



NORTH WEST COMPANY FUND PRESS RELEASE

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"NORTH WEST COMPANY FUND REPORTS SECOND QUARTER RESULTS"

Winnipeg, September 12, 2002: North West Company Fund (the "Fund") today reported 2002 second quarter earnings for the period ended July 27, 2002.

CONSOLIDATED RESULTS

The North West Company Fund reported second quarter consolidated revenues to July 27, 2002 of \$186.6 million, up 7.7% (up 3.5% on a same store basis) from 2001. Second quarter earnings finished at \$9.1 million, up 28.9% compared to \$7.1 million in 2001. Earnings per unit were \$0.57 compared to \$0.48 last year, up 18.8% after taking into account the sale of 1.4 million treasury units in December 2001.

Trading profits or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 3.7% in the second quarter. Interest expenses were reduced by 46.3% versus last year due to lower short term borrowing rates, reduced debt levels as a result of the equity issue last December and reductions in Canadian general merchandise inventory levels during the quarter. Earnings before taxes were \$12.4 million, up 19.7% over last year's second quarter.

Income taxes were in line with expectations and lower as a rate to pre-tax earnings due to a non-recurring charge of \$700,000 taken last year in the second quarter to recognize a change in the future income tax asset values as a result of reductions in the provincial tax rates.

Year-to-date revenues at \$358.8 million were 7.4% (2.6% on a same store basis) over last year. Consolidated earnings were up 28.1% to \$15.4 million (\$0.96 per unit) compared to \$12.0 million or (\$0.82 per unit) last year. Trading profits were \$34.0 million, up \$1.4 million or 4.3% over last year.

"During the second quarter we maintained solid earnings growth while moving forward on building block initiatives that will deliver results over the next five years. These include our alliance activities, store level systems and training and our Giant Tiger store venture," said Edward Kennedy, President & CEO.

CANADIAN OPERATIONS

Canadian sales were \$139.1 million for the quarter, up 5.9% (2.9% on a same store basis) from last year. Trading profits for the quarter were \$16.2 million and up 0.1% over last year.

Food sales improved over the first quarter with an increase of 3.9% (up 3.1% on a same store basis). Food inflation continues to be less of a factor this year and there is more price deflation due to a higher sales blend of value SKUs, introduced through a sourcing partnership with *Giant Tiger Stores Limited* announced last year. Other factors affecting food sales were disruptions caused by the renovation and expansion of one of our largest food stores in Canada and increased local competition in a limited number of other markets. The transition to a distribution arrangement with *A. de la Chevrotiere Ltee.* to supply the Company's stores in eastern Canada was completed in July.

General merchandise performance was mixed in the quarter with core merchandise sales up 3.4% (up 2.4% on a same stores basis). Sales of transportation goods such as all terrain vehicles, snowmobiles and accessories were very strong due to the late arrival of spring. In the second quarter, sales were negatively affected in both furniture and seasonal apparel due to product flow disruptions related to the sourcing alliances with *Dufresne Furniture* and *Giant Tiger Stores Limited*. Furniture sales rebounded strongly in August. Seasonal apparel and toys, both largely sourced through Giant Tiger, are expected to recover beginning in the third quarter.

Core Canadian gross profit rates were down from last year due to lower initial margins as a result of the higher blend of low margin categories and increased clearance activity to reduce stock levels. Expenses for the quarter were well controlled. Administration costs rose at a higher rate compared to the prior year due to increased transition support activity required by the Company's alliance activities. The Company's pension expense will increase 41% this year to \$1.5 million and is expected to increase to \$1.8 million over the next three years due to more conservative return on asset assumptions for the future.

The Company's two Giant Tiger stores exceeded planned sales and contribution margin levels for the quarter.

ALASKAN OPERATIONS (stated in U.S. dollars)

Alaska Commercial Company ("AC") sales were \$30.8 million for the quarter, up 12.2% (up 6.5% on a same stores basis) from last year.

AC's retail stores food sales were up 9.6% (up 6.8% on a same stores basis) and general merchandise sales were up 6.9% (up 5.7% on a same stores basis). Sales were strongest in AC's small store group where market consolidations made last year and continued higher operating standards have contributed to market share gains. Sales at AC's wholesale business, Frontier Expeditors ("FE"), were up 50.0% in the quarter. This increase was split between new account growth and the addition of tobacco products to FE's sales base after being discontinued in 2001 due to a punitive municipal tax that has since been repealed.

