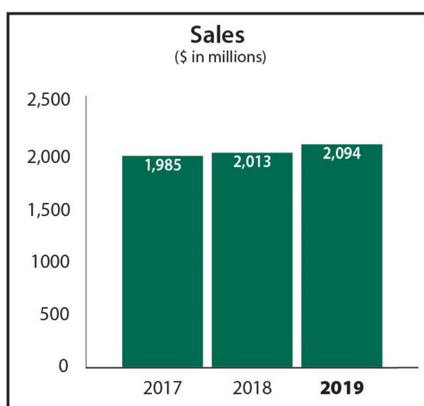
THE NORTH WEST COMPANY INC. 2019

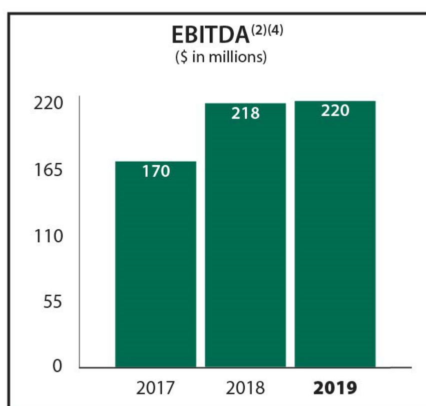
Management's Discussion & Analysis

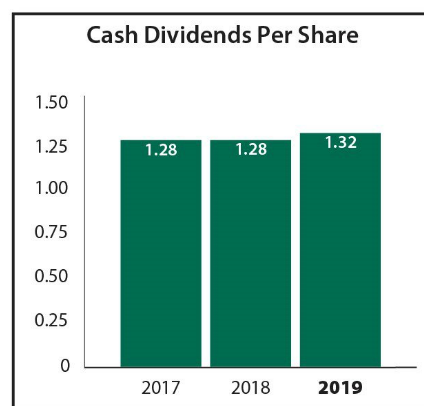
Financial Highlights

All currency figures in this report are in Canadian dollars, unless otherwise noted

($ in thousands, except per share information)	**Year Ended January 31, 2020**	Year Ended January 31, 2019 [4]	Year Ended January 31, 2018 [4]
RESULTS FOR THE YEAR			
Sales	**$ 2,094,393**	$ 2,013,486	$ 1,985,122
Same store sales % increase [1]	**1.3%**	2.0%	1.2%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) [2]	**$ 219,575**	$ 218,022	$ 169,624
Earnings from operations (EBIT)	**130,353**	136,001	113,971
Net earnings	**86,273**	90,623	69,691
Net earnings attributable to The North West Company Inc.	**82,724**	86,739	67,154
Cash flow from operating activities [3]	**161,117**	155,725	141,419
FINANCIAL POSITION			
Total assets	**$ 1,215,536**	$ 1,149,861	$ 930,948
Debt	**410,965**	366,757	313,549
Total equity	**426,970**	411,016	382,156
FINANCIAL RATIOS			
Debt-to-equity	**.96:1**	.89:1	.82:1
Return on net assets (RONA) [2]	**13.5%**	15.3%	16.7%
Return on average equity (ROE) [2]	**20.5%**	23.2%	18.3%
Sales blend: Food	**75.2%**	74.7%	76.7%
General Merchandise and other	**24.8%**	25.3%	23.3%
PER SHARE ($) - DILUTED			
EBITDA [2]	**$ 4.45**	$ 4.44	$ 3.44
Net earnings	**1.68**	1.77	1.36
Cash flow from operating activities	**3.26**	3.16	2.87
Market price: January 31	**27.56**	31.17	29.14
high	**33.16**	32.19	33.75
low	**27.18**	26.50	28.45







(1) All references to same store sales exclude the foreign exchange impact.
(2) See Non-GAAP Financial Measures section.
(3) See Consolidated Liquidity and Capital Resources.
(4) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.

Management's Discussion & Analysis

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MANAGEMENT'S DISCUSSION & ANALYSIS

Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") for The North West Company Inc. ("NWC") or its predecessor North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on, and should be read in conjunction with the 2019 annual audited consolidated financial statements and accompanying notes. The Company's annual audited consolidated financial statements and accompanying notes for the year ended January 31, 2020 are in Canadian dollars, except where otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 27, 2020 and the information contained in this MD&A is current to April 27, 2020, unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements about North West 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), ongoing business strategies or prospects, the anticipated impact of the COVID-19 pandemic on the Company's operations and the Company's related business continuity plans, and possible future action by the Company, including the closing of the GTSL Transaction which is subject to commercial risks and closing conditions that are outside the control of the Company, such as various third party consents which may cause the GTSL Transaction to not close on the terms and conditions negotiated or at all.

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 including the duration and the impact of the COVID-19 pandemic, 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 cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of this MD&A, in the Risk Factors sections of the Annual Information Form and in our most recent consolidated financial statements, management information circular, material change reports and news releases. 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.*

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company is a leading retailer to rural and remote communities in the following regions: northern Canada, rural Alaska, the South Pacific and the Caribbean. Our stores offer a broad range of products and services with an emphasis on food. Our value offer is to be the best local shopping choice for everyday household and lifestyle needs.

North West's core strengths include: our ability to adapt to varied community preferences and priorities; our on-the-ground presence with hard-to-replicate operating skills, customer insights and facilities; our logistics capability in moving product to our markets; and, our ability to apply these strengths within complementary businesses.

North West has a rich enterprising legacy as one of the longest continuing retail enterprises in the world. The Company traces its roots back to 1668 and many of our stores in northern Canada have been in operation for over 200 years. In 2017, the Alaskan retail subsidiary, Alaska Commercial Company, celebrated its 150th anniversary.

Our stores in Alaska and northern Canada serve communities with populations ranging from 300 to 9,000. A typical store is 6,500 square feet in size and offers food, family apparel, housewares, appliances, outdoor products and services such as fuel, post offices, pharmacies, income tax return preparation, quick-service prepared food, prepaid card products, ATMs, cheque cashing and proprietary credit programs.

Growth at North West is driven by market share capture within existing locations and from applying our expertise and infrastructure to new product categories, markets and complementary businesses. The latter includes vertical investments in shipping and air cargo, wholesaling to independent stores, and retailing through mid-sized warehouse and supermarket format stores serving the South Pacific islands and the Caribbean.

A key strength and ongoing strategy of North West is our ability to seize unique community-by-community selling opportunities better than our competition. Flexible store models, store management selection and education, store-level merchandise ordering, community relations and enterprising incentive plans are all ingredients of our approach to sustain a leading market position. Our enterprising culture, our execution skills in general, and our logistics and selling skills specifically, are also essential components to meeting customer needs within each market we serve.

North West delivers its products and services through the following retail, wholesale and complimentary businesses:

Canadian Operations

- **117 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **5 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, apparel and health products and services;
- **24 Quickstop** convenience stores, offering extended hours, ready-to-eat foods, fuel and related services in northern Canadian markets;
- **46 Giant Tiger ("GT")** junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centers in western Canada (see Subsequent Events section on page 19);
- **1 Valu Lots** discount center and direct-to-customer food distribution outlet for remote communities in Canada;
- **1 Solo Market** store, targeted at less remote, rural markets;
- **2 Pharmacy and Convenience** stores, stand-alone northern pharmacy and convenience store;
- **1 NWC Motorsports** dealership offering sales, service, parts and accessories for Ski-doo, Honda, Can-am and other premier brands;
- **1 NWC Fur Marketing** outlet, trading in furs and offering Indigenous handicrafts and authentic Canadian heritage products;
- **Crescent Multi Foods ("CMF")**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- **North West Telepharmacy Solutions**, the leading provider of contract tele-pharmacist services to rural hospitals and health centres across Canada; and
- **Transport Nanuk Inc. and North Star Air Ltd. ("NSA")**, water and air-based transportation businesses, respectively, serving northern Canada.

International Operations

- **27 Alaska Commercial Company ("AC")** stores, similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **4 Quickstop** convenience stores within rural Alaska;
- **Pacific Alaska Wholesale ("PAW")**, a leading distributor to independent grocery stores, commercial accounts and individual households in rural Alaska;
- **12 Cost-U-Less ("CUL")** mid-size warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- **7 Riteway Food Markets, 1 Cash and Carry store and a significant wholesale operation (collectively "RTW")** in the British Virgin Islands.

VISION

At North West our mission is to be a trusted provider of goods and services within harder-to-access, developing communities. Our vision is to help our customers live better by doing our job well, with their interests as our first priority. This starts with our customers' ability and desire to shop locally with us for the widest possible range of products and services that meet their everyday needs. We respond by being more innovative, reliable, convenient, welcoming and adaptable, at the lowest local price, within what are typically higher cost environments. For our associates, we want to be a preferred, fulfilling place to work. For our investors, we want to deliver risk-adjusted, top-quartile total returns over the long term.

PRINCIPLES

The way we work at North West is shaped by six core principles: *Customer Driven, Enterprising, Passion, Accountability, Trust, and Personal Balance*.

Customer Driven refers to looking through the eyes of our customers while recognizing our presence as a supportive community citizen.
Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new and better products, services and processes.
Passion refers to how we value our work, our privileged community presence and the opportunity to find solutions that make a difference in our customers' lives.
Accountability is our management approach to getting work done through effective roles, tasks and resources.
Trust at North West means doing what you say you will do, with fairness, integrity and respect.
Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively and sustainably in our roles and for our customers and communities.

STRATEGIES

The strategies at North West are aligned with a total return approach to investment performance. We aim to deliver top-quartile returns through an equal emphasis on growth and dividend yield with opportunities considered in terms of their growth potential and ability to sustain an attractive cash return within a lower business risk profile.

The Company develops strategies in multi-year cycles and are reviewed and adjusted at the senior management and board levels. The Company's overriding goal is on building a strong store network, offering essential products and services that help our customers to live better and our business to grow within a wide range of economic conditions through the following priorities:

- ensuring the way we work is "Pure Retail", with top store teams, lean processes and customer driven store-centric support from the rest of our organization;
- investing cost savings to lower prices in product categories with the most market share upside;
- building a superior logistics capability with a focus on optimizing our air cargo capability to provide faster more reliable and lower cost service to our stores and customers in remote markets in Canada;
- completing the roll-out of next generation information technology for our stores and support offices that help optimize the unique elements of our remote retailing business;
- structuring our business so that more authority is closer to the different banners, regions, communities and customers we serve; and
- identifying complimentary growth opportunities that leverage our core remote market capabilities and expertise.

Our key initiatives together with the results for 2019 are as follows:

Initiative #1
Pure Retail/Top Store Teams
"Pure Retail" refers to top store teams, lean processes, and customer-driven, store centric support throughout our organization. The goal is to optimize store sales and net performance by creating more ability and freeing more time to get sales at store level.

Result
Top Store Teams work continued to make improvements compared to 2018 and while retention improved, annual targets were not achieved. A store Training Center opened in Winnipeg, Manitoba in March 2019, and graduated 129 store key role trainees by year-end.

Initiative #2
Investing in Top Markets and Top Categories
This initiative prioritizes our largest and highest potential categories and store locations.

Result
Two convenience stores and a Motorsports store were opened in northern Canada. Two Top Market store replacements and remodels were completed as planned for a total of 25 projects completed under this initiative. Overall, Top Markets have delivered above average sales growth. Top Market investments are expected to continue to roll-out at a pace of 2-4 stores per year over 2020-2022.

Top Categories sales, which include convenience and fresh food, big-ticket, and health products and services, were up 5.0% compared to last year, achieving sales and margin targets overall. Convenience food was the largest dollar growth contributor with an increase of 3.1% followed by fresh food at 7.0%, health products which were up 15.9% and big-ticket motorized and home furnishings sales which increased 6.2%.

Initiative #3
Building a Superior Logistics Capability
Recognizing the unique importance of logistics to our business, we continue to invest in building a superior capability in this area, with a focus on optimizing our air cargo to provide faster, more reliable and lower cost transportation service to our stores and customers in remote markets.

Result
North Star Air operating margin performance was $4.5 million below target mainly due to higher charter cargo aircraft usage resulting from Basler and ATR downtime, higher parts expense and an increase in insurance costs primarily related to Basler insurance claims.

Initiative #4

Next Generation Merchandise and Store Systems ("Project Enterprise")

Project Enterprise is focused on implementing higher capability point-of-sale ("POS"), merchandise management ("MMS"), which includes pricing, promotions, category management and vendor revenue management, and workforce management ("WFM") systems. This initiative is expected to deliver improvements in pricing and margins, inventory and store staff productivity, aligned with the Company's "Top" strategies.

Result

The new POS was installed in all CUL stores and 28 northern stores. The POS roll-out was expected to be completed in all AC stores during the first quarter of 2020 however COVID-19 travel restrictions will now delay the completion to the fourth quarter. Full roll out in northern Canada is now expected to be in 2021 due to the previously noted COVID-19 impact. The category management component of MMS was implemented in 2019 and the remaining supplier management component is expected to be completed in the third quarter of 2020. The implementation of MMS in International Operations was planned for 2020 but is now deferred until 2021 due to COVID-19 related business priorities.

Initiative #5

Support Office Structure and Administrative Cost Reduction

This initiative is focused on reducing administrative costs and locating our International Operations support offices closer to the distinct store banners we operate.

Result

The International store operations support office in Bellevue, Washington was closed and relocated to Anchorage, Alaska and Boca Raton, Florida serving our AC and CUL banners respectively. In the first quarter of 2020, the Company began to reduce administration costs in Canada by approximately $17 million on an annualized basis effective as of the end of the second quarter of 2020. Further information on the administrative cost reduction is provided in the Subsequent Events section on page 19.

Initiative #6

Giant Tiger Store Performance Improvement

This initiative is focused on delivering 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.

Result

Giant Tiger did not achieve financial targets for the year due to continuing competitive food margin pressures and inconsistent operating standards within our corporate store model. In the first quarter of 2020, an agreement was reached to sell 34 GT stores to Giant Tiger Stores Limited ("GTSL"), retain five stores, close six locations and convert one location to a clearance centre.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED TO DELIVER RESULTS

The financial capability to sustain the competitiveness of our core strengths and to pursue growth: Our investment priorities center on our store management and front line people, lower costs to drive lower prices, next level technology and superior logistics.

The ability to be a leading community store in every market we serve: We want to connect with the customers and communities we serve in a highly valued way. It starts with being able to tailor our store formats, product/service mix, community support and store compensation, while still realizing the efficiencies of our size or the size of our alliance partners. Investing in relationships, embracing a broad range of products, services and store sizes, flexible technology platforms and "best practice" work processes, are required to achieve this goal.

Our ability to build and maintain supportive community relations: To preserve our community access we must be trusted, open, respectful, adaptable and socially helpful. Store leases and business licenses are often subject to community approval and depend on our track record in these areas and the perceived community and customer value of our retail store compared to other options.

Our ability to develop highly capable store level employees and work practices: Pure Retail store work must drive sales and efficiently enable our store-level personnel to manage the other key facets of their store. This enables our full potential to realize local selling opportunities, meet our customer service commitments and build and maintain positive community relationships. It recognizes that our store roles must be great jobs to offset other conditions that create challenges in attracting and retaining the best people. Related to this is our on-going ability to hire within-community and assist local associates to reach their full potential.

Our ability to deliver merchandise and information through our store network: The integration and build-out of our air cargo capability in northern Canada enables us to deliver and receive products faster, cheaper and more reliably compared to third-party providers. Similar advantages are possible through our investment in information technology.

IFRS 16 - *LEASES*

The Company implemented IFRS 16 - *Leases* with a date of initial application of February 1, 2019 using the full retrospective approach and restated its results for the year ended January 31, 2019 including its consolidated balance sheets as at January 31, 2019 and February 1, 2018. The adoption of IFRS 16 has had a material impact on the financial statements and certain financial statement amounts in 2017 and prior are not comparable to 2018 and 2019.

Prior to the adoption of IFRS 16 - *Leases*, substantially all leases were classified as operating leases and 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.

Unless otherwise noted, 2017 and prior years have not been restated for IFRS 16 and therefore certain amounts including but not limited to, selling, operating and administrative expenses ("Expenses"), EBIT, EBITDA[2], interest expense, income taxes, net earnings, total assets, total liabilities and any financial ratios derived from these items are not comparable to 2018 and 2019.

Further information on the adoption of IFRS 16 - *Leases* is provided in Accounting Standards Implemented in 2019 and in Note 3 to the consolidated financial statements.

Consolidated Results

2019 Highlights

- Sales increased to $2.094 billion, our 20th consecutive year of top line growth.
- Same store sales[1] increased 1.3% driven by food sales gains.
- EBITDA[2] increased 0.7%.
- Two Quickstop convenience stores, two Giant Tiger stores, one Motorsports store and a pharmacy were opened in Canadian Operations.
- A store Training Center was opened in Winnipeg, Manitoba.
- A CUL store was re-opened in St. Thomas, USVI on November 1, 2019 after being destroyed by hurricane Irma in September 2017.
- Stores were acquired in Barrow and Bethel, Alaska.

