

Top Work, Top Results

THE NORTH WEST COMPANY INC. 2015

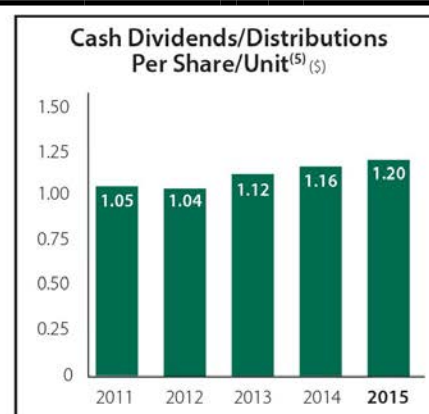
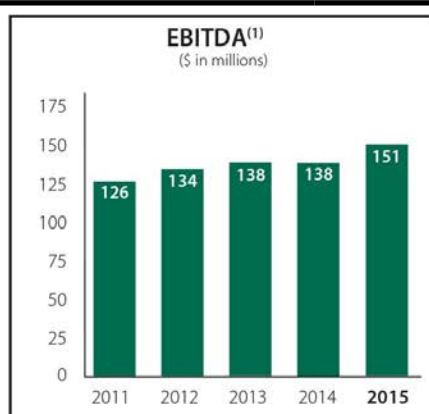
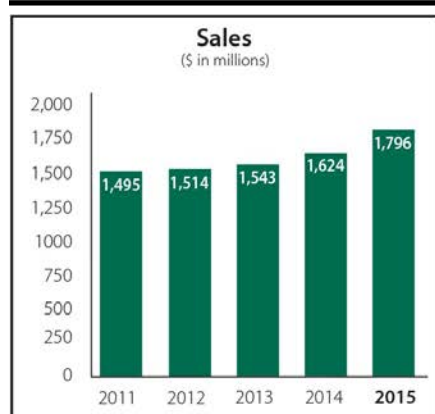
Management's Discussion & Analysis



Financial Highlights

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

(\$ in thousands, except per share information)	Year Ended January 31, 2016	Year Ended January 31, 2015	Year Ended January 31, 2014
RESULTS FOR THE YEAR			
Sales	\$ 1,796,035	\$ 1,624,400	\$ 1,543,125
Same store sales % increase ⁽²⁾	3.8%	2.4%	1.8%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) ⁽³⁾	\$ 151,347	\$ 137,838	\$ 138,336
Earnings from operations (EBIT)	107,321	97,466	100,060
Net earnings	69,779	62,883	64,263
Cash flow from operating activities ⁽⁴⁾	132,987	115,086	79,473
FINANCIAL POSITION			
Total assets	\$ 793,795	\$ 724,299	\$ 670,512
Total debt	225,489	201,396	182,862
Total equity	357,612	329,283	322,440
FINANCIAL RATIOS			
Debt-to-equity	.63:1	.61:1	.57:1
Return on net assets ⁽³⁾ (RONA)	19.5%	18.4%	20.0%
Return on average equity ⁽³⁾ (ROE)	20.6%	19.3%	21.0%
Sales blend: Food	79.3%	78.2%	77.4%
General Merchandise	17.6%	18.3%	18.9%
Other	3.1%	3.5%	3.7%
PER SHARE (\$) - DILUTED			
EBITDA ⁽³⁾	\$ 3.10	\$ 2.83	\$ 2.84
Net earnings	1.43	1.29	1.32
Cash flow from operating activities ⁽⁴⁾	2.73	2.36	1.63
Market price: January 31	30.53	26.56	25.42
high	30.53	26.74	29.00
low	23.41	21.93	22.34



(1) Certain 2012 figures have been restated as required by the implementation of IAS 19r *Employee Benefits*. 2011 has not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements or annual report for further information.

(2) All references to same store sales exclude the foreign exchange impact.

(3) See Non-GAAP Financial Measures section.

(4) The decrease in cash flow from operating activities in 2013 is largely due to the payment of Canadian income taxes. Further information is provided under Cash from Operating Activities on page 15.

(5) Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The amount paid in 2011 includes the final distribution from North West Company Fund of \$0.09 and dividends from The North West Company Inc. of \$0.96. See Conversion To A Share Corporation and Consolidated Liquidity and Capital Resources sections for further information.

Management's Discussion & Analysis

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Unless otherwise stated, this Management's Discussion & Analysis ("MD&A") for The North West Company Inc. ("NWC") or its predecessor North West Company Fund ("NWF" or "Fund") and its subsidiaries (collectively, "North West Company", the "Company", "North West", or "NWC") is based on, and should be read in conjunction with the 2015 annual audited consolidated financial statements and accompanying notes. The Company's annual audited consolidated financial statements and accompanying notes for the year ended January 31, 2016 are in Canadian dollars, except where otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS").

Due to the transition to IFRS, comparative figures for the year ended January 31, 2011 ("2010") that were previously reported in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been restated to conform with the accounting policies and financial statement presentation adopted under IFRS. The financial information for the fiscal years 2009 and prior was prepared in accordance with CGAAP and has not been restated. Further information on the transition to IFRS and the impact on the Company's consolidated financial statements is provided in the 2011 Annual Financial Report available on SEDAR at www.sedar.com or on the Company's website at www.northwest.ca.

The Company adopted the revised IAS 19 Employee Benefits (IAS 19r) effective February 1, 2013. The implementation of this standard required the restatement of certain 2012 comparative numbers. 2011 and previous years have not been restated for these accounting standard changes as they were effective for the Company February 1, 2013 with retrospective adjustments as at February 1, 2012. Further information on the impact of this accounting standard is provided in the Accounting Standards Implemented in 2013 section of the 2013 Annual Report or in Note 3 to the Company's 2013 annual audited consolidated financial statements.

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 8, 2016 and the information contained in this MD&A is current to April 8, 2016, unless otherwise stated.

Forward-Looking Statements

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

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

2015 President & CEO Message

2015 met our expectations for accelerated sales and earnings gains compared to the previous three years. Market conditions helped, reflecting our unique geographic breadth. From remote regions of Canada and Alaska, to rural western Canadian towns and southern islands across 10 time zones, we were presented with attractive opportunities. Our people, led by exceptional store teams, were terrific at getting sales. Together they reinforced North West's advantages of being local, convenient, reliable, customer-caring and driven to be better every day.

International EBITDA was up 23.3% compared to a 26.9% improvement in 2014 and now represents 35.1% of our consolidated EBITDA. Our "Top" locations in Alaska and the Caribbean were top performers, led by stores where we recently invested in facilities, store teams and our best format ideas. International Operations also excelled again in planning and executing selling events. Their successes tell us that we have tremendous upside across all banners by better targeting selling for when customers are most ready to buy, whether by time of day, week, month or season. Finally, expense rate reductions were achieved through staff productivity and lower oil-related energy costs.

Northern Canadian sales were tougher to get, in part because we had more changes underway related to our Top Work. Categories that we decided to downsize in 2015 predictably impacted top line results in general merchandise but freed selling space, inventory investment and management time for Top Categories, which grew at a faster rate. The northern Canadian economy was challenged by constrained discretionary spending due to a protracted natural resources downturn and a lack of public stimulus investment. Against this backdrop we were satisfied that we struck a good balance between learning from new Top merchandise programs and store talent structures, while still delivering on our day-to-day business.

Our Giant Tiger banner was a highlight within the Canadian store group. Improved sales readiness and everyday operating disciplines, combined with the remodeling of six stores and opening of two new locations, contributed to another strong year at Giant Tiger. This work sets a confident tone for Giant Tiger's potential over the next 3 to 5 years. Apart from opportunistic acquisitions in other banner regions, Giant Tiger is our top priority for new store openings targeting rural centers and urban in-fill markets.

While our financial results were satisfying, the most exciting and encouraging aspect in 2015 did not have a material impact on the bottom line. More than in any previous year, our people were fully engaged in bigger and bolder foundational projects, aligned under our "Top" Strategy umbrella. Our Top work principle is straightforward and compelling. We've chosen to invest first in key positions, products and locations that make the most difference to our customers and generate the most return to us. This work stretched and stimulated our people and, positions us to capture more everyday customer spending.

Under our Top Category initiative, priority merchandise groups were clearly defined and tested or rolled out in 2015, with a focus on northern Canada. It was a learning year for our merchants and store operations teams as we shifted to high potential business that required new knowledge and practices. Each Top Category, whether in convenience, food service, baby, fresh, pharmacy or big ticket, raised our standards and delivered early results that created momentum for ambitious target-setting for the upcoming year, across more stores.

Top Markets refers to approximately 40 of our largest and highest potential store locations. In 2015, we completed a record 11 major projects within the Top Markets group, ranging from new convenience stores to main store replacements, additions and complete store remodels. An essential element was tailoring our project and service offer by viewing each store individually, as if it was the only one we operated. This approach demanded more time that will be reduced in 2016 and onward as Top Markets solutions start to combine versions of our 2015 work while staying true to our "only store" principle. Top Markets will also be paced over an additional two years, recognizing that each store is requiring more

maintenance investment than initially expected. This change further ensures that we have capacity to invest in a select number of other attractive initiatives over the next three years.

As work pushed ahead on Top Categories and Markets it became clear that our store people capability was not keeping pace. A mid-year adjustment was made to elevate recruitment, training and compensation as a stand-alone, Top People task. This reinforced accountability and visibility for what remains North West's basis for success: our people strength working up and down from our key in-store management roles. Heading into 2016, our people plans are now more solid, battle-tested and ready to be a performance driver.

Taking on other major work, with our Top initiatives well underway, is a careful decision that is justified in the area of upgrading our legacy merchandise and store information systems. This project will help optimize our Top work effectiveness and will launch in the second quarter with an expected time to completion of 24 months.

The Canadian dollar depreciation and lower oil prices were both unpredicted, net positive impacts on our business last year. In 2016, a more certain, favourable environment assumes these conditions carry forward, together with higher U.S. tourism spending that will underpin growth in our Cost-U-Less banner. In Canada, the federal government's budget is good news for one of our largest customer segments, low income families with children. Equally important is the government's commitment to address longstanding education and basic infrastructure inequities within First Nation and other northern remote communities, many of which are served by our Northern, NorthMart and Giant Tiger stores. All of these factors are expected to more than offset Alaska's difficult fiscal choices tied to declining oil revenues.

2015 set a new performance bar for North West. Smaller banners like Cost-U-Less and Giant Tiger delivered big results. Our Top initiatives challenged us, with lots of learning iterations, but they proved to be the right work to grow our business at a higher sustainable rate. Thanks to the impressively high engagement of our associates, I am confident that we are aligned and on track to deliver more Top results in 2016.



Edward S. Kennedy
President & CEO
April 8, 2016



2015 Chairman's Message

As Chairman of the Board, I am pleased to report to you on the Board's perspective of the current state of the Company's affairs and specifically, our achievements in 2015.

2015 was a year of strong performance across all banners. While our northern Canadian and Alaskan operations continued to provide a solid foundation, Cost-U-Less and Giant Tiger delivered exceptional year-over-year growth. Over the years we have faced questions about the strategic fit of these operations but I think 2015, like 2014, reinforced the market diversity and scale benefits that exposure to these markets brings to North West. What is particularly pleasing about these results is that they reflect the same, store-by-store approach to improving our business that we have applied in our northern businesses. They also play to our traditional strengths in logistics and local market adaptability. Today, over 33% of our store revenues come from these operations, a significant shift over the past five years.

That being said, we continue to focus on improving our traditional, northern markets position. We are, as a Board, committed to the "Top" program that was launched last year and is now in full swing. We have embarked upon the most ambitious capital spending program in the Company's history as we invest to maximize performance in our most important markets and in our most significant merchandise categories, which are all driven by each community's changing needs. At the same time we are investing in the capabilities of our people and our technology to fully enable this transformational work. It's a lot of change for our Company and our people but it is essential to sustaining our business and in keeping with the enterprising spirit that has been at the centre of The North West Company for over 300 years.

The Board is very conscious of our long-standing value proposition to shareholders, which is to focus on total return by maintaining a strong and growing dividend, while at the same time driving for annual growth in our business. We feel our 26 year track record as a publicly-traded company reflects the success of this approach. As our Top Market work progresses, we expect to see attractive returns and it is our intention to continue our policy of consistent dividend growth as these results develop.

Because we focus on being a trusted community store, and because we have an important role to play as a result, we understand, as a Board, the unique challenges that these communities face, particularly by those with significant unemployment and poverty. We also appreciate the need, in everyone's interest, to properly and expeditiously address these challenges. For this reason, we are pleased to see recent initiatives taken by the government of Canada to focus resources on addressing many basic remote community needs, most importantly in the areas of indigenous community housing, clean water, education and healthcare. We are also supportive of efforts to implement recommendations of the Canadian Truth and Reconciliation Commission.

In addition to our efforts to be adaptable to community shopping needs and to improve the quality and price of the services and goods we offer, we are committed to enhancing employment and economic opportunities, all contributing to better lives. In this spirit, we recently launched our Healthy Horizons Foundation, with a mandate to encourage healthy living programs and activities for disadvantaged youth in the communities we serve. Our belief is that the Foundation will help engage and empower local youth in areas that need and deserve more private and public support.

