



NORTH WEST COMPANY FUND PRESS RELEASE

FOR IMMEDIATE RELEASE
September 15, 2000

“NORTH WEST COMPANY FUND REPORTS SECOND QUARTER RESULTS”

WINNIPEG - North West Company Fund (the “Fund”) today reported 2000 second quarter earnings for the period ended July 29, 2000.

CONSOLIDATED RESULTS

The North West Company Fund reported second quarter consolidated revenues at \$164.2 million, up 5.1% from 1999. Second quarter earnings finished at \$7.0 million (\$0.46 per unit) compared to \$8.5 million (\$0.57 per unit) in 1999. Anticipated lower margins in the first half of the year in Canada and unexpected margin weakness in the Company’s Canadian shipping and Alaskan operations were the major factors affecting earnings in the second quarter. Year-to-date revenues at \$314.4 million were 4.1% over last year. Consolidated earnings were \$11.3 million (\$0.75 per unit) compared to \$13.8 million or (\$0.92 per unit) last year.

“Our market share gains have been very strong in Canada. Lower margins took away our bottom line growth in the quarter, but we expect a recovery in the second half”, said Edward Kennedy, President and CEO.

CANADIAN OPERATIONS

Canadian sales were \$124.2 million for the quarter, up 5.0% from last year. Trading profit or earnings before interest, income taxes, depreciation and amortization (EBITDA) was down by 2.3% or \$340,000 to \$14.7 million.

Food sales continued on a positive trend in the quarter and increased 4.3% (up 2.5% on a comparable basis). These results were slightly below expectations. A wetter, cooler spring and summer reduced demand for seasonal merchandise and a delay in the Company’s schedule to expand selling food space were key factors. General merchandise sales were up 4.2% (up also 4.2% on a comparable basis) led by a 7.5% increase in *Selections* catalogue sales. *Selections* accounted for 27% of the general merchandise sales mix in the quarter. Big-ticket sales were also very strong led by motorized and sight and sound categories. All regions showed solid growth, particularly larger store markets. Fuel sales are now reported separately and together with non-core sales (Inuit Art and Fur Marketing) were up 19.5%.

Canadian gross profit rates increased slightly from last year, but were below plan. On the food side, more intense promotional activity and overall sharper pricing in non-perishable categories affected rates. In general merchandise, lower sales of higher mark-up apparel through store and catalogue channels reduced gross profit. In the third quarter, apparel sales are trending higher and mark-up adjustments have been taken to protect margins in other categories. Canadian sales in the third quarter to date have maintained the second quarter sales trend.

ALASKAN OPERATIONS (stated in U.S. dollars)

Alaska Commercial Company (“**AC**”) sales were \$27.0 million for the quarter, up 5.0% from last year.

Sales at **AC**’s wholesale business, Frontier Expeditors (“**FE**”), were up 40.5%. FE specializes in distributing primarily food products to smaller retail accounts in rural Alaska and select urban accounts that have been added over the last year. FE now represents approximately 12% of **AC**’s total sales base. **AC**’s retail sales were up 1.4% on an overall and comparable basis. Food was up 2.9% and general merchandise sales were down 3.8%. Sales were affected by a downturn in commercial salmon harvests, which reduced income by approximately 25% in the communities served by **AC**. State income relief programs are expected to help alleviate this situation in the second half of the year.

AC’s trading profit for the quarter was \$1.3 million compared to \$1.5 million last year, a decline of 8.2%. Higher costs related to a new distribution facility to support FE’s growth and lower store gross profit rates hurt earnings in the quarter. Margin adjustments have been made and higher margin sales are expected to strengthen in the third quarter helped by “Permanent Fund” payments to all Alaskans of approximately \$2,000 per person compared to \$1,774 last year.

NORMAL COURSE ISSUER BID

North West Company Fund received approval from the Toronto Stock Exchange to repurchase up to 750,000 units, or 5% of the outstanding units of the Fund over a 12-month period beginning March 27, 2000. The Fund has purchased 167,600 units for \$1,815,310 for an average cost of \$10.83 to August 31, 2000 under the issuer bid plan.