FINANCIAL PERFORMANCE

Some of the key performance indicators used by management to assess results are summarized in the following table:

Key Performance Indicators and Selected Annual Information

($ in thousands, except per share)	2019	2018[4]	2017[4]
Sales	**$ 2,094,393**	$ 2,013,486	$ 1,985,122
Same store sales % increase[1]	**1.3%**	2.0%	1.2%
EBITDA[2]	**$ 219,575**	$ 218,022	$ 169,624
EBIT	**$ 130,353**	$ 136,001	$ 113,971
Net earnings	**$ 86,273**	$ 90,623	$ 69,691
Net earnings attributable to shareholders of the Company	**$ 82,724**	$ 86,739	$ 67,154
Net earnings per share - diluted	**$ 1.68**	$ 1.77	$ 1.36
Cash flow from operating activities[3]	**$ 161,117**	$ 155,725	$ 141,419
Cash dividends per share	**$ 1.32**	$ 1.28	$ 1.28
Total assets[5]	**$ 1,215,536**	$ 1,149,861	$ 1,047,069
Total long-term liabilities[5]	**$ 594,482**	$ 541,907	$ 481,813
Return on net assets[2]	**13.5%**	15.3%	16.7%
Return on average equity[2]	**20.5%**	23.2%	18.3%

(1) All references to same store sales exclude the foreign exchange impact.
(2) See Non-GAAP Financial Measures section.
(3) See Consolidated Liquidity and Capital Resources.
(4) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019.
(5) 2017 total assets and total long-term liabilities have been restated for adoption of IFRS 16 - *Leases*.

Consolidated Sales Sales for the year ended January 31, 2020 ("2019") increased 4.0% to $2.094 billion compared to $2.013 billion for the year ended January 31, 2019 ("2018"), and were up 5.5% compared to $1.985 billion for the year ended January 31, 2018 ("2017"). The increase in sales compared to 2018 was driven by same store sales gains and the impact of new stores. The impact of foreign exchange on the translation of International Operations sales was also a factor. Excluding the foreign exchange impact, sales increased 3.2% from 2018 and were up 4.7% from 2017. The increase in sales compared to 2017 is due to the factors previously noted and a full year of NSA operations which was acquired in June 2017. On a same store basis, sales increased 1.3% compared to increases of 2.0% in 2018 and 1.2% in 2017 as shown in the following table.

Same Store Sales

(% change)	**2019**	2018	2017
Food	**1.9 %**	1.7%	1.3%
General merchandise (GM)	**(1.1)%**	3.2%	0.7%
Total food & GM sales	**1.3 %**	2.0%	1.2%

Food sales increased 4.6% from 2018, and were up 3.6% excluding the foreign exchange impact. Same store food sales increased 1.9% over last year with quarterly same store sales increases of 2.5% in the first quarter, 2.3% in the second quarter and 1.5% in the last two quarters. Canadian food sales increased 2.1% and International food sales increased 6.1% excluding the foreign exchange impact.

General merchandise sales increased 1.9% compared to 2018 and were up 1.5% excluding the foreign exchange impact as lower same store sales were more than offset by the impact of new stores. Same store general merchandise sales decreased 1.1% for the year with an increase of 4.1% in the first quarter followed by decreases of 2.0%, 4.3% and 1.7% in the last three quarters. Canadian general merchandise sales increased 1.3% led by same store sales growth in northern markets and the impact of new stores in rural and urban markets. International general merchandise sales increased 2.4% excluding the foreign exchange impact led by sales gains and new stores.

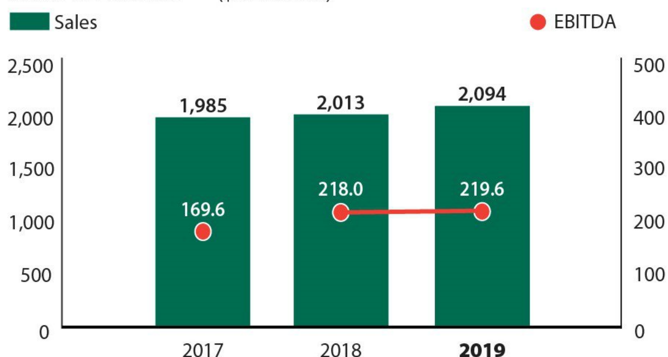
Other sales, which include airline revenue, financial services, fuel and pharmacy, increased 2.6% compared to 2018 mainly due to sales growth in pharmacy and financial services. Other sales increased 22.9% compared to 2017 substantially due to the NSA acquisition and higher pharmacy sales.

Sales Blend The table below shows the consolidated sales blend over the past three years:

	2019	2018	2017
Food	**75.2%**	74.7%	76.7%
General merchandise and other	**24.8%**	25.3%	23.3%

Canadian Operations accounted for 60.7% of total sales (61.9% in 2018 and 60.4% in 2017) while International Operations contributed 39.3% (38.1% in 2018 and 39.6% in 2017).

Sales & EBITDA[(1)(2)] ($ in millions)



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Gross Profit Gross profit increased 3.7% to $664.4 million compared to $640.5 million last year driven by sales growth. The gross profit rate decreased to 31.7% compared to 31.8% last year largely due to product sales blend changes mainly related to a higher blend of Cost-U-Less sales which carry a lower gross profit rate consistent with a discount warehouse format.

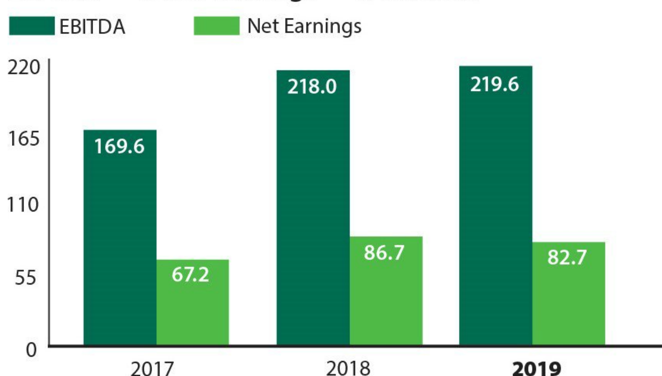
Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") of $534.0 million increased 5.8% compared to last year and were up 44 basis points as a percentage of sales. This increase in Expenses is largely due to the impact of foreign exchange on the translation of International Operations expenses, new stores, the $4.8 million in support office restructuring costs in International Operations and higher amortization and insurance costs of $7.2 million and $4.8 million respectively. The impact of $18.2 million in insurance gains this year compared to $20.1 million in insurance gains last year was also a factor. These factors were partially offset by a $7.7 million decrease in share-based compensation costs. Further information on share-based compensation costs is provided in Note 14 and Note 18 to the consolidated financial statements.

Earnings from Operations (EBIT) and EBITDA[(2)] Earnings from operations or earnings before interest and income taxes ("EBIT") decreased 4.2% to $130.4 million compared to $136.0 million last year due to the gross profit and expense factors previously noted. Earnings before interest, income taxes, depreciation and amortization ("EBITDA[(2)]") increased 0.7% to $219.6 million compared to $218.0 million last year. Adjusted EBITDA[(2)], which excludes the impact of the insurance-related gains and share-based compensation, decreased $4.2 million or 2.0% compared to last year, as earnings gains in northern Canada and Alaska markets and improved earnings in NSA were more than offset by the Expense factors previously noted and poor GT store performance. Further information on GT stores is provided in the Subsequent Events section. Excluding the GT results and impact of the International support office restructuring costs, adjusted EBITDA[(2)] increased $10.1 million or 5.1% due to earnings gains in northern Canada and Alaska together with improved earnings in NSA.

Interest Expense Interest expense increased 6.7% to $20.9 million compared to $19.6 million last year. The increase in interest expense is due to higher average debt levels. Average debt levels increased 13.6% compared to last year mainly due to an increase in capital asset investments. The average cost of borrowing was 3.6% compared to 3.7% last year. Further information on interest expense is provided in Note 19 to the consolidated financial statements.

Income Tax Expense The provision for income taxes decreased 10.1% to $23.1 million compared to $25.7 million last year and the effective tax rate for the year was 21.1% compared to 22.1% last year. The decrease in income tax expense is primarily due to lower earnings and changes in earnings of the Company's subsidiaries across various tax jurisdictions. Further information on income tax expense, the effective tax rate and deferred tax assets and liabilities is provided in Note 10 to the consolidated financial statements.

EBITDA[(1)(2)] & Net Earnings[(1)(3)] ($ in millions)



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(2) See Non-GAAP Financial Measures section.
(3) Net earnings attributable to shareholders of the Company.

Net Earnings Consolidated net earnings decreased 4.8% to $86.3 million compared to $90.6 million last year. Net earnings attributable to shareholders of the Company were $82.7 million compared to $86.7 million last year and diluted earnings per share were $1.68 per share compared to $1.77 per share last year due to the factors previously noted. Excluding the impact of the insurance gain and share-based compensation expense, adjusted net earnings[2] decreased $8.9 million or 10.6% largely due to higher expenses and poor GT store performance. Additional information on the financial performance of Canadian Operations and International Operations is included on page 9 and page 11 respectively. In 2019, the average exchange rate used to translate International Operations sales and expenses was 1.3246 compared to 1.3041 last year and 1.2930 in 2017.

The Canadian dollar's depreciation versus the U.S. dollar compared to 2018 had the following net impact on the 2019 results:

Sales..increase of $12.7 million or 1.6%
Earnings from operations..increase of $0.8 million
Net earnings...increase of $0.7 million
Diluted earnings per share.......................................increase of $0.01 per share

Total Assets Consolidated total assets for the past three years is summarized in the following table:

($ in thousands)	2019	2018[(1)]	2017[(1)]
Total assets	**$ 1,215,536**	$ 1,149,861	$ 1,047,069

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain 2018 and 2017 figures as described in the Accounting Standard Changes Implemented in 2019.

Consolidated assets increased $65.7 million or 5.7% compared to 2018 and were up $168.5 million or 16.1% compared to 2017. The increase in consolidated assets compared to last year and 2017 is primarily due to an increase in property and equipment and an increase in current assets. Property and equipment increased $40.1 million or 7.8% compared to 2018 and was up $85.1 million or 18.1% compared to 2017 mainly due to investments in new stores, major store renovations, equipment replacements and staff housing renovations as part of our Top Markets initiative. The reconstruction of a CUL store in St. Thomas, USVI that was destroyed by hurricane Irma in 2017 and the acquisition of stores in Barrow and Bethel, Alaska were also factors. Information on the increase in current assets is provided in the working capital table below. The impact of foreign exchange was also a factor, particularly compared to 2017, as the year-end exchange rate used to translate International Operations assets increased to 1.3224 compared to 1.3137 last year and 1.2301 in 2017.

Consolidated working capital for the past three years is summarized in the following table:

($ in thousands)	2019	2018[(1)]	2017[(1)]
Current assets	**$ 399,593**	$ 376,297	$ 334,980
Current liabilities	**$ (194,084)**	$ (196,938)	$ (192,914)
Working capital	**$ 205,509**	$ 179,359	$ 142,066

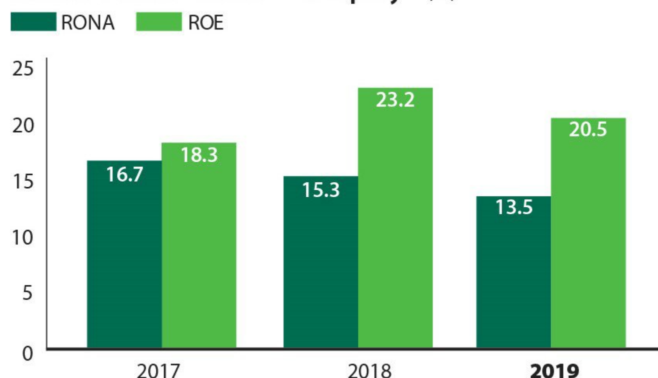
(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain 2018 and 2017 figures as described in the Accounting Standard Changes Implemented in 2019.

Working capital increased $26.2 million or 14.6% to $205.5 million compared to 2018 and increased $63.4 million or 44.7% compared to 2017. Current assets increased $23.3 million or 6.2% compared to last year and were up $64.6 million or 19.3% compared to 2017. The increase in current assets compared to 2018 is primarily due to higher accounts receivable largely related to insurance claims and higher inventories mainly related to the impact of new stores. An increase in income tax receivable primarily related to accelerated tax depreciation on certain capital investments in Canada and the U.S. was also a factor. Current liabilities decreased $2.9 million or 1.4% compared to last year but were up $1.2 million or 0.6% compared to 2017 as changes in trade accounts payable were largely offset by changes in the current portion of lease liabilities. The impact of foreign exchange on the translation of International Operations working capital was also a factor. Further information on working capital for the Canadian Operations and International Operations is on page 10 and page 12 respectively.

Return on net assets employed, which includes right-of-use assets as a result of the adoption of IFRS 16 - *Leases*, decreased to 13.5% compared to 15.3% in 2018 due to the 4.2% decrease in EBIT and an increase in net assets employed. Additional information on net assets employed for the Canadian Operations and International Operations is on page 10 and page 12 respectively. The adoption of IFRS 16 - *Leases* had a significant negative impact on return on net assets employed primarily due to the inclusion of $127.9 million in right-of-use assets. Prior to IFRS 16 - *Leases*, return on net assets employed averaged 18.3% from 2014 to 2018 and averaged 18.7% over the ten years from 2009 to 2018.

Return on average equity decreased to 20.5% compared to 23.2% in 2018 due to a 4.8% decrease in net earnings and higher average equity compared to last year. Further information on shareholders' equity is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

Return on Net Assets[(1)(2)] & Equity[(1)] (%)



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Total Long-Term Liabilities Consolidated total long-term liabilities for the past three years is summarized in the following table:

($ in thousands)	**2019**	2018[(1)]	2017[(1)]
Total long-term liabilities	**$ 594,482**	$ 541,907	$ 481,813

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain 2018 and 2017 figures as described in the Accounting Standard Changes Implemented in 2019.

Consolidated long-term liabilities increased $52.6 million or 9.7% to $594.5 million compared to 2018 and were up $112.7 million or 23.4% from 2017. The increase in long-term liabilities compared to 2018 and 2017 is largely due to an increase in long-term debt related to investments in property and equipment and the impact of foreign exchange rates on the translation of U.S. denominated debt. An increase in lease liabilities, particularly compared to 2017, and higher defined benefit pension plan obligations were also factors. Further information on long-term debt is included in the Sources of Liquidity and Capital Structure sections on page 14 and page 15 respectively and in Note 12 to the consolidated financial statements. Additional information on lease liabilities and defined benefit pension plan obligations is provided in Note 8 and Note 13 respectively to the consolidated financial statements.

Canadian Operations

FINANCIAL PERFORMANCE

Canadian Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

($ in thousands)	**2019**	2018	2017
Sales	**$ 1,271,552**	$ 1,246,133	$ 1,199,473
Same store sales % increase	**0.3%**	0.9%	0.9%
EBITDA [(1)(2)]	**$ 140,359**	$ 130,399	$ 112,393
EBIT [(1)]	**$ 77,376**	$ 72,822	$ 72,597
Return on net assets [(1)(2)]	**12.3%**	12.6%	17.2%

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Sales Canadian Operations sales increased $25.4 million or 2.0% to $1.272 billion compared to $1.246 billion in 2018 and were up $72.1 million or 6.0% compared to 2017 driven by same store sales gains in northern Canada stores and the impact of new stores. These factors were partially offset by lower sales in GT stores. Same store sales increased 0.3% which is down from 0.9% in 2018 and 2017. Food sales accounted for 66.3% of total Canadian Operations sales consistent with last year. The balance was made up of general merchandise and other sales at 33.7% (33.7% in 2018). Other sales consist primarily of airline revenue, financial services revenue, fuel and pharmacy.

Food sales increased by 2.1% from 2018 and were up 2.5% compared to 2017 led by sales gains in northern Canada stores. Same store food sales increased 0.7% compared to 0.4% in 2018 as sales gains in northern Canada stores were largely offset by lower GT same store sales related to discount food competition. On a quarterly basis, same store food sales increased 0.8% and 0.4% in the first and second quarters respectively, were flat in the third quarter and increased 1.6% in the fourth quarter.

General merchandise sales increased 1.3% from 2018 and were up 6.8% compared to 2017 led by same store sales growth in northern Canada and the impact of new stores. Same store sales decreased 1.3% compared to a 2.7% increase in 2018 as sales gains in northern Canada were more than offset by lower seasonal general merchandise sales in GT stores. On a quarterly basis, same store general merchandise sales increased 3.7% in the first quarter with decreases of 3.1% in the second and third quarter and a decrease of 2.0% in the fourth quarter.

Other sales increased 2.9% from 2018 mainly due to sales gains in pharmacy and financial services. Other sales increased 25.0% compared to 2017 primarily due to the acquisition of NSA.

Sales Blend The table below shows the sales blend for the Canadian Operations over the past three years:

	2019	2018	2017
Food	**66.3%**	66.3%	68.5%
General merchandise and other	**33.7%**	33.7%	31.5%

Same Store Sales Canadian Operations same store sales for the past three years are shown in the following table. Over this period, same store sales gains in northern Canada stores each year were substantially offset by lower sales in GT stores due to the factors previously noted.

