THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended January 31, 2017

2016 FOURTH QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the fourth quarter ended January 31, 2017. Sales increased 1.1% to $480.6 million compared to the fourth quarter last year led by sales growth in Canadian Operations. Consolidated sales, excluding the impact of foreign exchange, increased 2.5% and were up 1.5%[1] on a same store basis.

Fourth quarter net earnings decreased 1.4% to $15.0 million and diluted earnings per share were $0.30 per share compared to $0.31 per share last year due to lower earnings in International Operations and higher income taxes in Canadian Operations.

The Board of Directors has approved a quarterly dividend of $0.32 per share, an increase of $0.01 or 3.2% per share, to shareholders of record on March 31, 2017.

On behalf of the Board of Directors:

H. Sanford Riley
Chairman

Edward S. Kennedy
President and Chief Executive Officer

Management's Discussion & Analysis

The following Management's Discussion & Analysis should be read in conjunction with the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements for the period ended January 31, 2017 and the audited annual consolidated financial statements and accompanying notes included in the 2015 Annual Report.

CONSOLIDATED RESULTS

Quarter

Fourth quarter consolidated sales increased 1.1% to $480.6 million with both Canadian and International Operations contributing to the sales gains. New stores sales growth in Canadian Operations was also a factor. Excluding the foreign exchange impact, consolidated sales increased 2.5% and were up 1.5%[1] on a same store basis. Food sales[1] increased 2.6% and were up 1.6% on a same store basis. General merchandise sales[1] increased 3.2% and were up 1.3% on a same store basis led by sales growth in Canadian Operations.

The table below shows the fourth quarter sales blend for the past two years:

	2016	2015
Food	**76.8%**	76.9%
General merchandise	**20.3%**	20.1%
Other*	**2.9%**	3.0%

* Other sales includes fuel, fur and financial service charge revenues

(1) Excluding foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Earnings from operations increased 13.0% to $26.5 million compared to $23.4 million last year. Gross profit dollars were up 3.1% driven by sales growth and a 56 basis point increase in the gross profit rate compared to last year. The increase in the gross profit rate is mainly due to product sales blend changes. Selling, operating and administrative expenses increased 1.0% but were down 2 basis points as a percentage to sales. This increase was largely due to new stores, higher amortization costs mainly related to capital investments in Top Markets and higher share-based compensation costs. These factors were partially offset by lower short-term incentive plan expenses. Further information on staff costs and share-based compensation expense is provided in Note 9 and Note 12 to the 2016 fourth quarter unaudited interim period condensed consolidated financial statements. Excluding the impact of foreign exchange, earnings from operations increased 17.3% to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased $3.8 million or 10.8% to $38.9 million as EBITDA growth in Canadian Operations more than offset lower EBITDA in International Operations. Excluding the foreign exchange impact, EBITDA was up 13.8% compared to last year and as a percentage to sales was 8.2% compared to 7.4% last year.

Income tax expense increased $3.2 million to $9.7 million and the consolidated effective tax rate was 39.3% compared to 29.9% last year. The increase in the effective tax rate is due to a $1.3 million non-comparable withholding tax on dividends from subsidiaries, the impact of non-deductible share-based compensation expenses in Canadian Operations and the blend of earnings in International Operations across the various tax rate jurisdictions.

Net earnings decreased 1.4% to $15.0 million and diluted earnings per share were $0.30 per share compared to $0.31 per share last year largely due to the increase in income tax expense in the Canadian Operations noted above. Excluding the impact of foreign exchange and the non-comparable withholding tax, net earnings increased 11.3%.

Comprehensive income decreased to $22.7 million compared to $28.6 million last year primarily due to the impact of foreign exchange on the translation of International Operations financial statements and the remeasurement of the Company's defined benefit pension plan's assets and liabilities. The change in foreign exchange rates resulted in a loss of $4.0 million compared to a gain of $8.9 million last year. This loss was partially offset by an $11.7 million net actuarial gain on its defined benefit plan obligation due to changes in the discount rate used to measure the defined benefit plan obligation and variability in asset returns.

Year

Sales for the year increased 2.7% to $1.844 billion compared to $1.796 billion in 2015 led by same store food sales growth across all of our banners, the impact of new stores in Canadian Operations and foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, sales increased 2.3% and were up 1.3%[1] on a same store basis. Food sales[1] increased 2.7% and were up 1.7% on a same store basis led by food sales growth in both Canadian and International Operations. General merchandise sales[1] increased 1.6% but were down 0.4% on a same store basis largely due to lower sales in Alaskan markets.

The table below shows the year-to-date sales blend for the past two years:

	2016	2015
Food	**79.6%**	79.3%
General merchandise	**17.5%**	17.6%
Other*	**2.9%**	3.1%

* Other sales includes fuel, fur and financial service revenues

Earnings from operations increased 10.1% to $118.1 million compared to $107.3 million last year. Gross profit dollars increased 3.6% due to sales growth, the impact of foreign exchange and a 26 basis point increase in the gross profit rate. The increase in the gross profit rate is largely due to product sales blend changes. Selling, operating and administrative expenses increased 1.9% but were down 16 basis points as a percentage to sales. The increase in expenses is largely due to higher store-based staff costs, an increase in amortization costs mainly related to capital investments in Top Markets and new stores in Canadian Operations. These factors were partially offset by lower share-based compensation costs and short-term incentive plan expenses. Excluding the impact of foreign exchange, earnings from operations increased 9.8% compared to last year.

(1) Excluding the foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased 10.0% to $166.5 million compared to $151.3 million last year. Excluding the impact of foreign exchange, EBITDA increased 9.7% compared to last year and as a percentage to sales was 9.1% compared to 8.5% last year.

