



**NORTH WEST COMPANY FUND
PRESS RELEASE**

FOR IMMEDIATE RELEASE

"NORTH WEST COMPANY FUND REPORTS THIRD QUARTER RESULTS"

Winnipeg, December 11, 2002: North West Company Fund (the "Fund") today reported 2002 third quarter earnings for the period ended October 26, 2002.

CONSOLIDATED RESULTS

The North West Company Fund reported third quarter consolidated revenues to October 26, 2002 of \$185.8 million, an increase of 6.0% (up 3.8% on a same store basis) from 2001. Third quarter earnings finished at \$8.9 million, up 20.6% compared to \$7.4 million in 2001. Earnings per unit were \$0.56 compared to \$0.50 last year, up 12.0% after taking into account the issue of 1.4 million treasury units in December 2001.

Trading profits¹ or earnings before interest, income taxes, depreciation and amortization (EBITDA) at \$18.0 million increased 3.3% in the third quarter. Interest expenses decreased by 29.9% versus last year due to lower borrowing rates and reduced debt levels as a result of the equity issue last December and lower Canadian inventory levels during the quarter. Earnings before taxes were \$10.6 million, up 17.6% over last year's third quarter.

Income taxes increased 4.5% in the quarter versus last year.

Year-to-date revenues at \$544.7 million increased 7.0% (3.0% on a same store basis) over last year. Consolidated earnings were up 25.2% to \$24.3 million (\$1.52 per unit) compared to \$19.4 million or (\$1.32 per unit) last year. Trading profits were \$51.9 million, up \$2.0 million or 3.9% over last year.

"Canadian sales led our third quarter performance, as we picked up momentum heading into Christmas. Expense control and gains in streamlining our inventory helped our

¹ Trading Profit or EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net income (loss), trading profit is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from other companies and, accordingly, trading profit may not be comparable to measures used by other companies.

bottom line growth. Alaska was a big plus considering the drop in this year's Permanent Fund Dividend paid to Alaskan residents," said Edward Kennedy, President & CEO. "We continue to make progress on alliances, store capability and our *Giant Tiger* store roll-out, three longer term activities that we are investing in to drive growth in the future," Mr. Kennedy added.

CANADIAN OPERATIONS

Canadian sales were \$138.0 million for the quarter, an increase of 6.6% (4.6% on a same store basis) from last year. Trading profits for the quarter were \$13.9 million and up 0.1% over last year.

Food sales met expectations for the quarter, increasing 7.9% (4.7% on a same store basis). Food inflation, with the exception of tobacco, continues to have less impact compared to last year due in part to a higher sales blend of lower priced value brand sales. Sales performance was strongest in fresh food categories of deli, meats, produce and bakery. Tobacco sales increased 23.8% in dollars and were down 4.6% in units due to the increased taxes assessed against these products this year.

General merchandise showed significant improvement in the quarter with sales up 6.1% (4.3% on a same stores basis). In Northern/NorthMart stores, home furnishing sales were up 9.7% mainly due to gains from a sourcing arrangement with our alliance partner, *Dufresne Furniture and Appliances*. Apparel sales were up 5.6% led by men's apparel, which was up 10.6%. The Company's alliance with *Giant Tiger Stores Limited* helped to achieve these results. A three store test with *Radio Shack* has been discontinued in favour of partnering with a consolidated group of electronics vendors. Toys and seasonal items were the weakest division, down 3.6% during the third quarter due to poor sales in the first two months. This was partially caused by delayed merchandise receipts related to the dockworkers strike on the west coast.

Canadian gross profit increased by only 3.9%, which was below plan. Higher general merchandise markdowns were taken as the Company continued to rebalance and streamline inventory so that full advantage can be taken of quicker merchandise flows from alliance partners. Mark-ups were less than plan due to temporary problems in transitioning to lower price point merchandise sourced from alliance partners. Large commercial sales also had a dampening effect on gross profit rates in the quarter. These margin pressures are expected to continue through the fourth quarter with improvement expected in early 2003.

Core business expenses for the quarter were well controlled with an increase of 1.0% over the prior year.

Other factors affecting Canadian trading profit performance were lower contributions from the Company's non-core operations and costs incurred to merge two warehouse facilities in Winnipeg. The latter initiative is expected to generate annual cost savings of \$1 million by mid-2004.

