SCHNEIDER CORPORATION

1987 ANNUAL REPORT

Schneider Corporation, through its wholly-owned subsidiary J.M. Schneider Inc., of Kitchener, Ontario is one of Canada's largest producers of premium quality food products.

The company was founded almost a century ago by John Metz Schneider who began making pork sausage in his home. Today, as a publicly-owned company, over 3,500 employees manufacture and sell more than 1,800 product[illegible] and foodservice cat[illegible]ies. These products are sol[illegible] Canada, the United [illegible] Jap[illegible] markets.

Th[illegible] majority of [illegible] ufacturing is done at [illegible] Kitchener [illegible] ers also has manufac[illegible] Winnipeg, Toronto [illegible] Winchester, Ontario [illegible] oused and shipped [illegible] res in Vancouver, [illegible]

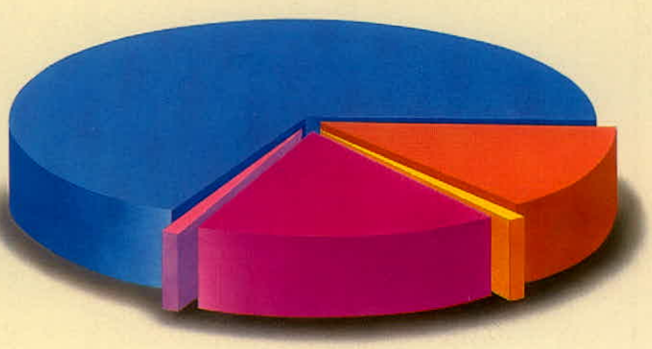
In [illegible] 34,000 and assets of [illegible] ost valuable asset is i[illegible] ers with the finest q[illegible] food products available [illegible] the marketplace.

The Cover
Today's modern consumers and foodservice operators still want the quality and goodness for which Schneiders products are famous.

Financial Highlights	Year ended October 31 1987	1986
Operating results (thousands of dollars)		
Sales	**683,934**	648,468
Net earnings	**5,612**	1,102
Financial position (thousands of dollars)		
Working capital	**25,604**	21,995
Total assets	**146,942**	137,245
Long term debt	**19,538**	23,063
Shareholders' equity	**63,160**	58,715
Per share (dollars)		
Net earnings		
First quarter	**.41**	.55
Second quarter	**.38**	.29
Third quarter	**.47**	.28
Fourth quarter	**.86**	(.70)
	2.12	.42
Dividends paid	**.44**	.44
Shareholders' equity at end of year	**23.83**	22.15
Key ratios		
Return on sales	**.82%**	.17%
Return on opening shareholders' equity	**9.56%**	1.87%
Current ratio	**1.45:1**	1.42:1
Debt to equity ratio*	**.52:1**	.48:1
Long term debt to equity ratio	**.31:1**	.39:1

* Debt is defined as long term debt and bank advances.

1987 Sales Dollar Analysis



Net Earnings .8¢ ($5,612,000)
For dividend payments, retained in business for continuous operations and future growth.

Employees 17.8¢ ($121,780,000)
Wages and benefits.

Operating Expenses 13.7¢ ($93,522,000)
Distribution, marketing, maintenance of property and equipment, administration, interest and depreciation.

Income Taxes .7¢ ($4,502,000)
Federal and Provincial.

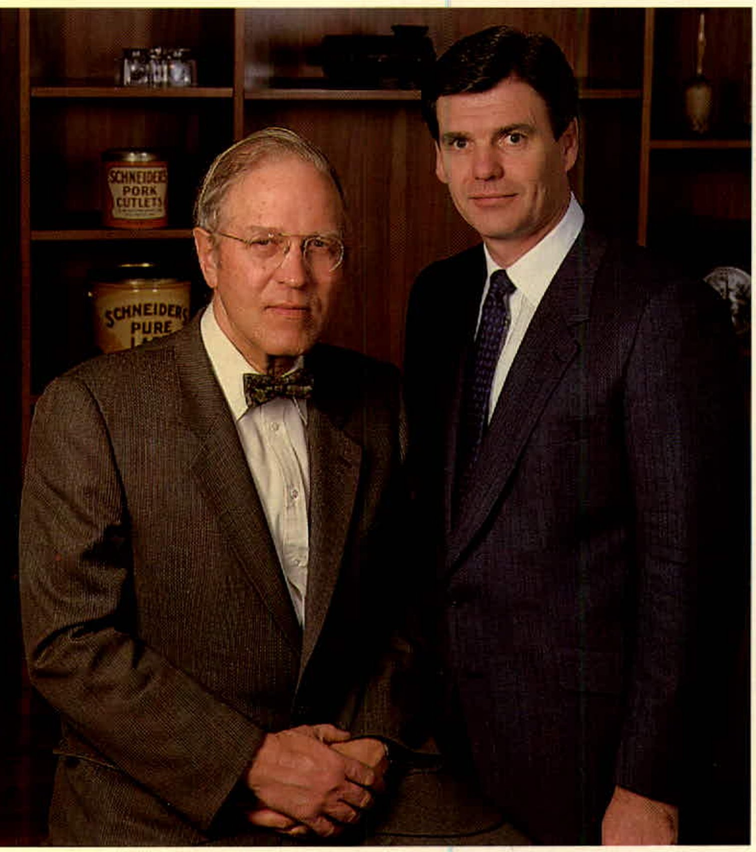
Materials 67.0¢ ($458,518,000)
Meat, other ingredients and packaging.