Interest expense increased $1.0 million to $7.2 million due to an increase in long-term debt largely related to capital investments in Top Markets and marginally higher interest rates. Further information on long-term debt and interest expense is provided in Note 8 and Note 10 respectively to the 2016 fourth quarter unaudited interim period condensed consolidated financial statements.

Income tax expense increased $2.5 million to $33.8 million and the consolidated effective tax rate was 30.5% compared to 31.0% last year. The increase in income tax expense is largely due to higher earnings, the non-comparable withholding tax expense on subsidiary dividends and the blend of earnings in International Operations across the various tax rate jurisdictions.

Net earnings increased 10.5% to $77.1 million compared to $69.8 million last year and diluted earnings per share were $1.57 per share compared to $1.43 per share last year led by higher net earnings in Canadian Operations. Excluding the impact of foreign exchange and the non-comparable withholding tax, net earnings increased 12.1% compared to last year.

Comprehensive income decreased to $69.9 million compared to $86.3 million last year primarily due to the impact of foreign exchange on the translation of International Operations financial statements and remeasurements of the defined benefit plan obligation. The foreign exchange differences on the translation of International Operations financial statements resulted in a loss of $9.6 million compared to a gain of $12.0 million last year due to changes in the foreign exchange rates compared to the prior year. These factors were partially offset by higher net earnings this year.

CANADIAN OPERATIONS - FOURTH QUARTER

Canadian Operations sales increased 3.2% to $294.9 million compared to $285.9 million last year driven by same store sales growth of 1.9% and the impact of new stores. Food sales increased 3.5% and were up 2.0% on a same store basis as sales gains in northern markets were partially offset by softer sales in Giant Tiger stores. Food inflation in the quarter was nominal. General merchandise sales increased 3.9% from last year and were up 1.7% on a same store basis with all banners contributing to the sales growth.

Gross profit dollars increased 5.6% driven by sales growth and an increase in the gross profit rate. The improvement in the gross profit rate is largely related to food sales growth in higher margin food service and perishable categories, partially offset by competitive pressure in non-perishable categories and overall lower gross profit rates in less remote markets. Selling, operating and administrative expenses increased 1.1% compared to last year but were down 55 basis points as a percentage to sales. The increase in expenses was largely due to new stores, higher share-based compensation costs and an increase in amortization costs related to capital investments in our Top Markets. These factors were partially offset by lower incentive plan costs. Staff costs in northern Canada stores were down as a percentage to sales compared to the fourth quarter last year and the trend in the first three quarters of this year.

Canadian EBITDA[(2)] increased 23.3% to $25.3 million compared to $20.5 million last year largely due to the factors noted above. EBITDA as a percentage to sales was 8.6% compared to 7.2% last year.

INTERNATIONAL OPERATIONS (stated in U.S. dollars) - FOURTH QUARTER

International Operations sales increased 1.0% to $139.3 million compared to $138.0 million in the fourth quarter last year and were up 0.7% on a same store basis as food sales growth more than offset weaker general merchandise sales. Food sales increased 1.0% and were up 0.8% on a same store basis as sales growth in Alaska ("AC") stores was partially offset by lower sales at Cost-U-Less ("CUL"). General merchandise sales increased 0.6% but were down 0.3% on a same store basis as strong "Black Friday" sales in CUL were more than offset by lower sales in AC primarily due to lower consumer incomes.

Gross profit dollars increased 1.5% compared to last year largely due to higher sales. Selling, operating and administrative expenses increased 4.1% and increased 63 basis points as a percentage to sales due in part to higher advertising and administration costs.

EBITDA[(2)] decreased 4.6% to $10.1 million compared to $10.6 million last year and as a percentage to sales was 7.3% compared to 7.7% in the fourth quarter last year as the increase in selling, operating and administrative expenses was only partially offset by higher gross profit.

(1) Excluding the foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the fourth quarter was 0.62:1 compared to 0.63:1 last year.

Working capital decreased $4.4 million or 2.4% compared to the fourth quarter last year primarily due to lower cash largely related to the timing of deposits and lower accrued liabilities related to short-term incentive plan costs.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,526,000 shares compared to 48,519,000 shares last year. The increase in basic shares outstanding is due to share options exercised. The weighted-average fully diluted shares outstanding for the quarter were 48,978,000 shares compared to 48,792,000 shares last year. The increase in fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan and shares granted under the Director Deferred Share Unit Plan. Further information on the Share Option Plan and the Director Deferred Share Unit Plan is provided in Note 6 and Note 12 to the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months Ended January 31, 2017**	Three Months Ended January 31, 2016	Change	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016	Change
Cash flows provided by (used in):						
Operating activities	**$ 51,497**	$ 52,318	$ (821)	**$ 126,024**	$ 132,987	$ (6,963)
Investing activities	**(23,830)**	(30,959)	7,129	**(77,682)**	(75,813)	(1,869)
Financing activities	**(44,485)**	(18,502)	(25,983)	**(54,398)**	(50,174)	(4,224)
Effect of foreign exchange on cash	**(524)**	479	(1,003)	**(944)**	1,114	(2,058)
Net change in cash	**$ (17,342)**	$ 3,336	$ (20,678)	**$ (7,000)**	$ 8,114	$ (15,114)

Cash flow from operating activities in the quarter decreased $0.8 million or 1.6% to $51.5 million compared to cash flow from operating activities of $52.3 million last year. For the year, cash flow from operating activities decreased $7.0 million or 5.2% to $126.0 million largely due to the change in non-cash working capital. This decrease is primarily due to lower trade payables and accrued expenses related to reductions in short-term incentive plan costs, higher inventory in stores serviced by sealift and new stores in Canadian Operations. These factors were partially offset by higher net earnings and an increase in amortization expense due in part to capital investments as part of the Company's Top Markets initiative.

