

THE NORTH WEST COMPANY INC. 2017

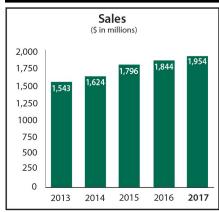
Management's Discussion & Analysis

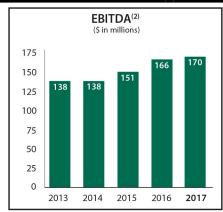


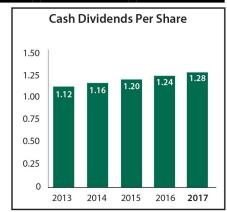
Financial Highlights

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

	Year Ended			Year Ended		Year Ended
(\$ in thousands, except per share information)	Janu	ary 31, 2018	January 31, 2017		January 31, 2016	
RESULTS FOR THE YEAR						
Sales	\$	1,953,743	\$	1,844,093	\$	1,796,035
Same store sales % increase (1)		1.2%		1.3%		3.8%
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) (2)	\$	169,624	\$	166,498	\$	151,347
Earnings from operations (EBIT)		113,971		118,131		107,321
Net earnings		69,691		77,076		69,779
Net earnings attributable to The North West Company Inc.		67,154		77,076		69,779
Cash flow from operating activities (3)		141,419		126,024		132,987
FINANCIAL POSITION						
Total assets	\$	930,948	\$	805,821	\$	793,795
Total debt		313,549		229,266		225,489
Total equity		382,156		367,785		357,612
FINANCIAL RATIOS						
Debt-to-equity		.82:1		.62:1		.63:1
Return on net assets (RONA) (2)		16.7%		20.1%		19.5%
Return on average equity (ROE) (2)		18.3%		21.8%		20.6%
Sales blend: Food		79.2%		79.6%		79.3%
General Merchandise		16.6%		17.5%		17.6%
Other		4.2%		2.9%		3.1%
PER SHARE (\$) - DILUTED						
EBITDA (2)	\$	3.44	\$	3.40	\$	3.10
Net earnings		1.36		1.57		1.43
Cash flow from operating activities		2.87		2.57		2.73
Market price: January 31		29.14		29.28		30.53
high		33.75		33.15		30.53
low		28.45		24.08		23.41







- (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.

Management's Discussion & Analysis

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MANAGEMENT'S DISCUSSION & ANALYSIS

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 2017 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, 2018 are in Canadian dollars, except where otherwise indicated, and are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on April 11, 2018 and the information contained in this MD&A is current to April 11, 2018, 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 forwardlooking 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 forwardlooking 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.

Management's Discussion & Analysis

OUR BUSINESS TODAY

The North West Company is a leading retailer to rural and remote 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 lifestyle needs.

North West's core strengths include: our ability to adapt to varied community preferences and priorities; our on-the-ground presence with hard-to-replicate operating skills, customer insights and facilities; our logistics capability in moving product to, remote or difficult-toreach markets; and our ability to apply these strengths within complementary 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 operation for over 200 years. In 2017, the Alaskan retail subsidiary, Alaska Commercial Company, celebrated 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 vertical investments in shipping and air cargo, wholesaling to independent stores, opening Giant Tiger junior discount stores in rural communities and urban neighbourhoods in western Canada, and retailing through mid-sized warehouse and supermarket format stores serving the South Pacific islands and the Caribbean.

A key strength and ongoing strategy of North West is our ability to capture unique community-by-community 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 our enterprising culture, 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, wholesale and complimentary businesses:

Canadian Operations(1)

- 119 Northern stores, offering a combination of food, financial services and general merchandise to remote northern Canadian
- **6 NorthMart** stores, targeted at larger northern markets with an emphasis on an expanded selection of fresh foods, apparel and health products and services;
- 16 Quickstop convenience stores, offering extended hours, ready-to-eat foods, fuel and related services in northern Canadian
- 41 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 Tim Hortons stand-alone franchise restaurant located in a northern market;
- 1 Wally's Drug Store, a stand-alone northern pharmacy and convenience store;
- 2 North West Company Fur Marketing outlets, trading in furs and offering Indigenous handicrafts and authentic Canadian heritage products;
- **Crescent Multi Foods ("CMF")**, a distributor of produce and fresh meats to independent grocery stores in Saskatchewan, Manitoba and northwestern Ontario;
- North West Telepharmacy Solutions, the leading provider of contract tele-pharmacist services to rural hospitals and health centres across Canada; and
- Transport Nanuk Inc. and North Star Air Ltd. ("NSA"), water and air-based transportation businesses, respectively, serving northern Canada.

International Operations(1)

- 27 Alaska Commercial Company ("AC") stores, similar to Northern and NorthMart, offering a combination of food and general merchandise to communities across remote and rural regions of Alaska;
- **5 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;
- 12 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;
- 1 Island Fresh IGA Supermarket neighborhood food store in Guam, offering convenience with an emphasis on fresh and prepared foods; and
- 5 Riteway Food Markets, 1 Cash and Carry store and a significant wholesale operation (collectively "RTW") in the British Virgin Islands.
- Store count at January 31, 2018 and does not include convenience "Store within a Store" services such as post offices, pharmacies or branded food services.

VISION

At North West our mission is to be a trusted provider of goods and services within hard-to-access and 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 risk-adjusted, 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

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 dividend 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 multiyear cycles and are reviewed and adjusted as required at the senior management and board levels. The current LRP focus is on the following areas:

- achieving further gains in operating standards and
- investing in our physical store network, local selling capability and community relations;
- expanding into new retail markets primarily in the Caribbean and Giant Tiger store openings in western Canada;
- building a stronger logistics capability; and
- investing in new information technology for our stores and support offices.

Our key priorities are detailed further below together with the results for 2017:

Initiative #1 **Pure Retail**

"Pure Retail" refers to top store teams, lean processes, and customerdriven, store centric support throughout our organization. The goal is to optimize store sales and net performance by creating more ability and freeing more time to get sales at store level.

Result

This initiative was launched late in the fourth quarter of 2017 and will be reported on throughout 2018. Key performance indicators will be hours and dollars of time freed up, people capability gains and profitable sales increases.

Initiative #2

Investing in Top Markets and Top Categories

This initiative prioritizes our largest and highest potential categories and store locations.

Result

Top convenience categories represented the biggest Top Category opportunity in 2017. Convenience sales were up over 12.0% on a comparable stores basis, led by food service growth. Big-ticket sales were a second priority and delivered mixed results with motorized sales increasing 5.1% but furniture sales were down 2.9%. Improved inventory flow and consumer financing enabled the motorized gains while the loss of a large contract sale affected furniture performance. Excluding the low margin contract sale, furniture sales were up 4.9%. The third Top Category focus was produce and meat which combined were up 0.7%. Sales in these categories were negatively impacted by supply issues for certain case-ready meat products and the full year deflationary impact of the Nutrition North Subsidy implemented in 18 stores in October 2016.

Top Markets featured three major store remodels for a total of 19 completed under this program. Overall, Top Markets have met financial projections and have delivered above average sales growth. Top Market investments are expected to roll-out at a pace of 3-5 stores per year over 2018-2020, with continuous learnings from prior investments.

Initiative #3

Investing in New Markets and Businesses

This initiative is focused on growing our retail business in new locations as well as pursuing greenfield and acquisition opportunities in complimentary businesses which uniquely leverage our capabilities and market presence.

Result

We completed the integration of RTW, the leading retail and wholesale distribution business in the British Virgin Islands, which was acquired early in the first quarter. RTW exceeded performance expectations helped by the reinvestment of cost synergy savings into lower prices and exceptional resiliency following the devastating effects of hurricanes Irma and Maria.

Stores were acquired in Nain, Newfoundland and Kiana, Alaska and converted to the Company's Quickstop and AC banners respectively. Four Giant Tiger stores were opened during the year, increasing the number of GT stores to 41. New GT store performance did not meet expectations, due in part to more intensive discount food longer competition and time to store maturation.

Initiative #4

Next Generation Merchandise and Store Systems ("Project

Project Enterprise is focused on implementing new, higher capability point-of-sale ("POS"), merchandise management ("MMS"), which includes pricing, promotions, category management and vendor revenue management, and workforce management ("WFM") systems. This initiative is expected to deliver improvements in pricing and margin management, inventory management and store staff productivity, all aligned with the Company's "Top" strategies.

Result

In 2017, the first phase of WFM was implemented in all stores and POS was implemented in Cost-U-Less stores. The development of custom financial services functionality for northern Canada and Alaska stores delayed the POS pilot in these stores to the second guarter of 2018, with planned completion in 2019. The pricing component of MMS was implemented in Canadian Operations in February 2018 with the remaining components expected to be fully implemented in Canadian and International Operations in the second half of 2018. Total project investment is forecasted at \$34 million over 2016 to 2019, with 80% of the annualized benefits beginning in early 2019.

Initiative #5 **Building a superior logistics capability**

Recognizing the unique importance of logistics to our business, we continue to invest in building a superior capability in this area, with a focus on providing faster, more reliable and lower cost transportation service to our stores and customers in remote markets.

Result

In June 2017, the Company completed the acquisition of North Star Air Ltd. ("NSA"), a regional airline providing cargo and passenger services within northwestern Ontario. The acquisition provides the Company with greater control over a key component of our logistics network and has enabled faster and more consistent delivery of merchandise to our stores. Through the back half of 2017, NSA expanded its fleet capacity to handle NWC freight in other regions of Canada. In 2018, we will continue to expand NSA's service to communities we serve in northern Canada.

KEY PERFORMANCE DRIVERS AND CAPABILITIES REQUIRED TO DELIVER RESULTS

The ability to protect and enhance the performance of our "Top" Markets and Categories: Our Top Markets and Categories offer the highest potential for market share growth, improved productivity and customer satisfaction. We believe that the effective execution of our Top strategy will deliver higher and more consistent returns and will lead to new growth ideas that can be applied across all stores.

The financial capability to sustain the competitiveness of our core strengths and to pursue growth: Our investment priorities center on next level technology, superior logistics, Top Categories and Top Markets while applying higher payback learnings in areas such as energy-efficiency and technology to all stores. Non-capital expenditures are centered on Pure Retail improvements to our in-store capabilities through improved store structures, processes, compensation, recruiting and training.

The ability to be a leading community store in every market we serve: This depends on connecting with the customers and communities we serve in a highly valued way. 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 being a trusted, open, respectful, adaptable and a socially helpful organization. Obtaining or renewing store leases and business licenses is often subject to community approval and 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 ability to develop highly capable store level employees and work practices: Enhancing store execution and capability as part of our Pure Retail strategies recognizes the important role of executable work processes that drive sales and enable our managers and other key store-level personnel to actively manage the other key facets of their store. This enables a store's full potential to realize local selling opportunities, meet our customer service commitments and build and maintain positive community relationships. It also recognizes that our store roles must be great jobs that offset remoteness, employment competition from other local sectors and other market conditions that create challenges in attracting and retaining the best 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:** A key goal of our Pure Retail initiative 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. Pure Retail is expected to "free" significant hours of lower value store time through process change in 2018 and through technology tools like our new WFM and POS systems.

