram Company Ltd. is the world's largest producer and marketer of distilled spirits and wines, with affiliates in twenty-nine countries.

Sales were \$2.65 billion. Net income rose to \$317.5 million, including \$117.1 million in dividends and \$96.8 million in unremitting earnings from the Company's 21.3 percent interest in E.I. du Pont de Nemours and Company.

The twelve months ended January 31, 1984, is the first annual reporting period since Seagram changed its year-end.





HIGHLIGHTS

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

The Seagram Company Ltd. and Subsidiary Companies

	Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period*	Twelve Months Ended July 31, 1982	1981
SPIRITS AND WINE REVENUES	<u>\$2,647,552</u>	<u>\$1,464,917</u>	<u>\$2,826,184</u>	<u>\$2,772,738</u>
INCOME AFTER INCOME TAXES:				
Spirits and Wine Operations	\$ 119,392	\$ 77,664	\$ 111,287	\$ 98,643
Dividends Received and, in 1981, Interim Investment Income	\$ 117,130	\$ 56,222	\$ 110,285	\$ 180,187
Extraordinary Gain on Sale of U.S. Oil and Gas Properties	—	—	—	\$1,222,481
NET INCOME	<u>\$ 317,546</u>	<u>\$ 125,710</u>	<u>\$ 279,441</u>	<u>\$1,523,757</u>
EARNINGS PER SHARE:				
Income before Extraordinary Gain	\$3.53	\$1.39	\$2.95	\$ 2.86
Extraordinary Gain	—	—	—	11.62
Net Income	<u>\$3.53</u>	<u>\$1.39</u>	<u>\$2.95</u>	<u>\$14.48</u>
DIVIDENDS PAID PER SHARE	<u>\$.68</u>	<u>\$.30</u>	<u>\$.567</u>	<u>\$.442</u>

CASH FLOW SUMMARY

Funds Provided by Spirits and Wine Operations	\$ 188,914	\$137,286	\$176,133	\$178,341
Funds Invested in Spirits and Wine Operations—decrease (increase)	144,450 (237,814)	(94,023)	6,612	(73,983)
Acquisition of The Wine Spectrum		—	—	—
NET FUNDS AVAILABLE FROM SPIRITS AND WINE OPERATIONS	95,550	43,263	182,745	104,358
FUNDS PROVIDED BY INCOME FROM DIVIDENDS AND, IN 1981, INTERIM INVESTMENTS	117,130	56,222	110,285	180,187
FUNDS AVAILABLE FOR CORPORATE PURPOSES	<u>\$ 212,680</u>	<u>\$ 99,485</u>	<u>\$293,030</u>	<u>\$284,545</u>

*August 1, 1982 to January 31, 1983.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

For the twelve months ended January 31, 1984, The Seagram Company Ltd. had net income of \$317.5 million, a 33 percent increase over \$239.2 million in the prior comparable period. Earnings in the current period include \$117.1 million in dividends and \$96.8 million in unremitting earnings from E.I. du Pont de Nemours and Company. On a per-share basis, net income was \$3.53, compared with \$2.67 for the previous twelve months.

For the Company's basic business of spirits and wine, a difficult economic environment worldwide, the continuing strength of the U.S. dollar and increasingly competitive markets combined to reduce sales and operating income. Net income from spirits and wines advanced slightly because of lower interest expense, among other factors. Several of the year's events—the acquisition of The Wine Spectrum, an accelerated new products program and signs of an end to the recession—offer promise for the future.

Sales for the twelve months ended January 31, 1984, were \$2.65 billion, down slightly from \$2.68 billion in the twelve months ended a year earlier. Operating income declined 14 percent to \$231 million from \$267.8 million. Reduced interest expense and a lower overall tax rate resulted in a slight gain in after-tax income from spirits and wine to \$119.4 million from \$117.5 million. Year-over-year comparisons cited here refer to the prior twelve months ended January 31, 1983. Seagram reports all results in U.S. dollars.

While the economic recovery in the U.S. produced strong gains for many industries in 1983, its effects are just beginning to be felt in our own. During the recession, strong pressure on premium brands developed in both the United States and Canada. Several performed especially well, however, despite this adverse environment. Among these were Crown Royal Canadian Whisky and The Glenlivet Single Malt Scotch, the latter recording a 20 percent gain in the U.S. to capture two-thirds of the single malt market. Two of the Company's premium Champagnes—Perrier-Jouët and Mumm Cordon Rouge—also registered impressive growth. In addition, Paul Masson generic wines achieved a 20 percent sales gain in the difficult U.S. market, and two of Seagram's imported table wines—Partager and Meribeau—continue to register the most rapid growth of any French table wines in the U.S.

In Canada, the combination of recession and continuing excessive federal and provincial taxes had a negative effect on sales of distilled spirits. The indexing of federal excise taxes—which have risen some 45 percent since 1981—together with the provincial mark-ups has resulted in significant price increases for the consumer. The Association of Canadian Distillers, fully supported by Seagram, has mounted a

concerted effort to demonstrate the adverse long-term consequences of this tax structure for the industry, for the national economy, and for the federal and provincial governments themselves.

Overseas, Seagram had a strong year, despite major currency devaluations in many Latin American and European countries. Chivas Regal continued to sell more than a million cases a year outside North America, and Seagram's standard Scotches made solid gains. Glen Grant maintained its lead as the top selling single malt Scotch in Italy, where such spirits are extremely popular. The Glenlivet and Glen Grant give Seagram two strong entries in this fastest growing spirits category in the world. The Company also has increased Sandeman's sales by transferring distribution of these fine sherries and ports to affiliates in many countries.

Seagram took important steps in 1983 to strengthen the Company's basic business. These actions included consolidations, acquisitions, and the development and introduction of new products.

The Company has consolidated the management of its Scottish operations under Chivas Brothers Limited. In England, plans are being finalized to close the Liverpool plant in 1984, and in the United States, operations were phased out at the Memphis, Tennessee, cooperage. These decisions, although difficult, were necessary to improve operating efficiency, while maintaining the Company's traditional high standard of quality.

On November 7, 1983, Seagram acquired The Wine Spectrum from The Coca-Cola Company for an amount in excess of \$200 million in cash. The transaction involved all properties of The Wine Spectrum, including Sterling Vineyards, The Monterey Vineyard and the Taylor Wine Company. The Wine Spectrum has enjoyed extraordinary growth. The combination of it and Paul Masson firmly establishes the Company as the second largest domestic wine producer in the United States. We believe that the U.S. wine market will experience solid growth in the years to come, and Seagram will be a major force in that growth.

On January 31, 1984, Seagram acquired Matheus Müller, a leading producer of sekt, the popular German sparkling wine. Matheus Müller sells more than 550,000 cases a year in a vibrant market and has well-established distribution channels which will expand availability in Germany of Seagram's other products.

Seagram also accelerated its new products program. In the U.S., the Company has been aggressively marketing Captain Morgan Spiced Rum, following one of the most successful new product introductions in recent spirits history. Myers's Original Rum Cream has been selling well since its launch nationally over a year ago. The Company has several other promising new products in U.S. test markets.

Seagram has enjoyed substantial success with new products overseas as well. Kirin-Seagram Limited, the Company's joint venture in Japan, has introduced News, a locally produced whisky, and backed it with innovative marketing directed toward consumption at home as well as in the dominant Japanese drinking clubs. Between August and December 1983, News exceeded all expectations, selling 350,000 cases.

In Latin America, Seagram has introduced two successful premium rums—Gran Blason in Mexico and Dinastia in Venezuela. Finally, in the United Kingdom, Sandeman has brought to market a new premium port—Founders Reserve—and is pleased with its enthusiastic reception.

During the year, Seagram purchased an additional 668,500 shares of Du Pont stock and now holds 51 million shares, or 21.3 percent. In December Du Pont raised its annual dividend to \$2.80 from \$2.40, which results in \$20.4 million additional cash for Seagram.

On February 1, 1984, Seagram's Board of Directors raised the Company's quarterly dividend 17.65 percent to \$.20 per share from \$.17 per share. Since 1980, dividends have increased 126 percent.

This was an important year for the Company, one in which many steps were taken to assure Seagram's success in the future. The Company is continuing its efforts to enhance shareholders' equity and to strengthen its balance sheet.

As always, we are grateful for the productive efforts and continued support of our employees, distributors, customers and shareholders.

On behalf of the Board,

A handwritten signature in blue ink that reads "Edgar M. Bronfman". The signature is fluid and cursive, with "Edgar" on the first line and "M. Bronfman" on the second line.

Edgar M. Bronfman
Chairman
March 21, 1984

"AN INDISPENSABLE KEY"

In our Annual Reports, we like to tell our shareholders about relevant attributes of their Company, particularly those that draw from the past and inspire confidence in the future.

The pages that follow deal with a facet of our business that is unique to our industry in the United States and much of the free world and of great significance to Seagram.

When, after Repeal of the 18th Amendment, the Company went international, Samuel Bronfman, with wisdom and foresight, installed a policy which today, more than fifty years later, is still the cornerstone of much of our success. He decided that an indispensable key to realizing his goal—to be undisputed number one—would be enterprising and loyal distributors who believed in our Company, who understood our dedication to quality, and who could convince the retail trade and the public that Seagram would set the pace and pave the high road for this burgeoning industry.

In this year's Annual Report, we introduce to shareholders some of the distributors who were not only involved in the beginning, but who, through second and third generation managers, continue to help us carry on the traditions of leadership and social responsibility and advance the Seagram credo: a fair profit to the distributor, a fair profit to the retailer and a fair price to the consumer.

Seagram is the envy of our industry, not just because of our size and the strength of our brands, but because we have the strongest, the most loyal, the most capable distributors there can be, a network of professional, proficient executive teams operating in America's markets. I wish we could have included all of them in this Report, but we could only give a representative sampling. By saluting the few, we acknowledge and salute the many.

In our overseas businesses, we operate in a number of countries through wholly owned, fully integrated corporations or in partnership with others, as in Japan and Venezuela. There are many nations where we deal through third-party distributors. Over the years, this network, too, run by groups of dedicated independent professionals, has developed into a strong profit source for the Company. To them also, our warm thanks and deep appreciation.

The product of our business emerges from fields of grain and vineyards, then proceeds to distilleries and wineries, and moves on to our distributors who service the stores big and small, the bars and the restaurants. To this vital link in the chain we dedicate this Annual Report.

EMB

DISTRIBUTION AND THE SEAGRAM FAMILY

As the vital link between Seagram and the retailer, a Seagram distributor supports and builds belief in a brand and translates national marketing plans into the language of the local marketplace. There is a very close element of partnership.

In 1950 the establishment of The Seagram Family Association (SFA) formalized a relationship that was born when the world was a much smaller place—for both Seagram and its distributor families. SFA was designed to help younger members of distributor management and enable distributors and Seagram executives to maintain close personal ties and open communication on industry concerns.

SFA members convene each spring to exchange views on current business issues, ranging from installation of security systems to new warehouse financing. With Seagram managers they discuss sales and marketing programs and developments as well as current and potential problems.

SFA now has more than 100 members, currently presided over by Jack Hooper of Tennessee Wine and Liquor in Nashville. When members reach the age of 50 they "graduate" into the Seagram Family Alumni Association. Past and present presidents and the president-elèct of the Wine Spirits Wholesalers of America are all SFA Alumni, a tribute to the leadership quality of Seagram's distributors.

Another program unique to the spirits industry, Seagram's Distributor Consulting Service, provides operations-related support to distributors in such areas as warehouse design, inventory management, security, accounting and order processing. The goal is to increase mutual profitability through more effective distribution of Seagram products. Some 250 distributors, as well as seventeen of the eighteen Control States, have used the Consulting Service since its beginning in 1961.

Similarly, a program launched by Seagram Distillers assists distributors in training their salesmen. In the last seven years, Seagram Distillers has helped no fewer than 176 distributors in virtually every aspect of their dealings with retailers.

This sense of family—of people working closely together to meet common goals—has nurtured the same entrepreneurial spirit that launched Seagram.

ONE HUNDRED TWELVE YEARS AGO, SIMON LEVI BOUGHT A STORE—THE ONLY STORE—IN THE TINY CALIFORNIA TOWN OF TEMECULA.

SIXTEEN YEARS AGO, NEW COMPANY HEADQUARTERS ROSE IN CARSON, CALIFORNIA, ON A SITE THAT ALSO HAD ROOM FOR A SIMON LEVI "FARM," WHERE CITY RESIDENTS COULD GROW THEIR OWN FRUITS AND VEGETABLES AT NO COST.

TODAY, THROUGH FIVE GENERATIONS OF FAMILY MANAGEMENT, THE SIMON LEVI COMPANY HAS GROWN TO BE ONE OF SOUTHERN CALIFORNIA'S LARGEST AND MOST MODERN DISTRIBUTORS.