AC's trading profit for the quarter was \$2,189,000 compared to \$1,761,000 last year, an increase of \$428,000 or 24.3%.

BALANCE SHEET AND CASH FLOW

Assets employed at the end of the second quarter were \$428.9 million compared to \$435.0 million last year and \$432.0 million at the end of the last fiscal year. Cash balances were down by 16.7% from last year due to continued emphasis on reducing cash requirements in the stores and cash in transit. Accounts receivable at \$63.5 million have been reduced from year-end balances but are \$5.1 million or 8.8% over last year due to increased use of extended term accounts to finance

big ticket purchases and continued higher band receivables compared to 2001. Canadian inventory levels finished the quarter at 6.6% below last year with general merchandise inventories reduced by 20.0%. This was offset by higher food inventories in Canada due to more product shipped on winter roads and by higher inventory levels at AC. The future income tax asset has been reduced from the beginning of the year balance due to strong pre-tax earnings for the first six months of the year which was less than last year due to the recovery of the US tax loss carryforwards and the recovery of the tax losses carry forwards from Canadian operations as explained in the annual report.

The decrease in bank advances and short-term notes from last year was mainly due to the equity issue in December 2001. The \$112.0 million in bonds issued in 1995 were repaid on August 28, 2002 from the proceeds of the new US\$65 million senior notes and bank lines of credit. The net liability for bonds due within one year of \$9.8 million due in August was reported as a current liability at the end of July.

Capital expenditures were \$4.7 million in the quarter and mainly related to the upgrading of the Inuvik, NT store to a NorthMart format, the replacement store in Kashechewan, ON and general expenditures on computer equipment, fixtures and equipment for store operations.

The weighted average number of units outstanding for the quarter was 16,013,000 compared to 14,691,000 last year. Cash distributions were paid to unitholders on June 15th of \$0.375 per unit compared to \$0.36 per unit last year.

OTHER HIGHLIGHTS

- The North West Company Inc. (the "Company" or "NWC") entered into a 30-year master franchise agreement that grants NWC the exclusive right to open and operate Giant Tiger stores in western Canada. *Giant Tiger Stores Limited* will provide product sourcing, merchandising, systems and administration support to NWC's Giant Tiger stores in return for a royalty based on sales. NWC's exclusivity rights require that a minimum number of NWC's Giant Tiger stores be opened each year, based on an expected rollout of 72 stores over the term of the agreement. The Company's third Giant Tiger store is scheduled to open in downtown Winnipeg at the end of October 2002.
- The Company successfully completed the refinancing of its long-term bonds and bank debt in August by issuing US\$65,000,000 5.89% senior notes due June 15, 2009 and finalizing secured credit facilities with two Canadian chartered banks in the aggregate amount of up to \$85,000,000. The net proceeds of the senior note offering together with funds drawn from the secured credit facilities were used to retire the existing bonds of the Company that matured on August 28, 2002.
- The Company announced that it will be closing its Northcan food warehouse in Winnipeg and consolidating this activity into its general merchandise distribution centre. Annual cost savings are estimated at \$1 million after expiry of the Northcan lease in mid-2004. These cost savings will result from the Company's alliance strategy of partnering with leading, non-competing retailers for the sourcing and distribution of select merchandise lines previously handled internally. The transfer of all food distribution activities will be completed by November 2002.
- A quarterly cash distribution of \$0.375 per unit will be made on September 15, 2002. The final distribution for 2002 will be made on December 15, 2002.

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The North West Company Inc. (NWC) is the leading retailer of food and everyday products and services to northern communities across Canada and Alaska. NWC operates 176 stores under a number of trading names, including *Northern*, *NorthMart*, *Giant Tiger* and *AC Value Center*, and provides catalogue shopping services through its *Selections* catalogue in Canada.

The units of the Fund trade on the TSX Toronto Stock Exchange under the symbol "NWF.UN".

