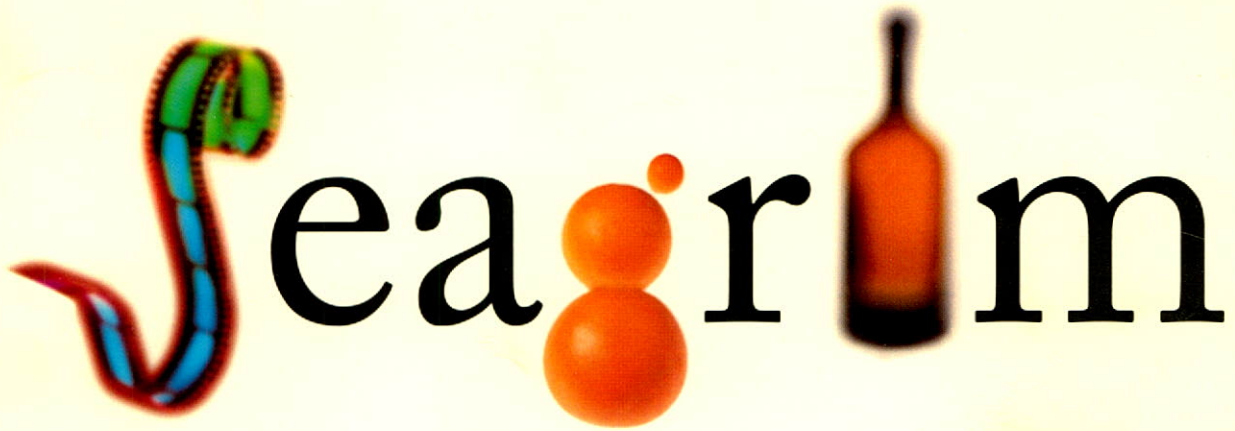


Seagram Company Ltd.

C



*Report for the Fiscal Year Ended January 31,*  
1996

## Income Highlights

*U.S. dollars in millions, except per share amounts*

	1996	Fiscal Years Ended January 31,	
		1995	1994
<b>Revenues</b>	<b>\$9,747</b>	<b>\$6,399</b>	<b>\$6,038</b>
<b>EBITDA*</b>			
Beverages			
Spirits and Wine	\$ 763	\$ 809	\$ 770
Fruit Juices, Coolers and Mixers	196	159	172
Reengineering charge	(290)	—	—
Total Beverages	669	968	942
Entertainment			
Filmed Entertainment	240		
Music Entertainment	59		
Recreation	85		
Publishing and Other	36		
Total Entertainment	420		
<b>Total EBITDA</b>	<b>\$1,089</b>	<b>\$ 968</b>	<b>\$ 942</b>
<b>Operating Income</b>	<b>\$ 584</b>	<b>\$ 725</b>	<b>\$ 754</b>
<b>Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change</b>	<b>\$ 174</b>	<b>\$ 194</b>	<b>\$ 283</b>
Discontinued DuPont activities, after tax	3,232	617	96
Cumulative effect of accounting change, after tax	—	(75)	—
<b>Net Income</b>	<b>\$3,406</b>	<b>\$ 736</b>	<b>\$ 379</b>
<b>Earnings Per Share</b>			
Net income before discontinued DuPont activities and cumulative effect of accounting change	\$ .46	\$ .52	\$ .76
Discontinued DuPont activities, after tax	8.67	1.66	.26
Cumulative effect of accounting change, after tax	—	(.20)	—
<b>Net Income</b>	<b>\$ 9.13</b>	<b>\$ 1.98</b>	<b>\$ 1.02</b>

Note: The fiscal year ended January 31, 1996 includes the results of MCA and the juice beverage business acquired from Dole for seven months and eight months, respectively.

\*Represents attributed earnings before interest, taxes, depreciation and amortization (EBITDA) which includes the proportionate share of the EBITDA of the Company's equity companies.



Our  
priority,  
in all  
things,  
has been  
and  
always  
will be  
quality.



**Alf Bayvel** Vice President, Inventory,  
Blending and Distillery Operations,  
The Chivas and Glenlivet Division







**Customer and consumer needs must be met better by us than our competitors.**

**Our single biggest opportunity is global expansion.**



**Marilyn Ducksworth** Vice President, Associate Publisher and Executive Director of Publicity, Putnam Publishing Group



Focus on managing more  
effectively is critical to success  
and growing shareholder value.

Innovation and creativity are  
**THE** business builders.



INNOVATION



Teamwork is essential for maximizing opportunities and creating an environment for growth.

Reengineering will strengthen our businesses for the long term.













Talent  
and skills  
development  
give us a  
competitive  
edge.

Leverage  
of our  
brands  
and assets  
will play a  
significant  
role in our  
future.

Growth  
is our  
overriding  
objective.







Global

Strategic

**Göran Lundqvist** President, The Absolut Company, Vin & Sprit Group

**Egon Jacobsson** President and CEO, Vin & Sprit Group



A man with short, light-colored hair, wearing a dark blue suit, white shirt, and a patterned tie, is seated in a plush red armchair. He is holding a rectangular white card with the word "Alliances" written in a cursive, handwritten style. The background is a bright, slightly overexposed white wall. In the top left corner, a portion of a wooden lattice structure is visible.

Alliances

Global strategic alliances  
will be important factors in  
the development and  
growth of our businesses.



*Integrity*

Integrity and respect in all  
things, have and always will  
guide our actions.



# Directors' Report to Shareholders

In 1995, we transformed Seagram. With forethought and determination, we executed two major transactions that transformed our company.

These were the transactions: E.I. du Pont de Nemours and Company redeemed most of our shareholdings in that company. The proceeds to Seagram were \$7.7 billion in cash, after tax, plus equity warrants, leading to a \$3.2 billion gain. We then purchased 80 percent of the parent of MCA INC. from Matsushita Electric Industrial Co., Ltd. for \$5.7 billion in cash. In both transactions, we believe we achieved excellent value for our shareholders.

DuPont has been a fine investment for Seagram over the years, but we believed it was far better to unlock the significant value of our holding and to reinvest it where we anticipate that we will achieve higher returns over time. The redemption transaction allowed us to do so, while the residual shares and warrants we hold after the transaction allow us to participate in DuPont's upside potential.

We had determined that the entertainment industry could provide superior returns for our shareholders. We found that this industry is particularly appealing because it is large, rapidly growing, brand-oriented, increasingly global, and attractively profitable. It is also a concentrated industry, and MCA is one of the very few companies with important, established brands and assets in filmed entertainment, recorded music and site-based entertainment. When MCA became available, we were able to execute an extremely complex transaction with Matsushita very quickly and at a fair price. We are very pleased that Matsushita remains our partner with a minority interest in MCA's parent.

Our primary responsibility is to build value for shareholders, and to do that, we are changing every aspect of the way we manage our businesses. That means stepping up the pace of our global expansion; increasing our focus on the needs of customers and consumers; more aggressively developing our brands, our products, our people and our expertise to create new businesses and improve old ones; and constantly rethinking, reengineering and reinvesting throughout our operations. These changes are happening throughout Seagram today.

As a result of events in 1995, Seagram now has a significant presence in six businesses in two industry segments. Our two business units in the beverages segment are spirits and wine, grouped as one business, and fruit juices, coolers and mixers as the other. Our four units in the entertainment industry include filmed entertainment, music, recreation and

publishing and other businesses. These six are in many ways quite different businesses, but they have these factors in common: They are consumer driven. They are dominated by strong brand franchises. Their success depends on talented and creative people. And their future growth will arise largely from the potential of global markets.

These traits play to our strengths: Seagram understands consumers – tastes, trends and the subtly different ways of marketing across many different geographies. Seagram understands customers – the distributors and retailers who buy from us and sell to those consumers – and, increasingly, we are coming to understand how to be entirely responsive to their needs. We believe these businesses, with our support, will each contribute to above-average growth in shareholder value at Seagram.

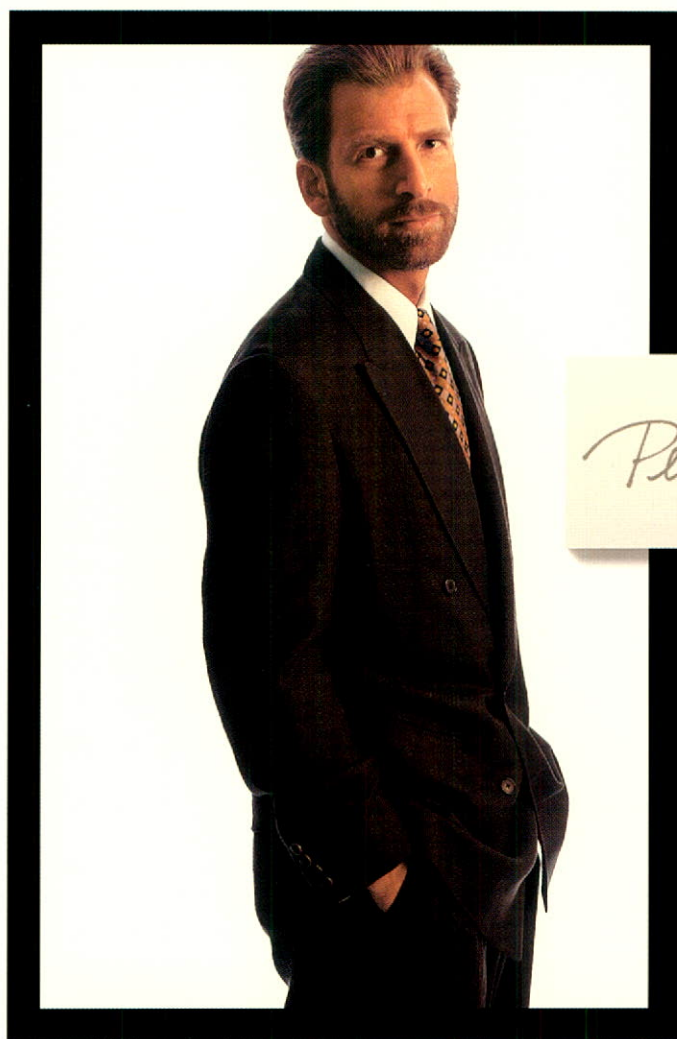
Geography is important to us. North America has a rich and highly developed economy. It is a vital market for Seagram. But our greatest growth prospects lie with the 5.3 billion people who dwell on other continents. They live in many different economic circumstances. France and Japan are mature markets like the United States. Emerging markets, such as India and South Africa, are growing rapidly; China, the largest market of them all, is only now on the threshold of its economic future.

What unites these and a hundred other countries is their inexhaustible thirst for Western culture. Some 700 million people are now enrolled in formal programs teaching English as a second language. No matter where they are, they and their neighbors eat fast food, enjoy beverages, wear blue jeans, listen to rock music, go to the movies and watch television. Their thirst for Western culture expresses itself especially in the consumption of premium brands. Brands are these consumers' guide through the clutter of competing products; premium brands signify intrinsic value.

In the long term, we can only build shareholder value through profitable growth. We plan our growth within the world environment of Western culture and strong brand awareness. Our spirits and wine business and our motion pictures business are global in scope today. Our international presence is expanding rapidly in fruit juices and juice beverages and in recorded music. And we announced recently our first overseas theme park venture, Universal Studios Japan.

The proportion of our sales and profits from outside North America is expected to increase steadily for the foreseeable future.

Investors and employees who knew Seagram a year ago are already familiar with the outlines of our approach to building



*Performance*

Edgar Bronfman, Jr.  
President and  
Chief Executive Officer



our businesses. We said a year ago: Seagram is turning its face outward – toward the customer and the consumer. This is happening. Within our company, we are developing new ways of working with each other, based on openness and teamwork. We are developing ways to serve our customers faster, more efficiently, more flexibly, and better than our competitors. We are becoming vigilantly cost-conscious. We understand that every expenditure is an investment that must strengthen our business in order to generate profitable growth.

Much of the work of rethinking and redesigning carries the name reengineering – a term often and erroneously thought to be synonymous solely with cost reduction. In the shorter term, the improvements we derive from more effectively managing the businesses against goals and objectives are critical, but the effect of these efforts on revenue growth will be a good deal more important in the long term.

Within Seagram, our goal is to continue transforming the workplace environment and the way we interact with each other. We are committed to the values of consumer and customer focus; respect; integrity; teamwork; innovation; and quality. These values are imperative to our future growth and success.

The changes we have been initiating are as applicable to MCA as they are to our beverage businesses: understanding and responding to customers, controlling costs and creating a high-performance internal culture. But at MCA, two other imperatives took precedence in 1995. We needed to rebuild the management team; that is now largely accomplished. And we needed to renew MCA's appeal to the creative and managerial talents who are responsible for inventing, making and marketing its entertainment products. That is now well under way.

We have quite intentionally designed this process of change for the long term. Quick fixes, in our view, lead to little more than the need for more quick fixes. We are trying to do the


brands is second to none, and we now sell our products in more than 150 countries and territories.

Our strategic intent is to continue to seize opportunities for expansion in new countries; to market quality brands effectively to our consumers; to become, or remain, our customers' preferred supplier; and to carefully add to our product lineup through acquisition, alliance and new product development.

The Seagram Beverage Group includes fruit juices and juice beverages, one of the fastest-growing categories in the food and beverage industry, as well as mixers and coolers. Our acquisition in 1995 of Dole Food Company, Inc.'s juice businesses, excluding canned pineapple juice, created Tropicana Dole Beverages, now the world's number one juice company. Because our global market share is small in this rapidly growing but fragmented category, our potential is enormous. Our focus has been on North America and more recently on Europe. In the future, we will continue to capitalize on growth opportunities in Europe and to seize the powerful possibilities offered in Asia, where we have already established a presence. In the highly competitive U.S. orange juice market, Tropicana Pure Premium continues to hold the leading share of not-from-concentrate juice.

Our intent is to build our business by effectively marketing the highest quality, superior-tasting premium brands that respond to consumers' increasing interest in high-quality juice products; to expand our presence and share in current markets and in new channels and geographies; to achieve preferred supplier status with a growing number of customers; and to realize greater efficiencies as we build our worldwide operating network.

We are pleased with Tropicana Dole Beverages' progress this year. The Dole juice business acquisition was a major addition for several reasons – a strong fruit brand equity, product diversity, geography, and expanded manufacturing and distribution capability among them. At the same time, we grew market share and



**Seagram has changed enormously, and for the better, in the last year. We have placed ourselves in attractive businesses and begun the process of realizing their full value.**

right things regardless of whether the payoffs come in two months or three years; in practice, we find there are more than a few of each. But the growth we require will not, and cannot, occur overnight. We look to 1996 as a period of consolidation, redirection and recommitment. We will judge our performance in part by the near-term financial results we deliver, but we will judge in larger measure by the number and magnitude of the building blocks of growth that we have put in place.

Within the beverage segment, The Seagram Spirits And Wine Group is our foundation business. It is profitable and a relatively predictable cash generator. There is significant potential in the two most rapidly expanding sectors of the industry – premium brands and emerging markets. Our portfolio of

improved profitability as a result of a tighter strategic focus, a strengthened management team, a better understanding of consumers and customers, and the initial benefits of reengineering.

In 1996, we will evaluate our progress at Tropicana Dole Beverages by the increase in revenues and improved profitability; by the growth of our European and Asian market share and distribution, including entry into new national markets; and by the effectiveness of continued implementation of our reengineering initiatives.

We are committed to improve our cash flow growth significantly in all of our beverage businesses. To achieve this, we are reinventing the business. In the third quarter of 1995, we took a \$290 million pretax charge against earnings, primarily to



reflect the cost of significant reengineering projects in spirits and wine. Our initial experience with reengineering showed us that the potential cost savings and operating improvements were far greater in magnitude than we had originally imagined. We took this charge in order to achieve all the possible benefits.

We incurred this cost in 1995. It will favorably impact our results in the future, and over time it will more than repay our initial charge. We will evaluate our progress in fiscal 1997 by the prudence of our capital allocation, the streamlining of our distribution, the elimination of excessive costs, the growing respon-

business capability. And it is partly a matter of flexibility and responsiveness – of culture. We are pleased with the commitments we have won in a short period of time. Among them, our alliance with DreamWorks SKG has important and positive implications not just for Universal Pictures but also for our music and recreation businesses as well.

In recorded music, our opportunity is clear. The economics of the business are appealing. We are a leader in one genre (country), with areas of strength in two others (rock and jazz). We are largely North American in focus. Our goal is to continue to

**Our primary responsibility is to build value for shareholders, and to do that, we are changing every aspect of the way we manage our businesses.**

siveness of our customer service, the innovation of our consumer marketing and the growth of our revenues and profits.

Our second business segment, entertainment, is one of today's most visible and rapidly growing industries in North American and global markets. Entertainment businesses are great businesses, but with some different characteristics from our spirits and wine or fruit juice and juice beverage businesses. Entertainment is generally more capital-intensive, and earnings are somewhat more volatile from one period to the next. But well-positioned, well-managed entertainment companies can produce extremely attractive profits, appreciation of assets, and substantial returns on investment. MCA will do so for Seagram.

Our strategic intent is, first and foremost, to make MCA the place where the best creative talent wants to work; to develop and make the most of the brands and franchises that MCA's businesses have created; to expand our marketing and distribution activities globally; and, as in our other businesses, to put in place the disciplines of reengineering, as they are appropriate to MCA's businesses.

The assets that address these goals are consequential. MCA's motion picture, television, recorded music and recreation services businesses are each among the half dozen leaders in their business segments. Its publishing and retail businesses are successful niche players in the United States.

The next year will be a year of transition for MCA. We must build on the base provided by the MCA transaction – our slate of film and television productions; our roster of recording artists and authors; our established theme parks. This base has genuine promise. Our task is to maximize what we have acquired and simultaneously set in place the elements of future revenue and profit growth.

For motion pictures and television, our priority is clear: to attract the best creative and performing talent to Universal. This is partly a matter of dollars, but also a matter of relationships. It is partly a matter of marketing, distribution and

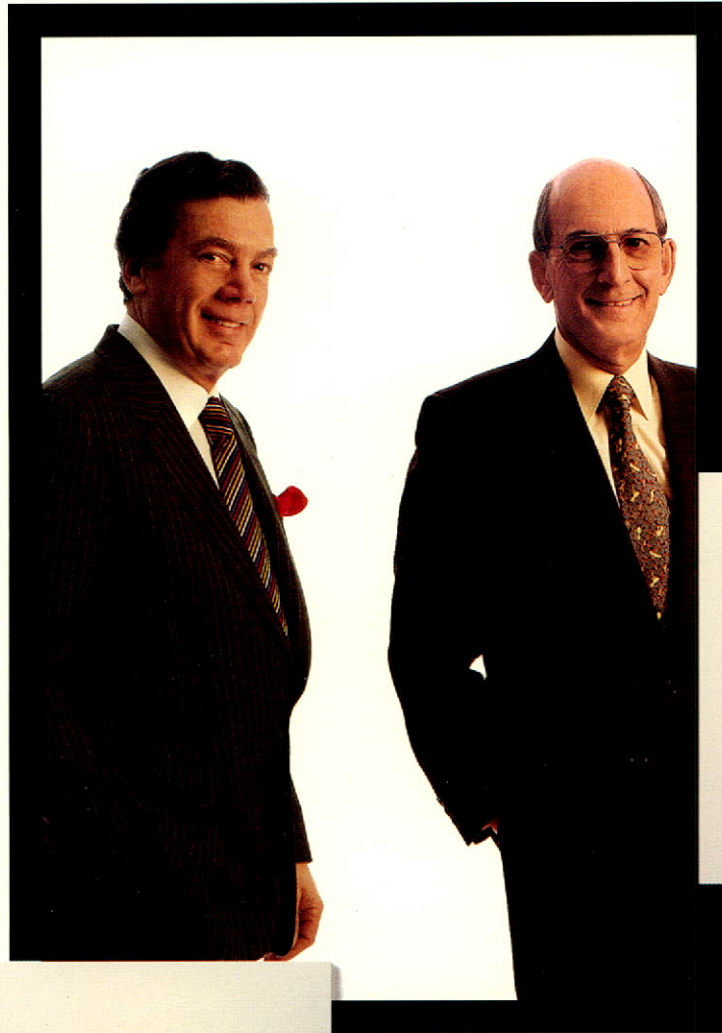
broaden our repertoire and expand internationally, particularly through talent acquisition and development and through new approaches to marketing. Our acquisition in early 1996 of a 50 percent interest in Interscope Records, one of the most creative and innovative labels in the industry, significantly bolsters MCA's presence in rock, R&B, rap and alternative music.

We have made major investments in the future of our recreation division. In partnership with The Rank Organisation, we are building Universal City Florida, a \$2 billion destination resort comprising many forms of themed entertainment, near Orlando, Florida, a city that has already become an international vacation destination. The consumer market will reward an innovative new attraction, and we think Universal City Florida will quickly become a major draw for Florida vacationers. Additionally, on February 6, 1996, MCA unveiled plans for Universal Studios Japan in Osaka, the company's first theme park venture outside the United States. Construction is expected to begin in 1998, with an anticipated park opening in 2001. More immediately, we are nearing completion of two new lead theme park attractions: *Terminator 2: 3-D* at Universal Studios Florida, and *Jurassic Park – The Ride* at Universal Studios Hollywood. The history of theme parks demonstrates that they rise or fall on these kinds of flagship attractions that draw sizable crowds.

Rethinking and redesigning the way we do business is an important factor to the future of our entertainment businesses, as it already is to our beverage businesses. There are significant opportunities for improvement and cost savings, both within MCA and between MCA and Seagram. In addition, there are unexploited opportunities for revenue-generating synergies between our entertainment businesses.

The transformation of MCA has begun, but it will not be completed this year or next. We will measure our success in the near term by the quality of the creative talent that we bring to our businesses, by the responsiveness we bring to our business





*Values*

Edgar M. Bronfman  
Chairman

*People*

Charles R. Bronfman  
Co-Chairman



relationships, by the improvements we bring to the ways our businesses are managed, and by the emergence of areas of significant growth and margin improvement in each of our entertainment businesses.

Our company's management team has changed significantly in the last year. Robert W. Matschullat joined the company as vice chairman and chief financial officer and was elected to the Seagram Board of Directors. John D. Borgia took charge of our human resources function as executive vice president. In addition, Martin J. Frost was named president of our spirits and wine business in Europe and Africa. He joins The Seagram Spirits And Wine Group management team headed by Steven J. Kalagher, president, that includes Fernando Kfoury, president of Seagram Americas, and S. Bredo Oestlien, president of Seagram Asia Pacific. In The Seagram Beverage Group led by Ellen R. Marram, president, Gary M. Rodkin and Abbas Bayat were appointed presidents of Tropicana Dole Beverages North America and Tropicana Dole Beverages International, respectively.

Edward F. McDonnell, who stepped down last year as President of The Seagram Spirits And Wine Group but at our request remained as a director, has decided not to stand for reelection. We thank him for his valued advice and support and wish him well in his new endeavors.

We were saddened this past year by the tragic passing of Stephen E. Banner, senior executive vice president, chief financial officer and a member of the Seagram Board of Directors. Steve was a man of extraordinary wisdom, intellect and humor, on whose counsel we all relied for many years.