JAY JACOBS, PRESIDENT OF THE COMPANY AND SON OF CHAIRMAN HAROLD S. JACOBS, BELIEVES THE "FAMILY PRINCIPLE" ACCOUNTS FOR SIMON LEVI'S SUCCESS. "IT'S THAT PRINCIPLE THAT ENABLES US TO MAKE THIS A REALLY CONGENIAL PLACE TO WORK, THE KIND OF PLACE THAT CAN ATTRACT AND KEEP PEOPLE OF THE QUALITY OF OUR 200 EMPLOYEES. THEY'RE WHAT MAKES THE COMPANY GREAT."

OFFERING THE BEST PRODUCTS IN THE INDUSTRY IS ANOTHER PRICELESS ASSET FOR THE JACOBS. "SEAGRAM MEANS QUALITY AND SERVICE, AND I THINK IT ALWAYS WILL. IT'S PART OF THEIR HISTORY—AND OURS," SAYS HAROLD.

THE CONTROL STATES

With Repeal of Prohibition in 1933 came the mandate of a majority of states that distilled spirits and wine (and malt beverages as well) be sold by license, generally through a three-tier system—distiller or vintner, distributor, retailer.

Eighteen of the states, however, elected to participate in the sales of spirits and wine, controlled by an agency of the state government.

The way this system functions varies among the states. In a full Control State, such as Pennsylvania, all wholesale and retail store operations are state-owned. Other states—Mississippi and Wyoming among them—act as wholesale distributors but allow privately owned retail outlets. Still others control all distribution and just part of the retail trade.

Although no state has ever changed its control system for spirits, some of them—Michigan and Ohio, for example— influenced by the growth of wine consumption and the subsequent need to build more warehouses, have relinquished control over wine sales. Virginia has a dual system for wine, where sales are allowed in privately owned stores in addition to state-owned outlets.

CANADA

For more than sixty years, the distribution and retailing of spirits and wine have been controlled by the provinces and the territories. While retailing is generally through government-owned stores, two developments have occurred in the last few years. In some provinces, retail agencies have been granted to the private sector, particularly in outlying areas. In Quebec, some wines are now sold in independently owned stores and in a number of supermarkets.

LEE SCHEPPS, THE FIRM'S PRESIDENT, WILL TELL YOU THE DALLAS ADDRESS IS JUST A COINCIDENCE. BUT FOR THE JULIUS SCHEPPS COMPANY IT'S MUCH MORE THAN THAT.

IN 1902, JOSEPH SCHEPPS AND HIS FAMILY, INCLUDING SIX-YEAR-OLD JULIUS, SPENT THEIR FIRST NIGHT IN TOWN IN A ROOMING HOUSE AT 2305 CANTON STREET, A FEW BLOCKS FROM THE OLD TRAIN STATION. JOSEPH, AN EXPERIENCED BAKER, HAD COME TO DALLAS TO START A BUSINESS OF HIS OWN. HE THRIVED, AND SOON SEVEN BAKERIES BORE THE SCHEPPS NAME.

AFTER REPEAL, SON JULIUS OPENED A BEER DISTRIBUTION COMPANY, THEN ADDED A BREWERY, AND FROM THERE ENTERED THE SPIRITS AND WINE TRADE. IN 1939, HAVING OUTGROWN THREE LOCATIONS, THE JULIUS SCHEPPS COMPANY BUILT A NEW, MODERN HEADQUARTERS ON SOME OLD AND FAMILIAR GROUND. THE ADDRESS: 2305 CANTON STREET.

TODAY, PHIL SCHEPPS AND HIS SON LEE SERVE MORE THAN 20,000 SQUARE MILES OF NORTH-EASTERN TEXAS FROM A DISTRIBUTION CENTER IN LONGVIEW, AND FROM A SPECIAL PIECE OF DALLAS THAT WAS HOME YEARS AGO, AND IS HOME NOW.

DISTRIBUTION IN THE 1980s

Many of Seagram's distributors still can recall running their businesses by hand, mapping out delivery routes on the back of an envelope and writing invoices with the help of a simple adding machine.

Now computers are mainstays of their enterprises.

Distributor operations benefit from several methods of automation. The automated case-pick system, for example, uses a microprocessor that directs the case-picking and loading sequence. Magnolia Liquors in Louisiana, with the help of the Seagram Consulting Service, has installed state-of-the-art picking carousels to automate bottle selection in its warehouses. In Mississippi, a Control State, computers operate conveyors and diagnose problems, thereby reducing maintenance costs.

Electronic Data Interchange—another industry innovation—is being tested with several distributors who will be placing orders to Seagram directly by computer. Some distributor salesmen carry electronic devices with which they can feed orders from the field into a home-office computer for transmittal directly to the warehouse. These are significant contributions to sales efficiency considering that even a medium-sized Seagram distributor logs up to 2,000 individual orders a day.

The computer also makes it possible to assess brand profitability more rapidly and thoroughly and pinpoint those brands that may need stronger promotion. Analysis of geographic locations can help determine where to increase sales efforts. Some distributors computerize restaurant wine lists to chart consumer preferences.

It's a long way from the back of the envelope.

ALLEN AND LESTER EBER STARTED OUT IN BUSINESS WITH A PARTNER WHOSE STRENGTH WAS EXCEEDED ONLY BY ITS APPETITE FOR HARD WORK—AND HAY.

LESTER HANDLED THE BUYING AND SELLING, WHILE HIS BROTHER ALLEN STEERED THE HORSE AND WAGON THROUGH THE STREETS OF ROCHESTER, NEW YORK, MAKING SALES CALLS AND DELIVERING FRESH FRUITS AND VEGETABLES. IN 1935, ONE YEAR AFTER SIGNING ON AS A SEAGRAM DISTRIBUTOR, THE EBERS WERE FACED WITH A DECISION: THEY CARRIED THREE MAJOR LINES OF WHISKY, AND ONE HAD TO GO, EITHER SEAGRAM OR THREE FEATHERS.

SKYWRITERS WROTE "THREE FEATHERS" OVERHEAD, AND ON THE GROUND, STREETCARS CARRIED BOLD STREAMERS, BUT THE ONLY FEATHER THAT COUNTED WAS IN THE EBERS' CAP...AND SEAGRAM'S.

"MY FATHER SAID IT WAS A TOUGH CHOICE," SAYS ALLEN'S SON LESTER EBER. "BUT IT WAS DECIDED THAT SEAGRAM WAS GOING TO BE A MUCH BIGGER FACTOR IN THE INDUSTRY AND THAT OUR FUTURE DEFINITELY LAY THERE."

TODAY, LESTER (CENTER OF THE PHOTOGRAPH) RUNS EBER BROS. WINE & LIQUOR CORP. WITH HIS BROTHER-IN-LAW STANLEY KLEEBERG AND HIS NEPHEW DANIEL. A GRADUATE OF THE WHARTON SCHOOL OF BUSINESS, LESTER KNOWS ABOUT COMPUTERS, MARKETING AND PRINCIPLES OF BUSINESS MANAGEMENT. HE KNOWS, TOO, THAT YOU PUT THE HORSE BEFORE THE CART, AND HARD WORK ABOVE THEM ALL.

CHALLENGES OF CHANGE

Perhaps the greatest recent impact on distribution has been consumer demand for wine. Increasingly, distributors are segregating wine and spirits sales activities. Mounting case volume of wine has created a boom in construction and expansion of warehouses. At the same time, it has enabled distributors to send out more heavily loaded trucks. The growing number of wine brands increases the variety of inventory and demands very different forecasting. Contrast The Seagram Wine Company's 632 products to some 100 Seagram spirits brands in the United States.

This growth in wine has created the need for more detailed product knowledge and innovative customer servicing. For example, many distributors employ specialists to develop wine lists for restaurants. Good wine is fragile. That mandates strict temperature and quality controls. There are a greater number of accounts to service, from pizza shops and wine stores to huge grocery chains.

It is also significant to the distributor that while spirits consumption tends to be uniform across the country, wine consumption is decidedly regional. Furthermore, the average dollar value of a case of wine is about a third that of spirits, yet a distributor's inventory may include bottles of a classic Bordeaux commanding \$100 each.

Beyond the wine revolution, an increasingly competitive spirits business has brought many more new product introductions, and distributors play a vital role in their success. Proliferation of brands will continue, and customers will be more selective. The small, independent store is giving way to food, drug and other chains. Easy long-distance transportation has reduced the number of distributors and enlarged the area each covers. Many have moved their operations to suburbs to gain more space and wider streets in which to move trucks.

Clearly, the businesses that the present generation of distributor families are managing have changed dramatically since their fathers or grandfathers founded them.

THERE ARE MANY POSSIBLE ANSWERS TO THE ETERNAL QUESTION, "WHAT WILL THE FUTURE BE?" FOR ARTHUR EDELSTEIN AND HIS FAMILY, THE ANSWER WAS, AND STILL IS, "IT WILL BE CHICAGO."

FOR THE EDELSTEINS, THE DEFINITION OF "CHICAGO" HAS UNDERGONE REPEATED CHANGES SINCE ARTHUR ENTERED THE SPIRITS TRADE. HE BEGAN ON THE SOUTH SIDE, ONE OF MANY BUSINESSES COMPETING IN THE AREA. WHEN SEAGRAM SELECTED A CHICAGO DISTRIBUTOR, THERE WERE OTHER, LARGER COMPANIES IN THE CITY THEN. NONE COULD MATCH THE VISION AND ENERGY THAT ARTHUR EDELSTEIN AND HIS BROTHER HARRY BROUGHT TO THE ENTERPRISE.

DURING CHICAGO'S POST-WAR EXPANSION, ARTHUR'S COMMITMENT TO QUALITY, INTEGRITY AND CRAFTSMANSHIP BECAME VISIBLE ON AN EVER BROADER STAGE. ARTHUR'S SON JIMMY NOW LEADS COMPANIES THAT ARE ACTIVE NOT ONLY IN COOK COUNTY BUT TWENTY-ONE OTHER ILLINOIS COUNTIES AS WELL, PLUS CALIFORNIA, WISCONSIN AND FLORIDA. HE'S ALSO INHERITED HIS FATHER'S EYE FOR EXPANSION. "WE'RE DOING A LOT OF BUSINESS IN CHAIN STORES AND OUT IN THE SUBURBS THESE DAYS," SAYS JIMMY. "IT'S EXCITING TO LOOK TO THE FUTURE, BECAUSE OUR MARKET IS ALWAYS CHANGING." BUT THE HEART OF FEDERATED DISTRIBUTORS, INC., REMAINS IN CHICAGO, WHICH SEEMS TO BE THE EDELSTEINS' KIND OF TOWN.

THE INTERNATIONAL MARKETPLACE

From the first overseas acquisition in 1935, in Scotland, Seagram has evolved into a major multinational corporation, with affiliates in twenty-nine countries. Seagram International now accounts for \$900 million in sales and is growing faster than any other segment of the Company.

Distribution overseas may involve as many as five tiers, and distribution methods are almost as varied as the cultures that make up the international marketplace. Seagram acts as its own distributor and has its own sales forces, works with independent distributors, and also distributes through joint ventures with local companies.

Seagram's diverse affiliate network, second to none in the industry, is the foundation of its international business. Drawing on this strength, the Company can build big international brands, develop and market popular local products, and aggressively launch new products.

When Sandeman was acquired in 1980, its sherries and ports went to market through independent distributors. Since then, Seagram's affiliate network has become much more intensively involved, giving strong, new momentum to Sandeman sales throughout the world. Paul Masson Wines, introduced in the United Kingdom just three years ago, are now the largest selling California wines there. Without the resources of Seagram's affiliate, Paul Masson could not have achieved this success. In Italy, dedicated sales teams of the Milan-based Seagram affiliate have expanded distribution of Glen Grant Single Malt Scotch and more than doubled sales in three years.

