



CANADA BREAD COMPANY, LIMITED

ANNUAL INFORMATION FORM

March 31, 2004

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CANADA BREAD COMPANY, LIMITED

ANNUAL INFORMATION FORM

Unless otherwise indicated, the information in this Annual Information Form is given as of March 31, 2004 and all amounts are in Canadian dollars.

Certain disclosure in this Annual Information Form is from the Canada Bread Company, Limited 2003 Annual Report and the Canada Bread Company, Limited March 19, 2004 Management Information Circular.

CORPORATE STRUCTURE

Name and Incorporation

Canada Bread Company, Limited ("Canada Bread" or the "Company"), is 84.7% owned by Maple Leaf Foods Inc. ("Maple Leaf Foods"). It was originally incorporated pursuant to the laws of the Province of Ontario on June 9, 1911, under the name Canada Bread Company, Limited. The name was subsequently changed to Corporate Foods Limited on October 15, 1969, and changed back to Canada Bread Company, Limited on April 30, 1997, pursuant to the Ontario *Business Corporations Act*. Unless the context requires otherwise, the term "Company" or "Canada Bread" herein refers to Canada Bread Company, Limited and its subsidiaries and investments.

Intercorporate Relationships

The Company has the following subsidiaries and affiliates:

<u>Subsidiary</u>	<u>Jurisdiction of Incorporation</u>	<u>Ownership Percentage (Voting)</u>
Wholly-owned Subsidiaries and Affiliates		
Boulangerie POM Limitee*	Canada	100%
Canada Bread Atlantic Limited (formerly Eastern Bakeries Limited)	New Brunswick	100%
Canada Bread Frozen Bakery Ltd. (formerly Dough Delight Ltd.)	Ontario	100%
Canada Bread International Limited	Ontario	100%
Canada Bread UK Limited	United Kingdom	100%
Canada Bread USA Inc.	Delaware	100%
Grace Baking Company	California	100%
Maple Leaf Bakery Inc.	Delaware	100%
Maple Leaf Bakery UK Limited	United Kingdom	100%
Multi-Marques Inc.	Quebec	100%
New York Bagel Co. Limited	United Kingdom	100%
Olivieri Foods Limited	British Columbia	100%

* Owned by Multi-Marques Inc.

The Company also operates distribution centres or depots, throughout Canada, most of which are leased.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

During the last three years the Company has made a number of acquisitions to substantially increase its asset base and sales volume. The combined acquisitions have added 20 bakeries, 3,000 employees and more than 10,000 new customers across the organization. Canada Bread now competes in new geographic markets including the United States and the U.K. and delivers a wider range of products.

During the three year period, sales and net assets employed increased at a compound average growth rate of 36.4% and 34.3% respectively.

Significant Acquisitions and Significant Dispositions

On October 12, 2001, the Company acquired the remaining 75% interest in Multi-Marques Inc., to now hold 100%, for purchase consideration of \$136 million, including acquisition costs of \$4.2 million.

In April 2002, the Company acquired the remaining 40% of the shares of Ben's Limited in Atlantic Canada to hold 100%.

In July 2002, the Company acquired all of the outstanding shares of Olafson's Baking Company Inc. of Delta, British Columbia.

In December 2002, Canada Bread purchased all of Maple Leaf's U.S. and U.K. bakery operations, including Grace Baking Company ("Maple Leaf Bakery Group"), for approximately \$262.0 million, inclusive of debt assumption.

With respect to any valuation opinion obtained within the last 12 months, reference is made to the Management Information Circular dated March 19, 2004, which section is incorporated herein by reference.

Trends

The Company's customer base in the retail and food service sectors has been consolidating for some time, resulting in larger and more sophisticated customers who demand national solutions and cost effectiveness over a national distribution area. The Company has been able for the most part to proactively adjust to these changes including the completion of appropriate acquisitions.

A trend that has affected all companies in the food industry is a growing consumer focus on food safety and healthy diets. Furthermore, consumers are expanding food choices to include more diversity, such as ethnic diversity and bakery products with specialty toppings. In response, the Company has ensured that its range of products and food preparation standards are responsive to these trends. A significant consumer trend in the bakery industry is the growing popularity of "low-carb" diets, that emphasizes protein products at the expense of high carbohydrate items such as bread. While the Company has not experienced volume decline as a result of a revival of low-carbohydrate diets, the Company has launched Dempster's Carb Wise white and whole wheat breads and Healthy Way Carb Conscious bread to provide consumers a clear choice.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

Canada Bread (84.7% owned by Maple Leaf Foods Inc.) is a leading manufacturer and marketer of value-added flour-based products, including fresh bread, rolls, bagels and sweet goods, frozen partially baked or par-baked breads and bagels, and specialty pasta and sauces. The Company is headquartered in Etobicoke, Ontario.