Two changes in our financial reporting deserve mention here. We are changing to a fiscal year that ends on June 30. This aligns our corporate planning cycle with the seasonal cycles of our core businesses. As a result, we will report financial results for a five-month interim period that ends June 30, 1996, and will then begin a full fiscal year on July 1. Also, we are using cash flow (which we define as attributed earnings before interest, taxes, depreciation and amortization, or EBITDA) as the primary yardstick of our financial

**Seagram understands consumers - tastes, trends and the subtly different ways of marketing across many different geographies.**

**Seagram understands customers - and increasingly, we are coming to understand how to be entirely responsive to their needs.**

At MCA following our acquisition, Lew R. Wasserman became chairman emeritus, at the same time joining the Seagram Board of Directors. Ron Meyer was appointed president and chief operating officer of MCA, heading a new management team. Howard L. Weitzman, Sanford R. Climan and Bruce L. Hack became executive vice presidents. Casey Silver was appointed chairman of the MCA Motion Picture Group. R. Gregory Meidel was named chairman of the MCA Television Group, and Doug Morris became chairman of the MCA Music Entertainment Group. In our publishing business, Phyllis E. Grann continues to serve as chairman of The Putnam Berkley Group. And Ron Bension remains chairman of the Universal Recreation Group.

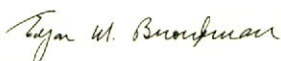
Many of these people are new to Seagram. They give us new skills and new perspectives. They are people of significant accomplishments, and we have no doubt that their level of accomplishment will benefit our businesses greatly.

performance. Because of the goodwill associated with our acquisitions, we believe EBITDA is the best measure of our operating results.

We approach the future in healthy financial condition. We note particularly the strength of our balance sheet, where our outstanding debt has been reduced by \$1.6 billion due to our operating results and the effect of the DuPont, MCA and Dole transactions. Our current net debt is \$3.6 billion and our book equity is \$9.3 billion. We have substantial capacity to invest and support our businesses.

Seagram has changed enormously, and for the better, in the last year. We have placed ourselves in attractive businesses and begun the process of realizing their full value. We look forward to tangible, building-block-on-building-block progress toward that goal. We rely, as always, on the dedication, hard work and creativity of the men and women of Seagram. They have made immeasurable contributions in a landmark year for our company. It is our privilege to be associated with them.

On behalf of the Board,



Edgar M. Bronfman  
*Chairman*



Charles R. Bronfman  
*Co-Chairman*



Edgar Bronfman, Jr.  
*President and  
Chief Executive Officer*

# Review of Continuing Operations

Seagram's beverage businesses are leaders in producing, marketing and distributing quality, premium brands to discerning customers and consumers throughout the world.

MCA/Universal is a leader in producing, marketing and distributing the highest quality entertainment to customers and consumers worldwide.

*Seagram's two industry segments – beverages and entertainment – are divided into six lines of business: Spirits and Wine; Fruit Juices, Coolers and Mixers; Filmed Entertainment; Music; Recreation; and Publishing and Other Businesses.*







## Spirits and Wine

Fiscal Years Ended January 31,

Millions	1996	1995
Attributed Revenues	\$5,093	\$5,061
EBITDA	763*	809

\*Excludes reengineering charge

## Spirits *and* Wine

The Seagram Spirits And Wine Group is positioning itself to be the leading global marketer of premium spirits and wine brands. To achieve this goal, the group is growing market share in established Western markets, while extending its reach into emerging markets where rising standards of living and lowering trade barriers have made international brands more attractive. In addition, the company expects to continue entering into and developing strategic

**Right:** alliances with other companies to complement the current brand  
**Greater China** portfolio and to expand distribution capabilities in new markets.  
**is the** Satisfying the needs of key retail and on-premise customers is a top  
**market of** priority, as is streamlining operations and reducing costs.  
**greatest**

**opportunity for**

**spirits, and**

**Martell Cognac**

**is strongly**

**positioned**

**there and**

**throughout**

**Asia.**

Global Business Seagram's spirits and wine operations produce, market and distribute spirits and wine brands in more than 150 countries and territories worldwide. The Seagram Spirits And Wine Group is organized into three geographic divisions – Americas, Europe & Africa, and Asia Pacific. Category management is responsible for business development and global strategic marketing direction for Seagram's key spirits and wine categories, including Scotch whiskies, Cognacs, North American whiskies and Champagnes.

In addition, the company has two U.S.-based, specialized premium wine operations – The Seagram Classics Wine Company and Seagram Chateau & Estate Wines Company.





The spirits and wine business operates today in two distinctly different economic environments. There is slower growth in the established markets of North America and Western Europe and more rapid growth in the emerging markets of Asia, Eastern Europe, the C.I.S. and Latin America.

Globally, 1995 was another record year for Chivas Regal Scotch Whisky, Seagram's flagship spirits brand, which was buoyed by a new global advertising campaign. Royal Salute Scotch Whisky widened its leadership position in the super premium Scotch whisky segment, while Glen Grant and Passport Scotch Whiskies continued to develop into a formidable force in the standard sector. The addition of The Heritage Selection and The Glenlivet 18-year-old further strengthened Seagram's position in the growing malt whisky category.

Increasing the emphasis on Martell Cognac's superior qualities, top-of-the-range Création de J&F Martell in a Baccarat decanter was launched in 1995. Noblige, the mid-range Cognac released in 1994, progressed well and complements Cordon Bleu, Martell's unique flagship brand.

Global Champagne sales continue to rebound, with Champagne Mumm outpacing its competition and achieving a global market share gain. Belle Epoque, the super premium

Champagne cuvée, continues to increase as a percentage of total Perrier-Jouët sales.

The company's spirits and wine business is facing its most difficult challenge in Europe. The trend toward retailer concentration continues with both national and pan-European retailers and buying groups becoming more powerful. All marketers of beverage alcohol brands confronted severe pricing pressure across Europe last year. However, Seagram is investing in its key brand franchises to build image and grow distribution in European markets.

Germany, Seagram's most important European market for spirits and wine, is still suffering from the softness of its economy due to the effects of unification. Retail trade concentration has placed considerable pressure on margins in Seagram's business. This has adversely affected sales of Mumm Sekt, Seagram's premium German sparkling wine. The French market recovered well in 1995, and The Seagram Spirits And Wine Group continued to successfully build the image of Glen Grant Scotch Whisky alongside its more established brands. Four Roses Bourbon performed strongly in Italy, where the line extension Four Roses & Cola has taken the brand into new venues and attracted new consumers.



Reinventing Seagram's European spirits and wine business is a top priority, and a broad-ranging program has been initiated to ensure this. A substantial portion of the \$290 million pretax charge taken in the 1995 third quarter provides for a long-term program to make the company's European spirits and wine business more competitive, responsive and cost-efficient.

The costs of logistics and the amount of finished goods inventory are being significantly reduced, while technology is being maximized throughout the supply chain. Unnecessary and unproductive assets are being eliminated. An example of this commitment is the planned European Financial Shared Services Center. Established in London, it will provide administrative services, including accounts payable support, to all European affiliates. At the same time, consumer-focused marketing programs are receiving a more concerted thrust.

In 1995, Seagram outperformed its spirits competition in North America and registered significant volume gains for many of its brands. Crown Royal, Seagram's premium Canadian whisky, grew substantially. Sales of Captain Morgan Original Spiced Rum topped the million-case mark for the first time. And in a declining market for Scotch whisky, Chivas Regal, the world's leading premium Scotch whisky, gained market share. A star performer was

Absolut Vodka, which Seagram distributes in the United States and major international markets under agreement with The Absolut Company, V&S Vin & Sprit AB. Sales of Absolut Vodka grew significantly, especially outside its traditional strongholds on the country's east and west coasts, achieving impressive gains in the midwest.

Most of Seagram's major Latin American spirits and wine markets are adjusting to various phases of economic reform. During 1995, Seagram's emphasis was on key brand investment, streamlining processes and lowering costs. Customer-focused programs and operating efficiencies similar to those achieved in Europe have been implemented in Mexico, Venezuela and Brazil. Despite the severe economic problems in Mexico, market share of imported brands, Martell Cognac and Chivas Regal Scotch Whisky, has grown.

**Americas Realignment** Effective February 1, 1996, Seagram began realigning its spirits and wine businesses throughout the Americas to move decision-making closer to customers and substantially reduce costs. Seagram Americas is now comprised of a network of eight distinct regional operations, each responsible for sales and marketing and each accountable for franchise results. Business units in the smaller Latin American markets of



You either have it



or you don't



Argentina, Chile, Colombia, Costa Rica and the Dominican Republic have been realigned as sales and marketing operations and now receive functional support from their respective regions.

Asia Pacific is a dynamic region of enormous potential for premium spirits brands. Scotch whisky and Cognac are the key product categories in the region, and Seagram is strongly positioned in both with Chivas Regal, Royal Salute and the Martell Cognac range. The strategy is to build brand franchises, train a growing sales force and invest in infrastructure.

Seagram's joint venture with Doosan Construction Co., Ltd. continues to hold a leadership position in the important Scotch whisky market in South Korea, with Passport Scotch as category leader and Chivas Regal carving out an increasingly important role in the fast-evolving premium segment. In Taiwan, Royal Salute reigns as the number one super premium Scotch whisky. In Thailand, Master Blend Whisky, a blend of imported malt whisky and local spirit, has been launched to compete in the newly created local whisky category in that market.

Seagram views Greater China as the market of greatest opportunity for spirits. Underscoring this belief are 15 representative offices in China that promote and merchandise the premium qualities of Seagram's Scotch whisky and Cognac brands.

The growth of Chivas Regal, Royal Salute, Martell Cordon Bleu, X.O. and L'Or has been exceptionally strong.

By comparison, India is a market of longer-term potential. Until the restrictions on importing bottled-in-Scotland Scotch whisky are lifted, Seagram's spirits business is limited to local spirits brands such as Blenders Pride and Oaken Glow and locally bottled Scotch whiskies, such as Something Special and Passport.

Duty free retailing is a multibillion-dollar industry. Seagram brands account for 20 percent of all premium spirits sales in duty free. During 1995, Seagram radically revised its approach to duty free to become a customer-driven business with a more unified approach to customers and a stronger, more strategic brand focus. Century, a blend of 100 malt Scotch whiskies, was the first brand to be launched from this new strategic platform. Unveiled in January, 1996, it has been received with considerable acclaim by the duty free trade in Europe.

The global outlook for the spirits and wine market is one of slow growth. Within this environment, however, there is considerable potential for premium brands and emerging markets. Seagram is committed to increasing its focus on and investment in those brands and markets to maximize profit opportunities and to be the leading global marketer of premium spirits and wine brands.



**Left:**  
Chivas Regal  
Scotch Whisky,  
buoyed by global  
advertising,  
achieved another  
record year.  
**Right:** The  
signature red  
ribbon identified  
a new advertising  
campaign for  
Mumm Cordon  
Rouge Champagne,  
which has  
increased its global  
market share.



# Fruit Juices, Coolers *and* Mixers

## Fruit Juices, Coolers *and* Mixers *Fiscal Years Ended January 31,*

Millions	1996	1995
Attributed Revenues	\$1,898	\$1,592
EBITDA	196*	159

\*Excludes reengineering charge

Within the broader transformation of Seagram, The Seagram Beverage Group is itself a transformed division – transformed by the chilled juice revolution it leads, the acquisition of the Dole juice and juice beverages business (other than canned pineapple juice) in 1995, continued innovation, and the ongoing effects of improved customer service.

The Seagram Beverage Group, which produces, markets and distributes fruit juices, coolers, mixers, and other low-alcohol and non-alcohol adult beverages, expects continued category growth worldwide. Improved profitability will come from growing revenues in growing markets by marketing more effectively to consumers and customers, launching new products that satisfy consumer needs, and further geographic expansion. In addition, margins will be enhanced through the continued implementation of reengineering activities, as well as ongoing cost-savings efforts.

World's Largest Tropicana Dole Beverages, now the world's largest juice company, has become the leader in one of the world's most rapidly expanding food product categories. Orange juice is the most important product line, but Tropicana Dole Beverages also markets grapefruit juice, 100 percent juice blends, and other juices and drinks.

**Right: A new international advertising campaign for Tropicana Pure Premium is expected to build share for the market-leading brand.**

Two Tropicana Dole Beverage divisions – Tropicana Dole Beverages North America and Tropicana Dole Beverages International – were established after the acquisition of the Dole juice business. The international division's headquarters was relocated from Bradenton, Florida to Brussels and an Asian office was established in Singapore. Products are manufactured in the United States, France, Belgium and China. They are sold in the United States, Canada, parts of Latin and South America, most of Western Europe, China, Taiwan and Japan. Tropicana and Dole\* lead the division's portfolio of brands, which also includes three additional brands acquired from Dole – Fruvita in Europe and Juice Bowl and Looza in North America and Europe.

Rapid Growth Juice and juice beverages constitute one of the fastest-growing food product categories today, expanding at six percent annually in North America on a volume basis and at seven percent worldwide. Orange juice is the leading juice within this dynamic category. Tropicana Pure Premium orange juice is the U.S. and Canadian market leader and one of the leading brands in supermarkets across all grocery categories. Tropicana Pure Premium's growth is being driven in North America by consumers' continually growing preference for chilled ready-to-serve, not-from-concentrate orange juice. Consumers have shown a willingness to pay premium prices for the freshness, superior taste and convenience of Tropicana Pure Premium juices. In the global market, demand is being driven by growing consumer awareness of juices and their nutritional value, as well as increased availability.

\*The Dole brand name is licensed from Dole Food Company, Inc.





The launch in early 1996 of a new international advertising campaign for Tropicana Pure Premium increases the aggressive marketing of this brand and is expected to help build market share.

Tropicana Dole Beverages is the leading chilled orange juice producer in the United States. Its market share in the chilled juice category rose to 42 percent, spurred by double-digit growth in Tropicana Pure Premium, which accounts for nearly a third of all ready-to-serve orange juice sales in the United States. Tropicana Dole Beverages recorded chilled orange juice grocery retail sales of almost \$1 billion in the United States in 1995, more than double that of the next largest competitor. In Canada, Tropicana's chilled juice share is slightly more than 50 percent.

The 18 percent of Tropicana Dole Beverages' revenues outside North America is expected to increase steadily, as revenue and market share grow in international markets. Fruvita and Tropicana Pure Premium are the first and second leading chilled brands in France, and the company also leads in chilled market share in the United Kingdom and Taiwan. The global market, populated with small, local

companies, is only beginning to consolidate, with Tropicana Dole Beverages as the largest single participant.



Strategic direction is to continue growing its North American market share in chilled juices, broaden its product mix, expand its presence in attractive global markets and diversify into new distribution channels. Of equal importance is the strengthening of customer service and customer relations and the continued reduction of expenses. 1995 was a pivotal year in the realization of this strategy.

Dole, Fruvita, Looza and Juice Bowl broaden and enrich the company's brand portfolio. In North America, the Tropicana brand is associated with citrus and breakfast and is strongest in the East. In the United States, Dole is associated with non-citrus and all-day consumption and is strongest in the West. The acquisition of Dole's juice and juice beverage business also brought an efficient distributed manufacturing network in the United States where Dole products are packaged regionally by independent co-packers. The two European plants from the Dole acquisition bring the business closer to key customers







and consumers. These plants now produce all chilled products and most of the company's shelf-stable brands sold in Europe. And a plant in China also acquired from Dole, speeds the company's expansion into that giant market.

Getting closer to customers is a central Tropicana Dole Beverages priority that contributed significantly to 1995 progress. North American supermarkets and groceries are the traditional customer base. There have been measurable gains in the percentage of orders shipped and received complete and on time, with a demand invoicing system largely eliminating customer invoice error (a persistent industry problem) in the accounts to which it has been applied. Category management may be the best measure of successful customer focus. In this relationship, the company helps the retailer manage the chilled juice section for maximum sales and profits. Since mid-1994, 25 of the company's 50 largest retail accounts have designated Tropicana Dole Beverages as category manager.

Channel diversification continued to be a significant contributor to growth in 1995, with mass merchandisers, convenience stores, restaurants, food service establishments and vending machines taking an increasing share of the consumer's food dollar. Tropicana Dole Beverages in the United States improved both its product mix and service to these important outlets as well.

The Seagram Beverage Company continued its strategy of building premium brands in low- and non-alcohol beverages. During 1995, the company successfully introduced Wild Untamed Flavors, a line of flavorful fruit coolers that include Wild Kiwi Strawberry, Wild Tropical Fruit and Wild Mango. Seagram Coolers grew share in this highly competitive market in 1995.

In early 1996, an agreement was signed with Grolsch N.V. to become the exclusive importer of Grolsch beer in the United States. Seagram's strong sales and distribution network, combined with its successful track record in building premium brands, is expected to boost Grolsch's U.S. growth. Other new low-alcohol products are in various stages of development, thereby expanding the portfolio in response to the rapidly growing premium low-alcohol market in the United States.

The Seagram Beverage Company also produces and sells a full line of Seagram Mixers, including Ginger Ale, Tonic Water, Club Soda and Seltzer. Volume and market share of mixers have been steadily increasing as the company expands its presence both within the United States and in selected international markets.

Looking to the future, the overall global market for juice and juice beverages should continue to grow. The Seagram Beverage Group is extremely well positioned to capitalize on this momentum and build on the company's established market leadership.



Millions	1995	1994
Attributed Revenues	\$3,487	\$3,313
EBITDA	292	176

\*Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.

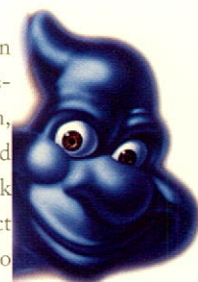
# Filmed Entertainment



Filmed entertainment – motion pictures, television, home video and image-based software for emerging delivery systems – ranks today as the dominant entertainment form for consumers worldwide.

Historically, MCA/Universal has been an industry leader in filmed entertainment, and the company has renewed its commitment to that leadership by embarking on a multi-year program designed to improve performance through creative talent alliances, globalization and cost control.

MCA/Universal produces filmed entertainment across the entire spectrum of distribution opportunities. Universal Pictures produces theatrical films that are marketed both domestically and internationally to movie theaters, home video, pay television, network television, basic cable and syndicated television. In television, the company produces drama and comedy series, made-for-television movies and other original programming for network broadcast. In addition, it distributes original television programming, off-network product and theatrical features to individual television stations and basic cable outlets. Home video releases include both new and catalog programming worldwide. In addition, the MCA/Universal library encompasses more than 3,500 motion pictures and 16,000 episodes of television programming. MCA/Universal also provides production facilities and services at Universal City, California and Orlando, Florida.



**Motion Pictures Worldwide** motion picture industry revenues totaled approximately \$10.5 billion in 1995. Domestic box office revenues have grown little in recent years and now account for less than one-fifth of a typical film's revenue. Other revenue sources, including international distribution, home video and pay television, are growing rapidly. New technology, including digital video and video-on-demand, provides potential new distribution forms and revenue sources.

Universal Pictures is one of seven major motion picture distributors, which together account for about 90 percent of domestic box office revenue – the basic industry yardstick of market share. In 1995, Universal finished fourth in domestic market share. The studio released 18 feature films with a total domestic gross of \$669 million. Its market share rose almost 14 percent as a result of a record-breaking summer season, a key moviegoing period in which Universal led all studios in domestic ticket sales. Universal's total worldwide box office gross for 1995 was nearly \$2.5 billion.

*Apollo 13* has generated more than \$350 million in worldwide ticket sales to date, while *Casper* and *Waterworld* each had worldwide grosses in excess of \$250 million in 1995.





The family comedy *Babe* also contributed significantly during the late summer period and has since become a major international success, grossing over \$200 million worldwide to date. In addition, Universal led all studios with 20 Academy Award® nominations, including Best Picture nominations for *Apollo 13* and *Babe*.

Universal product for 1996, largely developed prior to the Seagram acquisition, should appeal to a broad range of moviegoing tastes. These films include the Steve Martin comedy, *Sgt. Bilko*; *Flipper*, a film with strong family appeal; the epic fantasy adventure, *Dragonheart*; a new version of the classic comedy, *The Nutty Professor*, starring Eddie Murphy; *The Frighteners*, a unique event film from executive producer Robert Zemeckis; the film version of John Grisham's *The Chamber*, starring Gene Hackman and Chris O'Donnell; *Liar, Liar*, a new comedy with Jim Carrey; and *Daylight*, an action drama starring Sylvester Stallone. Additionally, Universal should realize considerable success with the international distribution rights to *Twister*, an intense thriller from Amblin Entertainment.

Plans for 1997 include the release of *The Lost World*, the sequel to *Jurassic Park* – the highest grossing film of all time. Steven Spielberg is back in the director's chair, and the film is already in pre-production.

These films are the kind of popular entertainment that can provide multiple revenue opportunities for several

years, as they can be leveraged to create feature film sequels, television series and theme park attractions.

Under its new management, MCA/Universal has aggressively refocused its energies toward designing a dynamic working environment that nurtures the finest creative talent in the industry. Perhaps most significantly, MCA/Universal has entered into a long-term strategic alliance with DreamWorks SKG, the entertainment company founded by Steven Spielberg, Jeffrey Katzenberg and David Geffen. Under this landmark agreement, MCA/Universal gained key international distribution rights to DreamWorks' live action and animated motion pictures, as well as worldwide home video and music distribution rights and the rights to utilize characters and concepts created by DreamWorks in MCA/Universal's theme parks.

Since the arrival of its new management, MCA/Universal has formed long-term alliances with some of the world's most popular talent and successful production companies, including Sylvester Stallone; producer-directors Ron Howard, John Singleton, Jerry Zucker and David Zucker; director Andrew Bergman and his producing partner Mike Lobell; Danny DeVito's Oscar-winning company, Jersey Films; Demi Moore's Moving Pictures; Penny Marshall's Parkway Productions; Ron Howard and Brian Grazer's Imagine Entertainment, long a source of important films for MCA/Universal, which has





Left top:  
Computer-generated special effects helped make *Casper* an international success.

Left below:  
*Apollo 13* has generated more than \$350 million worldwide.

Right: *Babe*, a global hit, captured the hearts of audiences of all ages.



extended its production arrangement with the company; and The Bubble Factory, a newly created entertainment company headed by former MCA President Sid Sheinberg. Additionally, Universal has ongoing production deals with such filmmakers as Martin Brest, Ivan Reitman, Phil Alden Robinson and Robert Zemeckis. These agreements are expected to provide a steady and diverse source of feature films to distribute for years to come.

Universal has set a number of objectives as it moves forward to become more profitable and evolves to meet the demands of an ever-changing marketplace. Plans include: focusing on films with global appeal and cross-business potential; executing a more disciplined exploitation of MCA/Universal's vast film library, which contains more than 80 years of film properties; and making the necessary commitment to digital technology. New technology will continue to play a key role in the future of entertainment companies, and MCA/Universal must devote the necessary creative and financial resources to take a lead position in an arena that is transforming filmed entertainment businesses.

As MCA/Universal moves in these new directions, a number of significant challenges lie ahead. Worldwide audiences face a bewildering number of entertainment choices, and they have become increasingly demanding in their perception of value. Family, action and animated movies have strong domestic and international appeal, but it is the "event" film that has become the foundation for motion picture companies. Even with the advent of new distribution

forms and their revenue potential, Universal, like the other major studios, has seen profitability dip in the face of the difficult economics of production, marketing and distribution. While the domestic marketplace has remained flat, the industry has looked more and more to the expansion of the international theatrical, video and television (pay and free) markets to enhance profitability. This trend is expected to continue, and the company is well-positioned, with its resources and reenergized creative environment, to take full advantage of all opportunities in a rapidly evolving landscape.