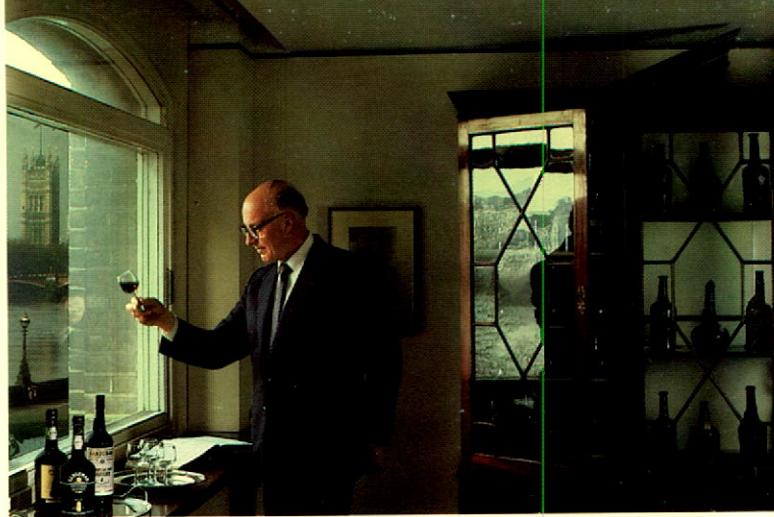
A special wine-selling team, the first in the industry in Brazil, branches out from its affiliate base in São Paolo. They have made Forestier the largest selling premium wine in their country. Three Seagram partners in Venezuela, all based in Caracas, distribute Dinastia, a highly successful new premium rum, along with other Seagram products, including Cacique, one of the two leading rums in the country.

In addition to the affiliate network, the far-flung Seagram Overseas Sales Company (SOSCO) services U.S. and NATO military installations worldwide, international airlines, government monopolies from Scandinavia to the Island of Togo, and state trading corporations from Eastern Europe to China. SOSCO also supplies duty-free shops, such as those in the gleaming new airport in Singapore, where Royal Salute is a very popular Scotch.

In Japan in August Kirin-Seagram introduced a new product: News. In its first five months, News, a locally produced whisky, sold an astonishing 350,000 cases. The keys to this success lie in the great strength of Seagram's affiliate there and its Kirin partner's traditional ties to its own family of distributors.



BENT LOEBGER (LEFT), PRESIDENT, AND GIOVANNI MAROTTI, MANAGING DIRECTOR, OF SEAGRAM ITALIA AGAINST A BACKDROP OF MILAN'S VITTORIO EMANUELE MONUMENT AND THE DUOMO. THEIR SALES TEAMS DISTRIBUTE BEST-SELLING GLEN GRANT SINGLE MALT SCOTCH AND OTHER IMPORTED AND DOMESTIC SEAGRAM PRODUCTS THROUGHOUT ITALY.



DAVID SANDEMAN, CHAIRMAN OF GEO. G. SANDEMAN & CO., AND SIXTH GENERATION DESCENDANT OF ITS FOUNDER, CHECKS THE CLARITY OF A FINE PORT IN THE COMPANY DINING ROOM ON THE THAMES. SINCE THE ACQUISITION OF SANDEMAN, SEAGRAM'S AFFILIATES ARE GIVING STRONG, NEW MOMENTUM TO SALES OF SHERRIES AND PORT.



TRAVELLERS CHOOSE FROM AMONG SEAGRAM PRODUCTS IN THE SINGAPORE AIRPORT'S DUTY-FREE SHOP, SEAGRAM OVERSEAS SALES COMPANY'S LARGEST SINGLE CUSTOMER FOR ROYAL SALUTE SCOTCH.



JOAQUIM FERREIRA, JR., MEMBER OF DIVISÃO DE VINHOS FILIAL SÃO PAULO, SEAGRAM BRAZIL'S WINE-SELLING TEAM, DISCUSSES HIS LIST OF BEST SELLING PREMIUM FORESTIER WINES WITH ROBERTO LUIZ BUCCIARELLI, PRIZED CUSTOMER AND OWNER OF SÃO PAULO'S O PROFETA RESTAURANT.





A YOUNG COUPLE IN JAPAN RELAX AT HOME WITH A GLASS OF LOCALLY PRODUCED NEWS WHISKY, KIRIN-SEAGRAM'S VERY SUCCESSFUL NEW PRODUCT. NEWS IS MARKETED WITH AN EMPHASIS ON CONSUMPTION AT HOME.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

HIGHLIGHTS

- The twelve months ended January 31, 1984, is the first annual reporting period since Seagram changed its fiscal year-end. The prior annual periods were the twelve months ended July 31, 1982 and 1981.
- Net income for the twelve months ended January 31, 1984, rose 14 percent to \$317.5 million from the twelve months ended July 31, 1982. Spirits and wine revenues and operating income declined from the two prior annual periods as a result of the difficult economic environment worldwide and reduced demand in North America; revenues from sales outside the United States were affected adversely by the strength of the U.S. dollar. Spirits and wine after-tax income increased, however, as a result of lower net interest expense and reduced income taxes.
- Seagram's equity in Du Pont income advanced significantly. Dividends received rose 23 percent to \$117.1 million, and unremitting earnings increased 28 percent to \$96.8 million.
- Cash flow remained satisfactory as spirits and wine operations provided \$95.6 million, after purchase of The Wine Spectrum for \$237.8 million, and was supplemented by the \$117.1 million in Du Pont dividends.
- Seagram expanded its product line in the past year by developing new brands and acquiring The Wine Spectrum, which produces and markets New York and California wines and champagnes.

As a result of a change in fiscal year, the reporting periods presented in the accompanying charts are:

1983—February 1, 1983, to January 31, 1984

1979 to 1982—Twelve-month periods ended July 31

Earnings per Share*

*Excluding extraordinary income.



Funds Provided From Operations, Dividends and Interim Investments, per Share



EARNINGS SUMMARY

	Twelve Months Ended		
	Jan. 31, 1984	July 31, 1982	July 31, 1981
	(millions)		
After-tax income			
Spirits and wine operations	\$119.4	\$111.3	\$ 98.6
Dividend income from Du Pont	117.1	95.3	—
Dividend income from Conoco Inc.	—	15.0	—
Interest on interim investments	—	—	180.2
Unremitted Du Pont earnings	96.8	75.7	—
After-tax income before undernoted items	333.3	297.3	278.8
Interest expense related to share repurchase	(15.8)	(17.9)	—
Nonoperating income	—	—	22.5
Extraordinary gain	—	—	1,222.5
Net income	\$317.5	\$279.4	\$1,523.8
Earnings per share	\$3.53	\$2.95	\$14.48

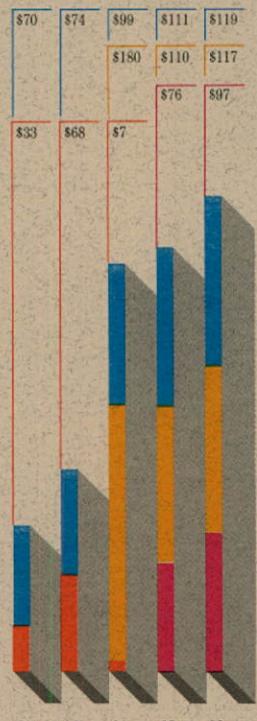
The more significant factors affecting the components of Seagram's earnings are discussed in the sections that follow. Quarterly and inflation-adjusted data are presented on pages 40 and 41. The supplementary inflation data incorporate procedures recommended by the Financial Accounting Standards Board and the Canadian Institute of Chartered Accountants.

Income*

(millions)

- Spirits and Wine
- Dividends and Interest Income
- Unremitted Equity in Du Pont
- U.S. Oil and Gas

*Excluding interest expense on share repurchase and nonoperating and extraordinary income.



1983 Revenues*

- North America
- Europe
- Latin America and Australia

*Total revenues of \$1.8 billion, excluding excise taxes.



SPIRITS AND WINE

The results of spirits and wine operations were:

	Twelve Months Ended		
	Jan. 31, 1984	July 31, 1982	July 31, 1981
	(millions)		
Revenues	\$2,647.6	\$2,826.2	\$2,772.7
Operating income	\$ 231.0	\$ 291.3	\$ 273.6
Interest expense	67.9	112.6	117.5
Income taxes	43.7	67.4	57.5
After-tax income	\$ 119.4	\$ 111.3	\$ 98.6

The above data include oil and gas activities, which were not material, in Canada and internationally.

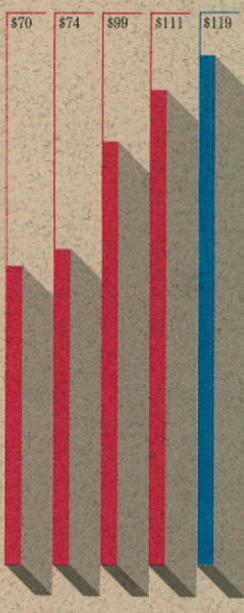
Seagram is the world's largest producer and marketer of distilled spirits and wines, with affiliates in 29 countries. The Company's traditional strength has been in North America, where it is the industry leader engaged in all aspects of spirits and wine production and marketing; in other countries, operations consist of one or more of the following activities: distillation, production of wines, sales of local products and distribution of imported goods manufactured principally by affiliates.

Revenues for the twelve months ended January 31, 1984, declined 6 percent from 1982; there was a modest sales gain in 1982 over 1981. A slack demand for distilled spirits and recessionary conditions resulted in a moderate unit volume decline in North America for the twelve-month periods ended January 31, 1984, and July 31, 1982. Although international sales increased in unit volume, the strength of the U.S. dollar reduced local currency revenues upon translation.

Spirits and Wine Net Income*

(millions)

*Excluding interest expense on share repurchase and nonoperating and extraordinary income.



Spirits and Wine Operating Income

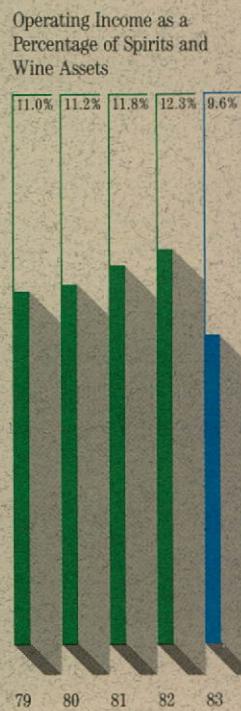
(millions)



To maintain consumer demand for Seagram products, substantial expenditures are made worldwide for advertising and sales promotion. For the twelve months ended January 31, 1984, these outlays were \$251 million, a decrease of 5 percent from the twelve months ended July 31, 1982, principally as a result of the translation effect from the strong U.S. dollar. Expenditures for the twelve months ended July 31, 1982, were \$263 million, a 9 percent increase over 1981.

Operating income for the twelve months ended January 31, 1984, declined 21 percent from the twelve months ended July 31, 1982. After-tax spirits and wine income rose 7 percent, however, as the Company benefited from lower interest expense and lower taxes. Net interest expense declined primarily as a result of lower borrowing rates and, to a lesser degree, reduced borrowings. For the twelve months ended January 31, 1984, the effective income tax rate was 27 percent, 11 percentage points lower than in 1982, resulting principally from a greater proportion of operating income in countries with lower statutory tax rates. The effective rates for 1982 and 1981 were 38 percent and 37 percent, respectively.

During the twelve months ended January 31, 1984, Seagram recorded a \$22.5 million pre-tax provision for the estimated expense associated with closing certain facilities, including a cooperage plant in the United States and a United Kingdom bottling hall, and disposal of certain excess properties. Additionally, as previously announced, the Louisville, Kentucky, facility, which included a distillery, bottling hall and warehouses, was closed in May 1983. Future savings are expected to exceed the one-time expense from these operational changes.



DU PONT INVESTMENT AND DIVIDENDS RECEIVED

Following the August 1980 sale of its United States oil and gas properties for \$2.3 billion, Seagram obtained 20.2 percent of the outstanding common shares of Du Pont. Additional shares were subsequently purchased in the market; 50,992,777 shares, or 21.3 percent, were held at January 31, 1984. Du Pont is the largest chemical company in North America and, with its acquisition of Conoco, has significant reserves of and operations in oil, gas and coal. For its year ended December 31, 1983, Du Pont had revenues of \$35.8 billion, assets of \$24.4 billion and earnings of \$1.1 billion.

Seagram's earnings from the Du Pont investment were as follows:

	Twelve Months Ended	
	Jan. 31, 1984	July 31, 1982
Dividends received, after income taxes	\$117.1	\$ 95.3
Unremitted earnings	96.8	75.7
	\$213.9	\$171.0

During the twelve months ended January 31, 1984, Seagram received three quarterly dividends at \$.60 per share and one quarterly dividend at \$.70 per share. The Company received three quarterly dividends at \$.60 per share plus a special year-end dividend of \$.35 per share during the twelve months ended July 31, 1982.

EXTRAORDINARY AND NONOPERATING INCOME

The Company recognized an after-tax extraordinary gain of \$1.2 billion on the sale of its United States oil and gas properties to Sun Company. Seagram retains reversionary interests of 25 percent of future income from producing properties and 49 percent of future income from nonproducing properties but shall benefit from the reversionary interests only after Sun has realized certain investment criteria. No value has been assigned to these reversionary interests in the balance sheet. During the twelve months ended July 31, 1981, the Company also recorded nonoperating income of \$15.6 million for the reversal of deferred taxes related to certain United Kingdom tax credits and \$6.8 million of after-tax income from discontinued United States oil and gas operations.

