SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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FILER

CERTIFIED GROCERS OF CALIFORNIA LTD

CIK:**320431**| IRS No.: **950615250** | State of Incorp.:**CA** | Fiscal Year End: **0831**
Type: **10-Q/A** | Act: **34** | File No.: **000-10815** | Film No.: **99709966**
SIC: **5141** Groceries, general line

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
10-QA

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended May 29, 1999

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from ______________ to ________________________

Commission file number 0-10815

Certified Grocers of California, Ltd.
(Exact name of registrant as specified in its charter)

California	95-0615250
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5200 Sheila Street, Los Angeles	90040
(Address of principal executive offices)	(Zip Code)

(323) 264-5200
Registrant's telephone number, including area code

(Former Name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13, or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes _____ No _____

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A Shares	46,700	Shares as of May 29, 1999
Class B Shares	361,139	Shares as of May 29, 1999
Class C Shares	15	Shares as of May 29, 1999

Item 1. Financial Statements

CERTIFIED GROCERS OF CALIFORNIA, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)

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	May 29, 1999 (as restated)	August 29, 1998
<S>	<C>	<C>
ASSETS	(Unaudited)	
Current:		
Cash and cash equivalents	$ 8,401	$ 4,105
Accounts and notes receivable, net	105,152	95,672
Inventories	140,192	124,419
Prepaid expenses	6,950	4,744
Deferred taxes	4,277	3,853
Total current assets	264,972	232,793
Properties, at cost	178,585	160,808
Less, accumulated depreciation	(99,308)	(84,509)
	79,277	76,299
Investments	35,707	41,341
Notes receivable	19,090	21,792
Other assets	42,350	16,993
TOTAL ASSETS	$441,396	$389,218
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current:		
Accounts payable	$ 85,831	$ 80,870
Accrued liabilities	62,209	51,767
Current portion of notes payable	5,798	743
Patrons' excess deposits and estimated patronage dividends	14,433	13,630
Total current liabilities	168,271	147,010
Notes payable, due after one year	150,792	125,130
Long-term liabilities, other	24,149	20,440
Patrons' deposits and certificates:		
Patrons' required deposits	15,509	12,147
Subordinated patronage dividend certificates	5,986	6,158
Shareholders' equity:		
Class A Shares	5,622	5,479
Class B Shares	54,404	56,992
Retained earnings	16,557	15,685
Accumulated other comprehensive earnings	106	177
Total shareholders' equity	76,689	78,333
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$441,396	$389,218

</TABLE>

The accompanying notes are an integral part of these statements.

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CERTIFIED GROCERS OF CALIFORNIA, LTD. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS AND COMPREHENSIVE EARNINGS (UNAUDITED)
(dollars in thousands)

	13 Weeks Ended		39 Weeks Ended	
	May 29, 1999	May 30, 1998	May 29, 1999	May 30, 1998
	(as restated)		(as restated)	
<S>	<C>	<C>	<C>	<C>
Net sales	$462,603	$452,259	$1,381,531	$1,401,219
Costs and expenses:				
Cost of sales	419,059	411,395	1,256,294	1,276,960
Distribution, selling and administrative	36,929	35,982	104,386	103,697
Operating income	6,615	4,882	20,851	20,562
Interest expense	(2,979)	(2,937)	(8,816)	(9,444)
Other income (expense), net	1,500	3,347	1,500	3,347
Earnings before patronage dividends, provision for income taxes and extraordinary item	5,136	5,292	13,535	14,465

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Patronage dividends	(3,509)	(576)	(10,580)	(7,986)
Earnings before provision for income taxes and extraordinary item	1,627	4,716	2,955	6,479
Provision for income taxes	609	1,789	1,021	2,373
Earnings before extraordinary item	1,018	2,927	1,934	4,106
Extraordinary item (net of income taxes of $714)	0	1,079	0	1,079
Net earnings	1,018	1,848	1,934	3,027
Other comprehensive earnings, net of income tax:				
Unrealized holding (losses) gains	(372)	(45)	(71)	109
Comprehensive earnings	$ 646	$ 1,803	$ 1,863	$ 3,136

</TABLE>

The accompanying notes are an integral part of these statements.