Same Store Sales

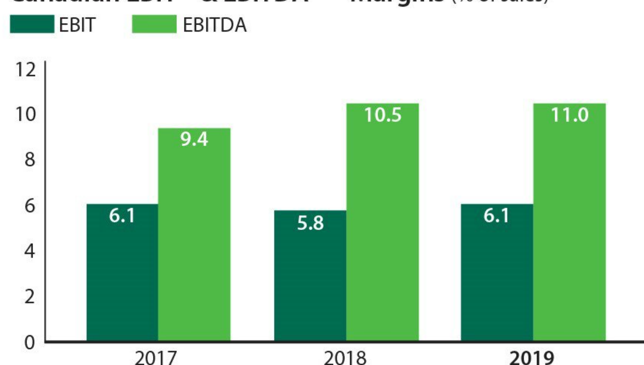
(% change)	**2019**	2018	2017
Food	**0.7 %**	0.4%	0.8%
General merchandise (GM)	**(1.3)%**	2.7%	1.2%
Total food & GM sales	**0.3 %**	0.9%	0.9%

Gross Profit Gross profit dollars increased by 2.7% driven by sales growth and a modest increase in the gross profit rate. The increase in gross profit rate was mainly due to changes in product sales blend and margin rate improvements in fuel and NSA partially offset by higher inventory shrinkage and markdowns in general merchandise.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 2.0% from 2018 but were down 2 basis points as a percentage of sales. The increase in Expenses is mainly due to higher amortization and insurance and the impact of new stores. The increase in amortization expense is largely related to capital investments in Top Markets and NSA. The increase in insurance expense is due to fire and aviation related insurance claims combined with unfavourable global insurance market conditions. These factors were partially offset by insurance-related gains and lower share-based compensation costs. Further information on property and equipment and share-based compensation costs is provided in Note 7 and Note 14 respectively to the consolidated financial statements.

Earnings from Operations (EBIT) Earnings from operations increased $4.6 million or 6.3% to $77.4 million compared to $72.8 million in 2018 due to the sales and Expense factors previously noted. Earnings from operations as a percentage of sales was 6.1% compared to 5.8% last year. EBITDA[(2)] from Canadian Operations increased $10.0 million or 7.6% to $140.4 million and was 11.0% as a percentage of sales compared to 10.5% in 2018. Adjusted EBITDA[(2)], which excludes the impact of insurance gains and share-based compensation, decreased 0.6% as earnings gains in northern Canada and NSA were more than offset by lower earnings in GT stores compared to last year. Further information on GT stores is provided in the Subsequent Events section.

Canadian EBIT[1] & EBITDA[1][2] Margins (% of sales)



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Net Assets Employed Net assets employed increased 4.6% to $615.3 million compared to $588.2 million last year and were up 18.0% compared to $521.5 million in 2017 as summarized in the following table:

($ in millions at the end of the fiscal year)	**2019**	2018	2017
Property and equipment	**$ 367.2**	$ 358.0	$ 332.3
Right-of-use assets[1]	**73.4**	74.5	67.0
Inventories	**148.0**	145.8	138.4
Accounts receivable	**83.6**	73.3	66.8
Other assets[1]	**112.4**	106.8	96.5
Liabilities[1]	**(169.3)**	(170.2)	(179.5)
Net assets employed	**$ 615.3**	$ 588.2	$ 521.5

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain 2018 and 2017 figures as described in the Accounting Standard Changes Implemented in 2019.

Capital expenditures for the year included investments in major store renovations, equipment replacements and staff housing renovations as part of our Top Markets initiative and ongoing reconstruction of a warehouse in Iqaluit, Nunavut that was destroyed by fire in late 2018. The opening of two Quickstop convenience stores, two Giant Tiger stores, a new Motorsports store and repair shop in Iqaluit and the acquisition of a pharmacy in Rankin Inlet, Nunavut were also factors.

Inventory increased $2.2 million compared to 2018 and was up $9.6 million compared to 2017 primarily due to new stores. A higher investment in inventory in stores serviced by sealift and winter road to take advantage of lower transportation costs was also a factor. Average inventory levels in 2019 increased $6.4 million or 4.4% compared to 2018 and were up $15.4 million or 11.3% compared to 2017. Inventory turnover was down slightly to 5.6 times compared to 5.8 times last year and 6.0 times in 2017.

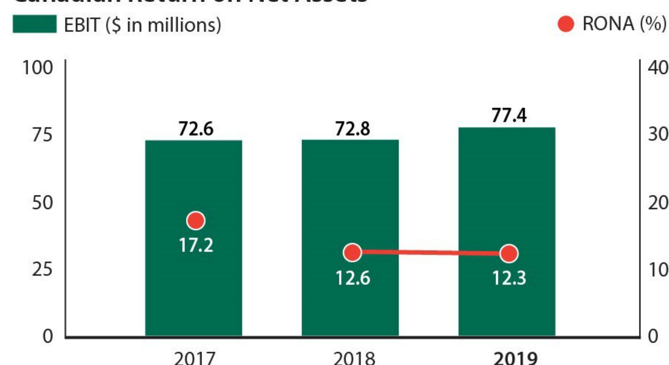
Accounts receivable increased $10.3 million or 14.1% compared to last year and were up $16.8 million or 25.1% compared to 2017 mainly due to higher customer and insurance claim-related accounts receivable. Average accounts receivable increased $5.6 million or 8.2% compared to 2018 and were up $7.9 million or 11.9% compared to 2017. The increase in average accounts receivable is due in part to insurance claim-related receivables and higher motorized and home furnishings sales.

Other assets increased $5.6 million or 5.2% compared to last year and were up $15.9 million or 16.5% compared to 2017. This increase is primarily due to higher intangible assets related to new point-of-sale, merchandise management and workforce management system software as part of Project Enterprise, and an increase in intangible assets and goodwill related to pharmacy acquisitions in 2018 and 2019. An increase in prepaid expenses primarily related to insurance and an increase in income tax receivable largely due to legislation providing for the acceleration of tax deductions on qualifying capital investments were also factors. These factors were partially offset by a decrease in deferred tax assets mainly due to the previously noted acceleration of tax depreciation on capital investments. Further information on deferred tax assets is provided in Note 10 to the consolidated financial statements.

Liabilities decreased $0.9 million or 0.5% from 2018 and were down $10.2 million or 5.7% compared to 2017. The decrease compared to 2017 is primarily due to lower accounts payable related to the timing of payments and a decrease in accrued share-based compensation. These factors were partially offset by an increase in defined benefit plan obligation mainly due to changes in the discount rate. Further information on share-based compensation and the defined benefit plan obligation is provided in Note 14 and Note 13 respectively to the consolidated financial statements.

Return on Net Assets (RONA[2]) The return on net assets employed for Canadian Operations decreased to 12.3% from 12.6% in 2018 as a 6.3% increase in EBIT was more than offset by a $48.8 million or 8.4% increase in average net assets compared to last year due to the factors previously noted.

Canadian Return on Net Assets[1][2]



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(2) See Non-GAAP Financial Measures section.

International Operations

(Stated in U.S. dollars)

FINANCIAL PERFORMANCE

International Operations results for the year are summarized by the key performance indicators used by management as follows:

Key Performance Indicators

($ in thousands)	2019	2018	2017
Sales	$ 621,200	$ 588,422	$ 607,618
Same store sales % increase	3.5%	4.2%	1.8%
EBITDA[(1)(2)]	$ 59,808	$ 67,192	$ 44,262
EBIT[(1)]	$ 39,995	$ 48,447	$ 31,999
Return on net assets [(1)(2)]	15.5%	20.2%	15.8%

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Sales International sales increased 5.6% to $621.2 million compared to $588.4 million in 2018, and were up $13.6 million or 2.2% compared to 2017. The increase in sales is partially due to same store sales gains that were positively impacted by tourism and hurricane reconstruction activity in Caribbean markets and commercial fishing and infrastructure projects in Alaska stores. The re-opening of a CUL store in St. Thomas, USVI on November 1, 2019 after being destroyed by hurricane Irma in September 2017 and the return to full operations of our CUL store in St. Maarten in the third quarter of 2018 after repairing all of the damage from hurricane Irma were also factors contributing to the sales gains. These factors were partially offset by the closure of a small CUL store in Sonora, California on March 31, 2019. Same store sales increased 3.5% compared to 4.2% in 2018 and 1.8% in 2017. Food sales accounted for 88.9% (88.5% in 2018) of total sales with the balance comprised of general merchandise and other sales at 11.1% (11.5% in 2018). Other sales consist primarily of fuel and financial services revenue.

Food sales increased 6.1% from 2018 and were up 2.1% compared to 2017. Same store food sales were up 4.0% on top of a 4.0% increase in 2018 with all banners contributing to the sales increase. Quarterly same store food sales increases were 5.2%, 5.5%, 4.0% and 1.3% in the fourth quarter.

General merchandise sales increased 2.4% from 2018 and were up 5.0% from 2017. On a same store basis, general merchandise sales were down 0.7% compared to an increase of 5.6% in 2018 as sales gains in AC stores were more than offset by lower sales in CUL stores. Quarterly same store general merchandise sales increased 6.2% and 2.8% in the first and second quarter respectively, and decreased 8.5% and 0.4% in the third and fourth quarter. The Permanent Fund Dividend ("PFD") paid to qualifying Alaska residents was $1,606 consistent with 2018 but up $506 compared to $1,100 in 2017. The 8.5% decrease in same store sales in the third quarter was substantially due to a delay in the issuance of PFD cheques until late October. Same store sales gains in AC stores in the fourth quarter were more than offset by lower sales in CUL stores.

Other sales, which consist primarily of fuel sales and financial services revenue, were down 3.8% from 2018 and 10.1% from 2017 due to lower fuel sales.

Sales Blend The table below shows the sales blend for the International Operations over the past three years:

	2019	2018	2017
Food	88.9%	88.5%	89.1%
General merchandise and other	11.1%	11.5%	10.9%

Same Store Sales International Operations same store sales for the past three years are shown in the following table. General merchandise same store sales are impacted by consumer spending on big-ticket durable goods that are largely influenced by special payments, such as the PFD and regional Native corporation dividends, which can result in greater sales volatility.

Same Store Sales

(% change)	2019	2018	2017
Food	4.0 %	4.0%	2.3 %
General merchandise (GM)	(0.7)%	5.6%	(1.4)%
Total food & GM sales	3.5 %	4.2%	1.8 %

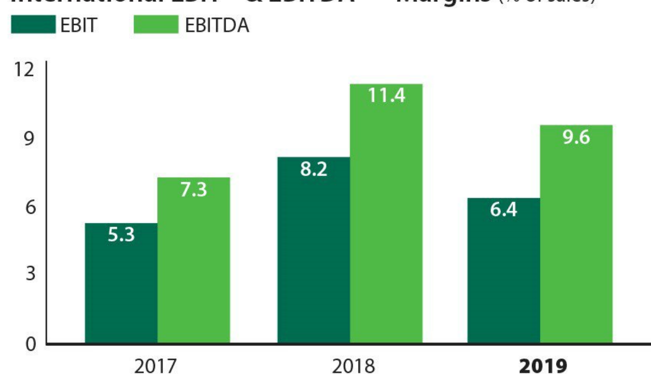
Gross Profit Gross profit dollars increased 3.9% as higher sales more than offset a decrease in the gross profit rate. The decrease in the gross profit rate is mainly related to a higher blend of Cost-U-Less sales which carry a lower gross profit rate consistent with a discount warehouse format. An increase in promotional activities in certain Caribbean markets was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 12.3% compared to last year and were up 134 basis points as a percentage of sales substantially due to the impact of a decrease in hurricane-related insurance gains compared to the prior year and support office restructuring costs. The impact of new stores and higher insurance costs were also factors. These factors were partially offset by lower share-based compensation costs.

In 2019, the finalization of hurricane-related insurance claims resulted in an $8.0 million insurance-related gain compared to a $13.1 million insurance gain last year. These insurance-related gains are due to the difference between the replacement cost of the assets destroyed and their book value, and the recovery of business interruption losses. The restructuring and relocation of the Company's support office in Bellevue, Washington to Anchorage, Alaska and Boca Raton, Florida to relocate executives and store support teams closer to the markets they serve resulted in $3.6 million in one-time costs. Excluding the impact of the insurance gains and support office restructuring costs, Expenses increased 4.8% compared to last year largely due to new stores and higher insurance costs.

Earnings from Operations (EBIT) Earnings from operations decreased $8.5 million or 17.4% to $40.0 million compared to 2018 due to the impact of the hurricane-related insurance gains, support office restructuring costs and the other factors previously noted. EBITDA[(2)] decreased $7.4 million or 11.0% to $59.8 million and was 9.6% as a percentage of sales compared to 11.4% in 2018. Excluding the impact of the insurance gains, share-based compensation expense and support office restructuring costs, adjusted EBITDA[(2)] increased 0.6%.

International EBIT[1] & EBITDA[1][2] Margins (% of sales)



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Net Assets Employed International Operations net assets employed of $273.5 million increased $22.5 million or 9.0% compared to last year and were up $36.1 million or 15.2% to 2017 as summarized in the following table:

($ in millions at the end of the fiscal year)	**2019**	2018[1]	2017[1]
Property and equipment	**$ 142.0**	$ 119.5	$ 111.9
Right-of-use assets[1]	**41.2**	40.6	39.6
Inventories	**75.6**	68.9	68.0
Accounts receivable	**16.1**	13.0	11.3
Other assets[1]	**48.7**	56.6	50.2
Liabilities[1]	**(50.1)**	(47.6)	(43.6)
Net assets employed	**$ 273.5**	$ 251.0	$ 237.4

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain 2018 and 2017 figures as described in the Accounting Standard Changes Implemented in 2019.

The increase in property and equipment is mainly due to the reconstruction of the CUL store in St. Thomas, USVI that was completely destroyed by hurricane Irma in 2017, the acquisition of stores in Barrow and Bethel, Alaska and capital investments to facilities in the Caribbean to increase their resiliency to a category 5 hurricane level. Top Markets investments in fixtures and equipment and the relocation of the support office from Bellevue, Washington to Anchorage, Alaska and Boca Raton, Florida were also factors.

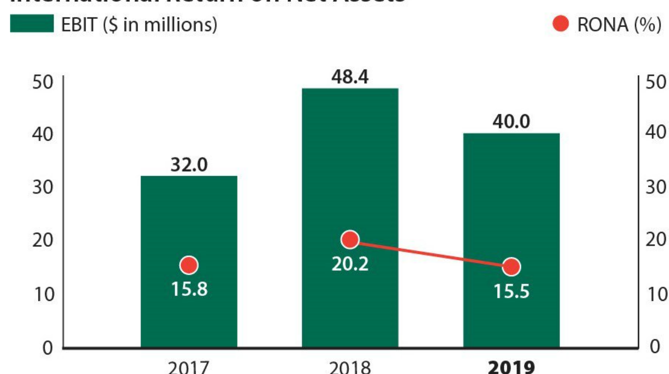
Inventories increased $6.7 million or 9.7% compared to last year and were up $7.6 million or 11.2% from 2017. Average inventory levels in 2019 were up 6.6% compared to 2018 and were up 5.3% compared to 2017 mainly due to new stores. Inventory turnover was 6.0 times compared to 6.1 times in 2018 and 2017.

Other assets decreased $7.9 million or 14.0% compared to last year and were down $1.5 million compared to 2017 primarily due to lower cash balances and a decrease in deferred tax assets substantially due to legislation that provides for accelerated tax deductions on qualifying capital investments.

Liabilities increased $2.5 million or 5.3% compared to 2018 and were up $6.5 million or 14.9% compared to 2017 substantially due to higher trade accounts payable related to the timing of payments.

Return on Net Assets (RONA[2]) The return on net assets employed for International Operations decreased to 15.5% compared to 20.2% in 2018 due to a 17.4% decrease in EBIT and an $18.7 million increase in average net assets due to the factors previously noted.

International Return on Net Assets[1][2]



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.
(2) See Non-GAAP Financial Measures section.

Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

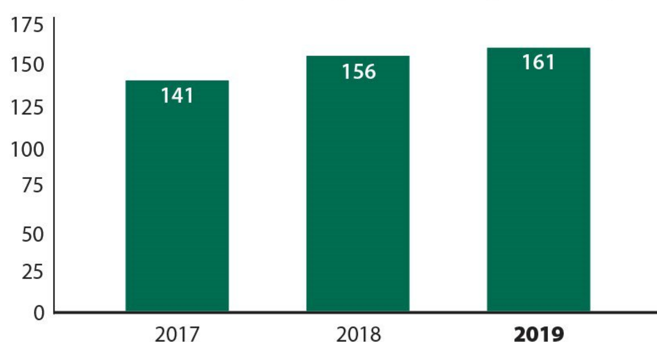
($ in thousands)	2019	2018(1)	2017(1)
Cash provided by (used in):			
Operating activities before change in non-cash working capital and other	**$ 197,021**	$ 177,833	$ 134,222
Change in non-cash working capital	**(28,670)**	(20,824)	2,271
Change in other non-cash items	**(7,234)**	(1,284)	4,926
Operating activities	**161,117**	155,725	141,419
Investing activities	**(104,272)**	(80,793)	(165,861)
Financing activities	**(67,236)**	(62,357)	19,928
Effect of foreign exchange	**130**	713	(569)
Net change in cash	**$ (10,261)**	$ 13,288	$ (5,083)

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.

Cash from Operating Activities Cash flow from operating activities increased $5.4 million or 3.5% to $161.1 million compared to 2018 due to a $19.2 million increase in cash earnings to $197.0 million partially offset by the change in non-cash working capital and other non-cash items. The $19.2 million increase in cash flow from operating activities before working capital and other items in 2019 compared to 2018 is mainly due to an increase in amortization, a decrease in proceeds from property insurance settlements from $17.0 million in 2018 to $7.8 million in 2019 and lower taxes paid.