Book Value per Share



Return* on Average Shareholders' Equity

*Excluding nonoperating and extraordinary income.



CASH FLOW, ASSET MANAGEMENT AND DEBT LEVELS

A summary follows of the Company's cash flow generated from operations and investments:

	Twelve Months Ended		
	Jan. 31, 1984	July 31, 1982	July 31, 1981
(millions)			
Funds provided by spirits and wine operations	\$188.9	\$176.1	\$178.3
Funds invested in spirits and wine operations—decrease (increase)	144.5	6.6	(74.0)
Acquisition of The Wine Spectrum	(237.8)	—	—
Net funds provided by spirits and wine operations	95.6	182.7	104.3
Funds provided by dividends and, in 1981, interim investments	117.1	110.3	180.2
Net funds available	<u>\$212.7</u>	<u>\$293.0</u>	<u>\$284.5</u>

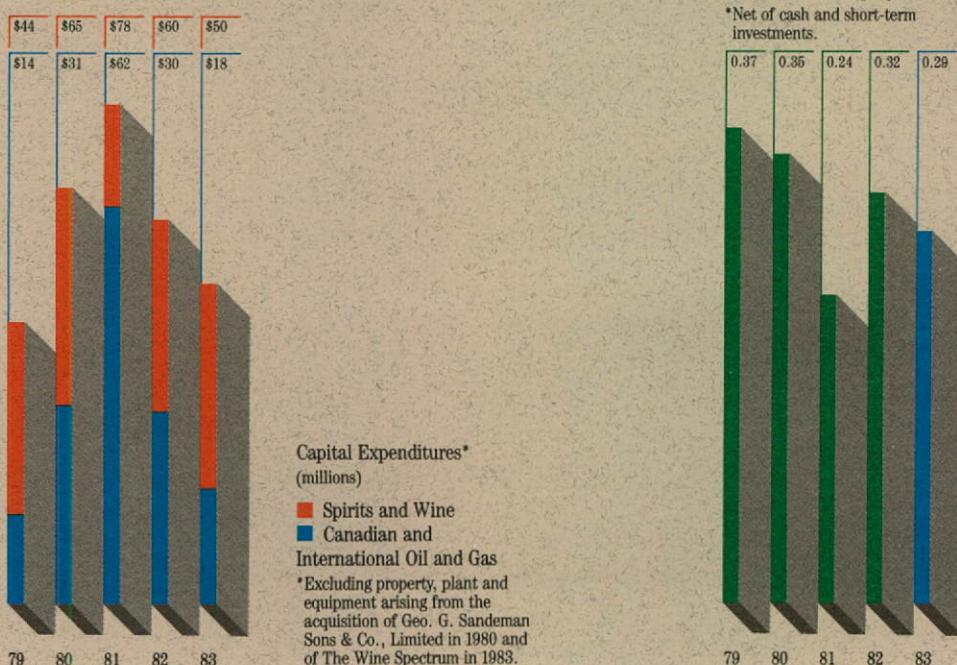
Spirits and wine capital expenditures were \$50.6 million in the twelve months ended January 31, 1984, and \$60.6 million in 1982, compared with \$77.8 million in 1981. The Company continues to modernize production facilities; however, because of the absence of major volume growth, future capital expenditures are not anticipated to be significantly above the present level.

Seagram's oil and gas subsidiary is negotiating with the government of Thailand for a sales contract for the Company's natural gas reserves in the Gulf of Thailand. In Canada the Company's proven reserves of oil and gas declined slightly to 29 million net equivalent barrels.

Short-term and long-term debt less cash and short-term investments totaled \$1.1 billion at January 31, 1984. To fund seasonal working capital requirements, the Company has relied primarily on commercial paper supported by bank credit facilities. The Company borrows funds in different currencies from various sources. Net interest expense for the twelve months ended January 31, 1984, totaling \$112 million, declined \$61.8 million from earlier levels as a result of lower borrowing rates and, to a lesser degree, reduced borrowings outstanding. Net interest expense in 1982 was \$56.4 million greater than in 1981, primarily as a result of the financing costs associated with the Du Pont investment and the share repurchase plus a higher average effective interest rate in 1982.

Dividends paid to shareholders have risen steadily to \$61.1 million during the twelve months ended January 31, 1984, from \$52.9 million in 1982 and \$46.5 million in 1981.

With the expected level of funds generated from spirits and wine operations and Du Pont dividends, it is anticipated that total corporate indebtedness will decline over time. No difficulty is anticipated in meeting future financial obligations.



RETURN TO SHAREHOLDERS

The Company increased its dividend to an annual rate of U.S. \$.68 per share in February 1983. The dividend was further increased in February 1984 to \$.80 per share annually. Dividends paid were:

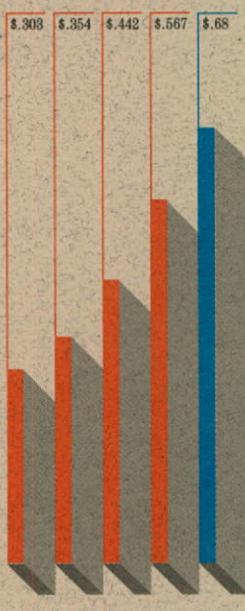
	Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period*	Twelve Months Ended July 31, 1982	1981
First Quarter	\$.17	\$.15	\$.117	\$.091
Second Quarter	.17	.15	.150	.117
For six months	.34	<u>\$.30</u>	.267	.208
Third Quarter	.17		.150	.117
Fourth Quarter	.17		.150	.117
For the year	<u>\$.68</u>		<u>\$.567</u>	<u>\$.442</u>

The Company's common shares are traded on the New York, Montreal, Toronto, Vancouver, London and Paris Stock Exchanges. The Company had approximately 14,850 shareholders of record at February 17, 1984. Market prices at January 31, 1984, were Canadian \$43.75 and U.S. \$35.00. The quarterly high and low prices were as follows:

	Twelve Months Ended Jan. 31, 1984		Six Month Fiscal Period*		Twelve Months Ended July 31, 1982	
	High	Low	High	Low	High	Low
Canadian Stock Exchanges (Canadian Dollars)						
First Quarter	C\$39 $\frac{1}{4}$	C\$31	C\$30 $\frac{1}{4}$	C\$19 $\frac{1}{4}$	C\$24 $\frac{1}{4}$	C\$17 $\frac{1}{4}$
Second Quarter	40 $\frac{1}{4}$	36	32 $\frac{1}{4}$	26 $\frac{1}{4}$	23 $\frac{1}{2}$	20 $\frac{1}{4}$
Third Quarter	45	36 $\frac{1}{4}$			21 $\frac{1}{4}$	19 $\frac{1}{4}$
Fourth Quarter	49 $\frac{1}{4}$	42 $\frac{1}{4}$			22 $\frac{1}{4}$	18 $\frac{1}{4}$
New York Stock Exchange						
First Quarter	US\$32 $\frac{1}{4}$	US\$25	US\$24 $\frac{1}{4}$	US\$15 $\frac{1}{4}$	US\$19 $\frac{1}{4}$	US\$15 $\frac{1}{4}$
Second Quarter	32 $\frac{1}{4}$	29 $\frac{1}{4}$	26 $\frac{1}{4}$	21 $\frac{1}{2}$	19 $\frac{1}{4}$	16 $\frac{1}{4}$
Third Quarter	36 $\frac{1}{2}$	29 $\frac{1}{4}$			18	15 $\frac{1}{4}$
Fourth Quarter	40	34 $\frac{1}{4}$			18 $\frac{1}{2}$	14 $\frac{1}{4}$

*August 1, 1982 to January 31, 1983.

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 Jan. 31, 1984	Six Month Fiscal Period*	Twelve Months Ended July 31, 1982	1981
Sales and other income	\$2,647,552	\$1,464,917	\$2,826,184	\$2,772,733
Cost of goods	1,705,507	953,483	1,865,985	1,877,650
	942,045	511,434	960,199	895,083
Selling, general and administrative expenses	711,015	360,943	668,868	621,521
OPERATING INCOME	231,030	150,491	291,331	273,562
Interest expense	67,906	39,411	112,607	117,469
Income before income taxes	163,124	111,080	178,724	156,093
Provision for income taxes	43,732	33,416	67,437	57,450
Income from spirits and wine operations	119,392	77,664	111,287	98,643
Interest expense related to share repurchase, after income taxes	(15,823)	(8,945)	(17,927)	—
Nonoperating (expense) income	—	(8,099)	—	22,446
Income from dividends and, in 1981, interim investments, after income taxes	117,130	56,222	110,285	180,187
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	96,847	8,868	75,796	—
Income before extraordinary gain	317,546	125,710	279,441	301,276
Extraordinary gain, after income taxes	—	—	—	1,222,481
NET INCOME	\$ 317,546	\$ 125,710	\$ 279,441	\$ 1,523,757
Per share data:				
Income before equity in unremitted earnings	\$2.45	\$1.29	\$2.15	\$ 2.86
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	1.08	.10	.80	—
Income before extraordinary gain	3.53	1.39	2.95	2.86
Extraordinary gain	—	—	—	11.62
NET INCOME	\$3.53	\$1.39	\$2.95	\$14.48

*August 1, 1982 to January 31, 1983.

CONSOLIDATED BALANCE SHEET

(U.S. dollars in thousands)

	January 31,	
	1984	1983
ASSETS		
CURRENT ASSETS		
Cash and short-term investments at cost, which approximates market	\$ 89,091	\$ 132,323
Receivables	351,465	360,549
Inventories	1,064,500	1,023,736
Prepaid expenses	25,379	29,446
Total current assets	1,530,435	1,546,054
COMMON STOCK OF E.I. DU PONT DE NEMOURS AND COMPANY	2,762,441	2,621,856
NOTE RECEIVABLE FROM SUN COMPANY, INC.	90,000	90,000
PROPERTY, PLANT AND EQUIPMENT, at cost	1,059,648	959,133
Accumulated depreciation	(334,913)	(328,695)
	724,735	630,438
INVESTMENTS AND ADVANCES—spirits and wine companies	101,075	84,721
SUNDRY ASSETS AND EXCESS OF COST OVER NET ASSETS OF COMPANIES ACQUIRED	95,959	88,727
	<u>\$5,304,645</u>	<u>\$5,061,796</u>

LIABILITIES AND SHAREHOLDERS' EQUITY	January 31,	
	1984	1983
CURRENT LIABILITIES		
Short-term borrowings	\$ 364,315	\$ 446,391
United States excise taxes	71,426	75,818
Payables and accrued liabilities	345,430	243,636
Income and other taxes	7,234	25,383
Indebtedness payable within one year	87,125	105,695
Total current liabilities	875,530	896,923
LONG-TERM INDEBTEDNESS	760,750	742,288
DEFERRED INCOME TAXES AND OTHER CREDITS	872,817	817,506
MINORITY SHAREHOLDERS OF SUBSIDIARIES	12,967	38,655
SHAREHOLDERS' EQUITY		
Shares without par value—89,887,350 shares	14,981	14,981
Share purchase warrants	27,691	—
Cumulative currency translation adjustments	(316,018)	(248,061)
Retained earnings	3,055,927	2,799,504
Total shareholders' equity	2,782,581	2,566,424
	\$5,304,645	\$5,061,796

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(U.S. dollars in thousands)

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

	Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period*	Twelve Months Ended July 31, 1982	1981
OPERATIONS:				
Income from spirits and wine operations	\$ 119,392	\$ 77,664	\$ 111,287	\$ 98,643
Interest expense related to share repurchase	(15,823)	(8,945)	(17,927)	—
Items not requiring the use of funds—				
Depreciation	38,728	18,926	33,398	33,905
Deferred income taxes	38,553	41,011	49,622	39,179
Sundry	8,064	8,630	(247)	6,614
	188,914	137,286	176,133	178,341
Income from dividends and, in 1981, interim investments	117,130	56,222	110,285	180,187
FUNDS PROVIDED BY OPERATIONS, DIVIDENDS AND INTERIM INVESTMENTS	306,044	193,508	286,418	358,528
Capital expenditures	(68,328)	(45,429)	(90,244)	(140,341)
Receivables	54,214	(2,243)	24,603	(59,516)
Inventories	90,803	49,251	14,861	87,933
Prepaid expenses	5,754	2,293	(2,996)	2,214
Excise taxes and payables	63,537	(8,664)	(24,588)	(8,846)
Income and other taxes	(1,530)	(89,231)	84,976	44,573
Funds invested in operations—decrease (increase)	144,450**	(94,023)	6,612	(73,983)
NET FUNDS AVAILABLE FROM OPERATIONS, DIVIDENDS AND INTERIM INVESTMENTS	450,494	99,485	293,030	284,545
DIVIDENDS PAID	(61,123)	(27,070)	(52,882)	(46,477)
FUNDS (REQUIRED BY) AVAILABLE FROM EXTRAORDINARY GAIN	—	—	(154,799)	2,231,868
INVESTMENTS AND OTHER:				
Acquisition of shares of E.I. du Pont de Nemours	(34,054)	(6,318)	(87,767)	(2,569,000)
Acquisition of The Wine Spectrum	(237,814)	—	—	—
Acquisition of minority shareholder's interest in a subsidiary	(26,212)	—	—	—
Repurchase and cancellation of shares	—	—	(301,097)	—
Change in cumulative currency translation adjustments	(67,957)	(52,988)	(65,135)	(130,251)
Other, net	(12,073)	17,069	38,157	64,897
Net investments	(378,110)	(42,237)	(415,842)	(2,634,354)
FINANCING ACTIVITIES:				
Issuance of long-term indebtedness	340,078	144,903	313,119	904,740
Repayment of long-term indebtedness	(321,616)	(108,781)	(824,700)	(147,009)
Issuance of share purchase warrants	27,691	—	—	—
Short-term borrowings—(decrease) increase	(100,646)	(38,049)	131,027	203,455
Net financing (repaid) obtained	(54,493)	(1,927)	(380,554)	961,186
NET (DECREASE) INCREASE IN CASH AND SHORT-TERM INVESTMENTS	\$ (43,232)	\$ 28,251	\$ (711,047)	\$ 796,768

*August 1, 1982 to January 31, 1983.