We spend considerable time at the Board discussing the health and needs of the communities we are a part of. I believe we have a diversity of talents and perspectives around the table which gives real meaning to the oversight of our Company. We were pleased to add to that capability when Victor Tootoo joined our Board this year. Victor lives in Iqaluit, Nunavut, Canada, where he is a successful businessman and entrepreneur, and brings valuable personal and community insights to our business deliberations.

As successful as our results were in 2015, the real story this year was the volume of change work that was done throughout the Company by our employees, the Nor'Westers. They rose to the challenge and, on behalf of the Board and our shareholders I thank them for all their efforts.



H. Sanford Riley
Chairman, Board of Directors
April 8, 2016



Management's Discussion & Analysis

OUR BUSINESS TODAY

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

North West's core strengths include: our ability to adapt to varied local values and priorities to forge community partnerships; our on-the-ground presence with hard-to-replicate operating skills, customer insights and facilities; our logistics expertise in moving product to, and operating stores within, remote or difficult-to-reach markets; and our ability to apply these strengths within complementary niche businesses.

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

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

Growth at North West has come from market share expansion within existing locations and from applying our expertise and infrastructure to new product categories, markets and complementary businesses. The latter includes wholesaling to independent stores, opening Giant Tiger junior discount stores in rural communities and urban neighbourhoods in western Canada, and acquiring Cost-U-Less, Inc., a chain of mid-sized warehouse format stores serving the South Pacific islands and the Caribbean.

A key strength and ongoing strategy of North West is to adapt to unique local lifestyles and cultures, and capture selling opportunities better than our competition. Flexible store development models, store management selection and education, store-level merchandise ordering, community relations and enterprising incentive plans are all ingredients of the model we have built to sustain this leading market position. We believe that continued, efficient enhancement of our execution skills in general, and our logistics and selling skills specifically, are essential components to meeting customer needs within each market we serve.

North West delivers its products and services through the following retail banners and wholesale businesses, in two reporting segments:

Canadian Operations⁽¹⁾

- **121 Northern** stores, offering a combination of food, financial services and general merchandise to remote northern Canadian communities;
- **6 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, fashion and health products and services;
- **14 Quickstop** convenience stores, offering extended hours, ready-to-eat foods, fuel and related services in northern Canadian markets;
- **34 Giant Tiger ("GT")** junior discount stores, offering family fashion, household products and food to urban neighbourhoods and larger rural centers in western Canada;
- **1 Valu Lots** discount center and direct-to-customer food distribution outlet for remote communities in Canada;
- **1 Solo Market** store, targeted at less remote, rural markets;
- **1 Price Chopper** store, a discount food store offering a selection of fresh food and grocery;
- **1 Tim Hortons** stand-alone franchise restaurant located in a northern market;
- **Crescent Multi Foods ("CMF")**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario; and
- **2 North West Company Fur Marketing** outlets, trading in furs and offering Indigenous handicrafts and authentic Canadian heritage products.

International Operations⁽¹⁾

- **27 AC Value Centers** stores similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **6 Quickstop** convenience stores within rural Alaska;
- **Pacific Alaska Wholesale ("PAW")**, a leading distributor to independent grocery stores, commercial accounts and individual households in rural Alaska;
- **13 Cost-U-Less ("CUL")** mid-sized warehouse stores, offering discount food and general merchandise products to island communities in the South Pacific and the Caribbean; and
- **1 Island Fresh IGA Supermarket** neighborhood food store in Guam, offering convenience with an emphasis on fresh and prepared foods.

(1) Store count does not include convenience "Store within a Store" services such as post offices or branded food service kiosks.

VISION

At North West our mission is to be a trusted provider of goods and services within hard-to-access or less developed markets. Our vision is to help people live better in these communities by doing our job well, with their interests as our first priority. This starts with our customers' ability and desire to shop locally with us for the widest possible range of products and services that meet their everyday needs. We respond by being more innovative, reliable, convenient, locally adaptable, welcoming and by having the lowest local price, enabled by lean, innovative processes. For our associates, we want to be a preferred, fulfilling place to work. For our investors, we want to deliver superior, top-quartile total returns over the long term.

PRINCIPLES

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

Customer Driven refers to looking through the eyes of our customers while recognizing our local presence as a supportive community citizen.

Enterprising is our spirit of innovation, improvement and growth, reflected in our unrelenting focus on new and better products, services and processes.

Passion refers to how we value our work, our privileged local market presence and the opportunity to find solutions that make a difference in our customers' lives.

Accountability is our management approach to getting work done through effective roles, tasks and resources.

Trust at North West means doing what you say you will do, with fairness, integrity and respect.

Personal Balance is our commitment to sustaining ourselves and our organization, so that we work effectively and sustainably in our roles and for our customers and communities.

STRATEGIES

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

The Company's Long-Range Plans ("LRP") are developed in multi-year cycles and are reviewed and adjusted as required at the senior management and board levels. Over the previous LRP cycle, the Company's focus related to being better at the basic elements of our value offer, including our in-stock performance and the profitability of our perishable and other high-convenience categories. The logistics side of our business was also an investment priority.

The strategic planning work leading into 2014 identified that further gains in operating standards and efficiency were still attractive paths for North West. Even more important was our physical store network, local selling capability and community relations. Finally, we identified the logistics and data links to our stores as secondary, but still important competencies that could be further leveraged.

In 2014, the Company defined its current strategic priorities aimed at solidifying and growing market share within top markets and product and service categories. Our key priorities reflect these findings and are summarized below together with the results for 2015:

Initiative #1

Top Markets

Invest in our largest, highest potential markets to drive above average sales and profit growth through larger, updated store facilities with more room for growth categories, supported by highly capable store teams and strong community relations.

Result

11 of 12 planned Top Markets projects were completed on schedule in 2015 as part of a multi-year investment plan. Performance results have been generally favourable based on a limited operating track record due to most projects being completed in the late third quarter and early fourth quarter. The time horizon for the remaining Top Markets projects has been extended to 2020 based on higher maintenance capital requirements per project and the need to balance Top Market resources against other attractive opportunities over this time period. The people element of the Top Markets was broken out as a separate "Top People" initiative at mid-year in 2015. This was due to under-performance on recruiting, and the importance of raising the visibility and accountability of all core enabling store people practices (recruiting, training and compensation). The adjustment in working and recruitment gaps are expected to be filled by mid-2016.

Initiative #2

Top Categories

Capture market share by focusing on existing and new product and service categories which offer the highest everyday convenience and service value to our customers and which can be delivered in a superior way by North West.

Result

Top Category growth work was preceded by a reduction in low-potential general merchandise categories. As planned, approximately 30% of then-existing general merchandise inventory was liquidated and investment was reallocated to Top Categories. The inventory reduction work was significant and was completed on time and within the budgeted markdown reserves allocated in the fourth quarter of 2014.

On the Top Category growth side, plans were completed and either tested or completely rolled out in northern Canada for all Top Categories in Food Service, Pharmacy, Produce, Meat, Baby and Children, Large-Pack Size, Grocery, Automotive, Outdoor Living, Furniture and Motorized. In the first half of 2015, Convenience was added as a Top Category aggregation of C-store type products and services. This culminated in a Convenience category plan for all northern Canadian stores that will be fully implemented in 2016. Top Category plans generally met or exceeded expectations in 2015. For 2016, financial targets have been built up by store and have the advantage of the test learnings from last year.

Initiative #3

Complete the Implementation of a Transportation Management System

Complete the investment in Transportation Management Systems ("TMS") that will deliver a competitive advantage on the cost, quality and reliability of moving products to the remote markets we serve.

Result

Modifications were made to TMS to add functionality, make the system easier to use, and simplify processes in our distribution centers and third-party transportation hubs. These modifications will provide product visibility and tracking throughout the logistics network and will enable the expected payment, load planning and shrink reduction benefits to be realized. The system changes have been implemented in our Canadian Operations distribution center and the implementation in our northern Canada transportation hubs is expected to be completed in the second quarter of 2016.

Initiative #4

Building on our Relationship with Giant Tiger Stores Limited

Renewing our Giant Tiger store base through a stronger partnership with our Master Franchisor, Giant Tiger Stores Limited ("GTSL") so store growth accelerates in western Canada and both companies achieve more cost and scale synergies from working together.

Result

North West and GTSL reached agreement on an amended Master Franchise Agreement ("MFA") which re-established North West's exclusivity rights in western Canada and extended the MFA to 2040. Other important terms of the agreement that will enable North West to grow its GT store base included a revised royalty structure for the opening year of new stores and a more flexible store opening schedule. In 2015, six store remodels were completed against a plan of three and two new stores were opened in 2015 compared to a plan of three due to unforeseen site conditions at the third location. For 2016, four new store openings and five store remodels are planned.

Initiative #5

Customer Driven and Store Centric

Ensuring that how we work at North West, what we refer to as our "Management System," is customer driven and store centered.

Result

Store Connect, a web-based platform that provides stores with an easy to use, standardized tool for reporting service issues, communicating customer requests and identifying sales opportunities, was launched in the fourth quarter of 2014. In 2015, a centralized service desk was established and all of the Support Office service departments were set up on the platform. Store Connect was rolled-out to all of our stores and service level agreements were developed to measure the timeliness of issue resolution. Satisfaction surveys were conducted with the stores and the Store Connect overall satisfaction score was 90%. In 2016, there will be greater focus on root cause analysis and improving issue resolution within the established service level timelines.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED TO DELIVER RESULTS

The ability to protect and enhance the performance of our "Top

"Markets: Our TopMarkets offer the highest potential for market share growth, improved productivity and customer satisfaction. We believe that the effective execution of our Top Markets strategy will deliver higher returns, even within muted economic conditions, and will generate solid ideas that can be applied across all stores.

The financial capability to sustain the competitiveness of our existing store base and to pursue growth:

Our investment priorities center on our Top Categories and Markets while applying higher payback learnings in areas such as energy-efficiency and technology to all stores. Non-capital expenditures are centered on Top People improvements to our in-store capabilities through improved store structures, compensation, recruiting and training.

The ability to be a leading community store in every market we serve:

This depends on our ability to engage individual customers and the community at large in highly constructive ways. It starts with being able to locally tailor our store formats, product/service mix, community support and store associate employment offer, while still realizing the scale efficiencies of our size or the size of our alliance partners. Investing in relationships, a broad range of products, services and store sizes, flexible technology platforms and "best practice" work processes, are all required to achieve this goal.

Our ability to build and maintain supportive community relations:

Our ongoing community presence depends on our ability to be a trusted, open, respectful and adaptable organization. Renewing store leases, especially when the landlord is a community development entity, depends on our track record of solid store operations, our positive community relations and the perceived community and customer value of our retail store compared to other options. Our approach is to reflect community priorities first and invest in local causes, with community development and healthy living being two examples. We facilitate regular meetings with community and regional leadership to build constructive relationships and to ensure that information and ideas are shared on a proactive basis.

Our ability to attract, retain and develop highly capable store level employees and work practices:

Enhancing store stability and capability as part of our TopPeople strategies recognizes the important role played by our managers and other key store-level personnel. These positions are instrumental in realizing local selling opportunities, meeting our customer service commitments and building and maintaining positive community relationships. It also recognizes that remoteness, employment competition from other local sectors and other conditions in our markets create challenges in attracting and retaining people. Related to this is our on-going ability to hire locally and assist local associates to reach their full potential.

Our ability to reduce costs across all of our store banners, improve competitiveness and create more time and skill at store level to sell merchandise:

An ongoing goal within our stores is to shift more staff time and skill towards selling merchandise tailored to the unique markets we serve, while reducing costs in the non-selling facets of store work. Productivity opportunities include TMS, labour scheduling, energy usage and inventory shrinkage reduction. We have developed alliances with other non-competing retailers to provide development and distribution services for certain products and services where we do not have adequate scale.

CONVERSION TO A SHARE CORPORATION

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

The conversion was accounted for as a continuity of interests and as such the carrying amounts of the assets, liabilities and unitholders' equity in the consolidated financial statements of the Fund immediately before the conversion was the same as the carrying values of the Company immediately after the conversion. The comparative amounts in this MD&A and in the consolidated financial statements are those of the Fund restated to conform with IFRS. The MD&A and consolidated financial statements contain references to "shareholders", "shares" and "dividends" which were previously referred to as "unitholders", "units" and "distributions" under the Fund.

As a result of the conversion to a share corporation, the earnings from The North West Company LP that previously flowed to the Fund on a pre-tax basis are now subject to income taxes based on statutory federal and provincial income tax rates commencing January 1, 2011.

On November 21, 2011, income tax legislation was enacted to curtail income deferral by corporations with a partnership that has a different taxation year. The new legislation requires income from these partnerships to be reported on an accrual basis for tax purposes but also includes transitional provisions whereby income earned from the partnership during the initial adoption year can be deferred and recognized over a subsequent five-year period. As a result of these transition rules, a substantial portion of the income tax payable of the Canadian Operations for 2011 has been deferred and will be paid over the next five years. This deferred tax liability has been recorded as a reduction of deferred tax assets. Further information on deferred tax assets and deferred tax liabilities is provided in Note 9 to the consolidated financial statements.

