THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended October 31, 2019

THE NORTH WEST COMPANY

2019 THIRD QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the third quarter ended October 31, 2019. Sales increased 1.6% to $519.5 million compared to the third quarter last year and were up 0.9% excluding the impact of foreign exchange, led by same store sales gains in International Operations.

Third quarter net earnings decreased $14.7 million or 37.1% to $24.8 million and net earnings attributable to shareholders were $24.1 million or $0.49 per share compared to $0.78 per share last year on a diluted earnings per share basis. This decrease is due to the impact of a $15.4 million insurance-related gain, net of tax, in the third quarter last year and the impact of the previously announced support office restructuring and relocation expenses and new store opening costs in International Operations. Excluding the impact of the insurance-related gain and share-based compensation, adjusted net earnings increased 2.7% compared to last year.

The Board of Directors has approved a quarterly dividend of $0.33 per share to shareholders of record on December 31, 2019.

On behalf of the Board of Directors:

H. Sanford Riley
Chairman

Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's 2019 third quarter unaudited interim period condensed consolidated financial statements for the period ended October 31, 2019 ("Interim Condensed Consolidated Financial Statements") and the audited annual consolidated financial statements and accompanying notes included in the 2018 Annual Report.

Adoption of IFRS 16 *Leases*

The Company adopted IFRS 16 *Leases* ("IFRS 16") effective February 1, 2019 using the full retrospective approach and as a result, comparative figures have been restated to conform with IFRS 16. Further information on the adoption of IFRS 16 *Leases* is provided in the Accounting Standards Implemented in 2019 section of this Management's Discussion and Analysis.

CONSOLIDATED RESULTS

Quarter

Third quarter consolidated sales increased 1.6% to $519.5 million led by same store sales gains in International Operations, the impact of foreign exchange on the translation of International Operations sales and new stores. Excluding the foreign exchange impact, consolidated sales increased 0.9% and were up 0.4%[1] on a same store basis. Food sales[1] increased 2.0% and were up 1.5% on a same store basis led by sales gains in International Operations. General merchandise sales[1] decreased 3.2% and were down 4.3% on a same store basis due in part to a delay in the issuance of Permanent Fund Dividend cheques in Alaska until late October and lower big-ticket sales in Canadian Operations.

Gross profit increased 3.3% driven by higher sales and a 53 basis point increase in gross profit rate. The increase in gross profit rate was due to higher general merchandise and other business margin rates in Canadian Operations.

(1) Excluding the foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Selling, operating and administrative expenses ("Expenses") increased 23.1% and were up 446 basis points to last year as a percentage to sales primarily due to a $17.0 million pre-tax hurricane-related insurance gain in International Operations and a $3.1 million pre-tax fire-related insurance gain in Canadian Operations last year. Support office restructuring and relocation expenses and store opening costs in International Operations of $2.3 million in the quarter were also factors. Excluding the impact of the insurance gains, support office restructuring and store opening costs, Expenses increased $2.6 million or 11 basis points as a percentage to sales partially due to higher insurance and utility costs.

Earnings from operations decreased 34.5% to $37.0 million compared to $56.5 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) decreased $18.3 million or 23.6% to $59.3 million. Excluding the impact of the $20.1 million in insurance-related gains last year and share-based compensation, adjusted EBITDA[2] was up 2.5% compared to last year and as a percentage to sales was 11.3% compared to 11.2% last year as sales gains and improvements in gross profit rate were partially offset by the Expense factors noted above.

Income tax expense was $7.0 million compared to $11.8 million last year and the consolidated effective tax rate was 22.0% compared to 23.0%. This rate decrease was primarily due to the blend of earnings in International Operations across the various tax rate jurisdictions.

Net earnings decreased $14.7 million or 37.1% to $24.8 million. Net earnings attributable to shareholders were $24.1 million and diluted earnings per share were $0.49 per share compared to $0.78 per share last year due to the factors noted above. Excluding the impact of the $15.4 million in after-tax insurance-related gains last year and share-based compensation, adjusted net earnings[2] increased 2.7% compared to last year as higher gross profit was partially offset by the Expense factors previously noted.

Comprehensive income decreased to $26.7 million compared to $40.1 million last year substantially due to the decrease in net earnings noted above.

Year-to-Date

Year-to-date sales increased 4.1% to $1.541 billion led by same store sales gains, the impact of foreign exchange on the translation of International Operations sales and new stores. Excluding the foreign exchange impact, consolidated sales increased 2.8% and were up 1.5%[1] on a same store basis. Food sales[1] increased 3.1% and were up 2.1% on a same store basis and general merchandise sales[1] increased 1.9% but were down 0.9% on a same store basis.

Gross profit increased 4.2% driven by higher sales as the gross profit rate was flat to last year at 32.1%. Selling, operating and administrative expenses ("Expenses") increased 8.0% and were up 94 basis points as a percentage to sales largely due to the impact of $15.0 million in insurance gains this year compared to $20.1 million in insurance gains last year and the previously announced office restructuring and relocation costs. Excluding the impact of the insurance gains and office restructuring and relocation costs, Expenses increased 5.1% and were up 24 basis points as a percentage to sales due to the impact of new stores, higher insurance expense, and foreign exchange on the translation of International Operations expenses. These factors were partially offset by lower share-based compensation costs.

Earnings from operations decreased 8.1% to $103.6 million compared to $112.8 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) decreased $4.6 million or 2.6% to $169.1 million. Excluding the impact of the insurance-related gains and share-based compensation, adjusted EBITDA[2] decreased $1.9 million or 1.2% compared to last year as sales and gross profit gains were more than offset by the Expense factors previously noted and poor Giant Tiger ("GT") store performance.

Income tax expense decreased $2.5 million to $19.3 million and the consolidated effective tax rate was 21.8% compared to 22.1% last year. This rate decrease was mainly due to the blend of earnings in International Operations across the various tax rate jurisdictions.

Net earnings decreased $7.6 million or 10.0% to $69.0 million. Net earnings attributable to shareholders were $66.4 million and diluted earnings per share were $1.35 per share compared to $1.50 per share last year due to the factors noted above. Excluding the impact of the insurance-related gains and share-based compensation, adjusted net earnings[2] decreased 7.4% compared to last year as gross profit gains were more than offset by higher Expenses, support office restructuring costs and GT store performance.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Comprehensive income decreased $20.7 million to $62.3 million compared to $83.0 million last year due to lower net earnings of $7.6 million described above, a decrease in the foreign exchange gain on the translation of the International Operations financial statements and a remeasurement of defined benefit pension plans. The change in foreign exchange rates resulted in a gain of $0.2 million compared to a gain of $6.4 million last year. The remeasurement of defined benefit pension plan assets and liabilities resulted in a net actuarial loss of $7.0 million compared to $NIL last year.

CANADIAN OPERATIONS

Canadian Operations sales increased 0.4% to $314.5 million compared to $313.4 million in the third quarter last year but were down 0.7% on a same store basis as sales gains in northern Canada were offset by lower sales in Giant Tiger ("GT") stores. Sales in northern Canada stores continued to be positively impacted by general economic conditions and infrastructure projects. GT performance trends improved but sales were negatively impacted by discount food competition and lower seasonal general merchandise sales in the first half of the quarter. Food sales increased 1.3% and were flat on a same store basis as gains in northern Canada were offset by lower sales in GT stores. General merchandise sales decreased 2.2% from last year and were down 3.1% on a same store basis mainly due to lower big-ticket sales in northern Canada. In 2018 certain communities received Treaty settlement payments that contributed to higher big-ticket sales.

Gross profit increased 3.3% driven by sales gains and a 99 basis point increase in the gross profit rate compared to last year. The change in gross profit rate is mainly due to improved margins in general merchandise in northern Canada stores and margin rate improvements in other businesses including fuel, pharmacy, financial services and North Star Air.

Selling, operating and administrative expenses ("Expenses") increased 3.6% and were up 85 basis points as a percentage to sales compared to last year due to the impact of a non-comparable $3.1 million insurance-related gain last year. Excluding the impact of the insurance gain, Expenses were down 0.2% to last year.

Canadian earnings from operations increased 2.2% to $25.4 million compared to $24.9 million last year as higher gross profit was partially offset by an increase in Expenses. EBITDA[2] increased 3.2% to $41.2 million compared to $39.9 million last year and as a percentage to sales was 13.1% compared to 12.7% last year due to the factors previously noted. Excluding the impact of the insurance gain and share-based compensation, adjusted EBITDA[2] increased 11.2% compared to last year and as a percentage to sales was 12.9% compared to 11.7% last year driven by earnings gains in northern Canada. These gains were partially offset by lower earnings in GT stores which were down in the quarter compared to last year but were trending positively in the second half of the quarter led by improvements in gross profit rate and store-level execution.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International Operations sales increased 2.0% to $154.9 million compared to $151.9 million in the third quarter last year led by same store sales growth of 2.5% with all banners contributing to the sales gains. The Caribbean region continued to be positively impacted by tourism and construction activity. Sales growth in Alaska, while positive in the quarter, was affected by a delay in the issuance of Permanent Fund Dividend ("PFD") cheques until late October. The PFD cheques paid to qualifying Alaska residents were $1,606 consistent with last year. Food sales increased 3.1% and were up 4.0% on a same store basis led by sales gains in the Caribbean. General merchandise sales decreased 6.6% and were down 8.5% on a same store basis mainly due to the delay in the PFD cheques.

Gross profit dollars increased 1.6% compared to last year driven by sales gains, partially offset by a 9 basis point decrease in the gross profit rate. Selling, operating and administrative expenses ("Expenses") increased 80.0% compared to last year primarily due to the $13.1 million hurricane-related insurance gain last year and costs associated with the previously announced restructuring and relocation of the Company's buying office in Bellevue, Washington to Anchorage, Alaska and south Florida this year. Store opening costs for our Cost-U-Less in St. Thomas, USVI which re-opened on November 1, 2019 after being destroyed by Hurricane Irma in September 2017 were also a factor. Excluding these factors, Expenses increased 4.8% compared to last year mainly due to higher utility and insurance costs.

Earnings from operations were $8.8 million compared to $24.4 million in the third quarter last year and EBITDA[2] decreased to $13.7 million compared to $29.1 million last year due to the factors noted above. Excluding the impact of the insurance gain last year and the relocation expenses and store opening costs this year, EBITDA[2] decreased by 4.1% largely due to the higher Expenses noted above.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the third quarter was 1.33:1 compared to 1.30:1 last year.

Working capital increased $8.6 million or 3.8% compared to the third quarter last year mainly due to an increase in inventories related to new stores and higher inventories in stores serviced by sealift partially offset by an increase in accounts payable related to the timing of payments. A decrease in accounts receivable related to collections on consumer accounts was also a factor.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,751,000 shares compared to 48,698,000 shares last year. The increase in basic shares outstanding is due to share options exercised. The weighted-average fully diluted shares outstanding for the quarter were 49,413,000 shares compared to 49,182,000 shares last year. The increase in fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan, shares granted under the Director Deferred Share Unit Plan and shares granted under the Performance Share Unit plan that may be treasury settled. Further information on share capital, the Share Option Plan and the Director Deferred Share Unit Plan is provided in Note 7 and Note 13 to the Company's Interim Condensed Consolidated Financial Statements.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months Ended October 31, 2019**	Three Months Ended October 31, 2018[1]	Change	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018[1]	Change
Cash flows provided by (used in):						
Cash from operating activities	**$ 27,566**	$ 25,929	$ 1,637	**$ 112,797**	$ 100,696	$ 12,101
Cash used in investing activities	**(42,304)**	(26,523)	(15,781)	**(85,054)**	(67,456)	(17,598)
Cash from (used in) financing activities	**3,446**	1,760	1,686	**(14,201)**	(3,423)	(10,778)
Effect of changes in foreign exchange rates on cash	**68**	202	(134)	**5**	969	(964)
Net change in cash	**$ (11,224)**	$ 1,368	$ (12,592)	**$ 13,547**	$ 30,786	$ (17,239)

(1) The Company has adopted IFRS 16 *Leases* (IFRS 16) effective February 1, 2019 using the full retrospective approach and as a result, comparative figures have been restated to conform with IFRS 16. See the Accounting Standards Implemented in 2019 section of this Management's Discussion and Analysis for further information.