**Excludes assets and liabilities of The Wine Spectrum at the time of acquisition, which for purposes of this statement are included in "Investments and Other."

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

(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 Jan. 31, 1984	Six Month Fiscal Period*	Twelve Months Ended July 31,	
			1982	1981
Retained earnings at beginning of period	\$2,799,504	\$2,701,460	\$2,773,498	\$1,296,218
Net income	317,546	125,710	279,441	1,523,757
Dividends (per share: Twelve months ended January 31, 1984—\$.68; Six Month Fiscal Period—\$.30; Twelve months 1982—\$.567; Twelve months 1981—\$.442)	(61,123)	(27,070)	(52,882)	(46,477)
Cancellation of shares	—	(596)	(298,597)	—
Retained earnings at end of period	<u>\$3,055,927</u>	<u>\$2,799,504</u>	<u>\$2,701,460</u>	<u>\$2,773,498</u>

*August 1, 1982 to January 31, 1983.

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 on the basis of purchase accounting. Investments and advances relate principally to nonconsolidated affiliates owned 20 percent or more, which are accounted for using the equity method. The excess of cost over amounts assigned to net assets acquired is amortized over varying periods, none exceeding 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 be highly inflationary, inventories and property, plant and equipment are accounted for 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 and wines. 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, Puerto Rico and Venezuela, recognizes current costs of producing spirits and wines in cost of goods and reflects inventory in the balance sheet at production costs of prior periods. In a period of rising prices, the costs of producing spirits and wines are substantially higher than the original production costs associated with the spirits and wines now being sold.

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, will be 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 all 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 and the treatment for tax purposes of a portion of the proceeds of the sale of the United States oil and gas properties as a loan. Deferred taxes are not provided on undistributed earnings of subsidiaries outside of Canada because the Company plans to reinvest such earnings.

PENSIONS

The Company has trustee pension plans covering substantially all of its employees. Pension costs, determined by independent consulting actuaries, are essentially funded as accrued.

REVENUE AND EXPENSE ITEMS

Sales and other income and cost of goods include excise taxes and duties on spirits and wines.

Advertising and promotion expenses are charged to income as incurred.

EARNINGS PER SHARE

Primary earnings per share are based on the average number of outstanding common shares plus, when dilutive, common share equivalents (share purchase warrants). Fully diluted earnings per share assume exercise of share purchase warrants, conversion of convertible debentures and elimination of related after-tax interest expense. Note 6 provides additional information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: FISCAL YEAR CHANGE

Effective January 31, 1983, the Company changed its fiscal year-end from July 31 to January 31. Accordingly, the Consolidated Financial Statements present the results of operations for the six-month period ended January 31, 1983, herein referred to as the Six Month Fiscal Period.

NOTE 2: EQUITY IN DU PONT

In August 1981, the Company acquired 20.2 percent of the outstanding shares of common stock of E.I. du Pont de Nemours and Company. Additional shares were acquired subsequently through open-market purchases, and at January 31, 1984, the Company held 50,992,777 shares, or 21.3 percent, of Du Pont's outstanding common stock.

The Company and Du Pont have entered into agreements providing for mutual board representation and other matters concerning their future relationship. Subject to certain conditions, the Company will not as a general matter exceed a 25 percent holding of Du Pont's voting stock, 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 agreements. The agreements cover a ten-year period and will be extended automatically for an additional five years unless the Company gives Du Pont notice of its intention to terminate the agreements.

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

Information regarding dividends from Du Pont and the Company's accounting for unremitted Du Pont earnings follows:

	Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period	Twelve Months Ended July 31, 1982
(thousands)			
Dividends received from Du Pont	\$125,811	\$60,389	\$102,324
Income taxes provided	8,681	4,167	7,060
	<u>\$117,130</u>	<u>\$56,222</u>	<u>\$ 95,264</u>
Interest expense allocated against unremitted Du Pont earnings	\$ 14,785	\$10,688	\$ 29,200
Income tax benefit	6,801	4,916	13,400
	<u>\$ 7,984</u>	<u>\$ 5,772</u>	<u>\$ 15,800</u>

Unremitted Du Pont earnings of \$181.5 million are included in consolidated retained earnings at January 31, 1984; no provision has been made for taxes inasmuch as the manner of realization is not determinable.

Summarized financial information for Du Pont, based upon its publicly reported financial statements, is presented below:

	Sales and Other Income	Cost of Goods Sold and Other Expenses	Net Income
(millions)			
Twelve months ended December 31, 1983	\$35,769	\$27,586	\$1,127
Six months ended December 31, 1982	16,692	12,818	397
Twelve months ended June 30, 1982	32,336	24,832	1,103*

*Before cumulative effect of change in accounting for investment tax credit.

	December 31,	
	1983	1982
(millions)		
Current assets	\$ 9,062	\$ 9,269
Noncurrent assets	15,370	15,074
	<u>\$24,432</u>	<u>\$24,343</u>
Current liabilities	\$ 5,059	\$ 4,794
Noncurrent liabilities	7,901	8,699
Stockholders' equity	11,472	10,850
	<u>\$24,432</u>	<u>\$24,343</u>

NOTE 3: EXTRAORDINARY GAIN AND SUN NOTE RECEIVABLE

In August 1980, the Company sold its United States oil, gas and related properties to Sun Company, Inc., for \$2.3 billion. A gain of \$1.2 billion, after provision for deferred income taxes of \$616 million, was recorded as an extraordinary item.

Under the terms of the sale, the Company retains reversionary interests, 25 percent in producing properties and 49 percent in nonproducing properties, which entitle the Company to participate if Sun achieves certain investment criteria. No value has been assigned to these reversionary interests for financial statement purposes. For tax purposes, a majority of the gain has been treated as an installment sale and the remainder as a loan. The tax provision relating to the loan required assumptions as to future oil and gas prices as well as costs and results of exploration and development and, therefore, may be subject to adjustment by the Internal Revenue Service. Management believes that any changes in the tax provision will not be materially adverse to the Company's financial position.

The Company holds a \$900 million note receivable on the sale from Sun which is due in four annual installments commencing August 29, 1986. The note bears interest as follows: at 12.7125 percent on \$225 million; at 11.25 percent on \$225 million; and on the balance at 1/2 percent above the interest rate for ninety-day prime commercial paper placed through dealers.

The Company has obtained from a consortium of banks an advance of \$810 million against the Sun note. The advance is nonrecourse as to principal and bears interest at a rate of $\frac{1}{2}$ percent above the London Interbank Offered Rate (LIBOR). The advance is repayable in four annual installments commencing December 22, 1986. In view of the foregoing, the note receivable is net of the advance in the Consolidated Balance Sheet, and the related interest income and expense are offset in the Consolidated Statement of Income. Included in cash and short-term investments at January 31, 1984, is \$67 million which is restricted to interest payments on this arrangement.

NOTE 4: CREDIT ARRANGEMENTS AND LONG-TERM INDEBTEDNESS

Short-term borrowings at January 31, 1984, consisted of bank borrowings of \$70,583,000 and commercial paper of \$293,732,000, bearing interest at the prime rates or their equivalent, respectively. The Company's unused lines of credit at January 31, 1984, a portion of which supports outstanding commercial paper, totaled \$708,733,000, including \$295,000,000 in revolving credit agreements of the principal United States subsidiary, Joseph E. Seagram & Sons, Inc.

Long-term indebtedness consisted of:

	January 31,	
	1984	1983
	(thousands)	
Revolving Credit Agreement Borrowings; interest at 10.1% on average until repayment in December 1983	—	\$180,000
Term Loan, due November 30, 1984, through November 28, 1986; interest at 10.1% on average (10.8% in the Six Month Fiscal Period)	\$225,000	300,000
Eurodollar Notes, due November 25, 1988; interest at 9.7% on average	45,956	—
12% Promissory Notes, due February 1, 1989	15,500	22,500
12 $\frac{1}{4}$ % Eurodollar Notes, due October 1, 1989	100,000	100,000
7 $\frac{1}{2}$ % Debentures, due December 15, 1991 (Canadian \$: 1984—\$19,314,000; 1983—\$20,284,000)	15,461	16,363
7% Eurodollar Subordinated Debentures, due May 15, 1993	97,813	—
10 $\frac{1}{2}$ % Debentures, due June 1, 1995 (Canadian \$: 1984—\$48,290,000; 1983—\$51,895,000)	38,656	41,968
12% Promissory Notes, due July 15, 1996	70,500	82,300
8 $\frac{1}{4}$ % Convertible Subordinated Guaranteed Debentures, due June 1, 2008	125,000	—
12 $\frac{1}{2}$ % Debentures, due October 31, 2012 (1984—\$50,000,000; 1983—\$12,500,000)	69,758	19,050
Bank borrowings, primarily sterling, due Feb. 1, 1984 through Jan. 31, 1986; interest at 11.2% on average (12.7% in the Six Month Fiscal Period)	6,749	51,147
Sundry	37,482	34,655
	847,875	847,983
Less: Indebtedness payable within one year	87,125	105,695
	\$760,750	\$742,288

In May 1983, the Company issued \$125 million 7% Eurodollar Subordinated Debentures due May 15, 1993, with detachable share purchase warrants. Detachable warrants issued with debentures are accounted for as paid-in capital. Accordingly, based on the relative fair values of the debentures and warrants, \$27.7 million of the \$125 million offering was allocated to the share purchase warrants and included in shareholders' equity.

In June 1983, Joseph E. Seagram & Sons, Inc., issued \$125 million 8 $\frac{1}{4}$ % Convertible Subordinated Guaranteed Debentures due June 1, 2008, which are convertible into the Company's common shares. The Company has guaranteed on a subordinated basis the 8 $\frac{1}{4}$ percent convertible debentures.

Summarized financial information for Joseph E. Seagram & Sons, Inc., and its subsidiaries is presented below:

	Sales and Other Income	Cost of Goods	Net Income
(thousands)			
Twelve Months Ended			
January 31, 1984	\$2,139,214	\$1,465,921	\$ 271,337
Six Month Fiscal Period	1,166,151	816,579	84,086
Twelve Months Ended			
July 31, 1982	2,280,704	1,601,492	236,977
Twelve Months Ended			
July 31, 1981	2,237,189	1,599,670	1,471,072*

*Includes extraordinary gain of \$1,222,481 on sale of U.S. oil and gas properties.

	January 31,	
	1984	1983
(thousands)		
Current assets	\$1,194,676	\$1,170,806
Noncurrent assets	3,585,335	3,302,391
	\$4,780,011	\$4,473,197
Current liabilities	\$ 565,212	\$ 507,697
Noncurrent liabilities	1,399,878	1,291,238
Shareholder's equity	2,814,921	2,674,262
	\$4,780,011	\$4,473,197

In November 1981, the Company repurchased a portion of its outstanding common shares using the proceeds from an unsecured \$300 million five-year term loan bearing interest at $\frac{1}{2}$ percent above LIBOR until November 1984, and $\frac{1}{2}$ percent above LIBOR thereafter. The loan is repayable in four annual installments, the first of which was paid in November 1983. The interest expense associated with this debt, less income tax benefits of \$13.5 million in the twelve months ended January 31, 1984, \$7.6 million in the Six Month Fiscal Period and \$14.1 million in the twelve months ended July 31, 1982, has been shown separately in the Consolidated Statement of Income to obtain comparability among the periods presented.

