Speech by Ian Sutherland, Chairman

I commented on the impact of the new tax on income trusts in our Annual Report. The price of NWF units has risen back above the level prior to announcement of this tax on October 31, 2006. This investment performance is due, I believe, mostly to superior operating results and the confidence that analysts and investors have in our management and business model.

Since the October 31, 2006 tax announcement, the acquisition of Canadian trusts has heated up with most of the acquirers being foreign entities or private equity. Trusts are not alone as a number of public companies are also being acquired. Our large Canadian pension plans have been attracted to the high returns of private equity in comparison to public equities. A significant part of these higher returns is the tax savings realized by increased debt costs of LBO's and the ownership through non taxable private partnerships.

While the intent of the Tax Fairness legislation in leveling the playing field and broadening the tax base was laudable, the result is the reverse. The tax base will shrink as companies and trusts are privatized or acquired by foreign entities. Taxable Canadian public companies will be at a great disadvantage and our public capital markets will shrink.

The enhanced dividend tax credit eliminated most of the double tax on company shares and trust units held by taxable accounts. What is required is a similar tax credit for RSP's, pension funds and other Canadian tax exempt or deferred accounts. This measure would encourage and enhance retirement savings which will increase future tax revenues. Canadian ownership of our enterprises would be encouraged as Canadian RSP and pension fund investors allocate more funds to domestic equities. This would arrest the drift to private and foreign acquisitions of a diminishing number of Canadian enterprises. Individual RSP's and smaller pension plans would be put on a more equitable footing with the large pension plans. Such a tax credit system would not cost more than the alternative -- the diminution in the number of taxable public entities and the shrinking of Canadian capital markets.

Along with others, I have made these recommendations to Finance Minister Flaherty and expect our government will take positive action before more damage is done to true tax fairness, our limited corporate tax base, Canadian enterprises and our capital markets.

2007 marks the 20th anniversary of the NWC as an independent company. The confidence expressed in 1987 and since by our customers, employees and investors has been rewarded through superior shopping choices, career growth, solid profitability and exceptional returns on investment. Management has made many positive changes to the business model inherited from the HBC.

The investment performance of NWF demonstrates that all employees are working smarter and fulfilling our important role for our customers and communities. The total return on the fund units has exceeded 16.8% per annum over 20 years and this has accelerated to the 32.2% p.a. realized over the past five years.

All employees present and past are to be congratulated for these returns and for building a truly great Canadian enterprise.

Speech by Léo Charrière, Executive Vice-President and CFO

Thank you Ian and good morning ladies and gentlemen.

The North West Company's 2006 results were near the top of our industry. The Company produced another year of strong sales growth, an increase in gross profit rates and good expense management, which converted into a 25% increase in net earnings. This morning I will outline these and other key measures that are contributing to our financial performance.

Total sales were up 11.2% to $945 million led by exceptional food sales increases across all our banners. The addition of nine new stores, six new gas bars and two in-store pharmacies were other factors contributing to our overall sales improvement.

Comparable store sales increased 5.8% and were well ahead of the Canadian industry average of 2.1%.

Trading profit grew 12.7% to $96.4 million. Trading profit as a percent to sales reached 10.2% of sales an increase of 14 basis points from 2005, despite significant growth from our lower margin discount stores. Canadian operations led the way with an increase of 15.8% in trading profit as a result of higher sales and improved gross profit rates.

Net earnings improved 25.1% to $53.7 million. This equates to $1.12 per unit. The conversion to a limited partnership structure on April 30, 2006 enabled Canadian earnings to flow to the Fund on a more tax efficient basis than in the prior years. This increased earnings by approximately $3.0 million in 2006. As a result, 2006 distributions increased 27.7% and, if we include the February 2007 special distribution, the increase was a substantial 43.6%.

Cash flow from operations, which grew 11.2% over 2005, was sufficient to cover the capital expenditures and the increased distributions.

Other measures showing positive trends are inventory turns, return on net assets and return on equity. Our inventory productivity keeps improving as we streamline procurement and logistic processes with the largest gains occurring in the last few years as we added more Giant Tiger stores and put in place new processes and technologies for our northern banners. This inventory productivity improvement contributed to the growth in return on net assets from 16.6% last year to a high of 19.7% this year. Return on equity also reached a high of 21.7%. The return on equity ratio had also benefited from improved tax efficiency achieved by the reorganization of the Fund's subsidiaries and conversion to a limited partnership.