The Company successfully opened its third *Giant Tiger* store on October 25th in Winnipeg. The *Giant Tiger* stores exceeded planned sales and contribution margin levels for the quarter.

ALASKAN OPERATIONS (stated in U.S. dollars)

Alaska Commercial Company ("AC") sales were \$30.4 million for the quarter, increasing by 3.5% (up 0.1% on a same stores basis) from last year.

AC's retail stores food sales were up 3.9% (3.0% on a same stores basis) and general merchandise sales were down 7.7% (-7.9% on a same stores basis). Three external factors affected general merchandise sales. The first was a 17% reduction in the Alaska Permanent Fund ("APF") dividend from \$1,852 to \$1,542 per recipient in October as a result of the weak APF investment performance over the last two years. The dividend is based on the APF's average earnings over five years and it is expected to face more downward pressure next year. The second factor was the mailing of cheques later in the month and into the fourth quarter. This timing was similar to last year but was expected to be earlier in 2002. The third factor was unusually warm fall weather with temperatures remaining above freezing and very little snowfall throughout much of rural Alaska until well into November.

Food sales continued to provide revenue stability accounting for 77% of the sales blend and delivering sales increases though the quarter while maintaining margins. Sales at AC's wholesale business, Frontier Expeditors ("FE"), were up 28.7% in the quarter. This increase was split between new account growth and the non-comparable sales of tobacco products, which were temporarily discontinued last year due to a punitive municipal tax that has since been repealed.

AC's trading profit for the quarter increased from \$2.3 million to \$2.6 million up \$0.3 million or 14.7%. Expenses were tightly controlled and were flat with last year.

BALANCE SHEET AND CASH FLOW

Assets employed at the end of the third quarter were \$424.8 million compared to \$441.7 million last year and \$432.0 million at the end of the last fiscal year. Cash balances were down by 35.0% from last year due to continued emphasis on working capital management and a new program that provides incentives to managers to reduce cash requirements in the stores and cash in transit. Accounts receivable at \$58.6 million have been reduced from year-end balances of \$65.9 million but are \$4.0 million or 7.2% over last year. Inventory levels were \$10.0 million or 6.8% less than last year. Canadian inventory levels finished the quarter at \$11.3 million or 9.2% below last year with general merchandise inventories reduced by 15.9% due to increased emphasis on eliminating slow moving stock and improvements made to the supply chain through work with alliance partners. Alaskan inventories were 5.5% higher than last year with the increase primarily in home furnishings and transportation products, which are expected to sell through in the fourth quarter. Capital assets are down due to reduced capital expenditures primarily as a result of the delayed rollout of the replacement of in-store point of sale systems.

The reduction in bank advances and short-term notes from last year was mainly due to the equity issue in December 2001. The bank advances were increased from January 2002 to finance the difference between the proceeds from the new notes of \$100.8 million and the retired bonds of \$112 million that were repaid on August 28, 2002. Accounts payable and accrued expenses were down due to reduced accrued interest, lower payables and the reduction of provisions related to closure of the food warehouse.

On August 27, 2002 the Company completed the issue of new long-term senior notes for US\$65 million at 5.89%. Repayments of 20% of the original amount of the note are required on June 15, 2007 and June 15, 2008 with the balance due June 15, 2009. The Company has designated US\$45 million of its new senior US dollar notes as a hedge against its US dollar investment in Alaska Commercial Company. A swap was completed on September 11, 2002 to convert US\$14 million from fixed to floating at three-month London Interbank Offered Rate (LIBOR) plus 1.87%. On November 7, 2002, US\$20 million fixed obligation was converted by a cross currency swap to a Canadian dollar-floating obligation at three months Canadian Banker's Acceptance rate plus 2.99%. This leaves US\$31 million of the original note fixed at an interest rate of 5.89% and the remainder of the indebtedness subject to floating rates plus negotiated spreads.

The weighted average number of units outstanding for the quarter was 15,954,000 compared to 14,691,000 last year. Cash distributions were paid to unitholders on September 15th of \$0.375 per unit compared to \$0.36 per unit last year.

UNITHOLDER DISTRIBUTIONS

A fourth cash distribution for 2002 of \$0.435 per unit will be made on December 15, 2002 for total distributions in 2002 of \$1.56, up 4% from 2001. It is expected that total distributions for 2003 will also be at \$1.56 and will be evenly distributed at rate of \$0.39 per quarter.