Cash flow from operating activities in the quarter increased $1.6 million to $27.6 million compared to cash flow from operating activities of $25.9 million last year largely due to the change in non-cash working capital. The change in non-cash working capital is primarily related to the change in inventories and accounts receivable compared to the prior year. For the year-to-date, cash flow from operating activities increased $12.1 million to $112.8 million mainly due to the change in non-cash working capital as previously noted and the change in other non-cash items is mainly due to the change in long-term liabilities related to share-based compensation.

Cash used in investing activities in the quarter increased to $42.3 million compared to $26.5 million last year. The purchase of property and equipment in the quarter was largely related to investments in store and warehouse replacements resulting from hurricane and fire-related damage and store renovations in Top Markets. The purchase of retail stores in Barrow, Alaska and Bethel, Alaska were also factors. For the year-to-date, cash used in investing activities, net of insurance proceeds, increased to $85.1 million compared to $67.5 million last year due to investments in property and equipment as previously noted, the addition of a pharmacy in Rankin Inlet, Nunavut and the implementation of new information systems as described in the strategy section. Further information on planned capital expenditures is included in the Outlook section.

Cash flow from financing activities in the quarter was $3.4 million compared to $1.8 million last year. The net change in long-term debt in the quarter is due to changes in amounts drawn on the Company's revolving loan facilities. Cash used in financing activities for the year-to-date increased to $14.2 million compared to $3.4 million last year due to the changes in long-term debt as previously noted and an increase in interest payments related to higher debt levels. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 9 and Note 11 to the Company's Interim Condensed Consolidated Financial Statements.

Sources of Liquidity

The Company has outstanding $100.0 million in senior notes that mature September 26, 2029 and have a fixed interest rate of 3.74%. The notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt comprised of the $300.0 million Canadian Operations loan facilities, the US$70.0 million senior notes and the US$52.0 million loan facilities.

The Canadian Operations have US$70.0 million senior notes that mature on June 16, 2021. These senior notes have a fixed interest rate of 3.27% on US$55.0 million and a floating interest rate on US$15.0 million based on U.S. LIBOR plus a spread, payable semi-annually. These senior notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt.

The Canadian Operations also have committed, revolving loan facilities of $300.0 million that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee. These facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's other senior debt. At October 31, 2019, the Company had drawn $195.9 million on these facilities (October 31, 2018 - $155.9 million; January 31, 2019 - $134.8 million).

The Company has committed, revolving loan facilities of US$52.0 million that bear interest at U.S. LIBOR plus a spread. These facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's other senior debt. At October 31, 2019, the Company had drawn US$27.9 million on these facilities (October 31, 2018 - US$27.9 million; January 31, 2019 - US$27.9 million).

The International Operations have a US$40.0 million committed, revolving loan facility for working capital and general business purposes. This loan facility, which matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At October 31, 2019, the Company had drawn US$2.9 million on these facilities (October 31, 2018 - US$5.5 million; January 31, 2019 - US$NIL). The Company is in the process of refinancing the US$40.0 million loan facility and does not anticipate any difficulty in extending these facilities, although there can be no assurance that it will be successfully completed.

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At October 31, 2019, lease liabilities reflect a weighted-average risk-free rate of 3.9% (October 31, 2018 – 4.1%) and weighted-average remaining lease term of 9.8 years (October 31, 2018 – 10.1 years).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At October 31, 2019, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 9 to the Interim Condensed Consolidated Financial Statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, planned sustaining and growth-related capital expenditures as well as anticipated dividends during 2019.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.33 per share to shareholders of record on December 31, 2019, to be paid on January 15, 2020.

The payment of dividends on the Company's shares are subject to the approval of the Board of Directors and is based on, among other factors, the financial performance of the Company, its current and anticipated future business needs and the satisfaction of solvency tests imposed by the Canada Business Corporations Act ("CBCA") for the declaration of dividends. The dividends are designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

OTHER HIGHLIGHTS

- An expanded and renovated Northern store was opened in Sandy Lake, Ontario on September 30, 2019.
- The Company's Cost-U-Less store in St Thomas, USVI was re-opened on November 1, 2019 after being completely destroyed by hurricane Irma in the third quarter of 2017.
- A new store in Barrow, Alaska was acquired, remodeled and opened November 1, 2019 replacing a larger store and a small convenience outlet which were closed on October 31, 2019 as a result of the expiration of the lease.
- A new convenience store in Bethel, Alaska was acquired and is being remodeled and is expected to open in the first quarter of 2020.

STRATEGY

The Company is focused on building a stronger store network with more essential products and services that help our customers to live better and our business to grow within all economic environments. The Company is committed to delivering sustainable, superior total returns with a commitment to downside risk management, disciplined allocation of capital, cash flow optimization and dividend growth.

The Company's focus areas for the next three years are set out below:

1. In the short-term, our priority is on better performance from our Giant Tiger stores through improved merchandise assortments, pricing and operating standards while ensuring that these locations have a path to delivering their full potential value over the long-term.
2. Ensure that our work is "Pure Retail", through top store teams, lower costs, and customer driven support across our organization.
3. Prioritize investment in the Company's "Top Markets", our largest and highest sales and profit potential locations, so that sustaining capital is better balanced with new products and services while allocating more selling space to "Top Categories" which offer the highest everyday convenience and service value to our customers.
4. Structure our business so that more authority is closer to the different banners, regions, communities and customers that we serve.
5. Complete the roll-out of next generation merchandise and store systems that help optimize the unique elements of our remote retailing business.
6. Optimize our air cargo capability, with a focus on providing faster, more reliable and lower cost service to our stores and customers in remote markets.
7. Identify other complimentary growth opportunities that leverage our core remote market capabilities and expertise.

Further information on the Company's strategy is provided in the 2018 Annual Report.

OUTLOOK

As noted under the Strategy section, the Company's principal focus continues to be on its store network, products, people and facilities. Successful execution enables the Company to capture sales at a higher rate with lower-risk products and services. Other priority work in 2019 includes fire and hurricane risk mitigation and achieving more value from our discount banners (Cost-U-Less and Giant Tiger).

The consumer outlook is favourable in the Company's more remote markets and aligns with our lower risk product and service focus, augmented by opportunistic investments. Northern Canada's economic outlook continues to be positive in 2019 and over the medium to long-term, with ongoing government investment within Indigenous communities, resource development, and other public sector capital projects. The western Canadian retail environment is important for our Giant Tiger ("GT") business. More discount food selling space will have a modest negative impact on GT but overall, GT is expected to perform better against weaker prior quarters' results and the impact of improvement initiatives.

Economic conditions in Alaska continue to recover from depressed conditions over the past two years led by stronger commercial fishing, oil and gas activity and infrastructure projects. Southern market prospects vary significantly from island to island with overall conditions influenced by the extent of post-hurricane construction activity and tourism growth. The relocation of our International store operations support office from Bellevue, Washington to Anchorage, Alaska and south Florida to locate our executives and store support teams closer to the markets they serve is substantially complete. In addition to the US$2.8 million in expenses incurred for the year-to-date, a further US$0.5 million in expected one-time restructuring costs will impact earnings in the fourth quarter of 2019. The closure of our main store in Barrow is expected to be partially mitigated by the opening of a smaller location in the community but may negatively impact earnings growth in Alaska over the next four quarters.

For the year-to-date in 2019, the Company has recorded after-tax insurance related gains of $11.5 million compared to $15.4 million last year. The settlement of fire insurance claims and the receipt of payments are expected to result in further insurance-related earnings gains however, the amount and timing of these gains is uncertain. These gains will be offset by higher insurance costs in primarily in Canada and the Caribbean of approximately $5.0 million on an annualized basis. Global insurance market conditions are becoming more challenging as insurance companies are limiting their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as the aviation industry. Insurance companies that do provide coverage in these areas require significantly higher insurance premiums and higher self-insured retention levels from companies. These factors are expected to continue to result in higher insurance costs; and, changes in self-insured retention levels may result in greater earnings volatility in the event of future losses. To help mitigate future losses, the Company is completing upgrades on its facilities in the Caribbean to increase resiliency to a category 5 hurricane level as well as undertaking fire prevention audits and upgrading facilities to help reduce the risk of fire related losses in its stores in northern Canada.

Capital expenditures for 2019, net of expected recoveries on the settlement of hurricane and fire insurance claims, are expected to be in the $118.0 million range (2018 - $80.8 million) reflecting major insurance-financed store and warehouse replacements, store acquisitions in Alaska and renovations and investments in staff housing. The Company will also continue to invest in implementing new information systems as described under the strategy section. The implementation of the merchandise management system is expected to be completed in Canada in the fourth quarter of 2019 and the implementation of new point-of sale systems is expected to be completed in Canada and International Operations in 2020. The increase in expected capital expenditures in 2019 compared to the previous forecast is partially due to earlier investment in projects that were planned for 2020.

In 2020, the Company expects that capital expenditures, including investments in aircraft capacity, will be in the $70.0 million range net of expected recoveries on the settlement of fire insurance claims. The timing and amount of store-based capital expenditures can be impacted by the completion of landlord negotiations, shipment of construction materials to remote markets, and weather-related delays and therefore their actual amount and timing can fluctuate.

Fourth Quarter 2019 Financial Results

As is common practice, the Company will no longer be issuing a separate report on its fourth quarter financial results. A summary of the fourth quarter financial results will be included in the Company's 2019 Annual Report which is expected to be available on April 8, 2020.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter(1)	
	92 days	92 days	89 days	89 days	89 days	89 days	92 days	92 days
	IFRS 16	IFRS 16	IFRS 16	IFRS 16	IFRS 16	IFRS 16	IAS 17	IAS 17
($ in millions)	2019	2018	2019	2018	2019	2018	2018	2017
Sales	**$ 519.5**	$ 511.5	$ 527.3	$ 503.8	$ 494.5	$ 465.7	$ 532.5	$ 497.2
EBITDA[2]	**59.3**	77.6	51.6	49.6	58.2	46.5	36.9	46.6
Earnings from operations	**37.0**	56.5	29.6	29.4	37.0	26.9	21.6	32.2
Net earnings	**24.8**	39.5	17.9	18.6	26.2	18.5	13.9	16.3
Net earnings attributable to shareholders of the Company	**24.1**	38.3	17.2	17.7	25.1	17.7	13.0	15.4
Net earnings per share:								
Basic	**0.49**	0.78	0.35	0.37	0.52	0.36	0.27	0.32
Diluted	**0.49**	0.78	0.35	0.36	0.51	0.36	0.27	0.31
Adjusted EBITDA[2]	**58.8**	57.4	53.6	56.3	45.1	45.7	42.3	44.5
Adjusted net earnings[2]	**24.3**	23.7	20.7	23.8	15.1	17.5	19.3	19.9

(1) The Company has adopted IFRS 16 *Leases* (IFRS 16) effective February 1, 2019 using the full retrospective approach and restated 2018 in its interim condensed consolidated financial statements. To assist with the comparability of results in 2017, the fourth quarter of 2018 in the table above has not been restated to conform with IFRS 16. See the Accounting Standards Implemented in 2019 section of this Management's Discussion and Analysis for further information.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis.

Restated Selected Financial Information - 2018

The following table compares quarterly results for 2018 previously reported in accordance with IAS 17 Leases with the restated amounts under IFRS 16:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2018	**2018**	2018	**2018**	2018	**2018**	2018	**2018**
($ in millions)	As reported	**As restated**	As reported	**As restated**	As reported	**As restated**	As reported	**As restated**
Sales	$ 465.7	**$ 465.7**	$ 503.8	**$ 503.8**	$ 511.5	**$ 511.5**	$ 532.5	**$ 532.5**
EBITDA[2]	39.5	**46.5**	42.4	**49.6**	70.5	**77.6**	36.9	**44.1**
Earnings from operations	25.6	**26.9**	27.8	**29.4**	54.9	**56.5**	21.6	**23.1**
Net earnings	18.6	**18.5**	18.6	**18.6**	39.5	**39.5**	13.9	**13.9**
Net earnings attributable to shareholders of the Company	17.8	**17.7**	17.6	**17.7**	38.3	**38.3**	13.0	**13.0**
Net earnings per share:								
Basic	0.36	**0.36**	0.37	**0.37**	0.78	**0.78**	0.27	**0.27**
Diluted	0.36	**0.36**	0.36	**0.36**	0.78	**0.78**	0.27	**0.27**
Adjusted EBITDA[2]	38.7	**45.7**	49.1	**56.3**	50.3	**57.4**	42.3	**49.5**
Adjusted net earnings[2]	17.6	**17.5**	23.8	**23.8**	23.7	**23.7**	19.3	**19.3**

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis.

