



NORTH WEST COMPANY FUND PRESS RELEASE

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"NORTH WEST COMPANY FUND REPORTS FIRST QUARTER RESULTS"

Winnipeg, May 29, 2003: North West Company Fund (the "Fund") today reported 2003 first quarter earnings for the period ended April 26, 2003.

2003 FIRST QUARTER REPORT TO UNITHOLDERS

CONSOLIDATED RESULTS

The North West Company Fund reported a first quarter consolidated sales increase of 4.2% (up 4.7% on a same store basis excluding foreign exchange impact) to \$179.4 million compared to \$172.2 million in 2002. First quarter net earnings decreased 11.5% to \$5.5 million, compared to \$6.3 million in 2002. Fully diluted earnings per unit were \$0.35 per unit compared to \$0.39 per unit last year.

Trading profits¹ or net earnings before interest, income taxes, depreciation and amortization (EBITDA) decreased 7.6% to \$13.2 million compared to \$14.3 million in the first quarter last year. Interest expenses increased 7.0% to \$1.7 million versus \$1.6 million last year due to the higher blend of fixed rate debt and increased short-term interest rates in the quarter compared to last year. Income taxes were reduced 44.8% in the quarter versus last year due to lower pre-tax earnings from Canadian operations.

The weakening of the US dollar versus the Canadian dollar reduced the net earnings contribution from Alaskan operations by 6.4% based on the average exchange rates in the first quarter of 2003 of \$1.4862 versus last year's \$1.5882. The negative impact on earnings per unit for the year if the Canadian dollar remains in the current \$1.3900 range is estimated at approximately \$0.03 per unit. The company's investment in Alaska Commercial Company is hedged by US long-term debt and is not affected by fluctuations in the foreign exchange rate.

"We're very pleased with our sales performance in Canada, both in the north and with our Giant Tiger stores. Our Alaska sales were a little disappointing but we're still satisfied

¹ Trading Profit or EBITDA is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings (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 earnings (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.

relative to what is turning out to be a tighter U.S. retail environment," said Edward Kennedy, President and CEO. "This year's efforts are on managing our margin and we expect this to give us a better net earnings picture in the second half of the year."

CANADIAN OPERATIONS

Canadian sales for the quarter were strong, increasing 7.5% (5.9% on a same store basis) to \$139.6 million compared to \$129.9 million in 2002. Trading profits decreased 10.2% to \$11.6 million from \$12.9 million last year due to gross profit rate erosion as a result of more aggressive pricing particularly in larger competitive markets, more disciplined markdowns, a higher sales blend of lower margin big-ticket merchandise versus apparel and higher operating expenses related to long-term incentive plan costs, training programs and energy cost inflation.

Canadian food sales increased 7.4% (5.5% on a same store basis) for the first three months versus last year. Northern Canada stores (Northern and North Mart banners) food sales were strong delivering a 5.0% increase (4.8% on a same store basis). Sales increases were achieved in all major categories led by deli, tobacco and confections, which had increases of 43.4%, 18.5% and 9.5% respectively. Other strong performers included beverages, chilled foods and meats.

Canadian general merchandise sales increased 8.5% (6.8% on a same store basis) in the first quarter. General merchandise sales in Northern Canada increased 6.2% (6.1% on a same store basis) led by transportation and home furnishings categories. Hardlines sales overall were up 8.9%, while softlines sales were down 0.6% from 2002. Part of this performance gap was due to cooler spring weather that helped motorized sales but hurt apparel sales. Selections catalogue sales were up 9.1% compared to 2002.

Canadian gross profit dollar contribution in the quarter increased by 3.2% from last year but the rate was down by 134 basis points. Food gross profit dollars grew by 3.9% while general merchandise gross profit dollars increased 1.8%. Higher occupancy costs related to rent, heating; and insurance, increased pension expense, development expenses related to the Company's new "best practice" store training initiative and new store information systems were all factors, with the latter expected to deliver higher productivity and cost streamlining later in the year and into 2004.

The Company's three *Giant Tiger* stores exceeded planned sales and contribution margin levels in the quarter. On a same store basis, these stores had a 23.7% sales increase in the quarter.

ALASKAN OPERATIONS (stated in U.S. dollars)

Alaska Commercial Company (AC) sales for the quarter increased by 0.5% (-1.4% on a same stores basis) to \$26.8 million compared to \$26.7 million last year.