Momentum and Growth

1987 has been a year of gathering momentum for our company. The changes that management implemented over the past 18 months have produced very encouraging results, and we are pleased to report that in 1987 our financial performance returned to a more acceptable level. Net earnings were $5,612,000 or $2.12 per share, up significantly from last year's $1,102,000 or $.42 per share. These earnings were achieved on record sales of $683,934,000 up 5.5 per cent from 1986.

This improved performance was achieved despite continuing volatility in livestock prices. The company's record sales growth resulted from higher selling prices in response to increased raw material costs, and from increased sales of value-added products in our grocery and foodservice businesses.

Left: Frederick P. Schneider
Chairman of the Board
Right: Douglas W. Dodds
President and
Chief Executive Officer



Reducing the Dependency

The success of a business such as ours is best judged in a market where the costs of raw materials are constant. When they fluctuate sharply, up or down, the picture of our real performance can be distorted. In the past two years our fortunes have been severely affected by several sharp swings in commodity prices. These conditions are expected to stabilize in 1988, based on the current abundance of grain, which should translate into greater hog production.

Even with a more favourable outlook however, we realize that our traditional core business is not immune to swings in the costs of raw materials. Creative approaches to dampening this vulnerability are therefore important, and your company is pursuing a broad strategy to reduce such dependency and thereby improve the quality of our earnings.

The long term solution for alleviating the impact of fluctuating livestock prices is through a more strategic approach to our development in other areas of the food industry. All our business divisions have been given a mandate to look beyond traditional parameters for opportunities that will change their mix of business. As a key to consistently higher levels of earnings, our emphasis will be placed on developing more value-added food products and by expanding the geographic market in which we do business.

The Free Trade Outlook

We support the federal government's pursuit of a comprehensive free trade agreement with the United States. Even with regard to the fears and apprehensions of a number of other Canadian interest groups and individuals, we believe free trade will serve a greater national interest by paving the way for long-term economic growth, job creation and social stability.

For our sector of the agriculture industry, which includes red and processed meat, poultry and dairy products, the overwhelming incentive for a free trade agreement is based on the industry's need for larger markets to absorb our unused, domestic production capacity. With the expectation of unlimited, secure access to the American market, we will have the opportunity to expand our business and achieve manufacturing economies to the benefit of all Canadian consumers.

The Meat Industry Responds

In recent years there has been a great deal of negative publicity about some of the food we eat – particularly red and processed meats. Our industry has been slow to respond to criticism, with the result that there are many current misconceptions about meat and its role in good diet.

Some of the fallout from these concerns has been helpful. Scientific knowledge has brought us to the point where it is possible to examine the benefits of food in greater detail than ever before. The result is a new awareness within the North American meat industry that it must respond to these health-related issues. Public information programs based on current research confirm that meat products are lower in fat and cholesterol than previously thought. We are pleased with the initiatives that have been taken to improve the image of our industry. In the process, our company will benefit as well.

Management Changes

In a realignment of executive responsibility, Douglas W. Dodds has been appointed President and Chief Executive Officer of Schneider Corporation. Mr. Dodds, who is also President of J.M. Schneider Inc., now assumes the overall responsibility for the management and direction of the Corporation.

Gerald A. Hooper, Chief Financial Officer, has been made a Vice-President of the Corporation and appointed to the Board of Directors.

Contributions To Be Remembered

We would like to acknowledge three men who served this corporation for many years. Following our fiscal year-end, Howard G. Schneider, Vice-President, Research and Development, retired from the company. Mr. Schneider, a grandson of our founder, was an integral part of our company over his 38 year career.

Kenneth G. Murray also retired after 37 years of service. For 20 of those years Mr. Murray was President of J.M. Schneider Inc., an office he held with distinction.

Dawson C. Jamieson, a director of the Corporation since 1966, resigned from the Board. Mr. Jamieson served the company at many levels for 46 years, retiring in January 1987 as the senior financial executive of the company.

The contribution which these men have made to the success of the Corporation will be well remembered.

The final and most important recognition of service goes to our employees at all levels, who have worked so hard to help the company regain its stability and growth. With their help, we are set firmly on the road which leads to brighter prospects in the years ahead.

F.P. Schneider

Frederick P. Schneider
Chairman of the Board

Douglas W. Dodds
President and
Chief Executive Officer

Schneider Corporation had many accomplishments in 1987. We achieved record sales, returned our earnings to acceptable levels, improved our working capital and increased our total assets, shareholders' equity, and book value per share to the highest level in our company's history.

The key to our improvement has been a more disciplined and deliberate approach to planning our activities. We are building on our strengths, and addressing those areas where we think we can be better.

"The key to our improvement has been a more disciplined and deliberate approach to planning our activities."

Operations

The Operations Group's emphasis in 1987 was on producing quality products, improving operating efficiency and developing the latest technology. These objectives were supported with an aggressive capital expenditure program of 8 million dollars. We have invested heavily to improve the quality of our value-added pork products, installed the latest packaging technology, addressed high energy consumption areas and increased our overall productivity by 5 per cent.

A major aspect of our capital expenditure program has been the systematic and thorough evaluation of all facilities. This information has been developed through the installation of better production control systems, which measure both labour and material yield performance in every department. The overall objective of this program has been to ensure that the company produces the highest quality products at the least possible cost.