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the holiday selling period. Due to the remote location of many of the Company's stores, weather conditions are often more extreme compared to other retailers and can affect sales in any quarter. Net earnings generally follow higher sales but can be dependent on changes in merchandise sales blend, promotional activity in key sales periods, markdowns to reduce excess inventories and other factors which can affect net earnings.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. Management used the Internal Control - Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission as the control framework in designing its internal controls over financial reporting.

There have been no changes in the internal controls over financial reporting during the quarter ended October 31, 2019 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2019

The significant accounting policies are set out in the Company's 2018 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these interim condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances, except for the adoption of IFRS 16 as described below.

New Standards Implemented The Company adopted the amended IFRS 16 *Leases* with a date of initial application of February 1, 2019 using the full retrospective approach. The Company recorded the cumulative effects of initial application in opening retained earnings as at February 1, 2018, the beginning of the comparative period, and restated its results for the three and nine months ended October 31, 2018. The Company has also restated its consolidated balance sheets as at October 31, 2018, January 31, 2019 and February 1, 2018.

This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payment liabilities do not include variable lease payments that are not based on an index or rate.

Prior to the adoption of IFRS 16, substantially all leases were classified as operating leases based on the Company's assessment that a significant portion of the risks and rewards of ownership were retained by the lessor. Lease payments were recorded in selling, operating and administrative expenses in the consolidated statements of earnings.

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for its leases of land, buildings and equipment. The nature and timing of leasing expenses have changed as operating lease expenses were replaced by an amortization charge for right-of-use assets and interest expense on lease liabilities. IFRS 16 also changed the presentation of cash flows relating to leases in the Company's consolidated statements of cash flows, but did not cause a difference in the amount of cash transferred between the lease parties.

In applying IFRS 16, the Company has applied the following practical expedients:

Definition of a lease Previously, the Company determined whether an arrangement is or contains a lease under IAS 17. On transition to IFRS 16, the Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases.

Short term leases The Company has elected to apply the recognition exemptions to certain short-term leases.

Significant accounting policy for leases applicable from February 1, 2018 is as follows:

At contract inception, the Company assesses whether a contract is, or contains a lease and recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or restore the underlying asset, less any lease incentives received.

Subsequent to initial measurement, the Company applies the cost model. Right-of-use assets are subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of their useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Right-of-use assets may also be reduced by impairment losses and adjusted for remeasurements of the lease liability, as applicable.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date using the interest rate implicit in the lease or the Company's incremental borrowing rate. Lease payments are comprised of fixed payments including in-substance fixed payments, variable lease payments based on an index or rate, amounts expected to be payable under residual value guarantees and the exercise price under a purchase option that the Company is reasonably certain to exercise and certain early termination costs. The period over which the lease payments are discounted is the reasonably certain lease term, which may include lease renewal options. Generally, the Company uses its incremental borrowing rate as the discount rate.

Each lease payment is apportioned between the repayment of the lease liability and a finance cost. The finance cost is recognized in interest expense in the consolidated statements of earnings using the effective rate interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in lease term, a change in the assessment of an option to purchase the right-of-use asset or a change in an expected residual value guarantee.

The Company has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets. Variable lease payments that do not depend on an index or rate are also expensed as incurred. The Company recognizes these lease payments as an expense on a straight-line basis in selling, operating and administrative expenses in the consolidated statements of earnings.

Impacts on consolidated financial statements The following tables summarize the impacts of adopting IFRS 16 on the Company's consolidated financial statements.

Consolidated Statement of Earnings - Three months ended October 31, 2018

(unaudited, $ in thousands)		Three Months Ended October 31, 2018 (Previously Reported)		Impact: Adoption of IFRS 16			**Three Months Ended October 31, 2018 (Restated)**
SALES	$	511,477	$	—		**$**	**511,477**
Cost of sales		(347,519)		—			**(347,519)**
Gross profit		163,958		—			**163,958**
Selling, operating and administrative expenses		(109,055)		1,586	(1)		**(107,469)**
Earnings from operations		54,903		1,586			**56,489**
Interest expense		(3,757)		(1,422)	(2)		**(5,179)**
Earnings before income taxes		51,146		164			**51,310**
Income taxes		(11,618)		(184)	(3)		**(11,802)**
NET EARNINGS FOR THE YEAR	$	39,528	$	(20)		**$**	**39,508**
NET EARNINGS ATTRIBUTABLE TO:							
The North West Company Inc.	$	38,340	$	(20)		**$**	**38,320**
Non-controlling interests		1,188		—			**1,188**
TOTAL NET EARNINGS	$	39,528	$	(20)		**$**	**39,508**
NET EARNINGS PER SHARE							
Basic	$	0.78	$	—		**$**	**0.78**
Diluted	$	0.78	$	—		**$**	**0.78**

(1) Additional amortization on right-of-use assets less previously recorded operating lease rental expense
(2) Interest expense on lease liabilities
(3) Impact of adjustments to deferred tax assets and liabilities

Consolidated Statement of Earnings - Nine months ended October 31, 2018

(unaudited, $ in thousands)	Nine Months Ended October 31, 2018 (Previously Reported)	Impact: Adoption of IFRS 16		**Nine Months Ended October 31, 2018 (Restated)**
SALES	$ 1,481,003	$ —		**$ 1,481,003**
Cost of sales	(1,005,781)	—		**(1,005,781)**
Gross profit	475,222	—		**475,222**
Selling, operating and administrative expenses	(366,903)	4,436	(1)	**(362,467)**
Earnings from operations	108,319	4,436		**112,755**
Interest expense	(10,075)	(4,237)	(2)	**(14,312)**
Earnings before income taxes	98,244	199		**98,443**
Income taxes	(21,515)	(270)	(3)	**(21,785)**
NET EARNINGS FOR THE YEAR	$ 76,729	$ (71)		**$ 76,658**
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	$ 73,742	$ (71)		**$ 73,671**
Non-controlling interests	2,987	—		**2,987**
TOTAL NET EARNINGS	$ 76,729	(71)		**$ 76,658**
NET EARNINGS PER SHARE				
Basic	$ 1.51	$ —		**$ 1.51**
Diluted	$ 1.50	$ —		**$ 1.50**

(1) Additional amortization on right-of-use assets less previously recorded operating lease rental expense
(2) Interest expense on lease liabilities
(3) Impact of adjustments to deferred tax assets and liabilities

Condensed Consolidated Balance Sheet - October 31, 2018

(unaudited, $ in thousands)		October 31, 2018 (Previously Reported)		Impact: Adoption of IFRS 16			**October 31, 2018 (Restated)**
CURRENT ASSETS	$	430,502	$	(408)	(1)	**$**	**430,094**
NON-CURRENT ASSETS							
Property and equipment		501,824		123,604	(2)		**625,428**
Goodwill		45,473		—			**45,473**
Intangible assets		38,067		—			**38,067**
Deferred tax assets		31,393		1,854	(3)		**33,247**
Other assets		14,278		(2,178)	(1)		**12,100**
		631,035		123,280			**754,315**
TOTAL ASSETS	$	1,061,537	$	122,872		**$**	**1,184,409**
CURRENT LIABILITIES	$	183,757	$	20,783	(4)	**$**	**204,540**
NON-CURRENT LIABILTIES							
Long-term debt		394,779		113,447	(4)		**508,226**
Defined benefit plan obligation		35,524		—			**35,524**
Deferred tax liabilities		5,397		(632)	(3)		**4,765**
Other long-term liabilities		22,890		(572)	(5)		**22,318**
		458,590		112,243			**570,833**
TOTAL LIABILITIES		642,347		133,026			**775,373**
SHAREHOLDERS' EQUITY							
Share capital		172,855		—			**172,855**
Contributed surplus		3,327		—			**3,327**
Retained earnings		208,844		(9,885)	(6)		**198,959**
Accumulated other comprehensive income		19,565		(269)			**19,296**
Equity attributable to The North West Company Inc.		404,591		(10,154)			**394,437**
Non-controlling interests		14,599		—			**14,599**
TOTAL EQUITY		419,190		(10,154)			**409,036**
TOTAL LIABILITIES & EQUITY	$	1,061,537	$	122,872		**$**	**1,184,409**

(1) Prepaid rent removed and incorporated into lease liability calculation
(2) Capitalization of right-of-use assets less both tenant inducements and step-lease accruals which have been incorporated into right-of-use asset and lease liability calculation
(3) Deferred tax impact of transition adjustments
(4) Recognition of lease liabilities less tenant inducements
(5) Removal of tenant inducements and step-lease accruals incorporated into right-of-use asset and lease liability calculation
(6) Cumulative after tax impact of differences described above on retained earnings

Condensed Consolidated Balance Sheet - January 31, 2019

(unaudited, $ in thousands)		January 31, 2019 (Previously Reported)		Impact: Adoption of IFRS 16			**January 31, 2019 (Restated)**
CURRENT ASSETS	$	376,829	$	(532)	(1)	**$**	**376,297**
NON-CURRENT ASSETS							
Property and equipment		514,946		125,339	(2)		**640,285**
Goodwill		45,203		—			**45,203**
Intangible assets		39,199		—			**39,199**
Deferred tax assets		32,909		1,796	(3)		**34,705**
Other assets		13,835		(2,118)	(1)		**11,717**
		646,092		125,017			**771,109**
TOTAL ASSETS	$	1,022,921	$	124,485		**$**	**1,147,406**
CURRENT LIABILITIES	$	176,881	$	20,057	(4)	**$**	**196,938**
NON-CURRENT LIABILTIES							
Long-term debt		365,857		115,657	(4)		**481,514**
Defined benefit plan obligation		28,969		—			**28,969**
Deferred tax liabilities		9,007		(612)	(3)		**8,395**
Other long-term liabilities		21,103		(529)	(5)		**20,574**
		424,936		114,516			**539,452**
TOTAL LIABILITIES		601,817		134,573			**736,390**
SHAREHOLDERS' EQUITY							
Share capital		173,681		—			**173,681**
Contributed surplus		3,530		—			**3,530**
Retained earnings		211,191		(9,823)	(6)		**201,368**
Accumulated other comprehensive income		20,132		(265)			**19,867**
Equity attributable to The North West Company Inc.		408,534		(10,088)			**398,446**
Non-controlling interests		12,570		—			**12,570**
TOTAL EQUITY		421,104		(10,088)			**411,016**
TOTAL LIABILITIES & EQUITY	$	1,022,921	$	124,485		**$**	**1,147,406**

(1) Prepaid rent removed and incorporated into lease liability calculation
(2) Capitalization of right-of-use assets less both tenant inducements and step-lease accruals which have been incorporated into right-of-use asset and lease liability calculation
(3) Deferred tax impact of transition adjustments
(4) Recognition of lease liabilities less tenant inducements
(5) Removal of tenant inducements and step-lease accruals incorporated into right-of-use asset and lease liability calculation
(6) Cumulative after tax impact of differences described above on retained earnings

Condensed Consolidated Balance Sheet - February 1, 2018

(unaudited, $ in thousands)		January 31, 2018 (Previously Reported)		Impact: Adoption of IFRS 16			**February 1, 2018 (Restated)**
CURRENT ASSETS	$	335,003	$	(23)	(1)	**$**	**334,980**
NON-CURRENT ASSETS							
Property and equipment		469,993		115,844	(2)		**585,837**
Goodwill		41,231		—			**41,231**
Intangible assets		37,628		—			**37,628**
Deferred tax assets		34,450		2,145	(3)		**36,595**
Other assets		12,643		(1,845)	(1)		**10,798**
		595,945		116,144			**712,089**
TOTAL ASSETS	$	930,948	$	116,121		**$**	**1,047,069**
CURRENT LIABILITIES	$	171,212	$	21,702	(4)	**$**	**192,914**
NON-CURRENT LIABILTIES							
Long-term debt		313,549		105,541	(4)		**419,090**
Defined benefit plan obligation		34,095		—			**34,095**
Deferred tax liabilities		6,468		(607)	(3)		**5,861**
Other long-term liabilities		23,468		(701)	(5)		**22,767**
		377,580		104,233			**481,813**
TOTAL LIABILITIES		548,792		125,935			**674,727**
SHAREHOLDERS' EQUITY							
Share capital		172,619		—			**172,619**
Contributed surplus		2,570		—			**2,570**
Retained earnings		181,844		(9,814)	(6)		**172,030**
Accumulated other comprehensive income		12,918		—			**12,918**
Equity attributable to The North West Company Inc.		369,951		(9,814)			**360,137**
Non-controlling interest		12,205		—			**12,205**
TOTAL EQUITY		382,156		(9,814)			**372,342**
TOTAL LIABILITIES & EQUITY	$	930,948	$	116,121		**$**	**1,047,069**