The Fund's stability and growing financial strength continues to provide important flexibility to: reinvest for higher growth, to increase distributions to unitholders and to withstand downturns to our business.

In summary, the Fund had a very good financial year.

Now to our first quarter highlights.

Consolidated sales increased 9.7% to $234 million and on an equivalent 13 week basis, sales grew 11.7%. Due to the change in our reporting periods to calendar month ends instead of the last Saturday of each month, our 2007 first quarter results only had 89 days of operations compared to 91 days in the first quarter of 2006. Strong food sales once again drove our top line and were up a very healthy 7% on a same store basis. This reflected market share pick-up and higher inflation in northern markets. General merchandise sales were up 2.7% on a same store basis. Although this was a little below our expectations, our May numbers indicate that we are getting back on track.

Trading profit increased 7% to $21.6 million and on an equivalent 13 week basis improved 10.2% over 2006. We are dealing with higher costs from wage increases due to skilled labour shortages and higher energy costs which impact utility and transportation expenses. This inflation is more pronounced in the first quarter because it is the lowest revenue producing period of the year and we had two less selling days compared to Q1 2006. Offsetting some of these costs were lower debt losses as we benefited from centralization of our receivable administration at the end of 2006.

Net earnings in the first quarter increased 10.7% to $10.8 million. On an equivalent 13 week basis, net earnings would have increased approximately 17.2%. Interest expense was relatively unchanged, while income taxes increased due to an increase in the Alaska earnings. The impact of the limited partnership structure on earnings was minimal in the first quarter. Step two of the reorganization should be completed within the next 30 days and, based on this event, the Trustees have announced an increase of 22.7% in the quarterly distributions to $0.27 per unit, beginning with the distribution payable July 15, 2007.

This represents an annualized increase of $0.20 per unit just below the direction given in our previous quarterly report to unitholders of an annualized increase in the distributions of $0.21 to $0.27 per unit. Since step two of the reorganization will be completed mid-year, some of the benefits will only be realized in 2008.

Looking forward we believe food sales will moderate somewhat but will still be at above industry levels. General merchandise sales are trending positively as merchandise flows are more in line with requirements. General merchandise sales should also be positively impacted by the Residential School Settlement payments expected to start flowing to First Nations members later in the third quarter and into the fourth quarter and by a further increase in the Alaska Permanent Fund Dividend payment.

Thank you, and now Edward Kennedy the President and CEO of The North West Company.

Speech by Edward Kennedy, President and CEO

Thank you Léo.   Good morning.

As Ian noted, today marks our 20th anniversary as an independent company. But this meeting is also taking place during the 339th year of our history as a merchant enterprise. Our's is a story that began with a trading post on the shores of James Bay in 1668, where we still operate a store today.

Todd Nadeau, our Director of Recruiting, recently made a submission to the Guinness Book of Records to find out whether we were, in fact, the oldest business in the world. Guinness took the request seriously and assigned an adjudicator. We were told we fell short of the 578 year record of a Japanese construction company.

That still leaves us as one of the world's longest continuing enterprises. We're proud of this heritage, as you can see in our new identity. The direction is forward, the spirit is enterprising and everyone is pulling together.

The video gave you a picture of The North West Company's progress since 1987 and I'd like to stay with this history theme for part of my remarks before reviewing our current work. While the new stories and the revenue numbers were all important milestones, I think the stories behind the headlines give an even better sense of what has been accomplished over the past 20 years.

One of our Board members, and a well-known leader in the community, is Sandy Riley. Sandy and others have publicly remarked that our city is an act of collective will because we exist and prosper despite few apparent natural advantages, except for our citizens.

I think that collective will is an apt description of the first steps taken in 1987 to recreate North West as an independent, Winnipeg-based retailer.

For North West, the will started with a singular idea. Ian Sutherland, our current Chairman, former CEO and original Board member, had that idea. He and Jeff Gidney were a persistent and creative force in approaching the Bay about acquiring their Northern Stores division, which remains our largest store group.

Ian was joined by other Winnipeggers like Board member Jim Oborne and Derek Riley, the first Chairman of The North West Company. Equally significant, over 500 employees borrowed or saved to become shareholders. Their personal risk-taking was a critical sign of confidence and alignment with outside investors. And this strength continues today. Whether I'm speaking with a store manager in Labrador, with one of our buyers in Alaska, (or with my mother) one question I can usually count on is "So what do you think about our unit price?"