Cash used for investing activities in the quarter decreased to $23.8 million compared to $31.0 million last year due to a decrease in intangible asset additions largely related to the purchase of point-of-sale, workforce management and merchandise management software last year. For the year, investing activities increased by $1.9 million to $77.7 million largely due to capital expenditures related to the Company's Top Markets initiative and investments in a new POS and merchandise management system described in the Strategy section. Further information on planned capital expenditures is included in the Outlook section.

(1) Excluding foreign exchange impact
(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

Cash used in financing activities in the quarter was $44.5 million compared to $18.5 million last year. For the year, cash used in financing activities was $54.4 million compared to $50.2 million last year. The net change in long-term debt in the quarter and for the year is related to changes in amounts drawn on the Company's revolving loan facilities compared to last year. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 8 to the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements.

Sources of Liquidity

In March 2016, the Company completed the refinancing of the $200.0 million loan facilities in the Canadian Operations maturing December 31, 2018. The new increased, committed, revolving loan facilities provide up to $300.0 million for working capital and general business purposes. The facilities mature on April 29, 2021, are secured by certain assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities in the International Operations. At January 31, 2017, the Company had drawn $126.3 million on these facilities (January 31, 2016 - $119.2 million).

The Canadian Operations also have US$70.0 million senior notes that mature on June 16, 2021. The senior notes 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 $300.0 million Canadian Operations loan facilities and the US$52.0 million loan facilities in the International Operations.

In March 2016, the Company completed the refinancing of the US$52.0 million loan facilities maturing December 31, 2018. The new committed, revolving loan facilities of US$52.0 million mature April 29, 2021 and bear interest at U.S. LIBOR plus a spread. These facilities are secured by certain assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $300.0 million Canadian Operations loan facilities. At January 31, 2017, the Company had not drawn on these facilities (January 31, 2016 - US$NIL).

The International Operations also have a US$40.0 million committed, revolving loan facility for working capital and general business purposes. This loan facility, which matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2017, the Company had drawn US$9.1 million (January 31, 2016 - US$5.6 million) on this facility.

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, 2017, 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. Further information on the Company's long-term debt and loan facilities is provided in Note 8 to the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, planned sustaining and growth-related capital expenditures as well as anticipated dividends during 2017.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.32 per share, an increase of $0.01 or 3.2% per share, to shareholders of record on March 31, 2017, to be paid on April 17, 2017.

The payment of dividends on the Company's common shares are 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 are designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

OTHER HIGHLIGHTS

- A convenience store was opened in Garden Hill, MB in December, 2016.
- A Top Market project was completed in Arviat, NU in January, 2017.
- A pharmacy was opened in Baker Lake, NU in January, 2017.
- A Giant Tiger store was opened in Weyburn, Saskatchewan in January, 2017 increasing the number of Giant Tiger stores to 37.
- A Giant Tiger "New Store Experience" renovation was completed in Regina, Saskatchewan increasing the total number of renovations for the year to five stores.
- Alaska Commercial Company celebrated its 150th Anniversary of service to rural Alaska, dating back to the purchase of Alaska from Russia in 1867, and its 25th year under The North West Company's ownership.

SUBSEQUENT EVENT

On February 9, 2017, the Company acquired 76% of the outstanding common shares of Roadtown Wholesale Trading Ltd. (RTT), operating primarily as Riteway Food Markets in the British Virgin Islands (BVI). RTT is the leading retailer in BVI with seven retail outlets, two Cash and Carry stores and a significant wholesale operation. The purchase price was US$27.0 million consisting of cash consideration of US$24.0 million financed through existing loan facilities and the issuance of 133,900 common shares in accordance with the form of consideration elected to be received by RTT shareholders. The decrease in the purchase price from the US$32.0 million previously announced is due to price adjustments primarily related to working capital and new store construction costs. RTT is expected to contribute approximately US$5.0 million of annualized net income to North West. In the first quarter of 2017, the Company expects to incur acquisition related costs of approximately US$5.0 million, which include stamp duties to the Government of the British Virgin Islands.

STRATEGY

The Company is focused on building a stronger store network with improved product and service solutions that help our customers to live better and our business to grow within all economic environments. From an investor standpoint, the Company is committed to delivering sustainable, superior total returns with a commitment to downside risk management, disciplined allocation of capital, cash flow optimization and dividend growth.

The Company's focus areas for the next three years are set out below:

1. Managing investment in the Company's "Top Markets", our largest and highest sales and profit potential locations, so that sustaining capital is better balanced with new products and services. This is expected to result in consolidated capital spending in the $55 million range, excluding growth-related investments in new stores and acquisitions, with some offset from working capital efficiencies.
2. More selling space dedicated to "Top Categories" which offer the highest everyday convenience and service value to our customers and which can be delivered in a superior way by the Company.
3. Ensuring that the way we work is customer driven and store-centric through more responsive and effective support to the Company's selling activities.
4. In 2016, the Company initiated a project to implement new work force management, point-of-sale and merchandise management systems. This project is expected to be completed within approximately 30 months and is expected to deliver gains in pricing, more effective promotions, inventory management and store productivity, all aligned with the Company's "Top" strategies.
5. Selectively investing in new market and complimentary businesses through acquisitions and store openings.

Further information on the Company's strategy is provided in the 2015 Annual Report.

OUTLOOK

As noted under the strategy section, the Company's principal focus continues to be led by its Top Markets and Top Categories initiatives. The successful execution of this work is expected to enable North West to capture market share and sales at a higher rate than general consumer income growth, while focusing on lower-risk products and services.

The short-term consumer income outlook remains challenging and aligns with the Company's lower risk product and service focus, augmented by opportunistic investments. Economic conditions in Alaska are expected to be difficult, depending on oil prices and the extent to which state spending cuts spill into rural Alaska. Northern Canada is seeing more monthly income from the new Child Care Benefit payments and will gain further as infrastructure spending picks up in 2017. The western Canada retail environment is important for our GT business and we expect to continue to face low food inflation and more food price competition within this region combined with modest growth in competitive selling space. Our Cost U Less market prospects vary significantly from island to island and overall are expected to be comparable to 2016.