The North West Company Inc. (NWC) is the leading retailer of food and everyday products and services to northern communities across Canada and Alaska. NWC operates 177 stores under a number of trading names, including *Northern*, *NorthMart*, *Giant Tiger* and *AC Value Center*, and provides catalogue shopping services through its *Selections* catalogue in Canada.

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

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CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands of Canadian dollars)

	Oct. 26 2002	Oct. 27 2001	Jan. 26 2002
ASSETS			
Current assets			
Cash	\$ 9,950	\$ 15,296	\$ 8,884
Accounts receivable	58,645	54,689	65,867
Future income taxes	6,193	2,446	8,171
Inventories	138,458	148,507	134,392
Prepaid expenses	2,491	1,735	1,500
	<u>215,737</u>	<u>222,673</u>	<u>218,814</u>
Capital assets	188,173	193,606	194,025
Future income taxes	10,014	15,176	9,358
Other assets	10,906	10,294	9,836
	<u>\$ 424,830</u>	<u>\$ 441,749</u>	<u>\$ 432,033</u>
LIABILITIES			
Current liabilities			
Bank advances and short-term notes	\$ 39,075	\$ 68,350	\$ 26,037
Accounts payable and accrued	48,776	51,105	57,849
Income taxes payable	1,817	515	3,079
Bonds due within one year (Note 2)	-	112,000	112,000
Current portion of long-term debt	1,808	3,676	3,910
	<u>91,476</u>	<u>235,646</u>	<u>202,875</u>
Long-term debt (Note 2)	110,780	11,068	9,634
	<u>202,256</u>	<u>246,714</u>	<u>212,509</u>
EQUITY			
Capital (Note 4)	161,805	145,526	165,205
Retained earnings	55,314	45,050	49,142
Cumulative currency translation adjustments	5,455	4,459	5,177
	<u>222,574</u>	<u>195,035</u>	<u>219,524</u>
	<u>\$ 424,830</u>	<u>\$ 441,749</u>	<u>\$ 432,033</u>

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(unaudited, in thousands of Canadian dollars)

	13 Weeks Ended Oct. 26 2002	13 Weeks Ended Oct. 27 2001	39 Weeks Ended Oct. 26 2002	39 Weeks Ended Oct. 27 2001
SALES AND OTHER REVENUE				
Canadian operations	\$ 138,043	\$ 129,494	\$ 407,024	\$ 384,471
Alaskan operations	47,768	45,766	137,633	124,755
	<u>\$ 185,811</u>	<u>\$ 175,260</u>	<u>\$ 544,657</u>	<u>\$ 509,226</u>
Cost of sales, selling and administrative expenses				
Canadian operations	\$ (124,181)	\$ (115,643)	\$ (364,044)	\$ (341,781)
Alaskan operations	(43,676)	(42,233)	(128,707)	(117,499)
	<u>13,862</u>	<u>13,851</u>	<u>42,980</u>	<u>42,690</u>
Alaskan operations	4,092	3,533	8,926	7,256
Amortization				
Canadian operations	(4,558)	(4,893)	(14,224)	(14,516)
Alaskan operations	(935)	(849)	(2,741)	(2,505)
EARNINGS BEFORE INTEREST & INCOME TAXES				
Interest	(1,817)	(2,594)	(4,926)	(8,514)
Earnings before income taxes	<u>10,644</u>	<u>9,048</u>	<u>30,015</u>	<u>24,411</u>
Provision for income taxes (Note 3)	(1,740)	(1,664)	(5,701)	(4,997)
EARNINGS FOR THE PERIOD				
	<u>8,904</u>	<u>7,384</u>	<u>24,314</u>	<u>19,414</u>
Retained earnings, beginning of period	52,457	42,954	49,142	41,502
Distributions	(6,047)	(5,288)	(18,142)	(15,866)
RETAINED EARNINGS, END OF PERIOD				
	<u>\$ 55,314</u>	<u>\$ 45,050</u>	<u>\$ 55,314</u>	<u>\$ 45,050</u>
EARNINGS PER UNIT, BASIC AND DILUTED				
	<u>\$ 0.56</u>	<u>\$ 0.50</u>	<u>\$ 1.52</u>	<u>\$ 1.32</u>
Weighted Average Number of Units				
Outstanding (000's)	15,954	14,691	16,027	14,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Presentations and Disclosures