Interest expense on long-term indebtedness was \$78.3 million in the twelve months ended January 31, 1984, \$34.6 million in the Six Month Fiscal Period, \$84.8 million in 1982 and \$51.9 million in 1981. Annual repayments and redemptions for the five years subsequent to January 31, 1984, are as follows: 1985—\$87.1 million; 1986—\$101.2 million; 1987—\$90.1 million; 1988—\$13.9 million; 1989—\$60.0 million.

NOTE 5: INCOME TAXES

The components of income from spirits and wine operations before income taxes were:

	Twelve Months Ended Jan. 31, 1984		Twelve Months Ended July 31,	
	Six Month Fiscal Period	1984	1982	1981
(thousands)				
North America	\$ 88,674	\$ 64,549	\$114,703	\$102,312
Foreign	74,450	46,531	64,021	53,781
	\$163,124	\$111,080	\$178,724	\$156,093

North America includes United States and Canada.

The components of income tax expense were:

	Twelve Months Ended Jan. 31, 1984		Twelve Months Ended July 31,	
	Six Month Fiscal Period	1984	1982	1981
(thousands)				
Current:				
United States Federal	\$ (22,084)	\$ (29,726)	\$ (14,025)	\$ 135,324
Other jurisdictions	15,664	13,762	25,028	45,521
	(6,420)	(15,964)	11,003	180,845
Deferred:				
United States Federal:				
Tax treatment of sale of U.S. oil and gas properties as a loan	37,255	19,416	28,089	24,334
Depreciation and other	(3,094)	18,013	3,022	5,910
Other jurisdictions:				
Depreciation and other	4,392	3,582	6,014	470
	38,553	41,011	37,125	30,714
Total income tax expense	32,133	25,047	48,128	211,559
Less: Taxes applicable to dividends and interim investments	(8,681)	(4,167)	(8,177)	(154,109)
Add: Tax benefit applicable to interest expense related to share repurchase and Du Pont investment	20,280	12,536	27,486	—
Income tax provision applicable to spirits and wine operations	\$ 43,732	\$ 33,416	\$ 67,437	\$ 57,450

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

	Twelve Months Ended Jan. 31, 1984		Twelve Months Ended July 31,	
	Six Month Fiscal Period	1984	1982	1981
Statutory rate	46%	46%	46%	46%
Operations outside the United States	(12)	(12)	(1)	2
United States investment tax credit	(1)	—	(1)	(1)
United Kingdom stock appreciation relief	(6)	(4)	(6)	(10)
Effective income tax rate	27%	30%	38%	37%

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

NOTE 6: 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, 1984, the Company had outstanding warrants to purchase 3,500,000 common shares at \$37 per share. Joseph E. Seagram & Sons, Inc., had outstanding debentures convertible into 3,311,250 of the Company's common shares at \$37.75 per share. The warrants expire September 15, 1988, and the convertible debentures mature June 1, 2008. Inasmuch as these securities were outstanding only for a portion of the year, the dilutive effect on the Company's earnings per share from the assumed exercise of the share purchase warrants and the assumed conversion of the convertible debentures was less than 3 percent in the twelve months ended January 31, 1984.

Earnings per share were based on the following weighted average number of shares outstanding: twelve months ended January 31, 1984—89,887,350; Six Month Fiscal Period—90,170,352; twelve months ended July 31, 1982—94,711,650; twelve months ended July 31, 1981—105,232,200. The reduction in shares outstanding reflects principally the repurchase of 15,000,000 shares in November 1981.

NOTE 7: PENSION PLANS

Pension costs were \$25.5 million in the twelve months ended January 31, 1984, \$12.1 million in the Six Month Fiscal Period, \$20.4 million in the twelve months ended July 31, 1982 and \$24.7 million in the twelve months ended July 31, 1981.

Based on valuation data as of July 31, 1982, the actuarial present value of accumulated plan benefits totaled \$246 million, most of which was for vested employees. The weighted average assumed rate of return used in determining the actuarial present value was 9 percent. Net assets of the pension plans measured at market value were \$228 million.

NOTE 8: ACQUISITION OF THE WINE SPECTRUM

On November 7, 1983, the Company acquired all of the outstanding capital stock of General Beverage Company in a purchase transaction. General Beverage and its subsidiaries, formerly known as The Wine Spectrum, produce and market wines under a number of labels, including Taylor and Great Western wines and champagnes, Taylor California Cellars, Sterling Vineyards, and Monterey Vineyard. The acquisition price approximated the book value of net assets acquired. The assets and operating results of the acquired companies, which are not significant in relation to the Company's consolidated financial position and operations, were included in the financial statements from the date of acquisition.

NOTE 9: GEOGRAPHIC DATA

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	Inter-company	Operating Income	Total Assets
(millions)				
Twelve Months Ended				
January 31, 1984				
United States	\$1,639	\$ 21	\$ 33	\$4,054
Europe	488	99	70	645
Latin America and Australasia	295	50	35	220
Canada	226	152	93	386
	\$2,648	\$322	\$231	\$5,305
Six Month Fiscal Period				
United States	\$ 886	\$ 9	\$ 21	\$3,735
Europe	254	66	30	688
Latin America and Australasia	207	23	35	268
Canada	118	96	64	371
	\$1,465	\$194	\$150	\$5,062
Twelve Months Ended				
July 31, 1982				
United States	\$1,736	\$ 17	\$ 78	\$3,712
Europe	514	99	69	742
Latin America and Australasia	352	49	40	237
Canada	224	149	104	350
	\$2,826	\$314	\$291	\$5,041
Twelve Months Ended				
July 31, 1981				
United States	\$1,703	\$ 6	\$ 75	\$4,531
Europe	563	109	79	764
Latin America and Australasia	305	53	28	229
Canada	202	159	92	310
	\$2,773	\$327	\$274	\$5,834

NOTE 10: ADDITIONAL FINANCIAL DATA

	January 31,	
	1984	1983
(thousands)		
Receivables:		
Trade	\$ 322,250	\$ 333,938
Other	45,982	42,040
	368,232	375,978
Less: Valuation accounts	(16,767)	(15,429)
	\$ 351,465	\$ 360,549
Inventories:		
Spirits and wine	\$ 990,091	\$ 952,536
Materials and supplies	74,409	71,200
	\$1,064,500	\$1,023,736

Inventories accounted for under the LIFO inventory method amounted to \$306,613,000 at January 31, 1984, and \$329,831,000 at January 31, 1983. The excess of current estimated replacement cost over LIFO carrying value was \$256,261,000 and \$292,665,000 at January 31, 1984 and 1983, respectively.

	January 31,	1984	1983
(thousands)			
Property, plant and equipment:			
Land	\$ 57,355	\$ 44,675	
Buildings	254,557	227,285	
Machinery and equipment	354,014	309,389	
Oil and gas properties outside the United States	230,362	217,165	
Other, including construction in progress	163,360	160,619	
	\$1,059,648	\$959,133	
Payables and accrued liabilities:			
Trade	\$ 77,577	\$ 65,814	
Other	267,853	177,822	
	\$ 345,430	\$243,636	
Deferred income taxes and other credits:			
Deferred income taxes	\$ 738,965	\$693,375	
Other credits	133,852	124,131	
	\$ 872,817	\$817,506	
	Twelve Months Ended	Six Month Fiscal Period	Twelve Months Ended July 31,
	Jan. 31, 1984	1982	1981

Reconciliation of cumulative currency translation adjustments:

Cumulative currency translation adjustments at beginning of period	\$(248,061)	\$(195,073)	\$(129,938)	\$ 313
Change in cumulative currency translation adjustments before taxes	(62,712)	(52,346)	(62,582)	(123,693)
Tax effect	(5,245)	(642)	(2,553)	(6,558)

Cumulative currency translation adjustments at end of period

\$(316,018) **\$(248,061)** **\$(195,073)** **\$(129,938)**

Excise taxes and duties included in sales and cost of goods

\$ 866,759 **\$ 483,588** **\$ 910,669** **\$ 982,998**

Minority interest in net income of subsidiary companies

\$ 2,027 **\$ 4,225** **\$ 2,367** **\$ 2,831**

Income earned on notes receivable from Sun and applied to interest expense amounted to \$22 million in the twelve months ended January 31, 1984, \$15 million in the Six Month Fiscal Period and \$21 million in the twelve months ended July 31, 1982. This classification reflects the Company's intention to reduce indebtedness associated with the spirits and wine segment as Sun liquidates the note receivable. In the twelve months ended July 31, 1981, interest income on these notes was included in the caption "Income from dividends and, in 1981, interim investments, after income taxes" because the ultimate disposition of the principal was not known.

In the Six Month Fiscal Period, "Nonoperating (expense) income" reflected \$8.1 million of unrealized translation losses in countries considered to be highly inflationary. In the twelve months ended July 31, 1981, nonoperating income comprised \$15.6 million for the reversal of 1980 deferred taxes related to United Kingdom stock appreciation relief and \$6.8 million of after-tax income from discontinued operations.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE SEAGRAM COMPANY LTD.

We have examined the consolidated balance sheet of The Seagram Company Ltd. and its subsidiary companies as at January 31, 1984 and 1983 and the consolidated statements of income, retained earnings and changes in financial position for the twelve months ended January 31, 1984, the six months ended January 31, 1983 and for each of the two years in the period ended July 31, 1982. 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 companies as at January 31, 1984 and 1983 and the results of their operations and the changes in their financial position for the twelve months ended January 31, 1984, the six months ended January 31, 1983 and for each of the two years in the period ended July 31, 1982, in accordance with generally accepted accounting principles applied on a consistent basis.

PRICE WATERHOUSE
Montréal, Québec
March 21, 1984

QUARTERLY DATA

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

Twelve Months Ended January 31, 1984

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
Sales and other income	\$576,309	\$610,034	\$701,194	\$760,015	\$2,647,552
OPERATING INCOME	45,146	54,430	78,727	52,727	231,030
Interest expense	14,315	14,933	15,977	22,681	67,906
Income before income taxes	30,831	39,497	62,750	30,046	163,124
Provision for income taxes	9,647	11,646	17,648	4,791	43,732
Income from spirits and wine operations	21,184	27,851	45,102	25,255	119,392
Interest expense related to share repurchase, after income taxes	(3,885)	(4,036)	(4,329)	(3,573)	(15,823)
Nonoperating expense	—	—	—	—	—
Income from dividends, after income taxes	28,112	28,111	28,112	32,795	117,130
Equity in unremitted earnings of E.I. du Pont de Nemours and Company	8,974	22,501	32,107	33,265	96,847
NET INCOME	\$ 54,385	\$ 74,427	\$100,992	\$ 87,742	\$ 317,546
NET INCOME PER SHARE	\$.61	\$.82	\$1.13	\$.97	\$3.53

SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR THE EFFECTS OF CHANGING PRICES

The United States Financial Accounting Standards Board (FASB) and the Canadian Institute of Chartered Accountants (CICA) have adopted rules requiring disclosure of supplementary financial data adjusted for the effects of changing prices. In accordance with procedures recognized as experimental by the FASB and the CICA, the adjustments for changing prices in the accompanying supplementary schedule are based upon the current cost method of accounting for inflation, using the translate-restate method.

The current cost method of inflation accounting adjusts reported income for the estimated effect on cost of goods and depreciation expense from changes in specific prices of inventory and property, plant and equipment after they are acquired. Inventories are restated to current cost based upon most recent manufacturing costs. Specific indices are used to determine the current cost of property, plant and equipment.

The cost of goods adjustment under current cost is mitigated by the use of the last-in, first-out inventory method (LIFO) in the historical cost financial statements, generally wherever

permitted under local tax law; LIFO cost in most instances is virtually identical to current cost. Depreciation expense is higher under current cost than historical cost as a result of the increase in costs of construction, machinery and equipment over the past decade. The FASB and CICA standards permit no modification of income tax as reported in the primary financial statements to accommodate tax effects normally associated with incurring higher costs. Unlike the FASB, the CICA suggests that unremitted earnings accounted for using the equity method reflect the effects of changing prices. The accompanying supplementary data are in accordance with the FASB standard.

The current cost method involves the use of assumptions, estimates and subjective judgments. In determining the effects of inflation on operations, no consideration has been given to savings emanating from efficiencies or technological improvements associated with replacing property, plant and equipment. The adjustments to reported income should not be viewed as precise measurements of the effects of inflation.