Net capital expenditures for 2017, exclusive of the Roadtown Wholesale Trading Ltd. acquisition, are expected to be in the $80.0 million range (2016 - $77.7 million), reflecting major store replacements, store renovations and investments in fixtures, equipment, staff housing and store-based warehouse expansions as part of the Company's Top Markets initiative, the opening of four Giant Tiger stores as well as the completion of "New Store Experience" upgrades in two stores. In addition to these investments, the Company is also implementing new information systems as described under the strategy section. 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.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information:

Operating Results - Consolidated

	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	92 days	92 days	92 days	92 days	92 days	92 days	90 days	89 days
($ in millions)	2016	2015	2016	2015	2016	2015	2016	2015
Sales	**$ 480.6**	$ 475.2	$ 464.0	$ 458.0	$ 460.6	$ 448.7	$ 439.0	$ 414.0
EBITDA(2)	**38.9**	35.1	51.1	43.1	38.9	38.8	37.6	34.4
Earnings from operations	**26.5**	23.4	39.1	32.0	27.0	28.2	25.6	23.7
Net earnings	**15.0**	15.2	27.9	20.7	16.4	18.1	17.8	15.7
Net earnings per share:								
Basic	**0.31**	0.31	0.57	0.43	0.34	0.38	0.37	0.32
Diluted	**0.30**	0.31	0.57	0.43	0.34	0.37	0.36	0.32

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the holiday selling period. 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, markdowns to reduce excess inventories and other factors which can affect net earnings.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also 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 reports for external purposes in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. Management used the Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission as the control framework in designing its internal controls over financial reporting. There have been no changes in the internal controls over financial reporting during the quarter ended January 31, 2017 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2016

The Company implemented the amendments to IAS 1, *Presentation of Financial Statements* in 2016 with no significant impact on the Company's unaudited interim period condensed consolidated financial statements. The amendments provide guidance on the application of judgment in the preparation of financial statements and disclosure including: materiality, order of notes to consolidated financial statements and disclosure of accounting policies. It also clarified the aggregation and disaggregation of items presented in the financial statements. The amendments had no material impact on the unaudited interim period condensed consolidated financial statements.

FUTURE ACCOUNTING STANDARDS TO BE IMPLEMENTED

The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2017, and have not been applied in preparing the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements. The Company is currently assessing the potential impacts of changes to these standards.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. Additional guidance was issued on:

- 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 model
- 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

These changes are effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and are available for early adoption.

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 of transactions is used to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

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. These changes are effective for the Company's financial year ending January 31, 2020, with early adoption permitted provided IFRS 15, *Revenue from Contracts with Customers* is also applied. 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 assets and liabilities for its operating leases of property and equipment. In addition, the nature and timing of leasing expenses will change as operating lease expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Deferred tax In January 2016, the IASB issued amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*. The 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 are applicable for the Company's financial year ending January 31, 2018.

Cash flows In January 2016, the IASB issued amendments to IAS 7, *Statement of Cash Flows* to improve disclosures regarding changes in financing liabilities. These amendments are applicable for the Company's financial year ending January 31, 2018.

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. These amendments are applicable for the Company's financial year ending January 31, 2019.

NON-GAAP MEASURES

(1) Earnings Before Interest, Income Taxes, Depreciation and Amortization (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides investors with an indication of the Company's operational performance before allocating the cost of interest, income taxes and capital investments. Investors should be cautioned however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as an indicator of the Company's performance. The Company's method of calculating EBITDA may differ from other companies and may not be comparable to measures used by other companies.

A reconciliation of consolidated net earnings to EBITDA is provided below:

	Fourth Quarter		**Year**	
($ in thousands)	**2016**	2015	**2016**	2015
Net earnings	**$ 14,994**	$ 15,206	**$ 77,076**	$ 69,779
Add: Amortization	**12,379**	11,640	**48,367**	44,026
Interest expense	**1,801**	1,741	**7,220**	6,210
Income taxes	**9,687**	6,486	**33,835**	31,332
EBITDA	**$ 38,861**	$ 35,073	**$ 166,498**	$ 151,347

For EBITDA information by business segment, see Note 4 to the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements.

Management uses this and other non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under GAAP as the excluded amounts are not necessarily reflective of the Company's underlying operating performance and can make comparisons of 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.

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Company's 2016 fourth quarter unaudited interim period condensed consolidated financial statements and notes to the unaudited interim period condensed consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to March 15, 2017.

Forward-Looking Statements

This Quarterly Report, including Management's Discussion & Analysis (MD&A), contains forward-looking statements about the Company, 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), on-going 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 forward-looking 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 also cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other risks are outlined in the Risk Management section of the 2015 Annual Report and in the Risk Factors sections of the Annual Information Form and Management Information Circular. 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 forward-looking 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*.