My answer is that the units perform well because everyone, starting with them, is building their part of the business – it's as simple and accountable as that. (And, for my mother, it means keep up that shopping at GT in The Pas.)

A second thing we've learned in the past twenty years is the power of an open, collaborative approach to doing business. In 1987, Northern Stores was a profitable but somewhat peripheral division of a larger company with bigger ambitions. Northern Store's role was to keep the cash flowing without thinking or growing outside the box, or more accurately, the North.

After the buy-out from the Bay and as debt levels were paid down, the newly-named North West Company was, in essence, free. The question was: free to do what?

One early decision point was store development. Back in 1987, North West did not have a single store lease agreement in the North. We operated from our own land and buildings adjacent to the community. Internally this was seen as a secure, lower risk strategy. Through the eyes of our customers the perspective was different. Many of our stores were not only increasingly inconvenient for them, they were a reminder of our detachment, of being an outsider even after generations of service and customer loyalty. When we looked at both sides, the principle of openness and our desire to grow committed us to a path of partnership.

The initial community meetings were cathartic events. We listened to emotional views and some bitter feelings. On the positive side, we were seen as proposing a relationship that depended on the community's willingness to work with us. Their first response wasn't "we've been waiting for your call, what took you so long?" Time was needed to build trust and create models that, for example, could act as a source of income for other needs in the community.

Today, I'm pleased to say we have 45 community store partnerships in place, across northern Canada and Alaska. We've earned a secure position through shared dependencies between our customers, the community as landlord and ourselves as a tenant, retailer and local employer.

Across the rest of our business, an open approach has proven to be very important to our success, especially in the way we buy and sell merchandise.

In 1987, when it came to product mix, The Bay was the source for, and an influence over, much of our seasonal and fashion merchandise assortment. Fashion and hardgoods carried more prestige, they occupied more store space and they were referred to, almost regally, as the "retail" side, relegating the poor food section to a necessary but dull afterthought.

Even today there are people at North West who still refer to general merchandise as retail. That's okay. HR is going to offer a seven step "food awareness" employee assistance program.

The department store carryover was a small problem and a huge opportunity. We recognized first of all that food was a sales juggernaut and that it belonged in the penthouse and not the basement. We broke away from product traditions, like only carrying department store brands and price points. Instead, we began to concentrate on our strength of selling merchandise that served the unique and changing needs of northern shoppers.

We've captured lots of market share by running better stores than our competition in the North, whether in Canada or Alaska. Today, like everyday in our stores, we will typically be better stocked, with fresher merchandise and cleaner stores.

But just as essential has been the advantage of an open approach to what we sell – of continually shifting into faster growing or new merchandise categories, anchored by our commitment to food. In 2007, we are all about fresh, frozen and prepared food, unique food products, new financial services and key, relevant, trend and lifestyle items. We have alliances with leading, non-competing retailers and categories that we didn't even think of selling five years ago, like prescription drugs and SUVs.

I suggest that few retailers have the ability or the desire to expand into our wide range of products and services. To begin with, it makes your business more complex. And you should know that with North West, you're invested in a complex business. Consider our community relations, our merchandise breadth and our alliances, compounded by severe weather and remote geography. It's enough to make you want to sell your units and buy shares in a simple, single product, climate controlled, retail mall chain.

Then again, consider our results. We know something about managing complexity. In fact, we've learned to embrace it as a competitive advantage. We've been successful at reducing or at least holding the line on how hard it is to get things done while continuing to bring on different types of stores, products and services. Sometimes we achieve this by adding more people. Often it's done by being more productive through clear, streamlined roles, by leveraging training and technology and by matching the complexity of the work with the right individuals.

And this leads to my final highlight from the past 20 years – the people who work and shop with us. Each year we have this opportunity at our Annual Meeting, or through our Annual Report, to give you a picture of what makes our business work. I don't think we ever do a good enough job helping you understand how much our results depend on the people who live and work together in our communities.

The Northern Stores division had very skilled, experienced people in 1987 and they provided North West with the base for a great business. Since then, as we've added strong teams in Alaska and at Giant Tiger, the one constant has been the relationship with our customers. We used to say in our advertising that "Customer Service is our First Priority". Now we use different words but the principle of customer service remains.