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CERTIFIED GROCERS OF CALIFORNIA, LTD. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE THIRTY-NINE WEEKS ENDED MAY 29, 1999 AND MAY 30, 1998
(dollars in thousands)

<S>	May 29, 1999 (as restated) <C>	May 30, 1998 <C>
Cash flows from operating activities:		
Net earnings	$ 1,934	$ 3,027
Adjustments to reconcile net earnings to net cash provided (utilized) by operating activities:		
Depreciation and amortization	12,300	11,163
Deferred taxes	(424)	
Gain on sale of investment and disposal of properties, net	(1,490)	(3,078)
(Increase) decrease in assets:		
Accounts and notes receivable	(5,178)	8,248
Inventories	(10,413)	9,025
Prepaid expenses	(1,937)	151
Notes receivable	3,650	(3,958)
Increase (decrease) in liabilities:		
Accounts payable	877	(43,744)
Accrued liabilities	10,442	(2,878)
Patrons' excess deposits and estimated patronage dividends	803	(924)
Long-term liabilities, other	3,709	1,664
Net cash provided (utilized) by operating activities	(14,273)	(21,304)
Cash flows from investing activities:		
Purchase of properties	(11,752)	(17,596)
Proceeds from sales of properties	61	11,914
Increase in other assets	(25,847)	(2,455)
Investment in securities, net	4,499	(3,546)
Proceeds from sale of notes receivable	2,652	2,780
Acquisition of net assets from wholesale distribution company*	(8,954)	
Net cash utilized by investing activities	(39,341)	(8,903)
Cash flows from financing activities:		
Additions to long-term notes payable	26,605	135,000
Reduction of long-term notes payable		(90,344)
Additions to short-term notes payable	3,628	
Reduction of short-term notes payable	(552)	(11,151)
Redemption of patronage dividend certificates	(172)	
Increase (decrease) in members' required deposits	3,362	(242)
Repurchase of shares from members	(4,093)	(4,100)
Issuance of shares to members	586	400
Net cash provided by financing activities	29,364	29,563
Net increase (decrease) in cash and cash equivalents	4,296	(644)
Cash and cash equivalents at beginning of year	4,105	7,900
Cash and cash equivalents at end of period	$ 8,401	$ 7,256
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 9,344	$10,210

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Income taxes	$ 763	$ 1,497
*Acquisition of net assets from wholesale distribution company:		
Working capital, other than cash	($5,847)	
Property, plant and equipment	(1,734)	
Other assets	(1,373)	
Net cash effect due to acquisition of net assets from wholesale distribution company	($8,954)	

</TABLE>

The accompanying notes are an integral part of these statements.

CERTIFIED GROCERS OF CALIFORNIA, LTD., AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements include the accounts of Certified Grocers of California, Ltd. and all of its subsidiaries except as set forth in Note 5 (the "Company"). Intercompany transactions and accounts with consolidated subsidiaries have been eliminated. The interim financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations promulgated by the Securities and Exchange Commission (the "Commission"). Certain information and footnote disclosures, normally included in the financial statements prepared in accordance with generally accepted accounting principles, have been omitted pursuant to Commission rules and regulations; nevertheless, management believes that the disclosures are adequate to make the information presented not misleading. These condensed financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's latest annual report filed on Form 10-K. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

2. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, both of a normal recurring nature and necessary for a fair statement of the results of the interim periods presented. Certain reclassifications have been made to prior period financial statements to present them on a basis comparable with the current period's presentation. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

3. The Company reclassified $943,000 from long-term to short-term debt (a noncash financing activity) for the thirty-nine weeks ended May 29, 1999, in its Condensed Consolidated Statements of Cash Flows.

4. As of August 30, 1998, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income." This statement establishes standards for reporting and display of comprehensive income and its components. Comprehensive income is net income, plus certain other items that are recorded directly to shareholders' equity, bypassing net income. The only items currently applicable to the Company are the unrealized gain or loss on appreciation or depreciation of investments and the minimum pension liability adjustment.

The Financial Accounting Standards Board ("FASB") issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which establishes standards for reporting information about operating segments and requires reporting for selected information about operating segments in financial statements. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. This statement is effective for the Company's 1999 fiscal year ending August 28, 1999. Management is in the process of determining the effects on the Company's financial statements.

The FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. The statement requires that the Company recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. As amended by SFAS No. 137, this statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Management is in the process of determining the effects on the Company's financial statements.