**Television** Television programming is another major entertainment sector, with U.S. revenues approximately \$13 billion in 1995. The industry is largely driven by sales to the U.S. broadcast networks, though sales to cable (and cable viewing) are steadily increasing and sales to international distribution have been growing significantly faster than U.S. sales. Network programming has shifted away from hour-long action programs which have been an MCA/Universal strength. The move has been to half-hour programs, usually comedy, where MCA/Universal is less strong. The creation of new television networks and the expanding channel capacity of cable television systems both increase demand for television programming.

All of the major film studios are significant producers of network television programming. However, as a result of deregulation, the four leading broadcast networks (ABC, CBS, NBC and Fox) also





produce prime time television programming, in addition to numerous other entities.

MCA/Universal's primary mandate is to position itself as one of the top worldwide suppliers of prime time and first-run series, made-for-television movies and mini-series, as well as animated programming.

Universal Television is broadening its range of programming, with particular emphasis on half-hour program forms; greater exploitation of the MCA/Universal library; and strategic talent alliances, including new development deals with writer-producers such as Robert Singer, David Richardson, Elaine Pope, Maya Forbes, Sam Raimi and Rob Tapert, Shaun Cassidy, and Michael Chernuchin.

Universal Television's 1995-96 season in the United States included the 12th season of *Murder, She Wrote* (starring Angela Lansbury) on CBS, the eighth season of *Coach* (starring Craig T. Nelson) on ABC, and the sixth season of *Law & Order* on NBC. Other series included *New York Undercover* (Fox), *American Gothic* (CBS), *Partners* (Fox), *Sliders* (Fox) and *Weird Science* (USA Network). Prime time movies based on *The Rockford Files* (starring James Garner) continued on CBS.

MCA TV, for the second year in a row, distributed the leading new syndicated action hour on U.S. television. *Hercules: The Legendary*

*Journeys* led the 1994-95 season and has continued to build its audience. Its spin-off series, *Xena: Warrior Princess*, led the 1995-96 season launch.

MCA TV International, with sales offices around the world, handles television distribution of television programs and feature films in more than 80 countries worldwide. The Television Group will continue to seek global opportunities as the company repositions its television assets in the international marketplace.

MCA Television Entertainment's widely acclaimed *Dream On* series aired its 100th episode on HBO; *Here Come the Munsters* was Fox's second highest-rated television movie to date; and *Fudge* was one of ABC's leading children's series. A new mini-series, *The Beast*, based on the best-selling Peter Benchley novel, premieres on NBC during the May 1996 sweeps, a four-week period in which Nielsen measures local market viewership for use in setting advertising rates.

MCA/Universal Family Entertainment and Universal Cartoon Studios provide animated and live-action children's and family programming to networks, first-run syndication and cable, as well as direct-to-video. The company has produced numerous award-winning series and specials in its five-year history, and in 1995 was producer of *Earthworm Jim*, the hit animated series on the Kids' WB Network; the all-new *Casper* series on the Fox Children's Network;





and the hit animated series of *The Land Before Time* feature-length sequels, in association with MCA Home Entertainment.

**Home Video** Home video industry revenues in 1995 were \$15.8 billion in the United States. MCA/Universal Home Video, the company's U.S. home video entity, contributed to this number with the release of 135 new-to-video titles, including *Casper* and *Apollo 13*, the latter featuring a sales cross-promotion with Tropicana Pure Premium orange juice. Direct-to-video releases included *The Adventures of Timmy the Tooth*, an original children's series; *The Land Before Time III: The Time of the Great Giving*, the second installment of the direct-to-video sequels to the theatrical feature, *The Land Before Time*; and *Darkman II: The Return of Durant*, the sequel to the cult film, *Darkman*. Classic releases ranged from *For Whom the Bell Tolls* to the Ma & Pa Kettle vintage movie series.

Among MCA/Universal's home video releases planned for 1996 are such theatrical titles as *Babe*, *Casino* and *12 Monkeys*, and such direct-to-video titles as *Tremors 2: Aftershocks* and *The Land Before Time IV: Journey Through the Mists*.

**USA Networks** MCA owns 50 percent of USA Networks, a joint venture with Viacom. USA Networks operates USA Network, the highest-rated U.S. basic cable network in prime time for six consecutive years; the Sci-Fi Channel, one of the strongest new channel launches in cable history; USA Latin America; and the Sci-Fi Channel in Europe. USA Networks' third international channel launches in Brazil in May 1996.

USA Network reaches more than 67 million homes via 12,500 affiliates, including cable, direct broadcast satellite and MMDS (a new wireless cable system). As part of its leadership position in prime time, USA programs original series such as *Silk Stalkings*, cable's leading original series; *USA Pictures Original Movies*; and successful off-network series such as *Murder, She Wrote* and *Wings*. Recently, USA Network converted more than half of its prime time schedule to original programming.

The Sci-Fi Channel, which is about to break the 30-million-subscriber mark in its third year, programs movies, series and original science fiction, fantasy and classic horror. As an extension of the Sci-Fi brand, the network launched the *Dominion* site (<http://www.scifi.com>) on the Internet in March, 1995.

**Cineplex Odeon** MCA has a more than 40 percent equity interest in Cineplex Odeon Corporation, a public entertainment company that owns and operates motion picture theaters and related food service concessions in 14 U.S. states, the District of Columbia and six Canadian provinces. Cineplex Odeon ranks as the third largest motion picture exhibitor in the United States and Canada in terms of box office revenues and fourth in terms of number of screens. The company has 1,512 screens in 325 theaters. Its theaters are located primarily in major metropolitan areas, with 88 percent of its U.S. screens in the top 15 U.S. markets and 79 percent of its Canadian screens in the top 10 Canadian markets.

In 1995, Cineplex Odeon opened a total of 59 new screens. Plans for future openings include approximately 150 new screens in 1996.

Left top to bottom: Stars of syndicated television's hottest new action hours, *Hercules: The Legendary Journeys* and *Xena: Warrior Princess*. Angela Lansbury stars in network television's longest-running drama series, *Murder, She Wrote*. Universal's *Coach* begins its ninth season on ABC in fall 1996. Right: Characters from the popular animated home video series, *The Land Before Time*.





# Music

Music stands as an enormous category of the global entertainment industry, boasting healthy growth trends and attractive economics. In 1995, worldwide record sales exceeded \$37 billion across the industry and are expected to grow at about six percent annually through the year 2000. Well-managed music businesses provide excellent profit margins and returns on investment. Music publishing, a \$5 billion business with generally stable returns spread over long periods of time, should continue to grow rapidly.

MCA/Universal's music business is a strong performer, largely within the U.S. marketplace. Now under new management, the MCA Music Entertainment Group is expanding by building its position in new music genres and establishing its presence in global markets.

**Diverse Labels** MCA Music Entertainment encompasses record labels; manufacturing, sales, and distribution operations; music publishing; and MCA Concerts, a live event/concert promotion division. MCA's record companies create and market prerecorded compact discs, cassettes and LPs. Their music appears on such labels as MCA Records; Universal Records; MCA Records/Nashville; Geffen and DGC Records; GRP Recording Company, which includes the Impulse!, Decca Jazz and Blue Thumb labels; Rising Tide/Nashville; Uptown Records; and Interscope Records (50 percent ownership). New labels marketed by Geffen Records include Almo Sounds, Outpost Recordings, DreamWorks and SKG Records.

Among MCA's leading artists are Reba McEntire, Vince Gill, George Strait and Wynonna (with Curb Records) in country; Meat Loaf, Bush (with Interscope), Live (with Radioactive Records), and Guns N' Roses in rock; Salt-N-Pepa, Heavy D and the Boyz, Mary J. Blige, Jodeci, Patti LaBelle and Gladys Knight in urban; and George Benson, the Rippingtons and McCoy Tyner in jazz. The company also releases soundtrack albums for major motion pictures that have included *Dangerous Minds*, *Pulp Fiction*, *Schindler's List* and *Jurassic Park*, and markets a catalog of past recordings from legendary artists such as Jimi Hendrix, The Who, Patsy Cline and Buddy Holly.

**Right: Counting Crows' debut album for DGC Records, *August and Everything After*, sold more than six million copies in the United States alone. Inset: MCA Records' Mary J. Blige reigns as the undisputed Queen of Hip-Hop Soul.**

## Music\*

Twelve Months Ended December 31,

Millions	1995	1994
Attributed Revenues	\$1,257	\$1,293
EBITDA	123	192

\*Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.

**Music Publishing** MCA Music Publishing owns and licenses songs from a diverse catalog of more than 155,000 copyrights, among them classic songs such as "I Want To Hold Your Hand," "Hound Dog," "Girl From Ipanema," and "Strangers In The Night." MCA Music Publishing also controls the music catalogs of The Mamas and The Papas and Steely Dan. Of special note: MCA Music songwriters Alanis Morissette and Glen Ballard co-wrote all of the songs on Morissette's *Jagged Little Pill* album, which has sold more than five million copies and won Album of the Year and Best Rock Album at the 38th Annual Grammy Awards – which also honored Morissette and Ballard's "You Oughta Know" as Best Rock Song.

North America and Europe are expected to continue to account for the majority of records sales volume, but developing markets – especially those in the Asia Pacific region – will represent a growing share of that total. Compact discs will continue to replace cassettes in most markets, and local artists are expected to provide an important share of sales volume. Given the global demand outlook, the primary drivers of business success have been, and should continue to be, the ability to attract and retain premium talent (not just performers, but also





songwriters and producers) and the ability to maximize revenues through effective global marketing and distribution.

There are six major record companies, and following the acquisition of 50 percent of Interscope Records, MCA's market share rose to approximately 12 percent in the United States. MCA's global share of six percent can be attributed largely to its late entry into the international marketplace, which until the recent opening of MCA's own companies outside North America, inhibited the company's ability to sign and develop local artists. In addition, country music, one of MCA's strengths, achieves modest sales outside the United States and Canada. In music publishing, MCA's share resides at approximately five percent.

Scale is critical to presence and profitability in recorded music. In the United States, MCA has the artist development, marketing and distribution capabilities of its larger competitors. MCA's direction in music therefore comprises: a broadened base in multiple music genres; global reach in marketing and promotion; development of local artists in markets outside the United States and Canada; and the exploitation of new entertainment technologies.

One aspect of this plan was launched before Seagram acquired its interest in MCA. The company, which was represented by its own affiliates in less than 50 percent of the world record markets in 1990, reached 89 percent by the end of 1995, with the establishment of wholly-owned MCA record companies during the

year in Australia, Hong Kong, Malaysia, Taiwan, South Korea, New Zealand, Singapore, Ireland and Portugal. By the end of 1996, MCA anticipates that it will have operations in place to reach 95 percent of the global music market through entries into Mexico, Brazil, Argentina and Thailand.

**Label Acquisitions** In late 1995, Rising Tide Records, a joint venture record label, became wholly owned by MCA and was renamed Universal Records. Universal Records represents an important presence on the U.S. East Coast for the music group and is expected to enable MCA to sign and develop more artists. Uptown Records, one of the leading black music labels in the United States, also became wholly owned by MCA. The recent acquisition of a 50 percent interest in Interscope Records, one of the most creative and innovative labels in the industry, significantly bolsters MCA's presence in rock, R&B, rap and alternative music.

In addition to attracting and retaining artists in an extremely competitive marketplace, MCA has recruited strong, highly experienced executive talent to its various labels and has established important alliances. The new MCA management's goal is to move quickly and aggressively to bring in new creative talent across a broad range of music genres and to increase MCA's global presence and grow boldly in the dynamic worldwide music marketplace.





## Recreation

### Recreation\*

Twelve Months Ended December 31,

Millions	1995	1994
Attributed Revenues	\$447	\$440
EBITDA	124	128

\*Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.

The magic of moviemaking is celebrated at Universal's theme parks, where the fun, fantasy, glamour and suspense of some of the world's best-loved motion pictures spring to life through state-of-the-art thrill rides, spectacular live-action shows and interactive experiences.

Universal owns and operates Universal Studios Hollywood, which has thrilled worldwide audiences for more than 30 years, and Universal CityWalk in California. In a joint venture, Universal and The Rank Organisation own Universal Studios Florida and are constructing Universal City Florida, a world-class destination resort. Both Universal Studios parks rank in the top six in domestic attendance. In early 1996, Universal announced plans for Universal Studios Japan in Osaka, the company's first theme park venture outside the United States.

The theme park industry is approximately \$8 billion worldwide and growing rapidly. Industry growth is fueled by consumers' desire for quality recreational experiences, along with the expansion of travel and tourism. The most promising growth markets reside in Western Europe and Asia, where the same forces are augmented by the huge demand for Western culture and entertainment.

**Near right:** Arnold Schwarzenegger is featured in *Terminator 2: 3-D*, the world's first four-dimensional theme park attraction.

**Far right:** *Jurassic Park—The Ride* thrusts guests into a world of "living" dinosaurs.

Increasingly, theme parks represent only one facet of a broader industry, generally called site-based or out-of-home entertainment, which combines multiple entertainment experiences that may include resorts, live theater, sports, interactive entertainment, cinema, and themed retail shops, food and lodging.

The Universal Recreation Group plans to broaden its spectrum of entertainment properties to include destination resorts, theme parks, location-based entertainment, and themed-entertainment retail; to expand geographically, particularly in Asia and Europe; to enhance the appeal of its existing parks with major new attractions; and to improve the marketing and operating efficiency of its facilities.

During 1995, Universal and The Rank Organisation began development of Universal City Florida, an unprecedented destination resort in Orlando. The resort will combine a new family-oriented theme park, *Universal's Islands of Adventure* (developed with creative consultant Steven Spielberg), with a complex of themed hotels, professional golf and tennis facilities, convention facilities, and the E-Zone, a collection of themed restaurants, nightclubs, theaters





and shops. Built on more than 800 acres adjacent to Universal Studios Florida, Universal City Florida is scheduled to open in 1999 and will provide a prototype for similar projects elsewhere.

Universal and The Rank Organisation are each expected to hold 17 percent equity stakes in Universal Studios Japan. The remainder of the equity will be arranged by the City of Osaka and will include many prestigious Osaka-based companies. Construction is scheduled to begin in 1998, with an anticipated park opening in 2001.

Both of the current Universal Studios parks registered healthy attendance in 1995, with per capita spending by park visitors rising slightly from the previous year. Two new attractions drew large crowds: *WaterWorld: A Live Sea War Spectacular* in Hollywood and *A Day in the Park with Barney* in Florida. The *WaterWorld* attraction captures the eerie landscape of Universal's futuristic movie and surrounds guests with the film's explosive action. The *Barney* venue brings to life the purple dinosaur's make-believe preschool playworld in an imaginatively interactive musical show and educational playground.

Construction began last year on two exciting new feature attractions for the parks: *Jurassic Park - The Ride* in Hollywood, and *Terminator 2: 3-D* in Florida. *Jurassic Park* will thrust guests into the three-dimensional world of "living" dinosaurs where they will experience a treacherous 84-foot plunge down the longest,

fastest, steepest water descent ever built. With *Terminator 2: 3-D*, international superstar Arnold Schwarzenegger and film director James Cameron have joined forces again to create the world's first four-dimensional, interactive, themed attraction, featuring a dazzling combination of special effects, live-action stunts, digital sound and the most sophisticated 3-D motion picture ever created. Both attractions are scheduled to open in 1996 and are expected to draw a significant number of new visitors to the parks.

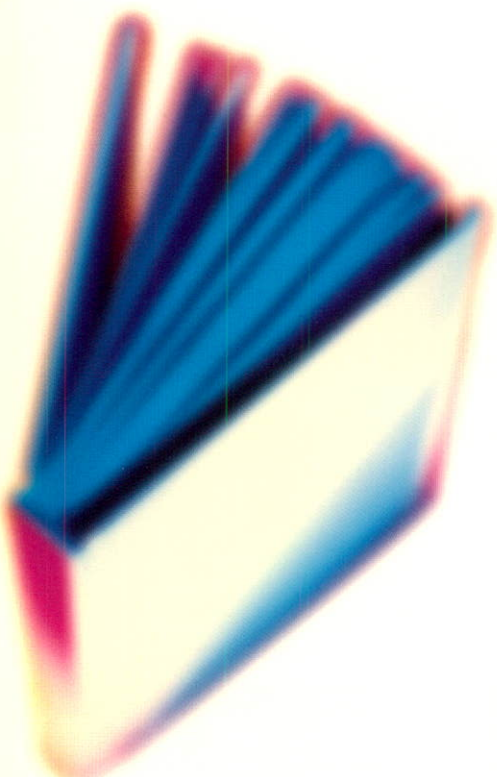
Universal CityWalk, the company's themed-entertainment retail attraction in California, set a new sales record for the third consecutive year. Expansion continued with the opening of a new Hard Rock Cafe in January, 1996. Universal City Florida's E-Zone, scheduled to open in 1998, is modeled after Universal CityWalk.

SEGA GameWorks, a newly announced joint venture with DreamWorks SKG and SEGA Enterprises, will design and develop location-based entertainment centers featuring interactive attractions such as video arcade games and simulators. There are plans to open more than 100 sites during the next four years.

With a rich entertainment heritage to draw from and an established record for creating leading-edge themed environments and attractions, Universal will continue to grow through renewal and expansion of its existing parks, international development and exploration of new approaches to site-based entertainment.







Publishing and Other Businesses\*  
Twelve Months Ended December 31,

Millions	1995	1994
Attributed Revenues	\$581	\$525
EBITDA	54	37

\*Reflects results for the 12 months ended December 31, 1995 and 1994. The Company's results for the year ended January 31, 1996 include MCA results from the acquisition date of June 5, 1995 through December 31, 1995.

## Publishing and Other Businesses



Forty-four books published by The Putnam Berkley Group reached *The New York Times* bestseller lists in 1995. Putnam Berkley has built its industry position as a niche publisher through acquisition and development of authors and through entry into new publishing areas.

**Right:** Putnam Berkley publishes trade (or general interest) books for U.S. adult and child audiences. According to Book Industry Trends, consumer spending for books in 1995 was expected to reach \$23.2 billion. Putnam Berkley has consistently ranked in the top five among U.S. publishers in terms of best-selling titles. The company's primary imprints are Putnam for hardcover books, Berkley for paperbacks, and Putnam & Grosset for children's books.

**A few of Putnam Berkley's bestsellers in 1995.** The Putnam Berkley Group's goal has been to secure commitments from authors who reliably produce bestseller candidates on an annual or biennial basis. These authors, both literary and commercial, include Tom Clancy, Patricia Cornwell, Robin Cook, Dick Francis, Steve Martini, Robert B. Parker, Lawrence Sanders, LaVyrle Spencer and Amy Tan. Each of these authors produced a book included on *The New York Times* bestseller lists in 1995.

**Merchandising helps create a new brand with *Dragonheart*, a 1996 Universal film release.** Other important titles in 1995 included *The Murderers* by W.E.B. Griffin, *Charles Kuralt's America* by Charles Kuralt, and *Mind Prey* by John Sandford.

Riverhead Books, a new adult hardcover and trade paperback imprint, was created in 1995 to provide a framework for more cutting-edge, contemporary fiction and nonfiction with long shelf-life potential. Riverhead's 1995 titles included *Living Buddha, Living Christ* by Thich Nhat Hanh and *High Fidelity* by Nick Hornby.





In 1995, Putnam & Grosset published Eric Carle's children's book, *The Very Lonely Firefly*, which earned the number one spot on the *Publisher's Weekly* bestseller list. Illustrator and author Peggy Rathmann's book, *Officer Buckle and Gloria*, which was published by the G.P. Putnam's Sons division, received the 1995 Caldecott Medal for most distinguished American picture book for children.

**Merchandising** Continuing in the tradition of *Jurassic Park* and *The Flintstones*, last year MCA/Universal executed a major merchandising and brand-building program for *Casper* which encompassed key licensing, retail and promotion partners. Other significant properties during the year included *Apollo 13*, *Hercules: The Legendary Journeys*, *Woody Woodpecker* and *Rocky & Bullwinkle*. In 1995, promotional programs generated approximately \$90 million in incremental media dollars worldwide.

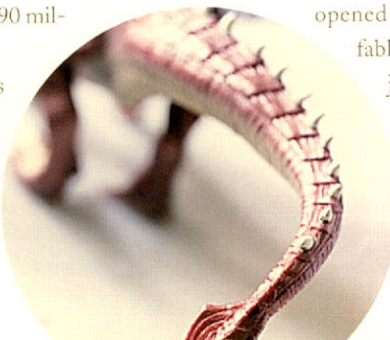
In early 1996, the Consumer Products Group was created, with plans to bring Universal's classic properties to life in an integrated but broad spectrum of distribution channels.

**Spencer Gifts** Spencer Gifts, with approximately 500 retail stores throughout the United States, sells merchandise ranging from lava lamps and proprietary electronics to rock 'n' roll and science fiction collectibles. The retailer caters to "baby boomers" and young adults with above-average incomes, as well as to older teenagers. Spencer Gifts' full-year, same-store sales were the best in nine years, increasing almost 10 percent from 1994 to 1995.

Halloween is a major event for Spencer Gifts, and 1995 was the best year ever. In addition to its regular stores, Spencer Gifts opened 66 temporary locations devoted entirely to Halloween merchandise.

Spencer Gifts introduced a customer relationship program in 1995. The Wild 'N' Crazy Card provides its 250,000 members with discounts, monthly prizes and a quarterly newsletter, *The Wild 'N' Crazy Times*, which keeps customers updated about happenings at Spencer Gifts. Spencer Gifts' Dapay store division also

opened two notable stores this year: the first on famed 42nd Street in New York City, in conjunction with the Times Square renovation project, and the second, the chain's first airport location, at the Orlando International Airport in Florida.





# Management's Discussion and Analysis

**Redemption of 156 Million Shares of DuPont:** On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed common stock held by the Company in a transaction valued at \$8.8 billion. The Company received cash and 90-day notes from DuPont plus equity warrants valued at approximately \$440 million, as of the transaction date. The after-tax cash proceeds were \$7.7 billion. The Company has retained 8.2 million DuPont shares which had a market value of \$631 million at January 31, 1996.

**Acquisition of Dole Juice Beverage Business:** Seagram completed the acquisition of the global juice and juice beverage business (excluding canned pineapple juice) of Dole Food Company, Inc. ("Dole") on May 19, 1995 for \$276 million. The Dole operations which Seagram acquired include fruit juices marketed under the Dole, Juice Bowl, Fruvita and Looza trademarks and manufacturing capability in the U.S., Europe and China. The Dole brand name is licensed from Dole.