AC's retail stores' food sales were up 1.7% (-0.4% on a same stores basis) and general merchandise sales were down 4.4% (-5.2% on a same stores basis). Sales were negatively affected by continued weakness in communities that depend on commercial fishing and general economic uncertainty in the U.S. After two years of high sales growth spending has slowed on discretionary items such as home furnishings and transportation goods. Unusually warm temperatures in Alaska during the winter continued to affect demand for snowmobiles and other winter related items.

Core sales to rural accounts at Frontier Expeditors, AC's wholesale business, were up 14.5% in the quarter but were flat in total, due to the closure of Kmart stores in Alaska and the resulting loss of wholesale tobacco sales.

Gross profit rates were down 0.1% in the quarter. Expenses were tightly managed and reduced by 0.6% below last year and included the additional costs of the new store in Mountain Village that opened last December 2002.

AC's trading profit for the quarter increased 23.6% to \$1.1 million compared to \$0.9 million last year.

BALANCE SHEET AND CASH FLOW

Assets employed at the end of the first quarter were \$410.7 million compared to \$429.3 million last year and \$418.2 million at the end of January 2003. We continue to believe that there are opportunities to further reduce working capital requirements and have imbedded this objective in all management incentive plans. Cash balances were reduced 23.2% or \$3.3 million from last year. Accounts receivable balances were 1.0% higher than last year. Inventory levels were reduced by 6.7% or \$9.2 million due to more emphasis on improving stock turnover, including faster clearance of seasonal items and the outsourcing of warehouse inventory to alliance partners. Future income taxes have been reduced 17.3% to \$14.6 million compared to \$17.6 million in 2002 from the reduction in non-capital loss carry forwards used in 2002. Property and equipment balances decreased 3.5% or \$6.7 million due to reduced capital spending and lower US to CDN dollar exchange rates used to convert US based assets to Canadian dollars.

Bank advances increased 16.7% or \$4.7 million from January 2003 to finance the capital expenditures and seasonal working capital requirements. Accounts payable and accrued expenses were reduced by \$14.4 million from the beginning of the year due to payments on spring purchases, the \$6.3 million distribution paid in March and lower accrued interest costs.

The Company completed the issue of new long-term senior notes in August and repaid the \$112.0 million in bonds at that time and entered into cross currency swaps to hedge the Company's investment in AC.

The weighted average units outstanding for the quarter were 15,945,000 compared to 16,115,000 last year.

UNITHOLDER DISTRIBUTIONS

The Trustees declared a quarterly cash distribution of \$0.39 per unit to unitholders of record on May 15, 2003, distributable on June 15, 2003. Distributions are expected to be \$0.39 per quarter in 2003, subject to a quarterly review and approval by the Trustees of North West Company Fund and the Board of The North West Company Inc.

OTHER HIGHLIGHTS

- AC launched the test of a low price food store format called "Food For Less" in Kodiak, Alaska
- Plans were announced to open a *Giant Tiger* store in Edmonton by late fall. This is third of four new *Giant Tiger* stores that will open in 2003.
- Gary Eggertson, Vice President, CFO and Secretary will be retiring effective May 29th after 30 years of service. Léo Charrière, previously President and CEO of TruServ Canada Cooperative Inc., has joined The North West Company as Executive Vice President and will assume the responsibilities of the CFO and Secretary on this date.

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 179 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)

	April 26 2003	April 27 2002	January 25 2003
ASSETS			
Current assets			
Cash	\$ 11,044	\$ 14,376	\$ 10,451
Accounts receivable	58,694	58,100	64,762
Inventories	127,539	136,767	127,449
Future income taxes	4,529	8,177	4,964
Prepaid expenses	2,908	1,881	2,274
	<u>204,714</u>	<u>219,301</u>	<u>209,900</u>
Property and equipment	183,826	190,536	188,194
Future income taxes	10,025	9,425	9,322
Other assets	12,163	10,034	10,775
	<u>\$ 410,728</u>	<u>\$ 429,296</u>	<u>\$ 418,191</u>
LIABILITIES			
Current liabilities			
Bank advances and short-term notes	\$ 32,852	\$ 34,118	\$ 28,157
Accounts payable and accrued	46,139	50,305	60,495
Income taxes payable	1,608	3,736	1,500
Bonds due within one year	-	112,000	-
Current portion of long-term debt	1,817	2,017	1,843
	<u>82,416</u>	<u>202,176</u>	<u>91,995</u>
Long-term debt	103,500	9,260	106,812
	<u>185,916</u>	<u>211,436</u>	<u>198,807</u>
EQUITY			
Capital	165,205	165,205	165,205
Unit purchase loan plan (Note 3)	(3,460)	(1,896)	(3,365)
Retained earnings	57,708	49,360	52,165
Cumulative currency translation adjustments	5,359	5,191	5,379
	<u>224,812</u>	<u>217,860</u>	<u>219,384</u>
	<u>\$ 410,728</u>	<u>\$ 429,296</u>	<u>\$ 418,191</u>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
(unaudited, \$ in thousands)