BUSINESS ACQUISITIONS

Roadtown Wholesale Trading Ltd. ("RTW")

On February 9, 2017, the Company acquired 76% of the outstanding common shares of Roadtown Wholesale Trading Ltd. operating primarily as Riteway Food Markets in the British Virgin Islands ("BVI"). RTW is the leading retailer in BVI with eight retail outlets, one Cash and Carry store and a significant wholesale operation. This acquisition was completed to gain access to a new market, consistent with the Company's overall Caribbean growth plans.

Based on the Company's closing share price on that date, the purchase price was \$35.6 million (US\$27.0 million) comprised of cash consideration of \$31.6 million (US\$24.0 million) financed through existing loan facilities and the issuance of 133,944 common shares, in accordance with the form of consideration elected to be received by RTW shareholders. The Company incurred one-time acquisition related costs of \$5.8 million (US\$4.3 million) largely due to stamp duties paid to the Government of the BVI. The financial results for RTW are included in International Operations.

North Star Air Ltd. ("NSA")

On June 15, 2017, the Company acquired 100% of the outstanding common shares of North Star Air Ltd. NSA is a Thunder Bay based airline, providing cargo and passenger services within northwestern Ontario, Canada. This acquisition was completed to gain efficiencies in our logistics network and enable the Company to provide faster, more consistent delivery of merchandise to our stores in northern Canada. The purchase price was \$30.8 million and was financed through existing loan facilities. The financial results for NSA are included in Canadian Operations.

Further information on the acquisition of RTW and NSA is provided in Note 24 to the 2017 consolidated financial statements.

Consolidated Results

2017 Highlights

- Sales increased to \$1.954 billion, our 18th consecutive year of top
- Same store sales increased 1.2% driven by food sales.
- EBITDA⁽²⁾ increased 1.9%.
- Total returns to shareholders were 3.7% for the year and were 9.5% on a compound annual basis over the past five years.
- On February 9, 2017, the Company acquired 76% of the shares of Roadtown Wholesale Trading Ltd.
- On June 15, 2017, the Company acquired 100% of the shares of North Star Air Ltd.
- $One \,Quick stop\,convenience\,store\,and\,four\,Giant\,Tiger\,stores\,were$ opened in Canadian Operations and one AC store was opened in International 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)	2017		2016		2015
Sales	\$ 1,953,743	\$	1,844,093	\$	1,796,035
Same store sales % increase ⁽¹⁾	1.2%	Ď	1.3%		3.8%
EBITDA ⁽²⁾	\$ 169,624	\$	166,498	\$	151,347
EBIT	\$ 113,971	\$	118,131	\$	107,321
Net earnings	\$ 69,691	\$	77,076	\$	69,779
Net earnings attributable to shareholders of the Company	\$ 67,154	\$	77,076	\$	69,779
Net earnings per share - diluted	\$ 1.36	\$	1.57	\$	1.43
Cash flow from operating activities ⁽³⁾	\$ 141,419	\$	126,024	\$	132,987
Cash dividends per share	\$ 1.28	\$	1.24	\$	1.20
Total assets	\$ 930,948	\$	805,821	\$	793,795
Total long-term liabilities	\$ 377,580	\$	285,792	\$	280,682
Return on net assets(2)	16.7%	Ď	20.1%	·	19.5%
Return on average equity(2)	18.3%	, D	21.8%		20.6%

- (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, 2018 ("2017") increased 5.9% to \$1.954 billion compared to \$1.844 billion for the year ended January 31, 2017 ("2016"), and were up 8.8% compared to \$1.796 billion for the year ended January 31, 2016 ("2015"). The increase in sales in 2017 was driven by the acquisition of RTW and NSA, same store food sales growth and the impact of new stores in Canadian Operations. These factors were partially offset by hurricane-related store closures in International Operations and the negative impact of foreign exchange on the translation of International Operations sales. Further information on the impact of the hurricane-related store closures is included in International Operations on page 11. Excluding the foreign exchange impact, sales increased 6.3% from 2016 and were up 8.7% from 2015. On a same store basis, sales increased 1.2% compared to increases of 1.3% in 2016 and 3.8% in 2015.

Food sales increased 5.3% from 2016, and were up 5.4% excluding the foreign exchange impact with both Canadian and International Operations contributing to the sales gains. Same store food sales increased 1.3% over last year with quarterly same store increases of 2.1%, 1.9% and 0.8% in the first three quarters but sales were flat to last year in the fourth guarter. Canadian food sales increased 1.0% and International food sales increased 13.2% excluding the foreign exchange impact.

General merchandise sales increased 0.7% compared to 2016 and were up 1.6% excluding the foreign exchange impact led by sales growth in our Canadian Operations. Same store general merchandise sales increased 0.7% for the year with increases of 1.9% and 0.8% in the first and second quarters respectively, a decrease of 1.2% in the third quarter, followed by an increase of 1.3% in the fourth quarter. Canadian general merchandise sales increased 3.5% led by same store sales growth in northern markets and the impact of new stores in rural and urban markets. International general merchandise sales decreased 5.7% excluding the foreign exchange impact as lower sales in Cost-U-Less markets, mainly due to the hurricane-related store closures, more than offset an increase in sales in Alaskan markets.

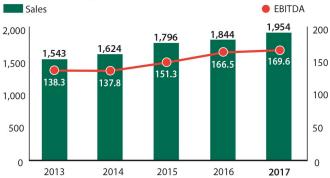
Other sales, which includes airline revenue, fuel sales, fur sales, tele-pharmacy revenue and financial service charge revenue, increased 54.5% compared to 2016 substantially due to the acquisition of NSA.

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

	2017	2016	2015
Food	79.2%	79.6%	79.3%
General merchandise	16.6%	17.5%	17.6%
Other	4.2%	2.9%	3.1%

Canadian Operations accounted for 60.0% of total sales (61.0% in 2016 and 60.7% in 2015) while International Operations contributed 40.0% (39.0% in 2016 and 39.3% in 2015).

Sales & EBITDA (\$ in millions)



Gross Profit Gross profit increased 8.2% to \$586.1 million compared to \$541.5 million last year due to sales growth and a 64 basis points increase in the gross profit rate. The gross profit rate increased to 30.0% from 29.4% last year largely due to sales blend changes across the various jurisdictions, sales growth in higher margin food service and perishable categories, and lower general merchandise inventory shrink and markdowns in northern Canada stores.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 11.5% to \$472.1 million and were up 120 basis points as a percentage of sales compared to last year. This increase in Expenses is primarily due to the acquisition of RTW and NSA, one-time acquisition related costs of \$6.3 million largely related to stamp duties paid to the Government of the British Virgin Islands, and new stores in Canadian Operations. Higher incentive plan expenses and an increase in amortization expense mainly related to capital investments in Top Markets and aircraft were also factors. These factors were partially offset by the impact of hurricane-related store closures and a gain on the settlement of a fire insurance claim in Canadian Operations.

Earnings from Operations (EBIT) Earnings from operations or earnings before interest and income taxes ("EBIT") decreased 3.5% to \$114.0 million compared to \$118.1 million last year as the positive impact of the RTW and NSA acquisitions and earnings improvements in northern Canada were more than offset by the \$6.3 million in onetime acquisition costs and the impact of the hurricane-related store closures. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") increased 1.9% to \$169.6 million compared to last year. Excluding the impact of the one-time acquisition related costs and share-based compensation option expense, adjusted EBITDA² was up \$9.8 million or 5.8% compared to last year and as a percentage to sales was flat at 9.2% compared to last year.

Interest Expense Interest expense increased 40.5% to \$10.1 million compared to \$7.2 million last year. The increase in interest expense is due to higher average debt levels and higher average cost of borrowing compared to last year. Average debt levels increased 28.6% compared to last year largely due to the RTW and NSA acquisitions. The average cost of borrowing was 3.1% compared to 2.7% 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 0.9% to \$34.1 million compared to \$33.8 million last year and the effective tax rate for the year was 32.9% compared to 30.5% last year. The increase in income tax expense is due to the impact of a one-time income tax expense related to U.S. tax reform partially offset by lower pre-tax earnings and changes in earnings of the Company's subsidiaries across various tax jurisdictions. The most significant impact of the change in U.S. tax legislation was a reduction in the federal corporate income tax rate from 35.0% to 21.0% effective January 1, 2018 and the implementation of a one-time transition tax on undistributed earnings in foreign subsidiaries. These changes resulted in an estimated income tax expense of \$5.8 million comprised of \$1.8 million for the remeasurement of deferred tax assets and liabilities and \$4.0 million for the transition tax on undistributed earnings in certain of the Company's foreign subsidiaries. The \$4.0 million transition tax is payable over eight years in accordance with the legislation. The estimated impact of the change in U.S. tax legislation may require further adjustment as additional information and interpretations from the U.S. Department of the Treasury becomes available. Further information on income tax expense, the effective tax rate and deferred tax assets and liabilities is provided in Note 9 to the consolidated financial statements.

EBITDA & Net Earnings⁽¹⁾ (\$ in millions)



(1) Net earnings attributable to shareholders of the Company

Net Earnings Consolidated net earnings decreased 9.6% to \$69.7 million compared to \$77.1 million last year. Net earnings attributable to shareholders of the Company was \$67.2 million and diluted earnings per share was \$1.36 per share compared to \$1.57 per share last year due to the factors previously noted. Excluding the impact of acquisition expenses, share-based compensation option expense and the one-time U.S. tax reform expense, adjusted net earnings² increased \$5.0 million or 6.3%. Additional information on the financial performance of Canadian Operations and International Operations is included on page 9 and page 10 respectively. In 2017, the average exchange rate used to translate International Operations sales and expenses was 1.2930 compared to 1.3169 last year and 1.2971 in 2015.

The Canadian dollar's appreciation versus the U.S. dollar compared to 2016 had the following net impact on the 2017 results:

Sales	decrease of \$14.5 million or 1.8%
Earnings from operations	decrease of \$0.8 million
Net earnings	decrease of \$0.5 million
_	decrease of \$0.01 per share

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

(\$ in thousands)	2017	2016	2015
Total assets	\$ 930,948	\$ 805,821	\$ 793,795

Consolidated assets increased \$125.1 million or 15.5% compared to 2016 and were up \$137.2 million or 17.3% compared to 2015. The increase in consolidated assets compared to last year and 2015 is predominately due to the acquisition of RTW and NSA which, on a combined basis, resulted in an increase of \$104.6 million in total assets. Further information on the assets acquired is provided in Note 24 to the consolidated financial statements. In addition to the acquisitions, higher capital expenditures on property and equipment related to additional aircraft and investments in hangar and distribution facilities to support NSA in providing cargo service to more of the Company's stores in northern Canada, new stores, major store renovations, equipment replacements and staff housing renovations as part of our Top Markets initiative were also factors. Intangible assets increased compared to last year and 2015 largely due to the purchase of new point-of-sale, merchandise management and workforce management system software. These factors were partially offset by the impact of foreign exchange as the year-end exchange rate used to translate International Operations assets decreased to 1.2301 compared to 1.3030 last year and 1.4080 in 2015.