5. Prior to December 31, 1998, the Company owned an equity interest in SavMax Foods, Inc. ("SavMax"), a member-patron. SavMax is an operator of seven retail grocery stores with retail sales of approximately $110 million per year. The investment consisted of (a) 10% of the outstanding Series A common stock with an original cost of $2.5 million and (b) $6.3 million of 8.5% Series B cumulative redeemable preferred stock. The Company purchased the remaining common and preferred shares of SavMax as of December 31, 1998, for an aggregate purchase price of approximately $4.5 million (see note 10). The transaction

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also included an ongoing covenant not to compete from a selling shareholder, termination of the sellers' existing employment and consulting agreements and the entry into a consulting arrangement with a selling shareholder. The acquisition has been accounted for as a purchase pursuant to Accounting Principles Board Opinion No. 16, "Business Combinations." Accordingly, the consideration has been allocated to the assets and liabilities based on their relative fair values. The excess of the purchase price over the fair market value of the net assets was $23.4 million

and was recorded as goodwill. Goodwill is based on SavMax's balance sheet dated January 2, 1999 and is subject to final determination based on real estate, leasehold and equipment valuation studies which are not yet complete. The results of the acquired business have been included in the consolidated financial statements from the effective date December 31, 1998 through May 29, 1999. Although SavMax has been consolidated, the Company's plans are to sell its investment to a qualified buyer(s) in the future.

6. In June 1999, the Company executed an Agreement and Plan of Merger with respect to a proposed merger with United Grocers, Inc., a grocery cooperative headquartered in Portland, Oregon. The consummation of the merger is conditioned upon the approval of the agreement by the shareholders of both entities, approval of the related amendments by the shareholders of the Company, required filings with regulatory entities, and other customary conditions. It is a condition to closing of the merger agreement that the Company obtain financing of the transaction which will require expansion and modification or replacement of the existing loan agreements. The Company is in the process of negotiating the terms of the required financing.

7. Prior to March 27, 1999, Grocers Capital Company ("GCC") owned 10% of the common stock of K.V. Mart Co. ("KV"), of which Company director Darioush Khaledi is an affiliate. The cost of the investment was approximately $3 million. The Stock Purchase Agreement contained a provision which allowed KV to repurchase the shares upon certain terms and conditions. Prior to March 27, 1999, KV exercised its repurchase rights under the agreement. On March 27, 1999, the Company, GCC and KV entered into a stock repurchase agreement ("the Agreement"). Pursuant to the Agreement, KV purchased the shares for $4.5 million, payable in cash and in an interest-bearing note as provided for in the Stock Purchase Agreement, resulting in a pretax gain of $1.5 million reflected in other income. Coincident with the transaction, KV entered into a supply agreement with Certified for a five-year term. The Agreement also provides that for a three year period commencing as of the date of the Agreement, in the event of (i) a change of control of KV or (ii) a breach of the supply agreement by KV, KV shall pay the Company $900,000 or an amount equal to the difference between 10% of the appraised value of KV as of the approximate date of the Agreement (as prepared by an independent third party appraisal firm) and $4.5 million, whichever is greater.

8. Prior to April 5, 1999, the Company subleased a store in Riverside, California to Jax Apple Market, Inc. ("Jax"), of which former director Willard R. "Bill" MacAloney is a principal. Mr. MacAloney's term as a director expired as of the Shareholders' Meeting held February 23, 1999. The Company asserted that monthly lease and other occupancy-related payments and equipment purchases related to the Riverside store had not been paid timely by Jax. Jax disputed the amounts claimed due by the Company.

On April 5, 1999, the Company entered into an agreement with Jax, Mr. MacAloney and other entities controlled by Mr. MacAloney (collectively, "the MacAloney entities"). Pursuant to the Agreement, the MacAloney entities paid the indebtedness due the Company and its affiliates related to the Riverside store, and the sublease was terminated. In addition, the Company acquired a right of first refusal to purchase all of the common stock related to supermarket entities controlled by Mr. MacAloney for a period of five years.