Sales and Marketing

Today's market environment is characterized by a growing awareness of the importance of diet and health. Livestock producers and processors have begun to listen more carefully to the needs of consumers. More and more shoppers are demanding convenience foods that are quick and simple to prepare. Many kitchens have microwave ovens, giving food processors the opportunity to develop an entirely new range of prepared foods. Even today's restaurateurs are seeking products which

add new excitement to their menus, with less preparation time.

Our Research and Development Department has responded to the need for healthier foods with good taste by introducing several new products to the refrigerated deli counter and the frozen food and dairy cases. New menu items have also been developed for our food service customers. In the preparation of all these products we were keenly aware of the need for balanced nutrition and the importance of factual information for the consumer.

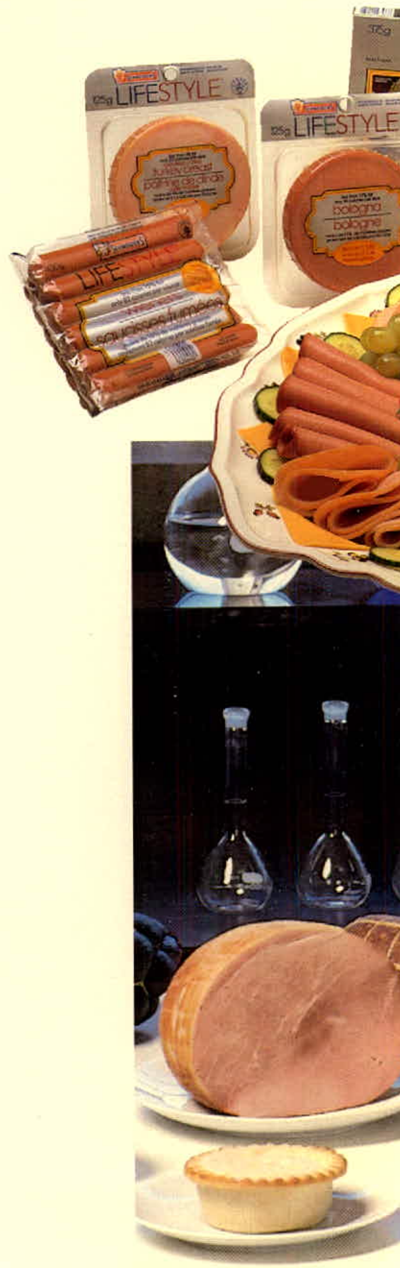
New markets are opening up, and it is important to develop new, fresh products that include meat as well as other foods. By emphasizing product development in this way, we are becoming a more broadly based food company, moving in a direction which, over time, will reduce our dependency on those meat products that have less value-added features.

"We continued to concentrate more on selling products with higher value-added content."

Retail Meat

The Retail Meat Division made significant improvement in 1987, increasing its market share in all major categories. This area of our business is most subject to market volatility and pressure on margins. As a result, we continued to concentrate more on selling products with higher value-added content.

A major change in consumer tastes has been a move towards more European eating habits, with a premium on freshness. At the same time, North American consumers are not willing to sacrifice convenience or taste. We have responded to these trends by introducing a European line of dry sausages to the deli counter, regular and calorie-reduced entrées in the frozen food counter and Casa Italiana, a line of fresh pasta-based



products in the refrigerated counter.

In making these moves, the company tackled a highly competitive market and has backed up the programs with strong sales and promotional support. Our new line of frozen entrées is a good example of the shift toward products that include meat, among other natural ingredients, and are more suited to modern consumer tastes.

Schneiders launched 15 entrées last year, 10 of which were in the calorie-reduced Lifestyle line. All emphasize quality, flavour, and

high-protein content, and range from pasta-based items such as spaghetti and meat sauce to beef and chicken products in several flavours. All have less than 300 calories per serving, as well as reduced salt content.

Pasta is a product ideally suited to today's consumers. It is high in protein, and low in cholesterol and fat. We have introduced nine lines of pasta, all of which are packaged using modern technology to extend shelf life and maintain high-quality and taste.

Grocery

The Grocery Division continued to develop our line of cheese products with great success. Sales in every cheese product group have grown steadily since inception and there are still a number of product categories with growth opportunities.

"The Grocery Division has embarked on a program to broaden its product range."

We have also put in place a national grocery sales force to expand our geographic coverage of the market. To accommodate the anticipated double-digit growth, the division's main cheese facility in Winchester, Ontario is being enlarged and equipment has been purchased to increase production capacity.

Although there is still substantial room for growth in the cheese business, it alone cannot support the division's expansion. The Grocery Division has embarked on a program to broaden its product range. Expansion of frozen foods will be one area of concentration. Items such as Handi Meals are a step in a new direction.

Handi Meals are a combination of puff pastry surrounding unique, high-quality meat and vegetable fillings in a savoury sauce. A line of four Handi Meals was launched in 1987, with merchandising inducements for consumers as well as support programs for the trade.

The initial response to the products has been so positive that the division plans to add more to the line in 1988. Handi Meals are designed to appeal to today's consumer, offering a variety of new taste experiences.