The change in non-cash working capital is primarily due to the change in inventories, accounts receivable and accounts payable and accrued liabilities compared to the prior year. Further information on working capital is provided in the Canadian and International net assets employed sections on pages 10 and 12 respectively. The change in other non-cash items is largely due to changes in accrued share-based compensation and defined benefit pension obligation.

Cash flow from operating activities and unutilized credit available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2020.



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.

Cash Used in Investing Activities Net cash used in investing activities was $104.3 million compared to $80.8 million in 2018 and $165.9 million in 2017. The increase is mainly due to investments in property and equipment for store and warehouse replacements resulting from hurricane Irma and fire damage, and store renovations and equipment replacements in Top Markets. The acquisition of a pharmacy in Canadian Operations and two retail stores in International Operations were also factors. The decrease compared to 2017 is due to the acquisition of RTW and NSA in 2017. Net investing in Canadian Operations was $63.2 million net of $11.8 million in insurance proceeds compared to $69.2 million in 2018 and $121.4 million in 2017. A summary of the Canadian Operations investing activities is included in net assets employed on page 10. Investing in International Operations was $41.1 million, net of $5.5 million in insurance proceeds compared to $11.6 million, net of $18.8 million in insurance proceeds in 2018 and $44.5 million, net of $7.0 million in insurance proceeds in 2017. A summary of the International Operations investing activities is included in net assets employed on page 12.

The following table summarizes the number of stores and selling square footage under NWC's various retail banners at the end of the fiscal year:

	Number of Stores		Selling square footage	
	2019	2018	**2019**	2018
Northern	**117**	117	**689,051**	686,256
NorthMart	**5**	5	**116,156**	106,968
Quickstop	**28**	27	**38,509**	43,056
Giant Tiger	**46**	44	**754,523**	720,523
Alaska Commercial	**27**	27	**249,212**	269,893
Cost-U-Less	**12**	12	**344,695**	328,955
Riteway Food Market	**8**	8	**58,650**	58,650
Other Formats	**6**	5	**27,842**	25,833
Total at year-end	**249**	245	**2,278,638**	2,240,134

In Canadian Operations, two Quickstop convenience stores and two Giant Tiger stores were opened. Under Other Formats, a new Motorsports store and repair shop opened in Iqaluit, Nunavut. Total selling square footage in Canada increased 2.9% to 1,616,780 compared to 1,570,826 in 2018 as a result of the new stores.

In International Operations, a Cost-U-Less store in Sonora, California was closed and another in St. Thomas, USVI was re-opened after being completely destroyed by hurricane Irma in 2017. A new store in Barrow, Alaska was acquired and remodeled replacing a larger AC store and a small Quickstop convenience store which were closed as a result of the lease expiration. A convenience store was acquired in Bethel, Alaska and is being remodeled with an expected opening in the second quarter of 2020 and is not included in the above table. Total selling square footage decreased 1.1% to 661,858 compared to 669,308 last year as the impact of the store openings largely offset the square footage reduction due to closures.

Cash Used in Financing Activities Cash used in financing activities was $67.2 million compared to cash used of $62.4 million in 2018. The change compared to last year is largely due to an increase in interest payments related to higher average debt levels and an increase in shareholder dividends. Further information on dividends, interest and the loan facilities is provided in the following sections.

Shareholder Dividends The Company paid dividends of $64.4 million or $1.32 per share compared to $62.3 million or $1.28 per share in 2018. Further information on dividends is included in Note 20 to the consolidated financial statements.

The following table shows the quarterly cash dividends per share paid for the past three years:

	2019	2018	2017
First Quarter	**$ 0.33**	$ 0.32	$ 0.32
Second Quarter	**0.33**	0.32	0.32
Third Quarter	**0.33**	0.32	0.32
Fourth Quarter	**0.33**	0.32	0.32
Total	**$ 1.32**	$ 1.28	$ 1.28

The payment of dividends on the Company's common shares is 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 were designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

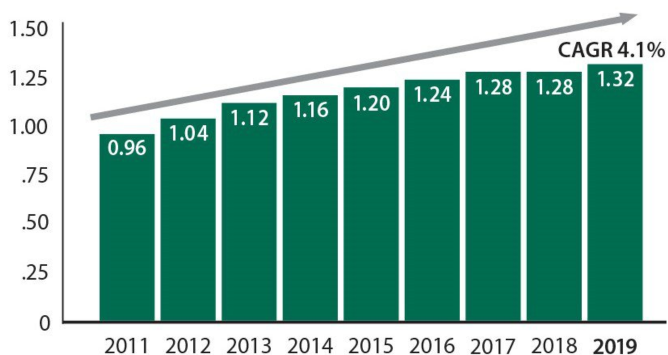
The following table shows dividends paid in comparison to cash flow from operating activities for the past three years:

	2019	2018(1)	2017(1)
Dividends	**$ 64,351**	$ 62,329	$ 62,315
Cash flow from operating activities	**$ 161,117**	$ 155,725	$ 141,419
Dividends as a % of cash flow from operating activities	**39.9%**	40.0%	44.1%

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.

Dividends as a percentage of cash flow from operating activities has remained consistent at 40.0% over the past two years.

Since converting back to a share corporation on January 1, 2011, the dividend has increased at a compound annual growth rate ("CAGR") of 4.1% over the past eight years as shown in the following graph:



(1) North West Company Fund converted to a share corporation effective January 1, 2011. In addition to the $0.96 per share dividend paid in 2011, the Company also paid a $0.09 per unit final distribution from the Fund as part of the conversion to a share corporation.

On March 12, 2020, the Board of Directors approved a quarterly dividend of $0.33 per share to shareholders of record on March 31, 2020, which was paid on April 15, 2020.

Post-Employment Benefits The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. The Company recorded net actuarial losses on defined benefit pension plans of $8.5 million net of deferred income taxes in other comprehensive income. This compares to net actuarial gains on defined benefit pension plans of $5.0 million in 2018 and $1.2 million in 2017. These losses and gains in other comprehensive income were immediately recognized in retained earnings. Actuarial gains and losses occur primarily due to changes in the discount rate used to calculate pension liabilities and returns on pension plan assets.

In 2020, the Company will be required to contribute approximately $1.5 million to the defined benefit pension plans. In addition to the cash funding, a portion of the pension plan obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. In 2019, the Company's cash contributions to the pension plan were $3.5 million compared to $2.3 million in 2018 and $3.5 million in 2017. The actual amount of the contribution may be different from the estimate based on actuarial valuations, plan investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to contribute approximately $4.6 million to the defined contribution pension plan and U.S. employees savings plan in 2020 compared to $5.3 million in 2019 and $4.8 million in 2018. Additional information regarding post-employment benefits is provided in Note 13 to the consolidated financial statements.

Sources of Liquidity The Company has outstanding $100.0 million in senior notes (January 31, 2019 - $100.0 million) 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 (collectively "Senior Debt").

At January 31, 2020, the Canadian Operations have outstanding US$70.0 million senior notes (January 31, 2019 - US$70.0 million). The senior notes, which mature June 16, 2021, 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. The senior notes are secured by certain assets of the Company and rank *pari passu* with the Company's other Senior Debt. The Company has designated certain U.S. denominated debt as a hedge against the U.S. dollar investment in the International Operations. For more information on the senior notes and financial instruments, see Note 12 and Note 15 to the consolidated financial statements.

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 and mature on September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the Company's other Senior Debt. At January 31, 2020, the Company had drawn $176.7 million on these facilities (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 and mature on September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the Company's other Senior Debt. At January 31, 2020, the Company had drawn US$27.9 million on these facilities (January 31, 2019 - US$27.9 million).

The International Operations have a US$40.0 million loan facility that bears a floating rate of interest based on U.S. LIBOR plus a spread. In February 2020, the Company extended the maturity date on this facility to February 2025. This facility is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2020, the International Operations had drawn US$0.7 million on this facility (January 31, 2019 - US$NIL).

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 January 31, 2020, 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.

Interest Costs and Coverage

	2019	2018	2017
Coverage ratio	**6.2**	6.9	11.3
EBIT ($ in millions)[(1)]	**$ 130.4**	$ 136.0	$ 114.0
Interest ($ in millions)[(1)]	**$ 20.9**	$ 19.6	$ 10.1

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2017 has not been restated which render certain comparisons to 2018 and 2019 not meaningful.

The coverage ratio of earnings from operations ("EBIT") to interest expense has decreased to 6.2 times compared to 6.9 times in 2018 due to a $1.3 million increase in interest expense and a 4.2% decrease in consolidated EBIT as previously noted. Additional information on interest expense is provided in Note 19 to the consolidated financial statements.

Contractual Obligations and Other Commitments

Contractual obligations of the Company at January 31, 2020 are listed in the chart below:

($ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt	$410,965	$ 1,850	$307,793	$ 1,322	$100,000
Lease payments	184,317	24,335	46,941	36,270	76,771
Other liabilities [(1)]	21,305	11,080	10,225	—	—
Total	$616,587	$ 37,265	$364,959	$ 37,592	$176,771

(1) At year-end, the Company had additional long-term liabilities of $54.9 million which include other liabilities, defined benefit plan obligations and deferred income tax liabilities. These liabilities have not been included as the timing and amount of the future payments are uncertain.

Director and Officer Indemnification Agreements The Company has agreements with its current and former directors, trustees, and officers to indemnify them against charges, costs, expenses, amounts paid in settlement and damages incurred from any lawsuit or any judicial, administrative or investigative proceeding in which they are sued as a result of their service. Due to the nature of these agreements, the Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. The Company has also purchased directors', trustees' and officers' liability insurance. No amount has been recorded in the financial statements regarding these indemnification agreements.

Other Indemnification Agreements The Company provides indemnification agreements to counterparties for events such as intellectual property right infringement, loss or damage to property, claims that may arise while providing services, violation of laws or regulations, or as a result of litigation that might be suffered by the counterparties. The terms and nature of these agreements are based on the specific contract. The Company cannot make a reasonable estimate of the maximum amount it could be required to pay to counterparties. No amount has been recorded in the financial statements regarding these agreements.

Giant Tiger Master Franchise Agreement The Company has a Master Franchise Agreement ("MFA") with Giant Tiger Stores Limited, based in Ottawa, Ontario, which grants the Company the exclusive right to open Giant Tiger stores in western Canada, subject to meeting a minimum store opening commitment. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing food buying and distribution services to the stores. At January 31, 2020, the Company owns 46 Giant Tiger stores and is in compliance with the minimum store opening commitment. The agreement expires July 31, 2040.

On March 12, 2020, the Company entered into a definitive asset purchase agreement to sell 34 GT stores to Giant Tiger Stores Limited (the "GTSL Transaction"). The MFA will terminate upon the closing of the GTSL Transaction. Further information on the GTSL Transaction is provided in the Subsequent Events section and in Note 24 to the consolidated financial statements.

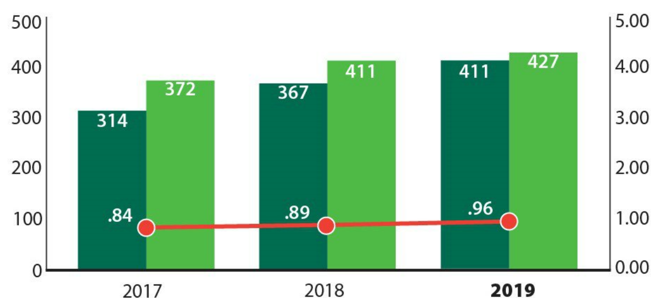
Additional information on commitments, contingencies and guarantees is provided in Note 22 to the consolidated financial statements.

Related Parties The Company has a 50% ownership interest in a Canadian Arctic shipping company, Transport Nanuk Inc. and purchases freight handling and shipping services from Transport Nanuk Inc. and its subsidiaries. The purchases are based on market rates for these types of services in an arm's length transaction. Additional information on the Company's transactions with Transport Nanuk Inc. is included in Note 23 to the consolidated financial statements.

Letters of Credit In the normal course of business, the Company issues standby letters of credit in connection with defined benefit pension plans, purchase orders and performance guarantees. The aggregate potential liability related to letters of credit is approximately $21 million (January 31, 2019 - $22 million).

Capital Structure The Company's capital management objectives are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of growth opportunities, maintain existing assets, meet obligations and financial covenants and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to optimize efficiency through an appropriate balance of debt and equity. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

Capital Structure[(1)]



(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019.

The Company's capital structure over the past three years is summarized in the preceding graph.

On a consolidated basis, the Company had $411.0 million in debt and $427.0 million in equity at the end of the year and a debt-to-equity ratio of 0.96:1 compared to 0.89:1 last year. From 2017 to 2019, equity has increased $54.6 million or 14.7% and debt has increased $97.4 million or 31.1%. During this same period, the Company has made capital expenditures, including acquisitions and net of insurance proceeds, of $356.0 million and has paid dividends of $189.0 million. This reflects the Company's balanced approach of investing to sustain and grow the business while providing shareholders with an annual cash return.

Consolidated debt at the end of the year increased $44.2 million or 12.1% to $411.0 million compared to $366.8 million in 2018, and was up $97.4 million or 31.1% from $313.5 million in 2017. The increase in debt is mainly due to higher amounts drawn on the revolving loan facilities largely resulting from investments in Top Markets, major store remodels and aircraft. Further information is provided under investing activities. The impact of foreign exchange on the translation of U.S. denominated debt was also a factor. The Company has US$99.7 million in debt at January 31, 2020 (January 31, 2019 - US$97.9 million, January 31, 2018 - US$99.4 million) that is exposed to changes in foreign exchange rates when translated into Canadian dollars. The exchange rate used to translate U.S. denominated debt into Canadian dollars at January 31, 2020 was 1.3224 compared to 1.3137 at January 31, 2019 and 1.2301 at January 31, 2018. The change in the foreign exchange rate resulted in a $0.9 million increase in debt compared to 2018 and a $9.2 million increase compared to 2017. Average debt outstanding during the year excluding the foreign exchange impact increased $46.6 million or 14.1% from 2018 and was up $107.0 million or 39.4% compared to 2017.

The debt outstanding at the end of the fiscal year is summarized as follows:

(CAD$ in thousands at the end of the fiscal year)	**2019**	2018	2017
CAD$ senior notes	**$ 100,000**	$ 100,000	$ 100,000
US$ senior notes	**92,334**	91,666	85,760
Canadian loan facilities	**176,716**	134,791	91,648
U.S. loan facilities	**37,893**	36,700	36,141
Promissory note payable	**4,022**	3,600	—
Total debt	**$ 410,965**	$ 366,757	$ 313,549

Lease liabilities decreased $0.8 million or 0.6% to $139.1 million compared to $139.9 million in 2018 but were up $10.4 million or 8.1% compared to $128.7 million in 2017 as summarized in the table below. The increase compared to 2017 is largely due to new store leases in both Canadian and International Operations. Further information on lease liabilities is provided in Note 8 to the consolidated financial statements.

Lease Liabilities

(CAD$ in thousands at the end of the fiscal year)	**2019**	2018(1)	2017(1)
Current portion of lease liability	**$ 19,176**	$ 21,836	$ 23,185
Non-current lease liabilities	**119,928**	118,112	105,541
Total lease liabilities	**$ 139,104**	$ 139,948	$ 128,726

(1) IFRS 16 - *Leases* was applied retrospectively with restatement certain prior year figures as described in the Accounting Standard Changes Implemented in 2019. 2018 and 2017 Lease Liabilities have been presented in accordance with IFRS 16 - *Lease*.

Shareholders' Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2020 of 48,750,929 (January 31, 2019 - 48,750,929). The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Each option is exercisable into one common share of the Company at a price specified in the option agreement. At January 31, 2020, there were 2,819,813 options outstanding representing 5.8% of the issued and outstanding shares. In addition to share options, there were 243,712 in Performance Share Units ("PSU") that may be settled by the issuance of shares based on meeting certain performance criteria and 318,227 in Director Deferred Share Units ("DDSU") that may be settled by the issuance of shares. Further information on share options, PSUs and DDSUs is provided in Note 14 to the consolidated financial statements.

Effective June 12, 2019, the Company amended the rights of its shares to align them with the Canada Transportation Act ("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 from 25% to 49%, subject to certain restrictions.

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 the 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 CTA). 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 CTA. Further information on the Company's Variable Voting Shares and Common Voting Shares is provided in the April 10, 2019 Management Information Circular which is available on the Company's website at www.northwest.ca or on SEDAR at www.sedar.com.

At January 31, 2020, there were 11,357,628 Variable Voting Shares, representing 23.3% of the total shares issued and outstanding. Further information on the Company's share capital is provided in Note 16 to the consolidated financial statements.

Book value per share attributable to shareholders, on a diluted basis, at the end of the year increased to $8.38 per share compared to $8.11 per share in 2018. Total shareholders' equity increased $16.0 million or 3.9% compared to 2018 largely due to an increase in retained earnings and contributed surplus. Further information is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

QUARTERLY FINANCIAL INFORMATION

Historically, the Company's first quarter sales are the lowest and fourth quarter sales are the highest, reflecting consumer buying patterns. 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, variability in share-based compensation costs related to changes in the Company's share price and other factors which can affect net earnings.

