
THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended October 31, 2021



2021 THIRD QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the third quarter ended October 31, 2021. Sales increased 0.1% to \$553.7 million compared to the strong COVID-19-related sales gains in the third quarter last year led by higher sales in International Operations partially offset by the negative impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 2.1% compared to last year but were down 0.1%¹ on a same store basis compared to a 17.8% increase in same store sales last year as the continuing impact of COVID-19-related factors including in-community spending and income support for individuals provided by different jurisdictions within which the Company operates was less than last year. Although same store sales were down compared to the strong sales gains last year, they were up 17.4% compared to the third quarter of 2019.

Third quarter net earnings increased to \$39.2 million compared to \$35.9 million last year and were up \$14.3 million or 57.6% compared to the third quarter of 2019. Net earnings attributable to shareholders were \$38.7 million or \$0.79 per share compared to \$0.71 per share last year on a diluted earnings per share basis and were up significantly compared to \$0.49 per share two years ago. The increase compared to last year is substantially due to a \$7.6 million after-tax decrease in share-based compensation costs compared to last year. Adjusted net earnings², which excludes the impact of the share-based compensation costs, decreased \$4.4 million or 10.2% compared to the exceptionally strong earnings last year mainly due to the impact of a lower gross profit rate and the negative impact of foreign exchange on the translation of International Operations net earnings, but were up \$14.1 million or 57.9% compared to the third quarter of 2019.

The Board of Directors has approved a quarterly dividend of \$0.37 per share to shareholders of record on December 31, 2021.

On behalf of the Board of Directors:



H. Sanford Riley
Chairman



Daniel G. McConnell
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's 2021 third quarter unaudited interim period condensed consolidated financial statements for the period ended October 31, 2021 ("Interim Condensed Consolidated Financial Statements") and the audited annual consolidated financial statements and accompanying notes included in the 2020 Annual Report. The first quarter of 2021 had 89 days of operations compared to 90 days of operations in the first quarter of 2020 as a result of February 29. The estimated impact of this difference in days has been adjusted in the reported year-to-date same store sales.

(1) Excluding the foreign exchange impact

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

Third Quarter Highlights

CONSOLIDATED RESULTS THIRD QUARTER

Key Performance Indicators and Selected Third Quarter Information:

| (\$ in thousands, except per share) | Three Months Ended | |
|--|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Sales | \$ 553,680 | \$ 552,975 |
| Same store sales % ⁽¹⁾ | | |
| Food | 0.9 % | 14.5 % |
| General Merchandise | (5.7)% | 38.3 % |
| Total | (0.1)% | 17.8 % |
| Gross profit | \$ 180,766 | \$ 185,064 |
| Selling, operating and administrative expenses | 124,703 | 132,130 |
| EBITDA ⁽²⁾ | 78,642 | 75,715 |
| EBIT | 56,063 | 52,934 |
| Interest expense | 3,185 | 3,997 |
| Income taxes | 13,723 | 13,023 |
| Net earnings | 39,155 | 35,914 |
| Net earnings attributable to shareholders of the Company | 38,715 | 34,611 |
| Net earnings per share - basic | 0.81 | 0.71 |
| Net earnings per share - diluted | 0.79 | 0.71 |

Sales Third quarter consolidated sales increased 0.1% to \$553.7 million as sales gains in International Operations were partially offset by the negative impact of foreign exchange on the translation of International Operations sales and marginally lower same store sales compared to the exceptional COVID-19-related sales gains last year. The exchange rate used for the translation of International Operations sales in the quarter was 1.2568 compared to 1.3222 last year. Excluding the foreign exchange impact, consolidated sales increased 2.1%, with food sales increasing 1.8% and general merchandise sales decreasing 5.4%. On a same store basis, sales remained strong with a decrease of only 0.1%¹ compared to a 17.8% increase in the third quarter last year, but were up 17.4% compared to the third quarter of 2019, as the continuing impact of COVID-19-related factors including in-community spending and income support for individuals was less than last year. Food same store sales were up 0.9% compared to a 14.5% increase last year, as same store sales gains in International Operations were more than offset by lower sales in Canadian Operations, and were up 15.4% compared to the third quarter of 2019. General merchandise same store sales were down 5.7% compared to a 38.3% same store sales gain last year driven by the previously noted COVID-19-related factors but were up 30.3% compared to 2019.

Gross Profit Gross profit decreased 2.3% due to an 82 basis point decrease in gross profit rate compared to last year. The decrease in gross profit rate was primarily due to changes in product sales blend in Canadian Operations and the impact of inflation cost factors that were not fully passed on.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased \$7.4 million or 5.6% compared to last year and were down 137 basis points as a percentage to sales substantially due to an \$8.3 million decrease in share-based compensation costs primarily related to mark-to-market adjustments resulting from changes in the Company's share price. A decrease in Expenses related to the impact of foreign exchange on the translation of International Operations Expenses and lower COVID-19-related expenses were also factors. COVID-19 expenses related to wage increases for front-line associates, the purchase of protective equipment and enhanced sanitation procedures were \$1.0 million in the quarter compared to \$2.5 million last year. Excluding share-based compensation costs, Expenses increased \$0.9 million and were up 12 basis points as a percentage to sales.

(1) Excluding the foreign exchange impact

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

Earnings From Operations Earnings from operations increased 5.9% to \$56.1 million compared to \$52.9 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA²") increased 3.9% to \$78.6 million compared to \$75.7 million last year. The increase compared to last year is due to the impact of the Expense factors previously noted. Adjusted EBITDA², which excludes share-based compensation, decreased \$5.4 million compared to last year and as a percentage to sales was 14.1% compared to 15.1% last year due to the sales, gross profit and Expense factors previously noted, but was up \$19.4 million or 33.0% compared to 2019.

Interest Expense Interest expense decreased to \$3.2 million compared to \$4.0 million last year substantially due to lower average debt. Further information on long-term debt is provided in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Income Tax Expense Income tax expense increased to \$13.7 million compared to \$13.0 million last year and the consolidated effective tax rate was 26.0% compared to 26.6%. The tax rate decrease was primarily due to the impact of non-tax deductible share-based compensation and the blend of earnings in International Operations across the various tax rate jurisdictions.

Net Earnings Net earnings increased \$3.2 million to \$39.2 million compared to last year and were up \$14.3 million or 57.6% compared to the third quarter of 2019. Net earnings attributable to shareholders were \$38.7 million and diluted earnings per share were \$0.79 per share compared to \$0.71 per share last year due to the factors previously noted and were up compared to \$0.49 per share two years ago. Adjusted net earnings², which excludes the after-tax impact of the share-based compensation, decreased \$4.4 million compared to the exceptionally strong net earnings last year due to the factors previously noted and the negative impact of foreign exchange on the translation of International Operations net earnings but were up \$14.1 million or 57.9% compared to the third quarter of 2019.

Comprehensive Income Comprehensive income increased to \$37.3 million compared to \$35.3 million last year due to higher net earnings noted above partially offset by the impact of foreign exchange on the translation of International Operations.

(1) Excluding the foreign exchange impact

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

Year-To-Date Highlights

CONSOLIDATED RESULTS

Key Performance Indicators and Selected Year-To-Date October 31, 2021 Information:

| (\$ in thousands, except per share) | Year-to-date | |
|--|------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Sales | \$ 1,669,777 | \$ 1,794,048 |
| Same store sales % ⁽¹⁾ | | |
| Food | (0.3)% | 16.7 % |
| General Merchandise | (2.0)% | 34.8 % |
| Total | (0.6)% | 19.7 % |
| Gross profit | \$ 553,037 | \$ 586,680 |
| Selling, operating and administrative expenses | 382,200 | 426,445 |
| EBITDA ⁽²⁾ | 238,411 | 230,017 |
| EBIT | 170,837 | 160,235 |
| Interest expense | 9,888 | 13,360 |
| Income taxes | 39,106 | 36,147 |
| Net earnings | 121,843 | 110,728 |
| Net earnings attributable to shareholders of the Company | 120,221 | 107,814 |
| Net earnings per share - basic | 2.49 | 2.21 |
| Net earnings per share - diluted | 2.45 | 2.19 |

Sales Year-to-date sales decreased 6.9% to \$1.670 billion largely due to lower sales in Giant Tiger stores resulting from the sale and closure of most of the Company's Giant Tiger stores last year (the "Giant Tiger Transaction") and the negative impact of foreign exchange on the translation of International Operations sales. The exchange rate used for the translation of International Operations sales decreased to 1.2476 compared to 1.3563 last year. Excluding the foreign exchange impact, consolidated sales decreased 4.3% with food sales decreasing 3.3% and general merchandise sales decreasing 20.1% due to the impact of the Giant Tiger Transaction net of the impact of wholesale food sales to the sold Giant Tiger stores. Same store sales remained strong and were only down 0.6%¹ compared to a 19.7% increase last year but were up 20.4% compared to 2019. Food sales¹ decreased 0.3% on a same store basis compared to a 16.7% increase last year but were up 16.7% compared to 2019 and general merchandise same store sales¹ decreased 2.0% compared to a 34.8% increase last year but were up 43.1% compared to 2019 as the continuing impact of COVID-19-related in-community consumer spending and various income transfer and support programs for individuals was less than last year.