Six Month Fiscal Period			Twelve Months Ended July 31, 1982				
1st Quarter	2nd Quarter	Six Months	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
\$727,424	\$737,493	\$1,464,917	\$813,931	\$795,294	\$607,398	\$609,561	\$2,826,184
90,093	60,398	150,491	107,911	66,089	54,280	63,051	291,331
18,712	20,699	39,411	32,548	25,387	26,836	27,836	112,607
71,381	39,699	111,080	75,363	40,702	27,444	35,215	178,724
24,233	9,183	33,416	30,145	14,424	8,803	14,065	67,437
47,148	30,516	77,664	45,218	26,278	18,641	21,150	111,287
(4,821)	(4,124)	(8,945)	—	(4,661)	(6,299)	(6,967)	(17,927)
—	(8,099)	(8,099)	—	—	—	—	—
28,112	28,110	56,222	15,024	41,923	26,481	26,857	110,285
5,663	3,205	8,868	27,738	14,393	14,887	18,778	75,796
\$ 76,102	\$ 49,608	\$ 125,710	\$ 87,980	\$ 77,933	\$ 53,710	\$ 59,818	\$ 279,441
\$.84	\$.55	\$ 1.39	\$.83	\$.84	\$.61	\$.67	\$ 2.95

SUPPLEMENTARY FINANCIAL DATA

(millions, except per share amounts)	Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period	Twelve Months Ended July 31,			Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period	Twelve Months Ended July 31,		
			1982	1981	1980			1982	1981	1980
Sales and other income:										
As reported	\$2,648	\$1,465	\$2,826	\$2,773	\$2,535	Current cost ⁽⁴⁾	\$ 48	\$ (49)	\$ 212	\$ (8) \$ 373
In average current year dollars	2,648	1,496	2,986	3,172	3,230	Specific prices relative to general price level changes	(63)	(59)	29	(327) (18)
Net income:										
As reported ⁽¹⁾	318	126	279	294	74	Translation adjustment	(94)	(69)	(69)	(148) (59)
Adjustments ⁽²⁾	(31)	(19)	(45)	(28)	(20)	Shareholders' equity at year-end:				
Cost of goods	(24)	(13)	(25)	(33)	(24)	As reported	2,783	2,566	2,521	2,661 1,314
Depreciation						Current cost	3,692	3,685	3,824	4,025 2,908
Current cost	263	94	209	233	30	Cash dividends paid per share:				
In average current year dollars	263	96	221	267	38	As reported	.68	.30	.567	.442 .354
Net income per share:										
As reported ⁽¹⁾	3.53	1.39	2.95	2.80	.71	In average current year dollars	.68	.31	.599	.506 .451
Current cost	2.92	1.06	2.33	2.53	.37	Share price at year-end:				
Gain (loss) from decline in purchasing power on net monetary position ⁽³⁾ —FASB	82	6	130	(64)	160	As reported	35.00	25.46	15.46	17.54 18.67
—CICA	48	4	73	(162)	126	In average current year dollars	35.00	26.00	16.33	20.07 23.79
Financing adjustment:										
Inventory and property, plant and equipment	12	(12)	49	(2)	98	Average U.S. Consumer Price Index (1967=100)				
Net income ⁽¹⁾	13	8	17	16	15	299.4	293.2	283.4	261.7	235.0

⁽¹⁾Excludes income from discontinued operations and extraordinary gains.⁽²⁾Reflects the effect of specific price changes relating to spirits and wine operations.⁽³⁾The FASB purchasing power gain or loss reflects deferred income taxes as a monetary item whereas CICA requires classification as a nonmonetary item.⁽⁴⁾At January 31, 1984, the current cost of inventory was \$1,582 million, and the current cost of property, plant and equipment, net of accumulated depreciation, was \$1,207 million.

FINANCIAL SUMMARY

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

	Twelve Months Ended Jan. 31, 1984	Six Month Fiscal Period
OPERATING RESULTS⁽¹⁾⁽²⁾		
Spirits and wine revenues	\$2,647,552	\$1,464,917
SPIRITS AND WINE OPERATING INCOME—Amount	231,030	150,491
—Percent of revenues	8.7%	10.3%
INCOME AFTER INCOME TAXES		
Spirits and wine	119,392	77,664
Dividends received and, in 1981, interim investment income	117,130	56,222
Equity in unremitted Du Pont earnings	96,847	8,868
U.S. oil and gas	—	—
After-tax income—Amount	333,369	142,754
—Percent of average shareholders' equity	12.5%	*
Interest expense related to share repurchase	(15,823)	(8,945)
Nonoperating (expense) income	—	(8,099)
Extraordinary gains ⁽³⁾	—	—
NET INCOME	\$ 317,546	\$ 125,710
DIVIDENDS	\$ 61,123	\$ 27,070
FINANCIAL POSITION⁽¹⁾		
Cash and short-term investments	\$ 89,091	\$ 132,323
Current assets	1,530,435	1,546,054
Common stock of Du Pont (Conoco Inc. in 1981)	2,762,441	2,621,856
Net assets of discontinued operations	—	—
Property, plant and equipment (net)	724,735	630,438
Total assets	5,304,645	5,061,796
Short-term debt, including indebtedness payable within one year	451,440	552,086
Current liabilities	875,530	896,923
Long-term indebtedness	760,750	742,288
Total liabilities	2,522,064	2,495,372
Shareholders' equity	2,782,581	2,566,424
PER SHARE DATA⁽⁵⁾		
Income from operations, dividends and interim investments	\$ 2.45	\$ 1.29
Equity in unremitted Du Pont earnings	1.08	.10
U.S. oil and gas income	—	—
Income before extraordinary gains	3.53	1.39
Extraordinary gains ⁽³⁾	—	—
Net income	\$ 3.53	\$ 1.39
Dividends	\$.68	\$.30
Shareholders' equity	30.96	28.55
End of year market price:		
New York Stock Exchange	35.00	25.46
Canadian Stock Exchanges	C43.75	C31.58

⁽¹⁾As a result of a change in fiscal year, operating results for the Six Month Fiscal Period are for the six months ended January 31, 1983; all preceding periods are for the twelve months ended July 31. The financial position information is as at January 31, 1984 and 1983, and as at July 31 for 1982-1975.

⁽²⁾Notes 3 and 2 of the Consolidated Financial Statements discuss the sale of U.S. oil and gas properties and the subsequent investment in Du Pont.

⁽³⁾Includes an after-tax gain on sale of U.S. oil and gas properties in 1981 and an after-tax gain on sale of office building in 1980.

⁽⁴⁾As a result of depreciation of the Canadian dollar, dividends measured in U.S. currency declined, although the amount paid in Canadian funds increased to C\$31,780,000 in 1978 from C\$29,745,000 in 1977. Since 1980, dividends have been declared in U.S. currency.

Twelve Months Ended July 31,

1982	1981	1980	1979	1978	1977	1976	1975
\$2,826,184	\$2,772,733	\$2,534,952	\$2,369,316	\$2,109,250	\$2,024,184	\$1,907,045	\$1,818,123
291,331	273,562	239,744	215,030	179,311	146,831	133,455	141,213
10.3%	9.9%	9.5%	9.1%	8.5%	7.3%	7.0%	7.8%
111,287	98,643	74,342	69,931	57,978	47,460	47,259	44,134
110,285	180,187	—	—	—	—	—	—
75,796	—	—	—	—	—	—	—
—	6,802	68,105	33,418	32,545	37,658	36,705	38,520
297,368	285,632	142,447	103,349	90,523	85,118	83,964	82,654
.11.5%	11.3%	11.4%	9.5%	9.6%	9.3%	9.3%	9.8%
(17,927)	—	—	—	—	—	—	—
—	15,644	—	75,587	—	—	—	—
—	1,222,481	15,770	—	—	—	—	—
\$ 279,441	\$ 1,523,757	\$ 158,217	\$ 178,936	\$ 90,523	\$ 85,118	\$ 83,964	\$ 82,654
\$ 52,882	\$ 46,477	\$ 37,292	\$ 31,883	\$ 28,566 ⁽⁵⁾	\$ 28,917	\$ 27,970	\$ 27,970
 \$ 104,072	 \$ 815,119	 \$ 18,351	 \$ 25,002	 \$ 51,848	 \$ 61,716	 \$ 133,287	 \$ 49,732
1,567,104	2,314,619	1,548,482	1,399,703	1,295,114	1,170,772	1,377,436	1,250,245
2,599,863	2,569,000	—	—	—	—	—	—
—	—	566,390	438,223	368,451	318,392	309,433	306,403
623,156	582,113	531,225	447,692	430,716	380,536	395,265	360,340
5,040,966	5,833,632	2,829,187	2,457,565	2,252,803	1,982,518	2,184,225	2,022,944
590,135	459,108	255,653	285,543	190,149	92,657	188,430	277,164
1,032,867	962,895	753,270	626,325	495,186	342,968	454,877	489,838
706,166	1,217,747	460,016	421,098	512,064	515,798	595,591	471,900
2,519,540	3,172,533	1,515,117	1,274,590	1,271,074	1,081,259	1,256,604	1,151,317
2,521,426	2,661,099	1,314,070	1,182,975	981,729	901,259	927,621	871,627
 \$ 2.15	 \$ 2.80	 \$.71	 \$ 1.38	 \$.55	 \$.45	 \$.45	 \$.42
.80	—	—	—	—	—	—	—
—	.06	.64	.32	.31	.36	.35	.37
2.95	2.86	1.35	1.70	.86	.81	.80	.79
—	11.62	.15	—	—	—	—	—
\$ 2.95	\$ 14.48	\$ 1.50	\$ 1.70	\$.86	\$.81	\$.80	\$.79
\$.567	\$.442	\$.354	\$.303	\$.271	\$.275	\$.266	\$.266
27.94	25.29	12.49	11.24	9.33	8.56	8.81	8.28
15.46	17.54	18.67	9.79	8.50	7.08	7.96	10.25
C19.29	C21.75	C21.83	C11.42	C9.54	C7.50	C7.79	C10.67

⁽⁵⁾Average shares outstanding were: twelve months ended January 31, 1984—89,887,350; Six Month Fiscal Period—90,170,352; twelve months ended July 31, 1982—94,711,650; twelve months ended July 31, 1981-1975—105,232,200.

*Not meaningful as a result of a change in fiscal year.

THE SEAGRAM COMPANY LTD.

DIRECTORS

Edgar M. Bronfman¹
Chairman of the Board and
Chief Executive Officer
The Seagram Company Ltd.

Charles R. Bronfman, O.C.¹
Deputy Chairman of the Board and
Chairman of the Executive Committee
The Seagram Company Ltd.

Philip E. Beekman¹
President and
Chief Operating Officer
The Seagram Company Ltd.

David M. Culver, O.C.
President and
Chief Executive Officer
Alcan Aluminium Limited
(a Canadian multinational aluminium
company)

Paul Desmarais, O.C.^{2,3}
Chairman of the Board and
Chief Executive Officer
Power Corporation of Canada
(a holding and management
company)

A. Jean de Grandpré, O.C., Q.C.^{2,3}
Chairman of the Board and
Chief Executive Officer
Bell Canada Enterprises Inc.
(a management holding company)

Melvin W. Griffin
Executive Vice President,
Manufacturing
The Seagram Company Ltd.

Alain de Gunzburg⁴
Chairman of the Board
G. H. Mumm & Cie and
Vice President,
Acquisitions and Development
Joseph E. Seagram & Sons, Inc.
(subsidiaries of the Company)

Edward G. Jefferson³
Chairman of the Board and
Chief Executive Officer
E. I. du Pont de Nemours and Company
(a chemicals, fibres, plastics,
specialty products and
integrated energy company)

The Hon. E. Leo Kolber, Senator^{1,3,4}
President
Cemp Investments Ltd.
(a diversified holding company) and
Chairman of the Board and
Chief Executive Officer
The Cadillac Fairview Corporation Limited
(a real estate development company)

Fred H. McNeil^{1,3}
Chairman of the Board and
Chief Executive Officer
Dome Canada Limited
(a Canadian oil and gas exploration and
producing company)

C. Edward Medland^{2,4}
Chairman of the Board and
Chief Executive Officer
Wood Gundy Limited
(investment dealers)

David G. Sacks¹
Executive Vice President,
Administration and Finance
The Seagram Company Ltd.