FISCAL YEAR

The fiscal year ends on January 31. The 2015 year which ended January 31, 2016, the 2014 year which ended January 31, 2015 and the 2013 year which ended on January 31, 2014 had 365 days of operations.

Consolidated Results

2015 Highlights

- Sales increased to \$1.796 billion, our 16th consecutive year of sales growth.
- Same store sales increased 3.8% driven by strong food sales.
- EBITDA⁽²⁾ increased 9.8% led by International Operations.
- Quarterly dividends to shareholders increased 6.9% to \$0.31 per share.
- Return on average equity was 20.6% as a result of an 11.0% increase in net earnings and has averaged 20.6% over the past five years.
- Total returns to shareholders were 20.2% for the year and were 12.8% on a compound annual basis over the past five years.
- Two Quickstop convenience stores and two Giant Tiger stores were opened in Canadian Operations.

FINANCIAL PERFORMANCE

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

Key Performance Indicators and Selected Annual Information

(\$ in thousands, except per share)	2015	2014	2013
Sales	\$ 1,796,035	\$ 1,624,400	\$ 1,543,125
Same store sales % increase ⁽¹⁾	3.8%	2.4%	1.8%
EBITDA ⁽²⁾	\$ 151,347	\$ 137,838	\$ 138,336
EBIT	\$ 107,321	\$ 97,466	\$ 100,060
Net earnings	\$ 69,779	\$ 62,883	\$ 64,263
Net earnings per share - diluted	\$ 1.43	\$ 1.29	\$ 1.32
Cash from operating activities ⁽³⁾	\$ 132,987	\$ 115,086	\$ 79,473
Cash dividends per share	\$ 1.20	\$ 1.16	\$ 1.12
Total assets	\$ 793,795	\$ 724,299	\$ 670,512
Total long-term liabilities	\$ 280,682	\$ 248,741	\$ 138,334
Return on net assets ⁽²⁾	19.5%	18.4%	20.0%
Return on average equity ⁽²⁾	20.6%	19.3%	21.0%

(1) All references to same store sales exclude the foreign exchange impact.

(2) See Non-GAAP Financial Measures section.

(3) See Consolidated Liquidity and Capital Resources.

Consolidated Sales Sales for the year ended January 31, 2016 ("2015") increased 10.6% to \$1.796 billion compared to \$1.624 billion for the year ended January 31, 2015 ("2014"), and were up 16.4% compared to \$1.543 billion for the year ended January 31, 2014 ("2013"). The increase in sales in 2015 was driven by same store sales growth and the positive impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 4.5% from 2014 and were up 7.3% from 2013. On a same store basis, sales increased 3.8% compared to increases of 2.4% in 2014 and 1.8% in 2013.

Food sales increased 12.1% from 2014, and were up 5.3% excluding the foreign exchange impact with all banners contributing to the sales gains. Same store food sales increased 4.5% over last year with quarterly same store increases of 4.9%, 6.3%, 3.8% and 3.2% in the fourth quarter. Canadian food sales increased 5.8% and International food sales increased 4.6% excluding the foreign exchange impact largely due to same store sales growth.

General merchandise sales increased 6.5% compared to 2014 and were up 2.5% excluding the foreign exchange impact led by sales growth in our International Operations. Same store general merchandise sales increased 1.0% for the year with increases of 5.3% and 2.5% in the first and second quarter followed by decreases of 1.7% and 0.9% in the third and fourth quarter. Canadian general merchandise sales increased 2.3% as sales in southern markets more than offset lower sales in northern markets largely due to discontinued general merchandise and the reallocation of selling space to categories with more upside potential. International general merchandise sales increased 3.1% excluding the foreign exchange impact due to same store sales growth in all banners.

Other revenue, which includes fuel sales, fur sales, tele-pharmacy revenue and service charge revenue, decreased 2.5% compared to 2014 due to lower fuel sales largely related to fuel price deflation.

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

	2015	2014	2013
Food	79.3%	78.2%	77.4%
General merchandise	17.6%	18.3%	18.9%
Other	3.1%	3.5%	3.7%

Canadian Operations accounted for 60.7% of total sales (64.2% in 2014 and 66.3% in 2013) while International Operations contributed 39.3% (35.8% in 2014 and 33.7% in 2013).

Sales & EBITDA (\$ in millions)



(1) Certain 2012 figures have been restated as required by the implementation of *Employee Benefits* IAS 19r. 2011 has not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements for further information.

Gross Profit Gross profit increased 12.6% to \$522.6 million compared to \$464.2 million last year due to sales growth and a 52 basis points increase in the gross profit rate. The increase in the gross profit rate to 29.1% compared to 28.6% last year was due in part to the impact of the write-down and clearance of discontinued general merchandise inventory in Canadian Operations last year. A more favourable product sales blend also contributed to the gross profit rate improvement.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 13.2% to \$415.3 million and were up 54 basis points as a percentage of sales compared to last year. This increase in Expenses is largely due to the impact of foreign exchange on the translation of International Operations expenses and higher share-based compensation costs related to a \$3.97 or 14.9% increase in the share price this year compared to a \$1.14 or 4.5% increase last year. Further information on share-based compensation costs is provided in Note 13 to the consolidated financial statements. These factors were partially offset by the impact of employee restructuring costs last year.

Earnings from Operations (EBIT) Earnings from operations or earnings before interest and income taxes ("EBIT") increased 10.1% to \$107.3 million compared to \$97.5 million last year as sales growth, an increase in the gross profit rate and the impact of foreign exchange more than offset higher selling, operating and administrative expenses. Excluding the foreign exchange impact, earnings from operations increased \$3.3 million or 3.5% compared to last year. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") increased 9.8% to \$151.3 million compared to last year. Excluding the foreign exchange impact, EBITDA increased 3.8% and was 8.5% as a percentage of sales compared to 8.6% last year.

Interest Expense Interest expense decreased 6.9% to \$6.2 million compared to \$6.7 million last year. The decrease in interest expense is largely due to lower interest rates on the senior notes that were refinanced in the second quarter last year partially offset by higher average debt levels compared to last year. Average debt levels increased 3.8% compared to last year but the average cost of borrowing was 2.5% compared to 3.1% last year. Further information on interest expense is provided in Note 18 to the consolidated financial statements.

Income Tax Expense The provision for income taxes increased 12.3% to \$31.3 million compared to \$27.9 million last year and the effective tax rate for the year was 31.0% compared to 30.7% last year reflecting an increase in earnings in the International Operations. The increase in the effective tax rate is largely due to the impact of non-deductible share-based compensation expenses in Canadian Operations and the variability of income earned across the various tax jurisdictions in the International Operations. A more detailed explanation of the income tax provision and deferred tax assets and liabilities is provided in Note 9 to the consolidated financial statements.

EBITDA & Net Earnings (\$ in millions)



(1) Certain 2012 figures have been restated as required by the implementation of *Employee Benefits* IAS 19r. 2011 has not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements for further information.

Net Earnings Consolidated net earnings increased 11.0% to \$69.8 million compared to \$62.9 million last year and diluted earnings per share was \$1.43 per share compared to \$1.29 per share last year as earnings growth in the International Operations and the impact of foreign exchange more than offset lower earnings in the Canadian Operations. Additional information on the financial performance of Canadian Operations and International Operations is included on page 11 and page 13 respectively. In 2015, the average exchange rate used to translate International Operations sales and expenses increased to 1.2971 compared to 1.1148 last year and 1.0389 in 2013.

The Canadian dollar's depreciation versus the U.S. dollar compared to 2014 had the following net impact on the 2015 results:

Sales.....	increase of \$99.2 million or 16.4%
Earnings from operations.....	increase of \$5.7 million
Net earnings.....	increase of \$3.8 million
Diluted earnings per share.....	increase \$0.08 per share

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

(\$ in thousands)	2015	2014	2013
Total assets	\$ 793,795	\$ 724,299	\$ 670,512

Consolidated assets increased 9.6% to \$793.8 million compared to \$724.3 million in 2014 and were up 18.4% compared to \$670.5 million in 2013. The increase in consolidated assets is largely due to the impact of foreign exchange as the year-end exchange rate used to translate the International Operations assets increased to 1.4080 compared to 1.2717 last year and 1.1119 in 2013. The change in foreign exchange resulted in an increase in assets of approximately \$28 million compared to last year and \$62 million compared to 2013 with the most significant impact on inventories, property and equipment and goodwill. In addition to the foreign exchange impact, higher property and equipment and intangible asset additions were the leading factors contributing to the increase in assets compared to last year and 2013. The increase in property and equipment is due to investments in new stores, major store renovations, equipment replacements and staff housing renovations as part of our Top Markets initiative. Intangible assets increased compared to last year and 2013 largely due to the purchase of new point-of-sale, merchandise management system and workforce management system software at year-end and the investment in upgrading the transportation management system. Deferred tax assets have increased compared to 2013 mainly due to an increase in tax assets related to defined benefit plan obligations and property and equipment, and a decrease in the tax liability related to the deferred limited partnership earnings. An increase in cash and accounts receivable compared to last year and 2013 as noted under working capital below were also factors.

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

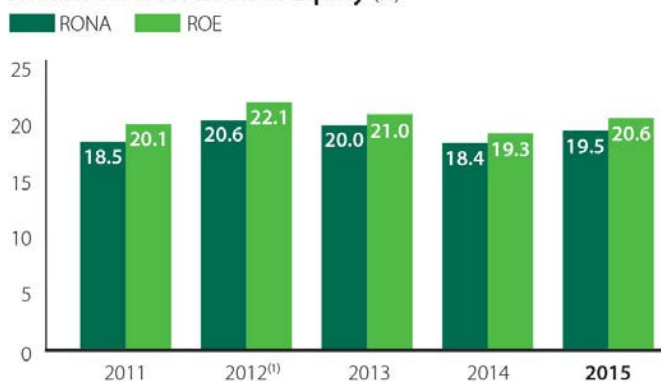
(\$ in thousands)	2015	2014	2013
Current assets	\$ 335,581	\$ 315,840	\$ 299,071
Current liabilities	\$ (155,501)	\$ (146,275)	\$ (209,738)
Working capital	\$ 180,080	\$ 169,565	\$ 89,333

Working capital increased \$10.5 million or 6.2% to \$180.1 million compared to 2014 and \$90.7 million or 101.6% compared to 2013. The increase in working capital compared to last year and 2013 is due to the impact of foreign exchange on the translation of International Operations working capital as noted above and an increase in cash and accounts receivable. The increase in cash compared to last year is primarily due to the timing of deposits in-transit and higher cash in the stores at year-end, and the increase in accounts receivable is primarily due to higher big-ticket credit sales in Canadian Operations. These factors were partially offset by an increase in current liabilities due to higher accounts payable and accrued expenses related to share-based compensation, short-term incentive plan costs and the purchase of new point-of-sale and merchandise management system software noted above. The decrease in current liabilities compared to 2013 is largely related to the current portion of long-term debt which decreased \$77.8 million as a result of the timing of the maturity of the US\$70.0 million senior notes which were refinanced in June 2014.

Return on net assets employed improved to 19.5% compared to 18.4% in 2014 primarily due to a 10.1% increase in earnings before interest and taxes. Additional information on net assets employed for the Canadian Operations and International Operations is on page 12 and page 14 respectively.

Return on average equity increased to 20.6% compared to 19.3% in 2014, due to an 11.0% increase in net earnings partially offset by higher average equity compared to last year. Average equity increased 4.2% compared to last year due in part to higher accumulated other comprehensive income related to the foreign exchange impact on the translation of International Operations financial statements. Further information on shareholders' equity is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

Return on Net Assets & Equity (%)



(1) Certain 2012 figures have been restated as required by the implementation of IAS 19 *Employee Benefits*. 2011 has not been restated for these accounting standard changes. See the 2013 annual audited consolidated financial statements for further information.

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

(\$ in thousands)	2015	2014	2013
Total long-term liabilities	\$ 280,682	\$ 248,741	\$ 138,334

Consolidated long-term liabilities increased \$31.9 million or 12.8% to \$280.7 million compared to 2014 and were up \$142.3 million or 102.9% from 2013. The increase in long-term liabilities compared to 2014 and 2013 is primarily due to a decrease in the current portion of long-term debt as previously noted in the consolidated working capital section under total assets and the impact of foreign exchange on the translation of U.S. denominated debt. Further information on long-term debt is included in the Sources of Liquidity and Capital Structure sections on page 17 and page 18 respectively and in Note 11 to the consolidated financial statements. A \$15.4 million or 83.8% increase in the defined benefit plan obligation compared to 2013 largely related to a lower discount rate was also a factor. Further information on post-employment benefits is provided in Note 12 to the consolidated financial statements.

Canadian Operations

FINANCIAL PERFORMANCE

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

Key Performance Indicators

(\$ in thousands)	2015	2014	2013
Sales	\$ 1,089,898	\$ 1,042,168	\$ 1,022,985
Same store sales % increase	3.1%	1.3%	1.7%
EBITDA ⁽¹⁾	\$ 98,276	\$ 100,896	\$ 111,225
EBIT	\$ 66,495	\$ 70,594	\$ 81,967
Return on net assets ⁽¹⁾	20.4%	21.1%	25.9%

(1) See Non-GAAP Financial Measures section.