Consolidated Balance Sheets

(unaudited, $ in thousands)	**January 31, 2017**	January 31, 2016
CURRENT ASSETS		
Cash	**$ 30,243**	$ 37,243
Accounts receivable	**78,931**	79,373
Inventories (Note 5)	**213,217**	211,736
Prepaid expenses	**5,547**	7,229
	327,938	335,581
NON-CURRENT ASSETS		
Property and equipment	**358,121**	345,881
Goodwill	**37,752**	37,260
Intangible assets	**35,394**	32,610
Deferred tax assets	**32,853**	29,040
Other assets	**13,763**	13,423
	477,883	458,214
TOTAL ASSETS	**$ 805,821**	$ 793,795
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 146,639**	$ 152,136
Income tax payable (Note 11)	**5,605**	3,365
	152,244	155,501
NON-CURRENT LIABILITIES		
Long-term debt (Note 8)	**229,266**	225,489
Defined benefit plan obligation (Note 17)	**34,078**	33,853
Deferred tax liabilities	**2,661**	2,630
Other long-term liabilities	**19,787**	18,710
	285,792	280,682
TOTAL LIABILITIES	**438,036**	436,183
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**168,283**	167,910
Contributed surplus	**2,647**	2,620
Retained earnings	**176,003**	156,664
Accumulated other comprehensive income	**20,852**	30,418
TOTAL EQUITY	**367,785**	357,612
TOTAL LIABILITIES & EQUITY	**$ 805,821**	$ 793,795

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended January 31, 2017**	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
SALES	**$ 480,593**	$ 475,212	**$ 1,844,093**	$ 1,796,035
Cost of sales	**(338,017)**	(336,860)	**(1,302,596)**	(1,273,421)
Gross profit	**142,576**	138,352	**541,497**	522,614
Selling, operating and administrative expenses (Notes 9, 15)	**(116,094)**	(114,919)	**(423,366)**	(415,293)
Earnings from operations	**26,482**	23,433	**118,131**	107,321
Interest expense (Note 10)	**(1,801)**	(1,741)	**(7,220)**	(6,210)
Earnings before income taxes	**24,681**	21,692	**110,911**	101,111
Income taxes (Note 11)	**(9,687)**	(6,486)	**(33,835)**	(31,332)
NET EARNINGS FOR THE PERIOD	**$ 14,994**	$ 15,206	**$ 77,076**	$ 69,779
NET EARNINGS PER SHARE				
Basic	**$ 0.31**	$ 0.31	**$ 1.59**	$ 1.44
Diluted	**$ 0.30**	$ 0.31	**$ 1.57**	$ 1.43
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,526**	48,519	**48,524**	48,509
Diluted	**48,978**	48,792	**48,964**	48,783

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended January 31, 2017**	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
NET EARNINGS FOR THE PERIOD	**$ 14,994**	$ 15,206	**$ 77,076**	$ 69,779
Other comprehensive income/(loss), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**(4,025)**	8,874	**(9,566)**	11,953
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 17)	**11,668**	4,558	**2,413**	4,583
Remeasurements of defined benefit plans of equity investee	**19**	(15)	**19**	(15)
Total other comprehensive income/(loss), net of tax	**7,662**	13,417	**(7,134)**	16,521
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 22,656**	$ 28,623	**$ 69,942**	$ 86,300

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2016	$ 167,910	$ 2,620	$ 156,664	$ 30,418	$ 357,612
Net earnings for the period	—	—	77,076	—	77,076
Other comprehensive income/(loss)	—	—	2,413	(9,566)	(7,153)
Other comprehensive income of equity investee	—	—	19	—	19
Comprehensive income / (loss)	—	—	79,508	(9,566)	69,942
Equity settled share-based payments	—	168	—	—	168
Dividends (Note 7)	—	—	(60,169)	—	(60,169)
Issuance of common shares (Note 6)	373	(141)	—	—	232
	373	27	(60,169)	—	(59,769)
Balance at January 31, 2017	**$168,283**	**$ 2,647**	**$176,003**	**$ 20,852**	**$367,785**
Balance at January 31, 2015	$ 167,460	$ 2,831	$ 140,527	$ 18,465	$ 329,283
Net earnings for the period	—	—	69,779	—	69,779
Other comprehensive income	—	—	4,583	11,953	16,536
Other comprehensive income of equity investee	—	—	(15)	—	(15)
Comprehensive income	—	—	74,347	11,953	86,300
Equity settled share-based payments	—	124	—	—	124
Dividends (Note 7)	—	—	(58,210)	—	(58,210)
Issuance of common shares (Note 6)	450	(335)	—	—	115
	450	(211)	(58,210)	—	(57,971)
Balance at January 31, 2016	$ 167,910	$ 2,620	$ 156,664	$ 30,418	$ 357,612

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended January 31, 2017**	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 14,994**	$ 15,206	**$ 77,076**	$ 69,779
Adjustments for:				
Amortization	**12,379**	11,640	**48,367**	44,026
Provision for income taxes (Note 11)	**9,687**	6,486	**33,835**	31,332
Interest expense (Note 10)	**1,801**	1,741	**7,220**	6,210
Equity settled share option expense (Note 12)	**41**	185	**168**	386
Taxes paid	**(9,421)**	(6,519)	**(35,430)**	(30,659)
Loss on disposal of property and equipment	**—**	328	**1,115**	350
	29,481	29,067	**132,351**	121,424
Change in non-cash working capital	**16,692**	18,869	**(10,799)**	5,904
Change in other non-cash items	**5,324**	4,382	**4,472**	5,659
Cash from operating activities	**51,497**	52,318	**126,024**	132,987
Investing activities				
Purchase of property and equipment	**(21,363)**	(22,856)	**(66,180)**	(63,179)
Intangible asset additions	**(2,467)**	(8,122)	**(11,565)**	(12,804)
Proceeds from disposal of property and equipment	**—**	19	**63**	170
Cash used in investing activities	**(23,830)**	(30,959)	**(77,682)**	(75,813)
Financing activities				
Net change in long-term debt (Note 8)	**(27,127)**	(1,338)	**11,567**	13,081
Dividends (Note 7)	**(15,042)**	(15,041)	**(60,169)**	(58,210)
Interest paid	**(2,548)**	(1,980)	**(6,028)**	(5,160)
Issuance of common shares	**232**	(143)	**232**	115
Cash used in financing activities	**(44,485)**	(18,502)	**(54,398)**	(50,174)
Effect of changes in foreign exchange rates on cash	**(524)**	479	**(944)**	1,114
NET CHANGE IN CASH	**(17,342)**	3,336	**(7,000)**	8,114
Cash, beginning of period	**47,585**	33,907	**37,243**	29,129
CASH, END OF PERIOD	**$ 30,243**	$ 37,243	**$ 30,243**	$ 37,243

See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

The North West Company Inc. (NWC or the Company) is a corporation amalgamated under the Canada Business Corporations Act (CBCA) and governed by the laws of Canada. The Company, through its subsidiaries, is a leading retailer of food and everyday products and services. The address of its registered office is 77 Main Street, Winnipeg, Manitoba.