9. On May 28, 1999, Certified and its subsidiary Grocers Specialty Co. completed an asset purchase with Liberty Richter, Inc. and Hagemeyer Foods (N.A.), Inc. whereby Certified and Grocers Specialty Co. purchased certain assets and assumed certain liabilities. The certain net assets were acquired for a purchase price of $9.0 million, and consisted of certain accounts and notes receivable, inventory, prepaid expenses, property, plant and equipment, other assets and accounts payable.

10. Subsequent to the issuance of the Company's quarterly report on Form 10-Q for the nine months ended May 29, 1999, the Company's management determined to account for the acquisition of SavMax, as described in Note 5, as a purchase pursuant to Accounting Principles Board Opinion No. 16 "Business Combinations". As a result, the financial statements for the nine-month period ended May 29, 1999 have been restated from the amounts previously reported to reflect the consolidation of SavMax with the Company. This restatement decreased current assets by $6,500 and increased total assets by $14,000. Shareholder's equity and net earnings each decreased by $16.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

Subsequent to the end of the quarter, in June 1999, the Company executed an Agreement and Plan of Merger with respect to a proposed merger with United Grocers, Inc. ("United"), a grocery cooperative headquartered in Portland, Oregon. Pursuant to the merger agreement, shareholders of United would exchange their shares for the Company's Class A Shares and Class B Shares based on an exchange ratio of 0.228 shares of the Company's stock for each share of United Common Stock outstanding. Existing Company Class A Shares and Class B Shares would remain outstanding except that prior to the merger, Class B Shares held by previously terminated members would be redeemed. Consummation of the merger agreement is conditioned on the approval of amendments to the Articles of Incorporation and Bylaws of the Company including amendments to increase the number of directors of Certified and to modify redemption provisions as they affect Class A Shares and Class B Shares. The consummation of the merger is conditioned upon the approval of the agreement by the shareholders of both entities, approval of the related amendments by the shareholders of the Company, required filings with regulatory entities, and other customary conditions. It is a condition to closing of the merger agreement that the Company obtain financing of the transaction which will require expansion and modification or replacement of the existing loan agreements. The Company is in the process of negotiating the terms of the required financing.

Liquidity and Capital Resources

The Company relies upon cash flow from operations, patron deposits, shareholdings, and borrowings under the Company's credit lines, to finance operations. Net cash provided by operating activities totaled $14.3 million for the first thirty-nine weeks of fiscal 1999 (the "1999 period"). Net cash provided for the 1999 period is primarily due to decreased long-term notes receivable in the distribution operations, increased accrued liabilities in the distribution, insurance and SavMax operations, and increased long-term liabilities in the distribution and SavMax operations. Net cash utilized by operating activities totaled $21.3 million for the first thirty-nine weeks of fiscal 1998 (the "1998 period"). At May 29, 1999, working capital was $96.7 million, as compared to $85.8 million at August 29, 1998. The Company's current ratio was 1.6 to 1 at May 29, 1999 and August 29, 1998. Working capital varies primarily as a result of seasonal inventory requirements.

Capital expenditures totaled $11.8 million in the first thirty-nine weeks of fiscal 1999. The 1999 expenditures include purchases of computer equipment, leasehold improvements, warehouse equipment and retail store equipment.

The Company has $80,000,000 in Senior Notes (the "Senior Notes") outstanding to certain life insurance companies and pension funds. The Senior Notes are unsecured, due in April 2008 and bear interest at 7.22% per annum. The Company also has a $100,000,000 revolving credit facility with a group of banks (the "Revolving Credit"). The Revolving Credit is unsecured, expires in April 2003 and bears interest at the bank's base rate or at an adjusted LIBOR rate plus a margin ranging from 0.375% to 0.90% depending on the Company's leverage ratio. Both the Senior Notes and the Revolving Credit (the "Credit Agreements") limit the incurrence of additional funded debt, restrict the issuance of secured indebtedness and prohibit the payment of dividends (other than patronage dividends). The Credit Agreements contain various financial covenants pertaining to working capital, adjusted tangible net worth, funded debt to EBITDA, funded debt to total capitalization, fixed charge coverage and similar provisions. Obligations under the Credit Agreements are senior to the rights of member patrons with respect to deposits and patronage dividend certificates. GCC's existing $10,000,000 credit agreement also remains in place.