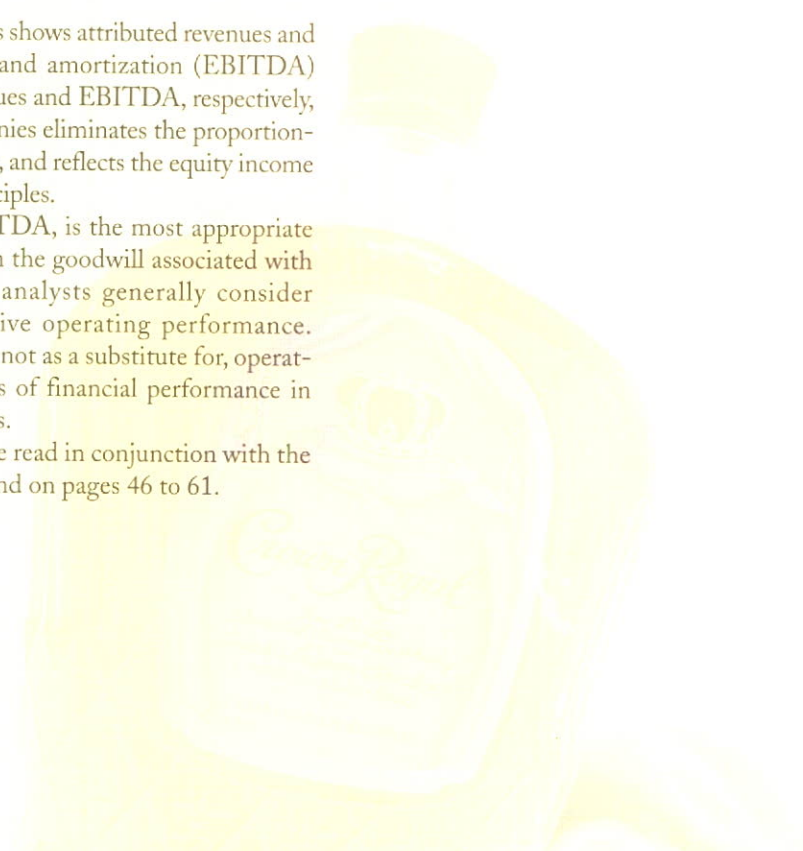
**Acquisition of 80 Percent of MCA Holding I Corp.:** On June 5, 1995, Seagram completed the purchase of an 80 percent interest in MCA Holding I Corp. ("MCA Holding"), the parent of MCA INC. ("MCA"), from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for \$5.7 billion. Matsushita has retained a 20 percent interest in MCA Holding.

The discussion of business unit performance which follows shows attributed revenues and attributed earnings before interest, taxes, depreciation and amortization (EBITDA) which include Seagram's proportionate share of the revenues and EBITDA, respectively, of its equity companies. The adjustment for equity companies eliminates the proportionate share of the revenues or EBITDA of equity companies, and reflects the equity income as reported under U.S. generally accepted accounting principles.

The Company believes cash flow, as defined by EBITDA, is the most appropriate measure of the Company's operating performance, given the goodwill associated with the Company's acquisitions. In addition, financial analysts generally consider EBITDA to be an important measure of comparative operating performance. However, EBITDA should be considered in addition to, not as a substitute for, operating income, net income, cash flows and other measures of financial performance in accordance with generally accepted accounting principles.

The following detailed analysis of operations should be read in conjunction with the Consolidated Financial Statements of the Company found on pages 46 to 61.

There have been three transactions during 1995 which have substantially changed Seagram and impact the comparability of Seagram's financial statements.





## Results of Operations

Year Ended January 31, 1996 vs. Year Ended January 31, 1995 Revenues and attributed revenues were \$9.7 billion and \$10.5 billion, respectively, up substantially from the prior year, largely due to the inclusion of partial year results of MCA and the Dole juice business. EBITDA, after a reengineering charge of \$290 million taken in the third quarter, was \$1.1 billion compared with \$968 million last year. Entertainment contributed \$420 million and fruit juices, coolers and mixers increased 23 percent, while spirits and wine declined six percent. Corporate expenses climbed to \$77 million from \$56 million largely because the increase in the market value of the Company's shares in the current year resulted in the recognition of additional expenses associated with stock-based compensation. Both years included expenses related to consulting fees and internal costs attributable to the Company's ongoing reengineering efforts. Operating income, after the \$290 million charge, declined to \$584 million. Excluding this charge operating income rose 21 percent to \$874 million.

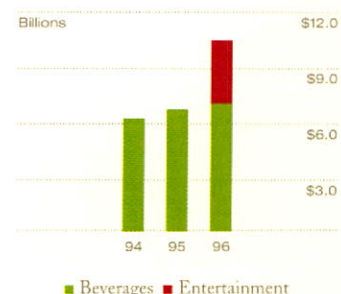
Interest, net and other in the year ended January 31, 1996 included \$273 million of net interest expense, partially offset by \$38 million of dividend income from Time Warner Inc. ("Time Warner") and the remaining DuPont investment. In the year ended January 31, 1995 net interest expense of \$396 million was partially offset by \$34 million of dividend income. The net interest expense decrease largely reflects the repayment of debt with a portion of the proceeds from the DuPont redemption and interest income earned from the temporary investment of the DuPont proceeds from April 1995 until the funding of the MCA Holding acquisition in June 1995.

The effective income tax rate on continuing operations for the year ended January 31, 1996 was 44 percent compared with 29 percent (exclusive of the 1981 transaction) in the prior period. The higher effective tax rate results from the non-deductibility of goodwill and the third quarter charge for reengineering activities, for which a tax benefit was not recognized in some countries where the charge was incurred. The income tax provision in the year ended January 31, 1995 included a charge of \$65 million attributable to the disallowance by the U.S. Tax Court of a loss on the Company's exchange of shares of Conoco Inc. for common stock of DuPont in 1981.

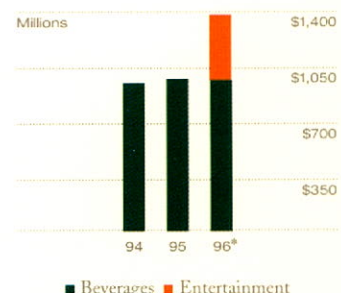
The minority interest expense of \$22 million represents the 20 percent minority interest in the after-tax income of MCA Holding.

Due to the redemption of most of the Company's DuPont shares on April 6, 1995, the Company discontinued accounting for its investment in DuPont under the equity method in the first quarter of this year. Earnings related to the DuPont investment are presented as discontinued activities. The discontinued activities include a \$3,164 million after-tax gain on the redemption of the 156 million shares and \$68 million of after-tax dividend income earned in the first quarter on the redeemed shares. In the year ended January 31, 1995, income from the discontinued DuPont activities includes \$264 million in after-tax dividend income and \$353 million of unremitted earnings (Seagram's share of DuPont's earnings not received as cash dividends).

Attributed Revenues  
Fiscal Years Ended January 31,



EBITDA  
Fiscal Years Ended January 31,



\*excludes \$290 million charge for reengineering

## Earnings Summary

Fiscal Years Ended January 31,

U.S. dollars in millions, except per share amounts

	1996	1995	1994
<b>Attributed Revenues</b>	<b>\$10,536</b>	<b>\$6,653</b>	<b>\$6,212</b>
<b>EBITDA</b>	<b>1,089</b>	<b>968</b>	<b>942</b>
Operating Income			
Beverages	456	781	774
Entertainment	205	—	—
Corporate	(77)	(56)	(20)
<b>Operating Income</b>	<b>584</b>	<b>725</b>	<b>754</b>
Interest, net and other	235	362	319
Provision for income taxes	153	169	152
Minority interest	22	—	—
<b>Income Before Discontinued DuPont</b>			
Activities and Cumulative Effect of			
Accounting Change	174	194	283
<b>Per share</b>	<b>\$ .46</b>	<b>\$ .52</b>	<b>\$ .76</b>
Discontinued DuPont activities	3,232	617	96
<b>Net income before cumulative effect of</b>			
accounting change	<b>\$ 3,406</b>	<b>\$ 811</b>	<b>\$ 379</b>
Cumulative effect of accounting change	—	(75)	—
<b>Net Income</b>	<b>\$ 3,406</b>	<b>\$ 736</b>	<b>\$ 379</b>
<b>Net Income Per Share</b>	<b>\$ 9.13</b>	<b>\$ 1.98</b>	<b>\$ 1.02</b>



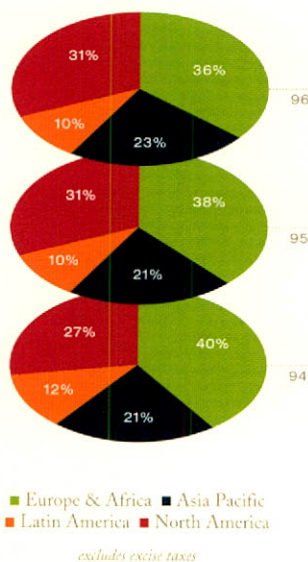
## Beverages

U.S. dollars in millions	Fiscal Years Ended January 31,		
	1996	1995	1994
Attributed Revenues			
Spirits and Wine	\$5,093	\$5,061	\$4,702
Fruit Juices, Coolers and Mixers	1,898	1,592	1,510
Attributed revenues	6,991	6,653	6,212
Adjustment for equity companies	(297)	(254)	(174)
Reported Revenues *	\$6,694	\$6,399	\$6,038
EBITDA			
Spirits and Wine	\$ 763	\$ 809	\$ 770
Fruit Juices, Coolers and Mixers	196	159	172
EBITDA before reengineering charge	959	968	942
Reengineering charge	(290)	—	—
EBITDA	669	968	942
Adjustment for equity companies	(8)	(7)	(5)
Depreciation and amortization	(205)	(180)	(163)
Operating Income – Beverages	\$ 456	\$ 781	\$ 774

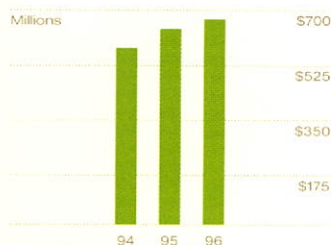
\*Reported revenues include excise taxes of \$812, \$836 and \$811 for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

Earnings before the discontinued DuPont activities were \$174 million or \$0.46 per share in the current year compared with \$194 million or \$0.52 per share in the prior year. Net income was \$3.4 billion or \$9.13 per share for the year ended January 31, 1996, including the discontinued DuPont activities compared with \$736 million or \$1.98 per share last year, which included a \$75 million after-tax charge for the cumulative effect of the adoption of FAS 112, relating to postemployment benefits.

Attributed Revenues  
Spirits and Wine  
Fiscal Years Ended January 31,



Spirits and Wine Brand Support  
Fiscal Years Ended January 31,



## Beverages

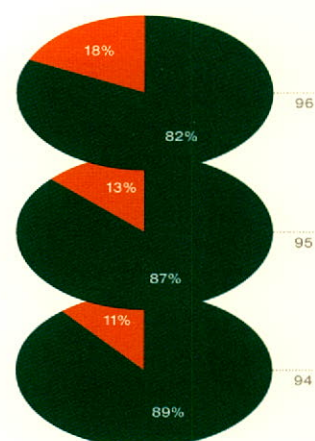
**Spirits and Wine** The spirits and wine results were adversely affected by the continued difficult market conditions in Europe. Spirits and wine attributed revenues increased slightly; excluding the impact of translation of foreign currencies, attributed revenues were essentially unchanged year-on-year. EBITDA, before the reengineering charge taken in the third quarter, decreased six percent and EBITDA as a percent of attributed revenues declined from 16.0 percent to 15.0 percent as a result of higher marketing spending and continued investment in developing markets. The impact of foreign exchange on EBITDA was immaterial.

Case volumes declined three percent in the year ended January 31, 1996 principally from the reduction of trade inventories in Europe. Mumm Sekt, reflecting weakness in the German market, had an 18 percent decline in shipments. However, a number of the Company's premium brands showed strong unit gains, including Chivas Regal Scotch Whisky for which shipments grew three percent, Martell Cognac which increased volumes four percent on the strength of operations in Asia Pacific, and Crown Royal Canadian Whisky for which shipments increased five percent. Absolut Vodka, for which the Company gained distribution rights in major international markets beginning in 1994, showed 11 percent growth in shipments in the United States and 15 percent growth globally as we continued to expand our distribution of the brand.

Attributed revenues generated outside of North America continue to account for approximately 69 percent of total attributed revenues. Europe and Africa, which accounts for 36 percent of total attributed revenues, remains the Company's largest geographic region. North American attributed revenues were 31 percent of total attributed spirits and wine revenues. Asia Pacific, our fastest growing region, has increased to 23 percent of the total, while Latin America accounts for 10 percent of spirits and wine attributed revenues. (This geographic breakdown, which is used by management to measure the performance of marketing affiliates, excludes excise taxes, assigns sales to the region in which the purchaser is located and includes our proportionate share of the revenues of equity company affiliates. The geographic data contained in Note 11 of the Notes to the Consolidated Financial Statements include excise taxes as well as the Company's other operations, and are based upon the location of the legal entity which invoices the sale.)



Attributed Revenues  
Fruit Juices, Coolers and Mixers  
Fiscal Years Ended January 31,

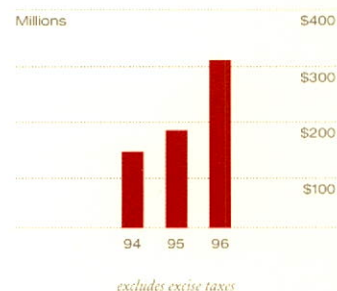


■ North America ■ International

*excludes duties*

International for 1996:  
22% Asia Pacific, 73% Europe  
5% Latin America

Tropicana Dole Beverages  
International Attributed Revenues  
Fiscal Years Ended January 31,



*excludes excise taxes*

The EBITDA decline is attributable to a 20 percent shortfall in Europe and Africa, which was partially mitigated by strong performances in Asia Pacific and the Americas. The weakness in Europe and Africa resulted primarily from the difficult trading conditions in Germany, Spain and Portugal. Asia Pacific continued its broad-based profit growth, particularly in Greater China and South Korea. North America's results were driven largely by growth in Crown Royal Canadian Whisky, Captain Morgan Original Spiced Rum and Absolut Vodka. The improved contribution from Latin America was mainly the result of significantly higher profits in Venezuela.

Despite the difficult operating results, we continued to invest in our future by increasing brand spending five percent and investing in new markets such as India. Advertising is focused behind core strategic brands including Chivas Regal Scotch Whisky for which a new global advertising campaign was introduced in 1995.

Depreciation and amortization of assets were \$99 million in the January 1996 year and \$90 million in the prior year. Amortization of goodwill was \$24 million and \$22 million in the years ended January 31, 1996 and 1995, respectively. Spirits and wine capital expenditures rose to \$165 million from \$109 million in the year ended January 31, 1995. Total identifiable assets were \$5,541 million at January 31, 1996 compared with \$5,390 million at January 31, 1995.

**Fruit Juices, Coolers and Mixers** Attributed revenues for the total unit increased 19 percent to \$1.9 billion as Tropicana Dole Beverages had 22 percent higher revenues, including the partial year results of the juice beverage business acquired from Dole. Tropicana's attributed revenues rose eight percent, excluding revenues from the acquired Dole operations. EBITDA, before the reengineering charge recorded in the third quarter, rose 23 percent to \$196 million reflecting strong performances in the Tropicana base businesses and the acquisition of the Dole juice beverage business. EBITDA as a percent of attributed revenues in the year just ended rose to 10.3 percent from 10.0 percent.

Excluding the operations acquired from Dole, Tropicana's unit volume increased eight percent driven largely by an 11 percent increase in Pure Premium in North America. The combined Pure Premium and Season's Best share of the U.S. chilled orange juice market was a record high 42 percent in fiscal 1996. Total international attributed revenues increased 71 percent reflecting growth in all major markets by Tropicana's base business and the contribution from the Dole juice businesses.

Depreciation and amortization of assets was \$55 million in the January 1996 year and \$44 million in the prior year. Amortization of goodwill was \$27 million and \$24 million in the years ended January 31, 1996 and 1995, respectively. Capital expenditures for fruit juices, coolers and mixers were \$92 million in the January 1996 year and \$47 million in the prior year. Total identifiable assets were \$2,062 million at January 31, 1996 compared with \$1,638 million at January 31, 1995.

**Reengineering Activities** In connection with a program to better position its beverage operations to achieve its strategic growth objective, the Company recorded a pretax charge of \$290 million in the quarter ended October 31, 1995. The charge related principally to the Company's global spirits and wine manufacturing, financial,



marketing and distribution systems and includes rationalization of facilities in the United States and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the spirits and wine business operates. The components of the \$290 million charge reflect approximately a \$100 million provision for severance costs, \$120 million for asset write-downs/impairments and \$70 million for facility rationalizations, including lease terminations, and other reengineering programs.

After giving effect to the charge, the beverages segment reported EBITDA of \$669 million and operating income of \$456 million compared with EBITDA of \$968 million and operating income of \$781 million in the prior year. While the full magnitude of the cost savings associated with the charge will take several years to achieve, the benefits will build over time and management expects savings beginning in the fiscal year commencing July 1, 1996. In addition, a significant portion of the cash outlays associated with the plan should be completed by June 30, 1997.

### Entertainment

In the year ended January 31, 1996, MCA contributed \$3.5 billion to attributed revenues and \$420 million and \$205 million to EBITDA and operating income, respectively, which represents MCA's results since the Company acquired its 80 percent interest in MCA Holding in June 1995. Although the Company's reported financial results reflect only the partial year of MCA operations, in order to provide a basis of comparison, the discussion that follows is based upon MCA results for the 12 months ended December 31, 1995 compared with the prior year.

**Filmed Entertainment** Filmed entertainment attributed revenues grew five percent to \$3.5 billion, and EBITDA increased to \$292 million. EBITDA as a percent of attributed revenues was 8.4 percent as compared with 5.3 percent in the prior year.

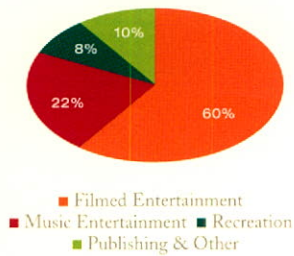
The motion picture group was driven by the successful worldwide performance of our summer pictures including *Casper*, *Apollo 13* and *Babe*. Our share of the domestic box office increased from 11 percent to almost 13 percent in 1995. Television operations benefited from higher sales of library product at improved margins, in addition to reduced losses on fewer new network and first-run syndication series. EBITDA at our 50 percent owned joint venture, USA Networks, increased substantially due to higher advertising revenues, increased subscriber revenues and lower programming costs.

**Music Entertainment** The music entertainment group faced difficult comparisons due to an exceptionally strong performance in 1994. Attributed revenues declined three percent to \$1,257 million, while EBITDA fell 36 percent to \$123 million. EBITDA as a percent of attributed revenues decreased from 14.8 percent in 1994 to 9.8 percent in 1995 as a result of increased investment in new label joint ventures and international expansion, and higher reserves to reflect the current retail market conditions.

New releases in 1995 included albums by Live and White Zombie, and the *Dangerous Minds* soundtrack, following successful new albums in 1994 by The Eagles, Counting Crows, Aerosmith and Nirvana.

**Recreation** Attributed revenues increased two percent to \$447 million in 1995, while EBITDA decreased slightly to \$124 million from \$128 million. EBITDA as a percent of attributed revenues declined from 29.1 percent to 27.7 percent reflecting higher development spending and a non-recurring gain realized in 1994.

Attributed Revenues  
Entertainment  
Twelve Months Ended December 31, 1995



### Entertainment

U.S. dollars in millions	Fiscal Year Ended		12 Months	
	January 31, 1996	January 31, 1995	Ended December 31, 1994	Ended December 31, 1994
Attributed Revenues				
Filmed Entertainment	\$2,124	\$3,487	\$3,313	
Music Entertainment	753	1,257	1,293	
Recreation	287	447	440	
Publishing and Other	381	581	525	
Attributed revenues	3,545	5,772	5,571	
Adjustment for equity companies	(492)	(798)	(753)	
Reported Revenues	\$3,053	\$4,974	\$4,818	
EBITDA				
Filmed Entertainment/Broadcasting	\$ 240	\$ 292	\$ 176	
Music Entertainment	59	123	192	
Recreation	85	124	128	
Publishing and Other	36	54	37	
EBITDA	420	\$ 593	\$ 533	
Adjustment for equity companies	(56)			
Depreciation and amortization	(159)			
Operating Income	\$ 205			

Note: The Company's results for the year ended January 31, 1996 include seven months of MCA, from the acquisition date of June 5, 1995 until December 31, 1995.



Our theme parks were solid, despite pressure from new attractions and aggressive marketing efforts by competing theme parks. Universal Studios Hollywood had a four percent increase in per capita spending and one percent growth in attendance. Per capita spending at Universal Studios Florida, our 50 percent owned joint venture, was up slightly and attendance was essentially unchanged.

**Publishing and Other** Attributed revenues were up 11 percent to \$581 million, while EBITDA grew to \$54 million. Book publishing was higher due to successful new releases by a number of authors including Tom Clancy, Patricia Cornwell, Amy Tan and Charles Kuralt. Spencer Gifts had a very strong year, with comparable store sales up over nine percent. EBITDA also benefited from several favorable non-operating income items.

## Results of Operations

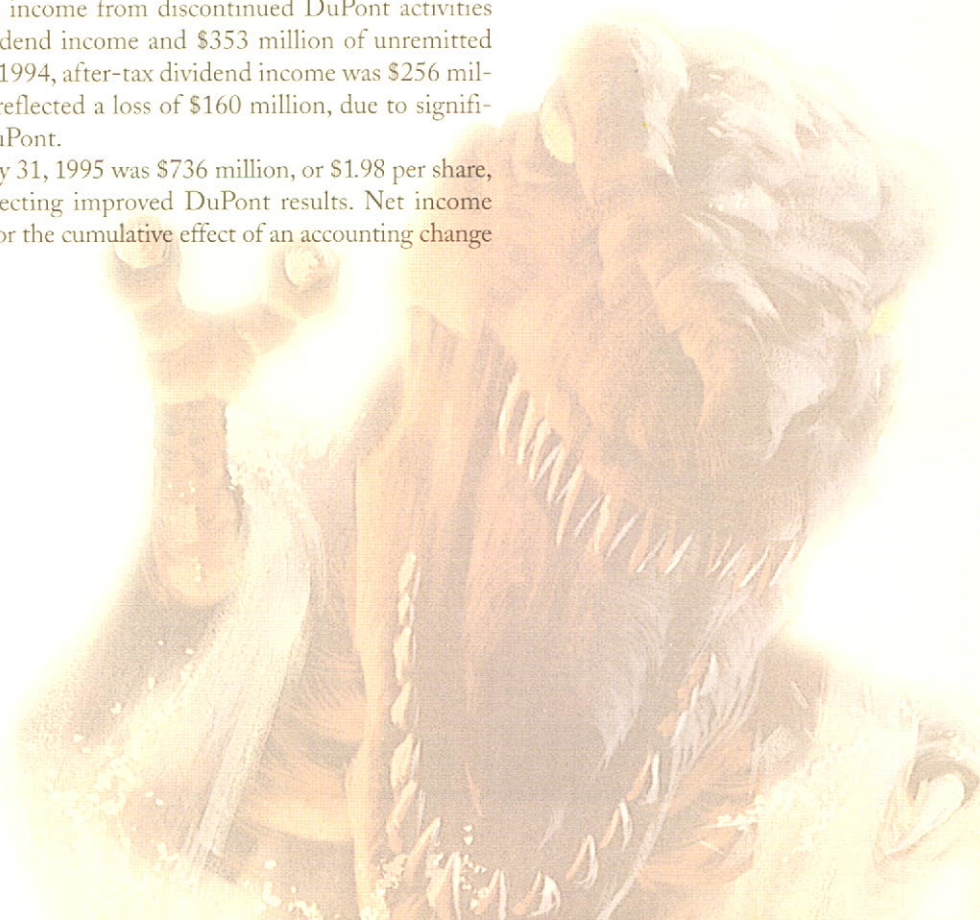
**Year Ended January 31, 1995 vs. Year Ended January 31, 1994** In the year ended January 31, 1995, total attributed revenues rose seven percent as a result of increases by both spirits and wine, and fruit juices, coolers and mixers. EBITDA increased three percent due to improved spirits and wine operations, while operating results from fruit juices, coolers and mixers declined. Corporate expenses for the fiscal year ended January 31, 1995 included \$35 million of expenses related to the Company's reengineering efforts. Operating income increased one percent to \$760 million before this charge, but declined to \$725 million after the charge.