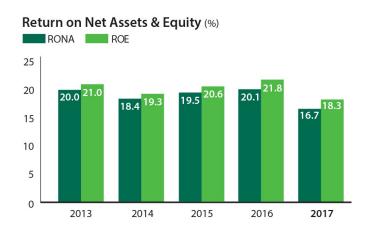
Consolidated working capital for the past three years is summarized in the following table:

(\$ in thousands)	2017	2016	2015
Current assets	\$ 335,003	\$ 327,938	\$ 335,581
Current liabilities	\$ (171,212)	\$ (152,244)	\$ (155,501)
Working capital	\$ 163,791	\$ 175,694	\$ 180,080

Working capital decreased \$11.9 million or 6.8% to \$163.8 million compared to 2016 and decreased \$16.3 million or 9.0% compared to 2015. Current assets increased \$7.1 million or 2.2% compared to last year but were down \$0.6 million compared to 2015 due to the acquisitions and new stores in Canadian Operations partially offset by a decrease in cash. The decrease in cash is largely due to dividends paid by International Operations to Canadian Operations which were used to reduce amounts drawn on the Company's revolving loan facilities. Current liabilities increased \$19.0 million or 12.5% compared to last year and were up \$15.7 million or 10.1% compared to 2015 mainly due to the acquisitions. Higher accrued incentive plan and share-based compensation costs were also a factor. These factors were partially offset by the impact of foreign exchange on the translation of International Operations working capital.

Return on net assets employed decreased to 16.7% compared to 20.1% in 2016 due to a 3.5% decrease in EBIT and an increase in net assets employed. Additional information on net assets employed for the Canadian Operations and International Operations is on page 10 and page 11 respectively.

Return on average equity decreased to 18.3% compared to 21.8% in 2016 due to a 9.6% decrease in net earnings and higher average equity compared to last year. Further information on shareholders' equity is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.



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

(\$ in thousands)	201	7	2016	2015
Total long-term liabilities	\$ 377,58	5 \$	285,792	\$ 280,682

Consolidated long-term liabilities increased \$91.8 million or 32.1% to \$377.6 million compared to 2016 and were up \$96.9 million or 34.5% from 2015. The increase in long-term liabilities compared to 2016 and 2015 is primarily due to an increase in long-term debt largely related to the RTW and NSA acquisitions and investments in property and equipment as noted under the total assets section. These increases were partially offset by the impact of foreign exchange rates on the translation of U.S. denominated debt. Further information on longterm debt is included in the Sources of Liquidity and Capital Structure sections on page 14 and page 15 respectively and in Note 11 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)		2017		2016		2015
Sales	\$ 1,171,621		\$1,125,330		\$1,089,898	
Same store sales % increase		0.9%		1.7%		3.1%
EBITDA (1)	\$	112,393	\$	109,736	\$	98,276
EBIT	\$	72,597	\$	74,445	\$	66,495
Return on net assets (1)		17.2%		20.7%		20.4%

(1) See Non-GAAP Financial Measures section.

Sales Canadian Operations sales increased \$46.3 million or 4.1% to \$1.172 billion compared to \$1.125 billion in 2016 and were up \$81.7 million or 7.5% compared to 2015 due to the acquisition of NSA, the impact of new stores and same store sales growth. Same store sales increased 0.9% compared to increases of 1.7% in 2016 and 3.1% in 2015. Food sales accounted for 72.3% (74.6% in 2016) of total Canadian Operations sales. The balance was made up of general merchandise sales at 21.1% (21.2% in 2016) and other sales, which consists primarily of airline revenue, fuel sales, fur sales, tele-pharmacy revenue and service charge revenue at 6.6% (4.2% in 2016).

Food sales increased by 1.0% from 2016 and were up 4.7% compared to 2015 as sales gains in northern markets more than offset the impact of lower sales in southern markets due in part to more intensive price discounting. Same store food sales increased 0.8% compared to 2.0% in 2016. On a quarterly basis, same store food sales had increases of 1.5%, 1.4% and 0.7% in the first three quarters but decreased 0.8% in the fourth quarter. Food deflation was a factor as price discounting in southern markets more than offset the impact of freight related inflation in northern markets.

General merchandise sales increased 3.5% from 2016 and 6.5% compared to 2015 led by same store sales growth in all of our banners and the impact of new stores. Same store sales increased 1.2% compared to a 0.6% increase in 2016. On a quarterly basis, same store general merchandise sales increased 3.3% and 0.9% in the first and second quarters respectively, decreased 1.7% in the third quarter, followed by an increase of 2.3% in the fourth quarter.

Other sales increased 63.0% from 2016 and were up 57.4% over 2015 primarily due to the acquisition of NSA.

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

2017	2016	2015
72.3%	74.6%	74.2%
21.1%	21.2%	21.3%
6.6%	4.2%	4.5%
	72.3% 21.1%	72.3% 74.6% 21.1% 21.2%

Same Store Sales Canadian Operations same store sales for the past three years are shown in the following table. Food sales tend to be impacted by changes in commodity costs, transportation costs and promotional pricing.

Same Store Sales

(% change)	2017	2016	2015
Food	0.8%	2.0%	4.0%
General merchandise	1.2%	0.6%	0.3%
Total sales	0.9%	1.7%	3.1%

Gross Profit Gross profit dollars for Canadian Operations increased by 3.8% as sales growth more than offset a decrease in the gross profit rate. The lower gross profit rate was mainly due to higher third party freight costs in northern markets and the impact of price discounting in southern markets. These factors were partially offset by lower inventory shrinkage and markdowns in general merchandise.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 5.4% from 2016 and were up 32 basis points as a percentage of sales. The increase in Expenses is primarily due to the acquisition of NSA, the ramp-up costs related to expanding this business, and one-time acquisition related costs. The impact of new stores and higher incentive plan costs largely related to share-based compensation costs were also factors. Further information on share-based compensation costs is provided in Note 13 to the consolidated financial statements. These factors were partially offset by a gain related to the settlement of a fire insurance claim.

Earnings from Operations (EBIT) Earnings from operations decreased \$1.8 million or 2.5% to \$72.6 million compared to \$74.4 million in 2016 as the positive impact of higher sales and gross profit were more than offset by higher Expenses as previously noted. Earnings from operations as a percentage of sales was 6.2% compared to 6.6% last year. EBITDA from Canadian Operations increased \$2.7 million or 2.4% to \$112.4 million and was 9.6% as a percentage of sales compared to 9.8% in 2016.

Canadian EBIT & EBITDA Margins (% of sales)



Net Assets Employed Net assets employed at January 31, 2018 increased 21.8% to \$454.2 million compared to \$372.9 million at January 31, 2017, and was up 31.0% compared to \$346.8 million at January 31, 2016 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2017	2016	2015
Property and equipment	\$ 332.3	\$ 247.1	\$ 225.5
Inventories	138.4	130.3	125.7
Accounts receivable	66.8	65.9	65.2
Other assets	96.8	82.8	84.8
Liabilities	(180.1)	(153.2)	(154.4)
Net assets employed	\$ 454.2	\$ 372.9	\$ 346.8

Capital expenditures for the year included the \$30.8 million acquisition of NSA and additional investments in aircraft, hangar and distribution facilities to support NSA in providing cargo service to more of the Company's stores in northern Canada. Other capital expenditures included the opening of five new stores, Top Markets investments related to major store renovation projects, new equipment, staff housing improvements, energy-efficient lighting and refrigeration upgrades and "New Store Experience" renovations in two Giant Tiger stores.

Inventory increased \$8.1 million compared to 2016 and was up \$12.7 million compared to 2015 mainly due to new stores and a higher investment in inventory in stores serviced by sealift and winter road to take advantage of lower transportation costs. Average inventory levels in 2017 increased \$2.9 million or 2.2% compared to 2016 and were up \$9.3 million or 7.3% compared to 2015. Inventory turnover was flat to last year at 6.0 times and was down slightly compared to 6.1 times in 2015.

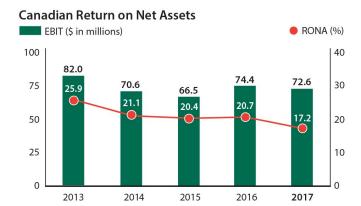
Accounts receivable were up \$0.9 million to last year and up \$1.6 million or 2.5% compared to 2015 as new NSA accounts receivable were partially offset by a decrease in fire insurance claim-related accounts receivable. Average accounts receivable were \$2.7 million or 4.3% higher than 2016 and up \$5.0 million or 8.3% compared to 2015. The increase in average accounts receivable is due in part to NSA and higher motorized merchandise sales.

Other assets increased \$14.0 million or 16.9% compared to last year and were up \$12.0 million or 14.2% compared to 2015. This increase is largely due to higher intangible assets related to new pointof-sale, merchandise management and workforce management system software as part of Project Enterprise and an increase in goodwill related to the NSA acquisition. An increase in net deferred tax assets primarily related to property and equipment and decrease in deferred limited partnership earnings was also a factor.

Liabilities increased \$26.9 million or 17.6% from 2016 and were up \$25.7 million or 16.6% compared to 2015. This increase is largely due to the NSA acquisition, higher trade accounts payable related to the timing of payment cycles and accrued share-based compensation

Further information on the assets and liabilities of NSA is provided in Note 24 to the consolidated financial statements.

Return on Net Assets The return on net assets employed for Canadian Operations decreased to 17.2% from 20.7% in 2016 due to a 2.5% decrease in EBIT and a \$62.2 million or 17.3% increase in average net assets compared to last year.



International Operations

(Stated in U.S. dollars)

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)	2017 2016				2015	
Sales	\$ \$ 604,889 \$ 545,799			\$ 544,397		
Same store sales % increase	1.8%		0.4%		5.2%	
EBITDA ⁽¹⁾	\$ 44,262	\$	43,049	\$	40,991	
EBIT	\$ 31,999	\$	33,173	\$	31,475	
Return on net assets (1)	15.8%	15.8% 19.2%			18.1%	

(1) See Non-GAAP Financial Measures section.

Sales International sales increased 10.8% to \$604.9 million compared to \$545.8 million in 2016, and were up \$60.5 million or 11.1% compared to 2015 led by the acquisition of RTW and same store sales growth in AC stores. These sales gains were partially offset by the impact of store closures in the Caribbean due to the hurricanes that occurred in the third quarter. Further information about the impact of the hurricanes is provided below. Same store sales increased 1.8% compared to 0.4% in 2016 and 5.2% in 2015. Food sales accounted for 89.5% (87.6% in 2016) of total sales with the balance comprised of general merchandise at 9.9% (11.6% in 2016) and other sales, which consists primarily of fuel sales and service charge revenue at 0.6% (0.8% in 2016).

Food sales increased 13.2% from 2016 and were up 14.1% compared to 2015. Same store food sales were up 2.3% compared to a 1.0% increase in 2016 with both AC and CUL contributing to the sales increase. Quarterly same store food sales increases were 3.0%, 2.8%, 1.2% and 2.0% in the fourth quarter.

General merchandise sales decreased 5.7% from 2016 and were down 8.7% from 2015. On a same store basis, general merchandise sales were down 1.4% compared to a decrease of 3.9% in 2016. Quarterly same store general merchandise sales decreased 3.8% in the first guarter with increases of 0.3% and 0.5% in the second and third guarters respectively and a decrease of 2.8% in the fourth guarter as same store sales growth in AC stores was more than offset by lower sales in CUL stores.