The Company entered into a five-year interest rate collar agreement during February 1999 in relation to certain borrowings on its variable rate Revolving Credit. The collar agreement was put in place without incurring any costs. The hedge agreement is structured such that the Company pays a variable rate of interest between 6% (cap rate) and 4.94% (floor rate) based on a notional amount of $50,000,000. The weighted average interest rate on borrowings on the revolving credit were 5.96% at May 29, 1999.

Certified distributes at least 20% of the patronage dividends in cash and distributes Class B Shares as a portion of the patronage dividends distributed to its member-patrons.

Patrons are generally required to maintain subordinated deposits with the Company and member-patrons purchase Class B Shares to satisfy this requirement, in whole or in part. Upon termination of patron status, the withdrawing patron

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will be entitled to recover deposits in excess of its obligations to the Company if permitted by the applicable subordination provisions, and a member-patron also will be entitled to have its shares redeemed, subject to applicable legal requirements, Company policies and credit agreement limitations. The Company's current redemption policy limits the Class B Shares that the Company is obligated to redeem in any fiscal year to 5% of the number of Class B Shares deemed outstanding at the end of the preceding fiscal year. In fiscal 1998, this limitation restricted the Company's redemption of shares to 19,300 shares for $3.4 million. In fiscal 1999, the 5% limitation restricted the Company's redemption of shares to 19,007 shares for $3.5 million. The number of shares tendered for redemption at May 29, 1999, totaled 66,022 (or approximately $12.1 million using fiscal 1998 year end book value), which exceeds the amount that can be redeemed in fiscal 2000. Consequently, the Company estimates that it will be required to make redemptions in fiscal 2000, 2001, 2002, and 2003. The redemption price for shares is based upon their book value as of the end of the year preceding redemption. Cash to fund redemption of shares is provided from operations, patron deposits, issuance of shares and borrowings under the Company's credit lines.

Year 2000

The Company has had an active Year 2000 ("Y2K") program since August 1996. This program includes a detailed review of the Company's software applications, hardware, and embedded technology. The Company has utilized an outside consultant to assess the embedded chip technology within its facilities. This assessment found 95% of the chips to be either already compliant or in the process of being updated by various vendors.

In 1996, the Company began assessing the application software of the Company to determine risk of Y2K failure. The assessment process was used to identify the business applications that would be at risk for potential century date impact and to prioritize the critical, moderate, and low risk applications for remediation or replacement. Applications that will be impacted by Y2K are scheduled for remediation or replacement. The Company is approximately 85% complete with replacing or remediating business critical applications, 75% complete with respect to applications that were identified as moderate risk and 50% complete as to low risk applications. The schedules for remediation or replacement are reviewed monthly by management. With the exception of one system that is being replaced and will be completed by December 1999, the Company expects that 100% of all critical and moderate risk applications will be completed by August 1999.

The Company had decided to replace certain systems that were not Y2K compliant. The systems being replaced are older systems that would have been replaced prior to Y2K regardless of the non-compliant issue. The estimated total cost of the Y2K project, including replacement of the systems, is approximately $6.8 million. The estimated total cost of the new systems is approximately $3.1 million, which is being capitalized. The remaining $3.7 million has been or will be expensed. The total amount incurred on the project through May 29, 1999 was $5.4 million, of which $2.7 million related to the cost to remediate software, which cost has been expensed, and $2.7 million related to the replacement of systems including hardware.

The Company has notified its members of the Y2K issues through newsletters, meetings, and discussions. Certified's Interactive Ordering Program, which allows retailers to order electronically, and CertiNet, which is a comprehensive in-store system, are Y2K compliant.

The Y2K project team is also addressing interaction with vendors and the potential impact of Y2K issues. The Company has completed the upgrade and implementation of the Y2K compliant version of the Uniform Commercial Standard ("UCS") transactions. The Company is working with UCS vendors to make sure that processing of orders, invoices, and payments via electronic data interchange will be Y2K compliant. For those UCS vendors that are not ready for Y2K, the Company has a contingency plan that converts the vendor's data into Y2K compliant data before processing through the Company's systems.

Additionally, the Company is a member of the National Grocers Association's ("NGA") Year 2000 Task Force, which was formed to assist retailers in resolving the Y2K problem in their businesses through the sharing of information. The objectives of this group are to: (1) identify the hardware and software systems at risk; (2) communicate with the vendor community and establish definitive position statements regarding cash systems; and (3) communicate these findings to NGA members. Many of Certified's members are members of NGA. A comprehensive report of the findings of the Task Force is available to all members and vendors that are associated with Certified and the contents thereof have been discussed at several recent industry meetings. The Company has set up an electronic bulletin board with information on Y2K issues for its members.