Foodservice

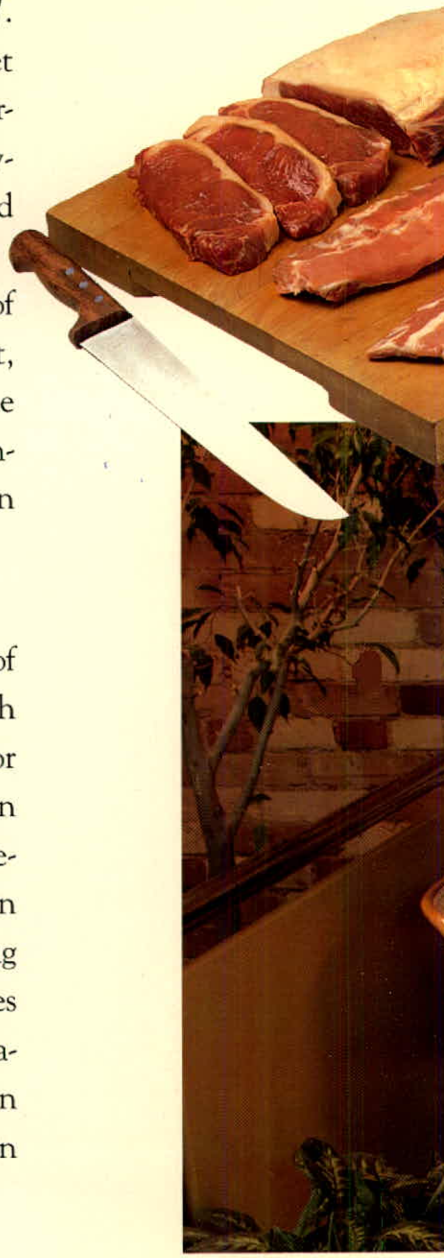
The foodservice market continues to grow as more and more people eat outside the home, in

restaurants, institutions and at special events. The division is in an excellent position to win its share of this growing market.

Foodservice achieved double-digit growth in 1987. This was accomplished through geographic market expansion as well as increasing our business with current customers. Margins were strengthened by improving our sales mix and concentrating on value-added products.

Foodservice operators, like consumers, are aware of the importance of value and convenience. As a result, our product development has emphasized added value and savings on preparation time. This approach contributed to the improved performance of this division and we expect another year of double-digit growth.

"We expect another year of double-digit growth."



Export

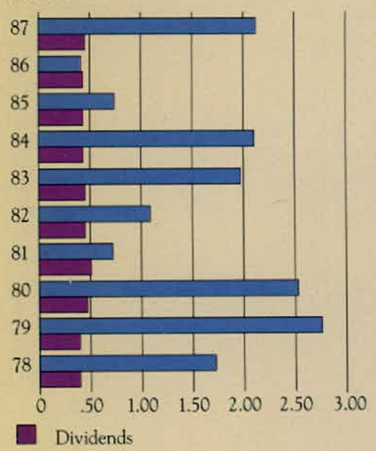
Our first step in sales expansion was to move south of the border. We have already begun to sell into the north eastern United States, and even without the looked-for benefits of free trade, substantial progress has been made. The company has employed a strategy to penetrate the U.S. market by concentrating its efforts within a small, manageable area of the country. We are working to place a select group of distinctive products in stores on the basis of consumer demand for high-quality Canadian imported meats. We expect that the combination of consumer programs and trade support will result in continued growth in this important new market.

In Summary . . .

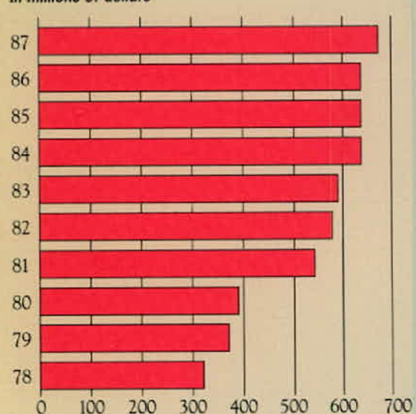
The changes Schneiders has undergone in the past 18 months have been made with a view to meeting the market's unceasing demand for change. The visible results are the new products we are placing on our customers' shelves. This is only part of the momentum that is now propelling Schneiders into broader areas of the food business.

With the awareness of change and the need to assess its implications, both in and outside the company, we are confident that we will continue to grow and prosper.

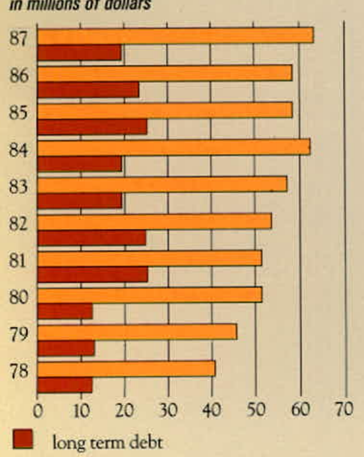
Earnings per share before extraordinary items
in dollars



Sales
in millions of dollars



Shareholders' Equity and Long term debt
in millions of dollars



Operating Results

Net earnings were $5,612,000 or $2.12 per share compared to $1,102,000 or $.42 per share in 1986, and reflected a return on opening shareholders' equity of 9.56 per cent, a more acceptable level than recent years. These earnings were achieved in a year of volatile global commodity markets which did not moderate until our fourth quarter. The fiscal year closed with strong fourth quarter earnings of $.86 per share which reflect the earnings potential of the company in a period of stable raw material markets.

Sales for 1987 amounted to $683,934,000, 5.5 per cent greater than 1986, and a record high for the company. The increase is attributable, in part, to higher selling prices in response to a significant increase in raw material costs, but more importantly to volume growth in value-added products in the Foodservice and Grocery Divisions.

Financial Position

The company improved its financial position in 1987. Working capital improved by $3,609,000 ending the year at a ratio of 1.45:1. This improvement was accomplished during a year in which long term debt reduction impacted working capital by $3,525,000 and an ambitious capital program of expenditures on plant and equipment was undertaken.