Sales Canadian Operations sales increased \$47.7 million or 4.6% to \$1.090 billion compared to \$1.042 billion in 2014 driven by food sales growth, and were up \$66.9 million or 6.5% compared to 2013. Same store sales increased 3.1% compared to increases of 1.3% in 2014 and 1.7% in 2013. Food sales accounted for 74.2% (73.4% in 2014) of total Canadian Operations sales. The balance was made up of general merchandise sales at 21.3% (21.7% in 2014) and other sales, which consist primarily of fuel sales, fur sales, tele-pharmacy revenue and service charge revenue at 4.5% (4.9% in 2014).

Food sales increased by 5.8% from 2014 and were up 8.7% compared to 2013. Same store food sales increased 4.0% compared to 1.8% in 2014. Same store food sales had quarterly increases of 3.4%, 5.6%, 3.4% and 3.6% in the fourth quarter. Food sales were up in most categories led by food service, home meal replacement, produce and meat categories. Food cost inflation was approximately 3.8% for the year largely driven by higher commodity costs for produce and meat in the second half of the year.

General merchandise sales increased 2.3% from 2014 and 1.7% compared to 2013 as sales gains in our urban and rural markets more than offset lower sales in northern markets due to the clearance of discontinued general merchandise and reallocation of selling space to higher potential categories. Same store sales increased 0.3% compared to a 0.5% decrease in 2014. On a quarterly basis, same store sales increased 7.2% and 2.0% in the first two quarters and decreased 3.3% and 3.0% in the third quarter and fourth quarter respectively. Sales in the second half of the year were negatively impacted by reduction in general merchandise inventory in northern markets and unseasonably warm winter weather in both northern and southern markets.

Other revenues, which include fuel sales, fur sales, tele-pharmacy revenue and service charge revenue, were down 3.5% from 2014 and decreased 3.3% over 2013. The decrease in other revenues is largely due to fuel price deflation.

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

	2015	2014	2013
Food	74.2%	73.4%	72.7%
General merchandise	21.3%	21.7%	22.3%
Other	4.5%	4.9%	5.0%

Same Store Sales Canadian Operations same store food sales have tended to be more stable because of the everyday customer needs they fulfill. Same store general merchandise sales have been more volatile because they are heavily weighted to big-ticket durable goods that depend upon customers' discretionary income. Same store sales for the past three years are shown in the following table:

Same Store Sales

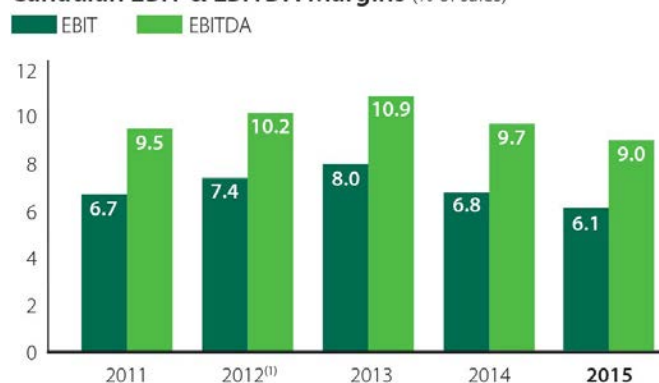
(% change)	2015	2014	2013
Food	4.0%	1.8 %	1.9%
General merchandise	0.3%	(0.5)%	0.9%
Total sales	3.1%	1.3 %	1.7%

Gross Profit Gross profit dollars for Canadian Operations increased by 7.3% driven by sales growth and an increase in the gross profit rate largely related to the write-down and clearance of general merchandise in northern markets last year as part of the Company's Top Categories initiative. Higher food gross profit rates, particularly in urban and rural markets, was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 11.1% from 2014 and were up 146 basis points as a percentage of sales. The increase in Expenses is due in part to higher share-based compensation costs related to the increase in share price this year compared to last year. Substantially all of the share-based compensation expense is recorded in Canadian Operations as a significant number of the senior executives and employees eligible for share-based compensation are employed in Canadian Operations. Further information on share-based compensation costs is provided in Note 13 to the consolidated financial statements. Higher short-term incentive plan expenses related to the increase in consolidated earnings and an increase in administration expenses and store-based staff costs also contributed to the increase in Expenses. These factors were partially offset by head office employee restructuring costs last year.

Earnings from Operations (EBIT) Earnings from operations decreased \$4.1 million or 5.8% to \$66.5 million compared to \$70.6 million in 2014 as the positive impact of higher sales and gross profit was more than offset by higher selling, operating and administrative expenses as previously noted. Earnings from operations as a percentage of sales was 6.1% compared to 6.8% last year. EBITDA from Canadian Operations decreased \$2.6 million or 2.6% to \$98.3 million and was 9.0% as a percentage of sales compared to 9.7% in 2014.

Canadian EBIT & EBITDA Margins (% of sales)



(1) Certain 2012 figures have been restated as required by the implementation of IAS 19 *Employee Benefits*. 2011 has not been restated for these accounting standard changes. See 2013 annual audited consolidated financial statements for further information.

Net Assets Employed Net assets employed at January 31, 2016 increased 11.0% to \$346.8 million compared to \$312.5 million at January 31, 2015, and was up 10.2% compared to \$314.8 million at January 31, 2014 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2015	2014	2013
Property and equipment	\$ 225.5	\$ 198.5	\$ 189.6
Inventory	125.7	127.3	130.6
Accounts receivable	65.2	59.2	59.1
Other assets	84.8	70.0	58.8
Liabilities	(154.4)	(142.5)	(123.3)
Net assets employed	\$ 346.8	\$ 312.5	\$ 314.8

Capital expenditures for the year included four new stores and Top Markets investments related to major store renovation projects, new equipment, energy-efficient refrigeration upgrades and staff housing improvements. In addition to these projects, the Company also completed "New Store Experience" upgrades in six Giant Tiger stores.

Inventory decreased compared to 2014 primarily due to the discontinuance of under-performing general merchandise categories in northern markets partially offset by the impact of new stores. Average inventory levels in 2015 decreased \$10.2 million or 7.4% compared to 2014 and were down \$3.5 million or 2.6% compared to 2013 largely due to lower general merchandise inventory as previously noted. A decrease in food and fuel inventory were also factors. Inventory turnover improved to 6.1 times compared to 5.4 times in 2014 and 5.5 times in 2013.

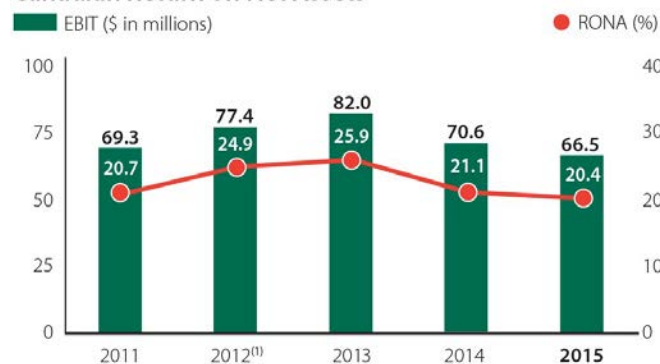
Accounts receivable was up \$6.0 million or 10.1% to last year and up \$6.1 million compared to 2013. Average accounts receivable was \$3.9 million or 6.9% higher than 2014 and up \$2.4 million or 4.1% compared to 2013. The increase in accounts receivable compared to 2014 and 2013 is largely related to higher big-ticket furniture, appliance and motorized merchandise sales.

Other assets increased \$14.8 million or 21.1% compared to last year and were up \$26.0 million or 44.2% compared to 2013. The increase is largely due to higher cash on-hand in stores and deposits in-transit and an increase in intangible assets related to the implementation of a transportation management system and the purchase of new point-of-sale, merchandise management system and workforce management system software. An increase in net deferred tax assets primarily related to defined benefit plan obligations and deferred limited partnership earnings compared to 2013 was also a factor.

Liabilities increased \$11.9 million or 8.4% from 2014 and were up \$31.1 million or 25.2% compared to 2013 primarily due to an increase in accounts payable and accrued liabilities and changes in the defined benefit plan obligation. Accounts payable and accrued liabilities increased \$8.9 million or 9.6% compared to 2014 and were up \$12.5 million or 14.0% compared to 2013 due to higher trade accounts payable related to the timing of payment cycles, an increase in share-based compensation and short-term incentive plan costs and the purchase of new system software as previously noted. The defined benefit plan obligation decreased \$2.7 million compared to last year but was up \$15.5 million or 84.2% compared to 2013 largely due to a decrease in the discount rate used to calculate pension liabilities. Further information on post-employment benefits is provided in Note 12 to the consolidated financial statements.

Return on Net Assets The return on net assets employed for Canadian Operations decreased to 20.4% from 21.1% in 2014 due to a 5.8% decrease in EBIT partially offset by an \$8.9 million or 2.7% decrease in average net assets compared to last year.

Canadian Return on Net Assets



(1) Certain 2012 figures have been restated as required by the implementation of IAS 19r Employee Benefits. 2011 has not been restated for these accounting standard changes. See 2013 annual audited consolidated financial statements for further information.

International Operations

(Stated in U.S. dollars)

International Operations include Alaska Commercial Company ("AC"), Cost-U-Less ("CUL") and Pacific Alaska Wholesale ("PAW").

FINANCIAL PERFORMANCE

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

Key Performance Indicators

(\$ in thousands)	2015	2014	2013
Sales	\$ 544,397	\$ 522,275	\$ 500,665
Same store sales % increase	5.2%	4.7%	2.1%
EBITDA ⁽¹⁾	\$ 40,991	\$ 33,240	\$ 26,192
EBIT	\$ 31,475	\$ 24,105	\$ 17,416
Return on net assets ⁽¹⁾	18.1%	13.8%	9.9%

(1) See Non-GAAP Financial Measures section.

Sales International sales increased 4.2% to \$544.4 million compared to \$522.3 million in 2014, and were up \$43.7 million or 8.7% compared to 2013 driven by strong same store sales growth in both AC and CUL stores. Same store sales increased 5.2% compared to 4.7% in 2014 and 2.1% in 2013. Food sales accounted for 87.1% (86.8% in 2014) of total sales with the balance comprised of general merchandise at 12.0% (12.2% in 2014) and other sales, which consist primarily of fuel sales and service charge revenues, at 0.9% (1.0% in 2014).

Food sales increased 4.6% from 2014 and were up 9.2% compared to 2013. Same store food sales were up 5.4% compared to a 4.7% increase in 2014. Quarterly same store food sales increases were 7.6% in both the first and second quarter followed by 4.3% and 2.4% in the third and fourth quarters respectively.

General merchandise sales increased 3.1% from 2014 and were up 7.2% from 2013. On a same store basis, general merchandise sales were up 3.9% compared to an increase of 4.8% in 2014. Quarterly same store general merchandise sales decreased 1.6% in the first quarter with increases of 4.7%, 3.5% and 7.5% in the second, third and fourth quarters respectively.

A continuing improvement in the CUL economic environment, market share gains in key AC markets and strong promotional selling activities were leading factors contributing to the same store sales growth. In Alaska, a 10.0% increase in the Permanent Fund Dividend ("PFD") to \$2,072 was also a positive factor.

Other revenues, which consists of fuel sales and service charge revenue, were down 8.8% from 2014 and 11.7% from 2013 due to fuel price deflation.

Sales Blend The table below reflects the importance of food sales to the total sales of International Operations:

	2015	2014	2013
Food	87.1%	86.8%	86.7%
General merchandise	12.0%	12.2%	12.2%
Other	0.9%	1.0%	1.1%

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

Same Store Sales

(% change)	2015	2014	2013
Food	5.4%	4.7%	1.9%
General merchandise	3.9%	4.8%	3.5%
Total sales	5.2%	4.7%	2.1%

Gross Profit Gross profit dollars increased 6.2% driven by sales growth and a 49 basis point increase in the gross profit rate. The increase in the gross profit rate was due in part to a more favourable product sales blend. Lower inventory shrink was also a factor.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 0.9% compared to last year but were down 69 basis points as a percentage of sales. Overall, expenses were well controlled with an increase in share-based and short-term incentive costs partially offset by lower utility costs.

Earnings from Operations (EBIT) Earnings from operations increased \$7.4 million or 30.6% to \$31.5 million compared to 2014 as the increase in gross profit more than offset modestly higher Expenses. EBITDA increased \$7.8 million or 23.3% to \$41.0 million and was 7.5% as a percentage of sales compared to 6.4% in 2014.

International EBIT & EBITDA Margins (% of sales)



Net Assets Employed International Operations net assets employed decreased \$3.8 million or 2.2% to last year and were down \$3.5 million compared to 2013 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2015	2014	2013
Property and equipment	\$ 85.5	89.0	\$ 87.5
Inventory	61.1	60.9	61.4
Accounts receivable	10.0	10.5	10.3
Other assets	51.1	51.4	49.7
Liabilities	(39.9)	(40.2)	(37.6)
Net assets employed	\$ 167.8	\$ 171.6	\$ 171.3

Property and equipment decreased as amortization more than offset capital asset additions related to equipment upgrades and minor store remodel projects.