Principal Products and Markets

The Company's primary brands include *Dempster's*, a leading brand of fresh bread in Canada, *POM*, a leading brand of fresh breads and rolls in Quebec; *Bens*, a leading bakery brand in Atlantic Canada; and *Healthy Way* and *Olafson's*, leading brands in Western Canada. Fresh bread and rolls are distributed and sold across Canada to major grocery chains, retail outlets and the food service industry.

Canada Bread and through its wholly-owned subsidiary, Maple Leaf Bakery Inc., is a leading North American manufacturer of frozen partially baked, or "par-baked" bakery products. Par-baked products are baked to within 90% of completion, quick frozen and shipped to retail customers for final baking. The par-baked market is among the fastest growing in the bakery industry, significantly reducing waste and cycle time and improving product freshness for our customers. Products include frozen, par-baked breads, rolls, baguettes, specialty rye and hearth breads, artisan breads and specialty sourdough bread. Canada Bread manufactures and distributes frozen and par-baked bakery products primarily to large retail and food service customers across Canada and the United States.

The frozen bakery products sold to grocery chains and retail outlets are generally marketed under private label brands and are for sale through in-store bakeries.

Canada Bread is a leading manufacturer of fresh pasta and sauces under its *Olivieri* brand. Canada Bread distributes product to large retail customers across Canada and in the United States. Pastas and sauces are also manufactured for private label brands.

Canada Bread has a significant North American network of bakery plants and approximately 1,500 distributors, meeting the requirements of its regional and national customers. In 2003 Canada Bread launched a new extended shelf life product, *Dempster's Stays Fresh to the Last Slice*, to respond to consumer demands for longer shelf life products. The Company also introduced *Dempster's Carb Wise* white and whole wheat breads and *Healthy Way Carb Conscious* bread to provide an alternative to consumers.

Canada Bread manufactures and distributes private label bakery products to major grocery store chains and fast food outlets. Most fresh products have a short shelf life and therefore, effective product distribution is an important element of ensuring high customer satisfaction. Manufacturing facilities and distribution centres are located as close as practicable to the market areas being served. Canada Bread's distribution and routing system has been designed to ensure that fresh products are delivered on a timely and cost efficient basis. Fresh products are generally delivered directly to the retail store, either by Company employees or by franchisees that own their own distribution routes and equipment.

Canada Bread's wholly-owned subsidiary, Maple Leaf Bakery U.K. Limited operates two bakery plants in the United Kingdom, specializing in the production of bagels and specialty breads. Maple Leaf Bakery U.K. Limited is the country's largest producer of bagels, a fast growing market in both the U.K. and Europe. The business also produces specialty bread products for the U.K. and European market.

Raw Materials

Canada Bread bakery operations in Canada and the U.S. purchase a range of ingredients and packaging material, the major ingredients being flour, yeast, vegetable shortening and sugar. These raw materials are priced on a North American basis and are readily available.

The cost of flour is responsive to changes in wheat prices and quality. Exposures to these price movements exist to the extent that cost changes cannot be reflected in final selling prices, although raw material costs are a relatively small component of overall product costs.

Facilities

Fresh bakery products are manufactured and distributed in Western Canada by its wholly-owned subsidiary, Olafson's Baking Company; in Quebec by its wholly-owned subsidiary Multi-Marques Inc. and in Atlantic Canada, by its wholly-owned subsidiary, Canada Bread Frozen Bakery Ltd. (formerly Eastern Bakeries Limited).

Canada Bread produces bakery products at 34 (29 owned and 5 leased) manufacturing facilities in Canada, the U.S. and the U.K. Fresh and frozen bakeries are located in Ontario (9), New Brunswick (3), Newfoundland (1), Nova Scotia (1), Quebec (8), British Columbia (3), Alberta (3), U.S. (3) and the U.K. (3). Pasta facilities are an owned facility located in British Columbia and a leased facility in Ontario. In addition, Canada Bread operates distribution centres or depots located throughout Canada, most of which are leased.

Markets and Competition

Canada Bread competes with other baked goods manufacturers and with supermarket chains that have their own in-store frozen dough or "from scratch" bakeries. Sales of certain fresh products such as rolls and Tenderflake baking products are affected by seasonality.

Markets for fresh bakery products tend to be regional in nature, due to the cost of transporting fresh bread. Frozen bakery products, due to lower perishability and smaller size, can be transported efficiently over larger distances.