The Company has two reportable geographical segments, Canada and International. The International segment consists of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns.

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on March 15, 2017.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2015 Annual Report which have been prepared in accordance with International Financial Reporting Standards (IFRS).

(B) Basis of Measurement The condensed consolidated financial statements have been prepared on a historical cost basis, except for the following which are measured at fair value, as applicable:

- Liabilities for share-based payment plans (Note 12)
- Defined benefit pension plan (Note 17)
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2015 annual audited consolidated financial statements.

(C) Functional and Presentation Currency The presentation currency of the condensed consolidated financial statements is Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars, unless otherwise stated, and has been rounded to the nearest thousand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are set out in the Company's 2015 annual audited consolidated financial statements. These policies have been applied to all periods presented in these condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

New Standards Implemented The Company adopted amendments to IAS 1, *Presentation of Financial Statements* effective February 1, 2016, as required by the IASB. The amendments provided guidance on the application of judgment in the preparation of financial statements and disclosure including: materiality, order of notes to consolidated financial statements and disclosure of accounting policies. It also clarified the aggregation and disaggregation of items presented in the financial statements. The amendments had no material impact on the consolidated financial statements.

Future Standards and Amendments The following new standards, and amendments to standards and interpretations, are not yet effective for the year ended January 31, 2017, and have not been applied in preparing these unaudited condensed consolidated financial statements. The Company is currently assessing the potential impacts of changes to these standards.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. Additional guidance was issued on:

- 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 model
- 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

These changes are effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and are available for early adoption.

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 of transactions is used to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have also been introduced. It is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. These changes are effective for the Company's financial year ending January 31, 2020, with early adoption permitted provided IFRS 15, *Revenue from Contracts with Customers* is also applied. 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 assets and liabilities for its operating leases of property and equipment. In addition, the nature and timing of leasing expenses will change as operating lease expenses are replaced by a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Deferred tax In January 2016, the IASB issued amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses*. The 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 are applicable for the Company's financial year ending January 31, 2018.

Cash flows In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* to improve disclosures regarding changes in financing liabilities. These amendments are applicable for the Company's financial year ending January 31, 2018.

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. These amendments are applicable for the Company's financial year ending January 31, 2019.

There are no other IFRS or IFRIC interpretations not yet effective that would be expected to have a material impact on the Company.

Use of Estimates The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures in the condensed consolidated financial statements and notes.

These estimates and assumptions are based on management's historical experience, best knowledge of current events, conditions and actions that the Company may undertake in the future and other factors that management believes are reasonable under the circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis. Certain of these estimates require subjective or complex judgments by management about matters that are uncertain and changes in these estimates could materially impact the condensed consolidated financial statements and notes. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates have the most significant effect on the amounts recognized in the condensed consolidated financial statements include: allowance for doubtful accounts, inventories, impairment of assets, goodwill and indefinite life intangible asset impairment, income taxes, and defined benefit plan obligations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

The Company is a retailer of food and everyday products and services in two geographical segments, Canada and International. The International segment consists of wholly owned subsidiaries operating in the continental United States, Caribbean and South Pacific. Financial information for these business segments is regularly reviewed by the Company's President and Chief Executive Officer to assess performance and make decisions about the allocation of resources.

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
Sales				
Canada	**$ 294,932**	$ 285,861	**$ 1,125,330**	$ 1,089,898
International	**185,661**	189,351	**718,763**	706,137
Consolidated	**$ 480,593**	$ 475,212	**$ 1,844,093**	$ 1,796,035
Earnings before amortization, interest and income taxes				
Canada	**$ 25,324**	$ 20,542	**$ 109,736**	$ 98,276
International	**13,537**	14,531	**56,762**	53,071
Consolidated	**$ 38,861**	$ 35,073	**$ 166,498**	$ 151,347
Earnings from operations				
Canada	**$ 16,282**	$ 12,160	**$ 74,445**	$ 66,495
International	**10,200**	11,273	**43,686**	40,826
Consolidated	**$ 26,482**	$ 23,433	**$ 118,131**	$ 107,321

Supplemental information

	January 31, 2017	**January 31, 2016**
Assets		
Canada	**$ 529,807**	$ 501,268
International (1)	**276,014**	292,527
Consolidated	**$ 805,821**	$ 793,795

(1) Canadian total assets includes goodwill of $3,271 (January 31, 2016 - $NIL) . International total assets includes goodwill of $34,481 (January 31, 2016 - $37,260).

	Three Months Ended January 31, 2017		Three Months Ended January 31, 2016		**Twelve Months Ended January 31, 2017**		Twelve Months Ended January 31, 2016	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 15,966**	**$ 5,397**	$ 19,631	$ 3,225	**$ 53,701**	**$ 12,479**	$ 55,503	$ 7,676
Amortization	**$ 9,042**	**$ 3,337**	$ 8,382	$ 3,258	**$ 35,291**	**$ 13,076**	$ 31,781	$ 12,245

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

Included in cost of sales for the three months ended January 31, 2017, the Company recorded $234 (three months ended January 31, 2016 – $209) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the twelve months ended January 31, 2017 the Company recorded $1,129 (twelve months ended January 31, 2016 – $1,392) for the write-down of period end inventories as a result of net realizable value being lower than cost. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the twelve months ended January 31, 2017 or 2016.