Sales in the Caribbean were negatively impacted by the hurricanes that occurred in the third quarter and continuing logistics disruptions related to shipping port capacity and reduced cargo container availability that impacted store in-stock rates. Sales in AC stores rebounded after a challenging 2016 which was impacted by deteriorated economic conditions and a 50.7% decrease in the Permanent Fund Dividend ("PFD"). The PFD was \$1,100 this year compared to \$1,022 in 2016 and \$2,072 in 2015.

Other sales, which consists of fuel sales and service charge revenue, were down 11.3% from 2016 and 16.0% from 2015 due to a decrease in fuel sales from the closure of a small Quickstop Convenience store in Kodiak, Alaska.

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

	2017	2016	2015
Food	89.5%	87.6%	87.1%
General merchandise	9.9%	11.6%	12.0%
Other	0.6%	0.8%	0.9%

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 PFD and regional native corporation dividends, which can result in greater sales volatility.

Same Store Sales

(% change)	2017	2016	2015
Food	2.3 %	1.0 %	5.4%
General merchandise	(1.4)%	(3.9)%	3.9%
Total sales	1.8 %	0.4 %	5.2%

Gross Profit Gross profit dollars increased 18.6% driven by sales growth and an increase in the gross profit rate. The increase in the gross profit rate is due to the blend of sales across the various jurisdictions partially offset by price investments in certain AC stores.

Selling, Operating and Administrative Expenses Selling, operating and administrative expenses ("Expenses") increased 25.3% compared to last year and were up 266 basis points as a percentage of sales largely due to RTW stores and one-time acquisition costs of \$4.3 million predominately related to stamp duties paid to the Government of the British Virgin Islands. These factors were partially offset by the hurricanerelated store closures.

Earnings from Operations (EBIT) Earnings from operations decreased \$1.2 million or 3.5% to \$32.0 million compared to 2016 as the positive impact of the RTW acquisition was more than offset by the one-time acquisition costs and the impact of the hurricane-related store closures. EBITDA increased \$1.2 million or 2.8% to \$44.3 million and was 7.3% as a percentage of sales compared to 7.9% in 2016.

International EBIT & EBITDA Margins (% of sales)



Net Assets Employed International Operations net assets employed increased \$24.0 million or 14.0% to last year and were up \$27.9 million or 16.6% to 2015 as summarized in the following table:

Net Assets Employed

(\$ in millions at the end of the fiscal year)	2017	2016	2015
Property and equipment	\$ 111.9	\$ 85.2	\$ 85.5
Inventories	68.0	63.6	61.1
Accounts receivable	11.3	10.0	10.0
Other assets	49.8	53.1	51.1
Liabilities	(45.3)	(40.2)	(39.9)
Net assets employed	\$ 195.7	\$ 171.7	\$ 167.8

Substantially all of the increase in net assets employed compared to last year and 2015 is due to the acquisition of RTW. Further information on the assets and liabilities of RTW is provided in Note 24 to the consolidated financial statements. The increase in property and equipment related to the RTW acquisition was partially offset by the \$5.4 million write-off of store assets destroyed in the hurricanes.

Inventories increased \$4.4 million compared to last year and were up \$6.9 million or 11.3% from 2015 as the addition of RTW inventories was partially offset by a reduction in inventory due to the hurricanerelated store closures. Average inventory levels in 2017 were up 9.1% compared to 2016 and were up 8.9% compared to 2015 and inventory turnover was down slightly to 6.1 times compared to 6.2 times last year and in 2015.

Other assets decreased \$3.3 million or 6.2% compared to last year and were down \$1.3 million compared to 2015 primarily due to lower cash balances and deferred tax assets partially offset by an increase in goodwill and intangible assets related to RTW.

Other liabilities increased \$5.1 million or 12.7% compared to 2016 and were up \$5.4 million or 13.5% compared to 2015 mainly due to an increase in trade accounts payable related to the RTW acquisition and the impact of accrued transition income tax expense related to U.S. tax reform.

Hurricanes Irma and Maria Impact In September 2017, the Company's CUL stores in St. Maarten and St. Thomas, and the RTW operations in the British Virgin Islands ("BVI") were impacted by hurricanes Irma and Maria. These category five hurricanes had a devastating impact on the people and infrastructure on these and other islands in the Caribbean. Infrastructure repairs are ongoing and the timelines for completing this work and the impact on the economy is currently indeterminable.

A CUL store in St. Maarten partially re-opened in November 2017 and is expected to be fully operational in the second half of 2018. A

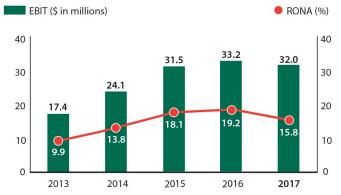
CUL store in St. Thomas, USVI, and three RTW stores in the BVI require complete reconstruction. Two of the RTW stores are expected to open in the second half of 2018 while the CUL store in St. Thomas and the remaining RTW store are expected to re-open in 2019. The timelines for completing the repair and reconstruction of these stores will depend on many factors including the state of public infrastructure and the availability of building materials and qualified trades people.

The hurricane related store closures negatively impacted sales and EBITDA by approximately \$35.1 million and \$4.1 million respectively. On an annualized basis, these stores represent approximately \$92.0 million in sales and \$6.6 million in EBITDA. In addition, the Company may incur certain ongoing expenses that are expected to be recovered through business interruption insurance.

The Company expects that its insurance proceeds will be sufficient to cover repair and reconstruction costs. The Company also has business interruption insurance that will help mitigate the earnings impact of the store closures however, the settlement of the business interruption claim is expected to take approximately 12 to 15 months to complete. The settlement of these claims and the receipt of payments are expected to result in insurance-related gains in the consolidated statements of earnings in subsequent periods.

Return on Net Assets The return on net assets employed for International Operations decreased to 15.8% compared to 19.2% in 2016 due to a 3.5% decrease in EBIT and a \$29.0 million increase 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)	2017	2016	2015		
Cash provided by (used in):					
Operating activities before change in non-cash working capital and other	\$134,222	\$ 132,351	\$ 121,424		
Change in non-cash working capital	2,271	(10,799)	5,904		
Change in other non-cash items	4,926	4,472	5,659		
Operating activities	141,419	126,024	132,987		
Investing activities	(165,861)	(77,682)	(75,813)		
Financing activities	19,928	(54,398)	(50,174)		
Effect of foreign exchange	(569)	(944)	1,114		
Net change in cash	\$ (5,083)	\$ (7,000)	\$ 8,114		

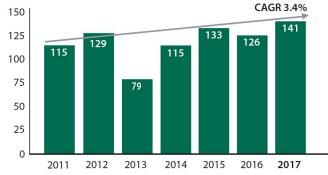
Cash from Operating Activities Cash flow from operating activities increased \$15.4 million or 12.2% to \$141.4 million compared to 2016 and was up \$8.4 million or 6.3% compared to 2015. The increase in cash flow from operating activities is mainly due to the change in non-cash working capital which positively impacted cash flow from operating activities by \$2.3 million this year compared to a decrease in cash flow of \$10.8 million in 2016 and an increase in cash flow of \$5.9 million in 2015. The change in non-cash working capital is primarily due to the change in inventories, accounts receivable and accounts payable and accrued expenses compared to the prior year. Further information on working capital is provided in the Canadian and International net assets employed section on pages 10 and 11 respectively.

The \$12.8 million increase in cash flow from operating activities before working capital and other items in 2017 compared to 2015 is due in part to higher amortization and interest expense partially offset by an increase in taxes paid due to the timing of income tax installments.

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 2018.

Since converting back to a share corporation on January 1, 2011, the compound annual growth rate ("CAGR") for cash flow from operating activities is 3.4% as shown in the following graph:

Cash Flow from Operating Activities⁽¹⁾ (\$ in millions)



(1) North West Company Fund converted from an income trust to a share corporation effective January 1, 2011. See Conversion to a Share Corporation in glossary of terms

The decrease in cash flow from operating activities in 2013 is largely due to the payment of Canadian income taxes related to the conversion to a share corporation.

Cash Used in Investing Activities Net cash used in investing activities was \$165.9 million compared to \$77.7 million in 2016 and \$75.8 million in 2015. The increase is mainly due to the acquisition of RTW and NSA partially offset by \$7.0 million in insurance proceeds received on the write-off of store assets destroyed in the hurricanes. Net investing in Canadian Operations was \$121.4 million compared to \$63.3 million in 2016 and \$68.1 million in 2015. A summary of the Canadian Operations investing activities is included in net assets employed on page 10. Net investing in International Operations was \$44.5 million compared to \$14.4 million in 2016 and \$7.7 million in 2015. A summary of the International Operations investing activities is included in net assets employed on page 11.

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 o	f Stores	Selling squa	re footage
	2017	2016	2017	2016
Northern	119	120	688,583	701,112
NorthMart	6	6	134,210	134,387
Quickstop	21	21	35,003	36,552
Giant Tiger	41	37	672,794	611,324
Alaska Commercial	27	27	269,893	278,742
Cost-U-Less	12	13	318,191	369,281
Riteway Food Market	6	_	54,712	_
Other Formats	7	8	46,366	62,254
Total at year-end	239	232	2,219,752	2,193,652

In Canadian Operations, one Quickstop convenience store and four Giant Tiger stores were opened, one Northern store in Fort Nelson, BC was closed, and the Price Chopper store under Other Formats was converted to a Giant Tiger store. Total selling square footage in Canada increased to 1,551,916 from 1,517,840 in 2016 as a result of the new stores.

In International Operations, an AC store was opened in Kiana, Alaska and a Quickstop convenience store in Kodiak, Alaska and an AC store in St. Paul, Alaska were closed. Total selling square footage decreased to 667,836 compared to 675,812 last year as the impact of the two AC store closures and the CUL hurricane-related store closures more than offset the square footage added from the acquisition of RTW.

Cash From/(Used in) Financing Activities Cash provided by financing activities was \$19.9 million compared to cash used in financing activities of \$54.4 million in 2016 and \$50.2 million in 2015. The change compared to last year is due to the issuance of \$100.0 million in senior notes which was used to reduce amounts drawn on the Company's revolving loan facilities. This change in long-term debt was partially offset by an increase in dividends and interest. Further information on dividends, interest and the loan facilities is provided in the following sections.

Shareholder Dividends The Company paid dividends of \$62.3 million or \$1.28 per share, an increase of 3.6% compared to \$60.2 million or \$1.24 per share paid in 2016. 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:

	2017	2016	2015
First Quarter	\$ 0.32	\$ 0.31	\$ 0.29
Second Quarter	0.32	0.31	0.29
Third Quarter	0.32	0.31	0.31
Fourth Quarter	0.32	0.31	0.31
Total	\$ 1.28	\$ 1.24	\$ 1.20

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.

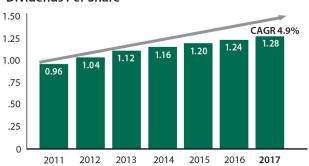
The following table shows dividends paid in comparison to cash flow from operating activities for the past three years:

	2017	2016	2015
Dividends	\$ 62,315	\$ 60,169	\$ 58,210
Cash flow from operating activities	\$ 141,419	\$ 126,024	\$132,987
Dividends as a % of cash flow from operating activities	44.1%	47.7%	43.8%

Dividends as a percentage of cash flow from operating activities has averaged 45.2% over the past three years.