Interest, net and other in the year ended January 31, 1995 included \$396 million of net interest expense, partially offset by \$34 million of dividend income from Time Warner and DuPont. In the year ended January 31, 1994, net interest expense was \$339 million and dividend income was \$20 million. The higher net interest expense reflected a higher average net debt resulting from financing the Time Warner investment, and an increase in average interest rates.

The effective income tax rate related to continuing business, and excluding the \$65 million charge related to the 1981 DuPont transaction, decreased from 35 percent to 29 percent because a greater proportion of income was derived from countries with relatively lower tax rates.

In the year ended January 31, 1995, income from discontinued DuPont activities included \$264 million in after-tax dividend income and \$353 million of unremitted earnings. In the year ended January 31, 1994, after-tax dividend income was \$256 million and unremitted DuPont earnings reflected a loss of \$160 million, due to significant non-recurring charges taken by DuPont.

Net income for the year ended January 31, 1995 was \$736 million, or \$1.98 per share, up 94 percent from the prior year reflecting improved DuPont results. Net income included a \$75 million after-tax charge for the cumulative effect of an accounting change relating to postemployment benefits.

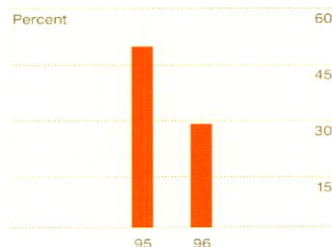






## Debt\*/Debt\* + Equity Ratio

Fiscal Years Ended January 31,



\*net of cash and short-term investments

## Beverages

**Spirits and Wine** Spirits and wine attributed revenues increased eight percent including the sales of Absolut Vodka, which the Company began distributing in 1994. EBITDA grew five percent to \$809 million. EBITDA represented 16.0 percent of attributed revenues as compared with 16.4 percent in the year ended January 31, 1994. This decline was partially the result of higher sales from agency brands in 1994, primarily Absolut Vodka, as well as increased investment in our key brands and strategic markets.

Case volume grew six percent in 1994 as a number of the Company's premium brands showed strong unit gains including Chivas Regal Scotch Whisky, Martell Cognac and Passport Scotch Whisky.

The Company experienced strong revenue growth in North America and many key Far Eastern markets. Most Latin American affiliates suffered from difficult economic conditions. The year-on-year results in Europe were adversely affected by the loss of profits from agency brands that were terminated in France and Germany in 1993.

**Fruit Juices, Coolers and Mixers** Attributed revenues rose five percent but the fruit juices, coolers and mixers EBITDA declined eight percent in the year ended January 31, 1995 as a result of weakness in the shelf stable business in the U.S. and continued investment in international expansion. EBITDA as a percent of attributed revenues fell to 10.0 percent from 11.4 percent.

Tropicana's revenue growth resulted from the continued success of Pure Premium Grovestand Orange Juice and Pure Premium Grapefruit Juice, which were introduced in 1993, as well as the introduction of Pure Premium Ruby Red Orange Juice and the repositioning of the Season's Best line of from-concentrate juices. The combined Pure Premium and Season's Best share of the U.S. chilled orange juice market rose three percent to 41 percent in 1994. Unit volume increased 11 percent, including a 57 percent jump in international unit volumes.

## Financial Position

The Company's financial position strengthened considerably during the fiscal year ended January 31, 1996. Net cash provided by continuing operations increased to \$1,025 million from \$519 million in the prior year. Although income before discontinued DuPont activities was lower than in the prior year, results in the current year included significant non-cash charges such as depreciation and amortization of assets and amortization of excess of cost over fair value of assets acquired related to the MCA Holding and Dole juice business acquisitions. Amortization of film costs relating to released theatrical and television films was \$642 million. Net cash provided by continuing operations was partially reduced by higher working capital requirements.

## Entertainment

	Fiscal Year Ended		12 Months
	January 31,	Ended December 31,	
	1996	1995	1994

U.S. dollars in millions

Capital Expenditures

Filmed Entertainment

Music Entertainment

Recreation

Publishing and Other

\$ 40	\$ 59	\$ 66
26	33	30
90	114	98
19	23	25
<b>\$175</b>	<b>\$229</b>	<b>\$219</b>

Note: The Company's results for the year ended January 31, 1996 include seven months of MCA, from the acquisition date of June 5, 1995 until December 31, 1995.



## Quarterly High and Low Share Prices

	Fiscal Years Ended			
	1996		1995	
	High	Low	High	Low
New York Stock Exchange				
First Quarter	US\$32 <sup>3</sup> / <sub>8</sub>	US\$25 <sup>5</sup> / <sub>8</sub>	US\$31	US\$27
Second Quarter	36 <sup>3</sup> / <sub>4</sub>	26 <sup>3</sup> / <sub>4</sub>	32	28 <sup>1</sup> / <sub>4</sub>
Third Quarter	38 <sup>1</sup> / <sub>8</sub>	34 <sup>1</sup> / <sub>4</sub>	32 <sup>5</sup> / <sub>8</sub>	29 <sup>1</sup> / <sub>8</sub>
Fourth Quarter	39 <sup>1</sup> / <sub>2</sub>	34 <sup>1</sup> / <sub>4</sub>	30 <sup>1</sup> / <sub>4</sub>	27 <sup>1</sup> / <sub>8</sub>
Canadian Stock Exchanges (Canadian Dollars)				
First Quarter	C\$45 <sup>1</sup> / <sub>4</sub>	C\$35 <sup>1</sup> / <sub>2</sub>	C\$42 <sup>1</sup> / <sub>2</sub>	C\$37 <sup>1</sup> / <sub>4</sub>
Second Quarter	50	36 <sup>1</sup> / <sub>4</sub>	43 <sup>7</sup> / <sub>8</sub>	38 <sup>1</sup> / <sub>4</sub>
Third Quarter	52	46 <sup>1</sup> / <sub>4</sub>	44 <sup>1</sup> / <sub>8</sub>	39 <sup>1</sup> / <sub>4</sub>
Fourth Quarter	53 <sup>1</sup> / <sub>4</sub>	46 <sup>7</sup> / <sub>8</sub>	43 <sup>1</sup> / <sub>8</sub>	37 <sup>1</sup> / <sub>8</sub>

Net cash provided by investing activities was \$875 million compared with net cash used of \$637 million in the prior year. The increase in the year ended January 31, 1996 was largely attributable to the net after-tax cash proceeds of the DuPont redemption transaction of

\$7.7 billion, a portion of which was used to finance the \$5.5 billion purchase of 80 percent of MCA Holding (net of acquired cash) and the \$273 million acquisition of the juice beverage operations of Dole (net of acquired cash). In addition, the Company's investment in 14.7% of Time Warner stock had a market value of \$2.4 billion on January 31, 1996. As the Company has previously stated, in light of the MCA acquisition, we are evaluating our options, including a possible sale of this investment. Total capital expenditures increased from \$172 million to \$433 million: beverages spending increased from \$156 million to \$257 million, MCA had \$175 million of capital expenditures, and corporate capital spending declined from \$16 million to \$1 million. In addition, film production costs were \$684 million, which represents the Company's investment in films.

Total long- and short-term debt, net of cash and short-term investments, declined to \$3.6 billion at January 31, 1996, from \$5.2 billion at January 31, 1995. The ratio of net debt to total capitalization decreased significantly from 48 percent to 28 percent. This decrease reflected the \$1.6 billion decline in net debt and the increase in shareholders' equity, largely due to the \$3.2 billion gain on the DuPont transaction.

The Company continues to utilize U.S. dollar denominated commercial paper to fund seasonal working capital requirements in the U.S. and Canada. Commercial paper borrowings are supported by bank credit line commitments. The Company also borrows in different currencies from other sources to meet the borrowing needs of its affiliates.

Management believes funds from operations will be sufficient to meet future financial obligations.

### Return to Shareholders

The Company had 8,183 registered shareholders at March 15, 1996. The Company's common shares are traded on the New York, Toronto, Montreal, Vancouver and London Stock Exchanges. Closing prices at January 31, 1996, on the New York and Toronto Stock Exchanges were \$36.38 and C\$49.75, respectively.

In the fiscal year ended January 31, 1996, dividends paid were \$0.15 per share per quarter. In the prior fiscal year, the Company paid dividends of \$0.14 per share in the first two quarters and \$0.15 per share in the final two quarters. Dividends paid to shareholders totaled \$224 million in the year ended January 31, 1996 and \$216 million in the prior period.

### Recently Issued Accounting Standards

In October 1995, the FASB issued FAS No. 123, "Accounting for Stock-Based Compensation," which establishes fair value accounting and reporting standards for stock-based employee compensation plans. Companies may elect to continue to account for stock-based compensation using the intrinsic value approach under APB Opinion No. 25. The Company is required to adopt FAS No. 123 in 1996 and anticipates following APB Opinion No. 25 with pro forma disclosure using the fair market value method specified in FAS No. 123.



## Consolidated Statement of Income

*U.S. dollars in millions, except per share amounts*

	1996	Fiscal Years Ended January 31, 1995 1994	
Revenues	\$9,747	\$6,399	\$6,038
Cost of revenues	6,122	3,654	3,451
Selling, general and administrative expenses	3,041	2,020	1,833
Operating Income	584	725	754
Interest, net and other	235	362	319
	349	363	435
Provision for income taxes — current year	153	104	152
— 1981 transaction	—	65	—
Minority interest	22	—	—
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	174	194	283
Discontinued DuPont Activities:			
Dividends, after tax	68	264	256
Unremitted earnings (loss)	—	353	(160)
Gain on redemption of 156 million shares, after tax	3,164	—	—
	3,232	617	96
Net Income Before Cumulative Effect of Accounting Change	3,406	811	379
Cumulative effect of accounting change, after tax	—	(75)	—
Net Income	<u>\$3,406</u>	<u>\$ 736</u>	<u>\$ 379</u>
Earnings Per Share			
Income before discontinued DuPont activities and cumulative effect of accounting change	\$ .46	\$ .52	\$ .76
Discontinued DuPont activities, after tax	8.67	1.66	.26
Net Income Before Cumulative Effect of Accounting Change	9.13	2.18	1.02
Cumulative effect of accounting change, after tax	—	(.20)	—
Net Income	<u>\$ 9.13</u>	<u>\$ 1.98</u>	<u>\$ 1.02</u>

*Revenues and cost of revenues include excise taxes of \$812, \$836, and \$811 for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.*

*The accompanying notes are an integral part of these financial statements.*



# Consolidated Balance Sheet

U.S. dollars in millions

## Assets

### Current Assets

Cash and short-term investments at cost, which approximates market	\$ 254	\$ 157
Receivables, net	2,276	1,328
Inventories	2,914	2,519
Film costs, net of amortization	510	—
Deferred income taxes	361	89
Prepaid expenses and other current assets	325	172
<b>Total Current Assets</b>	<b>6,640</b>	<b>4,265</b>

Common stock and warrants of DuPont	1,071	3,670
Common stock of Time Warner	2,356	2,043
Film costs, net of amortization	790	—
Artists' contracts, advances and other entertainment assets	712	—
Deferred charges and other assets	746	143
Property, plant and equipment, net	2,806	1,267
Investments in unconsolidated companies	1,936	57
Excess of cost over fair value of assets acquired	4,298	1,547
	<b>\$21,355</b>	<b>\$12,992</b>

## Liabilities and Shareholders' Equity

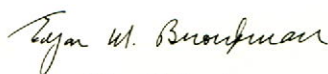
### Current Liabilities

Short-term borrowings and indebtedness payable within one year	\$ 936	\$ 2,475
Accrued royalties and participations	642	—
Payables and accrued liabilities	2,164	1,423
Income and other taxes	112	193
<b>Total Current Liabilities</b>	<b>3,854</b>	<b>4,091</b>

Long-term indebtedness	2,889	2,841
Accrued royalties and participations	404	—
Deferred income taxes	696	52
Deferred income taxes — DuPont share redemption	1,489	—
Other credits	851	488
Minority interest	1,844	11
<b>Shareholders' Equity</b>		
Shares without par value	709	638
Cumulative currency translation adjustments	(268)	(359)
Cumulative gain (loss) on equity securities, net of tax	407	(85)
Retained earnings	8,480	5,315
<b>Total Shareholders' Equity</b>	<b>9,328</b>	<b>5,509</b>
	<b>\$21,355</b>	<b>\$12,992</b>

The accompanying notes are an integral part of these financial statements.

Approved by the Board



Edgar M. Bronfman  
Director



C.E. Medland  
Director



# Consolidated Statement of Cash Flows

U.S. dollars in millions	Fiscal Years Ended January 31,		
	1996	1995	1994
<b>Operating Activities</b>			
Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change	\$ 174	\$ 194	\$ 283
Adjustments to Reconcile Income Before Discontinued DuPont Activities and Cumulative Effect of Accounting Change to Net Cash Provided:			
Amortization of film costs	642	—	—
Depreciation and amortization of assets	255	138	125
Amortization of excess of cost over fair value of assets acquired	113	46	41
Minority interest charged to income	22	—	—
Sundry	20	23	(5)
Changes in assets and liabilities:			
Receivables, net	(172)	(157)	(73)
Inventories	(137)	(23)	24
Prepaid expenses and other current assets	(19)	(36)	(7)
Artists' contracts, advances and other entertainment assets	74	—	—
Payables and accrued liabilities	140	363	35
Income and other taxes	(105)	38	14
Deferred income taxes	14	(114)	17
Other credits	4	47	16
	851	325	187
Net cash provided by continuing operations	1,025	519	470
<b>Investing Activities</b>			
Discontinued DuPont activities:			
Dividends, net of taxes paid	68	264	256
Proceeds from redemption of shares, net of taxes paid	7,729	—	—
Purchase of 80 percent interest in MCA Holding, net of acquired cash	(5,523)	—	—
Film production	(684)	—	—
Capital expenditures	(433)	(172)	(163)
Purchase of Dole juice beverage business, net of acquired cash	(273)	—	—
Purchase of Time Warner common stock	—	(474)	(1,695)
Increase in DuPont investment related to 1981 transaction	—	(162)	—
Sundry	(9)	(93)	(128)
Net cash provided by (used for) investing activities	875	(637)	(1,730)
<b>Financing Activities</b>			
Dividends paid	(224)	(216)	(209)
Issuance of shares upon exercise of stock options and conversion of LYONs	72	22	26
Shares purchased and retired	(18)	(23)	(61)
Increase in long-term indebtedness	214	3	605
Decrease in long-term indebtedness	(251)	(252)	(104)
(Decrease) increase in short-term borrowings and indebtedness payable within one year	(1,596)	610	1,018
Net cash (used for) provided by financing activities	(1,803)	144	1,275
<b>Net Increase in Cash and Short-term Investments</b>	<b>\$ 97</b>	<b>\$ 26</b>	<b>\$ 15</b>

The accompanying notes are an integral part of these financial statements.



## Consolidated Statement of Shareholders' Equity

U.S. dollars in millions	Shares Without Par Value		Cumulative Currency Translation Adjustments	Cumulative Gain (Loss) on Equity Securities	Retained Earnings
	Number (thousands)	Amount			
January 31, 1993	373,690	\$ 595	\$ (369)		\$ 4,704
Fiscal year ended January 31, 1994					
Net income					379
Dividends paid (\$.56 per share)					(209)
Change in currency translation adjustments			(110)		
Change in market value of equity securities, net of \$26 tax liability				\$ 46	
Shares issued — exercise of stock options	1,115	26			
— conversion of LYONs	14	—			
Shares purchased and retired	(2,330)	(4)			(57)
January 31, 1994	372,489	617	(479)	46	4,817
Fiscal year ended January 31, 1995					
Net income before cumulative effect of accounting change					811
Cumulative effect of accounting change					(75)
Dividends paid (\$.58 per share)					(216)
Change in currency translation adjustments			120		
Change in market value of equity securities, net of \$70 tax benefit				(131)	
Shares issued — exercise of stock options	827	21			
— conversion of LYONs	31	1			
Shares purchased and retired	(810)	(1)			(22)
January 31, 1995	372,537	638	(359)	(85)	5,315
Fiscal year ended January 31, 1996					
Net income					3,406
Dividends paid (\$.60 per share)					(224)
Change in currency translation adjustments			91		
Change in market value of equity securities, net of \$265 tax liability				492	
Shares issued — exercise of stock options	2,056	57			
— conversion of LYONs	550	15			
Shares purchased and retired	(681)	(1)			(17)
January 31, 1996	<u>374,462</u>	<u>\$ 709</u>	<u>\$ (268)</u>	<u>\$ 407</u>	<u>\$ 8,480</u>

The accompanying notes are an integral part of these financial statements.



## Summary of Significant Accounting Policies

**The Seagram Company Ltd.** operates in two global business segments: beverages and entertainment. The beverage businesses are engaged principally in the production and marketing of distilled spirits, wines, fruit juices, coolers and mixers. The entertainment company, MCA INC. ("MCA"), produces and distributes motion picture, television and home video products, and recorded music; publishes books; and operates theme parks and retail stores. The fiscal year for MCA ended on December 31, 1995, the results of which are consolidated into these financial statements from the date of acquisition, June 5, 1995.

More than 50 percent of the Company's shares are held by United States residents and, therefore, the Company has prepared its consolidated financial statements in accordance with United States generally accepted accounting principles (GAAP) which, in their application to the Company, conform in all material respects to GAAP in Canada. Differences between United States and Canadian GAAP and the magnitude thereof are discussed in Note 15. Should a material difference arise in the future, financial statements will be provided under both United States and Canadian GAAP.

**Principles of Consolidation** The consolidated financial statements include the accounts of The Seagram Company Ltd. and its subsidiaries. The equity method is used to account for unconsolidated affiliates owned 20 percent or more. In conformity with GAAP, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

**Foreign Currency Translation** Except for operations in highly inflationary economies, all assets and liabilities of affiliates outside the United States operating in the beverages segment use the local currency as the functional currency. For affiliates in countries considered to have a highly inflationary economy, inventories and property, plant and equipment are translated at historical exchange rates and translation effects are included in net income.

Affiliates outside the United States operating in the entertainment segment use the U.S. dollar as the functional currency.

**Inventories** Inventories are stated at cost, which is not in excess of market, and consist principally of spirits, wines and fruit juices. The cost of spirits, wines and fruit

juices inventories is determined by either the last-in, first-out (LIFO) method or the identified cost method.

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

The cost of music, publishing, retail and home video inventories is determined by the first-in, first-out (FIFO) method.

### Revenues and Costs

**Film** Generally, theatrical films are first distributed in the worldwide theatrical and home video markets. Subsequently, theatrical films are made available for worldwide pay television, network exhibition, television syndication and basic cable television. Generally, television films are first licensed for network exhibition and foreign syndication or home video, and subsequently for domestic syndication or cable television. Certain films are produced and/or distributed directly for initial exhibition by local television stations, advertiser-supported cable television, pay television and/or home video.

Revenues from the theatrical distribution of films are recognized as the films are exhibited. Revenues from television and pay television licensing agreements are recognized when the films are available for telecast. Revenues from the sale of home video product, net of provision for estimated returns and allowances, are recognized upon availability of product for retail sale.

Generally, the estimated ultimate costs of completed theatrical and television film productions (including applicable capitalized overhead) are amortized and participation expenses are accrued for each production in the proportion of revenue recognized by the Company during the year to the total estimated future revenue to be received from all sources, under the individual film forecast method. Estimated ultimate revenues and costs are reviewed quarterly and revisions to amortization rates or write-downs to net realizable value may occur.

Film costs, net of amortization, classified as current assets include the portion of unamortized costs of completed theatrical films allocated to theatrical, home video and pay television distribution markets; television films in production which are under contract of sale; and a portion of costs of completed television films. The allocated portion of released film costs expected to be realized from secondary markets or other exploitation is



reported as a noncurrent asset. Other costs relating to film production, including the purchase price of literary properties and related film development costs, and the film library are classified as noncurrent assets. Abandoned story and development costs are charged to film production overhead. Film costs are stated at the lower of unamortized cost or estimated net realizable value as periodically determined on a film-by-film basis. Approximately \$300 million of the cost of the MCA acquisition was allocated to the film library and is being amortized on a straight-line basis principally over a 20 year life.

**Recorded Music and Book Publishing** Revenues from the sale of recorded music and books, net of provision for estimated returns and allowances, are recognized upon shipment. Advances to established recording artists and writers and direct costs associated with the creation of record masters and books are capitalized and are charged to expense as the related royalties are earned or when the amounts are determined to be unrecoverable. The advances are expensed when past performance or current popularity does not provide a sound basis for estimating that the advance will be recouped from royalties to be earned. Approximately \$400 million of the cost of the MCA acquisition was allocated to artists' contracts, music catalogs and copyrights and is being amortized, on an accelerated basis, over a 14 to 20 year life.

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

**Amortization of Excess Cost and Other Intangible Assets** The unallocated excess of cost of purchased businesses over the fair value of assets acquired, the excess of investments in unconsolidated companies over the underlying equity in tangible net assets acquired and other intangible assets are being amortized on a straight-line basis principally over 40 years from the date of acquisition. Periodic reviews for impairment of excess cost and other intangible assets are performed.

**Income Taxes** Deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using

presently enacted tax rates. Deferred taxes are not provided for that portion of undistributed earnings of foreign subsidiaries which is considered to be permanently reinvested.

**Benefit Plans** Retirement pensions are provided for substantially all of the Company's employees through either defined benefit or defined contribution plans sponsored by the Company or unions representing employees. For Company-sponsored defined benefit plans, pension expense and plan contributions are determined by independent consulting actuaries; pension benefits under defined benefit plans generally are based on years of service and compensation levels near the end of employee service. The funding policy for tax-qualified pension plans is consistent with statutory funding requirements and regulations. Contributions to defined contribution plans are funded and expensed currently. Postretirement health care and life insurance are provided to a majority of nonunion employees in the United States. Postemployment programs, principally severance, are provided for the majority of nonunion employees. The cost of these programs are accrued based on actuarial studies. There is no advance funding for postretirement or postemployment benefits.

**Stock-based Compensation** Compensation cost attributable to stock option and similar plans is recognized based on the difference, if any, between the quoted market price of the stock on the date of grant over the exercise price of the option. The Company does not issue options at prices below market value at date of grant.

**Financial Instruments** The Company occasionally uses foreign exchange contracts to hedge a portion of its foreign indebtedness. To reduce foreign currency risk on intercompany payments, the Company hedges through currency forwards and options. Gains and losses on forward contracts are deferred and offset against foreign exchange gains and losses on the underlying hedged transaction.