Additional bank advances were required to finance working capital. Sales growth and high raw material costs required the company to make additional investment in inventory. Accounts payable and accrued liabilities declined due to the timing of certain disbursements.

Capital Expenditures

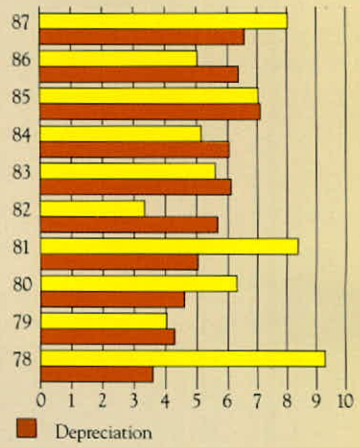
1987 was a year of internal renewal and upgrading to state-of-the-art technology. Plant and equipment expenditures of $8,001,000 were made to further enhance product quality, production methods and install the latest packaging technology. These expenditures were directed to yield and productivity improvements in core product areas.

Shareholders' Position

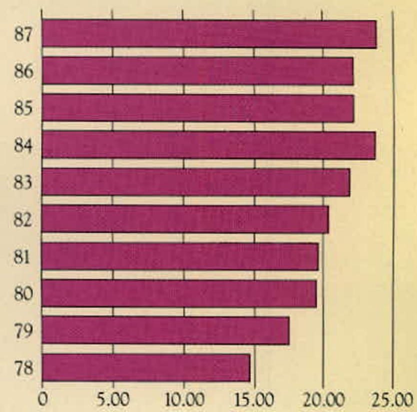
Total assets of $146,942,000 and equity of $63,160,000 are the highest in the company's history. Book value per share at October 31, 1987 amounted to $23.83.

The company recognizes the value of consistent dividends and accordingly maintained a dividend payment of $.44 per share in 1987.

Capital Expenditures and Depreciation
in millions of dollars



Equity per share at end of year
in dollars



Management's Report

Management of Schneider Corporation and its subsidiary company is responsible for the integrity and objectivity of the financial statements and all other information contained in the Annual Report. The financial statements have been prepared in accordance with generally accepted accounting principles and are based on management's best information and judgments.

In fulfilling its responsibilities, management has developed internal control systems and procedures designed to provide reasonable assurance that company assets are safeguarded, that transactions are executed in accordance with appropriate authorization and that accounting records may be relied upon to properly reflect the company's business transactions. To augment the internal control systems, the company maintains an internal audit department which evaluates company operations and formally reports on the adequacy and effectiveness of the controls and procedures to the Audit Committee of the Board of Directors.

The Audit Committee of the Board of Directors is composed of a majority of outside directors. The committee meets periodically and independently with management, the internal auditors and the shareholders' auditors to discuss the company's financial reporting and internal controls. Both the internal auditors and the independent external auditors have unrestricted access to the Audit Committee.

Management recognizes its responsibility for conducting the company's affairs in the best interests of its shareholders. The responsibility is characterized in the Code of Conduct signed by each management employee which provides for compliance with laws of each jurisdiction in which the company operates and for observance of rules of ethical business conduct.

Douglas W. Dodds
President and
Chief Executive Officer

G.A. Hooper

Gerald A. Hooper
Vice-President and
Chief Financial Officer

Auditors' Report

To the Shareholders of Schneider Corporation

We have examined the consolidated balance sheet of Schneider Corporation as at October 31, 1987 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at October 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Ernst + Whinney

Chartered Accountants
Kitchener, Canada
November 30, 1987

Consolidated Balance Sheet

as at October 31 1987

Assets	(in thousands) 1987	1986
Current Assets		
Accounts receivable	$ 31,412	$ 30,691
Inventories	46,636	41,344
Income taxes recoverable	590	—
Other	4,022	2,430
Total Current Assets	82,660	74,465
Property, Plant and Equipment	59,581	57,898
Other Assets		
Production licences and rights	3,098	3,189
Intangible assets	1,603	1,693
Total Other Assets	4,701	4,882
Total Assets	$146,942	$137,245

Liabilities and Shareholders' Equity	(in thousands) 1987	1986
Current Liabilities		
Bank advances	$ 13,142	$ 5,412
Outstanding cheques	10,887	8,100
Accounts payable and accrued liabilities	29,225	36,136
Income taxes payable	—	512
Principal due within one year on debentures and loans	3,425	1,993
Current obligations under capital leases	377	317
Total Current Liabilities	57,056	52,470
Long Term Debt		
Debentures and loans	19,005	22,415
Obligations under capital leases	483	648
Total Long Term Debt	19,538	23,063
Deferred Income Taxes	7,188	2,997
Shareholders' Equity		
Capital stock	8,439	8,439
Retained earnings	54,721	50,276
Total Shareholders' Equity	63,160	58,715
Total Liabilities and Shareholders' Equity	$146,942	$137,245

Approved by the Board:

F.P. Schneider

Frederick P. Schneider
Director

Douglas W. Dodds
Director

The accompanying notes are an integral part of these statements

Consolidated Statement of Earnings

year ended October 31 1987

	(in thousands) 1987	1986
Sales	**$683,934**	$648,468
Expenses		
Cost of products sold and operating expenses	**662,358**	632,634
Interest	**4,774**	4,285
Depreciation and amortization	**6,688**	6,458
	673,820	643,377
Earnings before undernoted item	**10,114**	5,091
Integration and restructuring costs	**–**	(3,106)
Earnings before income taxes	**10,114**	1,985
Income taxes	**4,502**	883
Net earnings	**$ 5,612**	$ 1,102
Earnings per share	**$2.12**	$.42