Gross Profit Gross profit decreased 5.7% as the impact of lower sales was partially offset by a 42 basis point increase in the gross profit rate primarily related to product sales blend changes and lower markdowns and inventory shrinkage. The impact of selling or closing most of the Company's Giant Tiger stores, which have a lower gross profit structure consistent with a discount format, net of the impact of lower margin wholesale food sales as part of the Giant Tiger Transaction, was also a factor.

(1) Excluding the foreign exchange impact

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

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased \$44.2 million or 10.4% and were down 88 basis points as a percentage to sales largely due to lower store expenses related to the Giant Tiger Transaction, a decrease in COVID-19-related expenses and the impact of foreign exchange on the translation of International Operations Expenses. COVID-19 expenses related to wage increases for front-line associates, the purchase of protective equipment and enhanced sanitation procedures were \$3.7 million this year compared to \$13.8 million last year. The impact of Non-Comparable Factors, which includes an \$11.4 million decrease in share-based compensation costs due to mark-to-market adjustments, an \$8.6 million insurance-related gain this year and a \$9.4 million Giant Tiger store closure provision and a \$24.7 million gain related to the Giant Tiger Transaction last year, also contributed to the decrease in Expenses. Excluding the Non-Comparable Factors, Expenses decreased \$39.5 million or 9.4% mainly due to lower COVID-19-related costs previously noted.

Earnings From Operations Earnings from operations increased 6.6% to \$170.8 million compared to \$160.2 million last year and earnings before interest, income taxes, depreciation and amortization ("EBITDA⁽¹⁾") increased to \$238.4 million compared to \$230.0 million last year and were up \$67.2 million or 64.9% and \$69.3 million or 41.0% respectively compared to 2019 due to the sales, gross profit and Expense factors noted above. Adjusted EBITDA⁽²⁾, which excludes the impact of the Non-Comparable Factors, increased \$3.7 million or 1.6% on top of the exceptional adjusted EBITDA⁽²⁾ gains last year due to the factors previously noted and was up \$80.5 million or 51.1% compared to 2019.

Interest Expense Interest expense decreased to \$9.9 million compared to \$13.4 million last year substantially due to lower average debt. Further information on long-term debt is provided in Note 9 to the Company's Interim Condensed Consolidated Financial Statements and in the Liquidity and Capital Resources section.

Income Tax Expense Income tax expense increased \$3.0 million to \$39.1 million due to higher earnings, partially offset by a decrease in the consolidated effective tax rate to 24.3% compared to 24.6% last year.

Net Earnings Net earnings increased \$11.1 million or 10.0% to \$121.8 million compared to last year and were up \$52.8 million or 76.6% compared to 2019. Net earnings attributable to shareholders were \$120.2 million and diluted earnings per share were \$2.45 per share compared to \$2.19 per share last year due to the factors noted above. These factors were partially offset by a decrease of approximately \$0.07 per share due to the negative impact of foreign exchange on the translation of International Operations net earnings as the average exchange rate was 1.2476 compared to 1.3563 last year. Adjusted net earnings⁽²⁾, which excludes the impact of the Non-Comparable Factors, increased \$6.7 million on top of the strong adjusted net earnings gains last year and was up \$60.9 million or 101.3% compared to 2019 driven by earnings gains in Canadian Operations and International Operations.

Comprehensive Income Comprehensive income increased \$14.5 million to \$127.3 million compared to \$112.9 million last year due to an \$11.1 million increase in net earnings described above and the remeasurement of defined benefit pension plan assets and liabilities which resulted in a net actuarial gain of \$10.4 million compared to no adjustment last year. These factors were partially offset by the impact of foreign exchange on the translation of the International Operations financial statements which resulted in a loss of \$4.9 million compared to a gain of \$2.1 million last year.

(1) Excluding the foreign exchange impact

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

CANADIAN OPERATIONS THIRD QUARTER

Canadian Operations results for the third quarter are summarized by the following key performance indicators:

Key Performance Indicators:

| (\$ in thousands) | Three Months Ended | |
|-----------------------|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Sales | \$ 314,644 | \$ 312,836 |
| Same store sales % | | |
| Food | (1.5)% | 18.4 % |
| General Merchandise | (10.4)% | 46.7 % |
| Total | (3.2)% | 22.9 % |
| EBITDA ⁽²⁾ | \$ 53,433 | \$ 51,658 |
| EBIT | 38,168 | 36,293 |

Sales Canadian Operations sales increased 0.6% to \$314.6 million compared to \$312.8 million, building on the exceptional COVID-19-related sales gains in the third quarter last year. Same store sales remained strong only decreasing 3.2% compared to a 22.9% increase last year and were up 18.4% compared to the third quarter of 2019 as the continuing impact of COVID-19-related in-community consumer spending and various income transfer and support programs for individuals was less than last year. Food sales decreased 0.2% and general merchandise sales decreased 9.8% compared to last year largely due to reduced COVID-19-related income support payments. On a same store basis, food sales were down 1.5% and general merchandise sales decreased 10.4% due to the COVID-19-related factors previously noted but were up 16.0% and 31.0% respectively compared to 2019.

Gross Profit Gross profit decreased 2.8% as the impact of higher sales was more than offset by a lower gross profit rate. The decrease in gross profit rate is primarily due to changes in product sales blend largely related to general merchandise, higher markdowns compared to last year and inflationary costs that were not fully passed on. A lower gross profit rate in North Star Air ("NSA") due to unplanned repairs and higher usage of leased aircraft compared to last year was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") decreased 6.4% and were down 177 basis points as a percentage to sales compared to last year largely due to the impact of a \$7.4 million decrease in share-based compensation costs. Lower COVID-19-related expenses was also a factor. Excluding share-based compensation, Expenses increased \$2.3 million or 3.1%.

Earnings From Operations Earnings from operations increased to \$38.2 million compared to \$36.3 million last year and EBITDA² increased to \$53.4 million compared to \$51.7 million last year largely due to the impact of the Expense factors previously noted and were up \$12.7 million and \$12.3 million respectively compared to 2019. Adjusted EBITDA², which excludes the impact of the share-based compensation, decreased \$5.6 million compared to last year but was up \$12.1 million compared to 2019. The decrease compared to last year is mainly due to a lower gross profit rate previously noted partially offset by lower COVID-19-related expenses. NSA EBITDA² was down slightly in the quarter due to the gross profit factors previously noted partially offset by higher passenger volumes compared to last year, net of the impact of \$1.0 million in Canada Emergency Wage Subsidy ("CEWS") payments received in the third quarter last year.

Giant Tiger Transaction On July 5, 2020, the Company completed the sale of 36 of the Company's 46 Giant Tiger stores (the "Acquired Stores") to Giant Tiger Stores Limited ("GTSL"). Of the remaining 10 stores, the Company (i) retained and operates five key stores in northern market locations, (ii) converted one store to a Valu Lots clearance center, and (iii) closed four stores in the third quarter of 2020. In the second quarter of 2020, the Company recorded a pre-tax gain of \$24.7 million or \$20.0 million net of tax. Further information on the Giant Tiger Transaction is provided in Note 20 to the Company's Interim Condensed Consolidated Financial Statements.

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

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

INTERNATIONAL OPERATIONS THIRD QUARTER (stated in U.S. dollars)

International Operations results for the third quarter are summarized by the following key performance indicators:

Key Performance Indicators:

| (\$ in thousands) | Three Months Ended | |
|-----------------------------|--------------------|------------------|
| | October 31, 2021 | October 31, 2020 |
| Sales | \$ 190,195 | \$ 181,621 |
| Same store sales % increase | | |
| Food | 4.2 % | 9.6 % |
| General Merchandise | 6.1 % | 21.0 % |
| Total | 4.4 % | 10.8 % |
| EBITDA ⁽²⁾ | \$ 20,060 | \$ 18,214 |
| EBIT | 14,236 | 12,611 |

Sales International Operations sales increased 4.7% to \$190.2 million compared to \$181.6 million in the third quarter last year led by same store sales gains and the impact of new stores in Alaska. Sales in Alaska ("AC") stores were positively impacted by the payment of a \$1,114 Permanent Fund Dividend ("PFD") issued late in the third quarter this year compared to a PFD of \$992 paid in the second quarter last year. Income support payments through the American Rescue Plan and an increase in Supplemental Nutrition Assistance Program ("SNAP") benefits within Alaska and the U.S. Territories served by Cost-U-Less ("CUL") and a strong in-stock position in AC and CUL stores were also factors. Same store sales remained strong, increasing 4.4% on top of a 10.8% increase last year due to the factors previously noted and were up 15.9% compared to the third quarter of 2019. Food sales increased 4.5% and were up 4.2% on a same store basis which is on top of a 9.6% same store sales increase last year. General merchandise sales increased 5.3% and were up 6.1% on a same store basis compared to a 21.0% same store sales increase in the third quarter last year. Food and general merchandise same store sales have remained strong over a two year period with increases of 14.4% and 28.7% respectively compared to 2019.