The Trustees of the Fund and the Board of Directors of The North West Company continue to support the purchase of units under a normal course issuer bid as being in the best interests of the Fund and its unitholders in the belief that the intrinsic value of the units exceeds their current trading price.

OTHER HIGHLIGHTS

- The Board of Directors and Trustees held their second quarter meeting in Iqaluit, Nunavut. Iqaluit is the capital of Canada’s newest and fastest growing territory. It is also the location of the Company’s largest *NorthMart* store, as well as three *Northern Convenience* stores.
- The Company’s Canadian store reprofiling program continued through the quarter with 11 stores now completed and 32 stores planned for the fall season. 103 stores will have been reprofiled by the end of the 2000, leaving 15 until 2001.
- A quarterly cash distribution of \$0.30 per unit was made on September 15, 2000. The final distribution for 2000 will be approximately \$0.54 per unit and will be made on December 15, 2000. This distribution is expected to be payable in cash subject to further review of the Company year-end financial outlook prior to the distribution declaration date of November 3, 2000.

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The North West Company is the leading provider of food and everyday products and services to remote communities across northern Canada and Alaska. The Fund trades on the Toronto and Winnipeg Stock Exchanges under the symbol "NWF.UN".

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CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of Canadian dollars)

	July 29, 2000	July 31, 1999
ASSETS		
Current assets		
Cash	\$ 8,152	\$ 12,224
Accounts receivable	48,816	42,537
Income taxes recoverable	3,880	398
Future income taxes	2,884	-
Inventories	135,058	123,108
Prepaid expenses	2,600	2,538
	<u>201,390</u>	<u>180,805</u>
Capital assets	191,450	194,890
Future income taxes	14,999	3,104
Other assets	12,160	12,781
	<u>\$ 419,999</u>	<u>\$ 391,580</u>
LIABILITIES		
Current liabilities	\$ 105,906	\$ 92,058
Long-term debt	125,599	130,731
	<u>231,505</u>	<u>222,789</u>
EQUITY	188,494	168,791
	<u>\$ 419,999</u>	<u>\$ 391,580</u>

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited, in thousands of Canadian dollars)

	13 Weeks Ended July 29, 2000	13 Weeks Ended July 31, 1999	26 Weeks Ended July 29, 2000	26 Weeks Ended July 31, 1999
SALES AND OTHER REVENUE				
Canadian operations	\$ 124,221	\$ 118,332	\$ 239,614	\$ 230,885
Alaskan operations	40,003	37,924	74,825	71,207
	\$ 164,224	\$ 156,256	\$ 314,439	\$ 302,092
Earnings before interest, income taxes, and amortization				
Canadian operations	\$ 14,734	\$ 15,074	\$ 26,323	\$ 26,596
Alaskan operations	1,973	2,144	2,720	3,268
Amortization				
Canadian operations	(4,542)	(4,274)	(9,165)	(8,530)
Alaskan operations	(742)	(689)	(1,458)	(1,398)
EARNINGS BEFORE INTEREST & INCOME TAXES				
Interest	(3,475)	(2,690)	(6,478)	(5,465)
Provision for income taxes (Note 3)	(948)	(1,028)	(638)	(622)
EARNINGS FOR THE PERIOD				
	7,000	8,537	11,304	13,849
Retained earnings, beginning of period as previously reported				
	34,827	12,637	18,182	11,825
Accounting change (Note 2)	-	-	16,864	-
Retained earnings, as restated	34,827	12,637	35,046	11,825
Distributions				
	(4,490)	(4,500)	(8,990)	(9,000)
Premium on units purchased for cancellation (Note 4)	(18)	-	(41)	-
RETAINED EARNINGS, END OF PERIOD				
	\$ 37,319	\$ 16,674	\$ 37,319	\$ 16,674
EARNINGS PER UNIT				
	\$ 0.46	\$ 0.57	\$ 0.75	\$ 0.92
Weighted Average Number of Units				
Outstanding (000's)	14,961	15,000	14,976	15,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Principles

These unaudited consolidated financial statements are based on accounting principles consistent with those used and described in the annual financial statements of North West Company Fund.