As the Y2K program progresses, the Company will be developing additional contingency plans. The Company's contingency plans will be intended to address both remediation of systems and the overall business operating risk.

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The Company has not initiated a formal confirmation process with its members or vendors on their state of readiness for Y2K. However, the Company has been meeting with its members during the last two years to raise their awareness of the potential for business interruption due to Y2K. Transactions with vendors are being reviewed vendor by vendor. The Company has established contingency plans that will convert member and vendor data into Y2K compliant data before processing through the Company's systems. Failure of the Company's members or vendors to be Y2K compliant could have a material adverse impact on the Company's operations. However, as discussed above, the Company is actively working with members and vendors to address the Y2K issues.

Results of Operations

The following table sets forth selected financial data of the Company expressed as a percentage of sales for the periods indicated below:

	Thirteen Week Period		Thirty-nine Week Period	
	1999	1998	1999	1998
Net sales	100%	100%	100%	100%
Cost of sales	90.6	91.0	90.9	91.1
Distribution, selling and administrative	8.0	7.9	7.6	7.4
Operating income	1.4	1.1	1.5	1.5
Interest expense	0.6	0.7	0.6	0.7
Other income (expense)	0.3	0.7	0.1	0.2
Estimated patronage dividends	0.8	0.1	0.8	0.5
Earnings after dividends, before income taxes and extraordinary item	0.3	1.0	0.2	0.5
Provision for income taxes	0.1	0.4	0.1	0.2
Earnings before extraordinary item	0.2	0.6	0.1	0.3
Extraordinary item, net of taxes	0.0	0.2	0.0	0.1
Net earnings	0.2	0.4	0.1	0.2

Thirteen Week Period

Net sales

Net sales totaled $462.6 million for the 1999 period as compared to $452.3 million in the 1998 period. The sales increase of $10.3 million represents a 2.3% increase over the 1998 period. The increase in sales is primarily related to the addition of North State Grocery Company as a member-patron in October 1998 and increased sales to the ongoing membership base. The increases in sales were partially offset by the elimination of sales to Hughes Family Markets, Inc. ("Hughes"), and Nob Hill General Store Inc. ("Nob Hill"). Hughes and Nob Hill were acquired by entities that have self-distribution programs.

Cost of sales

In the 1999 period cost of sales were $419.1 million (90.6% of net sales) compared to $411.4 million (91.0% of net sales) in the 1998 period. The overall gross margin as a percentage of net sales is slightly higher compared to the comparable period in 1998. The increase in gross margin is due to additional gross margin from retail sales generated by SavMax, which Certified acquired in December 1998. The increased margins were partially offset by increased claims expense of $0.8 million in one of Certified's insurance subsidiaries and lower margins in the cooperative divisions.

Distribution, selling and administrative

Distribution, selling and administrative expenses were $36.9 million (or 8.0% of net sales) in the 1999 period, as compared to $36.0 million (or 7.9% of net sales) in the 1998 period. The increase is due to additional costs of $5.7 million related to retail operations of SavMax. These costs were partially offset by efficiency improvements in warehouse and delivery expenses in the 1999 period, and nonrecurring charges relating to a settlement of litigation that occurred in the 1998 period.

Interest

Interest expense of $3.0 million (0.6% of net sales) in the 1999 period is comparable to the 1998 period which was $2.9 million (0.7% of net sales). Borrowings under the Company's Credit Agreements were higher during the 1999 period as compared to the 1998 period. The impact of the higher borrowings was offset by decreased interest rates in the 1999 period compared to the 1998

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period due to the refinancing which was completed in April 1998.

Other income (expense)

During the 1999 period, the Company sold its 10% investment in common stock of KV for $4.5 million. The sale resulted in a pretax gain of $1.5 million. Other income in the 1998 period was $3.3 million. In May 1998, the Company completed the sale of approximately 24 acres of property located in Commerce, California. This sale resulted in a gain (net of expenses related to the sale) of $3.2 million. Additionally, GCC periodically sells loans in its portfolio to a third party. These loan sales resulted in a net gain of $147,000 in the 1998 period.