Gross Profit Gross profit increased 3.6% compared to last year as the impact of sales gains was partially offset by a decrease in the gross profit rate. The change in gross profit rate is due to the impact of inflation cost factors that were not fully passed on and a higher blend of CUL sales which have a lower gross profit rate consistent with a discount warehouse format.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 0.6% compared to last year mainly due to higher store employee costs, utility costs and travel expenses partially offset by lower COVID-19-related expenses and share-based compensation costs. Excluding share-based compensation costs, Expenses increased 2.3% compared to last year.

Earnings From Operations Earnings from operations increased \$1.6 million or 12.9% to \$14.2 million compared to \$12.6 million in the third quarter last year and EBITDA² increased 10.1% to \$20.1 million compared to \$18.2 million last year due to sales, gross profit and Expense factors as previously noted and were up \$5.5 million and \$6.3 million respectively compared to 2019. Excluding the impact of share-based compensation, adjusted EBITDA² increased 6.2% compared to last year.

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

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the third quarter was 0.50:1 compared to 0.69:1 last year.

Working capital increased \$5.4 million or 5.0% compared to the third quarter last year primarily due to an increase in inventories and accounts receivable and a decrease in the current portion of long-term debt, partially offset by higher accounts payable and accrued liabilities and income tax payable. The increase in inventories is mainly due to a return to more normalized inventory levels compared to much lower inventory levels last year resulting from the COVID-19-related sales and stock-up shopping. The increase in accounts receivable is largely due to a reclassification of the portion of the promissory note receivable due in 2022. The decrease in the current portion of long-term debt related to \$87.9 million in long-term debt that matures on September 26, 2022 compared to \$93.1 million in senior notes which matured and were repaid June 16, 2021. Further information on long-term debt and the repayment of the senior notes is provided in the Liquidity and Capital Resources section. The increase in accounts payable and accrued liabilities and income tax payable is mainly related to the timing of payments.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter decreased to 48,177,000 shares compared to 48,791,000 shares last year due to shares purchased under the Company's Normal Course Issuer Bid ("NCIB"). The weighted-average fully diluted shares outstanding for the quarter were 48,942,000 shares compared to 49,342,000 shares last year. The decrease in fully diluted shares outstanding compared to last year is due to the NCIB and redemptions under the Director Deferred Share Unit Plan partially offset by the dilutive impact of share based compensation. Further information on share capital and share-based compensation plans is provided in Note 7 and Note 14 respectively to the Company's Interim Condensed Consolidated Financial Statements.

Normal Course Issuer Bid

On November 10, 2020, the Company received approval from the Toronto Stock Exchange ("TSX") to proceed with a Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,807,437 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the nine months ended October 31, 2021, the Company purchased 634,014 common shares having a book value of \$2.3 million for cash consideration of \$22.1 million. The excess of the purchase price over the book value of the shares of \$19.8 million was charged to retained earnings. All shares purchased were cancelled.

On November 10, 2021, the TSX approved the renewal of the NCIB. The maximum number of shares that can be purchased under the NCIB over the next 12 months is 4,773,508 which is approximately 10% of the Company's public float at October 31, 2021. The NCIB will be made in accordance with applicable regulations and the requirements of the TSX. In connection with the NCIB, the Company has established an automatic securities purchase plan (the "Plan") with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods. Under the Plan, before entering a self-imposed blackout period, the Company may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters. Further information on share capital and the NCIB is provided in Note 7 to the Company's Interim Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

| (\$ in thousands) | Three Months | | Three Months | | Nine Months | | Nine Months | | | | | |
|---|--------------|------------------|--------------|----------|-------------|------------------|-------------|----------|----|-----------|----|----------|
| | Ended | October 31, 2021 | Ended | Change | Ended | October 31, 2021 | Ended | Change | | | | |
| Cash flows from (used in): | | | | | | | | | | | | |
| Cash from operating activities | \$ | 41,772 | \$ | 56,250 | \$ | (14,478) | \$ | 139,431 | \$ | 232,058 | \$ | (92,627) |
| Cash used in investing activities | | (27,410) | | (15,174) | | (12,236) | | (60,719) | | (54,996) | | (5,723) |
| Cash used in financing activities | | (20,784) | | (54,321) | | 33,537 | | (92,261) | | (145,295) | | 53,034 |
| Effect of changes in foreign exchange rates on cash | | (182) | | (508) | | 326 | | (955) | | (242) | | (713) |
| Net change in cash | \$ | (6,604) | \$ | (13,753) | \$ | 7,149 | \$ | (14,504) | \$ | 31,525 | \$ | (46,029) |

Cash From Operating Activities Cash from operating activities in the quarter decreased \$14.5 million to \$41.8 million compared to \$56.3 million last year largely due to an increase in taxes paid and the change in non-cash working capital. The increase in taxes paid is due to the impact of the Limited Partnership structure and the timing of installments in Canadian Operations. The change in non-cash working capital is consistent with the year-to-date factors noted below.

For the year-to-date, cash from operating activities decreased to \$139.4 million compared to \$232.1 million last year substantially due to the taxes paid and changes in non-cash working capital. The change in non-cash working capital is substantially related to a change in inventories, accounts payable and accrued liabilities and accounts receivable compared to the prior year. The increase in inventories is mainly due to a return to more normalized inventory levels this year, particularly in northern Canada, compared to the significant COVID-19-related sell-through last year. The change in accounts receivable is largely related to a decrease in payments collected on accounts compared to the prior year. The change in accounts payable is related to the timing of inventory purchases and payments on trade accounts payable. The increase in taxes paid is due to the timing of installments in Canadian Operations as previously noted.

Cash Used In Investing Activities Cash used in investing activities in the quarter increased to \$27.4 million compared to \$15.2 million last year. The purchase of property and equipment in the quarter included investments in stores, fixtures and equipment. For the year-to-date, cash used in investing activities increased to \$60.7 million compared to \$55.0 million last year and included investments in property and equipment as previously noted as well as the purchase of an ATR-72 500 series aircraft. These expenditures were partially offset by \$8.6 million in insurance proceeds received on the partial settlement of the 2018 fire-related insurance claims. Further information on planned capital expenditures is included in the Outlook section.

Cash Used In Financing Activities Cash used in financing activities in the quarter was \$20.8 million compared to cash used in financing activities of \$54.3 million last year substantially due to changes in long-term debt related to amounts drawn on revolving loan facilities and \$8.5 million in shares purchased under the Company's NCIB. For the year-to-date, cash used in financing activities was \$92.3 million compared to \$145.3 million used in financing activities last year substantially due to the change in long-term debt and \$22.1 million in shares purchased under the NCIB. The change in long-term debt is due to changes in amounts drawn on the Company's revolving loan facilities largely related to the repayment of the US\$70.0 million (CAD\$85.4 million) senior notes that matured on June 16, 2021 compared to US\$70.0 million (CAD\$94.8 million) senior notes that were issued in the second quarter last year the proceeds from which were used to reduce amounts outstanding on the Company's revolving loan facilities. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Sources of Liquidity

The Canadian Operations 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 or the Canadian prime interest rate. At October 31, 2021, the Company had drawn \$86.8 million on these facilities (October 31, 2020 - \$1.9 million). The Canadian Operations also have committed, revolving loan facilities of US\$52.0 million that bear interest at U.S. LIBOR plus a spread. At October 31, 2021, the Company had drawn US\$NIL on these facilities (October 31, 2020 - US\$27.9 million). These loan facilities mature September 26, 2022 and are secured by certain assets of the Company on a *pari passu* basis with the Company's senior notes. The Company is in the process of renewing these loan facilities and expects to have the renewal process completed by April 30, 2022.

The Company has outstanding \$100.0 million 3.74% senior notes that mature September 26, 2029, US\$35.0 million 2.88% senior notes that mature on June 16, 2027 and US\$35.0 million 3.09% senior notes that mature on June 16, 2032. These senior notes are secured by a floating charge on 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 and the US\$52.0 million loan facilities. The Company had US\$70.0 million senior notes mature on June 16, 2021 which were repaid through amounts drawn on the Company's revolving loan facilities in Canadian Operations.

The International Operations have a US\$40.0 million committed, revolving loan facility for working capital and general business purposes. This loan facility, which matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At October 31, 2021, the Company had drawn US\$4.0 million on these facilities (October 31, 2020 - US\$8.7 million).

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At October 31, 2021, lease liabilities reflect a weighted-average risk-free rate of 3.7% (October 31, 2020 – 3.7%) and weighted-average remaining lease term of 9.8 years (October 31, 2020 – 9.9 years).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At October 31, 2021, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 9 to the Company's Interim Condensed Consolidated Financial Statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, maturing debt obligations, pension plan contributions, planned sustaining and growth-related capital expenditures as well as anticipated dividends during 2021.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of \$0.37 per share to shareholders of record on December 31, 2021, to be paid on January 14, 2022.