**Change in Fiscal Year-End** The Company will change to a fiscal year ending June 30, effective June 30, 1996 and begin its first full fiscal year on the new basis on July 1, 1996.

**Reclassifications** Certain prior year amounts in the financial statements and notes have been reclassified to conform with the current year presentation.



## Notes to Consolidated Financial Statements

### Note 1 DuPont Share Redemption and Remaining DuPont Investment

On April 6, 1995, E.I. du Pont de Nemours and Company ("DuPont") redeemed 156 million shares of its common stock owned by the Company for \$8.336 billion plus the warrants described below which the Company valued as of the date of the transaction at approximately \$440 million based on a valuation methodology applicable to the warrants which incorporates the principles of the Black-Scholes model and which was utilized by the respective financial advisors to DuPont and the Company. The Company received after-tax proceeds of approximately \$7.7 billion from the transaction. The \$3.2 billion gain on the transaction is net of a \$2 billion tax provision of which \$1.5 billion is deferred. The Company has retained 8.2 million shares of DuPont common stock, which had a market value of \$631 million at January 31, 1996. The Company's investment in DuPont is equal to the market value of the retained DuPont shares at January 31, 1996 plus the warrants value described above. The underlying historical value of the remaining DuPont shares is \$187 million which represents the historical cost of the retained shares plus unremitted earnings related to those shares.

The warrants issued in the transaction allow the Company to purchase DuPont common stock as follows: 48 million shares for a sixty day period ending on October 6, 1997 at a price of \$89.33 per share; 54 million shares for a sixty day period ending on October 6, 1998 at a price of \$101.14 per share; and 54 million shares for a sixty day period ending on October 6, 1999 at a price of \$113.63 per share, subject to acceleration under certain circumstances. The warrants are subject to various other conditions.

At January 31, 1995 and 1994, the Company owned 164.2 million shares (approximately 24 percent) of the outstanding common stock of DuPont and accounted for its interest in DuPont using the equity method, whereby its proportionate share of DuPont's earnings was included in income. Financial information for DuPont for its fiscal years ended December 31, 1994 and 1993 follows.

### DuPont Financial Information

<i>millions</i>	<i>Years Ended December 31,</i>	
	1994	1993
Sales and other income	\$40,259	\$37,841
Cost of goods sold and all other expenses	35,877	36,883
Provision for income taxes	1,655	392
Income before extraordinary item	2,727	566
Extraordinary charge from early extinguishment of debt	—	(11)
Net income	<u>\$ 2,727</u>	<u>\$ 555</u>
	<i>December 31,</i>	
	1994	1993
Current assets	\$11,108	\$10,899
Noncurrent assets	25,784	26,154
	<u>\$36,892</u>	<u>\$37,053</u>
Current liabilities	\$ 7,565	\$ 9,439
Noncurrent liabilities	16,505	16,384
Stockholders' equity	12,822	11,230
	<u>\$36,892</u>	<u>\$37,053</u>

### Note 2 Acquisition of 80 Percent Interest in MCA Holding I Corp.

On June 5, 1995, the Company completed its purchase of an 80 percent interest in MCA Holding I Corp. ("MCA Holding"), the indirect parent of MCA, from Matsushita Electric Industrial Co., Ltd. ("Matsushita") for \$5.7 billion. Matsushita retains a 20 percent interest in MCA Holding.

The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in \$2.7 billion of unallocated excess of cost over fair value of assets acquired which is being amortized over 40 years.

The unaudited condensed pro forma results of operations data presented below assume the MCA Holding acquisition and the redemption of 156 million shares of DuPont common stock occurred at the beginning of each period presented. The unaudited condensed pro forma results of operations data were prepared based upon the historical consolidated statements of operations of the Company for the fiscal years ended January 31, 1996 and 1995, and of MCA Holding for the five months ended May 31, 1995 and the twelve months



ended December 31, 1994, adjusted to reflect purchase accounting. Financial results for MCA Holding for the seven month period June 1995 through December 1995 were included in the Company's results for the fiscal year ended January 31, 1996. The unaudited pro forma information is not necessarily indicative of the combined results of operations of the Company and MCA Holding that would have resulted if the transactions had occurred on the dates previously indicated, nor is it necessarily indicative of future operating results of the Company.

#### Pro Forma Income Statement Data

<i>millions, except per share amounts (unaudited)</i>	<i>Fiscal year ended January 31,</i>	
	<b>1996</b>	<b>1995</b>
Revenues	<b>\$11,667</b>	<b>\$11,217</b>
Net income before cumulative effect of accounting change	<b>\$ 154</b>	<b>\$ 346</b>
Cumulative effect of accounting change	<b>-</b>	<b>(75)</b>
Net income	<b>\$ 154</b>	<b>\$ 271</b>
Per share data:		
Net income before cumulative effect of accounting change	<b>\$ .41</b>	<b>\$ .93</b>
Cumulative effect of accounting change	<b>-</b>	<b>(.20)</b>
Net income	<b>\$ .41</b>	<b>\$ .73</b>

The above pro forma presentation excludes the \$3.2 billion after-tax gain on the redemption of the DuPont shares.

#### Note 3 Acquisition of the Juice Beverage Business of the Dole Food Company, Inc. ("Dole")

On May 19, 1995, the Company acquired the worldwide juice and juice beverage business of Dole for \$276 million. The transaction excluded Dole's canned pineapple juice business. The reported operating results for the fiscal year ended January 31, 1996 reflect the results of operations of the acquired business from the acquisition date. The acquisition has been accounted for under the purchase method of accounting. The cost of the acquisition has been allocated on the basis of the estimated fair market value of the assets acquired and liabilities assumed. This valuation resulted in \$128 million of unallocated excess cost over fair value of assets acquired which is being amortized

over 40 years. The impact of this acquisition was not material to the consolidated results of the Company.

#### Note 4 Investment in Time Warner Inc. ("Time Warner")

At January 31, 1996, the Company owned 56.8 million shares or 14.7 percent of the outstanding common stock of Time Warner. The Company accounts for the investment at market value. The total cost of this investment was \$2.17 billion.

#### Note 5 Investments in Unconsolidated Companies

The Company has a number of investments in unconsolidated companies which are 50 percent or less owned or controlled and are carried in the consolidated balance sheet on the equity method.

**Entertainment Segment** Significant investments at January 31, 1996 include USA Networks, owner of three advertiser-supported cable television services, USA Network, the Sci-Fi Channel, and Sci-Fi Europe (50 percent owned); Cineplex Odeon Corporation, primarily engaged in theatrical exhibition of motion pictures in the U.S. and Canada (43 percent equity interest); United International Pictures, a distributor of theatrical and pay television product outside the U.S. and Canada (33 percent owned); Cinema International BV, primarily engaged in marketing of home video product outside the U.S. and Canada (49 percent owned); Cinema International Corporation and United Cinemas International, both engaged in theatrical exhibition of motion pictures in territories outside the U.S. and Canada (49 percent owned); Universal City Florida Partners, which owns Universal Studios Florida, a motion picture and television themed tourist attraction and production facility in Orlando, Florida (50 percent owned); Universal City Development Partners, which has begun development on land adjacent to Universal Studios Florida of an additional themed tourist attraction and commercial real estate (50 percent owned).

**Beverages Segment** Significant investments at January 31, 1996 include Doosan Seagram Co., Ltd., which is engaged in the production and marketing of whisky products in South Korea (50 percent owned); Seagram (Thailand) Limited, an importer and distributor



of spirits and wines (49 percent owned); Kirin-Seagram Limited, engaged in the manufacture, sale and distribution of distilled beverage alcohol and wines in Japan (50 percent owned); and Kirin-Tropicana Inc., engaged in the manufacture, sale and distribution, import and export of fruit juice beverages (50 percent owned).

Summarized financial information, derived from unaudited historical financial information, is presented below for the Company's investments in unconsolidated companies.

### Summarized Balance Sheet Information

<i>millions</i>	<i>January 31, 1996</i>
Current assets	\$1,102
Noncurrent assets	2,219
Total assets	\$3,321
Current liabilities	\$ 920
Noncurrent liabilities	1,254
Equity	1,147
Total liabilities and equity	\$3,321
Proportionate share of net assets of unconsolidated companies	\$ 549

### Summarized Statement of Operations

<i>millions</i>	<i>Fiscal year ended January 31, 1996</i>
Revenues	\$2,851
Earnings before interest and taxes	214
Net income	137

The Company's operating income includes \$72 million in equity in the earnings of unconsolidated companies for the fiscal year ended January 31, 1996, principally in the entertainment segment.

### Note 6 Credit Arrangements and Long-Term Indebtedness

At January 31, 1996, short-term borrowings comprised \$282 million of bank borrowings and \$601 million of commercial paper, bearing interest at market rates. The Company's unused lines of credit totaled \$4 billion and have varying terms of up to five years. A portion of these lines of credit support outstanding commercial paper.

#### Long-Term Indebtedness

<i>millions</i>	<i>1996</i>	<i>January 31, 1995</i>
9% Debentures due December 15, 1998 (C\$200 million)*	\$ 156	\$ 156
Unsecured term bank loans, due November 18, 1996 to November 19, 1999, with a weighted average interest rate of 4.78%	267	—
9¼% Guaranteed Notes due June 15, 2000	249	249
6.5% Debentures due April 1, 2003	200	200
Liquid Yield Option Notes due March 5, 2006	18	29
8.35% Debentures due November 15, 2006	200	200
8¼% Guaranteed Debentures due February 15, 2007	200	200
7% Guaranteed Debentures due April 15, 2008	200	200
8¼% Guaranteed Debentures due September 15, 2011	223	223
12¼% Debentures due October 31, 2012 (£50 million)	76	79
9.65% Guaranteed Debentures due August 15, 2018	249	249
9% Guaranteed Debentures due August 15, 2021	198	198
8.35% Debentures due January 15, 2022	199	199
6.875% Debentures due September 1, 2023	200	200
6% Swiss Franc Bonds due September 30, 2085 (SF 250 million)	206	195
7.83% Guaranteed Notes	—	249
9.65% Guaranteed Notes	—	250
Sundry	101	19
	2,942	3,095
Indebtedness payable within one year	(53)	(254)
	\$2,889	\$2,841

\*All principal and interest payments for these 9% Debentures were converted at issuance through a series of currency exchange contracts from Canadian dollars to U.S. dollars with an effective interest rate of 7.7%.

Joseph E. Seagram & Sons, Inc. ("JES"), the Company's U.S. spirits and wine subsidiary, has outstanding Liquid Yield Option Notes (LYONs), which are zero coupon notes with no interest payments due until maturity on March 5, 2006. Each \$1,000 face amount LYON may be converted, at the holder's option, into 18.44 of the Company's common shares (705,774 shares at January 31, 1996). The Company has guaranteed the LYONs on a subordinated basis.



In addition, the Company has unconditionally guaranteed JES's 9¼ percent Notes due June 15, 2000, 8⅞ percent Debentures due February 15, 2007, 7 percent Debentures due April 15, 2008, 8⅞ percent Debentures due September 15, 2011, 9.65 percent Debentures due August 15, 2018 and 9 percent Debentures due August 15, 2021.

Options on interest rate swaps relating to the \$249 million 9¼ percent Notes due June 15, 2000 have been sold which, if exercised, would result in the Company calling the Notes in 1996. The income resulting from the sale of the swap option is being amortized over the life of the agreement.

Interest expense on long-term indebtedness was \$236 million, \$246 million and \$269 million in the fiscal years ended January 31, 1996, 1995 and 1994, respectively. Annual repayments and redemptions of long-term indebtedness for the five years subsequent to January 31, 1996 are: 1997—\$53 million; 1998—\$84 million; 1999—\$330 million; 2000—\$35 million; and 2001—\$252 million.

Summarized below is the JES financial information:

<i>millions</i>	<b>1996</b>	<i>Fiscal Years Ended January 31,</i>	
		1995	1994
Revenues	\$ 4,031	\$ 4,566	\$ 3,787
Cost of revenues	2,976	3,125	2,405
Income before discontinued DuPont activities and cumulative effect of accounting change	43	60	100
Discontinued DuPont activities	3,232	617	96
Cumulative effect of accounting change	—	(56)	—
Net income	<u>\$ 3,275</u>	<u>\$ 621</u>	<u>\$ 196</u>

	<b>1996</b>	<i>January 31, 1995</i>
Current assets	\$ 1,412	\$ 2,313
Noncurrent assets	11,442	8,688
	<u>\$12,854</u>	<u>\$11,001</u>
Current liabilities	\$ 720	\$ 2,549
Noncurrent liabilities	3,357	2,478
Shareholder's equity	8,777	5,974
	<u>\$12,854</u>	<u>\$11,001</u>

## Note 7 Financial Instruments

The Company selectively uses foreign currency forward and option contracts to offset the effects of exchange rate changes on cash flow exposures denominated in foreign currencies. These exposures include intercompany trade accounts, service fees, intercompany loans and third party debt. The Company does not use derivative financial instruments for trading or speculative purposes.

The notional amount of forward exchange contracts and options is the amount of foreign currency bought or sold at maturity and is not a measure of the Company's exposure through its use of derivatives.

At January 31, 1996, the Company held foreign currency forward contracts to purchase and sell foreign currencies, including cross-currency contracts to sell one foreign currency for another currency, with notional amounts totalling \$454 million. The notional amounts of these contracts, which mature at various dates through December, 1998, are summarized below:

<i>millions</i>	Buy	Sell
Canadian Dollar	\$185	\$ —
French Franc	28	90
British Pound	—	65
U.S. Dollar	—	40
Spanish Peseta	—	15
Italian Lira	7	17
Other currencies	—	7
	<u>\$220</u>	<u>\$234</u>

The Company minimizes its credit exposure to counterparties by entering into contracts only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although the Company's credit risk is the replacement cost at the then estimated fair value of the instrument, management believes that the risk of incurring losses is remote and that such losses, if any, would not be material. The market risk related to the foreign exchange agreements should be offset by changes in the valuation of the underlying items being hedged.



## Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments.

**Cash and short-term investments** The carrying amount reported in the balance sheet for cash and short-term investments approximates their fair value.

**Foreign currency exchange contracts** The fair value of forward exchange contracts is based on quoted market prices from banks.

**Short- and long-term debt** The carrying amounts of commercial paper and short-term bank loans approximate their fair value. The fair value of the Company's long-term debt is estimated based on the quoted market prices for similar issues.

millions	January 31, 1996	
	Carrying Amount	Fair Value
Cash and short-term investments	\$ 254	\$ 254
Foreign currency exchange contracts	—	(21)
Short-term debt	936	936
Long-term debt	2,889	3,237

## Note 8 Common Shares, Earnings Per Share and Stock Options

The Company is authorized to issue an unlimited number of common shares without nominal or par value. At January 31, 1996, 23,706,929 common shares were potentially issuable upon the conversion of the LYONs described in Note 6 and the exercise of employee stock options. The dilutive effect on earnings per share from the assumed issuance of these shares would be less than three percent. Net income per share was based on the following weighted average number of shares outstanding during the fiscal year ended January 31, 1996—373,116,794; 1995—372,499,060; and 1994—373,050,863.

Under the Company's employee stock option plans, options may be granted to purchase the Company's common shares at not less than the fair market value of the shares on the date of the grant. The options generally become exercisable one year from and expire ten years after the grant date.

## Stock Option Activity

	1996	Fiscal Years Ended January 31,	
		1995	1994
Options outstanding at the beginning of the year	18,904,802	16,274,027	12,226,342
Granted	6,293,023	3,677,695	5,403,425
Average grant price	\$31.94	\$30.56	\$27.42
Exercised	(2,055,830)	(827,040)	(1,115,300)
Average exercise price	\$24.37	\$23.42	\$19.69
Cancelled	(140,840)	(219,880)	(240,440)
Options outstanding at the end of the year	23,001,155	18,904,802	16,274,027
Average exercise price	\$27.45	\$25.59	\$24.40
Options exercisable at the end of the year	16,118,472	13,636,087	10,680,802
Shares reserved for future option grants	7,069,377	13,221,560	16,679,375

## Note 9 Income Taxes

The following tables summarize the sources of pretax income and the resulting income tax expense.

## Geographic Components of Pretax Income

millions	1996	Fiscal Years Ended January 31,	
		1995	1994
United States	\$ 82	\$ (24)	\$ (22)
Canada	17	15	37
Other jurisdictions	250	372	420
Income before minority interest and discontinued DuPont activities	349	363	435
Discontinued DuPont activities	5,283	637	114
Income before minority interest	\$5,632	\$1,000	\$549



## Components of Income Tax Expense

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
Income tax expense applicable to:			
Continuing operations	\$ 153	\$ 104	\$152
1981 transaction*	—	65	—
Discontinued DuPont activities	2,051	20	19
Total income tax expense	<u>\$2,204</u>	<u>\$ 189</u>	<u>\$171</u>

\*The 1981 transaction relates to a loss disallowed by the U.S. Tax Court on the exchange of common stock of Conoco Inc. for DuPont.

Current			
Continuing operations			
Federal	\$ 26	\$ (12)	\$ (34)
State and local taxes	19	—	—
1981 transaction	—	188	—
Other jurisdictions	94	107	169
	<u>139</u>	<u>283</u>	<u>135</u>
Discontinued DuPont activities	612	20	19
	<u>751</u>	<u>303</u>	<u>154</u>
Deferred			
Continuing operations			
Federal	39	4	34
State and local	(2)	—	—
1981 transaction	—	(123)	—
Other jurisdictions	(23)	5	(17)
	<u>14</u>	<u>(114)</u>	<u>17</u>
Discontinued DuPont activities	1,439	—	—
	<u>1,453</u>	<u>(114)</u>	<u>17</u>
Total income tax expense	<u>\$2,204</u>	<u>\$ 189</u>	<u>\$ 171</u>

## Components of Net Deferred Tax Liability (Asset)

<i>millions</i>	<i>January 31,</i>	
	1996	1995
Basis and amortization differences	\$ 428	\$106
DuPont share redemption	1,489	—
Time Warner and DuPont investments	220	6
Unremitted foreign earnings	17	—
Other, net	80	11
Deferred tax liabilities	<u>2,234</u>	<u>123</u>
Employee benefits	(101)	(92)
Tax credit carryovers	(150)	—
Valuation, doubtful accounts and return reserves	(269)	(8)
Other, net	(24)	(60)
Deferred tax assets	<u>(544)</u>	<u>(160)</u>
Valuation allowance	<u>134</u>	<u>—</u>
	<u>(410)</u>	<u>(160)</u>
Net deferred tax liability (asset)	<u>\$1,824</u>	<u>\$ (37)</u>

The valuation allowance arises from uncertainty as to the realization of certain U.S. tax credit carryforwards. At January 31, 1996, there were \$133 million of tax credit

carryforwards with expiration dates through 2005 and \$17 million of tax credit carryforwards with no expiration. The \$134 million valuation allowance relates to tax carryforwards that existed at the date of the MCA acquisition. If realized, these benefits would be applied to reduce the MCA unallocated excess purchase price.

## Effective Income Tax Rate—Continuing Operations

	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
United States statutory rate	35%	35%	35%
1981 transaction	—	18	—
State and local taxes	3	—	—
Dividends received deduction	(3)	(3)	(1)
Goodwill amortization	11	4	3
Other jurisdictions	(2)	(7)	(2)
Effective income tax rate —			
continuing operations	<u>44%</u>	<u>47%</u>	<u>35%</u>

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

## Note 10 Benefit Plans

### Pension

Pension costs were \$45 million, \$24 million and \$26 million for the fiscal years ended January 31, 1996, 1995 and 1994, respectively.

The Company has defined benefit pension plans which cover certain U.S. employees. The net cost of the Company's U.S. pension plans was based on an expected long-term return on plan assets of 10.75 percent for each of the fiscal years ended January 31, 1996, 1995 and 1994. Discount rates of 7.0 percent and 8.75 percent were used in determining the actuarial present value of the projected benefit obligation at January 31, 1996 and 1995, respectively. The assumed rates of increase in future compensation levels were 4.5 percent to 5.5 percent for the fiscal year ended January 31, 1996, and six percent to seven percent for the fiscal year ended January 31, 1995. Plans outside the United States used assumptions in determining the actuarial present value of projected benefit obligations that reflect the economic environments within the various countries, and therefore are consistent with (but not identical to) those of the U.S. plans.



The majority of the pension arrangements for the Company's employees of affiliates outside the United States, the United Kingdom and Canada are either insured or government sponsored. In the United Kingdom and Canada where defined benefit plans exist, the net periodic pension cost was \$6 million for each of the fiscal years ended January 31, 1996, 1995 and 1994. At January 31, 1996, the present value of these plans' projected benefit obligation was \$247 million, \$234 million of which was for vested benefits; the fair value of plan assets in the United Kingdom and Canada was \$264 million.

#### Net Cost of U.S. Defined Benefit Pension Plans

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
Service cost—benefits earned during the period	\$ 17	\$ 18	\$ 16
Interest cost on Projected Benefit Obligation	52	47	46
Return on plan assets			
Actual loss (gain)	(204)	11	(90)
Deferred actuarial (loss) gain	147	(75)	32
Net amortization	4	4	4
Net pension cost	<u>\$ 16</u>	<u>\$ 5</u>	<u>\$ 8</u>

#### Status of U.S. Defined Benefit Pension Plans

<i>millions</i>	<i>January 31, 1996</i>		<i>January 31, 1995</i>	
	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>	<i>Assets Exceed Accumulated Benefits</i>	<i>Accumulated Benefits Exceed Assets</i>
Actuarial present value of				
Vested Benefit Obligation	\$ (532)	\$ (82)	\$ (424)	\$ (60)
Accumulated Benefit Obligation	\$ (559)	\$ (84)	\$ (444)	\$ (63)
Projected Benefit Obligation	\$ (648)	\$ (110)	\$ (522)	\$ (89)
Plan assets at fair value, principally equity securities	715	—	547	—
Plan assets in excess of (less than) Projected Benefit Obligation	67	(110)	25	(89)
Deferred net actuarial (gain) loss	(20)	46	28	34
Unamortized prior service cost	6	6	2	7
Unamortized transition obligation (asset)	—	3	(1)	4
Recognition of minimum liability	—	(30)	—	(19)
Prepaid (accrued) pension cost	<u>\$ 53</u>	<u>\$ (85)</u>	<u>\$ 54</u>	<u>\$ (63)</u>

The Company has defined contribution plans covering certain U.S. employees. Contributions made to these plans are included in consolidated pension costs of \$45 million for the fiscal year ended January 31, 1996.

#### Postretirement

The Company provides retiree health care and life insurance benefits covering certain retirees. Certain United States salaried and certain hourly employees are eligible for benefits upon retirement and completion of a specified number of years of service.

The components of net periodic postretirement benefit cost are as follows:

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
Service cost—benefits earned during the period	\$ 3	\$ 3	\$ 5
Interest cost on accumulated postretirement benefit obligation	14	11	13
Amortization of prior service cost	(4)	(4)	(1)
Net postretirement benefit cost	<u>\$13</u>	<u>\$10</u>	<u>\$17</u>

The accumulated postretirement benefit obligation, included in Other Credits in the accompanying balance sheet, comprises the following:

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>	
	1996	1995
Retirees	\$132	\$ 85
Fully eligible active plan participants	27	25
Other active plan participants	50	36
Unrecognized:		
Actuarial (Loss) Gain	(11)	16
Prior Service Cost	39	43
Accrued postretirement benefit obligation	<u>\$237</u>	<u>\$205</u>

Future benefit costs were estimated assuming medical costs would increase at an 8.8 percent annual rate, decreasing to a 5.5 percent annual growth rate ratably over the next seven years, and then remaining at a 5.5 percent growth rate thereafter. A one-percentage-point increase in this annual trend rate would have increased the postretirement benefit obligation at January 31, 1996 by \$11 million (\$7 million after tax), with an increase in pretax expense of \$1 million for the fiscal year ended January 31, 1996. The weighted average discount rate used to estimate the accumulated postretirement benefit obligation was 7.0 percent and 8.75 percent at January 31, 1996 and 1995, respectively.