Consolidated Statement of Retained Earnings

year ended October 31 1987

	(in thousands) 1987	1986
Balance at beginning of year	**$50,276**	$50,341
Net earnings	**5,612**	1,102
	55,888	51,443
Dividends		
Class A shares	**1,002**	1,002
Common shares	**165**	165
	1,167	1,167
Balance at end of year	**$54,721**	$50,276

The accompanying notes are an integral part of these statements

Consolidated Statement of Changes in Financial Position

year ended October 31 1987

	1987 (in thousands)	1986
Operating activities		
Cash from operations	**$16,484**	$ 5,357
Net change in non-cash working capital balances relating to operations	**(12,831)**	6,814
Cash provided by operating activities	**3,653**	12,171
Investment activities		
Additions to plant and equipment	**(8,001)**	(5,072)
Additions to machinery and equipment under capital leases	**(257)**	(356)
Proceeds on sale of plant and equipment	**75**	353
Proceeds on sale of investment in associated company	**–**	2,000
Dividends from associated company	**–**	30
Cash used in investment activities	**(8,183)**	(3,045)
Financing activities		
Decrease in long term debt	**(2,290)**	(9,973)
Dividends	**(1,167)**	(1,167)
Increase in capital lease obligations	**257**	356
Cash used in financing activities	**(3,200)**	(10,784)
Increase in bank advances	**7,730**	1,658
Bank advances at beginning of year	**5,412**	3,754
Bank advances at end of year	**$13,142**	$ 5,412

Cash from operations is derived as follows:		
Net earnings	**$ 5,612**	$ 1,102
Adjustments for non-cash items		
Depreciation and amortization	**6,688**	6,458
Deferred income taxes (reduction)	**4,191**	(1,923)
Gain on sale of plant and equipment	**(7)**	(145)
Share of earnings of associated company	**–**	(135)
	$16,484	$ 5,357

The accompanying notes are an integral part of these statements

Notes to Consolidated Financial Statements

year ended October 31 1987

General

The company is incorporated under the laws of Ontario and its principal business activity is the processing and distribution of meat and related food products.

Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of Schneider Corporation and its wholly owned subsidiary, J.M. Schneider Inc.

Inventories

Products are valued at lower of cost and net realizable value. Since most products can be sold at any stage in their production, it is not practical to segregate them into raw materials, work in process or finished goods. Cost includes laid down material cost, manufacturing labour and certain elements of overhead to the stage of production completion. Net realizable value is based on the adjusted wholesale trading price at the balance sheet date.

Supplies, which include packaging, maintenance and manufacturing materials, are valued at the lower of cost and replacement cost.

Property, plant and equipment

Property, plant and equipment are stated at cost which includes capitalized interest incurred on major projects during the period of construction. Depreciation is provided on a straight line basis to amortize the cost of the assets over their estimated useful life with estimated useful lives not to exceed certain limits.

	Maximum useful lives	Annual rates of depreciation
Buildings of solid construction	40 years	2.5% to 4%
Buildings of frame construction and improved areas	20 years	5% to 10%
Machinery and equipment	10 years	10% to 20%

Depreciation is not provided on assets under construction.

The capitalized values of machinery and equipment under capital leases are depreciated over the lease terms using a straight line method.

Notes to Consolidated Financial Statements

year ended October 31 1987

Summary of significant accounting policies.

Other assets

Other assets are being amortized on a straight line basis over their estimated lives, such amortization period not exceeding forty years. The company recognizes permanent impairment in the value of these assets by additional charges against earnings.

Pension plans

The unfunded past service obligation under pension plans is charged against earnings in the year in which it is paid.

Earnings per share

Earnings per share are calculated on the weighted average number of shares outstanding in the year.

1. Property, plant and equipment

(in thousands)

	1987			1986
	Cost	Accumulated depreciation	Net	Net
Land and improved areas	$ 4,508	$ 451	$ 4,057	$ 4,101
Buldings and leasehold improvements	50,152	21,900	28,252	28,447
Machinery and equipment	66,878	43,195	23,683	23,117
Assets under construction	2,829	–	2,829	1,349
	124,367	65,546	58,821	57,014
Machinery and equipment under capital leases	1,633	873	760	884
	$126,000	$66,419	$59,581	$57,898

The Board of Directors has approved capital expenditures on future projects of $10,250,000. An amount of $434,000 is required to complete projects now under construction.

Notes to Consolidated Financial Statements

year ended October 31 1987

2. Debentures and loans

	(in thousands) 1987	1986
12 3/10% sinking fund debentures, maturing August 15, 1995	$13,700	$15,000
10 3/4% sinking fund debentures, maturing February 1, 1997	6,300	6,750
8 1/2% sinking fund debenture, maturing June 1, 1991	900	1,000
13 1/2% loan payable, maturing July 15, 1992. Interest to July 1987 was forgiven under the loan provisions	1,500	1,500
Loans payable with interest from 8% to 9 1/2%, maturing at various dates to January 1, 1989	80	158
	22,480	24,408
Less principal included in current liabilities	3,425	1,993
	$19,055	$22,415
Interest for the year	$ 2,667	$ 3,009

Principal due within each of the next five years is as follows (in thousands):

1988	$3,425
1989	1,855
1990	1,850
1991	1,850
1992	1,850

The debentures and loans are secured by fixed and specific charges on certain assets and floating charges on all assets of the company.

