CANADA BREAD COMPANY, LIMITED

INTERIM REPORT TO SHAREHOLDERS

For the Second Quarter Ended June 30, 1999

CANADA BREAD COMPANY, LIMITED

REPORT TO SHAREHOLDERS:

Significant progress has been made in implementing the Six Point Turnaround Plan set out in the first quarter shareholders report. The benefits of these actions, however, are not reflected in the financial results for the quarter.

Sales for the quarter increased by 12% to $144.7 million from $129.2 million last year, primarily due to increased sales in Ontario from the new contract with A&P that began late in the first quarter, and increases in sales of other products. For the year to date, sales increased by 14% to $283.6 million compared to $248.1 million last year.

Operating earnings of $3.9 million for the quarter compared to $6.9 million last year. Earnings from bakery sales were at prior year levels, however, the cost of investments made in marketing, systems and training associated with the turnaround initiatives adversely affected earnings. The benefits from these investments will be realized in future periods.

Net earnings for the quarter of $2.3 million ($0.11 per share) compares to $4.5 million ($0.21 per share) last year. This decrease is due to the lower operating earnings and, to a lesser extent, a lower contribution from the Company's equity investment in Multi-Marques. Net earnings for the year to date of $4.2 million ($0.19 per share) compared to a loss of $2.5 million last year, including a special charge of $14.4 million ($9.4 million after taxes) last year.

Management is proceeding vigorously with improvements to the Company's core business processes and is convinced that these initiatives will result in a stronger and more profitable company. We expect the benefits of these initiatives to improve results in the second half of the year.

For the Board of Directors,

Richard A. Lan (signed)
Chairman

Roger M. Dickhout (signed)
President and Chief Executive Officer

CONSOLIDATED STATEMENTS OF EARNINGS

In thousands of Canadian dollars, except per share amounts (Unaudited)	QUARTER ENDED June 30, 1999	QUARTER ENDED June 30, 1998	SIX MONTHS ENDED June 30, 1999	SIX MONTHS ENDED June 30, 1998
Sales	**$144,707**	**$129,156**	**$283,610**	**$248,149**
Earnings from operations, before unusual items	**3,916**	**6,980**	**7,236**	**10,189**
Unusual items	—	—	—	(14,401)
Earnings (loss) from operations	**3,916**	**6,980**	**7,236**	**(4,212)**
Other income	352	674	578	1,558
Earnings (loss) before interest and taxes	**4,268**	**7,654**	**7,814**	**(2,654)**
Interest expense	578	561	1,178	1,027
Earnings (loss) before income taxes	**3,690**	**7,093**	**6,636**	**(3,681)**
Income taxes	1,366	2,634	2,481	(1,220)
Earnings (loss) before minority interest	**2,324**	**4,459**	**4,155**	**(2,461)**
Minority interest	—	2	—	6
Net (loss) earnings for the period	**$2,324**	**$4,457**	**$4,155**	**$(2,467)**
Earnings (loss) per share	**$0.11**	**$0.21**	**$0.19**	**$(0.12)**
Dividends per share declared	**$0.06**	**$0.06**	**$0.12**	**$0.12**
Weighted average number of shares (millions)	**21.4**	**21.4**	**21.4**	**21.4**

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of Canadian dollars, (Unaudited)	SIX MONTHS ENDED June 30, 1999	SIX MONTHS ENDED June 30, 1998
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings (loss) for the period	$4,155	$(2,467)
Add (deduct) items not affecting cash:		
Depreciation	8,440	7,591
Amortization	1,553	1,379
Minority interest	—	6
Deferred income taxes	(473)	—
Undistributed earnings of associated companies	485	455
Non-cash amounts included in unusual items	—	9,423
Changes in non-cash operating working capital	3,477	(9,907)
	17,637	6,480
FINANCING ACTIVITIES		
Dividends paid	(2,570)	(2,566)
Increase in (repayment of) long-term debt, net	(4,512)	4,238
Increase in share capital	—	370
	(7,082)	2,042
INVESTING ACTIVITIES		
Additions to property and equipment	(10,446)	(7,275)
	(10,446)	(7,275)
Net increase in cash for the period	**109**	**1,247**
Bank indebtedness, beginning of period	(2,121)	(5,581)
Bank indebtedness, end of period	**$(2,012)**	**$(4,334)**

C A N A D A   B R E A D   C O M P A N Y ,   L I M I T E D

CONSOLIDATED BALANCE SHEETS

In thousands of Canadian dollars
(Unaudited)

	As at June 30, 1999	1998
ASSETS		
Current assets:		
Accounts receivable	$26,720	$43,989
Due from related company	3,841	4,192
Inventories	13,863	13,747
Income and other taxes recoverable	—	4,426
Prepaid expenses	2,611	3,789
	47,035	70,143
Investment in associated company	**45,283**	**44,668**
Property and equipment	**162,854**	**159,926**
Goodwill	**79,012**	**76,933**
	$334,184	**$351,670**

	1999	1998
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Bank indebtedness	$2,012	$4,334
Accounts payable and accrued charges	52,495	62,762
Dividends payable	1,285	1,285
Income and other taxes payable	185	—
Current portion of long-term debt	76	177
	56,053	68,558
Long-term debt	**22,362**	**35,130**
Deferred income taxes	**23,648**	**20,179**
Minority interest	**—**	**96**
Shareholders' equity	**232,121**	**227,707**
	$334,184	**$351,670**