## Postemployment

The Company adopted Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits" (FAS 112), in the first quarter of the fiscal year ended January 31, 1995, resulting in a \$75 million charge, net of \$40 million of deferred tax benefit.

FAS 112 requires that the expected cost of postemployment benefits be recognized when they are earned rather than when they are paid. The postemployment obligation has been increased to reflect the reengineering activities described in Note 12.

## Note 11 Business Segment and Geographic Data

The operating results of the Company's Beverages segment were previously reported in two segments: Spirits and Wine, and Fruit Juices, Coolers and Mixers. These operations have been combined in the table below in the Beverages segment. Prior year amounts have been reclassified for comparative purposes.

### Business Segment Data

millions	Beverages	Enter- tainment	Corporate <sup>(1)</sup>	Total
<b>January 31, 1996</b>				
Revenues	\$6,694	\$ 3,053	\$ -	\$ 9,747
Depreciation and amortization of assets	154	97	4	255
Amortization of goodwill	51	62	-	113
Operating income (expense)	456 <sup>(2)</sup>	205	(77)	584
Identifiable assets	7,603	9,997	3,755	21,355
Capital expenditures	257	175	1	433
<b>January 31, 1995</b>				
Revenues	\$6,399		\$ -	\$ 6,399
Depreciation and amortization of assets	134		4	138
Amortization of goodwill	46		-	46
Operating income (expense)	781		(56)	725
Identifiable assets	7,028		5,964	12,992
Capital expenditures	156		16	172
<b>January 31, 1994</b>				
Revenues	\$6,038		\$ -	\$ 6,038
Depreciation and amortization of assets	122		3	125
Amortization of goodwill	41		-	41
Operating income (expense)	774		(20)	754
Identifiable assets	6,584		5,134	11,718
Capital expenditures	162		1	163

<sup>(1)</sup> Includes (i) corporate expenses and assets not identifiable with either business segment, and (ii) DuPont and Time Warner holdings, which represented 91%, 96% and 96% of corporate assets at January 31, 1996, 1995 and 1994, respectively.

<sup>(2)</sup> Includes a \$290 charge related to reengineering activities.

## Geographic Data

millions	Sales and Other Income <sup>(1)</sup> Unrelated Parties	Inter- company	Operating Income	Total Assets <sup>(2)</sup>
<b>January 31, 1996</b>				
United States	\$ 5,185	\$ 167	\$ 131	\$12,171
Europe	3,026	464	281	4,574
Asia Pacific and Latin America	1,275	29	39	798
Canada	261	212	133	385
	<u>\$ 9,747</u>	<u>\$ 872</u>	<u>\$ 584</u>	<u>\$17,928</u>
<b>January 31, 1995</b>				
United States	\$ 2,818	\$ 112	\$ 160	\$ 2,510
Europe	2,254	400	365	3,749
Asia Pacific and Latin America	1,190	30	58	783
Canada	137	207	142	237
	<u>\$ 6,399</u>	<u>\$ 749</u>	<u>\$ 725</u>	<u>\$ 7,279</u>
<b>January 31, 1994</b>				
United States	\$ 2,575	\$ 91	\$ 108	\$ 2,452
Europe	2,188	334	411	3,372
Asia Pacific and Latin America	1,129	25	83	714
Canada	146	220	152	257
	<u>\$ 6,038</u>	<u>\$ 670</u>	<u>\$ 754</u>	<u>\$ 6,795</u>

<sup>(1)</sup> Sales are classified based upon the location of the legal entity which invoices the customer rather than the location of the customer. Sales among geographic areas include intercompany transactions on a current market price basis.

<sup>(2)</sup> Excludes DuPont and Time Warner holdings.



## Note 12 Reengineering Activities

In connection with a program to better position its beverage operations to achieve its strategic growth objectives, the Company recorded a pretax charge of \$290 million in the quarter ended October 31, 1995. The charge related principally to the Company's global spirits and wine manufacturing, financial, marketing and distribution systems and includes rationalization of facilities in the United States and Europe and other costs related to the redesign of processes associated with the fulfillment of customer orders and the organizational structure under which the spirits and wine business operates. The components of the \$290 million charge reflect approximately a \$100 million provision for severance costs, \$120 million for asset write-downs/impairments and \$70 million for facility rationalization, including lease terminations, and other reengineering programs.

## Note 13 Additional Financial Information

### Income Statement and Cash Flow Data

<i>millions</i>	<i>Fiscal Years Ended January 31,</i>		
	1996	1995	1994
<b>Interest, Net and Other</b>			
Interest expense	\$ 378	\$408	\$351
Capitalized interest	(3)	(2)	(1)
Interest income	(102)	(10)	(11)
Dividend income	(38)	(34)	(20)
	<u>\$ 235</u>	<u>\$362</u>	<u>\$319</u>
<b>Cash Flow Data</b>			
Interest paid, net	\$ 262	\$361	\$346
Income taxes paid	<u>\$1,083</u>	<u>\$101</u>	<u>\$122</u>

### Balance Sheet Data

<i>millions</i>	<i>January 31,</i>	
	1996	1995
<b>Receivables</b>		
Trade	\$2,496	\$1,292
Other	63	89
	<u>2,559</u>	<u>1,381</u>
Allowance for doubtful accounts and other valuation accounts	(283)	(53)
	<u>\$2,276</u>	<u>\$1,328</u>
<b>Inventories</b>		
Beverages	\$2,600	\$2,398
Materials, supplies and other	314	121
	<u>\$2,914</u>	<u>\$2,519</u>
<b>LIFO Inventories</b>		
Estimated replacement cost	\$ 473	\$ 492
Excess of replacement cost over LIFO carrying value	(180)	(189)
	<u>\$ 293</u>	<u>\$ 303</u>
<b>Film Costs, Net of Amortization</b>		
<b>Theatrical Film Costs</b>		
Released	\$ 588	
In process and unreleased	295	
	<u>883</u>	
<b>Television Film Costs</b>		
Released	391	
In process and unreleased	26	
	<u>417</u>	
<b>Total Film Costs</b>	<u>\$1,300</u>	

Unamortized costs related to released theatrical and television films aggregated \$979 million at January 31, 1996. Excluding the portion of the purchase price allocated to the film library which is being amortized over a 20 year life, the Company currently anticipates that approximately 85 percent of the unamortized released film costs will be amortized under the individual film forecast method during the three years ending January 31, 1999.

<i>millions</i>	<b>1996</b>	<i>January 31, 1995</i>
<b>Property, Plant and Equipment</b>		
Land	\$ 528	\$ 137
Buildings	1,167	505
Machinery and equipment	975	805
Furniture and fixtures	355	137
Other, including construction in progress	837	541
	<u>3,862</u>	<u>2,125</u>
Accumulated depreciation	<u>(1,056)</u>	<u>(858)</u>
	<b>\$2,806</b>	<b>\$1,267</b>
<b>Payables and Accrued Liabilities</b>		
Trade	\$ 596	\$ 429
Other	1,568	994
	<u>\$2,164</u>	<u>\$1,423</u>

#### Note 14 **Commitments and Contingencies**

The Company has various commitments for the purchase or construction of property, plant and equipment, materials, supplies and items of investment related to the ordinary conduct of business.

The Company is involved in various lawsuits, claims and inquiries. Management believes that the resolution of these matters will not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

#### Note 15 **Differences Between United States and Canadian Generally Accepted Accounting Principles**

Differences between United States and Canadian GAAP for these financial statements are:

- (i) The common stock in DuPont and Time Warner would be carried at cost under Canadian GAAP, thereby reducing shareholders' equity by \$407 million or four percent at January 31, 1996. There is no effect on net income.
- (ii) The deferred tax liability at January 31, 1996 under Canadian GAAP would be approximately \$100 million lower and shareholders' equity \$100 million higher. (A draft accounting standard has been issued in Canada which, if adopted, will eliminate this difference.)
- (iii) Proportionate consolidation of joint ventures under Canadian GAAP would increase assets and liabilities by approximately \$800 million and increase working capital by approximately \$100 million at January 31, 1996. There is no effect on net income.
- (iv) The cumulative effect of the accounting change in the fiscal year ended January 31, 1995 would be excluded from net income and taken directly to retained earnings under Canadian GAAP.
- (v) Other differences between United States and Canadian GAAP are *de minimis*.



## Management's Report

The Company's management is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including the estimates and judgments required for such preparation.

The Company has a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and financial records underlying the financial statements properly reflect all transactions. The system contains self-monitoring mechanisms, including a program of internal audits, which allow management to be reasonably confident that such controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. Management believes that its long-standing emphasis on the highest standards of conduct and business ethics, as set forth in written policy statements, serves to reinforce the system of internal accounting controls. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error

or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

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

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

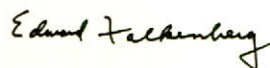


**Edgar Bronfman, Jr.**  
*President and  
Chief Executive Officer*



**Robert W. Matschullat**  
*Vice Chairman and  
Chief Financial Officer*

*March 13, 1996*



**Edward Falkenberg**  
*Vice President and Controller*

## Auditors' Report

To the Shareholders of The Seagram Company Ltd.

We have audited the consolidated balance sheet of The Seagram Company Ltd. as at January 31, 1996 and 1995 and the consolidated statements of income, shareholders' equity and cash flows for each of the fiscal years ended January 31, 1996, 1995 and 1994. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 1996 and 1995 and the results of its operations and its cash flows for each of the fiscal years ended January 31, 1996, 1995 and 1994, in accordance with generally accepted accounting principles in the United States of America which, in their application to the Company, conform in all material respects with generally accepted accounting principles in Canada.

The Company changed its accounting for postemployment benefits other than pensions, under generally accepted accounting principles in the United States of America, during the fiscal year ended January 31, 1995, as described in Note 10.



**Price Waterhouse**  
*Montreal, Canada  
March 13, 1996*

## Quarterly Data

	<i>First Quarter</i> <i>April 30,</i>		<i>Second Quarter</i> <i>July 31,</i>	
	1995	1994	1995	1994
<i>U.S. dollars in millions, except per share amounts (unaudited)</i>				
Revenues	\$1,282	\$1,211	\$1,883	\$1,448
Operating income	150	162	179	144
Income before discontinued DuPont activities	59	52	89	44
Discontinued DuPont activities, after tax	3,232	145	—	180
Net income before cumulative effect of accounting change	3,291	197	89	224
Cumulative effect of accounting change	—	(75)	—	—
<b>Net Income</b>	<b>\$3,291</b>	<b>\$ 122</b>	<b>\$ 89</b>	<b>\$ 224</b>
Income Per Share				
Income before discontinued DuPont activities	\$ .16	\$ .14	\$ .24	\$ .12
Discontinued DuPont activities, after tax	8.67	.39	—	.48
Net income before cumulative effect of accounting change	\$ 8.83	\$ .53	\$ .24	\$ .60
Cumulative effect of accounting change	—	(.20)	—	—
<b>Net Income</b>	<b>\$ 8.83</b>	<b>\$ .33</b>	<b>\$ .24</b>	<b>\$ .60</b>
	<i>Third Quarter</i> <i>October 31,</i>		<i>Fourth Quarter</i> <i>January 31,</i>	
	1995*	1994	1996	1995
Revenues	\$2,917	\$1,513	\$3,665	\$2,227
Operating income	21	166	234	253
(Loss) Income before discontinued DuPont activities	(55)	52	81	46
Discontinued DuPont activities, after tax	—	147	—	145
<b>Net (Loss) Income</b>	<b>\$ (55)</b>	<b>\$ 199</b>	<b>\$ 81</b>	<b>\$ 191</b>
Income Per Share				
(Loss) Income before discontinued DuPont activities	\$ (.15)	\$ .14	\$ .21	\$ .12
Discontinued DuPont activities, after tax	—	.39	—	.40
<b>Net (Loss) Income</b>	<b>\$ (.15)</b>	<b>\$ .53</b>	<b>\$ .21</b>	<b>\$ .52</b>

\*Includes a \$290 million pretax charge for reengineering activities.



## Financial Summary

*U.S. dollars in millions, except per share amounts*

	1996	1995	1994
<b>Income Statement</b>			
Revenues	\$ 9,747	\$ 6,399	\$ 6,038
Gain (loss) on divestitures, net	—	—	—
Operating income	584	725	754
Interest, net and other	235	362	319
<b>After-Tax Income</b>			
Income before discontinued DuPont activities and cumulative effect of accounting change	174	194	283
Discontinued DuPont activities	3,232	617	96
<b>Net Income Before Cumulative Effect of Accounting Change</b>	<b>3,406</b>	<b>811</b>	<b>379</b>
Cumulative effect of accounting change, after tax	—	(75)	—
<b>Net Income (Loss)</b>	<b>\$ 3,406</b>	<b>\$ 736</b>	<b>\$ 379</b>
<b>Financial Position</b>			
Current assets	\$ 6,640	\$ 4,265	\$ 3,794
Common stock of DuPont*	1,071	3,670	3,154
Common stock of Time Warner	2,356	2,043	1,769
Other noncurrent assets	11,288	3,014	3,001
Total assets	21,355	12,992	11,718
Current liabilities	3,854	4,091	2,996
Long-term indebtedness	2,889	2,841	3,053
Total liabilities	10,183	7,472	6,717
Minority interest	1,844	11	—
Shareholders' equity	9,328	5,509	5,001
Total liabilities and shareholders' equity	21,355	12,992	11,718
<b>Cash Flow Data</b>			
Cash flow from continuing operations	1,025	519	470
Capital expenditures	(433)	(172)	(163)
Other investing activities, net	1,308	(465)	(1,567)
Dividends paid	(224)	(216)	(209)
<b>Per Share Data</b>			
Continuing operations	\$ .46	\$ .52	\$ .76
Discontinued DuPont activities	8.67	1.66	.26
<b>Net Income Before Cumulative Effect of Accounting Change</b>	<b>9.13</b>	<b>2.18</b>	<b>1.02</b>
Cumulative effect of accounting change, after tax	—	(.20)	—
<b>Net Income (Loss)</b>	<b>\$ 9.13</b>	<b>\$ 1.98</b>	<b>\$ 1.02</b>
Dividends paid	\$ .60	\$ .58	\$ .56
Shareholders' equity	24.91	14.79	13.43
End-of-year share price			
New York Stock Exchange	36.38	28.75	30.75
Canadian Stock Exchanges	C\$ 49.75	C\$ 40.50	C\$ 40.63
Average shares outstanding (thousands)	373,117	372,499	373,051
Shares outstanding at year-end (thousands)	374,462	372,537	372,489

\*Includes warrants at January 31, 1996

Fiscal Years Ended January 31						
1993	1992	1991	1990	1989	1988	1987
\$ 6,101	\$ 6,345	\$ 6,127	\$ 5,582	\$ 5,056	\$ 3,815	\$ 3,345
—	201	—	—	—	—	(35)
762	961	708	574	425	286	193
312	320	325	289	229	71	81
293	430	241	171	125	151	108
181	297	515	540	464	370	315
474	727	756	711	589	521	423
(1,374)	—	—	—	—	—	—
\$ (900)	\$ 727	\$ 756	\$ 711	\$ 589	\$ 521	\$ 423
\$ 3,836	\$ 4,327	\$ 3,970	\$ 3,289	\$ 3,182	\$ 2,950	\$ 2,702
3,315	4,566	4,504	4,216	3,879	3,587	3,330
—	—	—	—	—	—	—
2,953	2,983	3,003	2,708	2,636	1,006	854
10,104	11,876	11,477	10,213	9,697	7,543	6,886
2,003	1,896	3,130	2,491	1,994	1,394	1,102
2,559	3,013	2,038	2,011	2,330	1,058	912
5,174	5,393	5,525	4,856	4,723	3,086	2,931
—	—	—	—	—	—	—
4,930	6,483	5,952	5,357	4,974	4,457	3,955
10,104	11,876	11,477	10,213	9,697	7,543	6,886
310	543	(28)	71	101	(59)	25
(168)	(215)	(309)	(206)	(142)	(89)	(106)
184	190	168	238	(1,768)	196	126
(205)	(189)	(174)	(135)	(113)	(100)	(90)
\$ .78	\$ 1.14	\$ .64	\$ .44	\$ .33	\$ .39	\$ .28
.48	.78	1.37	1.40	1.20	.97	.83
1.26	1.92	2.01	1.84	1.53	1.36	1.11
(3.64)	—	—	—	—	—	—
\$ (2.38)	\$ 1.92	\$ 2.01	\$ 1.84	\$ 1.53	\$ 1.36	\$ 1.11
\$ .545	\$ .50	\$ .463	\$ .35	\$ .294	\$ .263	\$ .238
13.19	17.08	15.87	14.03	12.66	11.76	10.36
25.13	29.94	22.25	18.72	17.78	13.78	16.78
C\$ 32.00	C\$ 35.06	C\$ 25.81	C\$ 22.22	C\$ 21.13	C\$ 17.50	C\$ 22.41
375,871	378,839	376,664	385,524	385,460	381,912	380,448
373,690	379,480	374,972	381,820	392,856	379,144	381,980



## Eight Decades of Growth

### 1920s

#### Canada

1924 Formed Distillers Corporation Limited  
1928 Acquired Joseph E. Seagram & Sons, Limited, founded in 1857, and formed a new public company, Distillers Corporation-Seagrams Limited

### 1930s

#### Scotland

1935 Acquired Robert Brown Limited (Scotch whisky); subsequently changed name to Seagram Distillers PLC

#### United States

1933 Formed Joseph E. Seagram & Sons, Inc., and acquired Lawrenceburg, Indiana, distillery  
1934 Acquired Calvert distillery  
1937 Acquired Carstairs Bros. Distillery Co.

### 1940s

#### Canada

1942 Acquired British Columbia Distillery Company Limited

#### Jamaica

1944 Formed Captain Morgan Rum Company

#### Scotland

1949 Acquired Chivas Brothers Limited (Scotch whisky)

#### United States

1941 Acquired Wilson Distilling Co. and Hunter Distillers Inc.  
1943 Acquired Frankfort Distilling Company  
1943 Acquired Paul Masson Vineyards (wine)

### 1950s

#### Canada

1953 Acquired United Distillers Ltd.  
1955 Acquired Beaupré distillery

#### England

1956 Formed predecessor to Seagram United Kingdom Limited (distribution company)

#### France

1952 Acquired G.H. Mumm & Cie and Perrier-Jouët S.A. (Champagne)  
1954 Acquired Barton & Guestier S.A. (wine)  
1958 Acquired Chemineaud Frères (Cognac and brandy)

#### Jamaica

1954 Acquired Fred L. Myers & Son (1879) Limited (rum)

#### United States

1953 Formed Frankfort Oil Company

#### Venezuela

1959 Formed Licoreras Unidas, S.A. (LUSA) (distillery) and C.A. Distribuidora Chumaceiro (CADC) (distribution company), both joint ventures

### 1960s

#### Argentina

1963 Acquired Destileria San Ignacio S.A.I.C. (distilled spirits) and Bodegas y Viñedos Crillon S.A.I.C. (wine)  
1967 Acquired Hudson, Ciovini y Cia. S.A.C.I. (distribution company)

#### Belgium

1967 Formed Seagrams Belgium, N.V. (distribution company)

#### Brazil

1965 Formed Brazilian subsidiaries

#### Costa Rica

1969 Acquired Seagram de Costa Rica S.A.

#### England

1963 Acquired Sir Robert Burnett Gin Company

#### France

1966 Acquired Augier Frères (Cognac)

#### Germany

1968 Acquired Fritz Lehment GmbH Spirituosenwerk (distilled spirits); subsequently changed name to Seagram Deutschland GmbH

#### Israel

1963 Formed International Distillers of Israel Limited

#### Italy

1960 Formed predecessor to Seagram Italia S.p.A.

#### Mexico

1965 Formed Seagram de Mexico, S.A. de C.V.

#### New Zealand

1965 Formed Seagram (New Zealand) Limited

#### Spain

1966 Formed Spanish subsidiary

#### United States

1960 Acquired Leroux Liqueur Company  
1963 Acquired Texas Pacific Coal and Oil Company and merged it with Frankfort Oil Company to form Texas Pacific Oil Company, Inc.