The following is a summary of selected quarterly financial information[1]:

($ thousands)	Q1	Q2	Q3	Q4	Total
Sales					
2019	$ 494,529	$ 527,282	$ 519,521	$ 553,061	$ 2,094,393
2018	$ 465,730	$ 503,796	$ 511,477	$ 532,483	$ 2,013,486
EBITDA[2]					
2019	$ 58,248	$ 51,615	$ 59,279	$ 50,433	$ 219,575
2018	$ 46,520	$ 49,599	$ 77,613	$ 44,290	$ 218,022
Earnings from operations (EBIT)					
2019	$ 37,033	$ 29,596	$ 36,990	$ 26,734	$ 130,353
2018	$ 26,883	$ 29,383	$ 56,489	$ 23,246	$ 136,001
Net earnings					
2019	$ 26,225	$ 17,947	$ 24,838	$ 17,263	$ 86,273
2018	$ 18,508	$ 18,642	$ 39,508	$ 13,965	$ 90,623
Net earnings attributable to shareholders of the Company					
2019	$ 25,124	$ 17,155	$ 24,101	$ 16,344	$ 82,724
2018	$ 17,685	$ 17,666	$ 38,320	$ 13,068	$ 86,739
Earnings per share-basic					
2019	$ 0.52	$ 0.35	$ 0.49	$ 0.34	$ 1.70
2018	$ 0.36	$ 0.37	$ 0.78	$ 0.27	$ 1.78
Earnings per share-diluted					
2019	$ 0.51	$ 0.35	$ 0.49	$ 0.33	$ 1.68
2018	$ 0.36	$ 0.36	$ 0.78	$ 0.27	$ 1.77

(1) The Company has adopted IFRS 16 - *Leases* effective February 1, 2019 using the full retrospective approach and restated 2018 in its 2019 annual audited consolidated financial statements.
(2) See Non-GAAP Financial Measures section.

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 - *Leases*:

	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	**44.3**
Earnings from operations	25.6	**26.9**	27.8	**29.4**	54.9	**56.5**	21.6	**23.2**
Net earnings	18.6	**18.5**	18.6	**18.6**	39.5	**39.5**	13.9	**14.0**
Net earnings attributable to shareholders of the Company	17.8	**17.7**	17.6	**17.7**	38.3	**38.3**	13.0	**13.1**
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	**49.7**
Adjusted net earnings[2]	17.6	**17.5**	23.8	**23.8**	23.7	**23.7**	19.3	**19.3**

(2) See Non-GAAP Financial Measures section.

Fourth Quarter Highlights Fourth quarter consolidated sales increased 3.9% to $553.1 million led by same store food sales gains and the impact of new store sales largely driven by the November 1, 2019 re-opening of the Company's Cost-U-Less store in St. Thomas, USVI which was destroyed by hurricane Irma in the third quarter of 2017. Excluding the foreign exchange impact, consolidated sales increased 4.1% and were up 0.8%[2] on a same store basis. Food sales[2] increased 5.2% and were up 1.5% on a same store basis led by sales gains in northern Canada and Alaska stores ("northern markets"). General merchandise sales[2] increased 0.7% and were down 1.7% on a same store basis as sales gains in northern markets were more than offset by lower sales in Giant Tiger ("GT") stores.

Gross profit increased 2.3% driven by higher sales as the gross profit rate decreased 46 basis points compared to last year. The decrease in gross profit rate was mainly due to increased promotional pricing, largely in GT markets, and a higher blend of CUL sales which carry a lower gross profit rate consistent with a discount warehouse format. North Star Air's ("NSA") loss of a Basler aircraft due to an accident in December 2019, which resulted in significantly higher operating costs related to substitute leased aircraft, was also a factor.

Selling, operating and administrative expenses increased 0.2% and were down 93 basis points as a percentage to sales as a $5.2 million decrease in share-based compensation costs and the impact of $3.2 million in insurance gains were offset by higher expenses partially related to new stores, the impact of support office restructuring costs in International Operations, and higher amortization and insurance costs. The $3.2 million in insurance gains includes a $0.9 million insurance gain related to the settlement of the Basler aircraft insurance claim. This gain was more than offset by the increase in leased aircraft costs previously noted. The increase in amortization is mainly due to the impact of capital investments in stores. Excluding the impact of the share-based compensation costs, insurance gains, and support office restructuring costs, Expenses increased $7.6 million or 43 basis points as a percentage to sales partially due to the impact of new stores and higher depreciation and insurance expense.

Earnings from operations increased 15.0% to $26.7 million compared to $23.2 million last year and earnings before interest, income taxes, depreciation and amortization (EBITDA[3]) increased $6.1 million or 13.9% to $50.4 million due to the gross profit and Expense factors previously noted. Adjusted EBITDA[3], which excludes the impact of share-based compensation costs and the insurance-related gains, decreased $2.3 million or 4.6% compared to last year and as a percentage to sales was 8.6% compared to 9.3% last year as sales gains and improvements in gross profit were more than offset by the Expense factors noted above and lower earnings in GT stores. GT EBITDA[3] in the quarter decreased $2.4 million or 86.1% compared to last year. Further information on Giant Tiger stores is provided in the Subsequent Events section. Excluding the Giant Tiger results and impact of the International support office restructuring costs, adjusted EBITDA[3] increased $1.3 million or 2.7% mainly due to earnings gains in northern Canada and Alaska, partially offset by lower earnings in Pacific region stores.

Income tax expense decreased $0.1 million to $3.8 million and the consolidated effective tax rate was 18.2% compared to 22.1% last year. This rate decrease was primarily due to the impact of non-taxable share-based compensation costs in Canadian Operations and the blend of earnings in International Operations across the various tax rate jurisdictions.

Net earnings increased $3.3 million or 23.6% to $17.3 million. Net earnings attributable to shareholders were $16.3 million and diluted earnings per share were $0.33 per share compared to $0.27 per share last year due to the factors noted above. Adjusted net earnings[3], which excludes the impact of the after-tax insurance-related gains and share-based compensation costs, decreased 21.2% compared to last year due to the Expense factors previously noted and lower earnings in GT stores. Excluding the Giant Tiger results and the impact of the International support office restructuring costs, adjusted net earnings[3] decreased $1.5 million or 7.5% mainly due to higher depreciation and insurance costs as previously noted.

Comprehensive income decreased to $16.3 million compared to $20.3 million last year substantially due to the remeasurement of defined benefit plans partially offset by the increase in net earnings noted above. Further information on defined benefit plans is provided in Note 13 to the Annual Consolidated Financial Statements.

Cash flow from operating activities in the quarter decreased $6.7 million to $48.3 million compared to cash flow from operating activities of $55.0 million last year as the increase in net earnings was more than offset by 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.

Cash used in investing activities in the quarter increased to $19.2 million compared to $13.3 million last year. Investments in property, equipment and intangible assets were largely related to investments in store and warehouse replacements resulting from hurricane and fire-related damage, store renovations in Top Markets and the implementation of new information systems as described in the strategy section.

Cash flow used in financing activities in the quarter was $53.0 million compared to $58.9 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.

Further information on the quarterly financial performance of the Company is provided in the interim MD&A available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com.*

(2) Excluding the foreign exchange impact.

(3) See Non-GAAP Financial Measures section in the 2019 fourth quarter report to shareholders.

DISCLOSURE CONTROLS

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding public disclosure. Based on an evaluation of the Company's disclosure controls and procedures, as required by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Company's CEO and CFO have concluded that these controls and procedures were designed and operated effectively as of January 31, 2020.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is 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 statements for external purposes in accordance with International Financial Reporting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or the degree of compliance with policies and procedures may deteriorate. Furthermore, management is required to use judgment in evaluating controls and procedures. Based on an evaluation of the Company's internal controls over financial reporting using the Internal Control - Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), 2013, the Company's CEO and CFO have concluded that the internal controls over financial reporting were designed and operated effectively as at January 31, 2020. There have been no changes in the internal controls over financial reporting for the year ended January 31, 2020 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

SUBSEQUENT EVENTS

Giant Tiger

On March 12, 2020, the Company and Giant Tiger Stores Limited ("GTSL") announced they had entered into a definitive asset purchase agreement (the "GTSL Transaction") for GTSL to acquire 34 of the Company's 46 Giant Tiger stores (the "Acquired Stores") for cash consideration of $45.0 million payable in $15.0 million installments on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, total contingent consideration payable of up to $22.5 million. The purchase price is subject to certain working capital adjustments including the estimation of the contingent consideration. Of the remaining 12 GT locations, the Company will: (i) retain and operate five key stores in northern market locations, (ii) convert one store to a Valu-Lots clearance center and (iii) close six stores in the second and third quarter of 2020. The closed stores are expected to result in a provision of approximately $9.0 million, which will be recorded in the first quarter of 2020. The Acquired Stores and closed stores had annualized sales of $290 million, an EBIT loss of $8.6 million and EBITDA[(2)] of $0.3 million for the year-ended January 31, 2020.

As a part of the GTSL Transaction, the Company will enter into reciprocal product supply and distribution agreements related to the supply of food-related product by the Company to the Acquired Stores and certain general merchandise and food-related products by GTSL to the Company's northern Canada stores. These agreements will enable buying and distribution efficiencies for both parties and will provide the Company access to a stronger, expanded general merchandise assortment.

The completion of the GTSL Transaction is subject to the satisfaction of closing conditions and is expected to occur in the second quarter of 2020.

Winnipeg Support Office Cost Reduction

On March 12, 2020, the Company announced that it will be reducing administration costs in its Canadian Operations by approximately $17.0 million on an annualized basis and that it expects to record a provision of approximately $5.0 million in the first quarter of 2020, related primarily to employee severance costs. This cost reduction will largely take effect in the first and second quarters of 2020 and is partially related to recent and ongoing technology investments and the impact of the previously noted GTSL Transaction and related product supply and distribution agreements. The Company plans to re-focus on the core store selling activities in northern Canada and re-invest part of the cost savings in lower retail food pricing to help drive market share growth in this region, beginning with approximately $10.0 million in annualized pricing investment over the next 12-18 months.

Pandemic COVID-19

Subsequent to January 31, 2020, the World Health Organization declared the rapidly spreading novel coronavirus ("COVID-19") a pandemic. This contagious disease outbreak has resulted in material disruption to businesses globally and significant economic uncertainty. In response, governments worldwide, including in Canada, have enacted emergency measures to both combat the spread of the virus and stabilize economic conditions. All of the Company's operations are considered to be essential services by the applicable government authorities. As such, the Company's focus is on business continuity and safety plans to ensure uninterrupted operations and to help mitigate the health impact of COVID-19 on employees and customers. This includes the implementation of physical spacing, safety and enhanced sanitation protocols in stores, distribution centers and support offices. The Company is also working closely with governments and suppliers to help ensure the uninterrupted flow of merchandise to our stores. COVID-19 is a rapidly changing situation and the Company continues to adjust and adapt its operations as required.

The impact of COVID-19 is highly uncertain and the Company is not able to reliably forecast the severity and duration of the impact of COVID-19 on the economy, the financial markets, the availability of capital and the impact on the Company's employees, customers, and suppliers, including the temporary closure of stores or interruptions to the Company's supply chain. Although the Company foresees continued revenue demand based on its role as an essential service, the full impact of COVID-19 is not determinable at this time and there can be no assurance that COVID-19 will not have a material adverse impact on the Company's operations and financial condition.

OUTLOOK

The Company's 2020 consumer outlook and operating conditions are clouded by the COVID-19 situation. Current demand for the Company's product mix is high due to stock-up shopping, a sharp drop-off in out-of-community purchasing and injections of government income-support programs. Within-community purchasing will remain above normal levels over the duration of restrictions on non-essential travel and to a lesser degree, restaurant closures. Offsetting this will be expected declines in resource and tourism-related employment income within the Company's International Operations, the higher risk of pronounced COVID-19 outbreaks within the small, remote communities served by the Company and additional operating costs including more relief and replacement store staffing, safety supplies and higher bank card fees due to lower cash usage.

The Company is monitoring the COVID-19 situation on a daily basis and adjusting practices as appropriate, including people, product sourcing and distribution requirements. As a relied-upon, essential service provider of everyday needs to many remote communities, the Company is committed to ensuring continuity of service throughout this challenging period.

The medium and longer term outlook for the Company's core business is favourable and aligns with our lower risk product and service focus, augmented by opportunistic investments. Northern Canada's outlook in particular, is buoyed by ongoing government investment within Indigenous communities, resource development, and other public sector capital projects.

A third owned ATR aircraft will be added to NSA's fleet in the second quarter of 2020. This will add redundancy capacity and reduce reliance on more expensive, chartered planes as well as providing more opportunity to grow NSA's third party cargo business. Two Basler aircraft insurance claims combined with an overall higher insurance cost environment are expected to result in significantly higher insurance expenses for NSA in 2020. Actions are underway to mitigate this cost impact and to ensure that NSA has the optimum fleet model configuration for its scope of business.

The relocation of our International Operations support office from Bellevue, Washington to Anchorage, Alaska and Boca Raton, Florida to support our AC and CUL banners respectively is complete and is expected to contribute to better market insights and execution. The closure of our main store in Barrow is expected to be partially mitigated by the opening of a smaller store in the community but may negatively impact earnings growth in Alaska over the next three quarters.

In 2019, the Company recorded after-tax insurance related gains of $13.9 million compared to $15.4 million in 2018. The settlement of fire insurance claims and the receipt of payments are expected to result in further insurance-related earnings gains in 2020 however, the amount and timing of these gains is uncertain. The remaining gains in 2020 are expected to be offset by higher insurance costs primarily in Canada and the Caribbean. Global insurance market conditions are more challenging as insurance companies limit their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as aviation. 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 has completed facilities upgrades in the Caribbean to a category five hurricane level, has undertaken fire prevention audits and upgraded facilities to help reduce the risk of fire related losses, and is reviewing the risk profile of its current NSA fleet. The Company also continues to review self-insurance options.

As noted in the Subsequent Events section, the Company has entered into an agreement to sell 34 of the Company's 46 Giant Tiger stores to Giant Tiger Stores Limited. The Company also plans to close six Giant Tiger stores which is expected to result in recording a $9 million provision in the first quarter of 2020. The Company also expects to record a provision for employee severance costs of approximately $5 million in the first quarter related to the previously announced restructuring of its Winnipeg support office. Further information on the Giant Tiger transaction, store closures and support office restructuring is provided in the Subsequent Events section and in Note 24 to the consolidated financial statements.

In 2020, the Company expects that capital expenditures, including investments in aircraft capacity, will be in the $65.0 million range (2019 - $104.3 million) net of expected recoveries on the settlement of fire insurance claims. The timing and amount of store-based capital expenditures may be impacted by COVID-19-related travel restrictions, 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.

RISK MANAGEMENT

The mandate of the Board of Directors includes ensuring that processes are in place to identify and manage the principle risks of the business, including environmental and climate-related risks, for which the Board has delegated primary responsibility to the Audit Committee. The North West Company maintains an Enterprise Risk Management ("ERM") program which assists in identifying, evaluating and managing risks that may reasonably have an impact on the Company. Management is accountable for completing an annual ERM assessment to evaluate risks and the potential impact that the risks may have on the Company's financial performance and ability to execute its strategies and achieve its objectives. The results of this annual assessment and quarterly updates are presented to the Audit Committee and reported to the Board of Directors. The principle risks, including environmental and climate-related risks, and the related mitigation strategies are incorporated into the Company's strategic planning process.

The North West Company is exposed to a number of risks in its business. The descriptions of the risks below are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company deems immaterial, may also impair the operations of the Company. If any of such risks actually occur, the business, financial condition, liquidity and results of operations of the Company could be materially adversely affected. Readers of this MD&A are also encouraged to refer to the Key Performance Drivers and Capabilities Required to Deliver Results and Outlook sections of this MD&A, as well as North West's Annual Information Form, which provides further information on the risk factors facing the Company. While the Company employs strategies to minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company's financial condition and performance.

Careful consideration should be given to the risk factors which include, but are not limited to, the following:

Pandemic A pandemic outbreak of a contagious disease such as the novel coronavirus ("COVID-19") could result in a widespread health crisis that could have an adverse effect on the Company's operations and financial condition. A pandemic could impact the health and wellness of the Company's employees and customers which could negatively impact the Company's ability to operate its business or

reduce the demand for the merchandise and services provided by the Company. A pandemic may also result in the temporary closure of the Company's stores, distribution facilities, airline or support offices and could result in interruptions to the Company's supply chain, including reduced availability of product or the temporary closure of suppliers and transportation companies that are critical to the operation of the business. Furthermore, a pandemic could result in an economic downturn, restrictions on travel and trade, disruptions to financial markets and negatively impact the availability and cost of capital, which in turn could have an adverse impact on the Company's financial results and condition.

The food and everyday products the Company provides are essential, non-discretionary services in the communities we serve. The Company has business continuity plans and safety protocols to help mitigate the impact of a pandemic but there can be no assurance that these plans and protocols will be sufficient to minimize the impact.

Employee Development and Retention Attracting, retaining and developing high caliber employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography, small size and remoteness of the Company's individual markets, there is an ongoing need for capable staffing, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies and could negatively affect financial performance. The Company's overall priority on building and sustaining store people capability reflects the importance of mitigating this risk. In addition to compensation programs and investments in staff housing that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs as part of the Pure Retail initiative. In March 2019, the Company opened a training center in Winnipeg, Manitoba which is delivering comprehensive training programs on a more consistent basis.

In addition to employee development and retention risks related to the Company's retail operations, these risks also impact the Company's airline operations. Transport Canada issued new Canadian Airline Regulations ("CAR") with respect to pilot fatigue and flight duty times on December 12, 2018. The implementation of these new regulations is based on the type of aircraft and take effect in December 2020 and December 2022 for NSA.