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CONSOLIDATED BALANCE SHEETS

(unaudited, in thousands of Canadian dollars)

	July 27 2002	July 28 2001	January 26 2002
ASSETS			
Current assets			
Cash	\$ 9,647	\$ 11,579	\$ 8,884
Accounts receivable	63,485	58,374	65,867
Future income taxes	6,878	1,906	8,171
Inventories	136,809	140,846	134,392
Prepaid expenses	3,243	2,827	1,500
	<u>220,062</u>	<u>215,532</u>	<u>218,814</u>
Capital assets	189,693	192,233	194,025
Future income taxes	9,295	17,123	9,358
Other assets	9,806	10,087	9,836
	<u>\$ 428,856</u>	<u>\$ 434,975</u>	<u>\$ 432,033</u>
LIABILITIES			
Current liabilities			
Bank advances and short-term notes	\$ 28,891	\$ 60,410	\$ 26,037
Accounts payable and accrued	55,338	55,289	57,849
Income taxes payable	1,755	665	3,079
Bonds due within one year (Note 2)	9,781	-	112,000
Current portion of long-term debt	2,084	1,715	3,910
	<u>97,849</u>	<u>118,079</u>	<u>202,875</u>
Long-term debt (Note 2)	111,357	123,996	9,634
	<u>209,206</u>	<u>242,075</u>	<u>212,509</u>
EQUITY			
Capital (Note 4)	162,035	145,526	165,205
Retained earnings	52,457	42,954	49,142
Cumulative currency translation adjustments	5,158	4,420	5,177
	<u>219,650</u>	<u>192,900</u>	<u>219,524</u>
	<u>\$ 428,856</u>	<u>\$ 434,975</u>	<u>\$ 432,033</u>

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

(unaudited, in thousands of Canadian dollars)

	13 Weeks Ended July 27 2002	13 Weeks Ended July 28 2001	26 Weeks Ended July 27 2002	26 Weeks Ended July 28 2001
SALES AND OTHER REVENUE				
Canadian operations	\$ 139,077	\$ 131,291	\$ 268,981	\$ 254,977
Alaskan operations	<u>47,536</u>	<u>42,017</u>	<u>89,865</u>	<u>78,989</u>
	<u>\$ 186,613</u>	<u>\$ 173,308</u>	<u>\$ 358,846</u>	<u>\$ 333,966</u>
Cost of sales, selling and administrative expenses				
Canadian operations	\$(122,857)	\$(115,080)	\$(239,863)	\$(226,138)
Alaskan operations	<u>(44,128)</u>	<u>(39,308)</u>	<u>(85,031)</u>	<u>(75,266)</u>
Earnings before interest, income taxes and amortization				
Canadian operations	16,220	16,211	29,118	28,839
Alaskan operations	3,408	2,709	4,834	3,723
Amortization				
Canadian operations	(4,820)	(4,878)	(9,666)	(9,623)
Alaskan operations	<u>(893)</u>	<u>(824)</u>	<u>(1,806)</u>	<u>(1,656)</u>
EARNINGS BEFORE INTEREST & INCOME TAXES	13,915	13,218	22,480	21,283
Interest	<u>(1,554)</u>	<u>(2,896)</u>	<u>(3,109)</u>	<u>(5,920)</u>
Earnings before income taxes	<u>12,361</u>	<u>10,322</u>	<u>19,371</u>	<u>15,363</u>
Provision for income taxes (Note 3)	<u>(3,217)</u>	<u>(3,229)</u>	<u>(3,961)</u>	<u>(3,333)</u>
EARNINGS FOR THE PERIOD	9,144	7,093	15,410	12,030
Retained earnings, beginning of period	49,360	41,150	49,142	41,502
Distributions	<u>(6,047)</u>	<u>(5,289)</u>	<u>(12,095)</u>	<u>(10,578)</u>
RETAINED EARNINGS, END OF PERIOD	<u>\$ 52,457</u>	<u>\$ 42,954</u>	<u>\$ 52,457</u>	<u>\$ 42,954</u>
EARNINGS PER UNIT, BASIC AND DILUTED	\$ 0.57	\$ 0.48	\$ 0.96	\$ 0.82
Weighted Average Number of Units Outstanding (000's)	16,013	14,691	16,064	14,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. Accounting Presentations and Disclosures**

These interim financial statements follow the same accounting policies and their methods of application as the 2001 annual financial statements. Not all disclosures required by generally accepted accounting principles for annual financial statements are presented, and accordingly, the interim financial statements should be read in conjunction with the 2001 Annual Report.