### 1970s

#### Australia

1978 Acquired wine and spirits division of Dalgety Australia Pty. Ltd.

#### Austria

1972 Acquired Seagram Spirituosen GmbH (distilled spirits)  
1972 Acquired Weichsler GmbH (spirits and liqueurs)

#### Canada

1975 Changed Company name to The Seagram Company Ltd. from Distillers Corporation-Seagrams Limited

#### Dominican Republic

1974 Formed Industria de Licores Internacionales, S.A. (ILISA), a joint venture (distilled spirits)

#### Germany

1970 Acquired Godefroy H. von Mumm & Co. (sparkling wine)  
1971 Acquired Burgeff & Co. A.G. (sparkling wine)

#### Japan

1971 Formed Kirin-Seagram Limited, a joint venture with Kirin Brewery Co., Ltd.

#### Netherlands

1979 Formed Seagram Nederland B.V. (distribution company)

#### Portugal

1973 Acquired Macieira & Ca. Lda. (brandy)

#### Puerto Rico

1970 Formed Precision Plastic Products Corporation (manufacturer of closures)

#### Scotland

1978 Acquired The Glenlivet Distillers Limited (single malt Scotch whisky)

#### Switzerland

1975 Acquired Hans U. Bon A.G. (marketing company); subsequently changed name to Seagram (Switzerland) A.G.

#### United States

1979 Acquired Gold Seal Vineyards (wine)

### 1980s

#### Argentina

1981 Acquired minority interest in Valentin Bianchi S.A. (wine)

#### Australia

1985 Acquired Continental Distillers Pty. Ltd.

#### Brazil

1989 Acquired Almadén Vineyards Ltda. (wine)

#### Cameroon

1986 Formed La Société Camerounaise de Fermentation, a joint venture

#### China

1988 Formed Shanghai Seagram Limited, a joint venture with China Distillery Shanghai

#### Costa Rica

1989 Acquired Alimentos Preparados S.A. (Alpre) (wholesaler)

#### England

1980 Acquired Geo. G. Sandeman Sons & Co., Limited (Ports, Sherries and brandy)  
1984 Acquired Oddbins Limited (retail outlet chain)

#### France

1988 Acquired Martell S.A. (Cognac and Armagnac)

#### Germany

1984 Acquired Matheus Müller GmbH (sparkling wine)  
1987 Acquired Weinbrennerei Scharlachberg Sturm GmbH & Co. (brandy) and J. Carstens GmbH & Co. (wine spritzers)



**Italy**

1986 Acquired Casa Vinicola Maschio S.p.A. (sparkling wine) and Landy Frères S.p.A. (grappa)

**New Zealand**

1981 Acquired Wilson Distillers Ltd.

**Nigeria**

1982 Formed United Distillers and Vintners (Nigeria) Ltd., a joint venture

**Portugal**

1980 Acquired Caves da Raposeira, Lda. (sparkling wine)

**Scotland**

1986 Acquired Duncan Moir (wholesaler)

1987 Acquired assets of George Morton Ltd. (wholesaler), including the brand OVD Rum  
1988 Acquired D. Rintoul & Company Ltd. (spirits and wine) and Kilglass Wines and Spirits Ltd. (wholesaler)

**South Korea**

1980 Formed Doosan Seagram Co., Ltd., a joint venture with Oriental Brewery Co., Ltd.

**Thailand**

1981 Formed Seagram (Thailand) Limited, a joint venture with Tejapaibul Co. Ltd.

**United States**

1980 Sold Texas Pacific's U.S. oil and gas properties for \$2.3 billion  
1981 Acquired 27.9 million shares of Conoco Inc. for \$2.6 billion and tendered the shares to E.I. du Pont de Nemours and Company for a 20.2 percent interest in DuPont common shares  
1983 Acquired The Wine Spectrum (Taylor, Great Western, Taylor California Cellars, Sterling Vineyards and The Monterey Vineyard wines and sparkling wines)  
1987 Sold Paul Masson, Taylor California Cellars, Taylor, Great Western and Gold Seal Vineyards  
1988 Acquired Tropicana Products, Inc. (fruit juices and juice beverages)

**Venezuela**

1989 Acquired Grey's Licores C.A. (wholesaler)

**1990s****Cameroon**

1993 Divested La Société Camerounaise de Fermentation

**Canada**

1991 Formed Tropicana Canada

**Chile**

1993 Formed Comercial Forestier Chile Limitada  
1993 Acquired plant and trademark assets of Seagers de Chile (spirits producer)

**Colombia**

1992 Formed LUSA de Colombia S.A.  
1995 Acquired Atlas Comercial S.A.

**Czech Republic**

1992 Formed Seagram Spol. s r.o. (distribution company)

**Dominican Republic**

1994 Acquired controlling interest in ILISA from joint venture partner

**England**

1991 Formed Tropicana United Kingdom Limited

**France**

1991 Formed Tropicana Europe S.A.  
1991 Acquired Maxime Delrue S.A. (distributor of fruit juices and specialty foods)  
1993 Divested Janneau S.A., a subsidiary of Martell  
1995 Sold plant assets of Barton & Guestier S.A., retaining trademarks and marketing and distribution rights

**Germany**

1991 Divested Weinbrenneri Scharlachberg Sturm GmbH & Co. (brandy) and J. Carstens GmbH & Co. (wine spritzers)  
1992 Formed Seagram Holding-und Handelsgesellschaft GmbH  
1994 Acquired Hitchcock GmbH (the leading brand of not-from-concentrate fruit juice)

**Greece**

1990 Acquired 70 percent interest in APKA S.A. (distribution company)  
1995 Acquired remaining 30 percent interest in APKA S.A.

**Guam**

1993 Established representative office of Joseph E. Seagram & Sons, Inc.

**Hungary**

1992 Formed Seagram Hungary Kft. (distribution company)

**India**

1994 Formed Seagram (India) Manufacturing Private Limited (distilled spirits, wines and juices)

**Japan**

1990 Formed Kirin-Tropicana, Inc., a joint venture with Kirin Brewery Co., Ltd.

**Malaysia**

1994 Established representative office of Joseph E. Seagram & Sons, Inc.

**Nigeria**

1994 Divested United Distillers and Vintners (Nigeria) Ltd.

**Philippines**

1993 Established regional headquarters of Joseph E. Seagram & Sons, Inc.  
1994 Formed Seagram Philippines Inc. (distribution company)

**Poland**

1992 Formed Seagram Polska Sp. zo.o. (distribution company)

**Russia**

1993 Established representative office of Joseph E. Seagram & Sons, Inc.

**South Africa**

1994 Formed Seagram South Africa (Pty) Ltd. (distribution company)

**Sweden**

1994 Formed Premium Brands Nordic AB (sales and marketing operation)

**Taiwan**

1990 Formed Seagram C.I. (Taiwan) Co., Ltd. (distribution company)

**Ukraine**

1992 Formed Seagram Ukraine Limited (distribution company)

**United States**

1991 Divested seven distilled spirits brands (Lord Calvert Canadian Whisky, Calvert Extra and Kessler Blended American Whiskeys, Calvert Gin, Wolfschmidt Vodka, Ronrico Rum and the Leroux line of cordials)  
1993 Formed Tropicana Industrial Glass Company, a joint venture with American National Can Company (manufacturer of glass containers)  
1993 Acquired assets of Barton Brands of California, Inc.  
1993 Announced plans to acquire up to 15 percent of Time Warner Inc.  
1994 Acquired distribution rights to Absolut Vodka in the U.S. and major international markets  
1994 Reached 14.9 percent investment in Time Warner Inc.  
1994 Acquired marketing and distribution rights for Patrón Tequila from St. Maarten Spirits Ltd.  
1995 Acquired global fruit juice and juice beverage business from Dole Food Company, Inc. (excluding its canned pineapple juice business) for \$276 million  
1995 DuPont redeemed 156 million of its shares owned by Seagram, which generated after-tax proceeds of \$7.7 billion to Seagram  
1995 Acquired 80 percent of the parent company of MCA INC. for \$5.7 billion from Matsushita Electric Industrial Co., Ltd.

**Venezuela**

1992 Acquired balance of shares in Licoreras Unidas, S.A. and C.A. Distribuidora Chumaceiro from joint venture partners

**Vietnam**

1994 Established two representative offices of Joseph E. Seagram & Sons, Inc.



# Portfolio of Brands



*The following is a partial, non-inclusive listing.*

## The Seagram Spirits And Wine Group

### American Whiskey

Cougar Bourbon  
Four Roses Bourbon  
Four Roses Black Label Bourbon  
Four Roses Single Barrel  
Reserve Bourbon  
Four Roses Platinum Bourbon  
Seagram's 7 Crown

### Canadian Whisky

Canadian Hunter  
Crown Royal  
Crown Royal Special Reserve  
Crown Royal Limited Edition  
Seagram's V.O.

### Scotch Whisky

Black Douglas  
Century  
Chivas Regal 12-year-old  
Glen Grant  
Glen Grant 10-year-old  
The Glenlivet 12-year-old  
The Glenlivet 18-year-old  
100 Pipers  
Passport  
Queen Anne  
Royal Salute 21-year-old  
St. Leger  
Something Special  
Benriach 10-year-old  
Glen Keith Bottled in 1983  
Strathisla 12-year-old  
Longmorn 15-year-old

### Local Whisky

Black Jack  
Blenders Pride  
Boston Club  
Crescent  
Emblem  
Master Blend  
Natu Nobilis  
New Robert Brown  
Regency  
Secret  
Valley 9 Gold  
Wilson's

### Cognac

Martell V.S. Fine  
Martell Médaille V.S.O.P.  
Martell Noblige  
Martell Cordon Bleu  
Martell Napoléon  
Special Reserve  
Martell X.O. Suprême  
Martell Extra  
Martell Gobelet Royal  
Classique de J&F Martell  
L'Or de J&F Martell  
Création de J&F Martell

### Brandy

Blandice  
Capa Negra  
Chatelain  
Chemineaud  
De Valcourt  
Imperial  
Macieira  
René Briand

### Gin

Boodles  
Burnett's  
Seagram's Extra Dry

### Vodka

Deluxe  
Nikolai  
Orloff  
Seagram's Premium

### Rum

Cacique  
Captain Morgan  
Centenario  
Diplomático  
Montilla  
Myers's  
OVD  
Ronrico

### Tequila

Mariachi  
Olmeca

### Liqueur

Capucello  
Godiva

### Schnapps

Dr. McGillicuddy's

### Flavored Spirits

5 Estrellas  
Managers

### Pre-Mixed

Four Roses & Cola  
Olmeca Tequila Margarita  
Passport & Cola  
Seagram's Extra Dry  
Gin & Tonic  
Seagram's 7 Crown & Lemonade

### Champagne

Mumm Cordon Rouge N.V.  
Mumm Cordon Rouge Vintage  
Mumm Cordon Rosé N.V.  
Mumm Cordon Vert  
Mumm Grand Cordon  
Mumm René Lalou  
Mumm de Cramant  
Perrier-Jouët Grand Brut  
Perrier-Jouët Brut Millesimé  
Perrier-Jouët Blason de France  
Perrier-Jouët Blason  
de France Rosé  
Perrier-Jouët Belle Epoque  
Perrier-Jouët Belle Epoque Rosé

Heidsieck Monopole Red Top  
Monopole Sec  
Heidsieck Monopole  
Dry Monopole Brut  
Heidsieck Monopole  
Diamant Bleu  
Heidsieck Monopole  
Diamant Rosé

### Sparkling Wine

Cuvée Mumm  
Domaine Mumm  
Maschio  
Matheus Muller Sekt  
Monitor  
Mumm Cuvée Napa  
Mumm Sekt  
Raposeira

### Sherry

Sandeman Dry Seco  
Sandeman Medium Dry  
Sandeman Rich Cream  
Sandeman Don Fino  
Sandeman Character  
Sandeman Armada  
Sandeman Royal Corregidor  
Sandeman Soléo

### Port

Sandeman Original Rich Ruby  
Sandeman Original Fine Tawny  
Sandeman Original Fine White  
Sandeman Founders Reserve  
Sandeman Imperial Aged  
Reserve Tawny  
Sandeman 20-year-old Tawny  
Sandeman Late Bottled Vintage  
Sandeman Vintage  
Sandeman Quinta do Vau –  
Single Quinta Vintage

### Wine

Almadén  
Barton & Guestier  
Forestier  
Sterling Vineyards  
The Monterey Vineyard

### Coolers

Seagram's Spirits

### **Selected Agency Brands**

Absolut Vodka  
Bianchi (Argentina)  
Cointreau (Venezuela)  
Cousino Macul (Venezuela)  
Jameson (Canada)  
Jim Beam (Germany)  
Old Bushmills (Canada)  
Patrón (U.S.)  
San Telmo (Argentina)  
Stolichnaya (Greece)

### **The Seagram Classics Wine Company**

**Champagne**  
Mumm

**Sparkling Wine**  
Mumm Cuvée Napa

**Wine**  
Sterling Vineyards  
Barton & Guestier  
The Monterey Vineyard  
Julius Kayser

**Selected Agency Brands**  
Castello d'Albola

### **Seagram Chateau & Estate Wines Company**

**Champagne**  
Perrier-Jouët

**Sherry**  
Sandeman

**Port**  
Sandeman

**Selected Agency Brands**  
Domaines Barons de Rothschild  
Domaine Clarence Dillon  
Domaines Cordier  
Domaines Jean-Pierre Moueix  
Domaines Jean-Eugène Borie  
F.E. Trimbach  
Dominus Estate  
Domaine G. Roumier  
Domaine Ramonet  
Domaine Bonneau du Martray



### **Tropicana Dole Beverages North America**

**Tropicana Pure Premium Juices**  
Original Orange  
Grovestand Orange  
Home Style Orange  
Ruby Red Orange  
Home Style Golden Grapefruit  
Ruby Red Grapefruit  
Plus Calcium and Extra  
Vitamin C  
Plus Vitamins A, C and E  
OrchardStand Apple (Canada)

**Tropicana Season's Best Juices**  
Home Style Orange  
Original Orange  
Orange Juice Plus Calcium  
Orange Juice Plus Vitamins  
Apple  
Grape  
Cranberry Medley  
Grapefruit  
Orange Pineapple  
Ruby Red Grapefruit  
Strawberry Orange  
Fruit Medley  
Citrus Medley

**Tropicana Pure Tropics Juices**  
Orange Kiwi Passion  
Orange Peach Mango  
Orange Pineapple  
Orange Strawberry Banana

**Tropicana Juice Beverages**  
Citrus Punch  
Fruit Punch  
Lemonade  
Berry Punch  
Cranberry Punch  
Pineapple Punch

**Tropicana Twister Juice  
Beverages**  
Apple Raspberry Blackberry  
Apple Berry Pear

Strawberry Orange Peach  
Orange Strawberry Banana  
Orange Cranberry  
Orange Peach  
Orange Raspberry  
Cranberry Raspberry  
Strawberry  
Pink Grapefruit  
Orange Strawberry Guava  
Ruby Red Cranberry

**Dole Juices**  
Mountain Cherry  
Country Raspberry  
Orchard Peach  
Pineapple  
Pineapple Orange  
Pine-Orange Banana  
Pine-Orange Guava  
Pine-Orange Strawberry  
Pine-Passion Banana  
Mandarin Tangerine  
Tropical Fruit

### **Tropicana Dole Beverages International**

**Tropicana Pure Premium Juices**  
Orange  
Grapefruit  
Ruby Breakfast  
Pink Grapefruit  
Orange-Peach  
Orange-Pear

**Fruvita Juices**  
Orange  
Grapefruit  
Apple  
Red Grape  
Lemon  
Orange-Peach  
Orange-Pear  
Orange-Banana  
Star Ruby  
Sanguinello

**Dole Juices**  
Orange with Pulp  
Orange  
Grapefruit  
Apple  
Orange-Peach  
Orange-Pear  
Orange-Banana

**Kirin-Tropicana Juices**  
Orange  
Orange Homemade Style  
Apple  
Grapefruit  
Grape  
Fruit Blend  
Pear  
Pure Premium Orange

**Looza Juices and Nectars**  
Pineapple  
Orange  
Red Grapefruit  
Grapefruit  
Apple Apricot  
Apple Cherry  
Apricot  
Caribbean Blend  
Banana  
Blackberry  
Cranberry  
Cherry  
Red Grape  
Tomato Cocktail  
Tropical  
Peach  
Mango  
Orange  
Pear

**Juice Bowl Juices**  
Orange  
Apple  
Grapefruit  
Pineapple



## The Seagram Beverage Company

### Frozen Paradise

Strawberry Daiquiri  
Pina Colada  
Peach Daiquiri

### Coolers

Wild Black Cherry  
Wild Tropical Fruit  
Wild Berries  
Wild Kiwi Strawberry  
Wild Mango  
Wild Watermelon  
Peach Daiquiri  
Fuzzy Navel  
Pineapple Pina Colada  
Margarita  
Strawberry Daiquiri  
Banana Daiquiri  
Raspberry Mimosa  
Seagram's Golden  
Planter's Punch  
Long Island Iced Tea  
Cherry Chocolate Jubilee  
(Seasonal)

### Mixer Flavors & Styles

Seagram's Ginger Ale  
Seagram's Diet Ginger Ale  
Seagram's Raspberry  
Ginger Ale  
Seagram's Diet Raspberry  
Ginger Ale  
Seagram's Tonic Water  
Seagram's Diet Tonic Water  
Seagram's Club Soda  
Seagram's Original Seltzer  
Seagram's Black Cherry  
Seltzer  
Seagram's Lemon Lime  
Seltzer  
Seagram's Orange Seltzer

### Beers

Grolsch (agency brand)  
Premium Lager  
Amber Lager  
Coyote  
Amber Lager  
Dark Lager  
Devil Mountain  
Five Malt Ale  
Black Honey Ale  
Railroad Gold Ale

## MCA/Universal

During 1995, MCA/Universal launched several new brands and maximized the performance of existing brand franchises in different mediums. A partial, non-inclusive listing follows:



## Filmed Entertainment

### Universal Pictures

*Apollo 13*  
*Babe*  
*Casper*  
*Waterworld*

### MCA/Universal

#### Television

Series:  
*Hercules: The Legendary Journeys*  
*Xena: Warrior Princess*  
*Murder, She Wrote*  
*Law & Order*  
*Coach*  
*New York Undercover*  
*Weird Science*  
*Dream On*  
*Earthworm Jim*  
*Casper*  
Made-for-television movies:  
*A Mother's Prayer*  
*Here Come the Munsters*  
*The Rockford Files*

## MCA/Universal Home Video

*Casper*  
*Jurassic Park*  
*The Land Before Time II & III*  
*The Adventures of Timmy the Tooth*



## Music

### MCA Records

Mary J. Blige  
Immature  
Jodeci  
Live (Radioactive Records)

### MCA Records/Nashville

Jimmy Buffett  
Vince Gill  
Reba McEntire  
George Strait  
Wynonna (Curb Records)

### Geffen and DGC Records

Counting Crows  
Elastica  
Hole  
Weezer  
White Zombie

### GRP Recording Company

Jonatha Brooke & The Story  
Jerald Daemyon  
McCoy Tyner

### Interscope Records

Bush (Trauma Records)  
Deep Blue Something  
Nine Inch Nails (Nothing/  
TVT Records)  
Toadies



## Recreation

### Universal Studios Hollywood

*WaterWorld: A Live Sea  
War Spectacular*

### Universal Studios Florida

*A Day in the Park with Barney*



## Publishing

### The Putnam Berkley Group

Tom Clancy: *Debt of Honor*,  
*Without Remorse*, *Op-Center*  
Robin Cook: *Acceptable Risk*  
Patricia Cornwell: *The Body  
Farm*  
Dick Francis: *Wild Horses*  
Charles Kuralt: *Charles Kuralt's  
America*  
LaVyrle Spencer: *Home Song*  
Amy Tan: *The Hundred  
Secret Senses*  
Eric Carle: *The Very  
Lonely Firefly*

## Directory

### Board of Directors

**Edgar M. Bronfman**<sup>3</sup>  
Chairman of the Board,  
The Seagram Company Ltd.

**The Hon. Charles R. Bronfman, P.C., C.C.**<sup>3</sup>  
Co-Chairman of the Board  
and Chairman of the  
Executive Committee,  
The Seagram Company Ltd.

**Edgar Bronfman, Jr.**<sup>3</sup>  
President and Chief  
Executive Officer,  
The Seagram Company Ltd.

**Samuel Bronfman II**  
President, The Seagram  
Classics Wine Company  
(a division of Joseph E.  
Seagram & Sons, Inc.,  
a subsidiary of the  
Corporation)

**Matthew W. Barrett, O.C.**<sup>4</sup>  
Chairman and  
Chief Executive Officer,  
Bank of Montreal  
(a financial institution)

**David M. Culver, C.C.**<sup>4</sup>  
Chairman, CAI Capital  
Corporation  
(an equity investment fund)

**The Hon. William G. Davis,  
P.C., C.C., Q.C.**<sup>1,2</sup>  
Counsel, Tory Tory  
DesLauriers & Binnington  
(attorneys)

**The Hon. Paul Desmarais,  
P.C., C.C.**<sup>1,3</sup>  
Chairman and Chief  
Executive Officer, Power  
Corporation of Canada  
(a holding and management  
company)

**David L. Johnston, O.C.**<sup>2,4</sup>  
Professor of Law, McGill  
University  
(an educational institution)

**The Hon. E. Leo Kolber,  
Senator**<sup>3,4</sup>  
Member of The Senate  
of Canada

**Marie-Josée Kravis, O.C.**<sup>2,4</sup>  
Fellow, The Hudson Institute  
Inc. (a nonprofit economics  
research institute)

**Robert W. Matschullat**<sup>3</sup>  
Vice Chairman and  
Chief Financial Officer,  
The Seagram Company Ltd.

**Edward F. McDonnell**  
Consultant, Joseph E.  
Seagram & Sons, Inc. (a sub-  
sidiary of the Corporation)

**C. Edward Medland**<sup>1,3</sup>  
President, Beauwood  
Investments Inc. (a private  
investment company)

**Lew R. Wasserman**  
Chairman Emeritus,  
MCA INC. (a subsidiary  
of the Corporation)

**John L. Weinberg**<sup>4</sup>  
Senior Chairman,  
Goldman, Sachs & Co.  
(investment bankers)

**John S. Weinberg**<sup>1,2</sup>  
General Partner,  
Goldman, Sachs & Co.  
(investment bankers)

### Honorary Directors

**A. Jean de Grandpré,  
C.C., Q.C.**

**Alain de Gunzburg**

**John L. Loeb**

**Neil F. Phillips, Q.C.**

**The Hon. Ian D. Sinclair,  
O.C.**

**Sir Iain Tennant, K.T.**

### Honorary Secretary

**Alan A. Sharp**

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of Corporate Governance  
Committee

<sup>3</sup> Member of the Executive Committee

<sup>4</sup> Member of the Human Resources  
Committee

### Officers

**Edgar M. Bronfman**  
Chairman of the Board

**The Hon. Charles R. Bronfman, P.C., C.C.**  
Co-Chairman of the Board  
and Chairman of the  
Executive Committee

**Edgar Bronfman, Jr.**  
President and  
Chief Executive Officer

**Robert W. Matschullat**  
Vice Chairman and  
Chief Financial Officer

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Executive Vice President,  
Human Resources

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

**Steven J. Kalagher**  
Executive Vice President  
President, The Seagram  
Spirits And Wine Group

**Ellen R. Marram**  
Executive Vice President  
President, The Seagram  
Beverage Group

**Edward Falkenberg**  
Vice President and Controller

**Jeananne K. Hauswald**  
Vice President and Treasurer

**Gabor Jellinek**  
Vice President, Production

**Arnold M. Ludwick**  
Vice President

**Rosemary Moore**  
Vice President, Corporate  
Communications and  
Public Relations

**Daniel R. Paladino**  
Vice President, Legal and  
Environmental Affairs

**Michael C. L. Hallows**  
Secretary



## Shareholder Information

### Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on May 29, 1996, at 11:30 a.m. (E.D.T.) at Le Centre Sheraton, 1201 René-Lévesque Boulevard West, Montreal, Quebec.

### Auditors

Price Waterhouse

### Stock Symbol

VO

### Stock Exchange Listings

Montreal, Toronto, Vancouver, New York and London

### Transfer Agents and Registrars

The R-M Trust Company, 2001 University Street, 16th Floor, Montreal, Quebec H3A 2A6  
The R-M Trust Company, Lower Level, 393 University Avenue, Toronto, Ontario M5G 2M7  
The R-M Trust Company, 600 The Dome Tower, 6th Floor, 333-7th Avenue, S.W., Calgary, Alberta T2P 2Z1  
The R-M Trust Company, Concourse Level, 1177 West Hastings Street, Vancouver, B.C. V6E 2K3  
Chemical Mellon Shareholder Services L.L.C., P.O. Box 590, Ridgely Park, N.J. 07660

### Seagram Investor Relations

The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or  
Joseph E. Seagram & Sons, Inc., 375 Park Avenue, New York, N.Y. 10152  
Joseph M. Fitzgerald—Vice President, Investor Relations (212) 572-7282  
Maureen S. Hannan—Senior Director, Investor Relations (212) 572-1397

Requests for a copy of the Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in Washington, D.C., and other corporate information, should be directed to Seagram Investor Relations as listed above.

### Shareholder Inquiries

Shareholder inquiries should be addressed to: Shareholder Services, The Seagram Company Ltd., 1430 Peel Street, Montreal, Quebec H3A 1S9 or telephoned to (514) 987-5209.

### Édition française du rapport annuel

On peut se procurer l'édition française de ce rapport en écrivant au: Services aux actionnaires, La Compagnie Seagram Ltée, 1430, rue Peel, Montréal (Québec) H3A 1S9.

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**The Seagram Company Ltd.**  
1430 Peel Street  
Montreal, Quebec  
Canada H3A 1S9