



## NORTH WEST COMPANY FUND PRESS RELEASE

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### “NORTH WEST COMPANY FUND REPORTS THIRD QUARTER RESULTS”

**WINNIPEG** - North West Company Fund (the “Fund”) today reported 2000 third quarter earnings for the period ended October 28, 2000.

#### CONSOLIDATED RESULTS

The North West Company Fund reported third quarter consolidated revenues at \$168.1 million, up 5.9% from 1999. Third quarter trading profit, or earnings before interest, income taxes and amortization, was up 13.6% to \$15.8 million. Third quarter earnings per unit were up 7.0% to \$0.46 per unit (\$6.8 million), compared to \$0.43 per unit (\$6.4 million) in 1999. Higher interest costs and income tax provisions partially offset strong growth in trading profits. Year-to-date revenues at \$482.6 million were 4.7% over last year. Consolidated earnings for the nine months were \$18.1 million (\$1.21 per unit) compared to \$20.2 million or (\$1.35 per unit) last year.

"Our earnings gain in the quarter was driven by profitable market share growth across most of our merchandise categories and store regions, including Alaska. We're especially pleased with achieving same store sales increases of over 5% in Canada because this reflects the strength and potential of our largest market base," said Edward Kennedy, President and CEO. "Based on our fourth quarter sales to date and our plans for next year, we expect this trend to continue," Mr. Kennedy added.

#### CANADIAN OPERATIONS

Canadian sales gained momentum and were up 6.5% in the third quarter to \$125.0 million. This compares to increases of 2.5% and 5.0% in the first and second quarters, respectively. Trading profit for the quarter increased 16.4% to \$12.7 million.

Food sales, which accounted for 65.8% of Canadian sales in the quarter, were up 6.5%, led by a 5.4% increase on a comparable store basis. These results were slightly above expectations and reflect market share gains resulting from increased food selling space, improved in-store execution and new marketing programs. General merchandise sales were up 4.7% (up 4.7% on a comparable basis). This performance was also slightly better than plan. *Selections* catalogue sales grew by 26.8% led by strong sales in the motorized and sight and sound merchandise groups. Gasoline and bulk fuel sales increased 41% (33% on a comparable basis) due to rising oil prices and increased

local market share. On a regional basis, food sales gains were higher in larger markets and general merchandise sales were stronger in smaller, more remote locations.

Other material factors affecting Canadian results were a rise in fuel-related operating expenses due to higher fuel prices and a \$600,000 reduction in earnings from a joint venture investment in eastern Arctic shipping caused by a drop in tonnage and excess vessel capacity.

Sales in the fourth quarter to date have maintained third quarter trends.

The Company continues to actively pursue alliance opportunities with select retailers and distributors in Canada. These efforts are expected to deliver lower operating costs and improved merchandise assortments, beginning in 2001.

### **ALASKAN OPERATIONS (stated in U.S. dollars)**

Alaska Commercial Company (“AC”) sales were \$29.0 million for the quarter, up 3.7% from last year. AC’s trading profit for the quarter was \$2,112,000 compared to \$2,066,000 last year, an increase of 2.3%. Year-to-date sales were up 5.2% to \$79.8 million while trading profit was down 7.3% to \$4.0 million from \$4.3 million last year.

AC’s retail sales were up 1.9% (up 1.7% on a comparable basis). Food was up 1.4% and general merchandise sales were up 2.6% led by strong sales in apparel categories. A 12% increase in annual “Permanent Fund” payments made in October to all Alaskan residents helped offset a poor commercial fishing season that affected approximately 25% of AC’s sales base. Sales at AC’s wholesale business, Frontier Expeditors (“FE”), were up 24.9%. FE specializes in distributing primarily food products to smaller retail accounts in rural Alaska and select urban accounts.

The gross profit rates from wholesale operations improved in the quarter. Store margin rates benefited from increased apparel sales but in total were slightly down due to more aggressive food pricing in several markets. Expense rates were improved due to lower staff costs. Similar to Canadian operations, expense pressure was caused by rising fuel-related costs.