2. Long-Term Debt

On August 27, 2002 the Company's \$112,000,000 bond issue was refinanced by a private placement of senior notes in the amount of US\$65,000,000 (approx. C\$102,000,000) and the utilization of operating lines of credit. The senior notes carry an interest rate of 5.89% payable semi-annually on June 15 and December 15 beginning December 2002. The senior notes mature on June 15, 2009 with no prepayments of principal prior to June 15, 2007. On June 15 of each of the years 2007 and 2008, the Company shall be required to make a mandatory prepayment of principal equal to 20% of the original principal amount of the senior notes with the balance due at maturity. The weighted average life will be approximately 6.2 years. The Company may at any time, upon at least 30 days notice, prepay all or part of the senior notes at par plus accrued interest plus a make-whole premium.

3. Income Taxes

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

4. Capital

During the year the Company issued loans to officers to purchase units under the unit purchase loan plan. These loans are non-interest bearing and repayable from the after tax distributions or if the officer sells the units or leaves the Company. The loans are secured by a pledge of 171,500 units of the Company with a quoted value at July 27, 2002 of \$3,170,000. Loans receivable at July 27, 2002 of \$3,170,000 are recorded as a reduction of capital. Additional loans will be made on an annual basis over the next four years. The maximum value of the loans under the plan will not exceed \$7,500,000.

5. Net Identifiable Assets (in thousands of Canadian dollars)	July 27 2002	July 28 2001
Canadian operations	\$ 288,583	\$ 300,986
Alaskan operations	83,180	78,035

6. Commitments and Contingencies

On July 10, 2002 the Company signed a 30-year master franchise agreement with Giant Tiger Stores Limited, based in Ottawa, Ontario. The agreement grants the Company the exclusive right to open Giant Tiger stores in western Canada. Under the agreement, Giant Tiger will provide product sourcing, merchandising, systems and administration support to the Company's Giant Tiger stores in return for a royalty based on sales. The Company will be responsible for opening, owning and operating the stores. The Company's exclusivity right requires that a minimum number of Giant Tiger stores be opened each year, based on an expected rollout of 72 stores over the term of the agreement. To date the Company has opened two Giant Tiger stores located in Thompson and Winnipeg, Manitoba.

7. Comparative Amounts

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands of Canadian dollars)

	13 Weeks Ended July 27 2002	13 Weeks Ended July 28 2001	26 Weeks Ended July 27 2002	26 Weeks Ended July 28 2001
CASH PROVIDED BY (USED IN)				
Operating Activities				
Earnings for the period	\$ 9,144	\$ 7,093	\$ 15,410	\$ 12,030
Non-cash items				
Amortization	5,713	5,702	11,472	11,279
Future income taxes	1,459	3,102	1,313	2,955
Amortization of bond warrant proceeds and interest rate fixing payment	(312)	(312)	(623)	(623)
Gain on disposal of capital assets	(142)	(173)	(132)	(173)
Cash flow from operations	<u>15,862</u>	15,412	<u>27,440</u>	25,468
Change in other non-cash items	<u>(3,522)</u>	(8,586)	<u>(6,406)</u>	(14,001)
Operating activities	<u>12,340</u>	6,826	<u>21,034</u>	11,467
Investing Activities				
Purchase of capital assets	(4,692)	(5,510)	(8,365)	(8,304)
Proceeds from sale of capital assets	<u>229</u>	195	<u>736</u>	195
Investing activities	<u>(4,463)</u>	(5,315)	<u>(7,629)</u>	(8,109)
Financing Activities				
Change in bank advances and short-term notes	(5,118)	140	2,963	10,431
Repayment of long-term debt	(167)	(118)	(340)	(220)
Purchase of units for unit purchase loan plan	(1,274)	-	(3,170)	-
Distributions	<u>(6,047)</u>	(5,289)	<u>(12,095)</u>	(10,578)
Financing activities	<u>(12,606)</u>	(5,267)	<u>(12,642)</u>	(367)
CHANGE IN CASH	(4,729)	(3,756)	763	2,991
Cash, beginning of period	<u>14,376</u>	15,335	<u>8,884</u>	8,588
CASH, END OF PERIOD	<u>\$ 9,647</u>	<u>\$ 11,579</u>	<u>\$ 9,647</u>	<u>\$ 11,579</u>

Supplemental Disclosure of Cash Flow Information

Cash paid during the period for				
Interest expense	\$ 325	\$ 1,151	\$ 4,380	\$ 7,246
Income taxes	3,841	142	4,115	332