Since converting back to a share corporation on January 1, 2011, the Company has increased its dividend each year with a compound annual growth rate ("CAGR") of 4.9% over the past six years as shown in the following graph:

Dividends Per Share(1)



(1) North West Company Fund converted to a share corporation effective January 1, 2011. In addition to the \$0.96 per share dividend paid in 2011, the Company also paid a \$0.09 per unit final distribution from the Fund as part of the conversion to a share corporation.

Subsequent Event - Dividends On March 15, 2018, the Board of Directors approved a quarterly dividend of \$0.32 per share to shareholders of record on March 29, 2018, to be paid on April 16, 2018.

Post-Employment Benefits The Company sponsors defined benefit and defined contribution pension plans covering the majority of Canadian employees. The Company recorded net actuarial gains on defined benefit pension plans of \$1.2 million net of deferred income taxes in other comprehensive income. This compares to net actuarial gains on defined benefit pension plans of \$2.4 million net of deferred income taxes in other comprehensive income in 2016 and net actuarial gains of \$4.6 million net of deferred income taxes in 2015. These gains in other comprehensive income were immediately recognized in retained earnings. Actuarial gains and losses occur primarily due to changes in the discount rate used to calculate pension liabilities and returns on pension plan assets.

In 2018, the Company will be required to contribute approximately \$1.7 million to the defined benefit pension plans. In addition to the cash funding, a portion of the pension plan obligation may be settled by the issuance of a letter of credit in accordance with pension legislation. In 2017, the Company's cash contributions to the pension plan were \$3.5 million compared to \$1.5 million in 2016 and \$1.6 million in 2015. 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 \$4.2 million to the defined contribution pension plan and U.S. employees savings plan in 2018 compared to \$3.1 million in 2017 and \$3.5 million in 2016. Additional information regarding post-employment benefits is provided in Note 12 to the consolidated financial statements.

Sources of Liquidity In September 2017, the Company issued \$100.0 million senior notes, the proceeds of which were used to reduce amounts outstanding on the \$300.0 million revolving loan facilities. These senior notes mature September 26, 2029 and have a fixed interest rate of 3.74%. The notes are secured by certain assets of the Company and rank pari passu with the Company's other senior debt comprised of the \$300.0 million Canadian Operations loan facilities, the US\$70.0 million senior notes and the US\$52.0 million loan facilities.

At January 31, 2018, the Canadian Operations have outstanding US\$70.0 million senior notes (January 31, 2017 - 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 Company's other senior debt. The Company has designated certain U.S. denominated debt 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 Canadian Operations also have committed, revolving loan facilities of \$300.0 million that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee. In September 2017, the maturity date was extended from April 29, 2021 to September 26, 2022. These facilities are secured by certain assets of the Company and rank pari passu with the Company's other senior debt. At January 31, 2018, the Company had drawn \$91.1 million on these facilities (January 31, 2017 - \$126.3 million).

The Company has committed, revolving loan facilities of US\$52.0 million that bear interest at U.S. LIBOR plus a spread. In September 2017, the maturity date was extended from April 29, 2021 to September 26, 2022. These facilities are secured by certain assets of the Company and rank pari passu with the Company's other senior debt. At January 31, 2018, the Company had drawn US\$27.9 million on these facilities (January 31, 2017 - US\$NIL).

The International Operations have a US\$40.0 million loan facility which matures October 31, 2020 and bears a floating rate of interest based on U.S. LIBOR plus a spread. This facility is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2018, the International Operations had drawn US\$1.4 million on this facility (January 31, 2017 - US\$9.1 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, 2018, 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.

Interest Costs and Coverage

	2017	2016	2015
Coverage ratio	11.3	16.4	17.3
EBIT (\$ in millions)	\$ 114.0	\$ 118.1	\$ 107.3
Interest (\$ in millions)	\$ 10.1	\$ 7.2	\$ 6.2

The coverage ratio of earnings from operations ("EBIT") to interest expense has decreased to 11.3 times compared to 16.4 times in 2016 largely due to a \$2.9 million increase in interest expense and a decrease in consolidated EBIT as previously noted. 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)	\$313,549	\$ —	\$ 1,776	\$211,773	\$100,000
Operating leases	174,708	31,279	43,681	27,310	72,438
Other liabilities (1)	28,352	14,164	14,188		
Total	\$516,609	\$ 45,443	\$59,645	\$ 239,083	\$172,438

 $(1) At year-end, the Company had additional long-term liabilities of \$46.0 \, million$ 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 The Company has a Master Franchise Agreement (MFA) with Giant Tiger Stores Limited, based in Ottawa, Ontario, which grants the Company the exclusive right to open Giant Tiger stores in western Canada, subject to meeting a minimum store opening commitment. 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,

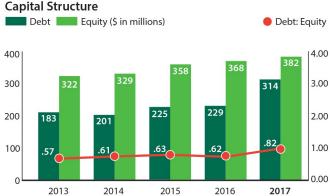
owning, operating and providing food buying and distribution services to the stores. At January 31, 2018, the Company owns 41 Giant Tiger stores and is in compliance with the minimum store opening commitment. The agreement expires July 31, 2040. Additional information on commitments, contingencies and 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 \$22 million (January 31, 2017 - \$16 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 \$313.5 million in debt and \$382.2 million in equity at the end of the year and a debt-to-equity ratio of 0.82:1 compared to 0.62:1 last year.



The Company's capital structure is summarized in the preceding graph. Over the past four years, the Company's debt-to-equity ratio has ranged from .57:1 to .82:1. Equity has increased \$59.7 million or 18.5% to \$382.2 million over the past four years and interest-bearing debt has increased \$130.7 million or 71.5% to \$313.5 million compared to \$182.9 million in 2013. From 2013 to 2017, the Company has made capital expenditures, including acquisitions, of \$422.5 million and has paid dividends of \$291.1 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 \$84.3 million or 36.8% to \$313.5 million compared to \$229.3 million in 2016, and was up \$88.1 million or 39.1% from \$225.5 million in 2015. The increase in debt is due to the issuance of \$100.0 million senior notes and higher amounts drawn on the revolving loan facilities largely resulting from the acquisition of RTW and NSA. This increase was partially offset by the impact of foreign exchange on the translation of U.S. denominated debt. The Company has US\$99.4 million in debt at January 31, 2018 (January 31, 2017 - US\$79.1 million, January 31, 2016 - US\$75.6 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, 2018 was 1.2301 compared to 1.3030 at January 31, 2017 and 1.4080 at January 31, 2016. The change in the foreign exchange rate resulted in a \$7.2 million decrease in debt compared to 2016 and a \$17.7 million decrease compared to 2015. Average debt outstanding during the year excluding the foreign exchange impact increased \$68.1 million or 32.3% from 2016 and was up \$93.1 million or 50.1% compared to 2015. The debt outstanding at the end of the fiscal year is summarized as follows:

(\$ in thousands at the end of the fiscal year)	2017	2016	2015
CAD\$ senior notes	\$ 100,000	\$ —	\$ —
US\$ senior notes	85,760	91,035	98,350
Canadian revolving loan facilities	91,648	126,344	119,193
U.S. revolving loan facilities	36,141	11,887	7,946
Total	\$ 313,549	\$ 229,266	\$ 225,489

Shareholders' Equity The Company has an unlimited number of authorized shares and had issued and outstanding shares at January 31, 2018 of 48,690,212 (January 31, 2017 - 48,542,514). 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, 2018, there were 2,919,117 options outstanding representing approximately 6.0% of the issued and outstanding shares. Further information on share options is provided in Note 13 to the consolidated financial statements.

On June 14, 2017, the Company's Common Shares were replaced by Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes cast at such meeting. Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the Canada Transportation Act). At January 31, 2018 there were 12,557,051 Variable Voting Shares, representing 25.8% of the total shares issued and outstanding. Further 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 decreased to \$7.50 per share compared to \$7.51 per share in 2016. Total shareholders' equity increased \$14.4 million or 3.9% compared to 2016 as shares issued in connection with the acquisition of RTW and the related impact of non-controlling interests more than offset the impact of lower net earnings and an increase in dividends. Further information is provided in the consolidated statements of changes in shareholders' equity in the consolidated financial statements.

QUARTERLY FINANCIAL INFORMATION

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, variability in share-based compensation costs related to changes in the Company's share price and other factors which can affect net earnings.

The following is a summary of selected quarterly financial information:

(\$ thousands)		Q1		Q2		Q3		Q4 ⁽¹⁾		Total
Sales										
2017	\$ 4	476,822	\$	507,873	\$.	479,292	\$.	489,756	\$1	1,953,743
2016	\$ 4	438,974	\$.	460,567	\$.	463,959	\$.	480,593	\$	1,844,093
EBITDA										
2017	\$	30,115	\$	47,304	\$	45,612	\$	46,593	\$	169,624
2016	\$	37,640	\$	38,857	\$	51,140	\$	38,861	\$	166,498
Earnings from	m o	peration	ıs (l	EBIT)						
2017	\$	16,740	\$	33,192	\$	31,824	\$	32,215	\$	113,971
2016	\$	25,613	\$	26,954	\$	39,082	\$	26,482	\$	118,131
Net earnings	;									
2017	\$	9,071	\$	23,261	\$	21,034	\$	16,325	\$	69,691
2016	\$	17,794	\$	16,423	\$	27,865	\$	14,994	\$	77,076
Net earnings	att	tributabl	e t	o shareh	old	ers of th	e C	ompany		
2017	\$	8,386	\$	22,720	\$	20,648	\$	15,400	\$	67,154
2016	\$	17,794	\$	16,423	\$	27,865	\$	14,994	\$	77,076
Earnings per	sh	are-basio	=							
2017	\$	0.17	\$	0.47	\$	0.42	\$	0.32	\$	1.38
2016	\$	0.37	\$	0.34	\$	0.57	\$	0.31	\$	1.59
Earnings per	sh	are-dilut	ed							
2017	\$	0.17	\$	0.46	\$	0.42	\$	0.31	\$	1.36
2016	\$	0.36	\$	0.34	\$	0.57	\$	0.30	\$	1.57

(1) Fourth Quarter Subsequent Event The Company reported its fourth quarter unaudited interim period condensed consolidated financial statements on March 15, 2018. On April 2, 2018, the U.S. Department of the Treasury and the Internal Revenue Service issued notice 2018-26 providing additional guidance on H.R. 1, the Tax Cuts and Jobs Act ("U.S. Tax Reform") including the calculation of the Deemed Repatriation Transition Tax ("transition tax"). As a result of this additional guidance, the Company recorded an additional estimated transition tax of \$1.9 million on accumulated undistributed earnings in foreign subsidiaries in its annual audited consolidated financial statements for the year ended January 31, 2018. This adjustment increased income tax expense and decreased net earnings by \$1.9 million (US\$1.5 million) from the amounts previously reported in the fourth quarter unaudited interim consolidated financial statements for both the fourth quarter and the year ended January 31, 2018. The impact of the \$1.9 million increase in income tax expense has been included in the quarterly financial information table above and reflected in the fourth quarter highlights that follow.