These regulations may result in an increase in the number of pilots required by NSA which, combined with an existing global shortage of pilots, may result in higher recruitment and compensation costs and a negative impact on the Company's financial performance. NSA is continuing to assess the impact of the new regulations on the business. Changes to flight schedules, operating schedules, fatigue management systems and employee recruiting, compensation and training programs are expected to help mitigate the impacts of the new regulations and employee development and retention risk.

Business Model The Company serves geographically diverse markets and sells a very wide range of products and services. Operational scale can be difficult to achieve and the complexity of the Company's business model is higher compared to more narrowly-focused or larger retailers. Management continuously assesses the strength of its customer value offer to ensure that specific markets, products and services are financially attractive. The Company's Pure Retail initiative is focused on simplifying work across the Company, with a focus on stores. To the extent the Company is not successful in developing and executing its strategies, it could have an adverse effect on the financial condition and performance of the Company.

Competition The Company has a leading market position in a large percentage of the markets it serves. Sustaining and growing this position depends on our ability to continually improve customer satisfaction while identifying and pursuing new sales opportunities. We actively monitor competitive activity and we are proactive in enhancing our value offer elements, ranging from in-stock position to service and pricing. To the extent that the Company is not effective in responding to consumer trends or enhancing its value offer, it could have a negative impact on financial performance. Furthermore, the entry of new competitors, an increase in competition, both local and outside the community, a significant expansion of E-Commerce, or the introduction of new products and services in the Company's markets could also negatively affect the Company's financial performance.

Community Relations A portion of the Company's sales are derived from communities and regions that restrict commercial land ownership and usage by non-indigenous or non-local owned businesses or which have enacted policies and regulations to support locally-owned businesses. We successfully operate within these environments through initiatives that promote positive community and customer relations. These include store lease arrangements with community-based development organizations and initiatives to recruit local residents into management positions and to incorporate community stakeholder advice into our business at all levels. Further information on community relations is provided under Corporate Social Responsibility and Sustainable Development on page 26. To the extent the Company is not successful in maintaining these relations or is unable to renew lease agreements with community-based organizations, or is subject to punitive fees or operating restrictions, it could have an adverse effect on the Company's reputation and financial performance.

Information Technology The Company relies on information technology ("IT") to support the current and future requirements of the business. A significant or prolonged disruption in the Company's current IT systems could negatively impact day-to-day operations of the business which could adversely affect the Company's financial performance and reputation.

The Company is in the process of completing the implementation of new point-of-sale, workforce management and merchandise management systems which are described further in the strategy section under Initiative #4, Project Enterprise. In 2020, the Company will be upgrading its financial reporting software. The failure to successfully upgrade legacy systems, or to migrate from legacy systems to the new IT systems, could have an adverse effect on the Company's operations, reputation and financial performance. There is also a risk that the anticipated benefits, cost savings or operating efficiencies related to upgrading or implementing new IT systems may not be realized which could adversely affect the Company's operations, financial performance or reputation. To help mitigate these risks, the Company uses a combination of specialized internal and external IT resources as well as a strong governance structure and disciplined project management.

The Company also depends on accurate and reliable information from its IT systems for decision-making and operating the business. As the volume of data and the complexity and integration of IT systems increases, there is a greater risk of errors in data or misinterpretation of the data which could negatively impact decision making and in turn, have an adverse effect on the Company's financial performance.

Cyber-security The Company relies on the integrity and continuous availability of its IT systems. In the ordinary course of business, the Company collects, processes, transmits and retains confidential and personal information (collectively "Confidential Information") regarding the Company and its customers, employees and suppliers. The Company's IT systems are exposed to the risks of "cyber-attack", including viruses that can disrupt, paralyze or prevent access to IT systems or result in unauthorized access to Confidential Information.

The Company has implemented security software and measures, including monitoring, testing and employee training, to prevent unauthorized access to its IT systems and Confidential Information, and to reduce the likelihood of disruptions. Cyber-attacks are constantly evolving and are becoming more frequent and sophisticated in nature and there is a risk that the Company's security measures may be breached or unauthorized access may not be detected on a timely basis. Furthermore, employee error, faulty password management or malfeasance may result in unauthorized access to IT systems and Confidential Information. Any prolonged failure relating to IT system availability, breaches of IT system security, a significant loss of data, an impairment of data integrity or unauthorized access to Confidential Information, could adversely affect the financial performance, operations and reputation of the Company and may result in regulatory enforcement actions or litigation.

Logistics and Supply Chain The Company relies on a complex and elongated outbound supply chain due to the remoteness of the Company's stores. The delivery of merchandise to a substantial portion of the Company's stores involves multiple carriers and multiple modes of transportation including trucks, trains, aircraft, ships and barges through various ports and transportation hubs. The Company's reputation and financial performance can be negatively impacted by supply chain events or disruptions outside of the Company's control, including changes in foreign and domestic regulations which increase the cost of transportation; the quality of transportation infrastructure such as roads, ports and airports; labour disruptions at transportation companies; the impact of a pandemic, including COVID-19, that reduces or restricts transportation to the communities the Company serves; or the consolidation, financial difficulties or bankruptcy of transportation companies. To help mitigate these risks, the Company acquired North Star Air Ltd. in 2017 and has an investment in Transport Nanuk Inc., an arctic shipping company, which provides the Company with greater control over key components of our logistics network and service to our stores in northern Canada.

Climate Change, Natural Disasters and Fire The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons and cyclones which can cause loss of life, damage to or destruction of key stores and facilities, or temporary business disruptions. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk of earthquakes and tsunamis which can result in loss of life and destruction of assets. The destruction of assets and the impact on the local economy resulting from these types of extreme weather conditions, particularly where more than one location is impacted, could have a material adverse effect on the operations and financial condition and performance of the Company. Severe weather conditions can also have a negative impact on NSA's operations by disrupting the transportation of merchandise and passengers.

The impact of warmer ocean water temperatures has increased the risk of frequency, severity and duration of hurricanes and typhoons especially in the northeastern Caribbean. Collectively the stores in this region have sales of $285.7 million and assets of $155.0 million for the year-ended January 31, 2020. In 2017, islands in this region were devastated by two category five hurricanes which resulted in the destruction of the Company's CUL store in St. Thomas and three RTW stores and significantly damaged a CUL store in St. Maarten. Rebuilding will significantly increase resiliency to future hurricanes however, certain markets remain exposed to this risk.

The Company subsequently completed a specific climate-related risk management assessment of its stores in the northeastern Caribbean and upgraded its most hurricane-vulnerable stores to improve the building construction to a category five hurricane resiliency level. These improvements help mitigate the impact of hurricanes on the Company's stores however, there can be no certainty that the damage from hurricanes will not include significant damage to or loss of stores and warehouses. In addition, hurricanes can result in significant damage to or destruction of important infrastructure, including residences, which in turn may result in people relocating from an island. Any prolonged reduction in population in the communities the Company operates in could have a material impact on the financial performance of the Company.

Longer-term global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores. On the downside, global warming will result in rising sea levels, which will cause flooding, and melting permafrost which could damage or destroy the Company's stores, warehouses and housing. The Company operates in 71 communities in northern Canada and 16 communities in Alaska that are potentially exposed to changes in permafrost. Collectively these stores have sales of $670.3 million and assets of $317.3 million for the year ended January 31, 2020. Rising sea levels and melting permafrost would also have the same negative impact on our customers which, combined with the potential damage to our facilities, could have a material adverse effect on the Company's operations, financial condition and performance. The Company has in-depth knowledge of and expertise in construction in northern markets and continues to incorporate new engineering and construction techniques in designing buildings and facilities to help mitigate the impact of changing permafrost conditions.

The Company relies upon the availability of winter roads to 40 communities in northern Canada. Global warming conditions may shorten or eliminate the availability of winter roads which would result in higher transportation costs to these remote locations. To the extent that higher transportation costs cannot be offset by other cost reductions or passed on through higher prices, this may result in lower operating margins which may have an adverse effect on the Company's financial performance. This risk related to the availability of winter roads is partially mitigated by the acquisition of NSA and the utilization of the Company's wholly-owned airline to transport merchandise to its stores.

On the upside, global warming could result in higher economic growth in the Company's northern markets and would reduce some operating costs such as enabling the Company to use lower-cost sealift year-round to transport merchandise to the Company's stores compared to higher cost air transportation.

The Company's stores in northern Canada and Alaska are exposed to the risk of wild fires and other fire related losses. In many of the Company's remote northern markets, there is limited fire fighting equipment and capability. In the event of a fire there is a high risk of a complete loss of the building, equipment and inventory. In 2018, the Company had three fires in northern Canada which destroyed one store and significantly damaged two other stores. Two of the fires were caused by electrical malfunction and one was arson-related. The Company was able to re-open the stores with reduced selling square footage and a limited merchandise assortment while reconstruction and repairs were being completed. In 2019, the Company completed an independent review of its fire mitigation policies and procedures to identify opportunities to improve fire prevention in its northern Canadian stores and is continuing to upgrade facilities to reduce the risk of fire-related losses.

In addition to the risk mitigation activities previously noted, the Company also maintains insurance to help mitigate the impact of losses however, there can be no assurance that one or more large claims or that any given loss will be mitigated in all circumstances. Further information on insurance risk is provided below.

Economic Environment External factors which affect customer demand and personal disposable income, and over which the Company exercises no influence, include government fiscal health, general economic growth, changes in commodity prices, inflation, unemployment rates, personal debt levels, levels of personal disposable income, interest rates and foreign exchange rates. Changes in inflation rates and foreign exchange rates are unpredictable and may impact the cost of merchandise and the prices charged to consumers which in turn could negatively impact sales and net earnings.

Our largest customer segments derive most of their income directly or indirectly from government infrastructure spending or direct payment to individuals in the form of social assistance, child care benefits and old age security. While these tend to be stable sources of income, independent of economic cycles, a decrease in government income transfer payments to individuals, a recession, or a significant and prolonged decline in consumer spending could have an adverse effect on the Company's operations and financial performance.

Furthermore, customers in many of the Company's markets benefit from product cost subsidies through programs, such as Nutrition North Canada ("NNC"), the U.S. Supplemental Nutrition Assistance Program ("SNAP") and the by-pass mail system in Alaska, which contribute to lower living costs for eligible customers. A change in government policy could result in a reduction in financial support for these programs which would have a significant impact on the price of merchandise and consumer demand and could have an adverse effect on the Company's operations and financial condition.

A major source of employment income in the remote markets where the Company operates is generated from local government and spending on public infrastructure. This includes housing, schools, health care facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on the degree of infrastructure activity and a community's overall fiscal health. A similar fluctuating source of income is employment related to tourism and natural resource development. A significant or prolonged reduction in government transfers, spending on infrastructure projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

Management regularly monitors economic conditions and considers factors which can affect customer demand in making operating decisions and the development of strategic initiatives and long-range plans.

Fuel and Utility Costs Compared to other retailers, the Company is more exposed to fluctuations in the price of energy, particularly oil. Due to the vast geography and remoteness of the store network, expenses related to aviation fuel, diesel-generated electricity and heating fuel costs are a more significant component of the Company's and its customers' expenses. To the extent that escalating fuel and utility costs cannot be offset by alternative energy sources, energy conservation practices or offsetting productivity gains, this may result in higher retail prices or lower operating margins which may affect the Company's financial performance. In this scenario, consumer retail spending could also be negatively affected by higher household energy-related expenses which could have an adverse effect on the Company's financial performance.

Environmental The Company owns a large number of facilities and real estate, particularly in remote locations, and is subject to environmental risks associated with the contamination of such facilities and properties. The Company operates retail fuel outlets in a number of locations and uses fuel to heat stores and housing. The Company also has aviation fuel storage containers and operates aviation fuel dispensing equipment. Contamination resulting from gasoline, heating and aviation fuel is possible. The Company employs operating, training, monitoring and testing procedures to minimize the risk of contamination. The Company also operates refrigeration equipment in its stores and distribution centres which, if the equipment fails, could release gases that may be harmful to the environment. The Company has monitoring and preventative maintenance procedures to reduce the risk of this contamination occurring. Even with these risk mitigation policies and procedures, the Company could incur increased or unexpected costs related to environmental incidents and remediation activities, including litigation and regulatory compliance costs, all of which could have an adverse effect on the reputation and financial performance of the Company.

Laws, Regulations and Standards The Company is subject to various laws, regulations and standards administered by federal, provincial and foreign regulatory authorities, including but not limited to income, commodity and other taxes, securities laws, duties, currency repatriation, health and safety, employment standards and minimum wage laws, Payment Card Industry ("PCI") standards, anti-money laundering ("AML") regulations, licensing requirements, product packaging and labeling regulations and zoning laws. New accounting standards and pronouncements or changes in accounting standards may also impact the Company's financial results.

These laws, regulations and standards and their interpretation by various courts and agencies are subject to change. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, regulations and standards could result in financial penalties, assessments, sanctions, loss of operating licenses or legal action that could have an adverse effect on the reputation and the financial performance of the Company.

The Company is also subject to various privacy laws and regulations regarding the protection of personal information of its customers and employees. Any failure in the protection of this information or non-compliance with laws or regulations could negatively affect the Company's reputation and financial performance.

A portion of the Company's sales and net earnings are derived from financial services and pharmacy operations, which are subject to laws, regulations and standards. Changes in legislation regarding financial services fees, including but not limited to ATM, pre-paid Visa card and cheque-cashing fees and fees earned on customer accounts receivable, could have an adverse impact on the Company's financial performance if other fees or offsetting cost reductions cannot be implemented. In Canada, on-going prescription drug reform and

changes in dispensing fees could have an adverse effect on the Company's financial performance if other fees or offsetting cost reductions cannot be implemented.

The airline industry is also subject to extensive legal, regulatory and administrative controls and oversight, including airline safety standards. Failure by the Company to comply with these laws, regulations and standards could result in the loss of operating licenses and could have an adverse effect on the Company's financial performance and reputation.

Furthermore, changes in legislation, including carbon taxes and the implementation of other greenhouse gas reduction initiatives and regulations related to transitioning to a low-carbon and more climate resilient future, could result in additional costs which could have a negative impact on the Company's financial performance if the Company is not able to fully pass on these additional costs to its customers or identify other offsetting cost reductions and efficiencies.

Income Taxes In the ordinary course of business, the Company is subject to audits by tax authorities. The Company regularly reviews its compliance with tax legislation, filing positions, the adequacy of its tax provisions and the potential for adverse outcomes. While the Company believes that its tax filing positions are appropriate and supportable, the possibility exists that certain matters may be reviewed and challenged by the tax authorities. If the final outcome differs materially from the tax provisions, the Company's income tax expense and its earnings could be affected positively or negatively in the period in which the outcome is determined.

Food and Product Safety The Company is exposed to risks associated with food safety, product handling and general merchandise product defects. The Company also operates pharmacies and provides tele-pharmacy services and is subject to risks associated with errors made through medication dispensing or patient consultation. Food sales represent approximately 75% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the reputation and financial performance of the Company and could lead to unforeseen liabilities from legal claims. The Company has food preparation, handling, dispensing and storage procedures which help mitigate these risks.

The Company also has product recall procedures in place in the event of a food-borne illness outbreak or product defect. The existence of these procedures does not eliminate the underlying risks and the ability of these procedures to mitigate risk in the event of a food-borne illness or product recall is dependent on their successful execution.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage and is arranged with financially stable insurance companies as rated by professional rating agencies. Global insurance market conditions are more challenging as insurance companies limit their capacity for underwriting risks in certain geographic areas such as the Caribbean and northern Canada or in sectors such as aviation. Insurance companies that do provide coverage in these areas are requiring 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. There can be no assurance that the Company's insurance program will be sufficient to cover one or more large claims, or that any given risk will be mitigated in all circumstances. There can also be no assurance that the Company will be able to continue to purchase insurance coverage at reasonable rates. To the extent that the Company's insurance policies do not provide sufficient coverage for a loss, it could have an adverse impact on the Company's operating results and financial condition.

Vendor and Third Party Service Partner Management The Company relies on a broad base of manufacturers, suppliers and operators of distribution facilities to provide goods and services. Events or disruptions affecting these suppliers outside of the Company's control could in turn result in delays in the delivery of merchandise to the stores and therefore negatively impact the Company's reputation and financial performance. A portion of the merchandise the Company sells is purchased offshore. Offshore sourcing could provide products that contain harmful or banned substances or do not meet the required standards. The Company uses offshore consolidators and sourcing agents to monitor product quality and reduce the risk of sub-standard products however, there is no certainty that these risks can be completely mitigated in all circumstances.

NSA also relies upon suppliers and third party service partners for specialized aviation parts and aircraft maintenance services. A prolonged disruption affecting the supply of parts or provision of maintenance services could negatively impact the availability of aircraft to service the Company's customers, or result in higher than anticipated costs, which could have an adverse effect on the Company's financial performance and reputation.

Litigation and Casualty Losses In the normal course of business, the Company is subject to a number of claims and legal actions that may be made by its customers, suppliers and others. The Company records a provision for litigation claims if management believes the Company has liability for such claim or legal action. If management's assessment of liability or the amount of any such claim is incorrect, or the Company is unsuccessful in defending its position, any difference between the final judgment amount and the provision would become an expense or a recovery in the period such claim was resolved.