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	**Consideration**
Balance at January 31, 2016	**48,523,341**	**$ 167,910**
Issued under option plans (Note 12)	**19,173**	**373**
Balance at January 31, 2017	**48,542,514**	**$ 168,283**

Balance at January 31, 2015	48,497,199	$ 167,460
Issued under option plans (Note 12)	26,142	450
Balance at January 31, 2016	48,523,341	$ 167,910

7. DIVIDENDS

	Twelve Months Ended January 31, 2017	Twelve Months Ended January 31, 2016
Dividends paid in cash	**$ 60,169**	$ 58,210
Dividends per share	**$ 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 upon, 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 CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the period in which they are approved by the Board of Directors.

8. LONG-TERM DEBT

	January 31, 2017	January 31, 2016
Current:		
Revolving loan facilities (1)	—	—
	$ —	$ —
Non-current:		
Revolving loan facilities (1)	**$ 11,887**	$ 7,946
Revolving loan facilities (2)	—	—
Revolving loan facilities (3)	**126,344**	119,193
Senior notes (4)	**91,035**	98,350
	$ 229,266	$ 225,489
Total	**$ 229,266**	$ 225,489

(1) The committed, revolving U.S. loan facility provides the International Operations with up to US$40,000 for working capital requirements and general business purposes. This facility matures October 31, 2020, bears a floating rate of interest based on U.S. LIBOR plus a spread and is secured by certain accounts receivable and inventories of the International Operations. At January 31, 2017, the International Operations had drawn US$9,122 (January 31, 2016 – US$5,643) on this facility.

(2) In March 2016, the Company completed the refinancing of the US$52,000 loan facilities maturing December 31, 2018 which bore interest at U.S. LIBOR plus a spread. The new committed, revolving loan facilities mature April 29, 2021 and bear interest at U.S. LIBOR plus a spread. These loan facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes and the $300,000 Canadian Operations loan facilities. At January 31, 2017, the Company had drawn US$NIL (January 31, 2016 – US $NIL) on these facilities.

(3) In March 2016, the Company completed the refinancing of the $200,000 loan facilities maturing December 31, 2018 which bore a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate. The new increased, committed, revolving loan facilities provide the Company's Canadian Operations with up to $300,000 for working capital and general business purposes. The facilities mature April 29, 2021 and are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes and the US$52,000 loan facilities in International Operations. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US$70,000 senior notes mature June 16, 2021, have a fixed interest rate of 3.27% on US$55,000 and a floating interest rate on US$15,000 based on U.S. LIBOR plus a spread. The senior notes are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities and the US$52,000 loan facilities in the International Operations.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE COSTS

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
Wages, salaries and benefits including bonus	**$ 61,797**	$ 65,092	**$ 246,678**	$ 239,766
Post employment benefits	**1,733**	1,703	**7,160**	7,084
Share-based compensation (Note 12)	**7,104**	5,280	**7,053**	13,750

10. INTEREST EXPENSE

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
Interest on long-term debt	**$ 1,770**	$ 1,508	**$ 6,326**	$ 5,355
Net interest on defined benefit plan obligation	**336**	313	**1,324**	1,250
Interest income	**(20)**	(26)	**(92)**	(120)
Less: interest capitalized	**(285)**	(54)	**(338)**	(275)
Interest expense	**$ 1,801**	$ 1,741	**$ 7,220**	$ 6,210

11. INCOME TAXES

The estimated effective income tax rate for the three months ended January 31, 2017 is 39.3% (three months ended January 31, 2016 – 29.9%) and for the twelve months ended January 31, 2017 is 30.5% (twelve months ended January 31, 2016 – 31.0%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings. Changes in the effective income tax rate primarily reflect withholding tax on dividends from subsidiaries, changes in earnings of the Company's subsidiaries across various tax jurisdictions and the impact of non-tax deductible items.

12. SHARE-BASED COMPENSATION

The Company offers the following share-based payment plans: Performance Share Units (PSUs); Share Options; Director Deferred Share Units (DDSUs); Executive Deferred Share Units (EDSUs) and an Employee Share Purchase Plan. The purpose of these plans is to directly align the interests of the participants and the shareholders of the Company by providing compensation that is dependent on the performance of the Company's common shares.

The total expense relating to share-based payment plans for the three months ended January 31, 2017 is $7,104 (three months ended January 31, 2016 – $5,280) and for the twelve months ended January 31, 2017 is $7,053 (twelve months ended January 31, 2016 – $13,750). The carrying amount of the Company's share-based compensation arrangements including PSU, share option, DDSU and EDSU plans are recorded on the consolidated balance sheets as follows:

	January 31, 2017	January 31, 2016
Accounts payable and accrued liabilities	**$ 10,844**	$ 10,067
Other long-term liabilities	**13,624**	12,472
Contributed surplus	**1,078**	1,052
Total	**$ 25,546**	$ 23,591

Performance Share Units

The Company has granted Performance Share Units to officers and senior management.

Each PSU entitles the participant to receive a cash payment equal to the market value of the number of notional units granted at the end of the vesting period based on the achievement of specific performance based criteria. The PSU account for each participant includes the value of dividends from the Company as if reinvested in additional PSUs. PSU awards vest with the employee on the third fiscal year following the date of the grant to which the award relates. Compensation expense is measured initially based on the fair market value of the Company's shares at the grant date and subsequently adjusted for additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period. The associated compensation expense is recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period factoring in the probability of the performance criteria being met during that period.

Compensation costs related to the PSUs for the three months ended January 31, 2017 are $1,362 (three months ended January 31, 2016 – $2,723) and for the twelve months ended January 31, 2017 are $3,017 (twelve months ended January 31, 2016 – $6,027).