Inventories increased \$0.2 million compared to last year but were down \$0.3 million or 0.5% from 2013. Average inventory levels in 2015 were \$1.1 million or 1.7% higher than 2014 and were \$0.2 million or 0.4% higher than 2013 mainly due to higher food inventory in stores. Inventory turnover improved slightly to 6.2 times compared to 6.1 times in 2014.

Other assets decreased \$0.3 million compared to last year but were up \$1.4 million compared to 2013. The increase compared to 2013 is due to higher cash balances partially offset by a decrease in deferred tax assets.

Liabilities decreased \$0.3 million but were up \$2.3 million or 6.1% compared to 2013 due to higher income tax payable.

Return on Net Assets The return on net assets employed for International Operations improved to 18.1% compared to 13.8% in 2014 due to a 30.6% increase in EBIT and a 0.4% decrease in average net assets employed.

International Return on Net Assets



Consolidated Liquidity and Capital Resources

The following table summarizes the major components of cash flow:

(\$ in thousands)	2015	2014	2013
Cash provided by (used in):			
Operating activities before taxes paid	\$ 163,646	\$ 147,967	\$ 131,468
Taxes paid	(30,659)	(32,881)	(51,995)
Operating activities	132,987	115,086	79,473
Investing activities	(75,813)	(50,312)	(42,386)
Financing activities	(50,174)	(58,950)	(53,972)
Effect of foreign exchange	1,114	952	563
Net change in cash	\$ 8,114	\$ 6,776	\$ (16,322)

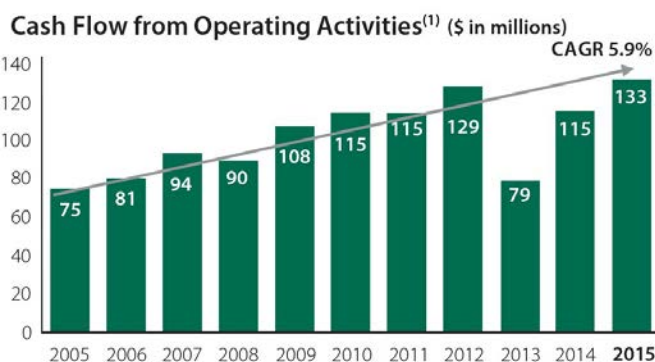
Cash from Operating Activities Cash flow from operating activities increased \$17.9 million or 15.6% to \$133.0 million compared to 2014 and was up \$53.5 million or 67.3% compared to 2013. The increase in cash flow from operating activities compared to last year is largely due to higher net earnings, an increase in amortization and the change in other non-cash items. In addition to these factors, the change in income taxes paid was also a factor contributing to the increase in cash flow from operating activities compared to 2013.

The Company paid income taxes of \$30.7 million compared to \$32.9 million in 2014 and \$52.0 million in 2013. The change in income tax payments from 2013 to 2014 is due to the conversion to a share corporation on January 1, 2011. Following the conversion to a share corporation and the deferral of the payment of Canadian income taxes in the transition year in accordance with income tax legislation enacted November 21, 2011, the Company began paying Canadian income tax installments in 2012. The remaining balance of the accrued Canadian income taxes for 2012 of approximately \$19 million was paid in the first quarter of 2013 in addition to making the required Canadian monthly installments for income taxes related to the 2013 tax year which resulted in an increase in income taxes paid to \$52.0 million. In 2014, consolidated income tax payments decreased to \$32.9 million based on a normalized level of taxable income and the recognition of a portion of the deferred limited partnership income. Further information on the Conversion to a Share Corporation is provided on page 8.

Excluding the impact of income tax installments, cash flow from operating activities increased \$32.2 million or 24.5% compared to 2013. Changes in non-cash working capital positively impacted cash flow from operating activities by \$5.9 million compared to an increase in cash flow of \$9.2 million in 2014 and a decrease in cash flow of \$10.4 million in 2013. The change in non-cash working capital is mainly due to the change in inventories, accounts payable and accounts receivable compared to the prior year. Further information on working capital is provided in the Canadian and International net assets employed section on pages 12 and 14 respectively.

Cash flow from operating activities and unutilized credit available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2016.

The compound annual growth rate ("CAGR") for cash flow from operating activities over the past 10 years is 5.9% as shown in the following graph:



(1) 2011 to 2015 are reported in accordance with IFRS. 2010 has been restated to IFRS. All other historical financial information was prepared in accordance with CGAAP and has not been restated to IFRS. In the 2010 fiscal year, North West Company Fund converted from an income trust to a share corporation effective January 1, 2011. See Conversion to a Share Corporation for further information.

As previously noted, the decrease in cash flow from operating activities in 2013 is largely due to the payment of Canadian income taxes.

Cash Used in Investing Activities Net cash used in investing activities was \$75.8 million compared to \$50.3 million in 2014 and \$42.4 million in 2013. Net investing in Canadian Operations was \$68.1 million compared to \$39.5 million in 2014 and \$28.0 million in 2013 reflecting investments related to the Top Markets initiative. A summary of the Canadian Operations investing activities is included in net assets employed on page 12. Net investing in International Operations was \$7.7 million compared to \$10.8 million in 2014 and \$14.4 million in 2013. A summary of the International Operations investing activities is included in net assets employed on page 14.

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

	Number of Stores		Selling square footage	
	2015	2014	2015	2014
Northern	121	121	707,382	693,338
NorthMart	6	6	134,387	130,919
Quickstop	20	18	34,379	31,480
Giant Tiger	34	32	554,529	510,474
AC Value Centers	27	27	278,742	278,742
Cost-U-Less	13	13	369,281	369,281
Other Formats	7	8	60,409	83,009
Total at year-end	228	225	2,139,109	2,097,243

In the Canadian Operations, two Quickstop convenience stores and two Giant Tiger stores were opened. Under Other Formats, the Company closed the temporary clearance center in Winnipeg, Manitoba, that opened last year to assist with the general merchandise inventory reduction. Total selling square feet in Canada increased to 1,463,488 from 1,421,622 in 2014 as a result of the new stores and square footage added as part of the Top Markets initiative.

There was no change in the number of stores in the International Operations and the selling square feet was consistent with last year at 675,621.

Cash Used in Financing Activities Cash used in financing activities was \$50.2 million compared to \$59.0 million in 2014 and \$54.0 million in 2013. The decrease is primarily related to a change in amounts drawn on the loan facilities and an increase in dividends paid. Further information on the loan facilities is provided in the Sources of Liquidity section below.

Shareholder Dividends The Company paid dividends of \$58.2 million or \$1.20 per share, an increase of 3.6% compared to \$56.2 million or \$1.16 per share paid in 2014. Further information on dividends is included in Note 19 to the consolidated financial statements.

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

	Dividends 2015	Dividends 2014	Dividends 2013
First Quarter	\$ 0.29	\$ 0.29	\$ 0.28
Second Quarter	0.29	0.29	0.28
Third Quarter	0.31	0.29	0.28
Fourth Quarter	0.31	0.29	0.28
Total	\$ 1.20	\$ 1.16	\$ 1.12

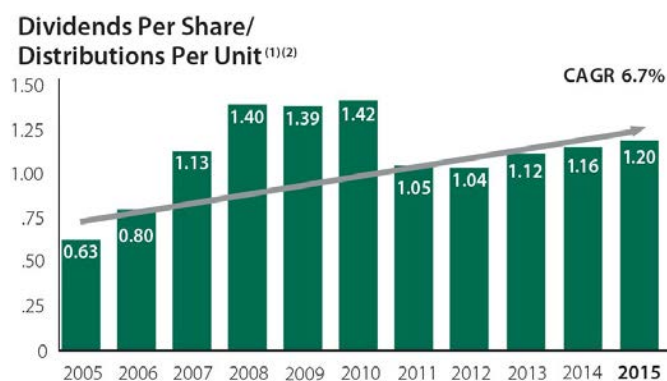
The payment of dividends on the Company's common shares is subject to the approval of the Board of Directors and is based on, among other factors, the financial performance of the Company, its current and anticipated future business needs and the satisfaction of solvency tests imposed by the Canada Business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

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

	2015	2014	2013
Dividends	\$ 58,210	\$ 56,180	\$ 54,229
Cash flow from operating activities	\$ 132,987	\$ 115,086	\$ 79,473
Taxes paid	30,659	32,881	51,995
Operating activities before taxes paid	\$ 163,646	\$ 147,967	\$ 131,468
Dividends as a % of cash flow from operating activities	43.8%	48.8%	68.2%
Dividends as a % of cash flow from operating activities before taxes paid	35.6%	38.0%	41.1%

The decrease in dividends as a percentage of cash flow from operating activities to 43.8% compared to 68.2% in 2013 is largely due to the conversion to a share corporation and the timing of payment of Canadian income tax installments. Further information on income tax installments is provided under cash from operating activities on page 15. Excluding the impact of income tax installments, dividends as a percentage of cash flow from operating activities before taxes paid was 35.6% compared to 38.0% in 2014 and 41.1% in 2013.

The compound annual growth rate ("CAGR") for dividends and distributions over the past 10 years is 6.7% as shown in the following graph:



(1) All per unit information has been restated to reflect the three-for-one unit split that occurred on September 20, 2006.

(2) From 2005 to 2010, amounts paid to unitholders were distributions from the Fund. The Fund converted to a share corporation effective January 1, 2011. The \$1.05 paid to shareholders in 2011 includes a \$0.09 per unit final distribution from the Fund paid by the Company as part of the conversion to a share corporation plus dividends of \$0.96 per share.

The lower dividends paid in 2011 to 2015 compared to the distributions paid in 2010 is due to the conversion to a share corporation and the taxation of earnings of the Canadian Operations. Prior to the conversion to a share corporation, earnings from The North West Company LP flowed to the Fund on a pre-tax basis and were distributed to unitholders. While higher corporate taxes have reduced the Company's net earnings and cash available for dividends to shareholders, the after-tax impact on personal income is largely offset for taxable Canadian investors due to the dividend tax credit.

Subsequent Event - Dividends On March 15, 2016, the Board of Directors approved a quarterly dividend of \$0.31 per share to shareholders of record on March 31, 2016, to be paid on April 15, 2016.

Post-Employment Benefits The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan, which incorporated legislated changes, administrative practice, and added a defined contribution provision. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. The defined benefit pension previously earned by the members transitioned to the defined contribution plan will continue to accrue in accordance with the provisions of the amended plan based on the member's current pensionable earnings. Members who met the required qualifying threshold elected between continuing to accrue a defined benefit pension and accruing a defined contribution benefit.

As a result of an increase in long-term interest rates, the Company recorded net actuarial gains on defined benefit pension plans of \$4.6 million net of deferred income taxes in other comprehensive income. This compares to net actuarial losses on defined benefit pension plans of \$12.0 million net of deferred income taxes in other comprehensive income in 2014 and net actuarial gains of \$7.8 million net of deferred income taxes in 2013. These gains and losses in other comprehensive income were immediately recognized in retained earnings. The net actuarial gain in 2015 was primarily due to an increase in the discount rate used to calculate pension liabilities from 3.5% in 2014 to 4.0% in 2015. The actuarial loss in 2014 was due to a decrease in the discount

rate from 4.5% in 2013 to 3.5% in 2014. The increase in the discount rate was the primary reason for the decrease in the defined benefit plan obligation to \$33.9 million compared to \$36.6 million in 2014.

In 2016, the Company will be required to contribute approximately \$3.2 million to the defined benefit pension plans of which approximately \$1.5 million of this obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. The cash contribution to the pension plan is expected to be approximately \$1.7 million in 2016 compared to \$1.6 million in 2015 and \$2.1 million in 2014. The actual amount of the contribution may be different from the estimate based on actuarial valuations, plan investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to contribute approximately \$3.5 million to the defined contribution pension plan and U.S. employees savings plan in 2016 compared to \$3.2 million in 2015 and \$2.7 million in 2014. Additional information regarding post-employment benefits is provided in Note 12 to the consolidated financial statements.

Sources of Liquidity The Canadian Operations have available committed, extendible, revolving loan facilities of \$200.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the US\$52.0 million loan facilities in International Operations. These loan facilities bear a floating interest rate based on Banker's Acceptances' rates plus stamping fees or the Canadian prime interest rate. At January 31, 2016, the Company had drawn \$119.2 million on these facilities (January 31, 2015 - \$78.4 million).

At January 31, 2016, the Canadian Operations have outstanding US\$70.0 million senior notes (January 31, 2015 - US\$70.0 million). The senior notes, which mature June 16, 2021, have a fixed interest rate of 3.27% on US\$55.0 million and a floating interest rate on US\$15.0 million based on U.S. LIBOR plus a spread payable semi-annually. The senior notes are secured by certain assets of the Company and rank *pari passu* with the \$200.0 million Canadian Operations loan facilities and the US\$52.0 million loan facilities. The US\$70.0 million senior notes have been designated as a hedge against the U.S. dollar investment in the International Operations. For more information on the senior notes and financial instruments, see Note 11 and Note 14 to the consolidated financial statements.