Granted, every retailer will commit to some version of this phrase. But for us, customer service defines the very existence of our stores and their intimate connection to the community. Whether in the North or in neighbourhoods served by Giant Tiger, we do retailing on a smaller, more human scale.

In the North, we know our customers by name and they know us. Our stores are casual, friendly, dependable and accessible. In communities and neighbourhoods with limited economies, we can be counted on time and time again for employment, donations to local causes and supporting small businesses.

And unlike larger retailers, these activities are as important to us as they are to our customers. Not that we'd work for free, but having the opportunity to make a difference to people, who have allowed us to become a major part of their lives, is a very compelling and valued part of our work at North West, especially for those who work in our stores everyday.

All of the elements I've been talking about – our unique customer focus, our embracing of complexity, the growing partnerships with our community – have been an essential part of the past 20 years.

As for the next 20 years, time will tell. What we do know is that our efforts will be guided by a vision of being the best at serving small markets and a growth strategy that's aimed first, at capturing more everyday spending with our existing stores and, second, bringing our skills into new markets and complementary store formats.

Underlying our vision and strategy will continue to be a 300 year spirit of enterprise and a balance between building for the future and getting results today.

When we look at future growth today, at the top of our list is a desire to be a better local store in every respect.

Because our markets are diverse, our wide selection of products and services must be effectively tailored to the unique needs of each store. To make this work, we try to find ways to give our stores more capability and control over what they sell.

Last fall we launched a new system called the Advance Order System or AOS. AOS delivers a more informative, intelligent and simpler menu for ordering merchandise. In the hands of our store management it is a powerful technology, like getting a new sports car with a big engine. At full performance it will be a catalyst for bringing more of the right merchandise into each of our stores, producing higher sales and lower markdowns.

The goal in 2007 and 2008 is to keep adding merchandise categories into AOS while helping our managers become expert AOS drivers.

Another part of being a better local store is our emphasis on newness in our product mix. North West buyers are constantly on the look out for the latest product and service ideas. Other retailers do the same but we're starting from a lower base since we've always carried a higher percentage of basic products in our northern stores.

Over the next few slides, you'll see examples of products we've recently introduced or featured in Canada. Each one by itself doesn't make a headline but together they make our stores more unique and compelling.

And, as you will notice, they quickly add up to millions of dollars in additional sales.

The first slide shows sales of $185,000 in hair care from two products: Sunsilk and Herbal Essences and $800,000 in PJ pants. We expect high growth from all health and beauty categories over the next three to five years as we open more pharmacies and add more health and beauty selling space. The PJ pant is a great example of sharing ideas between store banners. This item started as a top seller in Giant Tiger and was then brought into northern Canada.

Next are $900,000 in faux suede window panels and Tim Horton's coffee at $655,000. The faux suede panels have been huge at GT. They are priced 50% below specialty stores and, in GT and in the North, we sold 2,000 units in the first quarter. That's 1,000 windows – a pretty decent number in three months.

Our rights to Tim Horton's are only in the North and, as you can see, it's turned out to be a nice business.

Pictured here are Clogs at over $500,000 and import 50cc mini ATVs at almost $250,000. Our GT stores have owned the discount Clog business, ahead of Wal-Mart and Zellers and the Clogs have done very well in the North. This private-brand mini-ATV retails for less than $1,000. We are following up with full-size import ATVs at prices up to 40% below established, branded models.

On this slide are new age energy drinks at $385,000 and March's Happy Feet DVD sales of $123,000. Energy drinks are the fastest growing item in beverages and we have the perfect match for them with our high percentage of young customers in the North. The Happy Feet sales numbers are from our Northern and NorthMart stores. They are an excellent indicator of how new releases sell just as fast in the North, if you go after the business.

Here we have sales of tank tops at $83,000 and Fun2Go slushies at $620,000. The tanks have been a key item at Giant Tiger for many spring seasons but this year we featured them as an item of the month in our northern stores.

The slushie business is part of our investment in Fun2Go food areas at the front of our stores. Fun2Go is a more profitable version of the branded quick-service counters we installed in our stores 10-15 years ago.

Finally, we have what we call our value-added produce at $940,000 and our Link cash card at $580,000 in new fees.

Value-added produce refers to pre-cut fruit sold on platters and in plastic containers. Both are fresh food convenience items that we really hadn't focused on until last year. Sales were up 75.5% in the first quarter.