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

OTHER HIGHLIGHTS

- The Company opened a 15,000 square foot retail store in Skagway, Alaska on August 3, 2021 and a 4,900 square foot store in Galena, Alaska on August 31, 2021.
- A pharmacy was opened in the Valu Lots store in Prince Albert, Saskatchewan on September 30, 2021.

STRATEGY

The Company is focused on building an expanded range of essential products and services that help our customers to live better and that sustain and grow our business in a socially responsible manner, within all economic conditions. For investors, the Company is committed to delivering sustainable, superior total returns with a commitment to downside risk management, disciplined allocation of capital, cash flow optimization and dividend growth.

The Company's focus areas are set out below:

1. In the short-term, our priority is on continuing to provide a safe shopping environment for our customers and employees while meeting the sales opportunities presented by Covid-19-related shopping demands.
2. Medium-term priority work includes new levels of social impact commitments, completing the multi-year roll-out of next generation merchandise and store systems and the addition of air cargo capacity.
3. Longer-term initiatives are focussed on talent and culture, new store and e-commerce expansion in Alaska, food market share gains in northern Canada through lower food prices and complementary business growth through organic investments and acquisitions.

Further information on the Company's strategy is provided in the 2020 Annual Report.

OUTLOOK

The Company's near-term consumer outlook continues to be highly influenced by the COVID-19 pandemic and the ongoing COVID-19 uncertainties makes sales forecasting difficult. The transition to reduced COVID-19 risk conditions and the winding down of COVID-related consumer income support payments is expected to result in lower sales in the fourth quarter compared to last year but higher sales on a same store basis than 2019 based on the Company's role as an essential service and an anticipated retention of consumer spending in favour of the Company's in-community product and service offering. It is expected that earnings in the fourth quarter of 2021 will be below 2020 but above pre-pandemic (2019) levels however there is uncertainty to this outlook related to outbreaks of COVID-19 variants and their impact on supply chain, the availability of merchandise, higher inflation and the take-up of broad vaccine distribution. The timing of economic recoveries particularly within tourism-dependent countries which do not have strong government income support programs such as the British Virgin Islands and St. Maarten is also difficult to forecast. In spite of global supply chain disruptions, the Company's overall current in-stock position on essential food and general merchandise items remains healthy however in the current environment these conditions can change rapidly.

Beyond the duration of COVID-19's material impact, positive and negative, on the Company's business, the medium and longer-term outlook for the Company is favourable based on the expected impact of government transfer payments and higher infrastructure spending in Indigenous communities, our emphasis on decentralized execution capability, the resiliency of our essential everyday product and service focus and customer relationships and in-community shopping patterns established during COVID-19. The Company also continues to assess acquisition and other business venture opportunities within its different businesses and retail divisions.

In the first quarter of 2021, the Company recorded after-tax insurance related gains of \$7.1 million compared to \$4.5 million in the 2020 fiscal year. The final settlement of 2018 fire insurance claims is expected to result in a further insurance-related earnings gain, however, the amount and timing of this gain is uncertain.

In 2020, the Company recorded a \$24.7 million deferred tax liability on earnings in Canadian Operations based on the year-end of the limited partnership. The remaining payment of taxes on these earnings will occur over the next six months. In addition, the Company's Canadian monthly income tax installments have increased in 2021 based on its taxable income in 2020. This increase in income tax payments compared to 2020 will continue to reduce cash flow from operating activities in 2021.

In 2021, the Company expects that capital expenditures will be in the \$90 million range (2020 - \$66.9 million), net of expected recoveries on the settlement of fire insurance claims, with upside for further growth investments. In 2022, the Company expects that capital expenditures will be in the \$120 million range with potential for additional store acquisitions and growth investments. The timing and amount of store-based capital expenditures in 2021 and 2022 are expected to continue to be impacted by the availability of building materials and COVID-19-related travel restrictions, in addition to other delays that can occur with remote location capital projects.

RISK FACTORS AND ENTERPRISE RISK MANAGEMENT

Information on risk factors inherent within the business and enterprise risk management are included in the Company's 2020 Annual Report and 2020 Annual Information Form, which are hereby incorporated by reference. These documents are available on the Company's website at www.northwest.ca or on Sedar at www.sedar.com.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

| | Third Quarter | | Second Quarter | | First Quarter | | Fourth Quarter | |
|---|---------------|----------|----------------|----------|---------------|----------|----------------|----------|
| | 92 days | 92 days | 92 days | 92 days | 89 days | 90 days | 92 days | 92 days |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2020 | 2019 |
| (\$ in millions, except per share) | | | | | | | | |
| Sales | \$ 553.7 | \$ 553.0 | \$ 565.1 | \$ 648.5 | \$ 551.0 | \$ 592.6 | \$ 565.2 | \$ 553.1 |
| EBITDA⁽¹⁾ | 78.6 | 75.7 | 81.1 | 110.9 | 78.7 | 43.4 | 71.4 | 50.4 |
| Earnings from operations | 56.1 | 52.9 | 58.5 | 87.8 | 56.3 | 19.5 | 49.1 | 26.7 |
| Net earnings | 39.2 | 35.9 | 42.4 | 62.6 | 40.3 | 12.3 | 32.8 | 17.3 |
| Net earnings attributable to shareholders of the Company | 38.7 | 34.6 | 41.9 | 61.9 | 39.7 | 11.3 | 32.1 | 16.3 |
| Net earnings per share: | | | | | | | | |
| Basic | 0.81 | 0.71 | 0.86 | 1.27 | 0.82 | 0.23 | 0.66 | 0.34 |
| Diluted | 0.79 | 0.71 | 0.86 | 1.25 | 0.80 | 0.23 | 0.63 | 0.33 |
| Adjusted EBITDA⁽¹⁾ | 78.2 | 83.6 | 84.1 | 95.9 | 75.7 | 59.8 | 69.0 | 47.4 |
| Adjusted net earnings⁽¹⁾ | 38.4 | 42.8 | 44.7 | 50.5 | 37.9 | 24.6 | 30.5 | 15.2 |

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

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

There have been no changes in the internal controls over financial reporting during the quarter ended October 31, 2021 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2021

The significant accounting policies are set out in the Company's 2020 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these Interim Condensed Consolidated Financial Statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

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

NON-GAAP MEASURES

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

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

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

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

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA:

| (\$ in thousands) | Third Quarter | | | Year-to-Date | | |
|--|---------------|-----------|-----------|--------------|------------|------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Net earnings | \$ 39,155 | \$ 35,914 | \$ 24,838 | \$ 121,843 | \$ 110,728 | \$ 69,010 |
| Add: Amortization | 22,579 | 22,781 | 22,289 | 67,574 | 69,782 | 65,523 |
| Interest expense | 3,185 | 3,997 | 5,134 | 9,888 | 13,360 | 15,316 |
| Income taxes | 13,723 | 13,023 | 7,018 | 39,106 | 36,147 | 19,293 |
| EBITDA | \$ 78,642 | \$ 75,715 | \$ 59,279 | \$ 238,411 | \$ 230,017 | \$ 169,142 |
| Adjusted for: | | | | | | |
| Insurance gains | — | — | — | (8,632) | — | (14,965) |
| Share-based compensation (recovery)/expense ⁽¹⁾ | (408) | 7,869 | (450) | 8,239 | 19,623 | 3,360 |
| Gain on disposition of Giant Tiger stores | — | — | — | — | (24,712) | — |
| Giant Tiger asset impairment and store closure provision | — | — | — | — | 9,411 | — |
| Adjusted EBITDA | \$ 78,234 | \$ 83,584 | \$ 58,829 | \$ 238,018 | \$ 234,339 | \$ 157,537 |

(1) Further information on share-based compensation (recovery)/expense is provided in Note 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

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

Reconciliation of consolidated net earnings to adjusted net earnings:

| (\$ in thousands) | Third Quarter | | | Year-to-Date | | |
|--|---------------|-----------|-----------|--------------|------------|-----------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Net earnings | \$ 39,155 | \$ 35,914 | \$ 24,838 | \$ 121,843 | \$ 110,728 | \$ 69,010 |
| Adjusted for: | | | | | | |
| Insurance gains, net of tax | — | — | — | (7,123) | — | (11,547) |
| Share-based compensation (recovery)/expense, net of tax | (732) | 6,896 | (502) | 6,359 | 16,749 | 2,688 |
| Gain on disposition of Giant Tiger stores, net of tax | — | — | — | — | (19,991) | — |
| Giant Tiger asset impairment and store closure provision, net of tax | — | — | — | — | 6,874 | — |
| Adjusted net earnings | \$ 38,423 | \$ 42,810 | \$ 24,336 | \$ 121,079 | \$ 114,360 | \$ 60,151 |

The Company recorded gains on the partial settlement of insurance claims. These gains were due to the difference between the replacement cost of the assets destroyed and their book value.

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 11 and Note 14 to the Company's Interim Condensed Consolidated Financial Statements.

Further information on the gain on the disposition of Giant Tiger stores and the Giant Tiger asset impairment and store closure expense is provided in the Canadian Operations section and in Note 20 to the Company's Interim Condensed Consolidated Financial Statements.

Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") is based on the financial information included in the Company's Interim Condensed Consolidated Financial Statements and notes to the Interim Condensed Consolidated Financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to December 8, 2021.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis ("MD&A"), contains forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional future financial performance (including sales, earnings, growth rates, capital expenditures, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, the Company's intentions regarding a normal course issuer bid, the anticipated impact of the COVID-19 pandemic on the Company's operations and the Company's related business continuity plans, the realization of expected savings from administrative cost reduction plans and possible future action by the Company.

Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company, economic factors and the retail industry in general. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the Company due to, but not limited to, important factors such as general economic, political and market factors in North America and internationally 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 to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other risks are outlined in the Risk Management section of the 2020 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. The reader is also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than as specifically required by applicable law, the Company does not intend to update any forward-looking statements whether as a result of new information, future events or otherwise.

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

Consolidated Balance Sheets

| (unaudited, \$ in thousands) | October 31, 2021 | October 31, 2020 | January 31, 2021 |
|--|---------------------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash | \$ 57,032 | \$ 59,712 | \$ 71,536 |
| Accounts receivable (Note 5) | 95,521 | 88,634 | 91,443 |
| Inventories (Note 6) | 274,048 | 240,270 | 226,962 |
| Prepaid expenses | 8,998 | 10,785 | 6,919 |
| | 435,599 | 399,401 | 396,860 |
| NON-CURRENT ASSETS | | | |
| Property and equipment | 543,166 | 540,212 | 531,794 |
| Right-of-use assets | 99,270 | 107,168 | 107,766 |
| Promissory note receivable (Note 20) | 40,003 | 48,747 | 49,020 |
| Goodwill | 47,483 | 49,840 | 48,263 |
| Intangible assets | 34,200 | 38,960 | 36,151 |
| Deferred tax assets | 13,287 | 13,769 | 7,288 |
| Other assets | 15,241 | 14,373 | 14,026 |
| | 792,650 | 813,069 | 794,308 |
| TOTAL ASSETS | \$ 1,228,249 | \$ 1,212,470 | \$ 1,191,168 |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 208,577 | \$ 179,878 | \$ 205,202 |
| Current portion of long-term debt (Note 9) | 87,948 | 94,244 | 90,456 |
| Current portion of lease liabilities (Note 10) | 17,300 | 15,276 | 16,393 |
| Income tax payable (Note 13) | 8,883 | 2,528 | 3,084 |
| | 322,708 | 291,926 | 315,135 |
| NON-CURRENT LIABILITIES | | | |
| Long-term debt (Note 9) | 191,934 | 245,634 | 190,966 |
| Lease liabilities (Note 10) | 95,051 | 105,143 | 104,226 |
| Defined benefit plan obligation (Note 19) | 26,252 | 42,738 | 38,446 |
| Deferred tax liabilities | 12,543 | 11,038 | 12,488 |
| Other long-term liabilities | 22,720 | 21,538 | 24,676 |
| | 348,500 | 426,091 | 370,802 |
| TOTAL LIABILITIES | 671,208 | 718,017 | 685,937 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital (Note 7) | 173,668 | 174,861 | 174,213 |
| Contributed surplus | 10,879 | 11,849 | 13,394 |
| Retained earnings | 340,217 | 269,318 | 282,088 |
| Accumulated other comprehensive income | 17,167 | 22,401 | 21,605 |
| Equity attributable to The North West Company Inc. | 541,931 | 478,429 | 491,300 |
| Non-controlling interests | 15,110 | 16,024 | 13,931 |
| TOTAL EQUITY | 557,041 | 494,453 | 505,231 |
| TOTAL LIABILITIES & EQUITY | \$ 1,228,249 | \$ 1,212,470 | \$ 1,191,168 |

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|---|---|---|--|--|
| <small>(unaudited, \$ in thousands, except per share amounts)</small> | | | | |
| SALES | \$ 553,680 | \$ 552,975 | \$ 1,669,777 | \$ 1,794,048 |
| Cost of sales | (372,914) | (367,911) | (1,116,740) | (1,207,368) |
| Gross profit | 180,766 | 185,064 | 553,037 | 586,680 |
| Selling, operating and administrative expenses (Notes 11, 17, 20) | (124,703) | (132,130) | (382,200) | (426,445) |
| Earnings from operations | 56,063 | 52,934 | 170,837 | 160,235 |
| Interest expense (Note 12) | (3,185) | (3,997) | (9,888) | (13,360) |
| Earnings before income taxes | 52,878 | 48,937 | 160,949 | 146,875 |
| Income taxes (Note 13) | (13,723) | (13,023) | (39,106) | (36,147) |
| NET EARNINGS FOR THE PERIOD | \$ 39,155 | \$ 35,914 | \$ 121,843 | \$ 110,728 |
| NET EARNINGS ATTRIBUTABLE TO | | | | |
| The North West Company Inc. | \$ 38,715 | \$ 34,611 | \$ 120,221 | \$ 107,814 |
| Non-controlling interests | 440 | 1,303 | 1,622 | 2,914 |
| TOTAL NET EARNINGS | \$ 39,155 | \$ 35,914 | \$ 121,843 | \$ 110,728 |
| NET EARNINGS PER SHARE | | | | |
| Basic | \$ 0.81 | \$ 0.71 | \$ 2.49 | \$ 2.21 |
| Diluted | \$ 0.79 | \$ 0.71 | \$ 2.45 | \$ 2.19 |
| WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's) | | | | |
| Basic | 48,177 | 48,791 | 48,362 | 48,769 |
| Diluted | 48,942 | 49,342 | 49,142 | 49,312 |

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|--|---|---|--|--|
| (unaudited, \$ in thousands) | | | | |
| NET EARNINGS FOR THE PERIOD | \$ 39,155 | \$ 35,914 | \$ 121,843 | \$ 110,728 |
| Other comprehensive income/(loss), net of tax: | | | | |
| Items that may be reclassified to net earnings: | | | | |
| Exchange differences on translation of foreign controlled subsidiaries | (1,822) | (610) | (4,881) | 2,124 |
| Items that will not be subsequently reclassified to net earnings: | | | | |
| Remeasurements of defined benefit plans (Note 19) | — | — | 10,373 | — |
| Total other comprehensive income/(loss), net of tax | (1,822) | (610) | 5,492 | 2,124 |
| COMPREHENSIVE INCOME FOR THE PERIOD | \$ 37,333 | \$ 35,304 | \$ 127,335 | \$ 112,852 |
| OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO | | | | |
| The North West Company Inc. | \$ (1,706) | \$ (499) | \$ 5,935 | \$ 2,086 |
| Non-controlling interests | (116) | (111) | (443) | 38 |
| TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) | \$ (1,822) | \$ (610) | \$ 5,492 | \$ 2,124 |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO | | | | |
| The North West Company Inc. | \$ 37,009 | \$ 34,112 | \$ 126,156 | \$ 109,900 |
| Non-controlling interests | 324 | 1,192 | 1,179 | 2,952 |
| TOTAL COMPREHENSIVE INCOME | \$ 37,333 | \$ 35,304 | \$ 127,335 | \$ 112,852 |

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

| (unaudited, \$ in thousands) | Share Capital | Contributed Surplus | Retained Earnings | AOCI ⁽¹⁾ | Total | Non-Controlling Interests | Total Equity |
|---|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------------|-------------------|
| Balance at January 31, 2021 | \$ 174,213 | \$ 13,394 | \$ 282,088 | \$ 21,605 | \$ 491,300 | \$ 13,931 | \$ 505,231 |
| Net earnings for the period | — | — | 120,221 | — | 120,221 | 1,622 | 121,843 |
| Other comprehensive income/(loss) | — | — | 10,373 | (4,438) | 5,935 | (443) | 5,492 |
| Comprehensive income/(loss) | — | — | 130,594 | (4,438) | 126,156 | 1,179 | 127,335 |
| Shares Purchased and cancelled (Note 7) | (2,272) | — | (19,792) | — | (22,064) | — | (22,064) |
| Equity settled share-based payments, net of tax | (29) | (1,604) | — | — | (1,633) | — | (1,633) |
| Dividends (Note 8) | — | — | (52,673) | — | (52,673) | — | (52,673) |
| Issuance of shares (Note 7) | 1,756 | (911) | — | — | 845 | — | 845 |
| | (545) | (2,515) | (72,465) | — | (75,525) | — | (75,525) |
| Balance at October 31, 2021 | \$ 173,668 | \$ 10,879 | \$ 340,217 | \$ 17,167 | \$ 541,931 | \$ 15,110 | \$ 557,041 |
| Balance at January 31, 2020 | \$ 173,681 | \$ 8,650 | \$ 211,252 | \$ 20,315 | \$ 413,898 | \$ 13,072 | \$ 426,970 |
| Net earnings for the period | — | — | 107,814 | — | 107,814 | 2,914 | 110,728 |
| Other comprehensive income | — | — | — | 2,086 | 2,086 | 38 | 2,124 |
| Comprehensive income | — | — | 107,814 | 2,086 | 109,900 | 2,952 | 112,852 |
| Equity settled share-based payments, net of tax | — | 3,470 | — | — | 3,470 | — | 3,470 |
| Dividends (Note 8) | — | — | (49,748) | — | (49,748) | — | (49,748) |
| Issuance of shares (Note 7) | 1,180 | (271) | — | — | 909 | — | 909 |
| | 1,180 | 3,199 | (49,748) | — | (45,369) | — | (45,369) |
| Balance at October 31, 2020 | \$ 174,861 | \$ 11,849 | \$ 269,318 | \$ 22,401 | \$ 478,429 | \$ 16,024 | \$ 494,453 |