Irving S. Shapiro²
Partner
Skadden, Arps, Slate, Meagher & Flom
(attorneys)

The Hon. John N. Turner, P.C., Q.C.⁴
Partner
McMillan, Binch
(barristers and solicitors)

Philip F. Vineberg, O.C., Q.C.^{1,4}
Partner
Phillips & Vineberg
(barristers and solicitors)

John L. Weinberg^{3,4}
Senior Partner
Goldman, Sachs & Co.
(investment bankers)

HONORARY DIRECTORS

Harold Fieldsteel
John L. Loeb
The Hon. Ian D. Sinclair, O.C., Senator
Iain M. Tennant

OFFICERS

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

Charles R. Bronfman
Deputy Chairman of the Board and
Chairman of the Executive Committee

Philip E. Beekman
President and
Chief Operating Officer

Melvin W. Griffin
Executive Vice President,
Manufacturing

David G. Sacks
Executive Vice President,
Administration and Finance

Richard Karl Goeltz
Vice President, Treasurer
and Controller

Stephen E. Herbits
Vice President,
Corporate Development

Arnold M. Ludwick
Vice President,
Financial Analysis

Edward F. McDonnell
Vice President,
Marketing—International

Russell W. McLauchlan
Vice President,
Quality Control

Ronald J. Watkins
Vice President,
Human Resources

Michael C. L. Hallows
Secretary

Charles M. Andolsek
Assistant Treasurer

Edward Falkenberg
Assistant Controller

Lionel W. Greer
Assistant Vice President, U.S.A.

HONORARY SECRETARY

Alan A. Sharp

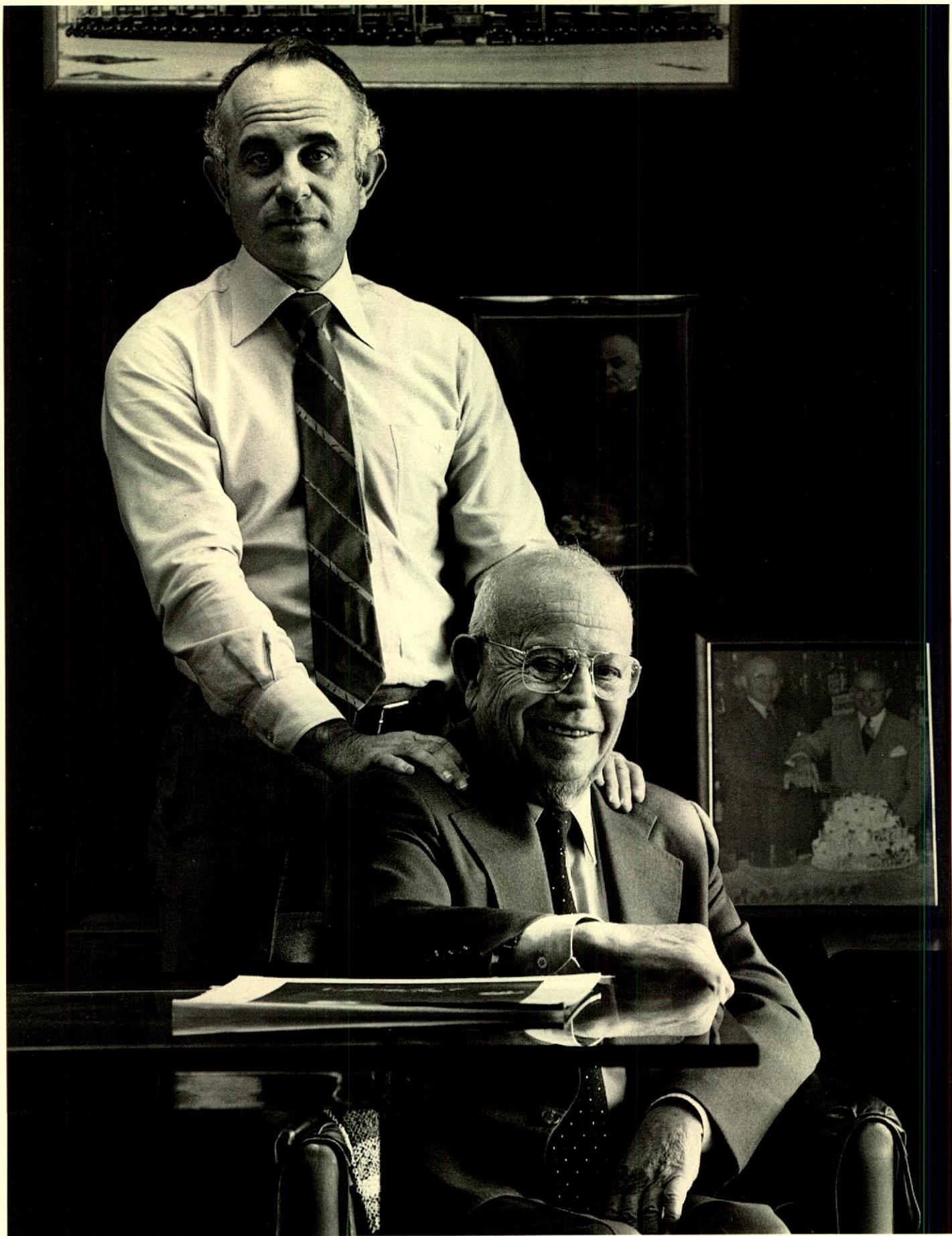
¹Member of the Executive Committee.

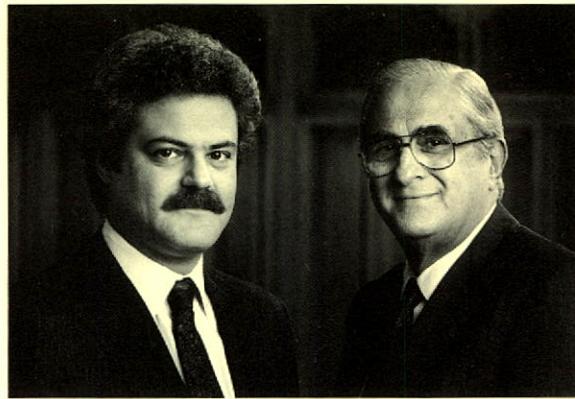
²Member of the Audit Committee.

³Member of the Human Resources Committee.

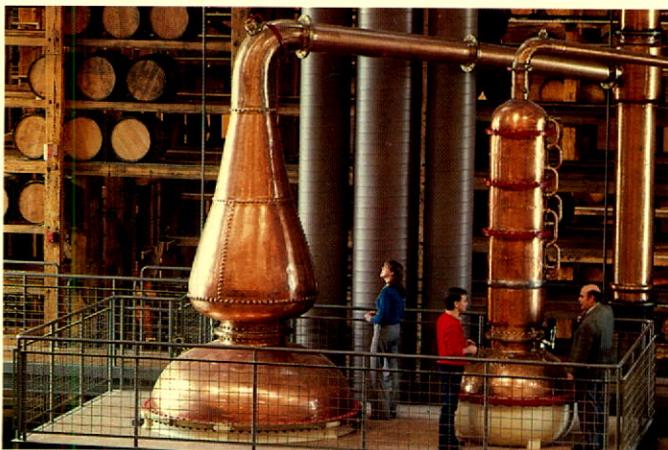
⁴Member of the Finance Committee.









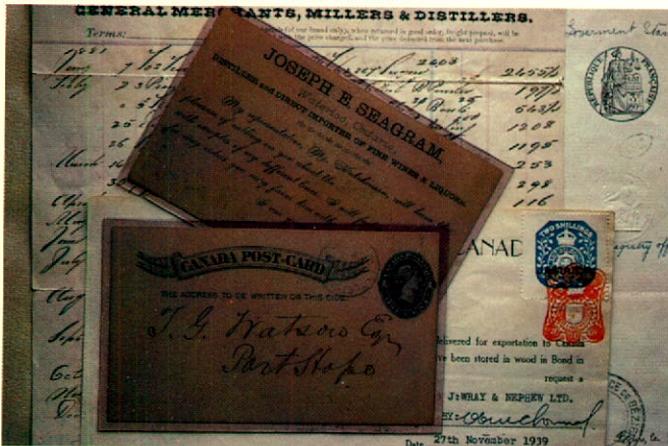


DR. PETER SWANN (FAR RIGHT), SEAGRAM MUSEUM DIRECTOR, SURVEYS BARREL WAREHOUSE 5 AND GIN STILLS FROM THE LASALLE, QUEBEC, PLANT.



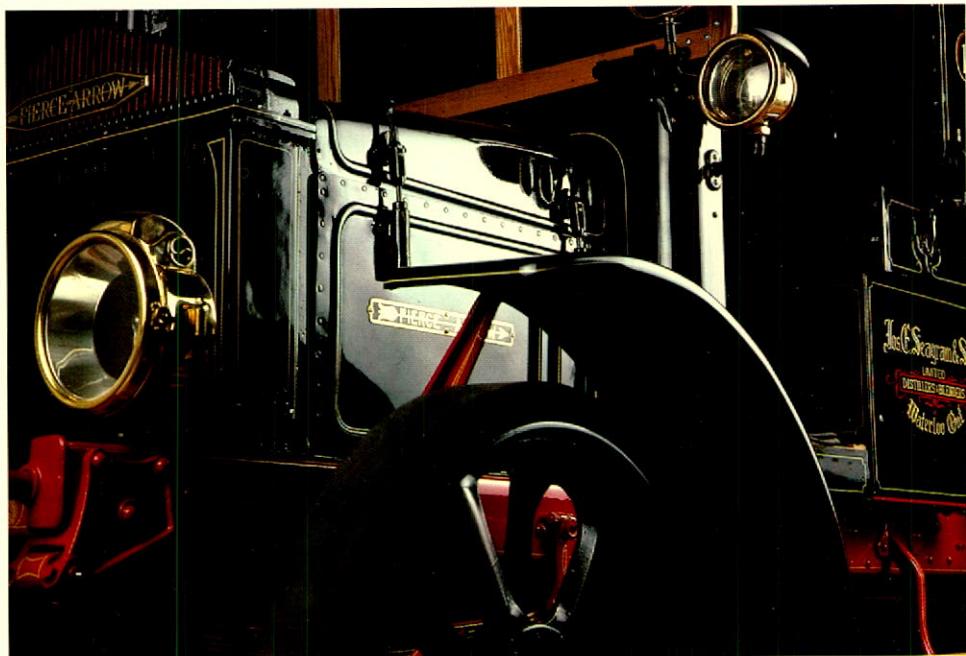
COOPERAGE TOOLS HAVE CHANGED LITTLE THROUGH THE YEARS. THIS MARKING IRON, HEADING SWIFT AND COOPER'S MALLETS, MADE IN FRANCE IN THE NINETEENTH CENTURY, WERE USED IN THE COMPANY'S OPERATIONS.

AN EARLY SEAGRAM SALESMAN, C. HUTCHINSON, SENT THIS CALLING CARD TO POTENTIAL CUSTOMER T. G. WATSON, ESQ., OF PORT HOPE. ALSO SHOWN ARE A HAND-WRITTEN INVOICE AND A 1939 EXPORT CERTIFICATE.



A SAMPLING OF BOTTLE DESIGNS THAT WERE USED THROUGH THE YEARS.





THE ORIGINS OF THE SEAGRAM COMPANY ARE COMMEMORATED IN THE SEAGRAM MUSEUM LOCATED IN WATERLOO, ONTARIO. ADJACENT TO THE WATERLOO PLANT AND INCORPORATING WAREHOUSE 5, A BUILDING DATING FROM THE 1860S, THE MUSEUM WILL CELEBRATE ITS OPENING ON MAY 16, 1984.

HERE AND ON THE OVERLEAF ARE SOME OF THE GEMS FROM THE COLLECTION. THE RESTORED 1919 PIERCE-ARROW IS TYPICAL OF THE TRUCKS THE COMPANY USED TO MOVE ITS BARRELS.

ANNUAL MEETING OF SHAREHOLDERS
The Annual Meeting of Shareholders will be held on Wednesday, May 23, 1984, 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 Division
630 Dorchester Blvd. West
Montreal, Quebec H3B 1S9

The Royal Trust Company
Corporate Trust Division
Royal Trust Tower
Toronto-Dominion Centre
Toronto, Ontario M5W 1P9

The Royal Trust Company
Corporate Trust Division
700 The Dome Tower
Toronto-Dominion Square
335 7th Avenue, S.W.
Calgary, Alberta T2P 2Z3

The Royal Trust Company
Corporate Trust Division
Royal Trust Tower
Bentall Centre
555 Burrard Street
Vancouver, B.C. V7X 1K2

Manufacturers Hanover Trust Company
Stock Transfer Administration
450 West 33rd Street
New York, New York 10001

STOCK SYMBOL

VO

STOCK EXCHANGE LISTINGS

Montreal, Toronto, Vancouver, London,
New York and Paris

CORPORATE INFORMATION

Requests for 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. If the inquiry pertains to lost dividend cheques or lost share certificates, it should be communicated directly to The Royal Trust Company in Montreal, at the address indicated.

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.

THE SEAGRAM COMPANY LTD.
1430 PEEL STREET
MONTREAL, QUEBEC
CANADA H3A 1S9