Fourth Quarter Highlights Fourth quarter consolidated sales increased 1.9% to \$489.8 million due to the acquisition of RTW in International Operations and NSA in Canadian Operations. Same store sales gains in International Operations were also a factor. These gains were partially offset by store closures related to hurricanes in the Caribbean and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, consolidated sales increased 4.2% and were up 0.3% on a same store basis. Food sales² increased 1.2% but were flat to last year on a same store basis. General merchandise sales² increased 1.8% and were up 1.3% on a same store basis.

Gross profit dollars were up 3.8% driven by the acquisition related sales growth and a 56 basis point increase in gross profit rate compared to last year. The increase in gross profit rate is mainly due to sales blend changes across the various jurisdictions.

Selling, operating and administrative expenses ("Expenses") decreased 0.2% and were down 51 basis points as a percentage to sales as expenses related to the RTW and NSA acquisitions and new stores in Canadian Operations were more than offset by the impact of lower share-based compensation costs and hurricane-related store closures.

The decrease in share-based compensation costs of \$9.2 million was largely due to an option expense recovery of \$2.8 million this year compared to an option expense of \$4.6 million last year. A substantial portion of the options granted are accounted for as a liability and are re-measured based on the share price at each quarterly reporting date. The lower option expense this quarter was due to a decrease in the share price in the quarter this year compared to an increase in the share price in the fourth quarter last year.

Earnings from operations ("EBIT") increased \$5.7 million or 21.6% to \$32.2 million compared to \$26.5 million last year due to the impact of the RTW and NSA acquisitions and lower share-based compensation previously noted. These gains were partially offset by the impact of the hurricane-related store closures.

Earnings before interest, income taxes, depreciation and amortization (EBITDA³) increased \$7.7 million or 19.9% to \$46.6 million. Excluding the impact of the share option expense, adjusted EBITDA³ was up 0.7% compared to last year and as a percentage to sales was 8.9% compared to 9.0% last year.

Interest expense increased \$1.3 million to \$3.1 million due to an increase in long-term debt largely related to the financing of the RTW and NSA acquisitions and higher interest rates.

Income tax expense increased \$3.1 million to \$12.8 million and the consolidated effective tax rate was 44.0% compared to 39.3% last year. The increase in the effective tax rate is due to the impact of one-time income tax expense related to U.S. tax reform. These changes resulted in an income tax expense of \$5.8 million for the remeasurement of deferred tax assets and liabilities and the transition tax on undistributed earnings in certain of the Company's foreign subsidiaries. These factors more than offset the impact of changes in earnings of the Company's subsidiaries across various tax jurisdictions and the change in non-taxable share-based compensation costs in Canadian Operations compared to last year.

Net earnings increased 8.9% to \$16.3 million. Net earnings attributable to shareholders of the Company were \$15.4 million and diluted earnings per share were \$0.31 per share compared to \$0.30 per share last year due to the factors noted above. Excluding the impact of share-based compensation option expense and the one-time tax expense related to U.S. tax reform, adjusted net earnings³ decreased 1.3%.

⁽²⁾ Excluding the foreign exchange impact.

⁽³⁾ See Non-GAAP Financial Measures Section in the 2017 fourth quarter report to shareholders.

Working capital decreased \$11.9 million compared to the fourth quarter last year as the impact of the net working capital in RTW and NSA was more than offset by higher trade accounts payable and accrued expenses in Canadian Operations largely related to timing of payments and an increase in accrued incentive plan costs. Changes in the foreign exchange rate used to translate International Operations balance sheets was also a factor. The exchange rate used to convert U.S. denominated International Operations balance sheets into Canadian dollars at January 31, 2018 was 1.2301 compared to 1.3030 last year.

Cash flow from operating activities in the quarter increased \$4.0 million to \$55.5 million compared to cash flow from operating activities of \$51.5 million last year. This increase is primarily due to higher net earnings and a decrease in taxes paid due to timing of installments. These positive impacts were partially offset by the change in non-cash working capital largely due to the change in inventory and accounts receivable compared to last year.

Cash used for investing activities in the quarter increased to \$40.0 million compared to \$23.8 million last year due to the purchase of aircraft and equipment to expand the number of stores serviced by NSA. Investments related to the implementation of a new point-ofsale and merchandise management system were also factors.

Cash used in financing activities in the quarter was \$42.9 million compared to \$44.5 million last year. The net change in long-term debt in the guarter is due to a decrease in amounts drawn on the Company's revolving loan facilities.

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, 2018.

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 Internal Control - Integrated Framework published by The Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework"), 2013, the Company's CEO and CFO have concluded that the internal controls over financial reporting were designed and operated effectively as at January 31, 2018.

Management has limited the scope of the design of internal controls over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of Roadtown Wholesale Trading Ltd. ("RTW") operating primarily as Riteway Food Markets in the British Virgin Islands and North Star Air Ltd. ("NSA"). RTW and NSA were acquired February 9, 2017 and June 15, 2017 respectively and their operating results have been included in the 2017 annual consolidated financial statements for the period ended January 31, 2018. The scope limitation is due to the time required for the Company to assess disclosure controls & procedures and internal controls over financial reporting at both RTW and NSA in a manner consistent with its other operations. This limitation is in accordance with Section 3.3 of National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings, which allows an issuer to limit its design of internal controls over financial reporting and disclosure controls and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates.

Other than as described above, there have been no changes in the internal controls over financial reporting for the year ended January 31, 2018 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting. The assessment of the design of internal controls over financial reporting and disclosure controls and procedures for RTW and NSA are on track for completion by the first and second quarters of 2018, respectively.

Since the date of the RTW and NSA acquisitions, the impact on sales was an increase of \$133.5 million and the impact on net earnings was an increase of \$6.4 million. The net earnings increase of \$6.4 million includes \$6.2 million in acquisition costs, net of tax, substantially related to stamp duty paid to the Government of the British Virgin Islands. Further financial information on the acquisition of RTW and NSA is included in Note 24 to the annual consolidated financial statements.

OUTLOOK

As noted under the Strategy section, the Company's principal focus continues to be on its store network, people, products and facilities. The successful execution of this enables the Company to capture market share and sales at a higher rate, while focusing on lower-risk products and services. Priority work in 2018 will include implementing hurricane recovery plans in the Caribbean and post-acquisition plans for RTW and NSA, with an emphasis on growing these regions and businesses to their full potential.

The short-term consumer income outlook is stable to positive and aligns with the Company's lower risk product and service focus, augmented by opportunistic investments. Northern Canada is seeing more mining development activity, public infrastructure investment and spending on indigenous programming which is expected to continue over the next two to five years. The western Canadian retail environment is important for our Giant Tiger business and we expect to face ongoing low food inflation and price competition within this region combined with modest growth in competitive selling space.

Economic conditions in Alaska are expected to recover modestly from depressed conditions over the past two years led by stronger commercial fishing and more oil and gas activity. The impact of lower corporate income tax rates as a result of U.S. tax reform will have a positive impact on net earnings in International Operations starting in

CUL market prospects vary significantly from island to island and overall, with the exception of the islands impacted by hurricanes Irma and Maria, are expected to be comparable to 2017. As previously noted in the International Operations section, it is uncertain how long it will take for major infrastructure repairs to be completed on these islands and what the economic impacts will be over the medium term as the rebuilding efforts continue.

Net capital expenditures for 2018 are expected to be in the \$108.0 million range (2017 - \$165.9 million) reflecting investments in aircraft and major store replacements, store renovations, fixtures, equipment, staff housing and store-based warehouse expansions under the Company's Top Markets and Top Categories initiatives; the opening of three Giant Tiger stores and the completion of "New Store Experience" upgrades in GT stores. The Company will also continue to invest in implementing new information systems as described under the strategy section. Finally, expenditures include approximately \$21.0 million in hurricane-related construction costs which the Company expects to recover through insurance proceeds. The receipt of insurance proceeds on the reconstruction and the settlement of business interruption insurance claims are expected to result in insurance-related gains in the consolidated statements of earnings in subsequent periods.

In 2019, the Company expects that sustaining capital expenditures, including sustaining investments in aircraft, will be in the range of \$60.0 million plus approximately \$12.0 million in hurricanerelated capital expenditures which are expected to be recovered through insurance. 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:

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-intraining programs as part of the Pure Retail initiative.

Transport Canada has proposed new regulations with respect to pilot fatigue and flight duty times. The proposed regulations are currently under review and are expected to be finalized in 2018 with implementation over the following 1-5 years. Depending on the content of the finalized regulations, there may be an increase in the number of pilots required by NSA. An existing global shortage of pilots may result in an inability to attract and retain a sufficient number of qualified pilots to meet its operational requirements. In addition to pilots, the inability to attract and retain personnel with the required aviation industry expertise at a reasonable cost could have a negative impact on the Company's financial performance and reputation.

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. The Company's Pure Retail initiative is focused on 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.

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.

Information Technology and Cyber Security 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 began the implementation of a new point-of-sale, workforce management and merchandise management systems which are described further in the strategy section under Initiative #4, Project Enterprise. 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 adversely 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 also relies on the integrity and continuous availability of its IT systems. These IT systems are exposed to the risks of "cyber-attack", including viruses that can paralyze IT systems or result in unauthorized access to private customer information or confidential Company information.

The Company has implemented security software and measures, including monitoring, testing and employee training, to prevent unauthorized access to its IT systems and confidential information, and to reduce the likelihood of disruptions. Cyber-attacks are constantly evolving and are becoming more frequent and sophisticated in nature and there is a risk that the Company's security measures may be breached or unauthorized access may not be detected on a timely basis. Any prolonged failure relating to IT system availability, breaches of IT system security, or a significant loss of data, an impairment of data integrity or unauthorized access to private and confidential information, could adversely affect the financial performance and reputation of the Company and may result in regulatory enforcement actions or litigation.

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, aircraft, 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. To help mitigate these risks, the Company acquired North Star Air Ltd. in 2017 and has an investment in Transport Nanuk Inc., an arctic shipping company, which provides the Company with greater control over key components of our logistics network and service to our stores in northern Canada.

Climate and Natural Disasters The Company's operations are exposed to extreme weather conditions ranging from blizzards to hurricanes, typhoons and cyclones 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 and tsunamis which can result in loss of life and destruction of assets. The destruction of assets and the impact on the local economy resulting from these types of extreme weather conditions, particularly where more than one location is impacted, could have a material adverse effect on the operations and financial performance of the Company.

The impact of warmer ocean water temperatures has increased the risk of frequency, severity and duration of hurricanes and typhoons. In 2017, islands in the Caribbean were devastated by two category five hurricanes which resulted in the destruction of four of the Company's stores and significantly damaged a CUL store in St. Maarten. Rebuilding will significantly increase resiliency to future hurricanes, however certain markets remain exposed to this risk. Further information on the impact of these hurricanes is provided in the International Operations financial performance section.

Global warming conditions would also have a more pronounced effect, both positive and negative, on the Company's most northern latitude stores.

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 and could have an adverse effect on the Company's operations and financial condition.

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.

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 could also be negatively affected by higher household energy-related expenses which could have an adverse effect on the Company's 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. The Company also has aviation fuel storage containers and operates aviation fuel

dispensing equipment. Contamination resulting from gasoline, heating and aviation 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.

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, securities laws, duties, currency repatriation, health and safety, employment standards, Payment Card Industry ("PCI") standards, anti-money laundering ("AML") regulations, licensing requirements, product packaging and labeling regulations and zoning laws. The airline industry is also subject to extensive legal, regulatory and administrative controls and oversight, including airline safety standards. 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, loss of operating licenses 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.