The Company's International Operations have available committed, revolving loan facilities of US\$52.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the \$200.0 million loan facilities. These facilities bear interest at U.S. LIBOR plus a spread or the U.S. prime rate. At January 31, 2016, the Company had drawn US\$NIL (January 31, 2015 - US\$22.0 million) on these facilities.

In July 2015, the Company completed the refinancing of the US\$30.0 million loan facility maturing October 31, 2015. The new increased, committed, revolving U.S. loan facility provides the International Operations with US\$40.0 million for working capital requirements and general business purposes. This facility matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2016, the International Operations had drawn US\$5.6 million on this facility (January 31, 2015 - US\$4.8 million).

The loan facilities and senior notes contain covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. The financial covenants include a fixed charge coverage ratio, minimum current ratio, a leverage test and a minimum net worth test. At January 31, 2016, 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.

Loan Facilities Refinancing On March 31, 2016 the Company refinanced the \$200.0 million loan facility in the Canadian Operations that originally matured December 31, 2018. The new, increased, committed, revolving loan facilities provides the Company with a \$300.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities mature April 29, 2021 and bear a floating rate of interest based on Bankers Acceptances rates plus a spread or the Canadian prime rate. These facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the US\$52.0 million loan facilities.

The Company has also refinanced the US\$52.0 million loan facility in the International Operations that originally matured December 31, 2018. The new, committed, revolving loan facilities provides the Company with a US\$52.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities mature April 29, 2021 and bear a floating rate of interest based on LIBOR plus a spread. These facilities are secured by certain assets of the Company and rank *pari passu* with the US\$70.0 million senior notes and the \$200.0 million loan facilities.

Interest Costs and Coverage

	2015	2014	2013
Coverage ratio	17.3	14.6	12.8
EBIT (\$ in millions)	\$ 107.3	\$ 97.5	\$ 100.1
Interest (\$ in millions)	\$ 6.2	\$ 6.7	\$ 7.8

The coverage ratio of earnings from operations ("EBIT") to interest expense has improved to 17.3 times compared to 14.6 times in 2014 and 12.8 times in 2013 due to an increase in EBIT compared to last year and 2013 and lower interest expense largely related to the refinancing of the senior notes that matured on June 15, 2014. Additional information on interest expense is provided in Note 18 to the consolidated financial statements.

Contractual Obligations and Other Commitments

Contractual obligations of the Company are listed in the chart below:

(\$ in thousands)	Total	0-1 Year	2-3 Years	4-5 Years	6 Years+
Long-term debt (including capital lease obligations)	\$225,489	\$ —	\$119,193	\$ 7,946	\$ 98,350
Operating leases	164,661	30,121	48,180	29,737	56,623
Other liabilities ⁽¹⁾	22,539	10,067	12,472	—	—
Total	\$412,689	\$ 40,188	\$179,845	\$ 37,683	\$154,973

(1) At year-end, the Company had additional long-term liabilities of \$41.5 million which included other liabilities, defined benefit plan obligations and deferred income tax liabilities. These have not been included as the timing and amount of the future payments are uncertain.

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

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

Giant Tiger Master Franchise Agreement In 2002, the Company signed a 30-year Master Franchise Agreement ("MFA") with Giant Tiger Stores Limited, based in Ottawa, Ontario, which granted the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger Stores Limited provides product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company is responsible for opening, owning, operating and providing food buying and distribution services to the stores. As a result of the closure of six stores during 2012, the Company fell below the minimum number of stores required to maintain its exclusive right to open Giant Tiger stores in western Canada. In 2015, the MFA was amended to extend the term to July 31, 2040 and re-establish the Company's exclusive rights to open and operate Giant Tiger stores, subject to meeting a minimum store opening commitment. At January 31, 2016, the Company is in compliance with the minimum store opening commitment. Additional information on commitments, contingencies and guarantees is provided in Note 22 to the consolidated financial statements.

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

Letters of Credit In the normal course of business, the Company issues standby letters of credit in connection with defined benefit pension plans, purchase orders and performance guarantees. The aggregate potential liability related to letters of credit is approximately \$13 million (January 31, 2015 - \$12 million).

Capital Structure The Company's capital management objectives are to deploy capital to provide an appropriate total return to shareholders while maintaining a capital structure that provides the flexibility to take advantage of growth opportunities, maintain existing assets, meet obligations and financial covenants and enhance shareholder value. The capital structure of the Company consists of bank advances, long-term debt and shareholders' equity. The Company manages capital to optimize efficiency through an

appropriate balance of debt and equity. In order to maintain or adjust its capital structure, the Company may purchase shares for cancellation pursuant to normal course issuer bids, issue additional shares, borrow additional funds, adjust the amount of dividends paid or refinance debt at different terms and conditions.

On a consolidated basis, the Company had \$225.5 million in debt and \$357.6 million in equity at the end of the year and a debt-to-equity ratio of 0.63:1 compared to 0.61:1 last year.

Capital Structure



The capacity of the Company's capital structure is reflected in the preceding graph. Over the past five years, the Company's debt-to-equity ratio has ranged from .63:1 to .55:1. Equity has increased \$73.9 million or 26.0% to \$357.6 million over the past four years and interest-bearing debt has increased \$49.6 million or 28.2% to \$225.5 million compared to \$175.9 million in 2011. During this same time frame, the Company has made capital expenditures, including acquisitions, of \$269.0 million and has paid distributions and dividends of \$269.7 million. This reflects the Company's balanced approach of investing to sustain and grow the business while providing shareholders with an annual cash return.

Consolidated debt at the end of the year increased \$24.1 million or 12.0% to \$225.5 million compared to \$201.4 million in 2014, and was up \$42.6 million or 23.3% from \$182.9 million in 2013. As summarized in the table below, the increase in debt is due to higher amounts drawn on the Canadian Operations loan facilities and the impact of foreign exchange on the translation of U.S. denominated debt. The Company has US\$75.6 million in debt at January 31, 2016 (January 31, 2015 - US\$96.9 million, January 31, 2014 - US\$107.4 million) that is exposed to changes in foreign exchange rates when translated into Canadian dollars. The exchange rate used to translate U.S. denominated debt into Canadian dollars at January 31, 2016 was 1.4080 compared to 1.2717 at January 31, 2015 and 1.1119 at January 31, 2014. The change in the foreign exchange rate resulted in a \$10.3 million increase in debt compared to 2014 and a \$22.4 million increase compared to 2013. Average debt outstanding during the year excluding the foreign exchange impact increased \$6.0 million or 3.0% from 2014 and was up \$14.4 million or 7.5% compared to 2013. The debt outstanding at the end of the fiscal year is summarized as follows:

(\$ in thousands at the end of the fiscal year)	2015	2014	2013
Senior notes	\$ 98,350	\$ 88,779	\$ 77,576
Canadian revolving loan facilities	119,193	78,367	63,607
U.S. revolving loan facilities	7,946	34,121	41,330
Notes payable	—	72	210
Finance lease liabilities	—	57	139
Total	\$ 225,489	\$ 201,396	\$ 182,862

Shareholder Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2016 of 48,523,341 (48,497,199 as at January 31, 2015). The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Each option is exercisable into one common share of the Company at a price specified in the option agreement. At January 31, 2016, there were 2,059,709 options outstanding representing approximately 4.2% of the issued and outstanding shares. Further information on share options is provided in Note 13 and additional information on the Company's share capital is provided in Note 15 to the consolidated financial statements.

Book value per share, on a diluted basis, at the end of the year increased to \$7.33 compared to \$6.76 per share in 2014. Shareholders' equity increased \$28.3 million or 8.6% compared to 2014 largely due to net earnings of \$69.8 million and higher accumulated other comprehensive income related to the foreign exchange impact on the translation of International Operations financial statements, partially offset by dividends to shareholders of \$58.2 million. Further information is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information:

(\$ thousands)	Q1	Q2	Q3	Q4	Total
Sales					
2015	\$ 414,038	\$ 448,736	\$ 458,049	\$ 475,212	\$ 1,796,035
2014	\$ 376,257	\$ 401,127	\$ 413,512	\$ 433,504	\$ 1,624,400
EBITDA					
2015	\$ 34,436	\$ 38,762	\$ 43,076	\$ 35,073	\$ 151,347
2014	\$ 30,220	\$ 36,393	\$ 37,804	\$ 33,421	\$ 137,838
Earnings from operations (EBIT)					
2015	\$ 23,678	\$ 28,196	\$ 32,014	\$ 23,433	\$ 107,321
2014	\$ 20,002	\$ 26,345	\$ 27,870	\$ 23,249	\$ 97,466
Net earnings					
2015	\$ 15,699	\$ 18,125	\$ 20,749	\$ 15,206	\$ 69,779
2014	\$ 12,679	\$ 16,850	\$ 18,401	\$ 14,953	\$ 62,883
Earnings per share-basic					
2015	\$ 0.32	\$ 0.38	\$ 0.43	\$ 0.31	\$ 1.44
2014	\$ 0.26	\$ 0.35	\$ 0.38	\$ 0.31	\$ 1.30
Earnings per share-diluted					
2015	\$ 0.32	\$ 0.37	\$ 0.43	\$ 0.31	\$ 1.43
2014	\$ 0.26	\$ 0.35	\$ 0.37	\$ 0.31	\$ 1.29

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

Fourth Quarter Highlights Fourth quarter consolidated sales increased 9.6% to \$475.2 million driven by food same store sales gains and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, consolidated sales increased 3.0% and were up 2.3%¹ on a same store basis. Food sales¹ increased 3.8% and were up 3.2% on a same store basis with all banners contributing to the sales growth. General merchandise sales¹ increased 0.1% but were down 0.9% on a same store basis as sales growth from International Operations was more than offset by weaker sales performance in northern Canada.

Gross profit dollars were up 13.6% driven by food sales growth across all banners, the impact of foreign exchange and a 100 basis point increase in the gross profit rate compared to last year. The increase in the gross profit rate was due in part to the impact of the write-down and clearance of discontinued general merchandise inventory in the fourth quarter last year.

Selling, operating and administrative expenses ("Expenses") increased 16.6% and were up 144 basis points as a percentage of sales. This increase was largely due to the impact of foreign exchange on the translation of International Operations Expenses and higher incentive plan costs due in part to share-based compensation. The impact of new stores and an increase in store-based payroll were also factors.

Earnings from operations increased 0.8% to \$23.4 million compared to \$23.2 million in the fourth quarter last year as sales growth, an increase in the gross profit rate and the impact of foreign exchange were largely offset by higher Expenses. Excluding the impact of foreign exchange, earnings from operations decreased 8.2% to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA²) increased 4.9% to \$35.1 million led by strong store-level EBITDA growth and the impact of foreign exchange but was down 2.8% compared to last year excluding the foreign exchange impact due to higher administration costs, short-term incentive plan expenses and share-based compensation costs in Canadian Operations. These factors were partially offset by the write-down of general merchandise inventory last year. EBITDA as a percentage to sales was 7.4% compared to 7.8% last year.

Income tax expense decreased \$0.4 million to \$6.5 million due to lower earnings in Canadian Operations. The consolidated effective tax rate was 29.9% compared to 31.4% last year primarily due to the blend of earnings in International Operations across the various tax jurisdictions partially offset by the impact of non-deductible share-based compensation expenses in Canadian Operations.

Net earnings increased 1.7% to \$15.2 million and diluted earnings per share were \$0.31 per share compared to \$0.31 per share last year as strong store performance and the impact of foreign exchange more than offset higher non-store expenses in Canadian Operations. Excluding the impact of foreign exchange, net earnings decreased 8.5% compared to last year due largely to the increase in expenses noted above.

(1) Excluding the foreign exchange impact.

(2) See Non-GAAP Financial Measures Section.

Working capital increased \$10.5 million or 6.2% compared to the fourth quarter last year due to an increase in cash, accounts receivable and inventories partially offset by an increase in accounts payable. The increase is largely related to the impact of foreign exchange on the translation of International Operations assets and liabilities. The exchange rate used to translate the International Operations assets and liabilities into Canadian dollars at January 31, 2016 was 1.4080 compared to 1.2717 at January 31, 2015. Other factors include higher cash on-hand and the timing of deposits, an increase in accounts receivable largely related to higher big-ticket sales and an increase in accounts payable and accrued liabilities related to share-based compensation costs and incentive plan expenses.

Cash flow from operating activities in the quarter decreased \$3.4 million to \$52.3 million compared to cash flow from operating activities of \$55.8 million last year. The decrease is due to the change in non-cash working capital largely due to the change in inventory compared to the prior year.

Cash used for investing activities in the quarter increased to \$31.0 million compared to \$18.0 million last year largely due to accelerated capital expenditures as part of the Company's Top Markets initiative and an increase in intangible asset additions related to the purchase of point-of-sale, workforce management and merchandise management software.

Cash used in financing activities in the quarter was \$18.5 million compared to \$42.2 million last year primarily due to the change in long-term debt related to amounts drawn on the Company's revolving loan facilities compared to last year.