A trust indenture securing the sinking fund debentures contains certain covenants some of which limit the creation of additional debt and the entering into of long term leases and restrict the use of proceeds from the sale of a substantial part of the company's fixed assets. The company has undertaken not to declare or pay dividends or otherwise make changes in its capital which would have the effect of reducing the company's equity below $50,000,000. In addition, the company is required to maintain certain other financial ratios.

The full amount of the 13 1/2% loan has been included in current liabilities pending the outcome of current negotiations of certain loan conditions.

Notes to Consolidated Financial Statements

year ended October 31 1987

3. Obligations under leases

Capital leases

The present value of net minimum lease payments to be paid in 1988 through 1990 amounts to \$860,000 and is reflected in the balance sheet as current and non-current obligations under capital leases of \$377,000 and \$483,000 respectively.

Interest for the year on capital lease obligations amounted to \$124,000 (\$127,000 in 1986).

Operating leases

The following is a schedule of future minimum rental payments required under operating leases as of October 31, 1987 (in thousands):

1988	$ 4,455
1989	3,116
1990	1,419
1991	592
1992	311
Later years	1,751
	$11,644

4. Capital Stock

Authorized

5,401,000 Class A non-voting shares

373,627 Common shares

	(in thousands) 1987	1986
Issued		
2,277,528 Class A shares	**$8,205**	$8,205
373,627 Common shares	**234**	234
	$8,439	$8,439

The holders of the Class A shares are entitled to a 24¢ cumulative annual dividend and equal participation with the holders of common shares in annual dividends in excess of 24¢ and in any distribution of assets of the Company to its shareholders.

Notes to Consolidated Financial Statements
year ended October 31 1987

5. Income Taxes

The Company's effective income tax rate on earnings is made up as follows:

	1987 %	1986 %
Combined basic Canadian federal and provincial rate	51.5	51.5
Increase (decrease) in income tax rate resulting from:		
Corporate surtax	—	1.8
Manufacturing and processing deduction	(7.0)	(6.8)
Inventory allowance	—	(2.6)
Tax paid earnings of associated company	—	(6.4)
Non-deductible expenses	2.4	7.4
Other	(2.4)	(.4)
	44.5	44.5

6. Other Information

	(in thousands) 1987	1986
(a) Depreciation	$6,507	$6,276
Amortization	$ 181	$ 182

(b) The Company has issued letters of credit in the amount of $1,823,000.

(thousands of dollars except where noted)

	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978
Operations										
Sales	683,934	648,468	648,598	645,558	590,074	581,071	539,364	391,637	374,374	324,675
Depreciation and amortization	6,688	6,458	7,072	5,960	5,978	5,861	5,129	4,725	4,476	3,674
Salaries, wages and employee benefits	121,780	117,129	126,791	128,316	108,508	100,515	88,924	71,004	61,538	56,501
Interest expense	4,774	4,285	5,303	4,502	3,557	5,375	5,188	1,426	1,409	1,016
Income taxes	4,502	883	832	4,245	4,222	2,238	1,382	4,844	4,620	3,079
Earnings before extraordinary items	5,612	1,102	2,009	5,766	5,272	2,887	1,922	6,691	7,544	4,687
Earnings before extraordinary items as a percent of sales	0.82	0.17	0.31	0.89	0.89	0.50	0.36	1.71	2.02	1.44
Net earnings (loss)	5,612	1,102	(2,036)	5,766	5,272	2,887	1,922	6,691	7,544	4,687
Net earnings (loss) as a percent of sales	0.82	0.17	(0.31)	0.89	0.89	0.50	0.36	1.71	2.02	1.44
Number of employees	3,485	3,539	3,971	3,970	3,827	3,817	3,880	3,327	3,131	3,009
Cash Flow										
Cash from operations	16,484	5,357	8,053	11,067	10,834	8,337	6,629	11,562	12,217	9,140
Capital expenditures	8,001	5,072	6,983	5,254	5,741	3,329	8,486	6,406	4,104	9,389
Dividends paid	1,167	1,167	1,167	1,167	1,167	1,162	1,390	1,258	1,088	1,011
Financial Position										
Working capital	25,604	21,995	22,786	24,336	22,487	22,333	18,816	23,842	22,304	17,286
Working capital ratio	1.45	1.42	1.41	1.49	1.51	1.62	1.42	1.89	2.11	1.92
Total assets	146,942	137,245	143,814	136,811	126,867	119,715	126,692	95,537	83,627	76,275
Long term debt	19,538	23,063	24,999	19,259	19,747	24,089	24,670	12,392	12,568	12,008
Shareholders' equity at end of year	63,160	58,715	58,780	61,983	57,384	53,279	51,300	50,766	45,364	40,118
Percent return on equity at beginning of year	9.56	1.87	(3.28)	10.05	9.90	5.62	3.79	14.75	18.80	12.89
Per share statistics, in dollars										
Earnings before extraordinary items	2.12	0.42	0.76	2.17	1.99	1.10	0.73	2.55	2.78	1.73
Net earnings (loss)	2.12	0.42	(0.77)	2.17	1.99	1.10	0.73	2.55	2.78	1.73
Dividends paid	0.44	0.44	0.44	0.44	0.44	0.44	0.53	0.48	0.40	0.37
Equity at end of year	23.83	22.15	22.17	23.38	21.64	20.10	19.56	19.36	17.29	14.77

- • Member of Audit Committee
- • Member of Executive Committee
- • Effective January 8, 1988

• Directors

Douglas W. Dodds
Waterloo, Ontario
President and
Chief Executive Officer

Geno F. Francolini, F.C.A.
London, Ontario
President and
Chief Executive Officer
Xenon Capital Corporation

Walter J. Hachborn
St. Jacobs, Ontario
President
Home Hardware Stores Limited

Jean M. Hawkings
Deep River, Ontario
Homemaker

Gerald A. Hooper, C.A.
Waterloo, Ontario
Vice-President and
Chief Financial Officer

William H. Kaufman
Kitchener, Ontario
Chairman
Kaufman Footwear
& Kaufman Furniture
divisions of
William H. Kaufman Inc.