	13 Weeks Ended April 26 2003	13 Weeks Ended April 27 2002
SALES		
Canadian operations	\$ 139,582	\$ 129,904
Alaskan operations	<u>39,814</u>	<u>42,329</u>
	<u>\$ 179,396</u>	<u>\$ 172,233</u>
Cost of sales, selling and administrative expenses		
Canadian operations	\$ (127,997)	\$ (117,006)
Alaskan operations	<u>(38,165)</u>	<u>(40,903)</u>
Net earnings before amortization, interest and income taxes		
Canadian operations	11,585	12,898
Alaskan operations	1,649	1,426
Amortization		
Canadian operations	(4,557)	(4,846)
Alaskan operations	<u>(1,060)</u>	<u>(913)</u>
Interest		
	7,617	8,565
	<u>(1,663)</u>	<u>(1,555)</u>
	5,954	7,010
Provision for income taxes (Note 2)		
	<u>(411)</u>	<u>(744)</u>
NET EARNINGS FOR THE PERIOD		
	5,543	6,266
Retained earnings, beginning of period		
	52,165	49,142
Distributions		
	<u>-</u>	<u>(6,048)</u>
RETAINED EARNINGS, END OF PERIOD		
	<u>\$ 57,708</u>	<u>\$ 49,360</u>
NET EARNINGS PER UNIT		
Basic	\$ 0.35	\$ 0.39
Diluted	\$ 0.35	\$ 0.39
Weighted Average Number of Units Outstanding (000's)		
	15,945	16,115

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Presentations and Disclosures

These interim financial statements follow the same accounting policies and their methods of application as the 2002 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 2002 Annual Report.

2. 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.

3. Unit Purchase Loan Plan

Loans issued to officers to purchase units under the unit purchase loan plan are treated as a reduction of equity. 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 184,657 units of the Company with a quoted value at April 26, 2003 of \$4,154,783. Loans receivable at April 26, 2003 of \$3,459,622 are recorded as a reduction of equity. 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.

4. Net Identifiable Assets (\$ in thousands)

	April 26 2003	April 27 2002
Canadian operations	\$ 288,615	\$ 292,958
Alaskan operations	74,366	82,297

5. Comparative Amounts

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, \$ in thousands)

	13 Weeks Ended April 26 2003	13 Weeks Ended April 27 2002
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net earnings for the period	\$ 5,543	\$ 6,266
Non-cash items		
Amortization	5,617	5,759
Future income taxes	(413)	(146)
Amortization of deferred financing costs	47	(311)
Loss on disposal of property and equipment	-	10
Cash flow from operations	<u>10,794</u>	<u>11,578</u>
Change in other non-cash items	<u>(5,262)</u>	<u>(2,884)</u>
Operating activities	<u>5,532</u>	<u>8,694</u>
Investing Activities		
Purchase of property and equipment	(3,229)	(3,673)
Proceeds from disposal of property and equipment	-	507
Investing activities	<u>(3,229)</u>	<u>(3,166)</u>
Financing Activities		
Change in bank advances and short-term notes	4,845	6,989
Repayment of long-term debt	(171)	(173)
Net purchase of units for unit purchase loan plan	(95)	(1,896)
Distributions	(6,289)	(6,048)
Financing activities	<u>(1,710)</u>	<u>(1,128)</u>
NET CHANGE IN CASH	593	4,400
Cash, beginning of period	<u>10,451</u>	<u>9,976</u>
CASH, END OF PERIOD	<u>\$ 11,044</u>	<u>\$ 14,376</u>
Supplemental disclosure of cash paid for:		
Interest expense	\$ 448	\$ 4,055
Income taxes	700	274

See accompanying notes to consolidated financial statements.