### **OTHER HIGHLIGHTS**

- The Company successfully held its largest ever store managers conference, vendor trade show and “Recognizing Excellence” awards evening in Winnipeg during the week of September 4<sup>th</sup>.
- The Company’s Canadian store reprofiling initiative continued on plan through the quarter. This initiative invests more space and fixtures towards selling food while optimizing our in-store presentation of general merchandise. Thirty-eight stores were completed in the quarter, bringing our 2000 total to 49 stores. Four more stores will be reprofiled in January 2001 for a total of 53 stores in fiscal 2000 and 101 stores since February 1999. A final group of 30 stores will be completed in the first half of 2001.
- The Fund has purchased 299,800 units at an average cost of \$10.66 to December 15, 2000 under its normal course issuer bid plan.
- On November 7, 2000, The North West Company Fund announced a fourth quarter distribution of \$0.54 per unit payable in cash to unitholders of record on November 17, 2000 and payable December 15, 2000. This distribution will result in total cash distributions of \$1.44 per unit in the year 2000. The 2000 cash distribution will be interest income to the unitholders for income tax purposes.

- Quarterly cash distributions will be adjusted to \$0.36 per unit effective March 15, 2001 and are expected to be maintained at that level for the planned distributions on June 15, 2001, September 15, 2001 and December 15, 2001.

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The North West Company Inc. (NWC) is North America's leading provider of products and services to northern communities across Canada and Alaska. NWC is a multi-channel retailer operating 152 food, family apparel and general merchandise stores under the **Northern** and *NorthMart* banners plus *Selections* catalogue in Canada, and 25 *AC Value Centers* in Alaska.

NWC trades on the Toronto Stock Exchange under the symbol "NWF.UN".

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#### CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of Canadian dollars)

	Oct. 28, 2000	Oct. 30, 1999
<b>ASSETS</b>		
Current assets		
Cash	\$ 13,195	\$ 13,623
Accounts receivable	49,083	40,798
Income taxes recoverable	156	1,372
Future income taxes	2,929	-
Inventories	137,067	126,385
Prepaid expenses	2,185	1,854
	<u>204,615</u>	<u>184,032</u>
Capital assets	194,210	195,710
Future income taxes	18,941	3,387
Other assets	12,031	13,186
	<u>\$ 429,797</u>	<u>\$ 396,315</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 113,235	\$ 96,981
Long-term debt	126,841	129,088
	<u>240,076</u>	<u>226,069</u>
<b>EQUITY</b>	<u>189,721</u>	<u>170,246</u>
	<u>\$ 429,797</u>	<u>\$ 396,315</u>

## CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited, in thousands of Canadian dollars)

	<b>13 Weeks Ended Oct. 28, 2000</b>	13 Weeks Ended Oct. 30, 1999	<b>39 Weeks Ended Oct. 28, 2000</b>	39 Weeks Ended Oct. 30, 1999
<b>SALES AND OTHER REVENUE</b>				
Canadian operations	\$ 124,979	\$ 117,332	\$ 364,593	\$ 348,217
Alaskan operations	43,153	41,444	117,978	112,651
	<u>\$ 168,132</u>	<u>\$ 158,776</u>	<u>\$ 482,571</u>	<u>\$ 460,868</u>
Earnings before interest, income taxes, and amortization				
Canadian operations	\$ 12,697	\$ 10,905	\$ 39,020	\$ 37,501
Alaskan operations	3,137	3,030	5,857	6,298
Amortization				
Canadian operations	(4,638)	(4,334)	(13,803)	(12,864)
Alaskan operations	(747)	(705)	(2,205)	(2,103)
<b>EARNINGS BEFORE INTEREST &amp; INCOME TAXES</b>				
	10,449	8,896	28,869	28,832
Interest	(3,665)	(3,041)	(10,143)	(8,506)
(Provision) recovery of income taxes (Note 3)	9	528	(629)	(94)
<b>EARNINGS FOR THE PERIOD</b>				
	6,793	6,383	18,097	20,232
Retained earnings, beginning of period as previously reported				
	37,319	16,674	18,182	11,825
Accounting change (Note 2)	-	-	16,864	-
Retained earnings, as restated	<u>37,319</u>	<u>16,674</u>	<u>35,046</u>	<u>11,825</u>
Distributions				
	(4,495)	(4,500)	(13,485)	(13,500)
Premium on units purchased for cancellation (Note 4)	(156)	-	(197)	-
<b>RETAINED EARNINGS, END OF PERIOD</b>				
	<u>\$ 39,461</u>	<u>\$ 18,557</u>	<u>\$ 39,461</u>	<u>\$ 18,557</u>
<b>EARNINGS PER UNIT</b>				
	\$ 0.46	\$ 0.43	\$ 1.21	\$ 1.35
Weighted Average Number of Units Outstanding (000's)				
	14,799	15,000	14,917	15,000