(1) Prepaid rent removed and incorporated into lease liability calculation
(2) Capitalization of right-of-use assets less both tenant inducements and step-lease accruals which have been incorporated into right-of-use asset and lease liability calculation
(3) Deferred tax impact of transition adjustments
(4) Recognition of lease liabilities less tenant inducements
(5) Removal of tenant inducements and step-lease accruals incorporated into right-of-use asset and lease liability calculation
(6) Cumulative after tax impact of differences described above on retained earnings

Condensed Consolidated Statements of Cash Flow - Three months ended October 31, 2018

(unaudited, $ in thousands)		Three Months Ended October 31, 2018 (Previously Reported)		Impact: Adoption of IFRS 16			**Three Months Ended October 31, 2018 (Restated)**
CASH PROVIDED BY (USED IN)							
Operating activities							
Net earnings for the period	$	39,528	$	(20)	(1)	**$**	**39,508**
Adjustments for:							
Amortization		15,558		5,566	(2)		**21,124**
Provision for income taxes		11,618		184			**11,802**
Interest expense		3,757		1,422	(3)		**5,179**
Equity settled share option expense		(94)		—			**(94)**
Gain on partial insurance settlement (Note 16)		(16,955)		—			**(16,955)**
Taxes paid		(3,401)		—			**(3,401)**
Loss on disposal of property and equipment		712		13	(4)		**725**
		50,723		7,165			**57,888**
Change in non-cash working capital		(30,824)		(63)			**(30,887)**
Change in other non-cash items		(1,072)		—			**(1,072)**
Cash from operating activities		18,827		7,102			**25,929**
Investing activities							
Cash used in investing activities		(26,523)		—			**(26,523)**
Financing activities							
Net increase in long-term debt		27,017		—			**27,017**
Payment of lease liabilities, principal		—		(5,680)	(5)		**(5,680)**
Payment of lease liabilities, interest		—		(1,422)	(6)		**(1,422)**
Dividends		(15,580)		—			**(15,580)**
Dividends to non-controlling interests		—		—			**—**
Interest paid		(2,575)		—			**(2,575)**
Cash from (used in) financing activities		8,862		(7,102)			**1,760**
Effect of foreign exchange rates on cash		202		—			**202**
NET CHANGE IN CASH		1,368		—			**1,368**
Cash, beginning of period		54,578		—			**54,578**
CASH, END OF PERIOD	$	55,946	$	—		**$**	**55,946**

(1) See Consolidated Statements of Earnings - October 31, 2018 for a description of IFRS 16 adjustments that impact net earnings for period
(2) Amortization of right-of-use assets
(3) Interest expense on lease liabilities
(4) Loss on leases terminated in period
(5) Payment of lease liabilities
(6) Interest paid on lease liabilities

Condensed Consolidated Statements of Cash Flow - Nine months ended October 31, 2018

(unaudited, $ in thousands)	Nine Months Ended October 31, 2018 (Previously Reported)	Impact: Adoption of IFRS 16		**Nine Months Ended October 31, 2018 (Restated)**
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	$ 76,729	$ (71)	(1)	**$ 76,658**
Adjustments for:				
Amortization	44,112	16,865	(2)	**60,977**
Provision for income taxes	21,515	270		**21,785**
Interest expense	10,075	4,237	(3)	**14,312**
Equity settled share option expense	993	—		**993**
Gain on partial insurance settlement (Note 16)	(16,955)	—		**(16,955)**
Taxes paid	(17,450)	—		**(17,450)**
Loss on disposal of property and equipment	1,675	(90)	(4)	**1,585**
	120,694	21,211		**141,905**
Change in non-cash working capital	(40,219)	36		**(40,183)**
Change in other non-cash items	(1,026)	—		**(1,026)**
Cash from operating activities	79,449	21,247		**100,696**
Investing activities				
Cash used in investing activities	(67,456)	—		**(67,456)**
Financing activities				
Net increase in long-term debt	73,047	—		**73,047**
Payment of lease liabilities, principal	—	(17,010)	(5)	**(17,010)**
Payment of lease liabilities, interest	—	(4,237)	(6)	**(4,237)**
Dividends	(46,742)	—		**(46,742)**
Dividends to non-controlling interests	(193)	—		**(193)**
Interest paid	(8,288)	—		**(8,288)**
Cash from (used in) financing activities	17,824	(21,247)		**(3,423)**
Effect of foreign exchange rates on cash	969	—		**969**
NET CHANGE IN CASH	30,786	—		**30,786**
Cash, beginning of period	25,160	—		**25,160**
CASH, END OF PERIOD	$ 55,946	$ —		**$ 55,946**

(1) See Consolidated Statements of Earnings - October 31, 2018 for a description of IFRS 16 adjustments that impact net earnings for period
(2) Amortization of right-of-use assets
(3) Interest expense on lease liabilities
(4) Loss on leases terminated in period
(5) Payment of lease liabilities
(6) Interest paid on lease liabilities

New Standards Implemented (continued) Effective February 1, 2019, the Company adopted IFRIC *Interpretation 23* and also adopted amendments to the following standards: IFRS 3 *Business Combinations;* IAS 12 *Income Taxes;* IAS 23 *Borrowing Costs; and* IAS 19 *Employee Benefits* as required by the IASB. A summary of these changes is as follows:

- IFRIC *Interpretation 23* provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments;
- IFRS 3 *Business Combinations* clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* specifies that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits (i.e. in net earnings, other comprehensive income or equity);
- IAS 23 *Borrowing Costs* clarifies that specific borrowings to finance the construction of a qualifying asset should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed; and
- IAS 19 *Employee Benefits* amendments require a company to update its assumptions for the remainder of the reporting period after a plan change. Amendments have also been included clarifying the effect of a plan amendment on the asset ceiling.

The adoption of these amendments did not have a material impact on the Company.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2020, and have not been applied in preparing the Company's Interim Condensed Consolidated Financial Statements.

Definition of Material In May 2017, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments clarified the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make. The amendments are effective for the Company on February 1, 2020 and are required to be applied prospectively. The implementation of these amendments is not expected to have a significant impact on the Company.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

NON-GAAP MEASURES

The Company uses the following non-GAAP financial measures: earnings before interest, income taxes, depreciation and amortization (EBITDA), adjusted EBITDA and adjusted net earnings. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and may not be comparable to measures used by other companies.

Adjusted EBITDA and Adjusted Net Earnings Adjusted EBITDA and adjusted net earnings are not recognized measures under IFRS. Management uses these non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS. The excluded amounts are either subject to volatility in the Company's share price or may not necessarily be reflective of the Company's underlying operating performance. These factors can make comparisons of the Company's financial performance between periods more difficult. The Company may exclude additional items if it believes that doing so will result in a more effective analysis and explanation of the underlying financial performance. The exclusion of these items does not imply that they are non-recurring.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to the other financial measures determined in accordance with IFRS.

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA:

	Third Quarter		Year-to-Date	
($ in thousands)	**2019**	2018[1]	**2019**	2018[1]
Net earnings	**$ 24,838**	$ 39,508	**$ 69,010**	$ 76,658
Add: Amortization	**22,289**	21,124	**65,523**	60,977
Interest expense	**5,134**	5,179	**15,316**	14,312
Income taxes	**7,018**	11,802	**19,293**	21,785
EBITDA	**$ 59,279**	$ 77,613	**$ 169,142**	$ 173,732
Less: Insurance gains [2]	**—**	(20,053)	**(14,965)**	(20,053)
Share-based compensation expense/(recovery)[3]	**(450)**	(143)	**3,360**	5,791
Adjusted EBITDA	**$ 58,829**	$ 57,417	**$ 151,810**	$ 159,470

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in the Accounting Standard Changes Implemented in 2019 section.
(2) The Company's 2018 insurance gains have been updated to include a $3.1 million gain in Canadian Operations. This amount had previously been excluded from adjusted EBITDA because it was comparable to an insurance gain recorded in the third quarter of 2017.
(3) Share-based compensation expense/(recovery) includes all share-based compensation as indicated in Note 10 and Note 13 to the Company's Interim Condensed Consolidated Financial Statements. In prior quarters, the adjustment for share-based compensation only included stock options. This change has been made on a comparative basis.

For EBITDA information by business segment, see Note 4 to the Company's Interim Condensed Consolidated Financial Statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

	Third Quarter		Year-to-Date	
($ in thousands)	**2019**	2018[1]	**2019**	2018[1]
Net earnings	**$ 24,838**	$ 39,508	**$ 69,010**	$ 76,658
Less: Insurance gains, net of tax [2]	**—**	(15,439)	**(11,547)**	(15,439)
Add: Share-based compensation expense/(recovery), net of tax[3]	**(502)**	(364)	**2,688**	3,773
Adjusted net earnings	**$ 24,336**	$ 23,705	**$ 60,151**	$ 64,992

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in the Accounting Standard Changes Implemented in 2019 section.
(2) The Company's 2018 insurance gains, net of tax have been updated to include a $2.3 million gain in its Canadian Operations. This amount had previously been excluded from adjusted net earnings because it was comparable to an insurance gain recorded in the third quarter of 2017.
(3) Share-based compensation expense/(recovery) includes the after-tax impact of all share-based compensation as indicated in Note 10 and Note 13 to the Company's Interim Condensed Consolidated Financial Statements. In prior quarters, the adjustment for share-based compensation only included stock options. This change has been made on a comparative basis.

The Company recorded gains on fire and hurricane Irma related insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value for both fire and hurricane claims, and also for the recovery of business interruption losses on hurricane claims.

Certain share-based compensation costs are presented as liabilities on the Company's consolidated balance sheets. The Company is exposed to market price fluctuations in its share price through these share-based compensation costs. These liabilities are recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses. Further information on share-based compensation is provided in Note 10 and Note 13 to the Company's Interim Condensed Consolidated Financial Statements.

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Company's Interim Condensed Consolidated Financial Statements and notes to the Interim Condensed Consolidated Financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to December 11, 2019.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, and possible future action by the Company. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in accounting policies and methods used to report financial condition, including uncertainties associated with critical accounting assumptions and estimates, the effect of applying future accounting changes, business competition, technological change, changes in government regulations and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Company's ability to complete capital projects, strategic transactions and integrate acquisitions, the Company's ability to realize benefits from investments in information technology ("IT") and systems, including IT system implementations or unanticipated results from these initiatives and the Company's success in anticipating and managing the foregoing risks. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other risks are outlined in the Risk Management section of the 2018 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

Additional information on the Company, including our Annual Information Form, can be found on SEDAR at *www.sedar.com* or on the Company's website at *www.northwest.ca*.