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

2. Long-Term Debt

On August 27, 2002 the Company's \$112,000,000 bond issue was refinanced by a private placement of senior notes in the amount of US\$65,000,000 (C\$100,841,000) and the utilization of operating lines of credit. The senior notes carry an interest rate of 5.89% payable semi-annually on June 15 and December 15 beginning December 2002. The senior notes mature on June 15, 2009 with no prepayments of principal prior to June 15, 2007. On June 15 of each of the years 2007 and 2008, the Company shall be required to make a mandatory prepayment of principal equal to 20% of the original principal amount of the senior notes with the balance due at maturity. The weighted average life will be approximately 6.2 years. The Company may at any time, upon at least 30 days notice, prepay all or part of the senior notes at par plus accrued interest plus a make-whole premium.

3. Income Taxes

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

4. Capital

During the year the Company issued loans to officers to purchase units under the unit purchase loan plan. These loans are non-interest bearing and repayable from the after tax distributions or if the officer sells the units or leaves the Company. The loans are secured by a pledge of 178,457 units of the Company with a quoted value at October 26, 2002 of \$3,569,140. Loans receivable at October 26, 2002 of \$3,399,892 are recorded as a reduction of capital. Additional loans may be made on an annual basis over the next four years. The maximum value of the loans under the plan will not exceed \$7,500,000.

5. Net Identifiable Assets (in thousands of Canadian dollars)

	Oct. 26 2002	Oct. 27 2001
Canadian operations	\$ 289,390	\$ 306,167
Alaskan operations	84,847	83,961

6. Commitments and Contingencies

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

7. Comparative Amounts

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

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

	13 Weeks Ended Oct. 26 2002	13 Weeks Ended Oct. 27 2001	39 Weeks Ended Oct. 26 2002	39 Weeks Ended Oct. 27 2001
CASH PROVIDED BY (USED IN)				
Operating Activities				
Earnings for the period	\$ 8,904	\$ 7,384	\$ 24,314	\$ 19,414
Non-cash items				
Amortization	5,493	5,742	16,965	17,021
Future income taxes	(48)	1,499	1,265	4,454
Amortization of deferred financing costs	(70)	(312)	(693)	(935)
Loss (Gain) on disposal of capital assets	(662)	18	(794)	(155)
Cash flow from operations	<u>13,617</u>	<u>14,331</u>	<u>41,057</u>	<u>39,799</u>
Change in other non-cash items	<u>(1,489)</u>	<u>(7,366)</u>	<u>(7,895)</u>	<u>(21,367)</u>
Operating activities	<u>12,128</u>	<u>6,965</u>	<u>33,162</u>	<u>18,432</u>
Investing Activities				
Purchase of capital assets	(4,257)	(6,011)	(12,622)	(14,315)
Proceeds from sale of capital assets	<u>1,091</u>	<u>248</u>	<u>1,827</u>	<u>443</u>
Investing activities	<u>(3,166)</u>	<u>(5,763)</u>	<u>(10,795)</u>	<u>(13,872)</u>
Financing Activities				
Change in bank advances and short-term notes	10,198	7,940	13,161	18,371
Repayment of long-term debt	(206)	(137)	(546)	(357)
Repayment of bonds	(112,000)	-	(112,000)	-
Proceeds from issuance of senior notes	100,841	-	100,841	-
Deferred senior notes issue costs	(1,215)	-	(1,215)	-
Net purchase of units for unit purchase loan plan	(230)	-	(3,400)	-
Distributions	(6,047)	(5,288)	(18,142)	(15,866)
Financing activities	<u>(8,659)</u>	<u>2,515</u>	<u>(21,301)</u>	<u>2,148</u>
CHANGE IN CASH	303	3,717	1,066	6,708
Cash, beginning of period	<u>9,647</u>	<u>11,579</u>	<u>8,884</u>	<u>8,588</u>
CASH, END OF PERIOD	\$ 9,950	\$ 15,296	\$ 9,950	\$ 15,296
Supplemental Disclosure of Cash Flow Information				
Cash paid during the period for				
Interest expense	\$ 3,571	\$ 5,255	\$ 7,951	\$ 12,501
Income taxes	1,591	413	5,706	745