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

DISCLOSURE CONTROLS

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that material information relating to the Company is reported to senior management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") on a timely basis so that decisions can be made regarding public disclosure. Based on an evaluation of the Company's disclosure controls and procedures, as required by National Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings), the Company's CEO and CFO have concluded that these controls and procedures were designed and operated effectively as of January 31, 2016.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial reporting and may not prevent or detect misstatements. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become ineffective because of changes in conditions or the degree of compliance with policies and procedures may deteriorate. Furthermore, management is required to use judgment in evaluating controls and procedures. Based on an evaluation of the Company's internal controls over financial reporting using the framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), 2013 as required by National Instrument 52-109, the Company's CEO and CFO have concluded that the internal controls over financial reporting were designed and operated effectively as of January 31, 2016. There have been no changes in the internal controls over financial reporting during the quarter and for the year ended January 31, 2016 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

OUTLOOK

As noted under the strategy section, the Company's principal focus continues to be led by its Top Markets and Top Categories initiatives. The successful execution of this work is expected to enable North West to capture market share and sales at a higher rate than general consumer income growth, while focusing on lower-risk products and services.

By region and banner, the outlook is favourable for Cost-U-Less in both the Caribbean and Pacific regions spurred by tourism and lower energy costs. Our Alaskan markets will face more challenging economic conditions in 2016 due to an expected reduction in the Permanent Fund Dividend and other restraint measures taken by the state government as a result of a sharp reduction in oil-based revenues. The western Canada retail environment is important for our Giant Tiger business and we anticipate lower inflation within this region in 2016 compared to 2015 with modest growth in competitive selling space. In northern Canada, resource spending is expected to rebound slightly and the higher Universal Child Care Benefit ("UCCB") payments that started in July 2015 are expected to increase further under the new federal government combined Child Benefit which takes effect in July, 2016. Further economic stimulus announced in the March, 2016 Canadian Federal Budget is expected from education and infrastructure spending commitments for Canadian First Nations and northern regions. This stimulus is expected to be weighted towards 2017-18.

Net capital expenditures for 2016 are expected to be approximately \$90.0 million (2015 - \$75.8 million), reflecting major store replacements, store renovations and investments in fixtures, equipment, staff housing and store-based warehouse expansions as part of the Company's Top Markets initiative. The Company also plans to open four Giant Tiger stores as well as complete "New Store Experience" upgrades in eight stores. In 2016, the Company will begin the implementation of a new point-of-sale and merchandise management system. This system is expected to be fully installed within 24 months and is expected to deliver gains in pricing, more effective promotions, inventory management and store productivity, all aligned with the Company's "Top" strategies. Store-based capital expenditures can be impacted by the completion of landlord negotiations, shipment of construction materials to remote markets, and weather-related delays and therefore, their actual amount and timing can fluctuate.

RISK MANAGEMENT

The North West Company maintains an Enterprise Risk Management ("ERM") program which assists in identifying, evaluating and managing risks that may reasonably have an impact on the Company. An annual ERM assessment is completed to evaluate risks and the potential impact that the risks may have on the Company's ability to execute its strategies and achieve its objectives. The results of this annual assessment and regular updates are presented to the Board of Directors who are accountable for providing oversight of the ERM program.

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

minimize these risks, these strategies do not guarantee that events or circumstances will not occur that could negatively impact the Company's financial condition and performance.

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

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

Employee Development and Retention Attracting, retaining and developing high caliber employees is essential to effectively managing our business, executing our strategies and meeting our objectives. Due to the vast geography and remoteness of the Company's markets, there is significant competition for talent and a limited number of qualified personnel, particularly at the store management level. The degree to which the Company is not successful in retaining and developing employees and establishing appropriate succession plans could lead to a lack of knowledge, skills and experience required to effectively run our operations and execute our strategies and could negatively affect financial performance. The Company's overall priority on building and sustaining store competency reflects the importance of mitigating against this risk. In addition to compensation programs and investments in staff housing that are designed to attract and retain qualified personnel, the Company also continues to implement and refine initiatives such as comprehensive store-based manager-in-training programs.

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

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

Logistics and Supply Chain The Company relies on a complex and elongated outbound supply chain due to the remoteness of the Company's stores. The delivery of merchandise to a substantial portion of the Company's stores involves multiple carriers and multiple modes of transportation including trucks, trains, airplanes, ships and barges through various ports and transportation hubs. The Company's reputation and financial performance can be negatively impacted by supply chain events or disruptions outside of the Company's control, including changes in foreign and domestic regulations which increase the cost of transportation; the quality of transportation infrastructure such as roads, ports and airports; labour disruptions at transportation companies; or the consolidation, financial difficulties or bankruptcy of transportation companies.

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

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

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

A major source of employment income in the remote markets where the Company operates is generated from local government and spending on public infrastructure. This includes housing, schools, health care facilities, military facilities, roads and sewers. Local employment levels will fluctuate from year-to-year depending on the degree of infrastructure activity and a community's overall fiscal health. A similar fluctuating source of income is employment related to tourism and natural resource development. A significant or prolonged reduction in government transfers, spending on infrastructure

projects, natural resource development and tourism spending would have a negative impact on consumer income which in turn could result in a decrease in sales and gross profit, particularly for more discretionary general merchandise items.

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

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

In 2016, the Company will begin the implementation of a new point-of-sale and merchandise management system. The failure to successfully upgrade legacy systems or to migrate from legacy systems to the new IT systems could have an adverse effect on the Company's operations, reputation and financial performance. There is also a risk that the anticipated benefits, cost savings or operating efficiencies related to upgrading or implementing new IT systems may not be realized which could affect the Company's financial performance or reputation. To help mitigate these risks, the Company uses a combination of specialized internal and external IT resources as well as a strong governance structure and disciplined project management.

The Company relies on the integrity and continuous availability of its IT systems. IT systems are exposed to the risks of "cyber attack", including viruses that can paralyze IT systems or unauthorized access to confidential Company information or customer information. Any failure relating to IT system availability or security, or a significant loss of data or an impairment of data integrity, could adversely affect the financial performance and reputation of the Company.

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

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

Laws, Regulations and Standards The Company is subject to various laws, regulations and standards administered by federal, provincial and foreign regulatory authorities, including but not limited to income, commodity and other taxes, duties, currency repatriation, health and safety, employment standards, licensing requirements, product packaging and labeling regulations and zoning. New accounting standards and pronouncements or changes in accounting standards

may also impact the Company's financial results.

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

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

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

Food and Product Safety The Company is exposed to risks associated with food safety, product handling and general merchandise product defects. Food sales represent approximately 79% of total Company sales. A significant outbreak of a food-borne illness or increased public concerns with certain food products could have an adverse effect on the reputation and financial performance of the Company. The Company has food preparation, handling and storage procedures which help mitigate these risks. The Company also has product recall procedures in place in the event of a food-borne illness outbreak or product defect. The existence of these procedures does not eliminate the underlying risks and the ability of these procedures to mitigate risk in the event of a food-borne illness or product recall is dependent on their successful execution.

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

Management of Inventory Success in the retail industry depends on being able to select the right merchandise, in the correct quantities in proportion to the demand for such merchandise. A miscalculation of consumer demand for merchandise could result in having excess

inventory for some products and missed sales opportunities for others which could have an adverse effect on operations and financial performance. Excess inventory may also result in higher markdowns or inventory shrinkage all of which could have an adverse effect on the financial performance of the Company.

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

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

The Company regularly monitors and assesses the performance of the pension plan assets and the impact of changes in capital markets, changes in plan member demographics, and other economic factors that may impact funding requirements, benefit plan expenses and actuarial assumptions. The Company makes cash contributions to the pension plan as required and also uses letters of credit to satisfy a portion of its funding obligations. Effective January 1, 2011, the Company entered into an amended and restated staff pension plan and added a defined contribution plan. Under the amended pension plan, all members who did not meet a qualifying threshold based on number of years in the pension plan and age were transitioned to the defined contribution pension plan effective January 1, 2011 and no longer accumulate years of service under the defined benefit pension plan. Further information on post-employment benefits is provided on page 16 and in Note 12 to the consolidated financial statements.

Insurance The Company manages its exposure to certain risks through an integrated insurance program which combines an appropriate level of self-insurance and the purchase of various insurance policies. The Company's insurance program is based on various lines and limits of coverage. Insurance is arranged with financially stable insurance companies as rated by professional rating agencies. There is no guarantee that any given risk will be mitigated in all circumstances or that the Company will be able to continue to purchase this insurance coverage at reasonable rates.

Climate The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons, cyclones and tsunamis which can cause loss of life, damage to or destruction of key stores and facilities, or temporary business disruptions. The stores located in the South Pacific, Caribbean and coastal areas of Alaska are also at risk of earthquakes which can result in loss of life and destruction of assets. Such losses could have an adverse effect on the operations and financial performance of the Company. Global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores.

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

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

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

Financial Risks In the normal course of business, the Company is exposed to financial risks that have the potential to negatively impact its financial performance. The Company manages financial risk with oversight provided by the Board of Directors, who also approve specific financial transactions. The Company uses derivative financial instruments only to hedge exposures arising in respect of underlying business requirements and not for speculative purposes. These risks and the actions taken to minimize the risks are described below. Further information on the Company's financial instruments and associated risks are provided in Note 14 to the consolidated financial statements.

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

Liquidity Risk Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company manages liquidity risk by maintaining adequate credit facilities to fund operating requirements and both planned sustaining and growth-related capital expenditures and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2016, the Company had undrawn committed revolving loan facilities available of \$188.9 million (January 31, 2015 - \$180.5 million).

Currency Risk Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk, primarily the U.S. dollar, through its net investment in International Operations and its U.S. dollar denominated borrowings. The Company manages its exposure to currency risk by hedging the net investment in foreign operations with a portion of U.S. dollar denominated

borrowings as described in the Sources of Liquidity section on page 17. At January 31, 2016, the Company had US\$75.6 million in U.S. denominated debt compare to US\$96.9 million at January 31, 2015 and US\$107.4 million at January 31, 2014. Further information on the impact of foreign exchange rates on the translation of U.S. denominated debt is provided in the Capital Structure section on page 18.

The Company is also exposed to currency risk relating to the translation of International Operations earnings to Canadian dollars. In 2015, the average exchange rate used to translate U.S. denominated earnings from the International Operations was 1.2971 compared to 1.1148 last year. The Canadian dollar's depreciation in 2015 compared to the U.S. dollar in 2014 positively impacted consolidated net earnings by \$3.8 million. In 2014, the average exchange rate was 1.1148 compared to 1.0389 in 2013 which resulted in an increase in 2014 consolidated net earnings of \$1.1 million compared to 2013.

Interest Rate Risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk primarily through its long-term borrowings. The Company manages exposure to interest rate risk by using a combination of fixed and floating interest rate debt and may use interest rate swaps.

CRITICAL ACCOUNTING ESTIMATES

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

Valuation of Accounts Receivable The Company records an allowance for doubtful accounts related to accounts receivable that may potentially be impaired. The allowance is based on the aging of the accounts receivable, our knowledge of our customers' financial condition, the current business environment and historical experience. A significant change in one or more of these factors could impact the estimated allowances for doubtful accounts recorded in the consolidated balance sheets and the provisions for debt loss recorded in the consolidated statement of earnings. Additional information on the valuation of accounts receivable is provided in Note 5 and the Credit Risk section in Note 14 to the consolidated financial statements.

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

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

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

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

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

The discount rate used to calculate benefit plan obligations and the rate of compensation increase are the most significant assumptions. The discount rate used to calculate benefit plan obligations and plan asset returns is based on market interest rates, as at the Company's measurement date of January 31, 2016 on a portfolio of Corporate AA bonds with terms to maturity that, on average, matches the terms of the defined benefit plan obligations. The discount rates used to measure the benefit plan obligations for fiscal 2015 and 2014 were 4.0% and 3.5% respectively. Management assumed the rate of compensation increase for fiscal 2015 and 2014 at 4.0%.

These assumptions may change in the future and may result in material changes in the defined benefit plan obligation on the Company's consolidated balance sheets, the defined benefit plan expense on the consolidated statements of earnings and the net actuarial gains or losses recognized in comprehensive income and retained earnings. Changes in financial market returns and interest rates could also result in changes to the funding requirements of the Company's defined benefit pension plans. Additional information regarding the Company's post-employment benefits is provided in Note 12 to the consolidated financial statements.

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

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

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

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

The Company performed the annual goodwill impairment test in 2015 and determined that the recoverable amount of the International Operations segment exceeded its carrying value. No goodwill impairment was identified and management considers any reasonably foreseeable changes in key assumptions unlikely to produce a goodwill impairment.

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

Changes or differences in these estimates or assumptions may result in changes to the current or deferred income tax balances on the consolidated balance sheet, a charge or credit to income tax expense in the consolidated statements of earnings and may result in cash payments or receipts. Additional information on income taxes is provided in Note 9 to the consolidated financial statements.

ACCOUNTING STANDARDS IMPLEMENTED IN 2015

There were no new IFRS accounting standards or amendments that the Company was required to adopt by the IASB for the year ended January 31, 2016.

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2016, and have not been applied in preparing these consolidated financial statements. The Company is currently assessing the potential impacts of changes to these standards.