Consolidated Balance Sheets

(unaudited, $ in thousands)	October 31, 2019	October 31, 2018[1]	January 31, 2019[1]	February 1, 2018[1]
CURRENT ASSETS				
Cash	**$ 51,995**	$ 55,946	$ 38,448	$ 25,160
Accounts receivable (Note 5)	**89,661**	100,411	90,323	80,765
Inventories (Note 6)	**282,385**	263,148	236,317	222,072
Prepaid expenses	**14,194**	10,589	11,209	6,983
Income tax receivable (Note 12)	**2,128**	—	—	—
	440,363	430,094	376,297	334,980
NON-CURRENT ASSETS				
Property and equipment (Note 3)	**671,534**	625,428	640,285	585,837
Goodwill	**49,388**	45,473	45,203	41,231
Intangible assets	**41,858**	38,067	39,199	37,628
Deferred tax assets	**29,695**	33,247	34,705	36,595
Other assets	**14,006**	12,100	11,717	10,798
	806,481	754,315	771,109	712,089
TOTAL ASSETS	**$ 1,246,844**	$ 1,184,409	$ 1,147,406	$ 1,047,069
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	**$ 183,735**	$ 178,324	$ 173,947	$ 168,683
Current portion of long-term debt (Note 3, 9)	**22,465**	23,307	22,736	23,185
Income tax payable (Note 12)	**—**	2,909	255	1,046
	206,200	204,540	196,938	192,914
NON-CURRENT LIABILITIES				
Long-term debt (Note 3, 9)	**548,052**	508,226	481,514	419,090
Defined benefit plan obligation (Note 18)	**38,679**	35,524	28,969	34,095
Deferred tax liabilities	**8,188**	4,765	8,395	5,861
Other long-term liabilities	**16,832**	22,318	20,574	22,767
	611,751	570,833	539,452	481,813
TOTAL LIABILITIES	**817,951**	775,373	736,390	674,727
SHAREHOLDERS' EQUITY				
Share capital (Note 7)	**173,681**	172,855	173,681	172,619
Contributed surplus	**7,399**	3,327	3,530	2,570
Retained earnings	**212,504**	198,959	201,368	172,030
Accumulated other comprehensive income	**20,077**	19,296	19,867	12,918
Equity attributable to The North West Company Inc.	**413,661**	394,437	398,446	360,137
Non-controlling interests	**15,232**	14,599	12,570	12,205
TOTAL EQUITY	**428,893**	409,036	411,016	372,342
TOTAL LIABILITIES & EQUITY	**$ 1,246,844**	$ 1,184,409	$ 1,147,406	$ 1,047,069

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.
See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended October 31, 2019**	Three Months Ended October 31, 2018[1]	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018[1]
SALES	**$ 519,521**	$ 511,477	**$ 1,541,332**	$ 1,481,003
Cost of sales	**(350,214)**	(347,519)	**(1,046,088)**	(1,005,781)
Gross profit	**169,307**	163,958	**495,244**	475,222
Selling, operating and administrative expenses (Notes 10, 16)	**(132,317)**	(107,469)	**(391,625)**	(362,467)
Earnings from operations	**36,990**	56,489	**103,619**	112,755
Interest expense (Note 11)	**(5,134)**	(5,179)	**(15,316)**	(14,312)
Earnings before income taxes	**31,856**	51,310	**88,303**	98,443
Income taxes (Note 12)	**(7,018)**	(11,802)	**(19,293)**	(21,785)
NET EARNINGS FOR THE PERIOD	**$ 24,838**	$ 39,508	**$ 69,010**	$ 76,658
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	**$ 24,101**	$ 38,320	**$ 66,380**	$ 73,671
Non-controlling interests	**737**	1,188	**2,630**	2,987
TOTAL NET EARNINGS	**$ 24,838**	$ 39,508	**$ 69,010**	$ 76,658
NET EARNINGS PER SHARE				
Basic	**$ 0.49**	$ 0.78	**$ 1.36**	$ 1.51
Diluted	**$ 0.49**	$ 0.78	**$ 1.35**	$ 1.50
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,751**	48,698	**48,751**	48,693
Diluted	**49,413**	49,182	**49,350**	49,167

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.
See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)		**Three Months Ended October 31, 2019**		Three Months Ended October 31, 2018[1]		**Nine Months Ended October 31, 2019**		Nine Months Ended October 31, 2018[1]
NET EARNINGS FOR THE PERIOD	**$**	**24,838**	$	39,508	**$**	**69,010**	$	76,658
Other comprehensive income/(loss), net of tax:								
Items that may be reclassified to net earnings:								
Exchange differences on translation of foreign controlled subsidiaries		**1,828**		624		**242**		6,378
Items that will not be subsequently reclassified to net earnings:								
Remeasurements of defined benefit plans (Note 18)		**—**		—		**(6,982)**		—
Total other comprehensive income/(loss), net of tax		**1,828**		624		**(6,740)**		6,378
COMPREHENSIVE INCOME FOR THE PERIOD	**$**	**26,666**	$	40,132	**$**	**62,270**	$	83,036
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO								
The North West Company Inc.	**$**	**1,809**	$	624	**$**	**(6,772)**	$	6,378
Non-controlling interests		**19**		—		**32**		—
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	**$**	**1,828**	$	624	**$**	**(6,740)**	$	6,378
COMPREHENSIVE INCOME ATTRIBUTABLE TO								
The North West Company Inc.	**$**	**25,910**	$	38,944	**$**	**59,608**	$	80,049
Non-controlling interests		**756**		1,188		**2,662**		2,987
TOTAL COMPREHENSIVE INCOME	**$**	**26,666**	$	40,132	**$**	**62,270**	$	83,036

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.
See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total	Non-Controlling Interests	Total Equity
Balance at January 31, 2019, previously reported	$ 173,681	$ 3,530	$ 211,191	$ 20,132	$ 408,534	$ 12,570	$ 421,104
Impact of change in accounting policy[2]	—	—	(9,823)	(265)	(10,088)	—	(10,088)
Restated balance at January 31, 2019[2]	173,681	3,530	201,368	19,867	398,446	12,570	411,016
Net earnings for the period	—	—	66,380	—	66,380	2,630	69,010
Other comprehensive income/(loss) (Note 18)	—	—	(6,982)	210	(6,772)	32	(6,740)
Comprehensive income/(loss)	—	—	59,398	210	59,608	2,662	62,270
Equity settled share-based payments (Note 13)	—	3,869	—	—	3,869	—	3,869
Dividends (Note 8)	—	—	(48,262)	—	(48,262)	—	(48,262)
	—	3,869	(48,262)	—	(44,393)	—	(44,393)
Balance at October 31, 2019	**$ 173,681**	**$ 7,399**	**$ 212,504**	**$ 20,077**	**$ 413,661**	**$ 15,232**	**$ 428,893**

	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total	Non-Controlling Interests	Total Equity
Balance at January 31, 2018, previously reported	$ 172,619	$ 2,570	$ 181,844	$ 12,918	$ 369,951	$ 12,205	$ 382,156
Impact of change in accounting policy[2]	—	—	(9,814)	—	(9,814)	—	(9,814)
Restated balance at February 1, 2018[2]	172,619	2,570	172,030	12,918	360,137	12,205	372,342
Restated net earnings for the period[2]	—	—	73,671	—	73,671	2,987	76,658
Other comprehensive income	—	—	—	6,378	6,378	—	6,378
Restated comprehensive income[2]	—	—	73,671	6,378	80,049	2,987	83,036
Acquisition of subsidiary with non-controlling interests	—	—	—	—	—	(400)	(400)
Equity settled share-based payments (Note 13)	—	993	—	—	993	—	993
Dividends (Note 8)	—	—	(46,742)	—	(46,742)	(193)	(46,935)
Issuance of shares (Note 7)	236	(236)	—	—	—	—	—
	236	757	(46,742)	—	(45,749)	(593)	(46,342)
Balance at October 31, 2018, as restated[2]	$ 172,855	$ 3,327	$ 198,959	$ 19,296	$ 394,437	$ 14,599	$ 409,036

(1) Accumulated Other Comprehensive Income
(2) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended October 31, 2019**	Three Months Ended October 31, 2018[1]	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018[1]
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 24,838**	$ 39,508	**$ 69,010**	$ 76,658
Adjustments for:				
Amortization	**22,289**	21,124	**65,523**	60,977
Provision for income taxes (Note 12)	**7,018**	11,802	**19,293**	21,785
Interest expense (Note 11)	**5,134**	5,179	**15,316**	14,312
Equity settled share-based compensation (Note 13)	**1,818**	(94)	**3,869**	993
Insurance proceeds, property and equipment	**—**	(16,955)	**(5,514)**	(16,955)
Taxes paid	**(4,596)**	(3,401)	**(14,589)**	(17,450)
Loss on disposal of property and equipment	**72**	725	**389**	1,585
	56,573	57,888	**153,297**	141,905
Change in non-cash working capital	**(27,194)**	(30,887)	**(34,049)**	(40,183)
Change in other non-cash items	**(1,813)**	(1,072)	**(6,451)**	(1,026)
Cash from operating activities	**27,566**	25,929	**112,797**	100,696
Investing activities				
Purchase of property and equipment	**(40,952)**	(26,939)	**(84,742)**	(64,652)
Business acquisitions	**—**	—	**—**	(400)
Intangible asset additions	**(1,320)**	(3,379)	**(5,870)**	(8,385)
Proceeds from disposal of property and equipment	**(32)**	561	**44**	2,747
Insurance proceeds, property and equipment	**—**	3,234	**5,514**	3,234
Cash used in investing activities	**(42,304)**	(26,523)	**(85,054)**	(67,456)
Financing activities				
Net increase in long-term debt (Note 9)	**29,295**	27,017	**65,153**	73,047
Payment of lease liabilities, principal	**(5,187)**	(5,680)	**(15,656)**	(17,010)
Payment of lease liabilities, interest	**(1,395)**	(1,422)	**(4,164)**	(4,237)
Dividends (Note 8)	**(16,087)**	(15,580)	**(48,262)**	(46,742)
Dividends to non-controlling interests (Note 8)	**—**	—	**—**	(193)
Interest paid	**(3,180)**	(2,575)	**(11,272)**	(8,288)
Cash from (used in) financing activities	**3,446**	1,760	**(14,201)**	(3,423)
Effect of foreign exchange rates on cash	**68**	202	**5**	969
NET CHANGE IN CASH	**(11,224)**	1,368	**13,547**	30,786
Cash, beginning of period	**63,219**	54,578	**38,448**	25,160
CASH, END OF PERIOD	**$ 51,995**	$ 55,946	**$ 51,995**	$ 55,946

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.
See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

The North West Company Inc. (NWC or the Company) is a corporation amalgamated under the Canada Business Corporations Act (CBCA) and governed by the laws of Canada. The Company, through its subsidiaries, is a leading retailer of food and everyday products and services. The address of its registered office is 77 Main Street, Winnipeg, Manitoba, Canada.

The Company has two reportable geographical segments, Canada and International. The International segment consists largely of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns.

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on December 11, 2019.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2018 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(B) Basis of Measurement The condensed consolidated financial statements have been prepared on a historical cost basis, except for the following which are measured at fair value, as applicable:

- Liabilities for share-based payment plans (Note 13)
- Defined benefit pension plan
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2018 Annual Audited Consolidated Financial Statements.

(C) Functional and Presentation Currency The presentation currency of the condensed consolidated financial statements is Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise stated, and has been rounded to the nearest thousand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are set out in the Company's 2018 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these interim condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances, except for the adoption of IFRS 16 as described below.

New Standards Implemented The Company adopted the amended IFRS 16 *Leases* with a date of initial application of February 1, 2019 using the full retrospective approach. The Company recorded the cumulative effects of initial application in opening retained earnings as at February 1, 2018, the beginning of the comparative period, and restated its results for the three and nine months ended October 31, 2018. The Company has also restated its consolidated balance sheets as at October 31, 2018, January 31, 2019 and February 1, 2018.

This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. Purchase, renewal and termination options which are reasonably certain of being exercised are also included in the measurement of the lease liability. Lease payment liabilities do not include variable lease payments that are not based on an index or rate.

Prior to the adoption of IFRS 16, substantially all leases were classified as operating leases based on the Company's assessment that a significant portion of the risks and rewards of ownership were retained by the lessor. Lease payments were recorded in selling, operating and administrative expenses in the consolidated statements of earnings.

Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for its leases of land, buildings and equipment. The nature and timing of leasing expenses have changed as operating lease expenses were replaced by an amortization charge for right-of-use assets and interest expense on lease liabilities. IFRS 16 also changed the presentation of cash flows relating to leases in the Company's consolidated statements of cash flows, but did not cause a difference in the amount of cash transferred between the lease parties.

In applying IFRS 16, the Company has applied the following practical expedients:

Definition of a lease Previously, the Company determined whether an arrangement is or contains a lease under IAS 17. On transition to IFRS 16, the Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases.

Short term leases The Company has elected to apply the recognition exemptions to certain short-term leases.

Significant accounting policy for leases applicable from February 1, 2018 is as follows:

At contract inception, the Company assesses whether a contract is, or contains a lease and recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or restore the underlying asset, less any lease incentives received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent to initial measurement, the Company applies the cost model. Right-of-use assets are subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of their useful life or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. Right-of-use assets may also be reduced by impairment losses and adjusted for remeasurements of the lease liability, as applicable.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date using the interest rate implicit in the lease or the Company's incremental borrowing rate. Lease payments are comprised of fixed payments including in-substance fixed payments, variable lease payments based on an index or rate, amounts expected to be payable under residual value guarantees and the exercise price under a purchase option that the Company is reasonably certain to exercise and certain early termination costs. The period over which the lease payments are discounted is the reasonably certain lease term, which may include lease renewal options. Generally, the Company uses its incremental borrowing rate as the discount rate.

