

CANADA BREAD
COMPANY, LIMITED



INTERIM REPORT TO SHAREHOLDERS

For the Third Quarter Ended
September 30, 1999

CANADA BREAD COMPANY, LIMITED

REPORT TO SHAREHOLDERS:

Sales for the quarter increased by 12% to \$148.3 million from \$132.7 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 13% to \$431.9 million compared to \$380.9 million last year.

Operating earnings were \$6.5 million for the quarter, an increase of 36% from \$4.8 million last year, primarily as a result of improvements in fresh bakery operations and continued growth in pasta sales. On a year to date basis, operating earnings of \$13.8 million compare to \$15.0 million last year, before a special charge.

Management have continued to work on many core business process issues, primarily related to the fresh bakery operations. These initiatives have improved the performance of the supply chain — increasing customer service levels and reducing costs. We are encouraged that the progress made this year has begun to result in some improvement in operating earnings.

As noted above, pasta earnings continue to grow, with continued market share gains by the Olivieri brand. While frozen bakery sales were strong during the quarter, higher operating costs at the company's Toronto bakeries, due to short term operational problems, temporarily reduced earnings. Many of these issues have been addressed. In addition to the improvement in operating earnings, during the quarter the Company's earnings from its investment in Multi-Marques improved from last year.

Net earnings for the quarter of \$4.1 million (\$0.19 per share) compares to \$3.0 million (\$0.14 per share) last year. Net earnings for the year to date of \$8.2 million (\$0.38 per share) compared to \$0.5 million last year (\$0.02 per share). The 1998 year-to-date net earnings of \$0.5 million were after a special charge of \$9.4 million (\$0.44 per share).

The Company declared a quarterly dividend of \$0.06 per share, payable January 3, 2000, to shareholders of record December 12, 1999.

For the Board of Directors,



Roger M. Dickhout
President and Chief Executive Officer



Richard A. Lan
Chairman

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 STATEMENTS OF EARNINGS

In thousands of Canadian dollars, except per share amounts (Unaudited)	QUARTER ENDED		NINE MONTHS ENDED	
	September 30,		September 30,	
	1999	1998	1999	1998
Sales	\$148,349	\$132,716	\$431,959	\$380,865
Earnings from operations, before unusual items	6,520	4,808	13,756	14,997
Unusual items	—	—	—	(14,401)
Earnings from operations	6,520	4,808	13,756	596
Other income	735	648	1,313	2,206
Earnings before interest and taxes	7,255	5,456	15,069	2,802
Interest expense	590	568	1,768	1,595
Earnings before income taxes	6,665	4,888	13,301	1,207
Income taxes	2,592	1,905	5,073	685
Earnings before minority interest	4,073	2,983	8,228	522
Minority interest	—	1	—	7
Net earnings for the period	\$4,073	\$2,982	\$8,228	\$515
Earnings per share	\$0.19	\$0.14	\$0.38	\$0.02
Dividends per share declared	\$0.06	\$0.06	\$0.18	\$0.18
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)	NINE MONTHS ENDED	
	September 30,	
	1999	1998
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net earnings for the period	\$8,228	\$515
Add (deduct) items not affecting cash:		
Depreciation	12,698	11,296
Amortization	2,314	2,091
Minority interest	—	7
Deferred income taxes	(473)	—
Undistributed earnings of associated companies	(160)	(95)
Non-cash amounts included in unusual items	—	9,423
Changes in non-cash operating working capital	1,707	3,456
	24,314	26,693
FINANCING ACTIVITIES		
Dividends paid	(3,855)	(3,853)
Repayment of long-term debt, net	(4,544)	(1,510)
Increase in share capital	—	370
	(8,399)	(4,993)
INVESTING ACTIVITIES		
Additions to property and equipment	(13,008)	(9,058)
	(13,008)	(9,058)
Net increase in cash for the period	2,907	12,642
Bank indebtedness, beginning of period	(2,121)	(5,581)
Cash, net of bank indebtedness, end of period	\$786	\$7,061

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 September 30,

1999 1998

ASSETS

Current assets:

Cash and cash equivalents	\$786	\$11,061
Accounts receivable	29,410	34,910
Due from related company	6,196	3,484
Inventories	16,932	14,558
Income and other taxes recoverable	—	2,919
Prepaid expenses	3,186	4,559
	56,510	71,491

Investment in associated company	45,928	45,218
Property and equipment	161,128	158,054
Goodwill	78,251	76,221
	\$341,817	\$350,984

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Bank indebtedness	\$—	\$4,000
Accounts payable and accrued charges	56,538	66,418
Dividends payable	1,285	1,285
Income and other taxes payable	3,030	—
Current portion of long-term debt	154	167
	61,007	71,870

Long-term debt	22,253	29,392
Deferred income taxes	23,648	20,179
Minority interest	—	103
Shareholders' equity	234,909	229,440
	\$341,817	\$350,984