Inflation and Seasonality

The Company operates primarily in Canada where inflation has been relatively low and its overall impact on the business is not considered to be material. The business as a whole does not tend to be seasonal except for sales of rolls which increase from May to September each year and *Tenderflake* frozen products which increase from October to December.

Environmental Matters

The Company is conscious of its environmental responsibilities. Each of its businesses operates within the framework of an environmental policy entitled "Our Environmental Commitments" that is approved by the Board of Directors' Human Resources and Corporate Governance Committee. The Company's environmental program is monitored on a regular basis by this Committee, including compliance with regulatory requirements, the use of internal environmental specialists and independent external environmental analyses. The Company continues to invest in environmental infrastructure related to water, waste and air emissions to ensure that environmental standards continue to be met or exceeded, while implementing procedures to minimize the impact of operations on the environment. Expenditures related to current environmental requirements are not expected to have a material effect on the financial position or earnings of the Company..

Employees

At March 31, 2004, the Company employed approximately 7,000 full-time people, some 3,800 of whom are covered by collective agreements.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Following is selected financial information for the three years ended December 31, 2003.

All dollar amounts are in millions of dollars except per share amounts.

Last Three Years

	Year ended 12/31/03	Year ended 12/31/02	Year ended 12/31/01
Sales	\$1,263	\$1,029	\$ 678
Earnings from operations before restructuring costs (note 1)	63	64	36
Earnings from operations	56	64	36
Net earnings	36	39	21
Net assets employed	611	609	339
Net borrowings	142	270	46
Total Assets	780	794	443
Per share:			
Net earnings (basic)	\$ 1.42	\$ 1.80	\$ 0.97
Net earnings (diluted)	1.39	1.80	0.97
Net earnings before restructuring costs	1.61	1.80	0.97
Dividends	0.24	0.24	0.24
Book value (note 2)	16.42	13.29	11.73

Note 1: Before taking into account restructuring costs of \$7.4 million (\$4.8 million net of tax) in 2003.

Note 2: Excludes equity component of long-term debt.

The unaudited quarterly financial information for the years ended December 31, 2003 and 2002 of Canada Bread Company, Limited is provided in Management's Discussion and Analysis in the 2003 Annual Report and is incorporated herein by reference.

Dividends

The declaration and payment of dividends is at the discretion of the Board of Directors. The Board of Directors intends to maintain a stable dividend policy and, where appropriate, change the dividend on the basis of the Company's estimated earnings and projected cash requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to the Management's Discussion and Analysis beginning on page 4 to 7 of the 2003 Annual Report to shareholders, which section is incorporated herein by reference.

MARKET FOR SECURITIES

The Company's shares are listed and posted for trading on The Toronto Stock Exchange under the symbol "CBY".

DIRECTORS AND OFFICERS

DIRECTORS

Each director is elected to hold office until the next annual meeting of the shareholders or until his/her successor is elected or appointed. The next Annual Meeting of the Shareholders will be held on May 5, 2004.

The Company has no Executive Committee of the Board. The Board maintains an Audit Committee and a Human Resources and Corporate Governance Committee. The name, municipality of residence, period of service and principal occupation of each of the directors of Canada Bread are as follows:

<u>Name and Municipality of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>
John L. Bragg (1)(2) Collingwood, Nova Scotia	1995	President, Oxford Frozen Foods Limited
Sarah A. Everett (1)(2) Toronto, Ontario	1995	Chairman, Tereve Holdings Ltd. (Bowring)
Richard A. Lan Chatham, New Jersey	1995	President and Chief Executive Officer, Canada Bread Company Limited, and President and Chief Operating Officer, Bakery Products Group, Maple Leaf Foods Inc.
Charles J. Mayer (1) St. Francois Xavier, Manitoba	1997	President, Forest Hills Ranch Ltd.
J. Scott McCain Toronto, Ontario	1995	President and Chief Operating Officer, Agribusiness Group, Maple Leaf Foods Inc.
Michael H. McCain Toronto, Ontario	1995	President and Chief Executive Officer, Maple Leaf Foods Inc.
G. Wallace F. McCain Toronto, Ontario	1995	Chairman of the Board, Maple Leaf Foods Inc.
Thomas P. Muir Toronto, Ontario	1995	Executive Vice-President and Chief Development Officer, Maple Leaf Foods Inc.
John F. Petch, Q.C. (2) Toronto, Ontario	1995	Counsel, Osler, Hoskin & Harcourt LLP

(1) Member of the Audit Committee.

(2) Member of Human Resources and Corporate Governance Committee.

All of the directors have had the principal occupation indicated for the previous five years or were in other executive capacities with the Company or an affiliate.