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|--|---|---|--|--|
| (unaudited, \$ in thousands) | | | | |
| CASH FROM (USED IN): | | | | |
| Operating activities | | | | |
| Net earnings for the period | \$ 39,155 | \$ 35,914 | \$ 121,843 | \$ 110,728 |
| Adjustments for: | | | | |
| Amortization | 22,579 | 22,781 | 67,574 | 69,782 |
| Provision for income taxes (Note 13) | 13,723 | 13,023 | 39,106 | 36,147 |
| Interest expense (Note 12) | 3,185 | 3,997 | 9,888 | 13,360 |
| Equity settled share-based compensation, net of tax (Note 14) | 1,556 | (499) | (1,633) | 3,470 |
| Insurance proceeds, property and equipment (Note 17) | — | — | (8,632) | — |
| Taxes paid | (18,168) | (4,896) | (45,213) | (10,669) |
| Loss on disposal of property and equipment | 53 | 1 | 18 | 113 |
| Gain on disposition of Giant Tiger stores (Note 20) | — | — | — | (24,712) |
| Giant Tiger asset impairment & store closure provision (Note 20) | — | — | — | 9,411 |
| | 62,083 | 70,321 | 182,951 | 207,630 |
| Change in non-cash working capital | (16,428) | (13,431) | (40,034) | 21,857 |
| Change in other non-cash items | (3,883) | (640) | (3,486) | 2,571 |
| Cash from operating activities | 41,772 | 56,250 | 139,431 | 232,058 |
| Investing activities | | | | |
| Purchase of property and equipment | (25,085) | (15,613) | (64,611) | (52,706) |
| Intangible asset additions | (2,365) | (904) | (4,825) | (4,584) |
| Proceeds from disposal of property and equipment | 40 | 1,343 | 85 | 2,294 |
| Insurance proceeds, property and equipment (Note 17) | — | — | 8,632 | — |
| Cash used in investing activities | (27,410) | (15,174) | (60,719) | (54,996) |
| Financing activities | | | | |
| Net increase/(decrease) in long-term debt (Note 9) | 12,276 | (29,877) | 90,683 | (165,072) |
| Debt (repayment)/issuance (Note 9) | — | — | (85,393) | 94,808 |
| Payment of lease liabilities, principal | (3,369) | (4,370) | (13,300) | (14,577) |
| Payment of lease liabilities, interest | (1,079) | (1,218) | (3,249) | (3,977) |
| Dividends (Note 8) | (17,814) | (17,564) | (52,673) | (49,748) |
| Interest paid | (2,310) | (1,292) | (7,110) | (7,638) |
| Net issuance of common shares | — | — | 845 | 909 |
| Common shares purchased and cancelled (Note 7) | (8,488) | — | (22,064) | — |
| Cash used in financing activities | (20,784) | (54,321) | (92,261) | (145,295) |
| Effect of foreign exchange rates on cash | (182) | (508) | (955) | (242) |
| NET CHANGE IN CASH | (6,604) | (13,753) | (14,504) | 31,525 |
| Cash, beginning of period | 63,636 | 73,465 | 71,536 | 28,187 |
| CASH, END OF PERIOD | \$ 57,032 | \$ 59,712 | \$ 57,032 | \$ 59,712 |

See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on December 8, 2021.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2020 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

- Liabilities for share-based payment plans (Note 14)
- Defined benefit pension plan (Note 19)
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2020 Annual Audited Consolidated Financial Statements.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are set out in the Company's 2020 Annual Audited Consolidated Financial Statements. These policies have been applied to all periods presented in these condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

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

Use of Estimates The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of accounting policies, the reported amounts of revenues and expenses during the reporting period and disclosure of contingent assets and liabilities in the consolidated financial statements and notes. Judgment has been used in the application of accounting policy and to determine if a transaction should be recognized or disclosed in these consolidated financial statements while estimates and assumptions have been used to measure balances recognized or disclosed.

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

| Consolidated Statements of Earnings | | | | |
|--|--|---|---|--|
| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
| Sales | | | | |
| Canada | | | | |
| Food | \$ 220,755 | \$ 221,250 | \$ 661,855 | \$ 718,234 |
| General merchandise and other | 93,889 | 91,586 | 296,616 | 329,525 |
| Canada | \$ 314,644 | \$ 312,836 | \$ 958,471 | \$ 1,047,759 |
| International | | | | |
| Food | \$ 211,408 | \$ 212,746 | \$ 630,560 | \$ 662,564 |
| General merchandise and other | 27,628 | 27,393 | 80,746 | 83,725 |
| International | \$ 239,036 | \$ 240,139 | \$ 711,306 | \$ 746,289 |
| Consolidated | \$ 553,680 | \$ 552,975 | \$ 1,669,777 | \$ 1,794,048 |
| Earnings before amortization, interest and income taxes | | | | |
| Canada | \$ 53,433 | \$ 51,658 | \$ 163,001 | \$ 153,107 |
| International | 25,209 | 24,057 | 75,410 | 76,910 |
| Consolidated | \$ 78,642 | \$ 75,715 | \$ 238,411 | \$ 230,017 |
| Earnings from operations | | | | |
| Canada | \$ 38,168 | \$ 36,293 | \$ 117,052 | \$ 105,697 |
| International | 17,895 | 16,641 | 53,785 | 54,538 |
| Consolidated | \$ 56,063 | \$ 52,934 | \$ 170,837 | \$ 160,235 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION (continued)

Supplemental information

| | October 31, 2021 | October 31, 2020 | January 31, 2021 |
|------------------------------|------------------|------------------|------------------|
| Assets | | | |
| Canada ⁽¹⁾ | \$ 790,256 | \$ 746,480 | \$ 754,162 |
| International ⁽¹⁾ | 437,993 | 465,990 | 437,006 |
| Consolidated | \$ 1,228,249 | \$ 1,212,470 | \$ 1,191,168 |

(1) Canadian total assets includes goodwill of \$11,025 (October 31, 2020 – \$11,025; January 31, 2021 – \$11,025); International total assets includes goodwill of \$36,458 (October 31, 2020 – \$38,815; January 31, 2021 – \$37,238).

| | Three Months Ended | | Three Months Ended | | Nine Months Ended | | Nine Months Ended | |
|------------------------------------|--------------------|---------------|--------------------|---------------|-------------------|---------------|-------------------|---------------|
| | October 31, 2021 | | October 31, 2020 | | October 31, 2021 | | October 31, 2020 | |
| | Canada | International | Canada | International | Canada | International | Canada | International |
| Purchase of property and equipment | \$ 15,389 | \$ 9,696 | \$ 11,755 | \$ 3,858 | \$ 47,982 | \$ 16,629 | \$ 46,958 | \$ 5,748 |
| Amortization | \$ 15,265 | \$ 7,314 | \$ 15,365 | \$ 7,416 | \$ 45,949 | \$ 21,625 | \$ 47,410 | \$ 22,372 |

5. ACCOUNTS RECEIVABLE

| | October 31, 2021 | October 31, 2020 | January 31, 2021 |
|---|------------------|------------------|------------------|
| Trade accounts receivable | \$ 75,881 | \$ 69,805 | \$ 82,213 |
| Corporate and other accounts receivable | 30,804 | 29,627 | 20,360 |
| Less: allowance for doubtful accounts | (11,164) | (10,798) | (11,130) |
| Total | \$ 95,521 | \$ 88,634 | \$ 91,443 |

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

6. INVENTORIES

Included in cost of sales for the three months ended October 31, 2021, the Company recorded \$705 (three months ended October 31, 2020 – \$508) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the nine months ended October 31, 2021, the Company recorded \$2,294 (nine months ended October 31, 2020 - \$1,249) for the write-down of period end inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the nine months ended October 31, 2021 or 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. SHARE CAPITAL

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

| October 31, 2021 | Shares | Consideration |
|--|-------------------|----------------------|
| Balance at January 31, 2021 | 48,613,319 | \$ 174,213 |
| Purchased and cancelled ⁽¹⁾ | (634,014) | (2,272) |
| Issued under share-based compensation plans (Note 14) | 71,425 | 1,756 |
| Balance at October 31, 2021 | 48,050,730 | \$ 173,697 |
| Shares held in trust, January 31, 2021 | — | — |
| Purchased for future settlement of PSUs | (85,000) | (304) |
| Released for settlement of PSUs (Note 14) | 76,629 | 275 |
| Shares held in trust, October 31, 2021 | (8,371) | (29) |
| Issued and outstanding, net of shares held in trust, October 31, 2021 | 48,042,359 | \$ 173,668 |
| <hr/> | | |
| October 31, 2020 | | |
| Balance at January 31, 2020 | 48,750,929 | \$ 173,681 |
| Issued under share-based compensation plans (Note 14) | 43,164 | 1,180 |
| Balance at October 31, 2020 | 48,794,093 | \$ 174,861 |

(1) Variable voting shares and common voting shares purchased pursuant to NCIB program. The Company records shares repurchased on a transaction date basis.