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Accounting Principles

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

## 2. Accounting Change - Income Taxes

Effective January 31, 2000, the Company changed its accounting policy and adopted the new CICA recommendations on accounting for income taxes. The new standard requires the implementation of the asset and liability method of accounting for income taxes. The financial statements for the period ended October 28, 2000 have been prepared on the new basis and the comparative figures for the period ended October 30, 1999 have not been restated. The retained earnings as at January 31, 2000 have increased \$16,864,000 with a corresponding increase to future income taxes.

## 3. Income Taxes

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

## 4. Normal Course Issuer Bid

The Fund commenced a new normal course issuer bid program on The Toronto Stock Exchange on March 27, 2000. Purchases will be limited to a maximum of 750,000 units, with no more than 2% of the outstanding units repurchased in any 30 day period. The price the Fund will pay for any such units, will be the market price at the time of acquisition. The program will terminate on March 23, 2001 or on such earlier date as maximum purchases are completed. The Fund purchased 205,700 units during the third quarter, for a cumulative total of 245,000 units purchased year to date.

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

	Oct. 28, 2000	Oct. 30, 1999
Canadian operations	\$ 314,810	\$ 282,361
Alaskan operations	73,898	69,286

## 6. Comparative Amounts

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands of Canadian dollars)

	13 Weeks Ended Oct. 28, 2000	13 Weeks Ended Oct. 30, 1999	39 Weeks Ended Oct. 28, 2000	39 Weeks Ended Oct. 30, 1999
<b>CASH PROVIDED BY (USED IN)</b>				
<b>Operating Activities</b>				
Earnings for the period	\$ 6,793	\$ 6,383	\$ 18,097	\$ 20,232
Non-cash items				
Amortization	5,385	5,039	16,008	14,967
Amortization of bond warrant proceeds and interest rate fixing payment	(312)	(311)	(934)	(1,312)

Loss (Gain) on disposal of capital assets	<b>28</b>	(295)	<b>(190)</b>	(311)
Cash flow from operations	<b>11,894</b>	10,816	<b>32,981</b>	33,576
Changes in other non-cash items	<b>(10,154)</b>	(8,113)	<b>(27,136)</b>	(14,231)
Operating activities	<b>1,740</b>	2,703	<b>5,845</b>	19,345
<b>Investing Activities</b>				
Purchase of capital assets	<b>(6,785)</b>	(6,967)	<b>(12,986)</b>	(16,439)
Proceeds from sale of capital assets	<b>53</b>	511	<b>745</b>	1,939
Investing activities	<b>(6,732)</b>	(6,456)	<b>(12,241)</b>	(14,500)
<b>Financing Activities</b>				
Change in bank advances and short-term notes	<b>16,792</b>	9,735	<b>25,793</b>	10,929
Purchase of units for cancellation	<b>(2,194)</b>	-	<b>(2,624)</b>	-
Repayment of long-term debt	<b>(68)</b>	(83)	<b>(248)</b>	(287)
Financing activities	<b>14,530</b>	9,652	<b>22,921</b>	10,642
<b>Distributions</b>	<b>(4,495)</b>	(4,500)	<b>(13,485)</b>	(13,500)
<b>CHANGE IN CASH</b>	<b>5,043</b>	1,399	<b>3,040</b>	1,987
Cash, beginning of period	<b>8,152</b>	12,224	<b>10,155</b>	11,636
<b>CASH, END OF PERIOD</b>	<b>\$ 13,195</b>	\$ 13,623	<b>\$ 13,195</b>	\$ 13,623
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid during the period for				
Interest expense	<b>\$ 6,829</b>	\$ 5,799	<b>\$ 13,799</b>	\$ 12,753
Income taxes	<b>253</b>	696	<b>903</b>	1,705
<b>Cash Flow From Operations Per Unit</b>	<b>\$ 0.80</b>	\$ 0.72	<b>\$ 2.21</b>	\$ 2.24