Consistent with risks inherent in the aviation industry, NSA could be subject to large liability claims arising out of major accidents or disasters involving aircraft which can result in serious injury, death or destruction of property. Accidents and disasters may occur from factors outside of the Company’s control such as severe weather, lightning strikes, wind shear and bird strikes. Any such accident or disaster could have a material adverse effect on the Company’s reputation, results from operations and financial condition.

Post-Employment Benefits The Company engages professional investment advisors to manage the assets in the defined benefit pension plans. The performance of the Company's pension plans and the plan funding requirements are impacted by the returns on plan assets, changes in the discount rate and regulatory funding requirements. If capital market returns are below the level estimated by management or if the discount rate used to value the liabilities of the plans decreases, the Company may be required to make contributions to its defined benefit pension plans in excess of those currently contemplated, which may have an adverse effect on the Company's financial performance.

The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, benefit plan expenses and actuarial assumptions. The Company makes cash contributions to the pension plan as required and also uses letters of credit to satisfy a portion of its funding obligations. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan and added a defined contribution plan. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the

defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. Further information on post-employment benefits is provided on page 30 and in Note 13 to the consolidated financial statements.

Management of Inventory Success in the retail industry depends on being able to select the right merchandise, in the correct quantities in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess inventory for some products and missed sales opportunities for others which could have an adverse effect on operations and financial performance. Excess inventory may also result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial performance of the Company.

Dependence on Key Facilities There are five major distribution centres which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and a third party managed facility in Fort Lauderdale, Florida. In addition, the Company's Canadian Operations support office is located in Winnipeg, Manitoba, NSA's support office is located in Thunder Bay, Ontario and the International Operations has support offices in Anchorage, Alaska and Boca Raton, Florida. A significant or prolonged disruption at any of these facilities due to fire, inclement weather or otherwise could have a material adverse effect on the financial performance of the Company.

Geopolitical Changes in the domestic or international political environment may impact the Company's ability to source and provide products and services. Acts of terrorism, riots, and political instability, especially in less developed markets, could have an adverse effect on the financial performance of the Company.

Ethical Business Conduct The Company has a Code of Business Conduct and Ethics policy which governs both employees and Directors. The Company also has a Whistleblower Policy that provides direct access to members of the Board of Directors. Unethical business conduct could negatively impact the Company's reputation and relationship with its customers, investors and employees, which in turn could have an adverse effect on the financial performance of the Company.

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company manages financial risk with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes. These risks and the actions taken to minimize the risks are described below. Further information on the Company's financial instruments and associated risks are provided in Note 15 to the consolidated financial statements.

Credit Risk Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk primarily in relation to individual and commercial accounts receivable. The Company manages credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. The Company does not have any individual customer accounts greater than 10% of total accounts receivable.

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements, pension plan contributions and planned sustaining and growth-related capital expenditures, and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2020, the Company had undrawn committed revolving loan facilities available of $189.8 million (January 31, 2019 - $231.5 million).

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in foreign operations with a portion of U.S. dollar denominated borrowings as described in the Sources of Liquidity section on page 17. At January 31, 2020, the Company had US$99.7 million in U.S. denominated debt compared to US$97.9 million at January 31, 2019 and US$99.4 million at January 31, 2018. Further information on the impact of foreign exchange rates on the translation of U.S. denominated debt is provided in the Capital Structure section on page 18.

The Company is also exposed to currency risk relating to the translation of International Operations earnings to Canadian dollars. In 2019, the average exchange rate used to translate U.S. denominated earnings from the International Operations was 1.3246 compared to 1.3041 last year. The Canadian dollar's depreciation in 2019 compared to the U.S. dollar in 2018 positively impacted consolidated net earnings by $0.7 million. In 2018, the average exchange rate was 1.3041 compared to 1.2930 in 2017 which resulted in an increase in 2018 consolidated net earnings of $0.4 million compared to 2017.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk though a combination of fixed and floating interest rate debt and may use interest rate swaps. Further information on long-term debt is provided in Note 12 to the consolidated financial statements. As at January 31, 2020, the Company had no outstanding interest rate swaps.

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

The North West Company opened its first store in 1668 as a trading post in the Cree Nation of Waskaganish in northern Canada and many of our stores in northern Canada and Alaska have been in operation for over 200 years. Our continuing presence in the communities we serve is based on sustainable practices that reflect our adaptability and respect for the social license and underlying trust we must earn.

The Company's social responsibility and sustainability objectives are framed under the following four pillars:

- Stronger Communities;
- Better Quality of Life for our Customers;
- Empowered Employees; and
- Respect for the Environment.

A brief description of each pillar is as follows:

Stronger Communities We are committed to provide significant, meaningful social benefit to the communities we serve. We believe that building strong, healthy relationships through listening and collaboration is an approach that adds value for both the community and the Company in areas such as employment, capital investment and sponsorship.

Better Quality of Life for our Customers We are committed to provide reliable access to everyday products and services that meet the lifestyle needs of our customers and that are as affordable as possible. In addition, we advocate for policies and programs that improve the quality of life for the people and communities we serve. This goes to the heart of community and cultural sustainability and to our role in providing socio-economic benefits in the communities we serve.

Empowered Employees We are committed to enhance employee satisfaction and effectiveness through our Company values of customer service, trust, enterprising ideas, passion for what we do, accountability and personal balance. We strive to provide our diverse and talented employees with the best job experiences and opportunities, beginning with key roles in our stores.

Respect for the Environment We are committed to minimize our environmental footprint in a way that accommodates the conflicting realities of remote, costly-to-serve geographies populated by lower-income communities. We look for innovation across our business from efficient building design to eco-friendly energy alternatives and limiting product packaging and waste.

The Board of Directors are accountable for overseeing the Company's Corporate Social Responsibility and Sustainable Development initiatives which are integrated within the Company's risk management and strategic planning process. In addition to the information provided on climate change and environmental risk factors previously noted under Risk Management, further information on the Sustainability Report is available on the Company's website at *www.northwest.ca*.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies and the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in the financial statements while estimates and assumptions have been used to measure balances recognized or disclosed. These estimates, assumptions and judgments are based on management's historical experience, knowledge of current events, expectations of future outcomes and other factors that management considers reasonable under the circumstances. Certain of these estimates and assumptions require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the consolidated financial statements and disclosures. Management regularly evaluates the estimates and assumptions it uses and revisions are recognized in the period in which the estimates are reviewed and in any future periods affected. The areas that management believes involve a higher degree of judgment or complexity, or areas where the estimates and assumptions may have the most significant impact on the amounts recognized in the consolidated financial statements include the following:

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The Company recognizes loss allowances for expected credit losses ("ECL's") on accounts receivable. The change in ECL's is recognized in net earnings and reflected as an allowance against accounts receivable. The Company uses historical trends, timing of recoveries and management's judgment as to whether current economic and credit conditions are such that actual losses are likely to differ from historical trends. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheets and the provisions for debt loss recorded in the consolidated statement of earnings. Additional information on the valuation of accounts receivable is provided in Note 5 and the Credit Risk section in Note 15 to the consolidated financial statements.

Valuation of Inventories Inventories are stated at the lower of cost and net realizable value. Significant estimation is required in: (1) the determination of discount factors used to convert inventory to cost after a physical count at retail has been completed; (2) recognizing merchandise for which the customer's perception of value has declined and appropriately marking the retail value of the merchandise down to the perceived value; (3) estimating inventory losses, or shrinkage, occurring between the last physical count and the balance sheet date; and (4) the impact of vendor rebates on cost.

General Merchandise inventories counted at retail are converted to cost by applying average cost factors by merchandise category. These cost factors represent the average cost-to-retail ratio for each merchandise category based on beginning inventory and purchases made throughout the year.

Inventory shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory count to the balance sheet date. The estimate is based on historical experience and the most recent physical inventory results. To the extent that actual losses experienced vary from those estimated, both inventories and cost of sales may be impacted.

Changes or differences in these estimates may result in changes to inventories on the consolidated balance sheets and a charge or credit to cost of sales in the consolidated statements of earnings. Additional information regarding inventories is provided in Note 6 to the consolidated financial statements.

Post-Employment Benefits The defined benefit plan obligations are accrued based on actuarial valuations which are dependent on assumptions determined by management. These assumptions include the discount rate used to calculate benefit plan obligations, the rate of compensation increase, retirement ages and mortality rates. These assumptions are reviewed by management and the Company's actuaries.

The discount rate used to calculate benefit plan obligations and the rate of compensation increase are the most significant assumptions. The discount rate used to calculate benefit plan obligations and plan asset returns is based on market interest rates, as at the Company's measurement date of January 31, 2020 on a portfolio of Corporate AA bonds with terms to maturity that, on average, matches the terms of the defined benefit plan obligations. The discount rate used to measure the benefit plan obligations for fiscal 2019 was 2.75% compared to 3.75% in 2018 and 3.50% in 2017. Management assumed a rate of compensation increase of 4.0% for fiscal 2019 - 2017.

These assumptions may change in the future and may result in material changes in the defined benefit plan obligation on the Company's consolidated balance sheets, the defined benefit plan expense on the consolidated statements of earnings and the net actuarial gains or losses recognized in comprehensive income and retained earnings. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's post-employment benefits, including the sensitivity of a 100 basis point change in the discount rate, is provided in Note 13 to the consolidated financial statements.

Amortization of Long-lived Assets and Right-of-Use Assets The Company makes estimates about the expected useful lives of long-lived assets, including right-of-use assets and aircraft, the expected residual values of the assets and the most appropriate method to reflect the realization of the assets future economic benefit. This includes using judgment to determine which asset components constitute a significant cost in relation to the total cost of an asset. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes in expected useful lives or residual values, changes to maintenance programs and changes in utilization of the aircraft. Estimates and assumptions are evaluated at least annually and any adjustments are accounted for as a change in estimate, on a prospective basis, through amortization expense in the Company's consolidated statement of earnings.

Business Combinations The Company's accounts for business combinations using the acquisition method of accounting which requires the acquired assets and assumed liabilities to be recorded at their estimated fair values. Judgment is required to determine the fair value of the assets and liabilities with the most significant judgment and assumptions required to determine the estimated fair values of intangible assets, particularly trade names.

The Company uses the royalty relief method to determine the fair value of the trade name intangible assets. This technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates.

Impairment of Long-lived Assets The Company assesses the recoverability of values assigned to long-lived assets after considering potential impairment indicated by such factors as business and market trends, future prospects, current market value and other economic factors. Judgment is used to determine if a triggering event has occurred requiring an impairment test to be completed. If there is an indication of impairment, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. For tangible and intangible assets excluding goodwill, judgment is required to determine the CGU based on the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. To the extent that the carrying value exceeds the estimated recoverable amount, an impairment charge is recognized in the consolidated statements of earnings in the period in which it occurs.

Various assumptions and estimates are used to determine the recoverable amount of a CGU. The Company determines fair value less costs of disposal using estimates such as market rental rates for comparable properties, property appraisals and capitalization rates. The Company determines value in use based on estimates and assumptions regarding future financial performance. The underlying estimates for cash flows include estimates for future sales, gross margin rates and store expenses, and are based upon the stores' past and expected future performance. Changes which may impact future cash flows include, but are not limited to, competition, general economic conditions and increases in operating costs that cannot be offset by other productivity improvements. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheets and consolidated statements of earnings.

Goodwill Goodwill is not amortized but is subject to an impairment test annually or whenever indicators of impairment are detected. Judgment is required to determine the appropriate grouping of CGUs for the purpose of testing for impairment. Judgment is also required in evaluating indicators of impairment which would require an impairment test to be completed. Goodwill is allocated to CGUs that are expected to benefit from the synergies of the related business combination and represents the lowest level within the Company at which goodwill is monitored for internal management purposes, which is both the Company's Canadian Operations and International Operations segments before aggregation.

The value of the goodwill was tested by means of comparing the recoverable amount of the operating segment to its carrying value. The recoverable amount is the greater of its value in use or its fair value less costs of disposal. The operating segment's recoverable amount was based on fair value less costs of disposal. A range of fair values was estimated by inferring enterprise values from the product of financial performance and comparable trading multiples. Values assigned to the key assumptions represent management's best estimates and have been based on data from both external and internal sources. Key assumptions used in the estimation of enterprise value include: budgeted financial performance, selection of market trading multiples and costs to sell. To the extent that management's estimates are not realized, future assessments could result in impairment charges that may have a significant impact on the Company's consolidated balance sheets and consolidated statements of earnings.

The Company performed the annual goodwill impairment test in 2019 and determined that the recoverable amount exceeded its carrying value. No goodwill impairment was identified and management considers any reasonably foreseeable changes in key assumptions unlikely to produce a goodwill impairment.

Income and Other Taxes Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Deferred income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and deferred income taxes requires management to use judgment regarding the interpretation and application of tax legislation in the various jurisdictions in which the Company operates. The calculation of deferred income tax assets and liabilities is also impacted by estimates of future financial results, expectations regarding the timing of reversal of temporary differences, and assessing the possible outcome of audits of tax filings by the regulatory agencies.

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statements of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 10 to the consolidated financial statements.

Vendor Allowances Accounting for vendor allowances requires judgement in estimating the volume of purchases during a period of time, product remaining in opening inventory and the probability that funds will be collected from vendors. Earned vendor allowances are allocated between cost of sales and inventories.

Leases The values of right-of-use assets and lease liabilities are measured based on whether renewal options are reasonably certain of being exercised and an estimate of the incremental borrowing rate specific to each leased asset if the interest rate in the lease is not readily determined. The incremental borrowing rate for the Canadian and International Operations is determined based on the applicable corporate bond yield curve with an adjustment that reflects the security.

ACCOUNTING STANDARDS IMPLEMENTED IN 2019

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 year ended January 31, 2019. The Company has also restated its consolidated balance sheets as at 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.

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

New Standards Implemented (continued) Consolidated Statements of Earnings - January 31, 2019

($ in thousands)	Year Ended January 31, 2019 (Previously Reported)	Impact: Adoption of IFRS 16		**Year Ended January 31, 2019 (Restated)**
SALES	$ 2,013,486	$ —		**$ 2,013,486**
Cost of sales	(1,372,943)	—		**(1,372,943)**
Gross profit	640,543	—		**640,543**
Selling, operating and administrative expenses	(510,635)	6,093	(1)	**(504,542)**
Earnings from operations	129,908	6,093		**136,001**
Interest expense	(13,965)	(5,675)	(2)	**(19,640)**
Earnings before income taxes	115,943	418		**116,361**
Income taxes	(25,311)	(427)	(3)	**(25,738)**
NET EARNINGS FOR THE YEAR	$ 90,632	$ (9)		**$ 90,623**
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	$ 86,748	$ (9)		**$ 86,739**
Non-controlling interests	3,884	—		**3,884**
TOTAL NET EARNINGS	$ 90,632	$ (9)		**$ 90,623**
NET EARNINGS PER SHARE				
Basic	$ 1.78	$ —		**$ 1.78**
Diluted	$ 1.77	$ —		**$ 1.77**

(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

New Standards Implemented (continued) Condensed Consolidated Balance Sheets - January 31, 2019

($ 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	—		**514,946**
Right-of-use assets	—	127,794	(2)	**127,794**
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	127,472		**773,564**
TOTAL ASSETS	$ 1,022,921	$ 126,940		**$ 1,149,861**
CURRENT LIABILITIES	$ 176,881	$ 20,057	(4)	**$ 196,938**
NON-CURRENT LIABILTIES				
Long-term debt	365,857	—		**365,857**
Lease liabilities	—	118,112	(4)	**118,112**
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	116,971		**541,907**
TOTAL LIABILITIES	601,817	137,028		**738,845**
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	$ 126,940		**$ 1,149,861**

(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

New Standards Implemented (continued) Condensed Consolidated Balance Sheets - February 1, 2018

($ 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	—		**469,993**
Right-of-use assets	—	115,844	(2)	**115,844**
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	—		**313,549**
Lease liabilities	—	105,541	(4)	**105,541**
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

New Standards Implemented (continued) Condensed Consolidated Statements of Cash Flows - January 31, 2019

($ in thousands)	Year Ended January 31, 2019 (Previously Reported)	Impact: Adoption of IFRS 16		**Year Ended January 31, 2019 (Restated)**
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	$ 90,632	$ (9)	(1)	**$ 90,623**
Adjustments for:				
Amortization	59,435	22,586	(2)	**82,021**
Provision for income taxes	25,311	427		**25,738**
Interest expense	13,965	5,675	(3)	**19,640**
Equity settled share option expense	2,022	—		**2,022**
Gain on partial insurance settlement	(16,955)	—		**(16,955)**
Taxes paid	(26,446)	—		**(26,446)**
Loss on disposal of property and equipment	1,232	(42)	(4)	**1,190**
	149,196	28,637		**177,833**
Change in non-cash working capital	(20,792)	(32)		**(20,824)**
Change in other non-cash items	(1,284)	—		**(1,284)**
Cash from operating activities	127,120	28,605		**155,725**
Investing activities				
Cash used in investing activities	(80,793)	—		**(80,793)**
Financing activities				
Net increase in long-term debt	44,785	—		**44,785**
Payment of lease liabilities, principal	—	(22,930)	(5)	**(22,930)**
Payment of lease liabilities, interest	—	(5,675)	(6)	**(5,675)**
Dividends	(62,329)	—		**(62,329)**
Dividends to non-controlling interests	(3,954)	—		**(3,954)**
Interest paid	(12,254)	—		**(12,254)**
Cash used in financing activities	(33,752)	(28,605)		**(62,357)**
Effect of foreign exchange rates on cash	713	—		**713**
NET CHANGE IN CASH	13,288	—		**13,288**
Cash, beginning of period	25,160	—		**25,160**
CASH, END OF PERIOD	$ 38,448	$ —		**$ 38,448**

(1) See preceding section for a description of IFRS 16 adjustments that impact net earnings for the year
(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

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 annual audited 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 this amendment 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 FINANCIAL MEASURES

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA), 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

($ in thousands)	**2019**	2018[1]
Net earnings	**$ 86,273**	$ 90,623
Add:		
Amortization	**89,222**	82,021
Interest expense	**20,948**	19,640
Income taxes	**23,132**	25,738
EBITDA	**$ 219,575**	$ 218,022
Less: Gain on partial insurance settlement[2]	**(18,170)**	(20,053)
Add: Share-based compensation expense[3]	**3,550**	11,204
Adjusted EBITDA	**$ 204,955**	$ 209,173

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019.
(2) The Company's 2018 insurance gains for the year 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 includes all share-based compensation as indicated in Note 14 and Note 18 to the Company's Consolidated Financial Statements. In the prior year, 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 consolidated financial statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

($ in thousands)	2019	2018[1]
Net earnings	**$ 86,273**	$ 90,623
Less: Gain on partial insurance settlement[2], net of tax	**(13,887)**	(15,439)
Add: Share-based compensation expense, net of tax[3]	**2,991**	9,138
Adjusted Net Earnings	**$ 75,377**	$ 84,322

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019.
(2) The Company's 2018 insurance gains for the year 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 includes the after-tax impact of all share-based compensation as indicated in Note 14 and Note 18 to the Company's Consolidated Financial Statements. In prior years, 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, hurricane Irma and aircraft related insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value 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 14 and Note 18 to the Company's Consolidated Financial Statements.