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.

Food and Product Safety The Company is exposed to risks associated with food safety, product handling and general merchandise product defects. The Company also operates pharmacies and provides telepharmacy services and is subject to risks associated with errors made through medication dispensing or patient consultation. Food sales represent approximately 80% 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 and could lead to unforeseen liabilities from legal claims. The Company has food preparation, handling, dispensing 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.

NSA also relies upon suppliers and third party service partners for specialized aviation parts and aircraft maintenance services. A prolonged disruption affecting the supply of parts or provision of maintenance services could negatively impact the availability of aircraft to service the Company's customers, or result in higher than anticipated costs, which could have an adverse affect on the Company's financial performance and reputation.

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 and Casualty Losses 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 final judgment amount and the provision would become an expense or a recovery in the period such claim was resolved.

Consistent with risks inherent in the aviation industry, NSA could be subject to large liability claims arising out of major accidents or disasters involving aircraft which can result in serious injury, death or destruction of property. Accidents and disasters may occur from factors outside of the Company's control such as severe weather, lightning strikes, wind shear and bird strikes. Any such accident or disaster could have a material adverse effect on the Company's reputation, results from operations and financial condition.

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 13 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 and is arranged with financially stable insurance companies as rated by professional rating agencies. There can be no assurance that the Company's insurance program will be sufficient to cover one or more large claims, or that any given risk will be mitigated in all circumstances. There can also be no assurance that the Company will be able to continue to purchase insurance coverage at reasonable rates. To the extent that the Company's insurance policies do not provide sufficient coverage for a loss, it could have an adverse impact on the Company's operating results and financial condition.

Dependence on Key Facilities There are five major distribution centres which are located in Winnipeg, Manitoba; Anchorage, Alaska; San Leandro, California; Port of Tacoma, Washington; and a third party managed facility in Miami, Florida. In addition, the Company's Canadian Operations support office is located in Winnipeg, Manitoba, NSA's support office is located in Thunder Bay, Ontario 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, pension plan contributions and planned sustaining and growthrelated capital expenditures, and regularly monitoring actual and forecasted cash flow and debt levels. At January 31, 2018, the Company had undrawn committed revolving loan facilities available of \$266.6 million (January 31, 2017 - \$264.7 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 14. At January 31, 2018, the Company had US\$99.4 million in U.S. denominated debt compared to US\$79.1 million at January 31, 2017 and US\$75.6 million at January 31, 2016. 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

The Company is also exposed to currency risk relating to the translation of International Operations earnings to Canadian dollars. In 2017, the average exchange rate used to translate U.S. denominated earnings from the International Operations was 1.2930 compared to 1.3169 last year. The Canadian dollar's appreciation in 2017 compared to the U.S. dollar in 2016 negatively impacted consolidated net earnings by \$0.5 million. In 2016, the average exchange rate was 1.3169 compared to 1.2971 in 2015 which resulted in an increase in 2016 consolidated net earnings of \$0.4 million compared to 2015.

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. In 2017, the Company issued \$100.0 million in senior notes which mature September 26, 2029 and have a fixed interest rate of 3.74%. The proceeds of the senior notes were used to reduce amounts outstanding on the \$300.0 million revolving loan facilities which have a floating rate of interest. Further information on long-term debt is provided in Note 11 to the consolidated financial statements. As at January 31, 2018, the Company had no outstanding 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 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, 2018 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 rate used to measure the benefit plan obligations for fiscal 2017 was 3.5% compared to 4.0% in 2016 and 2015. Management assumed a rate of compensation increase of 4.0% for fiscal 2017 - 2015.

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, including the sensitivity of a 100 basis point change in the discount rate, is provided in Note 12 to the consolidated financial statements.

Amortization of Long-lived Assets The Company makes estimates about the expected useful lives of long-lived assets, including aircraft, the expected residual values of the assets and the most appropriate method to reflect the realization of the assets future economic benefit. This includes using judgment to determine which asset components constitute a significant cost in relation to the total cost of an asset. Changes to these estimates, which can be significant, could be caused by a variety of factors, including changes in expected useful lives or residual values, changes to maintenance programs and changes in utilization of the aircraft. Estimates and assumptions are evaluated at least annually and any adjustments are accounted for as a change in estimate, on a prospective basis, through amortization expense in the Company's consolidated statement of earnings.

Business Combinations The Company's accounts for business combinations using the acquisition method of accounting which requires the acquired assets and assumed liabilities to be recorded at their estimated fair values. Judgment is required to determine the fair value of the assets and liabilities with the most significant judgment and assumptions required to determine the estimated fair values of intangible assets, particularly trade names.

The Company uses the royalty relief method to determine the fair value of the trade name intangible assets. This technique values the intangible assets based on the present value of the expected after-tax royalty cash flow stream using a hypothetical licensing arrangement. Significant assumptions include, among others, the determination of projected revenues, royalty rate, discount rates and anticipated average income tax rates.

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 2017 and determined that the recoverable amount 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 2017

New Standards Implemented The Company adopted amendments to IAS 7, Statement of Cash Flows and IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses effective February 1, 2017 as required by the IASB.

The IAS 7 amendments provide guidance on the disclosure of liabilities that form part of an entity's financing activities. The amendments had no material impact on the consolidated financial statements.

The IAS 12 amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. These amendments had no impact on the consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2018, and have not been applied in preparing these consolidated financial statements.

Financial Instruments The amended IFRS 9, Financial Instruments is a multi-phase project with the goal of improving and simplifying financial instrument reporting. The Company will adopt IFRS 9 on February 1, 2018. The standard establishes new principles for:

- New requirements for the classification and measurement of financial assets and liabilities. 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.
- A single forward-looking "expected credit loss" impairment
- New general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize effectiveness, however it will provide more strategies that may be used for risk management to qualify for hedge accounting and introduces more judgment to assess the effectiveness of a hedging relationship.
- Required disclosures about an entity's risk management strategy and the impact of hedge accounting on the consolidated financial statements.

The Company does not believe that either the new classification requirements or the new hedge accounting requirement will have a material impact on its accounting for financial instruments. Under IFRS 9, the Company's financial assets and financial liabilities will be classified and measured at amortized cost. The Company's net investment hedging relationship meets the new hedging requirements.

The Company will apply a new forward-looking lifetime expected credit loss ("ECL") impairment model to its accounts receivable based on historical trends, timing of recoveries and management's judgment. The change in ECL's will be recognized in earnings and reflected as an allowance against accounts receivable. In accordance with the transitional provisions of IFRS 9 which requires retrospective application without restatement (modified retrospective approach), the initial measurement difference is an adjustment to retained earnings. This adjustment is not expected to be significant.

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. A contract-based five step analysis is used to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced. The Company will adopt this standard effective February 1, 2018. The impact of adopting this standard on reported earnings is not expected to be significant.

Share based payment In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* in relation to the classification and measurement of share-based payment transactions; specifically, accounting for cash-settled share-based transactions, share-based payment transactions with a net settlement feature and modifications of share-based payment transactions that change classification from cash-settled to equity settled. The Company will adopt IFRS 2 on February 1, 2018. As a practical simplification, the amendments can be applied prospectively. The Company does not expect a material impact on its consolidated financial statements as a result of these changes.

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. The Company continues to evaluate the effect this standard will have on its consolidated financial statements, and expects the impact to be material. Under the new standard the Company will recognize new right of use assets and lease liabilities for its operating leases of land, buildings and equipment. In addition, the nature and timing of leasing expenses will change as straight line operating lease expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities.

On transition the Company can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The Company plans to apply IFRS 16 initially on February 1, 2019 and has not yet determined which transition approach to apply. As a result, the Company has not yet quantified the impact on its reported assets and liabilities since it will depend on the transition method chosen. The Company is continuing to analyze the impact of this change on its leases, including the impacts on our accounting system, processes and internal controls.

Annual Improvements In December 2017, the IASB issued amendments to IFRS 3, *Business Combinations*; IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs*. These amendments are effective for the Company February 1, 2019. The Company is currently assessing the potential impacts of these amendments.

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

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

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA

(\$ in thousands)	2017	2016	2015
Net earnings	\$ 69,691	\$ 77,076	\$ 69,779
Add:			
Amortization	55,653	48,367	44,026
Interest expense	10,145	7,220	6,210
Income taxes	34,135	33,835	31,332
EBITDA	\$ 169,624	\$ 166,498	\$ 151,347
Add:			
Acquisition costs	6,344	_	_
Share-based compensation option expense	2,886	2,510	5,408
Adjusted EBITDA	\$ 178,854	\$ 169,008	\$ 156,755

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

Reconciliation of consolidated net earnings to adjusted net earnings:

(\$ in thousands)	2017	2016	2015
Net earnings	\$ 69,691	\$ 77,076	\$ 69,779
Add:			
Acquisition costs, net of tax	6,188	_	_
Share-based compensation option expense	2,886	2,510	5,408
U.S. Tax reform transition and deferred tax expense	5,835	_	
Adjusted Net Earnings	\$ 84,600	\$ 79,586	\$ 75,187

Acquisition costs were incurred to complete the North Star Air Ltd. and Roadtown Wholesale Trading Ltd. transactions. They comprise stamp duty, external legal fees and other costs all of which are included in selling, operating and administrative expenses.

The Company is exposed to market price fluctuations in its share price through share-based compensation costs. Accrued share-based compensation is presented as a liability on the Company's consolidated balance sheets. This liability is recorded at fair value at each reporting date based on the market price on the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses.

U.S. tax reform transition and deferred tax expense were incurred due to new corporate tax legislation enacted in December 2017. They comprise a one-time transition tax on undistributed accumulated earnings in foreign owned subsidiaries and also the re-measurement of deferred tax assets and liabilities.

(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)	2017	2016	2015
Total assets	\$ 930.9	\$ 805.8	\$ 793.8
Less: Total liabilities	(548.8)	(438.0)	(436.2)
Add: Total long-term debt	313.5	229.3	225.5
Net Assets Employed	\$ 695.6	\$ 597.1	\$ 583.1

(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

AC Alaska Commercial Company store banner.

Basic earnings per share Net earnings attributable to shareholders of The North West Company Inc. 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.

Book value per share Equity attributable to shareholders of The North West Company Inc. divided by the number of shares, basic or diluted, outstanding at the end of the year.

 $\textbf{CGAAP (Canadian generally accepted accounting principles)} \quad \textbf{The}$ 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.

Conversion to a Share Corporation On January 1, 2011, the North West Company Fund (the "Fund") completed a 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 MD&A contains references to "shareholders". "shares" and "dividends" which were previously referred to as "unitholders", "units" and "distributions" under the Fund.

CUL Cost-U-Less store banner.

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 attributable to shareholders of The North West Company Inc. 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.

GT Giant Tiger store banner.

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. 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.

NSA North Star Air Ltd. A regional airline providing cargo and passenger services.

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.

RTW Roadtown Wholesale Trading Ltd. collectively consisting of the Riteway Food Markets banner, a Cash and Carry store and a significant wholesale operation.