2. Accounting Change - Income Taxes

Effective January 31, 2000, the Company changed its accounting policy and adopted the new CICA recommendations on accounting for income taxes. The new standard requires the implementation of the asset and liability method of accounting for income taxes. The financial statements for the period ended July 29, 2000 have been prepared on the new basis and the comparative figures for the period ended July 31, 1999 have not been restated. The retained earnings as at January 31, 2000 have increased \$16,864,000 with a corresponding increase to future income taxes.

3. Income Taxes

Certain interest amounts deducted by The North West Company Inc. are included as taxable income to unitholders of North West Company Fund upon distribution. The income tax benefit of loss carryforwards available to the Company has been recorded in these financial statements as a future income tax asset. The Alaska Commercial Company has operating loss carryforwards available to offset taxable income.

4. Normal Course Issuer Bid

The Fund commenced a new normal course issuer bid program on The Toronto Stock Exchange on March 27, 2000. Purchases will be limited to a maximum of 750,000 units, with no more than 2% of the outstanding units repurchased in any 30 day period. The price the Fund will pay for any such units, will be the market price at the time of acquisition. The program will terminate on March 23, 2001 or on such earlier date as maximum purchases are completed. The Fund purchased 21,100 units and 18,200 units during the first and second quarters, respectively.

5. Net Identifiable Assets (in thousands of Canadian dollars)

	July 29, 2000	July 31, 1999
Canadian operations	\$ 300,811	\$ 269,486
Alaskan operations	68,622	72,626

6. Comparative Amounts

The comparative amounts have been reclassified to conform with the current year's presentation.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)

	13 Weeks Ended July 29, 2000	13 Weeks Ended July 31, 1999	26 Weeks Ended July 29, 2000	26 Weeks Ended July 31, 1999
CASH PROVIDED BY (USED IN)				
Operating Activities				
Earnings for the period	\$ 7,000	\$ 8,537	\$ 11,304	\$ 13,849
Non-cash items				
Amortization	5,284	4,963	10,623	9,928
Amortization of bond warrant proceeds and interest rate fixing payment	(311)	(493)	(622)	(1,001)
Gain on disposal of capital assets	(215)	(13)	(218)	(16)
Cash flow from operations	<u>11,758</u>	<u>12,994</u>	<u>21,087</u>	<u>22,760</u>
Changes in other non-cash items	<u>(9,585)</u>	<u>(4,290)</u>	<u>(16,982)</u>	<u>(6,118)</u>
Operating activities	<u>2,173</u>	<u>8,704</u>	<u>4,105</u>	<u>16,642</u>
Investing Activities				
Purchase of capital assets	(2,615)	(5,295)	(6,201)	(9,472)
Proceeds from sale of capital assets	229	253	692	1,428
Investing activities	<u>(2,386)</u>	<u>(5,042)</u>	<u>(5,509)</u>	<u>(8,044)</u>
Financing Activities				
Change in bank advances and short-term notes	266	(31)	9,001	1,194
Purchase of units for cancellation	(198)	-	(430)	-
Repayment of long-term debt	(104)	(105)	(180)	(204)
Financing activities	<u>(36)</u>	<u>(136)</u>	<u>8,391</u>	<u>990</u>
Distributions	<u>(4,490)</u>	<u>(4,500)</u>	<u>(8,990)</u>	<u>(9,000)</u>
CHANGE IN CASH	<u>(4,739)</u>	<u>(974)</u>	<u>(2,003)</u>	<u>588</u>
Cash, beginning of period	<u>12,891</u>	<u>13,198</u>	<u>10,155</u>	<u>11,636</u>
CASH, END OF PERIOD	<u>\$ 8,152</u>	<u>\$ 12,224</u>	<u>\$ 8,152</u>	<u>\$ 12,224</u>
Supplemental Disclosure of Cash Flow Information				
Cash paid during the period for				
Interest expense	\$ 986	\$ 584	\$ 6,970	\$ 6,954
Income taxes	397	504	650	1,009
Cash Flow From Operations Per Unit	<u>\$ 0.79</u>	<u>\$ 0.87</u>	<u>\$ 1.41</u>	<u>\$ 1.52</u>