OFFICERS

The name, municipality of residence and position held by each of the officers of Canada Bread are as follows:

<u>Name and Municipality of Residence</u>	<u>Position Held</u>
Robert I. Busch Toronto, Ontario	Senior Vice-President, Human Resources and Corporate Affairs
Rocco Cappuccitti Richmond Hill, Ontario	Secretary
Alison Farrell Oakville, Ontario	Senior Vice-President, Canada Bread and General Manager, Olivieri Foods Limited
Dean Francis Blaine, Washington	Senior Vice-President and General Manager, Canada Bread Fresh Bakery West
Lynda J. Kuhn Hamilton, Ontario	Vice-President, Public & Investor Relations
Richard A. Lan Chatham, New Jersey	President and Chief Executive Officer
Douglas J. MacFarlane Markham, Ontario	President, Canada Bread Frozen Bakery
Michael H. McCain Toronto, Ontario	Chairman of the Board
C. Barry McLean Toronto, Ontario	President, Canada Bread Fresh Bakery
Réal Ménard Laval, Quebec	Senior Vice-President, and General Manager, Multi-Marques Inc.
Connie Morrison Etobicoke, Ontario	Vice-President, Marketing
Rene McLean Toronto, Ontario	Vice-President, Finance Canada Bread Fresh Bakery
Walter C. Miller Oakville, Ontario	Vice-President, Manufacturing and Six Sigma
Judith A. Robinson Mississauga, Ontario	Assistant Secretary
Louise E. Sugar Toronto, Ontario	Vice-President, and General Manager, Canada Bread Fresh Bakery Central
Michael H. Vels Toronto, Ontario	Chief Financial Officer
Donald J. Wilcox Cobourg, Ontario	Vice-President, Technical Services

All of the officers have been engaged in their present occupation for the previous five years or were in other executive capacities with the Company or an affiliate except as follows:

Ms. L.J. Kuhn was Vice-President, Corporate Communications, Philip Services Corporation (1997-2000), Senior Vice-President Public Affairs, Philip Services Corporation (2000-2001), Consultant, Kuhn & Co. Inc. (2001-2002) and Vice-President, Public and Investor Relations, Maple Leaf Foods Inc. (2002-2004) and

Vice-President, Public & Investor Relations, Canada Bread Company, Limited (2003-2004); prior to February 1999 Mr. MacFarlane was Business Team Leader at Pillsbury North America, a division of The Pillsbury Company, and prior to 1997 was Business Team Leader of Pillsbury Foods Canada Limited, a division of The Pillsbury Company; prior to October 2000 Mr. McLean was Senior Vice-President, Marketing and Business Development at Nabisco Ltd. and prior to 1999 was President, Grocery Division at Nabisco Ltd.; prior to October 2001 Mr. Ménard was Vice-President, Operations for Multi-Marques Inc. and prior to October 1999 was Vice-President and General Manager for Vachon, a division of Culinar Inc. Mr. R.R. McLean was Finance Director, Procter & Gamble Co. (1999-20003) and Vice-President, Finance, Canada Bread Fresh Bakery (2003-2004); Ms. Sugar was Vice-President, Managing Director at Blast Radius Inc. (1999-2000) and Vice-President & General Manager Canada Bread Fresh Bakery Central (2000-2004).

All directors and senior officers of the Company, as a whole, beneficially own, directly or indirectly, or exercise control over less than 1% of the common shares of the Company.

ADDITIONAL INFORMATION

Canada Bread Company, Limited will provide to any person or company, upon request to the Secretary of the Company at 10 Four Seasons Place, Toronto, Ontario M9B 6H7:

(a) when the securities of the issuer are in the course of a distribution under a preliminary short form prospectus or a short form prospectus,

- (i) one copy of the AIF of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the AIF,
- (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year for which financial statements have been filed together with the accompanying report of the auditor and one copy of the most recent interim financial statements of the issuer that have been filed, if any, for any period after the end of its most recently completed financial year,
- (iii) one copy of the information circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate, and
- (iv) one copy of any documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under clauses (i), (ii) or (iii); or

(b) at any other time, one copy of any documents referred to in clauses (a) (i), (ii) and (iii), provided that the Company may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of the Company.

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's common shares and options to purchase common shares and interest of insiders in material transactions, if applicable, is contained in the Notice of Annual Meeting of Shareholders and Management Information Circular dated March 19, 2004 issued in connection with the Annual Meeting of Shareholders to be held on May 5, 2004. Additional financial information is also provided in the Company's consolidated financial statements for the two years ended December 31, 2003 contained on pages 9 to 16 of the Company's 2003 Annual Report.



CANADA BREAD COMPANY, LIMITED

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