Presentation of Financial Statements In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments provide guidance on the application of judgment in the preparation of financial statements and disclosure and are effective for the Company's financial year ending January 31, 2017.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial assets and liabilities, hedge accounting and a single forward-looking expected loss impairment model. These changes are effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and are available for early adoption.

Revenue Recognition In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The IFRS 15 standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized at an amount that reflects the consideration to which the Company is entitled. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

Leases IFRS 16, *Leases* replaces the current guidance in IAS 17 for operating and finance lease accounting. This standard requires lessees to recognize a lease liability representing the obligation for future lease payments and a right-of-use asset in the consolidated balance sheets for substantially all lease contracts, initially measured at the present value of unavoidable lease payments. These changes are effective for the Company's financial year ending January 31, 2020, with early adoption permitted provided IFRS 15, *Revenue from Contracts with Customers* is also applied.

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

NON-GAAP FINANCIAL MEASURES

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) 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. A reconciliation of consolidated net earnings to EBITDA is provided below:

Reconciliation of Net Earnings to EBITDA

(\$ in thousands)	2015	2014	2013
Net earnings	\$ 69,779	\$ 62,883	\$ 64,263
Add:			
Amortization	44,026	40,372	38,276
Interest expense	6,210	6,673	7,784
Income taxes	31,332	27,910	28,013
EBITDA	\$ 151,347	\$ 137,838	\$ 138,336

For EBITDA information by business segment, see Note 4 to the consolidated financial statements.

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

(\$ in millions)	2015	2014	2013
Total assets	\$ 793.8	\$ 724.3	\$ 670.5
Less: Total liabilities	(436.2)	(395.0)	(348.1)
Add: Total long-term debt	225.5	201.4	182.9
Net Assets Employed	\$ 583.1	\$ 530.7	\$ 505.3

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

GLOSSARY OF TERMS

Basic earnings per share Net earnings available to shareholders divided by the weighted-average number of shares outstanding during the period.

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

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

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

Control label or Private label A brand or related trademark that is owned by the Company for use in connection with its own products and services.

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

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

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

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

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

EBIT margin EBIT divided by sales.

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

EBITDA margin EBITDA divided by sales.

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

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

Gross profit rate Gross profit divided by sales.

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

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

IFRS (International Financial Reporting Standards) Effective for the 2011 fiscal year, the consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Comparative financial information for the year ended January 31, 2011 ("2010") previously reported in the consolidated financial statements prepared in accordance with CGAAP has been restated in accordance with the accounting policies and financial statement presentation adopted under IFRS.

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

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

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

Working capital Total current assets less total current liabilities.

Year The fiscal year ends on January 31. The 2015 year which ended January 31, 2016 had 365 days of operations. The 2014 year which ended January 31, 2015 had 365 days of operations. The 2013 year which ended January 31, 2014 had 365 days of operations. The 2012 year which ended January 31, 2013 had 366 days of operations as a result of February 29th. The 2011 year which ended January 31, 2012 had 365 days of operations.

Eleven-Year Financial Summary

Fiscal Year ⁽¹⁾ (\$ in thousands)	IFRS ⁽²⁾ 2015	IFRS ⁽²⁾ 2014	IFRS ⁽²⁾ 2013	IFRS ⁽²⁾ 2012	IFRS ⁽²⁾ 2011
Consolidated Statements of Earnings					
Sales - Canadian Operations	\$ 1,089,898	\$ 1,042,168	\$ 1,022,985	\$ 1,043,050	\$ 1,028,396
Sales - International Operations	706,137	582,232	520,140	470,596	466,740
Sales - Total	1,796,035	1,624,400	1,543,125	1,513,646	1,495,136
EBITDA ⁽³⁾ - Canadian Operations	98,276	100,896	111,225	106,510	97,998
EBITDA ⁽³⁾ - International Operations	53,071	36,942	27,111	27,207	27,883
EBITDA ⁽³⁾ - Total Operations	151,347	137,838	138,336	133,717	125,881
Amortization - Canadian Operations	31,781	30,302	29,258	29,155	28,745
Amortization - International Operations	12,245	10,070	9,018	7,994	7,827
Amortization - Total	44,026	40,372	38,276	37,149	36,572
Interest	6,210	6,673	7,784	6,979	6,026
Income taxes	31,332	27,910	28,013	25,701	25,322
Net earnings	69,779	62,883	64,263	63,888	57,961
Cash flow from operating activities	132,987	115,086	79,473	128,992	115,469
Dividends/distributions paid during the year	58,210	56,180	54,229	50,320	50,797
Capital and intangible asset expenditures	75,983	52,329	43,207	51,133	46,376
Net change in cash	8,114	6,776	(16,322)	11,691	(4,247)
Consolidated Balance Sheets					
Current assets	\$ 335,581	\$ 315,840	\$ 299,071	\$ 303,896	\$ 295,836
Property and equipment	345,881	311,692	286,875	274,027	270,370
Other assets, intangible assets and goodwill	83,293	68,693	64,969	60,567	53,289
Deferred tax assets	29,040	28,074	19,597	12,904	7,422
Current liabilities	155,501	146,275	209,738	190,184	128,002
Long-term debt and other liabilities	280,682	248,741	138,334	164,960	215,206
Equity	357,612	329,283	322,440	296,250	283,709
Consolidated Dollar Per Share/Unit (\$) ⁽⁵⁾					
Net earnings - basic	\$ 1.44	\$ 1.30	\$ 1.33	\$ 1.32	\$ 1.20
Net earnings - diluted	1.43	1.29	1.32	1.32	1.19
EBITDA ^{(3),(4)}	3.12	2.85	2.86	2.76	2.60
Cash flow from operating activities ⁽⁴⁾	2.74	2.38	1.64	2.67	2.39
Dividends/distributions paid during the year ⁽⁴⁾	1.20	1.16	1.12	1.04	1.05
Equity (basic shares/units outstanding end of year)	7.37	6.80	6.66	6.12	5.86
Market price at January 31	30.53	26.56	25.42	23.14	19.40
Statistics at Year End					
Number of stores - Canadian	181	178	178	177	183
Number of stores - International	47	47	48	46	46
Selling square feet (000's) end of year - Canadian Stores	1,463	1,422	1,386	1,375	1,466
Selling square feet (000's) end of year - International Stores	676	676	696	660	655
Sales per average selling square foot - Canadian	\$ 756	\$ 742	\$ 741	\$ 734	\$ 702
Sales per average selling square foot - International	\$ 1,045	\$ 849	\$ 767	\$ 716	\$ 713
Number of employees - Canadian Operations	5,482	4,921	4,839	4,768	5,233
Number of employees - International Operations	1,896	1,726	1,853	1,568	1,668
Average shares/units outstanding (000's)	48,509	48,432	48,413	48,384	48,378
Shares/Units outstanding at end of fiscal year (000's)	48,523	48,497	48,426	48,389	48,378
Shares/Units traded during the year (000's)	35,631	24,080	17,623	17,831	22,418
Financial Ratios					
EBITDA ⁽³⁾ (%)	8.4	8.5	9.0	8.8	8.4
Earnings from operations (EBIT) (%)	6.0	6.0	6.5	6.4	6.0
Total return on net assets ⁽³⁾ (%)	19.5	18.4	20.0	20.6	18.5
Return on average equity ⁽³⁾ (%)	20.6	19.3	21.0	22.1	20.1
Debt-to-equity	.63:1	.61:1	.57:1	.55:1	.62:1
Dividends/distributions as % of cash flow from operating activities	43.8	48.8	68.2	39.0	44.0
Inventory turnover (times per year)	6.2	5.7	5.6	5.8	5.7

(1) The fiscal year changed from the last Saturday in January to January 31 effective January 31, 2007.

(2) The financial results for 2015 to 2011 are reported in accordance with IFRS. 2010 data has been restated to IFRS. All other financial information is presented in accordance with CGAAP and has not been restated to IFRS. Certain 2012 figures have been restated as required by the implementation of Employee Benefits IAS 19r. See 2013 Annual Report for further information.

IFRS ⁽²⁾						Fiscal Year ⁽¹⁾
2010	2009	2008	2007	2006	2005	(\$ in thousands)
Consolidated Statements of Earnings						
\$ 978,662	\$ 921,621	\$ 899,263	\$ 852,773	\$ 769,633	\$ 689,340	Sales - Canadian Operations
469,442	522,745	493,371	211,717	175,291	160,313	Sales - International Operations
1,448,104	1,444,366	1,392,634	1,064,490	944,924	849,653	Sales - Total
98,781	96,599	90,606	87,410	81,730	70,561	EBITDA ⁽³⁾ - Canadian Operations
26,983	33,675	31,651	19,147	14,639	14,941	EBITDA ⁽³⁾ - International Operations
125,764	130,274	122,257	106,557	96,369	85,502	EBITDA ⁽³⁾ - Total Operations
27,511	26,727	24,501	22,634	22,248	21,103	Amortization - Canadian Operations
7,981	8,423	7,553	4,316	3,924	3,910	Amortization - International Operations
35,492	35,150	32,054	26,950	26,172	25,013	Amortization - Total
6,077	5,470	8,307	7,465	6,844	6,120	Interest
14,539	7,841	6,518	9,151	9,693	11,479	Income taxes
69,656	81,813	75,378	62,991	53,660	42,890	Net earnings
114,564	107,973	90,178	93,591	81,486	75,289	Cash flow from operating activities
68,700	67,245	67,730	54,667	38,702	30,317	Dividends/distributions paid during the year
37,814	45,294	46,118	44,409	30,136	24,833	Capital and intangible asset expenditures
3,953	1,548	3,998	(368)	212	10,450	Net change in cash
Consolidated Balance Sheets						
\$ 284,789	\$ 285,843	\$ 285,088	\$ 254,061	\$ 226,164	\$ 218,742	Current assets
259,583	258,928	248,856	223,397	189,599	182,108	Property and equipment
55,199	73,177	68,632	50,492	19,690	17,306	Other assets, intangible assets and goodwill
17,017	5,852	6,597	1,720	6,416	5,693	Deferred tax assets
185,377	171,946	172,216	134,899	122,783	95,467	Current liabilities
144,736	161,928	162,547	138,470	67,056	85,809	Long-term debt and other liabilities
286,475	289,926	274,410	256,301	252,030	242,573	Equity
Consolidated Dollar Per Share/Unit (\$) ⁽⁵⁾						
\$ 1.45	\$ 1.71	\$ 1.58	\$ 1.32	\$ 1.13	\$ 0.90	Net earnings - basic
1.44	1.69	1.56	1.31	1.12	0.89	Net earnings - diluted
2.61	2.73	2.56	2.24	2.03	1.79	EBITDA ^{(3),(4)}
2.38	2.26	1.89	1.96	1.71	1.58	Cash flow from operating activities ⁽⁴⁾
1.42	1.39	1.40	1.13	0.80	0.63	Dividends/distributions paid during the year ⁽⁴⁾
5.92	6.04	5.75	5.37	5.29	5.11	Equity (basic shares/units outstanding at end of year)
21.09	17.94	16.14	18.42	16.41	12.50	Market price at January 31
Statistics at Year End						
184	180	178	176	168	164	Number of stores - Canadian
46	46	43	44	32	27	Number of stores - International
1,445	1,423	1,396	1,368	1,226	1,157	Selling square feet (000's) end of year - Canadian Stores
654	653	617	639	311	272	Selling square feet (000's) end of year - International Stores
\$ 682	\$ 654	\$ 651	\$ 657	\$ 646	\$ 613	Sales per average selling square foot - Canadian
\$ 718	\$ 752	\$ 723	\$ 410	\$ 601	\$ 608	Sales per average selling square foot - International
5,301	5,358	5,408	5,359	5,833	5,175	Number of employees - Canadian Operations
1,601	1,545	1,339	1,502	806	732	Number of employees - International Operations
48,180	47,799	47,718	47,649	47,561	47,694	Average shares/units outstanding (000's)
48,378	48,017	47,722	47,701	47,625	47,463	Shares/Units outstanding at end of fiscal year (000's)
24,814	20,080	16,402	17,330	13,167	6,956	Shares/Units traded during the year (000's)
Financial Ratios						
8.7	9.0	8.8	10.0	10.2	10.1	EBITDA ⁽³⁾ (%)
6.2	6.6	6.5	7.5	7.4	7.1	Earnings from operations (EBIT) (%)
17.9	18.7	19.8	21.0	19.7	16.6	Total return on net assets ⁽³⁾ (%)
24.1	29.3	28.6	24.9	21.7	18.0	Return on average equity ⁽³⁾ (%)
.67:1	.72:1	.78:1	.62:1	.43:1	.46:1	Debt-to-equity
60.0	62.3	75.1	58.4	47.5	40.3	Dividends/distributions as % of cash flow from operating activities
5.6	5.6	5.8	5.3	5.1	4.6	Inventory turnover (times per year)

(3) See Non-GAAP financial measures on page 27.

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

(5) Effective January 1, 2011, North West Company Fund converted to a share corporation called The North West Company Inc. The comparative information refers to units of the Fund. On September 20, 2006 the units were split on a three-for-one basis. All per unit information has been restated to reflect the three-for-one split except trading volume.



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

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