Each lease payment is apportioned between the repayment of the lease liability and a finance cost. The finance cost is recognized in interest expense in the consolidated statements of earnings using the effective rate interest method. The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in lease term, a change in the assessment of an option to purchase the right-of-use asset or a change in an expected residual value guarantee.

The Company has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets. Variable lease payments that do not depend on an index or rate are also expensed as incurred. The Company recognizes these lease payments as an expense on a straight-line basis in selling, operating and administrative expenses in the consolidated statements of earnings.

Impacts on consolidated financial statements The following tables summarize the impacts of adopting IFRS 16 on the Company's consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(a) Consolidated Statement of Earnings - Three Months Ended October 31, 2018

(unaudited, $ in thousands)	Three Months Ended October 31, 2018 (Previously Reported)	Impact: Adoption of IFRS 16		**Three Months Ended October 31, 2018 (Restated)**
SALES	$ 511,477	$ —		**$ 511,477**
Cost of sales	(347,519)	—		**(347,519)**
Gross profit	163,958	—		**163,958**
Selling, operating and administrative expenses	(109,055)	1,586	(1)	**(107,469)**
Earnings from operations	54,903	1,586		**56,489**
Interest expense	(3,757)	(1,422)	(2)	**(5,179)**
Earnings before income taxes	51,146	164		**51,310**
Income taxes	(11,618)	(184)	(3)	**(11,802)**
NET EARNINGS FOR THE YEAR	$ 39,528	$ (20)		**$ 39,508**
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	$ 38,340	$ (20)		**$ 38,320**
Non-controlling interests	1,188	—		**1,188**
TOTAL NET EARNINGS	$ 39,528	$ (20)		**$ 39,508**
NET EARNINGS PER SHARE				
Basic	$ 0.78	$ —		**$ 0.78**
Diluted	$ 0.78	$ —		**$ 0.78**

(1) Additional amortization on right-of-use assets less previously recorded operating lease rental expense
(2) Interest expense on lease liabilities
(3) Impact of adjustments to deferred tax assets and liabilities

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(a) Consolidated Statement of Earnings - Nine Months Ended October 31, 2018

(unaudited, $ in thousands)	Nine Months Ended October 31, 2018 (Previously Reported)	Impact: Adoption of IFRS 16		**Nine Months Ended October 31, 2018 (Restated)**
SALES	$ 1,481,003	$ —		**$ 1,481,003**
Cost of sales	(1,005,781)	—		**(1,005,781)**
Gross profit	475,222	—		**475,222**
Selling, operating and administrative expenses	(366,903)	4,436	(1)	**(362,467)**
Earnings from operations	108,319	4,436		**112,755**
Interest expense	(10,075)	(4,237)	(2)	**(14,312)**
Earnings before income taxes	98,244	199		**98,443**
Income taxes	(21,515)	(270)	(3)	**(21,785)**
NET EARNINGS FOR THE YEAR	$ 76,729	$ (71)		**$ 76,658**
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	$ 73,742	$ (71)		**$ 73,671**
Non-controlling interests	2,987	—		**2,987**
TOTAL NET EARNINGS	$ 76,729	$ (71)		**$ 76,658**
NET EARNINGS PER SHARE				
Basic	$ 1.51	$ —		**$ 1.51**
Diluted	$ 1.50	$ —		**$ 1.50**

(1) Additional amortization on right-of-use assets less previously recorded operating lease rental expense
(2) Interest expense on lease liabilities
(3) Impact of adjustments to deferred tax assets and liabilities

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(b) Condensed Consolidated Balance Sheet - October 31, 2018

(unaudited, $ in thousands)		October 31, 2018 (Previously Reported)		Impact: Adoption of IFRS 16			**October 31, 2018 (Restated)**
CURRENT ASSETS	$	430,502	$	(408)	(1)	**$**	**430,094**
NON-CURRENT ASSETS							
Property and equipment		501,824		123,604	(2)		**625,428**
Goodwill		45,473		—			**45,473**
Intangible assets		38,067		—			**38,067**
Deferred tax assets		31,393		1,854	(3)		**33,247**
Other assets		14,278		(2,178)	(1)		**12,100**
		631,035		123,280			**754,315**
TOTAL ASSETS	$	1,061,537	$	122,872		**$**	**1,184,409**
CURRENT LIABILITIES	$	183,757	$	20,783	(4)	**$**	**204,540**
NON-CURRENT LIABILTIES							
Long-term debt		394,779		113,447	(4)		**508,226**
Defined benefit plan obligation		35,524		—			**35,524**
Deferred tax liabilities		5,397		(632)	(3)		**4,765**
Other long-term liabilities		22,890		(572)	(5)		**22,318**
		458,590		112,243			**570,833**
TOTAL LIABILITIES		642,347		133,026			**775,373**
SHAREHOLDERS' EQUITY							
Share capital		172,855		—			**172,855**
Contributed surplus		3,327		—			**3,327**
Retained earnings		208,844		(9,885)	(6)		**198,959**
Accumulated other comprehensive income		19,565		(269)			**19,296**
Equity attributable to The North West Company Inc.		404,591		(10,154)			**394,437**
Non-controlling interests		14,599		—			**14,599**
TOTAL EQUITY		419,190		(10,154)			**409,036**
TOTAL LIABILITIES & EQUITY	$	1,061,537	$	122,872		**$**	**1,184,409**

(1) Prepaid rent removed and incorporated into lease liability calculation
(2) Capitalization of right-of-use assets less both tenant inducements and step-lease accruals which have been incorporated into right-of-use asset and lease liability calculation
(3) Deferred tax impact of transition adjustments
(4) Recognition of lease liabilities less tenant inducements
(5) Removal of tenant inducements and step-lease accruals incorporated into right-of-use asset and lease liability calculation
(6) Cumulative after tax impact of differences described above on retained earnings

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(c) Condensed Consolidated Balance Sheet - January 31, 2019

(unaudited, $ in thousands)	January 31, 2019 (Previously Reported)	Impact: Adoption of IFRS 16		**January 31, 2019 (Restated)**
CURRENT ASSETS	$ 376,829	$ (532)	(1)	**$ 376,297**
NON-CURRENT ASSETS				
Property and equipment	514,946	125,339	(2)	**640,285**
Goodwill	45,203	—		**45,203**
Intangible assets	39,199	—		**39,199**
Deferred tax assets	32,909	1,796	(3)	**34,705**
Other assets	13,835	(2,118)	(1)	**11,717**
	646,092	125,017		**771,109**
TOTAL ASSETS	$ 1,022,921	$ 124,485		**$ 1,147,406**
CURRENT LIABILITIES	$ 176,881	$ 20,057	(4)	**$ 196,938**
NON-CURRENT LIABILTIES				
Long-term debt	365,857	115,657	(4)	**481,514**
Defined benefit plan obligation	28,969	—		**28,969**
Deferred tax liabilities	9,007	(612)	(3)	**8,395**
Other long-term liabilities	21,103	(529)	(5)	**20,574**
	424,936	114,516		**539,452**
TOTAL LIABILITIES	601,817	134,573		**736,390**
SHAREHOLDERS' EQUITY				
Share capital	173,681	—		**173,681**
Contributed surplus	3,530	—		**3,530**
Retained earnings	211,191	(9,823)	(6)	**201,368**
Accumulated other comprehensive income	20,132	(265)		**19,867**
Equity attributable to The North West Company Inc.	408,534	(10,088)		**398,446**
Non-controlling interests	12,570	—		**12,570**
TOTAL EQUITY	421,104	(10,088)		**411,016**
TOTAL LIABILITIES & EQUITY	$ 1,022,921	$ 124,485		**$ 1,147,406**

(1) Prepaid rent removed and incorporated into lease liability calculation
(2) Capitalization of right-of-use assets less both tenant inducements and step-lease accruals which have been incorporated into right-of-use asset and lease liability calculation
(3) Deferred tax impact of transition adjustments
(4) Recognition of lease liabilities less tenant inducements
(5) Removal of tenant inducements and step-lease accruals incorporated into right-of-use asset and lease liability calculation
(6) Cumulative after tax impact of differences described above on retained earnings

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(d) Condensed Consolidated Balance Sheet - February 1, 2018

(unaudited, $ in thousands)		January 31, 2018 (Previously Reported)		Impact: Adoption of IFRS 16			**February 1, 2018 (Restated)**
CURRENT ASSETS	$	335,003	$	(23)	(1)	**$**	**334,980**
NON-CURRENT ASSETS							
Property and equipment		469,993		115,844	(2)		**585,837**
Goodwill		41,231		—			**41,231**
Intangible assets		37,628		—			**37,628**
Deferred tax assets		34,450		2,145	(3)		**36,595**
Other assets		12,643		(1,845)	(1)		**10,798**
		595,945		116,144			**712,089**
TOTAL ASSETS	$	930,948	$	116,121		**$**	**1,047,069**
CURRENT LIABILITIES	$	171,212	$	21,702	(4)	**$**	**192,914**
NON-CURRENT LIABILTIES							
Long-term debt		313,549		105,541	(4)		**419,090**
Defined benefit plan obligation		34,095		—			**34,095**
Deferred tax liabilities		6,468		(607)	(3)		**5,861**
Other long-term liabilities		23,468		(701)	(5)		**22,767**
		377,580		104,233			**481,813**
TOTAL LIABILITIES		548,792		125,935			**674,727**
SHAREHOLDERS' EQUITY							
Share capital		172,619		—			**172,619**
Contributed surplus		2,570		—			**2,570**
Retained earnings		181,844		(9,814)	(6)		**172,030**
Accumulated other comprehensive income		12,918		—			**12,918**
Equity attributable to The North West Company Inc.		369,951		(9,814)			**360,137**
Non-controlling interest		12,205		—			**12,205**
TOTAL EQUITY		382,156		(9,814)			**372,342**
TOTAL LIABILITIES & EQUITY	$	930,948	$	116,121		**$**	**1,047,069**

(1) Prepaid rent removed and incorporated into lease liability calculation
(2) Capitalization of right-of-use assets less both tenant inducements and step-lease accruals which have been incorporated into right-of-use asset and lease liability calculation
(3) Deferred tax impact of transition adjustments
(4) Recognition of lease liabilities less tenant inducements
(5) Removal of tenant inducements and step-lease accruals incorporated into right-of-use asset and lease liability calculation
(6) Cumulative after tax impact of differences described above on retained earnings

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(e) Condensed Consolidated Statement of Cash Flows - Three Months Ended October 31, 2018

(unaudited, $ in thousands)	Three Months Ended October 31, 2018 (Previously Reported)	Impact: Adoption of IFRS 16		**Three Months Ended October 31, 2018 (Restated)**
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	$ 39,528	$ (20)	(1)	**$ 39,508**
Adjustments for:				
Amortization	15,558	5,566	(2)	**21,124**
Provision for income taxes	11,618	184		**11,802**
Interest expense	3,757	1,422	(3)	**5,179**
Equity settled share option expense	(94)	—		**(94)**
Gain on partial insurance settlement (Note 16)	(16,955)	—		**(16,955)**
Taxes paid	(3,401)	—		**(3,401)**
Loss on disposal of property and equipment	712	13	(4)	**725**
	50,723	7,165		**57,888**
Change in non-cash working capital	(30,824)	(63)		**(30,887)**
Change in other non-cash items	(1,072)	—		**(1,072)**
Cash from operating activities	18,827	7,102		**25,929**
Investing activities				
Cash used in investing activities	(26,523)	—		**(26,523)**
Financing activities				
Net increase in long-term debt	27,017	—		**27,017**
Payment of lease liabilities, principal	—	(5,680)	(5)	**(5,680)**
Payment of lease liabilities, interest	—	(1,422)	(6)	**(1,422)**
Dividends	(15,580)	—		**(15,580)**
Dividends to non-controlling interests	—	—		**—**
Interest paid	(2,575)	—		**(2,575)**
Cash from (used in) financing activities	8,862	(7,102)		**1,760**
Effect of foreign exchange rates on cash	202	—		**202**
NET CHANGE IN CASH	1,368	—		**1,368**
Cash, beginning of period	54,578	—		**54,578**
CASH, END OF PERIOD	$ 55,946	$ —		**$ 55,946**