Gordon A. Mackay Q.C.
Kitchener, Ontario
Senior Partner
Mackay, Artindale, Wunder

~~Frederick P.~~ Schneider
Kitchener, Ontario
Chairman

Herbert J. Schneider
Waterloo, Ontario
Vice-~~Chairman~~

Howard G. Schneider
Kitchener, Ontario
Retired Executive

Hugh W. Sloan
Waterloo, Ontario
President
Automotive Group
Woodbridge Foam Corporation
The Woodbridge Group

• Officers

Schneider Corporation

Frederick P. Schneider
Chairman

Herbert J. Schneider
Vice-Chairman

Douglas W. Dodds
President and
Chief Executive Officer

Gerald A. Hooper, C.A.
Vice-President and
Chief Financial Officer

Gordon A. Mackay Q.C.
Corporate Secretary

A. Grace Hartleib
Assistant Corporate Secretary

• Officers

J.M. Schneider Inc.

Frederick P. Schneider
Chairman

Douglas W. Dodds
President and
Chief Executive Officer

Gordon A. Mackay Q.C.
Secretary

A. Grace Hartleib
Assistant Secretary

Gerald A. Hooper, C.A.
Vice-President,
Finance and Administration

John A. Howard
Vice-President,
Sales and Marketing,
Foodservice

John E. Lauer
Vice-President, Operations

William D. McMichael
Vice-President,
Sales and Marketing, Grocery

James J. Petrozzi
Vice-President,
Sales and Marketing,
Retail Meat

Herbert J. Schneider
Vice-President

Important Dates for Shareholders

Company fiscal year 1988:
November 1, 1987 to
October 29, 1988
(52 weeks)

Proposed Dividend dates
Payable: April 15, 1988
July 15, 1988
October 15, 1988
January 16, 1989
Record: (3 weeks prior to date of dividend payable, closest Friday)
March 25, 1988
June 24, 1988
September 23, 1988
December 23, 1988

Fiscal quarter endings:
1st Quarter
February 20, 1988
containing 16 weeks

2nd Quarter
May 14, 1988
containing 12 weeks

3rd Quarter
August 6, 1988
containing 12 weeks

4th Quarter
October 29, 1988
containing 12 weeks

Corporate Head Office

Schneider Corporation
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario
Canada
N2G 3X8

Registrar and Transfer Agent
The Canada Trust Company
Toronto, Ontario

Auditors
Thorne Ernst & Whinney

Shares Listed
The Toronto Stock Exchange

Operating Subsidiary

J.M. Schneider Inc.
General Office:
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario
N2G 3X8

Plants
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario
N2G 3X8

Northumberland Street
Ayr, Ontario
N0B 1E0

78 Church Street
Millbank, Ontario
M0K 1L0

2687 Slough Street
Mississauga, Ontario
L4T 1G2

550 Kipling Avenue
Toronto, Ontario
M8Z 5E9

694 St. Lawrence Street South
P.O. Box 490
Winchester, Ontario
K0C 2K0

140 Panet Road
Winnipeg, Manitoba
R2J 0S3

663 Marion Street
Winnipeg, Manitoba
R2J 0T3

4120 – 98th Street
Edmonton, Alberta
T6E 5A2

Sales Offices

6080 Young Street
Suite 711
Halifax, Nova Scotia
B3K 5L2

5350 Henri-Bourassa Boulevard
Suite 60
Charlesbourg, Quebec
G1H 6Y8

6600 Cote des Neiges Road
Suite 100
Montreal, Quebec
H3S 2A9

795 Wonderland Road
Suite 215
Westmount Centre
London, Ontario
N6K 3C2

1565 Carling Avenue
Suite 302
Ottawa, Ontario
K1Z 8R1

200 Ronson Drive
Suite 507
Rexdale, Ontario
M9W 5Z9

128 Larch Street
Suite 303
Sudbury, Ontario
P3E 1C2

175 Columbia Street West
P.O. Box 1620
Waterloo, Ontario
N2J 4M3

140 Panet Road
Winnipeg, Manitoba
R2J 0S3

4060 – 78th Avenue S.E.
Calgary, Alberta
T2C 2L8

6450 Roberts Street
Suite 275
Sperling Plaza II
Burnaby, British Columbia
V5G 4E1

Export Division
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario
N2G 3X8

Distribution Centres
321 Courtland Avenue East
P.O. Box 130
Kitchener, Ontario
N2G 3X8

R.R. #2
Wellesley, Ontario
N0B 2T0

198 Dawson Road North
Winnipeg, Manitoba
R2J 0S7

4060 – 78th Avenue S.E.
Calgary, Alberta
T2C 2L8

205 Donaghy Avenue
North Vancouver,
British Columbia
V7P 2L6

Distribution Terminal
78 Shorncliffe Road
Etobicoke, Ontario
M8Z 5K5