(2) Return on Net Assets (RONA) is not a recognized measure under IFRS. Management believes that RONA is a useful measure to evaluate the financial return on the net assets used in the business. RONA is calculated as earnings from operations (EBIT) for the year divided by average monthly net assets. The following table reconciles net assets used in the RONA calculation to IFRS measures reported in the consolidated financial statements as at January 31 for the following fiscal years:

($ in millions)	2019	2018[1]
Total assets	**$ 1,215.5**	$ 1,149.9
Less: Total liabilities	**(788.6)**	(738.8)
Add: Total long-term debt and lease liabilities	**550.1**	506.7
Net Assets Employed	**$ 977.0**	$ 917.8

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in the Accounting Standard Changes Implemented in 2019.

(3) Return on Average Equity (ROE) is not a recognized measure under IFRS. Management believes that ROE is a useful measure to evaluate the financial return on the amount invested by shareholders. ROE is calculated by dividing net earnings for the year by average monthly total shareholders' equity. There is no directly comparable IFRS measure for return on equity.

GLOSSARY OF TERMS

AC Alaska Commercial Company store banner.

Basic earnings per share Net earnings attributable to shareholders of The North West Company Inc. divided by the weighted-average number of shares outstanding during the period.

Basis point A unit of measure that is equal to 1/100th of one percent.

Book value per share Equity attributable to shareholders of The North West Company Inc. divided by the number of shares, basic or diluted, outstanding at the end of the year.

CGAAP (Canadian generally accepted accounting principles) The consolidated financial statements for the fiscal years 2009 and prior were prepared in accordance with Canadian generally accepted accounting principles as issued by the Canadian Institute of Chartered Accountants.

Compound Annual Growth Rate ("CAGR") The compound annual growth rate is the year-over-year percentage growth rate over a given period of time.

Conversion to a Share Corporation On January 1, 2011, the North West Company Fund (the "Fund") completed a conversion to a corporation named The North West Company Inc. (the "Company") by way of a plan of arrangement under section 192 of the Canada Business Corporations Act. The details of the conversion and the Arrangement are contained in the management information circular dated April 29, 2010 which is available on the Company's website at *www.northwest.ca* or on SEDAR at *www.sedar.com*.

The MD&A contains references to "shareholders", "shares" and "dividends" which were previously referred to as "unitholders", "units" and "distributions" under the Fund.

CUL Cost-U-Less store banner.

Debt covenants Restrictions written into banking facilities, senior notes and loan agreements that prohibit the Company from taking actions that may negatively impact the interests of the lenders.

Debt loss An expense resulting from the estimated loss on potentially uncollectible accounts receivable.

Debt-to-equity ratio Provides information on the proportion of debt and equity the Company is using to finance its operations and is calculated as total debt divided by shareholders' equity.

Diluted earnings per share The amount of net earnings for the period attributable to shareholders of The North West Company Inc. divided by the weighted-average number of shares outstanding during the period including the impact of all potential dilutive outstanding shares at the end of the period.

EBIT (Earnings From Operations) Net earnings before interest and income taxes provides an indication of the Company's performance prior to interest expense and income taxes.

EBIT margin EBIT divided by sales.

EBITDA Net earnings before interest, income taxes, depreciation and amortization provides an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. See Non-GAAP Financial Measures section.

EBITDA margin EBITDA divided by sales.

Fair value The amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Gross profit Sales less cost of goods sold and inventory shrinkage.

Gross profit rate Gross profit divided by sales.

GT Giant Tiger store banner.

Hedge A risk management technique used to manage interest rate, foreign currency exchange or other exposures arising from business transactions.

Interest coverage Net earnings before interest and income taxes divided by interest expense.

IFRS (International Financial Reporting Standards) Effective for the 2011 fiscal year, the consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative financial information for the year ended January 31, 2011 ("2010") previously reported in the consolidated financial statements prepared in accordance with CGAAP has been restated in accordance with the accounting policies and financial statement presentation adopted under IFRS. Further information on the transition to IFRS and the impact on the Company's consolidated financial statements is provided in the 2011 Annual Financial Report available on SEDAR at *www.sedar.com* or on the Company's website at *www.northwest.ca*.

NSA North Star Air Ltd., a regional airline providing cargo and passenger services.

Return on Average Equity ("ROE") Net earnings divided by average shareholders' equity. See Non-GAAP Financial Measures section.

Return on Net Assets ("RONA") Net earnings before interest and income taxes divided by average net assets employed (total assets less accounts payable and accrued liabilities, income taxes payable, defined benefit plan obligations, deferred tax liabilities, and other long-term liabilities). See Non-GAAP Financial Measures section.

RTW Roadtown Wholesale Trading Ltd. collectively consisting of the Riteway Food Markets banner, a Cash and Carry store and a significant wholesale operation.

Same store sales Retail food and general merchandise sales from stores that have been open more than 52 weeks in the periods being compared, excluding the impact of foreign exchange. Total same store sales consists of retail food and general merchandise sales and excludes other sales.

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. Each fiscal year has 365 days of operations with the exception of a "leap year" which has 366 days of operations as a result of February 29. The following table summarizes the fiscal year:

Fiscal Year	Year-ended	Fiscal Year	Year-ended
2019	January 31, 2020	2013	January 31, 2014
2018	January 31, 2019	2012	January 31, 2013
2017	January 31, 2018	2011	January 31, 2012
2016	January 31, 2017	2010	January 31, 2011
2015	January 31, 2016	2009	January 31, 2010
2014	January 31, 2015	2008	January 31, 2009

Eleven-Year Financial Summary

Fiscal Year ($ in thousands)	**2019[1]**	2018[1]	2017 [1]	2016	2015
Consolidated Statements of Earnings					
Sales - Canadian Operations	**$1,271,552**	1,246,133	$ 1,199,473	$1,125,330	$1,089,898
Sales - International Operations	**822,841**	767,353	785,649	718,763	706,137
Sales - Total	**2,094,393**	2,013,486	1,985,122	1,844,093	1,796,035
EBITDA[3] - Canadian Operations	**140,359**	130,399	112,393	109,736	98,276
EBITDA[3] - International Operations	**79,216**	87,623	57,231	56,762	53,071
EBITDA[3] - Total Operations	**219,575**	218,022	169,624	166,498	151,347
Amortization - Canadian Operations	**62,983**	57,577	39,796	35,291	31,781
Amortization - International Operations	**26,239**	24,444	15,857	13,076	12,245
Amortization - Total	**89,222**	82,021	55,653	48,367	44,026
Interest	**20,948**	19,640	10,145	7,220	6,210
Income taxes	**23,132**	25,738	34,135	33,835	31,332
Net earnings attributable to shareholders of the Company	**82,724**	86,739	67,154	77,076	69,779
Cash flow from operating activities	**161,117**	155,725	141,419	126,024	132,987
Dividends/distributions paid during the year	**64,351**	62,329	62,315	60,169	58,210
Capital and intangible asset expenditures	**121,605**	103,219	122,035	77,745	75,983
Net change in cash	**(10,261)**	13,288	(5,083)	(7,000)	8,114
Consolidated Balance Sheets					
Current assets	**$ 399,593**	$ 376,297	$ 335,003	$ 327,938	$ 335,581
Property and equipment	**555,075**	514,946	469,993	358,121	345,881
Right-of-use assets	**127,870**	127,794	—	—	—
Other assets, intangible assets and goodwill	**104,765**	96,119	91,502	86,909	83,293
Deferred tax assets	**28,233**	34,705	34,450	32,853	29,040
Current liabilities	**194,084**	196,938	171,212	152,244	155,501
Long-term debt and other liabilities	**594,482**	541,907	377,580	285,792	280,682
Total Equity	**426,970**	411,016	382,156	367,785	357,612
Consolidated Dollar Per Share/Unit ($)[5]					
Net earnings - basic	**$ 1.70**	$ 1.78	$ 1.38	$ 1.59	$ 1.44
Net earnings - diluted	**1.68**	1.77	1.36	1.57	1.43
EBITDA[3],[4]	**4.50**	4.47	3.48	3.43	3.12
Cash flow from operating activities[4]	**3.30**	3.19	2.91	2.60	2.74
Dividends/distributions paid during the year	**1.32**	1.28	1.28	1.24	1.20
Equity (basic shares/units outstanding end of year)	**8.76**	8.43	7.60	7.57	7.37
Market price at January 31	**27.56**	31.17	29.14	29.28	30.53
Statistics at Year End[5]					
Number of stores - Canadian	**198**	193	188	185	181
Number of stores - International	**51**	52	51	47	47
Selling square feet (000's) end of year - Canadian Stores	**1,617**	1,571	1,552	1,518	1,463
Selling square feet (000's) end of year - International Stores	**662**	669	668	676	676
Sales per average selling square foot - Canadian	**$ 798**	$ 798	$ 781	$ 755	$ 756
Sales per average selling square foot - International	**$ 1,236**	$ 1,148	$ 1,169	$ 1,063	$ 1,045
Number of employees - Canadian Operations	**5,587**	5,672	5,915	5,715	5,482
Number of employees - International Operations	**2,046**	2,253	2,119	1,882	1,896
Average shares/units outstanding (000's)	**48,751**	48,697	48,680	48,524	48,509
Shares/Units outstanding at end of fiscal year (000's)	**48,751**	48,751	48,690	48,542	48,523
Shares/Units traded during the year (000's)	**45,013**	46,269	38,836	49,189	35,631
Financial Ratios					
EBITDA[3] (%)	**10.5**	10.8	8.5	9.0	8.4
Earnings from operations (EBIT) (%)	**6.2**	6.8	5.7	6.4	6.0
Total return on net assets[3] (%)	**13.5**	15.3	16.7	20.1	19.5
Return on average equity[3] (%)	**20.5**	23.2	18.3	21.8	20.6
Debt-to-equity	**.96:1**	.89:1	.82:1	.62:1	.63:1
Dividends/distributions as % of cash flow from operating activities	**39.9**	40.0	44.1	47.7	43.8
Inventory turnover (times per year)	**5.8**	6.0	6.0	6.1	6.2

(1) IFRS 16 - *Leases* was applied retrospectively with restatement of certain prior year figures as described in Accounting Standard Changes Implemented in 2019. Amounts prior to 2018 have not been restated for IFRS 16. Certain 2017 amounts have been restated upon the adoption of IFRS 15. Amounts prior to 2017 have not been restated for IFRS 15.

(2) The financial results for 2009 are reported in accordance with CGAAP and have not been restated to IFRS.

2014	2013	2012	2011	2010	CGAAP[2] 2009	Fiscal Year ($ in thousands)
						Consolidated Statements of Earnings
$1,042,168	$1,022,985	$1,043,050	$1,028,396	$ 978,662	$ 921,621	Sales - Canadian Operations
582,232	520,140	470,596	466,740	469,442	522,745	Sales - International Operations
1,624,400	1,543,125	1,513,646	1,495,136	1,448,104	1,444,366	Sales - Total
100,896	111,225	106,510	97,998	98,781	96,599	EBITDA[3] - Canadian Operations
36,942	27,111	27,207	27,883	26,983	33,675	EBITDA[3] - International Operations
137,838	138,336	133,717	125,881	125,764	130,274	EBITDA[3] - Total Operations
30,302	29,258	29,155	28,745	27,511	26,727	Amortization - Canadian Operations
10,070	9,018	7,994	7,827	7,981	8,423	Amortization - International Operations
40,372	38,276	37,149	36,572	35,492	35,150	Amortization - Total
6,673	7,784	6,979	6,026	6,077	5,470	Interest
27,910	28,013	25,701	25,322	14,539	7,841	Income taxes
62,883	64,263	63,888	57,961	69,656	81,813	Net earnings attributable to shareholders of the Company
115,086	79,473	128,992	115,469	114,564	107,973	Cash flow from operating activities
56,180	54,229	50,320	50,797	68,700	67,245	Dividends/distributions paid during the year
52,329	43,207	51,133	46,376	37,814	45,294	Capital and intangible asset expenditures
6,776	(16,322)	11,691	(4,247)	3,953	1,548	Net change in cash
						Consolidated Balance Sheets
$ 315,840	$ 299,071	$ 303,896	$ 295,836	$ 284,789	$ 285,843	Current assets
311,692	286,875	274,027	270,370	259,583	258,928	Property and equipment
—	—	—	—	—	—	Right-of-use assets
68,693	64,969	60,567	53,289	55,199	73,177	Other assets, intangible assets and goodwill
28,074	19,597	12,904	7,422	17,017	5,852	Deferred tax assets
146,275	209,738	190,184	128,002	185,377	171,946	Current liabilities
248,741	138,334	164,960	215,206	144,736	161,928	Long-term debt and other liabilities
329,283	322,440	296,250	283,709	286,475	289,926	Total equity
						Consolidated Dollar Per Share/Unit ($)[5]
$ 1.30	$ 1.33	$ 1.32	$ 1.20	$ 1.45	$ 1.71	Net earnings - basic
1.29	1.32	1.32	1.19	1.44	1.69	Net earnings - diluted
2.85	2.86	2.76	2.60	2.61	2.73	EBITDA[3],[4]
2.38	1.64	2.67	2.39	2.38	2.26	Cash flow from operating activities[4]
1.16	1.12	1.04	1.05	1.42	1.39	Dividends/distributions paid during the year[4]
6.80	6.66	6.12	5.86	5.92	6.04	Equity (basic shares/units outstanding at end of year)
26.56	25.42	23.14	19.40	21.09	17.94	Market price at January 31
						Statistics at Year End[5]
178	178	177	183	184	180	Number of stores - Canadian
47	48	46	46	46	46	Number of stores - International
1,422	1,386	1,375	1,466	1,445	1,423	Selling square feet (000's) end of year - Canadian Stores
676	696	660	655	654	653	Selling square feet (000's) end of year - International Stores
$ 742	$ 741	$ 734	$ 702	$ 682	$ 654	Sales per average selling square foot - Canadian
$ 849	$ 767	$ 716	$ 713	$ 718	$ 752	Sales per average selling square foot - International
4,921	4,839	4,768	5,233	5,301	5,358	Number of employees - Canadian Operations
1,726	1,853	1,568	1,668	1,601	1,545	Number of employees - International Operations
48,432	48,413	48,384	48,378	48,180	47,799	Average shares/units outstanding (000's)
48,497	48,426	48,389	48,378	48,378	48,017	Shares/Units outstanding at end of fiscal year (000's)
24,080	17,623	17,831	22,418	24,814	20,080	Shares/Units traded during the year (000's)
						Financial Ratios
8.5	9.0	8.8	8.4	8.7	9.0	EBITDA[3] (%)
6.0	6.5	6.4	6.0	6.2	6.6	Earnings from operations (EBIT) (%)
18.4	20.0	20.6	18.5	17.9	18.7	Total return on net assets[3] (%)
19.3	21.0	22.1	20.1	24.1	29.3	Return on average equity[3] (%)
.61:1	.57:1	.55:1	.62:1	.67:1	.72:1	Debt-to-equity
48.8	68.2	39.0	44.0	60.0	62.3	Dividends/distributions as % of cash flow from operating activities
5.7	5.6	5.8	5.7	5.6	5.6	Inventory turnover (times per year)

(3) See Non-GAAP Financial Measures on page 33.

(4) Based on average basic shares/units outstanding.

(5) Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information refers to units of the Fund.

Nor'Westers are associated with the vision, perseverance, and enterprising spirit of the original North West Company and Canada's early fur trade. We trace our roots to 1668, and the establishment of one of North America's early trading posts at Waskaganish on James Bay. Today, we continue to embrace this pioneering culture as true "frontier merchants."

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