Normal Course Issuer Bid

On November 10, 2020, the Company received approval from the Toronto Stock Exchange to proceed with a Normal Course Issuer Bid ("NCIB"). Under the NCIB, the Company may acquire up to a maximum of 4,807,437 of its shares, or approximately 10% of its float for cancellation over the following 12 months. During the three months ended October 31, 2021, the Company purchased 243,878 common shares having a book value of \$874 for cash consideration of \$8,488. During the nine months ended October 31, 2021, the Company purchased 634,014 common shares having a book value of \$2,272 for cash consideration of \$22,064. The excess of the purchase price over the book value of the shares of \$19,792 was charged to retained earnings. All shares purchased were cancelled. There were no shares purchased under the NCIB for the nine months ended October 31, 2020.

In connection with the NCIB, the Company has established an automatic securities purchase plan with its designated broker to facilitate the purchase of shares under the NCIB at times when the Company would ordinarily not be permitted to purchase its shares due to regulatory restrictions or self-imposed blackout periods. Under the plan, before entering a self-imposed blackout period, the Company may, but is not required to, ask the designated broker to make purchases under the NCIB within specific parameters.

Subsequent to October 31, 2021, the Company renewed its NCIB to purchase up to 4,773,508 of its shares, representing approximately 10% of its float for cancellation over the following 12 months. In accordance with the rules of the TSX, the Company may purchase its common shares from time to time at their market price.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS

| | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|---|--|--|
| Dividends recorded in equity and paid in cash | \$ 52,673 | \$ 49,748 |
| Dividends per share | \$ 1.09 | \$ 1.02 |

The payment of dividends on the Company's shares is subject to the approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the period in which they are approved by the Board of Directors (Note 21).

9. LONG-TERM DEBT

| | October 31, 2021 | October 31, 2020 | January 31, 2021 |
|--|-------------------|-------------------|-------------------|
| Current: | | | |
| Revolving loan facility ⁽³⁾ | \$ 86,800 | \$ — | \$ — |
| Senior notes ⁽⁴⁾ | — | 93,078 | 89,300 |
| Promissory notes payable ⁽⁷⁾ | 1,148 | 1,166 | 1,156 |
| | \$ 87,948 | \$ 94,244 | \$ 90,456 |
| Non-current: | | | |
| Revolving loan facility ⁽¹⁾ | \$ 4,999 | \$ 11,521 | \$ — |
| Revolving loan facilities ⁽²⁾ | — | 37,203 | — |
| Revolving loan facilities ⁽³⁾ | — | 1,866 | — |
| Senior notes ⁽⁵⁾ | 86,440 | 93,078 | 89,300 |
| Senior notes ⁽⁶⁾ | 100,000 | 100,000 | 100,000 |
| Promissory notes payable ⁽⁷⁾ | 495 | 1,966 | 1,666 |
| | \$ 191,934 | \$ 245,634 | \$ 190,966 |
| Total | \$ 279,882 | \$ 339,878 | \$ 281,422 |

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US\$40,000 for working capital requirements and general business purposes. This facility matures February 12, 2025, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. As at October 31, 2021, the International Operations had drawn US\$4,037 (October 31, 2020 - US\$8,651; January 31, 2021 - US\$NIL) on this facility.

(2) The US\$52,000 loan facilities mature September 26, 2022 and bear interest at U.S. LIBOR plus a spread. These committed loan facilities are secured by certain assets of the Company and rank *pari passu* with the \$100,000 senior notes, the US\$70,000 senior notes due in 2027 and 2032 and the \$300,000 Canadian Operations loan facilities. At October 31, 2021, the Company had drawn US\$NIL (October 31, 2020 - US\$27,936; January 31, 2021 - US\$NIL) on these facilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LONG-TERM DEBT (continued)

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to \$300,000 for working capital and general business purposes. These facilities mature September 26, 2022, are secured by certain assets of the Company and rank *pari passu* with the \$100,000 senior notes, the US\$70,000 senior notes due in 2027 and 2032 and the US\$52,000 loan facilities. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US\$70,000 senior notes matured June 16, 2021 and were repaid. These notes had a fixed interest rate of 3.27% on US\$55,000 and a floating interest rate on US\$15,000 based on U.S. LIBOR plus a spread. The senior notes were secured by certain assets of the Company and ranked *pari passu* with the \$300,000 Canadian Operations loan facilities, the \$100,000 senior notes, the US\$70,000 senior notes due in 2027 and 2032 and the US\$52,000 loan facilities.

(5) In June 2020, the Company issued US\$70,000 senior notes. These US\$70,000 senior notes comprise US\$35,000 due June 16, 2027 with a fixed interest rate of 2.88% and US\$35,000 due June 16, 2032 with a fixed interest rate of 3.09%. The senior notes are secured by certain assets of the Company and rank *pari passu* with the \$300,000 Canadian Operations loan facilities, the \$100,000 senior notes and the US\$52,000 loan facilities.

(6) The \$100,000 senior notes mature September 26, 2029, have a fixed interest rate of 3.74%, are secured by certain assets of the Company and rank *pari passu* with the \$300,000 Canadian Operations loan facilities, the US\$70,000 senior notes due in 2027 and 2032 and the US\$52,000 loan facilities.

(7) Promissory notes payable are non-interest bearing, have annual principal payments and are secured by certain assets of the Company.

10. LEASE LIABILITIES

The Company's lease liabilities are discounted at its incremental borrowing rate, generally calculated from applicable Canadian and U.S. corporate bond yields. At October 31, 2021, lease liabilities reflect a weighted-average risk-free rate of 3.7% (October 31, 2020 – 3.7%; January 31, 2021 - 3.7%) and weighted-average remaining lease term of 9.8 years (October 31, 2020 – 9.9 years; January 31, 2021 - 10.2 years).

11. EMPLOYEE COSTS

| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|--|---|---|--|--|
| Wages, salaries and benefits including bonus | \$ 72,550 | \$ 71,579 | \$ 223,311 | \$ 247,705 |
| Post-employment benefits | 2,371 | 2,488 | 8,025 | 7,408 |
| Share-based compensation (Note 14) | (408) | 7,869 | 8,239 | 19,623 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. INTEREST EXPENSE

| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|--|---|---|--|--|
| Interest on long-term debt | \$ 2,154 | \$ 2,911 | \$ 6,776 | \$ 9,125 |
| Interest on lease liabilities | 1,079 | 1,218 | 3,249 | 3,977 |
| Net interest on defined benefit plan obligation | 254 | 269 | 762 | 806 |
| Interest imputed on promissory note receivable (Note 20) | (278) | (390) | (822) | (390) |
| Interest capitalized | (24) | (11) | (77) | (158) |
| Total | \$ 3,185 | \$ 3,997 | \$ 9,888 | \$ 13,360 |

13. INCOME TAXES

The estimated effective income tax rate for the three months ended October 31, 2021 is 26.0% (three months ended October 31, 2020 – 26.6%) and for the nine months ended October 31, 2021 is 24.3% (nine months ended October 31, 2020 – 24.6%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings.

14. SHARE-BASED COMPENSATION

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

The total expense relating to share-based payment plans for the three months ended October 31, 2021 is a recovery of \$408 (three months ended October 31, 2020 – expense of \$7,869) and for the nine months ended October 31, 2021 an expense of \$8,239 (nine months ended October 31, 2020 - expense of \$19,623). The carrying amount of the Company's share-based compensation arrangements including PSU, share option, DDSU and EDSU plans are recorded on the consolidated balance sheets as follows:

| | October 31, 2021 | October 31, 2020 | January 31, 2021 |
|--|------------------|------------------|------------------|
| Accounts payable and accrued liabilities | \$ 5,866 | \$ 8,518 | \$ 7,434 |
| Other long-term liabilities | 12,235 | 11,295 | 13,474 |
| Contributed surplus | 8,634 | 10,280 | 11,825 |
| Total | \$ 26,735 | \$ 30,093 | \$ 32,733 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

Performance Share Units

The Company has granted Performance Share Units to officers and senior management. Each PSU entitles the participant to receive one share of the Company for each notional unit granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSUs. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured based on the grant date fair market value of the award. The compensation expense is recognized over the vesting period factoring in the probability of the performance criteria being met. Compensation costs related to the PSUs for the three months ended October 31, 2021 are \$1,595 (three months ended October 31, 2020 – \$1,899) and for the nine months ended October 31, 2021 are \$4,743 (nine months ended October 31, 2020 - \$6,578).