Estimated patronage dividends

Estimated patronage dividends totaled $3.5 million for the 1999 period as compared to $0.6 million for the 1998 period. The increase is due to efficiency improvements in warehouse and delivery expenses in the cooperative divisions in the 1999 period, and nonrecurring charges relating to a settlement of litigation that occurred in the 1998 period as discussed above.

Extraordinary item

The extraordinary loss of $1.08 million, net of taxes, in the 1998 period is related to the early extinguishment of debt in connection with a $180.0 million refinancing transaction. This charge covers prepayment premiums paid and the write-off of financing costs relating to debt refinanced in the transaction.

Net earnings

Net earnings for the 1999 period were $1.0 million compared to net earnings of $1.8 million for the 1998 period. Net earnings are generated by the Company's subsidiaries and nonpatronage activities, which do not distribute patronage dividends.

Thirty-nine Week Period

Net sales

Net sales totaled $1.38 billion for the 1999 period and $1.4 billion in the 1998 period. The sales decrease of $19.7 million represents a 1.4% decrease over the 1998 period. Hughes Markets and Nob Hill Markets were acquired by entities that have self-distribution programs; accordingly, product supply to the Hughes and Nob Hill stores migrated into the corresponding self-distribution facilities in the period between March 1998 through November 1998. The $81.3 million sales volume lost as a result of the Hughes and Nob Hill transactions has been

partially offset by $24.8 million from the addition of North State Grocery Company as a member-patron in October 1998 and increased sales to the ongoing membership base.

Cost of sales

In the 1999 period cost of sales were $1.3 billion, or 90.9% of net sales, compared to $1.3 billion, or 91.1% of net sales, in the 1998 period. The overall gross margin as a percentage of net sales is slightly higher compared to the comparable period in 1998. The increase in gross margin is due to additional gross margin from retail sales generated by SavMax, which Certified acquired in December 1998. The increased margins were partially offset by increased claims expense of $4.0 million in one of Certified's insurance subsidiaries and lower margins in the cooperative divisions.

Distribution, selling and administrative

Distribution, selling and administrative expenses were $104.4 million, or 7.6% of net sales in the 1999 period, as compared to $103.7 million, or 7.4% of net sales, in the 1998 period. The increase is due to additional costs of $9.3 million related to retail operations of SavMax. These costs were partially offset by efficiency improvements in warehouse and delivery expenses in the 1999 period, and nonrecurring charges relating to a settlement of litigation that occurred in the 1998 period.

Interest

Interest expense decreased from $9.4 million, or 0.7% of net sales, in the 1998 period to $8.8 million, or 0.6% of net sales, in the 1999 period. The decrease is due to lower interest rates associated with the $180.0 million refinancing completed in April 1998. Interest rates related to the senior notes and revolving credit in the 1998 period were 8.29% and 6.91% in the 1999 period.

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Other income (expense)

During the 1999 period, the Company sold its 10% investment in common stock of KV for $4.5 million. The sale resulted in a pretax gain of $1.5 million. Other income in the 1998 period was $3.3 million. In May 1998, the Company completed the sale of approximately 24 acres of property located in Commerce, California. This sale resulted in a gain (net of expenses related to the sale) of $3.2 million. Additionally, GCC periodically sells loans in its portfolio to a third party. These loan sales resulted in a net gain of $147,000 in the 1998 period.

Estimated patronage dividends

Estimated patronage dividends totaled $10.6 million for the 1999 period as compared to $8.0 million for the 1998 period. The increase is due to lower distribution, selling and administrative expenses, and interest expense, offset by lower gross margins.

Net earnings

Net earnings for the 1999 period were $1.93 million compared to $3.0 million for the 1998 period. Net earnings are generated by the Company's subsidiaries and nonpatronage activities, which do not distribute patronage dividends.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 27. Financial Data Schedule.

(b) Reports on Form 8-K
None.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Certified Grocers of California, Ltd.
(Registrant)

Dated: September 10, 1999

By ALFRED A. PLAMANN
Alfred A. Plamann
President and
Chief Executive Officer

By RICHARD J. MARTIN
Richard J. Martin
Senior Vice President --
Finance & Administration
and Chief Financial Officer

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