(1) See note 3(a) for a description of IFRS 16 adjustments that impact net earnings for period
(2) Amortization of right-of-use assets
(3) Interest expense on lease liabilities
(4) Loss on leases terminated in period
(5) Payment of lease liabilities
(6) Interest paid on lease liabilities

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3(e) Condensed Consolidated Statement of Cash Flows - Nine Months Ended October 31, 2018

(unaudited, $ in thousands)	Nine Months Ended October 31, 2018 (Previously Reported)	Impact: Adoption of IFRS 16		**Nine Months Ended October 31, 2018 (Restated)**
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	$ 76,729	$ (71)	(1)	**$ 76,658**
Adjustments for:				
Amortization	44,112	16,865	(2)	**60,977**
Provision for income taxes	21,515	270		**21,785**
Interest expense	10,075	4,237	(3)	**14,312**
Equity settled share option expense	993	—		**993**
Gain on partial insurance settlement (Note 16)	(16,955)	—		**(16,955)**
Taxes paid	(17,450)	—		**(17,450)**
Loss on disposal of property and equipment	1,675	(90)	(4)	**1,585**
	120,694	21,211		**141,905**
Change in non-cash working capital	(40,219)	36		**(40,183)**
Change in other non-cash items	(1,026)	—		**(1,026)**
Cash from operating activities	79,449	21,247		**100,696**
Investing activities				
Cash used in investing activities	(67,456)	—		**(67,456)**
Financing activities				
Net increase in long-term debt	73,047	—		**73,047**
Payment of lease liabilities, principal	—	(17,010)	(5)	**(17,010)**
Payment of lease liabilities, interest	—	(4,237)	(6)	**(4,237)**
Dividends	(46,742)	—		**(46,742)**
Dividends to non-controlling interests	(193)	—		**(193)**
Interest paid	(8,288)	—		**(8,288)**
Cash from (used in) financing activities	17,824	(21,247)		**(3,423)**
Effect of foreign exchange rates on cash	969	—		**969**
NET CHANGE IN CASH	30,786	—		**30,786**
Cash, beginning of period	25,160	—		**25,160**
CASH, END OF PERIOD	$ 55,946	$ —		**$ 55,946**

(1) See note 3(a) for a description of IFRS 16 adjustments that impact net earnings for period
(2) Amortization of right-of-use assets
(3) Interest expense on lease liabilities
(4) Loss on leases terminated in period
(5) Payment of lease liabilities
(6) Interest paid on lease liabilities

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Standards Implemented (continued) Effective February 1, 2019, the Company adopted IFRIC *Interpretation 23* and also adopted amendments to the following standards: IFRS 3 *Business Combinations;* IAS 12 *Income Taxes;* IAS 23 *Borrowing Costs; and* IAS 19 *Employee Benefits* as required by the IASB. A summary of these changes is as follows:

- IFRIC *Interpretation 23* provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments;
- IFRS 3 *Business Combinations* clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business;
- IAS 12 *Income Taxes* specifies that all income tax consequences of dividends are recognized consistently with the transactions that generated the distributable profits (i.e. in net earnings, other comprehensive income or equity);
- IAS 23 *Borrowing Costs* clarifies that specific borrowings to finance the construction of a qualifying asset should be transferred to the general borrowings pool once the construction of the qualifying asset has been completed; and
- IAS 19 *Employee Benefits* amendments require a company to update its assumptions for the remainder of the reporting period after a plan change. Amendments have also been included clarifying the effect of a plan amendment on the asset ceiling.

The adoption of these amendments did not have a material impact on the Company.

Future Standards and Amendments The following new standards, and amendments to standards and interpretations, are not yet effective for the year ending January 31, 2020, and have not been applied in preparing these condensed consolidated financial statements.

Definition of Material In May 2017, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These amendments clarified the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make. The amendments are effective for the Company on February 1, 2020 and are required to be applied prospectively. The implementation of these amendments is not expected to have a significant impact on the Company.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Use of Estimates The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements and notes.

These estimates and assumptions are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Certain of these estimates require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the condensed consolidated financial statements and notes. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have the most significant effect on the amounts recognized in the condensed consolidated financial statements include: allowance for doubtful accounts, inventories, amortization of property and equipment, determination of lease term, estimate of incremental borrowing rate of each leased asset, impairment of long-lived assets, goodwill and indefinite life intangible asset impairment, income taxes, and defined benefit plan obligations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

The Company is a retailer of food and everyday products and services in two geographical segments, Canada and International. The Canadian segment consists of subsidiaries operating retail stores and complimentary businesses to serve northern and western Canada. The International segment consists largely of subsidiaries operating in the continental United States, Caribbean and South Pacific. Financial information for these business segments is regularly reviewed by the Company's President and Chief Executive Officer to assess performance and make decisions about the allocation of resources.

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018
Sales				
Canada				
Food	**$ 213,859**	$ 211,124	**$ 630,464**	$ 620,545
General merchandise and other	**100,683**	102,321	**307,874**	301,240
Canada	**$ 314,542**	$ 313,445	**$ 938,338**	$ 921,785
International				
Food	**$ 181,390**	$ 173,342	**$ 537,706**	$ 496,816
General merchandise and other	**23,589**	24,690	**65,288**	62,402
International	**$ 204,979**	$ 198,032	**$ 602,994**	$ 559,218
Consolidated	**$ 519,521**	$ 511,477	**$ 1,541,332**	$ 1,481,003
Earnings before amortization, interest and income taxes(1)				
Canada	**$ 41,158**	$ 39,865	**$ 105,958**	$ 101,560
International	**18,121**	37,748	**63,184**	72,172
Consolidated	**$ 59,279**	$ 77,613	**$ 169,142**	$ 173,732
Earnings from operations(1)				
Canada	**$ 25,430**	$ 24,884	**$ 59,734**	$ 58,964
International	**11,560**	31,605	**43,885**	53,791
Consolidated	**$ 36,990**	$ 56,489	**$ 103,619**	$ 112,755

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.

4. SEGMENTED INFORMATION (continued)

Supplemental information

	October 31, 2019	October 31, 2018[(2)]	January 31, 2019[(2)]
Assets			
Canada [(1)]	**$ 802,305**	$ 761,896	$ 756,699
International [(1)]	**444,539**	422,513	390,707
Consolidated	**$ 1,246,844**	$ 1,184,409	$ 1,147,406

(1) Canadian total assets includes goodwill of $11,025 (October 31, 2018 –$8,630; January 31, 2019 – $8,357); International total assets includes goodwill of $38,363 (October 31, 2018 – $36,843; January 31, 2019 – $36,846).
(2) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.

	Three Months Ended October 31, 2019		Three Months Ended October 31, 2018		**Nine Months Ended October 31, 2019**		Nine Months Ended October 31, 2018	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 23,808**	**$ 17,144**	$ 17,350	$ 9,589	**$ 53,708**	**$ 31,034**	$ 48,782	$ 15,870
Amortization[(1)]	**$ 15,728**	**$ 6,561**	$ 14,981	$ 6,143	**$ 46,224**	**$ 19,299**	$ 42,596	$ 18,381

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.

5. ACCOUNTS RECEIVABLE

	October 31, 2019	October 31, 2018	January 31, 2019
Trade accounts receivable	**$ 77,647**	$ 83,706	$ 85,872
Corporate and other accounts receivable	**26,912**	34,138	22,412
Less: allowance for doubtful accounts	**(14,898)**	(17,433)	(17,961)
Total	**$ 89,661**	$ 100,411	$ 90,323

The carrying values of accounts receivable are a reasonable approximation of their fair values. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Corporate and other accounts receivable have a lower risk profile relative to trade accounts receivable because they are largely due from government or corporate entities.

6. INVENTORIES

Included in cost of sales for the three months ended October 31, 2019, the Company recorded $295 (three months ended October 31, 2018 – $377) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the nine months ended October 31, 2019 the Company recorded $855 (nine months ended October 31, 2018 - $1,224) for the write-down of period end inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the nine months ended October 31, 2019 or 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. SHARE CAPITAL

Authorized – The Company has an unlimited number of Common Voting Shares and Variable Voting Shares.

October 31, 2019	**Shares**	**Consideration**
Balance at January 31, 2019	**48,750,929**	**$ 173,681**
Issued under option plans (Note 13)	—	—
Balance at October 31, 2019	**48,750,929**	**$ 173,681**

October 31, 2018		
Balance at January 31, 2018	48,690,212	$ 172,619
Issued under option plans (Note 13)	7,777	236
Balance at October 31, 2018	48,697,989	$ 172,855

The Company's share capital is comprised of Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights as shareholders except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 49% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 49% of the total number of votes cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 49% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Common Voting Shares of the Company. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given Shareholders' meeting, carry more than 49% of the total number of votes cast at the meeting.

Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the Canada Transportation Act). An issued and outstanding Variable Voting Share is converted into one Common Voting Share automatically and without any further act of the Company or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the Canada Transportation Act ("CTA").

Effective June 12, 2019, the Company amended the rights of its shares to align them with the CTA, as amended by the provisions of the Transportation Modernization Act (Canada). The purpose of these amendments is to increase the permitted level of foreign ownership allowed in respect of Canadian air service provided from 25% to 49%, subject to certain restrictions.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018
Dividends recorded in equity and paid in cash	**$ 48,262**	$ 46,935
Less: Dividends paid to non-controlling interests	**—**	(193)
Shareholder dividends	**$ 48,262**	$ 46,742
Dividends per share	**$ 0.99**	$ 0.96

The payment of dividends on the Company's shares is subject to the approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the period in which they are approved by the Board of Directors.

9. LONG-TERM DEBT

	October 31, 2019	October 31, 2018	January 31, 2019
Current:			
Revolving loan facilities (1)	**$ 3,775**	$ —	$ —
Promissory Note Payable(8)	**$ 900**	$ 900	$ 900
Lease liabilities(9)	**17,790**	22,407	21,836
	$ 22,465	$ 23,307	$ 22,736
Non-current:			
Revolving loan facility (1)	**$ —**	$ 7,214	$ —
Revolving loan facilities (2)	**36,770**	36,865	36,700
Revolving loan facilities (3)	**195,920**	155,933	134,791
Revolving loan facility (4)	**—**	—	—
Revolving loan facility (5)	**—**	—	—
Senior notes (6)	**91,885**	92,067	91,666
Senior notes (7)	**100,000**	100,000	100,000
Promissory Notes Payable(8)	**3,116**	2,700	2,700
Lease liabilities(9)	**120,361**	113,447	115,657
	$ 548,052	$ 508,226	$ 481,514
Total	**$ 570,517**	$ 531,533	$ 504,250

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$40,000 for working capital requirements and general business purposes. This facility matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. As at October 31, 2019, the International Operations had drawn US$2,868 (October 31, 2018 - US$5,492; January 31, 2019 – US$NIL).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

(2) The US$52,000 loan facilities mature September 26, 2022 and bear interest at U.S. LIBOR plus a spread. These loan facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes, the $100,000 senior notes and the $300,000 Canadian Operations loan facilities. At October 31, 2019, the Company had drawn US$27,936 (October 31, 2018 – US$27,936; January 31, 2019 – US$27,936) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $300,000 for working capital and general business purposes. These facilities mature September 26, 2022, are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes, the $100,000 senior notes and the US$52,000 loan facilities. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The revolving U.S. loan facility provides the International Operations with up to US$1,500 for Roadtown Wholesale Trading Ltd.'s (RTW) working capital requirements and general business purposes. This facility bears a floating rate of interest based on a U.S. dollar base rate plus a spread and is secured by certain assets of RTW.

(5) Canadian Operations have a $2,375 revolving loan facility to meet North Star Air Ltd.'s (NSA) working capital requirements and for general business purposes. This facility bears a floating rate of interest and is secured by the assets of NSA.

(6) The US$70,000 senior notes mature June 16, 2021, have a fixed interest rate of 3.27% on US$55,000 and a floating interest rate on US$15,000 based on U.S. LIBOR plus a spread. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the $100,000 senior notes and the US$52,000 loan facilities.

(7) The $100,000 senior notes mature September 26, 2029, have a fixed interest rate of 3.74%, are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the US$70,000 senior notes and the US$52,000 loan facilities.

(8) Promissory Notes Payable are non-interest bearing, have annual principal payments of $900 and are secured by certain assets of the Company.