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. Each fiscal year has 365 days of operations with the exception of a "leap year" which has 366 days of operations as a result of February 29. The following table summarizes the fiscal year:

Fiscal Year	Year-ended	Fiscal Year	Year-ended
2017	January 31, 2018	2011	January 31, 2012
2016	January 31, 2017	2010	January 31, 2011
2015	January 31, 2016	2009	January 31, 2010
2014	January 31, 2015	2008	January 31, 2009
2013	January 31, 2014	2007	January 31, 2008
2012	January 31, 2013	2006	January 31, 2007

Eleven-Year Financial Summary

Fiscal Year ⁽¹⁾								
(\$ in thousands)	2017	2016		2015		2014		2013
Consolidated Statements of Earnings								
Sales - Canadian Operations	1,171,621	\$ 1,125,330	\$1	,089,898	\$1	,042,168	\$1,	022,985
Sales - International Operations	782,122	718,763		706,137		582,232		520,140
Sales - Total	1,953,743	1,844,093	1	,796,035	1	,624,400	1,	543,125
EBITDA ⁽³⁾ - Canadian Operations	112,393	109,736		98,276		100,896		111,225
EBITDA ⁽³⁾ - International Operations	57,231	56,762		53,071		36,942		27,111
EBITDA ⁽³⁾ - Total Operations	169,624	166,498		151,347		137,838		138,336
Amortization - Canadian Operations	39,796	35,291		31,781		30,302		29,258
Amortization - International Operations	15,857	13,076		12,245		10,070		9,018
Amortization - Total	55,653	48,367		44,026		40,372		38,276
Interest	10,145	7,220		6,210		6,673		7,784
Income taxes	34,135	33,835		31,332		27,910		28,013
Net earnings attributable to shareholders of the Company	67,154	 77,076		69,779		62,883		64,263
Cash flow from operating activities	141,419	126,024		132,987		115,086		79,473
Dividends/distributions paid during the year	62,315	60,169		58,210		56,180		54,229
Capital and intangible asset expenditures	122,035	77,745		75,983		52,329		43,207
Net change in cash	(5,083)	(7,000)		8,114		6,776		(16,322)
Consolidated Balance Sheets								
Current assets	\$ 335,003	\$ 327,938	\$	335,581	\$	315,840	\$	299,071
Property and equipment	469,993	358,121		345,881		311,692		286,875
Other assets, intangible assets and goodwill	91,502	86,909		83,293		68,693		64,969
Deferred tax assets	34,450	32,853		29,040		28,074		19,597
Current liabilities	171,212	152,244		155,501		146,275		209,738
Long-term debt and other liabilities	377,580	285,792		280,682		248,741		138,334
Total Equity	382,156	367,785		357,612		329,283		322,440
Consolidated Dollar Per Share/Unit (\$) ⁽⁵⁾								
Net earnings - basic	\$ 1.38	\$ 1.59	\$	1.44	\$	1.30	\$	1.33
Net earnings - diluted	1.36	1.57		1.43		1.29		1.32
EBITDA ^{(3),(4)}	3.48	3.43		3.12		2.85		2.86
Cash flow from operating activities ⁽⁴⁾	2.91	2.60		2.74		2.38		1.64
Dividends/distributions paid during the year ⁽⁴⁾	1.28	1.24		1.20		1.16		1.12
Equity (basic shares/units outstanding end of year)	7.60	7.57		7.37		6.80		6.66
Market price at January 31	29.14	 29.28		30.53		26.56		25.42
Statistics at Year End								
Number of stores - Canadian	188	185		181		178		178
Number of stores - International	51	47		47		47		48
Selling square feet (000's) end of year - Canadian Stores	1,552	1,518		1,463		1,422		1,386
Selling square feet (000's) end of year - International Stores	668	676		676		676		696
Sales per average selling square foot - Canadian	\$ 763	\$ 755	\$	756	\$	742	\$	741
Sales per average selling square foot - International	\$ 1,164	\$ 1,063	\$	1,045	\$	849	\$	767
Number of employees - Canadian Operations	5,915	5,715		5,482		4,921		4,839
Number of employees - International Operations Average charge (units outstanding (000's)	2,119	1,882		1,896		1,726		1,853
Average shares/units outstanding (000's)	48,680	48,524		48,509		48,432		48,413
Shares/Units outstanding at end of fiscal year (000's) Shares/Units traded during the year (000's)	48,690 38,836	48,542 49,189		48,523 35,631		48,497 24,080		48,426 17,623
Financial Ratios	36,630	 49,109		33,031		24,000		17,023
EBITDA ⁽³⁾ (%)	8.7	9.0		8.4		8.5		9.0
Earnings from operations (EBIT) (%)	5.8	6.4		6.0		6.0		6.5
Total return on net assets ⁽³⁾ (%)	16.7	20.1		19.5		18.4		20.0
Return on average equity ⁽³⁾ (%)	18.3	21.8		20.6		19.3		21.0
Debt-to-equity	.82:1	.62:1		.63:1		.61:1		.57:1
Dividends/distributions as % of cash flow from operating activities	44.1	47.7		43.8		48.8		68.2
Inventory turnover (times per year)	6.0	6.1		6.2		5.7		5.6
(i) The Australia of Control of C	(2) The finance	 ulta for 2000	_	0.2		5.7		5.0

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

⁽²⁾ The financial results for 2009 to 2007 are reported in accordance with CGAAP and have not been restated to IFRS.

					_	C 4 4 D(2)		- A A D(2)	_	C 4 4 D(2)	
2012		2011		2010	C	GAAP ⁽²⁾	C	GAAP ⁽²⁾	C	GAAP ⁽²⁾	Fiscal Year ⁽¹⁾
 2012		2011		2010		2009		2008		2007	(\$ in thousands) Consolidated Statements of Earnings
¢1 0.42 0E0	ć1 0°	00 206	٠ ،	170 661	خ.	021 621	٠ ,	200 262	ċ	052 772	Sales - Canadian Operations
\$1,043,050 470,596		20,390 56,740		978,662		921,621 522,745		399,263 493,371		852,773	Sales - Canadian Operations Sales - International Operations
				469,442		,				211,717	Sales - International Operations Sales - Total
1,513,646		95,136	1,4	448,104	١,	444,366 96,599	1,	392,634	1,	064,490	EBITDA ⁽³⁾ - Canadian Operations
106,510		97,998		98,781				90,606		87,410	EBITDA ⁽³⁾ - Canadian Operations EBITDA ⁽³⁾ - International Operations
27,207 133,717		27,883	1	26,983		33,675		31,651		19,147	EBITDA ⁽³⁾ - Total Operations
 29,155		25,881		125,764		130,274		122,257		106,557	Amortization - Canadian Operations
7,994		28,745 7,827		27,511 7,981		26,727 8,423		24,501 7,553		22,634 4,316	Amortization - Canadian Operations Amortization - International Operations
37,149		7,827 36,572		35,492		35,150		32,054		26,950	Amortization - International Operations Amortization - Total
6,979		6,026		6,077		5,470		8,307		7,465	Interest
25,701		25,322		14,539		7,841		6,518		9,151	Income taxes
63,888		57,961		69,656		81,813		75,378		62,991	Net earnings attributable to shareholders of the Company
 128,992		15,469		114,564		107,973		90,178		93,591	Cash flow from operating activities
50,320		50,797		68,700		67,245		67,730		54,667	Dividends/distributions paid during the year
51,133		16,376		37,814		45,294		46,118		44,409	Capital and intangible asset expenditures
11,691		(4,247)		3,953		1,548		3,998		(368)	Net change in cash
 11,021		(4,247)		3,233		1,540		3,220		(300)	Consolidated Balance Sheets
¢ 202.00¢	ć 20	25.026	٠.	204700	,	205.042	۸.	205.000	,	254061	
\$ 303,896				284,789		285,843		285,088		254,061	Current assets
274,027		70,370		259,583		258,928	•	248,856		223,397	Property and equipment
60,567		3,289		55,199		73,177		68,632		50,492	Other assets, intangible assets and goodwill Deferred tax assets
12,904 190,184		7,422		17,017		5,852		6,597		1,720	Current liabilities
164,960		28,002 15,206		185,377 144,736		171,946 161,928		172,216 162,547		134,899 138,470	Long-term debt and other liabilities
296,250		3,709		286,475		289,926		274,410		256,301	Total equity
 290,230		55,709		200,473		209,920		2/4,410		230,301	Consolidated Dollar Per Share/Unit (\$) ⁽⁵⁾
ć 122	<u> </u>	1 20	,	1 45	,	1 71	,	1.50	,	1.22	
\$ 1.32	\$	1.20	\$	1.45	\$	1.71	\$	1.58	\$	1.32	Net earnings - basic
1.32 2.76		1.19 2.60		1.44		1.69		1.56		1.31	Net earnings - diluted EBITDA ^{(3),(4)}
2.70		2.39		2.61 2.38		2.73		2.56		2.24 1.96	Cash flow from operating activities ⁽⁴⁾
1.04		1.05		1.42		2.26 1.39		1.89 1.40		1.13	Dividends/distributions paid during the year ⁽⁴⁾
6.12		5.86		5.92		6.04		5.75		5.37	Equity (basic shares/units outstanding at end of year)
23.14		19.40		21.09		17.94		16.14		18.42	Market price at January 31
 23.14		19.40		21.09		17.54		10.14		10.42	Statistics at Year End
177		102		104		100		170		176	
177		183		184		180		178		176	Number of stores - Canadian
46 1 275		46		46		46		43		1 260	Number of stores - International
1,375		1,466		1,445		1,423		1,396		1,368	Selling square feet (000's) end of year - Canadian Stores
660	<u> </u>	655	Ļ	654	۲.	653	خ	617	<u>,</u>	639	Selling square feet (000's) end of year - International Stores
\$ 734 \$ 716		702	\$	682 718	\$ \$	654 752	\$	651	\$	657	Sales per average selling square foot - Canadian
		713	\$		Ş		\$	723 E 400	Ş	410	Sales per average selling square foot - International
4,768		5,233		5,301		5,358		5,408		5,359	Number of employees - Canadian Operations
1,568		1,668		1,601		1,545		1,339		1,502	Number of employees - International Operations
48,384		18,378		48,180		47,799		47,718		47,649	Average shares/units outstanding (000's)
48,389		18,378		48,378		48,017		47,722		47,701	Shares/Units outstanding at end of fiscal year (000's)
 17,831		22,418		24,814		20,080		16,402		17,330	Shares/Units traded during the year (000's)
											Financial Ratios
8.8		8.4		8.7		9.0		8.8		10.0	EBITDA ⁽³⁾ (%)
6.4		6.0		6.2		6.6		6.5		7.5	Earnings from operations (EBIT) (%)
20.6		18.5		17.9		18.7		19.8		21.0	Total return on net assets ⁽³⁾ (%)
22.1		20.1		24.1		29.3		28.6		24.9	Return on average equity(3) (%)
.55:1		.62:1		.67:1		.72:1		.78:1		.62:1	Debt-to-equity
39.0 5.8		44.0 5.7		60.0 5.6		62.3 5.6		75.1 5.8		58.4 5.3	Dividends/distributions as % of cash flow from operating activities Inventory turnover (times per year)
 ٥.٥		٥./		٥.0		5.0		٥.٥		ر.ر	inventory turnover (times per year)_

⁽³⁾ See Non-GAAP financial measures on page 25.

⁽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-forone split except trading volume.