

Press Release



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NORTH WEST COMPANY FUND ANNOUNCES REPOSITIONING OF CANADIAN OPERATIONS

WINNIPEG, Manitoba -- The North West Company (NWC), a wholly owned subsidiary of North West Company Fund, today announced a major repositioning of its Canadian operations designed to sharpen the Company's focus on its core northern remote markets and improve its performance.

The repositioning will include the sale or closing of up to 15 underperforming stores in less remote locations and a 20% or \$5 million annual reduction in administration costs, which will include some reductions in staff. The Company plans to reformat all of its stores to expand its selection of food and everyday general merchandise while discontinuing or shifting apparel and big ticket categories to its growing catalogue business.

As a result of these repositioning initiatives, the Company will incur restructuring charges of \$20 million, including \$9 million in writedowns of discontinued inventory; \$7 million in head office and store staff reduction costs; and other costs of about \$4 million. All of these charges will be provided for in the first quarter of 1998 and incurred by the second half of 1999. The after tax impact is \$11.6 million, or 77 cents per unit.

Excluding the restructuring charges, the Company expects to achieve continued strong growth in earnings per unit in 1998. Distributions to unitholders will increase as planned to approximately \$1.25 per unit in 1998 and \$1.40 per unit in 1999.

The repositioning is part of The North West Company's new strategic plan which was recently approved by the Board of Directors. "We serve some of the youngest and fastest growing markets in North America," says Edward Kennedy, President and CEO of NWC. "Our strategic repositioning will keep us ahead of the competition as the first shopping choice for food and

other local shopping needs in our markets."

The plan is designed to maintain the Company's cost competitiveness; improve its customer and merchandise focus; and take full advantage of new business opportunities, such as expansion of its direct sales capability. "These changes will make us a more focused and profitable retailer in Canada," said Mr. Kennedy.

The North West Company's plan builds value through the disciplined execution of three key strategies:

1. Create a streamlined, efficient core business. Several smaller diversified business activities and up to 15 stores which do not fit North West's positioning are expected to be sold or closed by the first quarter of 1999. This will sharpen the Company's core business focus, improve operating margins and free up approximately \$8.5 million in capital.

As part of this strategy, support activities are being restructured to fully leverage recent technology investments and to achieve a lower cost base. By the third quarter of 1998, administration costs will be reduced 20%, to deliver annual savings of \$5 million.

2. Create a value-driven customer and merchandise focus. The Company's goal is to capture a higher share of spending on products and services that are valued most by its customers. This means better selection, pricing and execution in foods and everyday needs. The Company plans to reprofile each of its core stores by the end of 1999 to increase its food sales blend to over 75% of total sales from 65% this year. This shift to a more productive and higher growth merchandise mix is expected to reduce in-store inventory levels by 15% or \$10 million.

3. Create a superior store and direct sales capability. Store level activities are being revamped to add more value in merchandise presentation, sales and service, community relations and staff development. "North West's catalogue business has the potential to become an important channel for more selection-sensitive and price-sensitive merchandise," Mr. Kennedy added. "We expect to meet this need by shifting more apparel, appliances, furniture, electronics and motorized sales to our catalogue over the next two years."

"Our strategic repositioning and these steps to implement it are the result of a great deal of

research and discussion within North West," said Mr. Kennedy. "To continue to be successful, we must build long-term value for all our stakeholders -- customers, employees, communities and investors. These initiatives clearly position us to reach our vision of being the most successful small market retailer in North America."

The North West Company is the leading provider of food and everyday products and services to remote communities across northern Canada and in Alaska. It is a wholly owned subsidiary of the North West Company Fund whose units are traded on the Toronto and Winnipeg stock exchanges under the symbol NWF.UN.

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