(9) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3. The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At October 31, 2019, lease liabilities reflect a weighted-average risk-free rate of 3.9% (October 31, 2018 – 4.1%) and weighted-average remaining lease term of 9.8 years (October 31, 2018 – 10.1 years).

10. EMPLOYEE COSTS

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018
Wages, salaries and benefits including bonus	**$ 76,564**	$ 73,481	**$ 227,895**	$ 213,504
Post employment benefits	**2,169**	2,039	**6,594**	6,455
Share-based compensation (Note 13)	**(450)**	(143)	**3,360**	5,791

11. INTEREST EXPENSE

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018[1]	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018[1]
Interest on long-term debt	**$ 3,524**	$ 3,498	**$ 10,515**	$ 9,529
Interest on lease liabilities	**1,395**	1,422	**4,164**	4,237
Net interest on defined benefit plan obligation	**257**	291	**770**	873
Less: interest capitalized	**(42)**	(32)	**(133)**	(327)
Interest expense	**$ 5,134**	$ 5,179	**$ 15,316**	$ 14,312

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.

12. INCOME TAXES

The estimated effective income tax rate for the three months ended October 31, 2019 is 22.0% (three months ended October 31, 2018, as restated – 23.0%) and for the nine months ended October 31, 2019 is 21.8% (nine months ended October 31, 2018, as restated – 22.1%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings.

13. SHARE-BASED COMPENSATION

The Company offers the following share-based payment plans: Performance Share Units (PSUs); Share Options; Director Deferred Share Units (DDSUs); Executive Deferred Share Units (EDSUs) and an Employee Share Purchase Plan. The purpose of these plans is to directly align the interests of the participants and the shareholders of the Company by providing compensation that is dependent on the performance of the Company's shares.

The total expense relating to share-based payment plans for the three months ended October 31, 2019 is a recovery of $450 (three months ended October 31, 2018 – recovery of $143) and for the nine months ended October 31, 2019 is an expense of $3,360 (nine months ended October 31, 2018 – expense of $5,791). The carrying amount of the Company's share-based compensation arrangements including PSU, share option, DDSU and EDSU plans are recorded on the consolidated balance sheets as follows:

	October 31, 2019	October 31, 2018	January 31, 2019
Accounts payable and accrued liabilities	**$ 12,062**	$ 11,595	$ 13,998
Other long-term liabilities	**10,694**	13,560	14,273
Contributed surplus	**5,830**	1,758	1,961
Total	**$ 28,586**	$ 26,913	$ 30,232

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE-BASED COMPENSATION (continued)

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive either a cash payment equal to the market value of the number of notional units granted or one share of the Company for each notional unit granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSUs. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured based on the grant date fair market value of the award. The compensation expense is recognized over the vesting period factoring in the probability of the performance criteria being met.

Compensation costs related to the PSUs for the three months ended October 31, 2019 are $1,726 (three months ended October 31, 2018 – $794) and for the nine months ended October 31, 2019 are $4,390 (nine months ended October 31, 2018 – $3,265). The total number of PSUs outstanding at October 31, 2019 that may be settled in shares is 343,084 (October 31, 2018 – 171819). There were no PSUs exercised in shares during the nine months ended October 31, 2019 (nine months ended October 31, 2018 – NIL).

Share Option Plan

The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Options are granted at fair market value based on the volume weighted-average closing price of the Company's shares for the five trading days preceding the grant date. Effective June 14, 2011, the Share Option Plan was amended and restated. The amendments afford the Board of Directors the discretion to award options giving the holder the choice, upon exercise, to either deduct a portion of all dividends declared after the grant date from the options exercise price or to exercise the option at the strike price specified at the grant date ("Declining Strike Price Options"). Options issued prior to June 14, 2011 and certain options issued subsequently are standard options ("Standard Options"). Each option is exercisable into one share of the Company at the price specified in the terms of the option. Declining Strike Price options allow the employee to acquire shares or receive a cash payment based on the excess of the fair market value of the Company's shares over the exercise price.

The fair value of the Declining Strike Price Options is remeasured at the reporting date and recognized both in net earnings and as a liability over the vesting period. The grant date fair value of the Standard Options is recognized in net earnings and contributed surplus over the vesting period.

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 8.9% of the Company's issued and outstanding shares at October 31, 2019. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over four to five years and are exercisable over a period of seven years. The share option compensation costs recorded for the three months ended October 31, 2019 are a recovery of $2,250 (three months ended October 31, 2018 – recovery of $962) and for the nine months ended October 31, 2019 are a recovery of $2,367 (nine months ended October 31, 2018 – expense of $960).

The fair values for options issued were calculated based on the assumptions below.

	October 31, 2019	October 31, 2018
Fair value of options granted	**$ 2.69**	$ 2.86
Exercise price	**$28.11 to $30.01**	$ 27.77
Dividend yield	**4.3%**	4.3%
Annual risk-free interest rate	**1.5%**	2.1%
Expected share price volatility	**19.3%**	19.2%

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE-BASED COMPENSATION (continued)

The assumptions used to measure cash settled options at the balance sheet dates were as follows:

	October 31, 2019	October 31, 2018
Dividend yield	**4.7%**	4.5%
Annual risk-free interest rate	**1.4%**	2.0% to 2.4%
Expected share price volatility	**17.2% to 19.2%**	15.2% to 19.5%

The expected dividend yield is estimated based on the quarterly dividend rate and the closing share price on the date the options are granted. The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options. The risk-free interest rate is estimated based on the Government of Canada bond yield for a term to maturity equal to the expected life of the options.

The following continuity schedules reconcile the movement in outstanding options during the nine months ended October 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	October 31, 2019	October 31, 2018	**October 31, 2019**	October 31, 2018
Outstanding options, beginning of period	**1,967,723**	2,464,940	**430,340**	454,177
Granted	**—**	—	**499,311**	372,992
Exercised	**(7,999)**	(215,026)	**—**	(42,456)
Forfeited or cancelled	**(31,779)**	(22,794)	**(27,502)**	(173,159)
Outstanding options, end of period	**1,927,945**	2,227,120	**902,149**	611,554
Exercisable at end of period	**1,063,137**	917,761	**116,812**	197,467

Weighted-average exercise price	**Declining Strike Price Options**		**Standard Options**	
	October 31, 2019	October 31, 2018	**October 31, 2019**	October 31, 2018
Outstanding options, beginning of period	**$ 27.36**	$ 26.18	**$ 27.83**	$ 24.28
Granted	**—**	—	**28.17**	27.77
Exercised	**21.86**	17.84	**—**	20.61
Forfeited or cancelled	**30.26**	23.04	**27.90**	27.84
Outstanding options, end of period	**$ 27.33**	$ 26.73	**$ 28.01**	$ 25.65
Exercisable at end of period	**$ 21.60**	$ 23.63	**$ 27.18**	$ 20.81

Options outstanding at October 31, 2019 have an exercise price range of $18.76 to $32.40 and a weighted-average remaining contractual life of 3.7 years.

13. SHARE-BASED COMPENSATION (continued)

Director Deferred Share Unit Plan

This plan is available for independent Directors. Participants are credited with deferred share units for the amount of the annual equity retainer and fees each participant elects to allocate to the DDSU plan. Each deferred share unit entitles the holder to receive a share of the Company. The DDSUs are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Director. A participant may elect at the time of exercise of any DDSUs, subject to the consent of the Company, to have the Company pay an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date. This cash payment is in consideration for the surrender by the participant to the Company the right to receive shares from exercising the DDSUs. Effective December 2016, the plan was amended for those DDSUs credited to participants for the portion of the annual cash retainer and fees each participant elects to allocate to the plan. The holder of these DDSUs is entitled to receive at the time of exercise, an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date.

Compensation expense is initially measured at the time of the grant. Subsequent changes in the fair value of the DDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The DDSU plan compensation costs recorded for the three months ended October 31, 2019 are an expense of $2 (three months ended October 31, 2018 – recovery of $75) and for the nine months ended October 31, 2019 are an expense of $716 (nine months ended October 31, 2018 – expense of $919). The total number of DDSUs outstanding at October 31, 2019 is 310,010 (October 31, 2018 – 264,511). There were no DDSUs exercised in cash during the nine months ended October 31, 2019 (nine months ended October 31, 2018 – 21,186).

Executive Deferred Share Unit Plan

The EDSU plan was implemented to assist executive management to meet the Company's minimum share ownership guidelines. This plan provides for the granting of deferred share units to those executives who elect to receive a portion of their annual short-term incentive payment in EDSUs, subject to plan limits. Effective April 2016, participants will be credited with EDSUs based on the amount of their short-term incentive payment allocated to the plan and the fair market value of the Company's shares. The EDSU account for each participant includes the value of dividends from the Company as if reinvested in additional EDSUs. The EDSUs are exercisable at any time after the executive ceases to be an employee of the Company, but no later than December 31 of the first calendar year commencing after the holder ceased to be an employee. Each EDSU entitles the holder to a cash payment equal to the market value of the equivalent number of the Company's shares, determined based on their closing price on the TSX on the trading day preceding the exercise date.

Total compensation expense is measured at the time of the grant. Subsequent changes in the fair value of the EDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The EDSU plan compensation costs recorded for the three months ended October 31, 2019 are a recovery $48 (three months ended October 31, 2018 – recovery of $15) and for the nine months ended October 31, 2019 are a recovery $27 (nine months ended October 31, 2018 – expense of $10).

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company’s contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation costs recorded for the three months ended October 31, 2019 are $120 (three months ended October 31, 2018 – $115) and for the nine months ended October 31, 2019 are $648 (nine months ended October 31, 2018 – $637).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SEASONALITY

The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

15. SUBSIDIARIES AND JOINT VENTURES

The Company's principal operating subsidiaries at October 31, 2019 are set out below:

			Proportion of voting rights held by:	
	Activity	**Country of Organization**	**Company**	**Subsidiary**
NWC GP Inc.	General Partner	Canada	100%	
North West Company Holdings Inc.	Holding Company	Canada	100%	
The North West Company LP	Retailing	Canada	100% (less one unit)	
NWC (U.S.) Holdings Inc.	Holding Company	United States		100%
The North West Company (International) Inc.	Retailing	United States		100%
Roadtown Wholesale Trading Ltd.	Retailing	British Virgin Islands		77%
North Star Air Ltd.	Airline	Canada		100%

The Company's investment in joint ventures comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc.

16. EXPENSES BY NATURE

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018(1)	**Nine Months Ended October 31, 2019**	Nine Months Ended October 31, 2018(1)
Employee costs (Note 10)	**$ 78,283**	$ 75,377	**$ 237,849**	$ 225,750
Amortization	**22,289**	21,124	**65,523**	60,977
Operating lease rentals	**1,977**	1,342	**5,656**	5,747
Insurance gain (2)	**—**	(20,053)	**(14,965)**	(20,053)

(1) The Company has applied IFRS 16 retrospectively with restatement of the comparative period financial statements as described in Note 3.
(2) The Company recorded gains on fire and hurricane Irma related insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value for both fire and hurricane claims, and also for the recovery of business interruption losses on hurricane claims.

17. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments at October 31, 2019. All of the Company's financial instruments are carried at amortized cost using the effective interest rate method.

These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

		Assets (Liabilities) carried at amortized cost	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 51,995	$ 51,995
Accounts receivable	Short-term	89,661	89,661
Other financial assets	Long-term	1,219	1,219
Accounts payable and accrued liabilities	Short-term	(183,735)	(183,735)
Current portion of long-term debt	Short-term	(22,465)	(22,465)
Long-term debt	Long-term	(548,052)	(553,882)

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium. This is considered a level 2 fair value estimate.

18. POST EMPLOYMENT BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities was performed at July 31, 2019. During the three months ended July 31, 2019, the Company recorded a net actuarial loss on its defined benefit plan obligation of $6,982 in other comprehensive income, which was recognized immediately in retained earnings.

This remeasurement was primarily due to a change in the discount rate used to measure the defined benefit obligation. The discount rate used to determine the benefit obligation for the defined benefit pension plan at July 31, 2019 was 3.00% (January 31, 2019 - 3.75%).

There was no further remeasurement during the three months ended October 31, 2019 and three months ended October 31, 2018.

19. SUBSEQUENT EVENT

On December 11, 2019, the Board of Directors declared a dividend of $0.33 per share payable January 15, 2020 to shareholders of record on December 31, 2019.