PSUs are redeemed with shares transferred from a trust established for this plan or issuing shares from treasury. There were 155,490 PSUs partially settled by releasing 76,629 shares (Note 7) from the employee trust during the nine months ended October 31, 2021 (nine months ended October 31, 2020 - NIL) and a further 13,815 shares issued from treasury (nine months ended October 31, 2020 – 12,021).

The total number of PSUs outstanding at October 31, 2021 that may be settled in treasury shares is 242,786 (October 31, 2020 – 230,312).

Share Option Plan

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

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

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9.1% of the Company's issued and outstanding shares at October 31, 2021. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over four to five years and are exercisable over a period of seven years. The share option compensation costs recorded for the three months ended October 31, 2021 are a recovery of \$1,606 (three months ended October 31, 2020 – expense of \$4,249) and for the nine months ended October 31, 2021 are an expense of \$1,291 (nine months ended October 31, 2020 - \$8,927).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

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

| | October 31, 2021 | October 31, 2020 |
|---------------------------------|------------------|------------------|
| Fair value of options granted | \$ 4.67 | \$ 2.70 |
| Exercise price | \$ 35.51 | \$ 29.23 |
| Dividend yield | 4.1 % | 4.5% |
| Annual risk-free interest rate | 1.1 % | 0.4% |
| Expected share price volatility | 25.2 % | 24.1% |

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

| | October 31, 2021 | October 31, 2020 |
|---------------------------------|------------------|------------------|
| Dividend yield | 4.4 % | 4.4 % |
| Annual risk-free interest rate | 1.1 % | 0.3 % |
| Expected share price volatility | 14.9% to 34.8% | 27.7% to 42.4% |

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

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

| Number of options outstanding | Declining Strike Price Options | | Standard Options | |
|--|--------------------------------|------------------|------------------|------------------|
| | October 31, 2021 | October 31, 2020 | October 31, 2021 | October 31, 2020 |
| Outstanding options, beginning of period | 815,272 | 1,919,959 | 1,237,366 | 899,854 |
| Granted | — | — | 325,654 | 461,969 |
| Exercised | (220,079) | (1,072,476) | (165,170) | (44,811) |
| Forfeited or cancelled | — | (13,915) | (127,204) | (57,367) |
| Outstanding options, end of period | 595,193 | 833,568 | 1,270,646 | 1,259,645 |
| Exercisable at end of period | 457,808 | 416,446 | 419,792 | 279,821 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

| Weighted-average exercise price | Declining Strike Price Options | | Standard Options | |
|--|--------------------------------|------------------|------------------|------------------|
| | October 31, 2021 | October 31, 2020 | October 31, 2021 | October 31, 2020 |
| Outstanding options, beginning of period | \$ 30.15 | \$ 27.34 | \$ 28.51 | \$ 28.01 |
| Granted | — | — | 35.39 | 29.23 |
| Exercised | 27.28 | 24.02 | 27.95 | 26.60 |
| Forfeited or cancelled | — | 31.28 | 30.88 | 28.01 |
| Outstanding options, end of period | \$ 31.07 | \$ 30.04 | \$ 30.11 | \$ 28.51 |
| Exercisable at end of period | \$ 27.01 | \$ 28.91 | \$ 28.39 | \$ 27.97 |

Options outstanding at October 31, 2021 have an exercise price range of \$20.91 to \$35.51 and a weighted-average remaining contractual life of 4.2 years.

Director Deferred Share Unit Plan

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

Compensation expense is initially measured at the time of the grant. Subsequent changes in the fair value of the DDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The DDSU plan compensation costs recorded for the three months ended October 31, 2021 are a recovery of \$503 (three months ended October 31, 2020 – expense of \$1,460) and for the nine months ended October 31, 2021 are an expense of \$1,355 (nine months ended October 31, 2020 - expense of \$3,212). The total number of DDSUs outstanding at October 31, 2021 is 301,439 (October 31, 2020 – 307,934). There were 48,388 DDSUs exercised in cash during the period ended October 31, 2021 (October 31, 2020 - 51,790).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SHARE-BASED COMPENSATION (continued)

Executive Deferred Share Unit Plan

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

Total compensation expense is measured at the time of the grant. Subsequent changes in the fair value of the EDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The EDSU plan compensation costs recorded for the three months ended October 31, 2021 are a recovery of \$43 (three months ended October 31, 2020 – expense of \$122) and for nine months ended October 31, 2021 are an expense of \$37 (nine months ended October 31, 2020 – an expense of \$214).

Employee Share Purchase Plan

The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company's contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation costs recorded for the three months ended October 31, 2021 are \$149 (three months ended October 31, 2020 – \$139) and for the nine months ended October 31, 2021 are \$813 (nine months ended October 31, 2020 - \$692).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SEASONALITY

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

16. SUBSIDIARIES AND JOINT VENTURES

The Company's principal operating subsidiaries at October 31, 2021 are set out below:

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

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

17. EXPENSES BY NATURE

| | Three Months Ended October 31, 2021 | Three Months Ended October 31, 2020 | Nine Months Ended October 31, 2021 | Nine Months Ended October 31, 2020 |
|--|---|---|--|--|
| Employee costs (Note 11) | \$ 74,513 | \$ 81,936 | \$ 239,575 | \$ 274,736 |
| Amortization | 22,579 | 22,781 | 67,574 | 69,782 |
| Operating lease rentals | 1,241 | 1,894 | 4,000 | 5,484 |
| Gain on partial insurance settlement ⁽¹⁾ | — | — | (8,632) | — |
| Gain on disposition of Giant Tiger stores ⁽²⁾ | — | — | — | (24,712) |

(1) The Company recorded a gain due to the partial settlement of an insurance claim for the period ended October 31, 2021. This gain was due to the difference between the replacement cost of the assets destroyed and their net book values.

(2) The Company recorded a gain on the disposition of 36 of its Giant Tiger Stores. See Note 20.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments at October 31, 2021. All of the Company's financial instruments are carried at amortized cost using the effective interest rate method.

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

| | Assets (Liabilities) carried at amortized cost | | |
|--|--|-----------------|------------|
| | Maturity | Carrying amount | Fair value |
| Cash | Short-term | \$ 57,032 | \$ 57,032 |
| Accounts receivable | Short-term | 95,521 | 95,521 |
| Promissory note receivable (Note 20) | Long-term | 40,003 | 40,003 |
| Other financial assets | Long-term | 1,352 | 1,352 |
| Accounts payable and accrued liabilities | Short-term | (202,711) | (202,711) |
| Current portion of long-term debt | Short-term | (87,948) | (87,948) |
| Long-term debt | Long-term | (191,934) | (190,134) |

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

- The fair value of short-term financial instruments, excluding debt with fixed interest rates, approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium. This is considered a level 2 fair value estimate.
- The carrying value of the promissory note receivable is a reasonable approximation of fair value. The fair value when recognized was estimated by calculating the present value of the future expected cash flows using an effective interest rate derived from comparable debt issuances.

19. POST-EMPLOYMENT BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities was performed and a net actuarial gain of \$10,373 was recorded for the nine months ended October 31, 2021 (nine months ended October 31, 2020 - \$NIL) in other comprehensive income, which was recognized immediately in retained earnings. This remeasurement was primarily due to a change in the discount rate used to measure the defined benefit obligation. The discount rate used to determine the benefit obligation for the defined benefit pension plan was 3.30% (January 31, 2021 - 2.72%).

There were no actuarial remeasurements during the three months ended October 31, 2021 and October 31, 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. DISPOSITION & STORE CLOSURE PROVISION

On July 5, 2020, the Company sold 36 of its 46 Giant Tiger stores (the "Acquired Stores") to Giant Tiger Stores Limited. The estimated consideration has been recorded as an unsecured, non-interest bearing promissory note. The fair value of the promissory note is comprised of the net present value of the cash installments and estimated additional contingent consideration, discounted using an interest rate specific to the counterparty. The cash installments are payable on the second, third and fourth anniversaries of the transaction closing date and, subject to meeting certain profitability milestones, the additional contingent cash consideration is payable on the fourth and fifth anniversaries of the closing date. As at October 31, 2021 the promissory note receivable has a fair value of \$49,842, of which \$9,809 has been reclassified to accounts receivable.

For the nine-months ended October 31, 2020 the Company recognized a pre-tax gain on sale of \$24,712 (\$19,991, net of tax) in selling operating and administrative expenses.

Giant Tiger Asset Impairment Charge & Store Closure Provision

For the nine-months ended October 31, 2020, the Company recorded an asset impairment and store closure provision of \$9,411, of which \$5,324 remains accrued at October 31, 2021. The store closure provision in the prior year was included in selling, operating and administrative expenses in the consolidated statements of earnings, and was applied to reduce the carrying amount of fixtures and equipment and right-of-use assets and to increase accrued liabilities on the consolidated balance sheets.

21. SUBSEQUENT EVENTS

Dividends

On December 8, 2021, the Board of Directors declared a dividend of \$0.37 per share payable January 14, 2022 to shareholders of record on December 31, 2021.