The Link card is a product that we've started to market to northern First Nations and businesses. It's a new method for electronically disbursing social assistance payments, local payrolls and paying for services like airline tickets. In the first quarter, we signed up four First Nation communities and one major employer, representing over 2,000 cards. We believe the Link card, together with a prepaid Master Card that we are about to launch, has the potential to replace a large percentage of the paper and cash payment transactions in the North today.

That adds up to twelve products producing over $6 million in sales. Isn't retailing a great business? It's why we say our markets are a never ending, enterprising opportunity.

While new products and services like this have helped deliver year to year sales increases, we continue to set the stage for longer-term growth through targeted investments. Capital spending this year will be $45 million. That's a record amount and it's 30% higher than in 2006.

The biggest spending will be on our northern banners. We will complete six major store replacements and expansions, of which our new Cross Lake store, pictured here, is a good example. The old Northern store in Cross Lake, at the lower left, consisted of several small buildings attached together over a forty year period. The replacement NorthMart store, which opened in April, is 26,000 square feet, under one roof, with a pharmacy, food court, expanded fashion and new food areas, including more Costco-size products.

Our other northern spending priorities will include the renewal of 12 stores with decor refreshes and upgraded front service areas. We will also open three new stores, including store acquisitions in Pangnirtung, Nunavut and Tsiigehtchic, Northwest Territories which were just completed.

Five new gas bars are planned for 2007 giving us 48 locations by year-end. Our gas bar initiative fits closely with a small store concept we are testing in Ile a la Crosse, Saskatchewan. The idea is more convenient food and services sold in a simpler way, for example, by offering produce that is pre-priced and a wider selection of prepared food to go. The upside is better performance from all of our small road-access stores, identified by the shaded map area.

This year we will also invest in our wholesale plan to fill the market gap between our GT and northern banners by offering independent retailers in western Canada a better, one-stop service. This initiative has moved slowly but will accelerate in this quarter, once we complete work on the integration of our retail and wholesale systems. Our store in Pinawa will convert to a test location and we expect to reach a roll-out decision at year-end.

Healthcare continues to be a very attractive opportunity because it meets such a large, growing and underserved need in the North. We will add four new pharmacies in 2007 for total of eight. At least two satellite telepharmacies should open with more depending on the timing of regulatory approvals for remote prescription fulfillment. We consider these approvals to be a "when" not an "if" scenario.

Finding Canadian pharmacists who will work in the North however has been a bit of a challenge and it's why Todd Nadeau doesn't have time to phone the Guinness Book of Records anymore. To help address this, we are opening a Winnipeg hub pharmacy in September with the capacity to train International Pharmacy Graduates. After six months, these candidates will be fully qualified to fill positions in our stores.

Turning to Giant Tiger, we plan to add seven stores for a total of 25 by year-end with annual sales of approximately $200 million. We will open our first store in B.C., in Cranbrook, and we will continue to carefully secure affordable sites in Alberta. This year's profit focus at GT is to improve our blend of fashion versus food sales and our fashion ordering, merchandising and markdown practices.

These strategies and plans are designed to keep us growing but they are just intentions unless we have the people who can make them happen. That's why we are more committed than ever to developing highly capable leaders we can depend on at every level. This year, our goal is to more clearly demonstrate our North West way of management so that leadership practices are consistent across all parts of the business.

In recruitment, we've built up our team and our expertise. Store management remain the most important position we recruit and train for because the work is multifaceted and the customer impact is high. In 2007 we will search across Canada and the U.S., including from within our own stores, to hire over 40, high potential Managers in Training from increasingly diverse backgrounds.

At the same time, we will continue to invest in learning initiatives that help make all of our employees more effective today. I wouldn't describe us as a model for best learning practices, but we will be. As we learn how to effectively spend time and money on learning itself, we are seeing the results. More challenging, interesting work is being accomplished and our people are placing more value on what they do, making us an even more attractive place to work.

When I consider where we are today, I believe that we have more capable and stronger people at all levels than ever before. In fact we have over 6,600. Their work is making a difference and it gives me high confidence in bringing new ventures forward. As investors, I hope it gives you the same degree of confidence in our ability to sustain and improve on the performance you have come to expect from The North West Company.

Thank you very much for your attention.

Please note that the speeches may not have been delivered exactly as written.

For more information about these speeches, or the North West Company Fund, please contact:

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