Share Option Plan

The Company has a Share Option Plan that provides for the granting of options to certain officers and senior management. Options are granted at fair market value based on the volume weighted-average closing price of the Company's shares for the five trading days preceding the grant date. Effective June 14, 2011, the Share Option Plan was amended and restated. The amendments afford the Board of Directors the discretion to award options giving the holder the choice, upon exercise, to either deduct a portion of all dividends declared after the grant date from the options exercise price or to exercise the option at the strike price specified at the grant date ("Declining Strike Price Options"). Options issued prior to June 14, 2011 and certain options issued subsequently are standard options ("Standard Options"). Each option is exercisable into one share of the Company at the price specified in the terms of the option. Declining Strike Price options allow the employee to acquire shares or receive a cash payment based on the excess of the fair market value of the Company's shares over the exercise price.

The fair value of the Declining Strike Price Options is remeasured at the reporting date and recognized both in net earnings and as a liability over the vesting period. The grant date fair value of the Standard Options is recognized in net earnings and contributed surplus over the vesting period.

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The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9% of the Company's issued and outstanding shares at January 31, 2017. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the three months ended January 31, 2017 is $4,586 (three months ended January 31, 2016 – $2,025) and for the twelve months ended January 31, 2017 is $2,510 (twelve months ended January 31, 2016 – $5,408).

The fair values for options issued during the year were calculated based on the following assumptions:

	2016	2015
Fair value of options granted	**$ 2.80 to $ 3.88**	$ 2.17 to $ 3.42
Exercise price	**28.81**	$ 25.63
Dividend yield	**3.9%**	4.6%
Annual risk-free interest rate	**0.5% to 0.7%**	0.4% to 0.7%
Expected share price volatility	**19.8%**	19.9%

The assumptions used to measure cash settled options at the balance sheet dates were as follows:

	2016	2015
Dividend yield	**4.2%**	4.1%
Annual risk-free interest rate	**0.8% to 1.1%**	0.4% to 0.7%
Expected share price volatility	**19.7% to 23.3%**	18.8% to 24.7%

The expected dividend yield is estimated based on the quarterly dividend rate and the closing share price on the date the options are granted. The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options. The risk-free interest rate is estimated based on the Government of Canada bond yield for a term to maturity equal to the expected life of the options.

The following continuity schedules reconcile the movement in outstanding options during the twelve months ended January 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2016	2015	**2016**	2015
Outstanding options, beginning of period	**1,659,664**	1,207,995	**400,045**	391,876
Granted	**454,057**	491,096	**68,564**	81,461
Exercised	**(30,829)**	(39,427)	**(25,967)**	(43,137)
Forfeited or cancelled	**—**	—	**—**	(30,155)
Outstanding options, end of period	**2,082,892**	1,659,664	**442,642**	400,045
Exercisable at end of period	**485,431**	223,575	**205,958**	176,867

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2016	2015	**2016**	2015
Outstanding options, beginning of period	**$ 23.67**	$ 22.79	**$ 21.86**	$ 20.88
Granted	**28.81**	25.63	**28.81**	25.63
Exercised	**21.95**	21.14	**17.20**	19.44
Forfeited or cancelled	**—**	—	**—**	22.52
Outstanding options, end of period	**$ 24.81**	$ 23.67	**$ 23.21**	$ 21.86
Exercisable at end of period	**$ 18.47**	$ 18.30	**$ 20.29**	$ 19.32

Options outstanding at January 31, 2017 have an exercise price range of $17.19 to $28.81 and a weighted-average remaining contractual life of 4.1 years.

Director Deferred Share Unit Plan

This plan is available for independent Directors. Participants are credited with deferred share units for the amount of the annual equity retainer and fees each participant elects to allocate to the DDSU plan. Each deferred share unit entitles the holder to receive a share of the Company. The DDSUs are exercisable by the holder at any time but no later than December 31 of the first calendar year commencing after the holder ceases to be a Director. A participant may elect at the time of exercise of any DDSUs, subject to the consent of the Company, to have the Company pay an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date. This cash payment is in consideration for the surrender by the participant to the Company the right to receive shares from exercising the DDSUs. Effective December 2016, the Plan was amended for those DDSUs credited to participants for the portion of the annual cash retainer and fees each participant elects to allocate to the Plan. The holder of these DDSUs is entitled to receive at the time of exercise, an amount in cash equal to the aggregate current market value of the shares, determined based on the closing price of the shares on the TSX on the trading day preceding the exercise date.

Compensation expense is measured based on the fair market value at each reporting date. Subsequent changes in the fair value of the DDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The DDSU plan compensation cost recorded for the three months ended January 31, 2017 is $918 (three months ended January 31, 2016 – $388) and for the twelve months ended January 31, 2017 is $712 (twelve months ended January 31, 2016 – $1,587). The total number of DDSUs outstanding at January 31, 2017 is 212,166 (January 31, 2016 – 180,152). There were no DDSUs exercised during the twelve months ended January 31, 2017 (twelve months ended January 31, 2016 –22,895).

Executive Deferred Share Unit Plan

This plan provides for the granting of deferred share units to those executives who elect to receive a portion of their annual short-term incentive payment in EDSUs, subject to plan limits. Effective April 2016, participants will be credited with EDSUs based on the amount of their short-term incentive payment allocated to the plan and the fair market value of the Company's shares. The EDSU account for each participant includes the value of dividends from the Company as if reinvested in additional EDSUs. The EDSUs are exercisable at any time after the executive ceases to be an employee of the Company, but no later than December 31 of the first calendar year commencing after the holder ceased to be an employee. Each EDSU entitles the holder to a cash payment equal to the market value of the equivalent number of the Company's shares, determined based on their closing price on the TSX on the trading day preceding the exercise date.

Total compensation expense is measured at the time of the grant. Subsequent changes in the fair value of the EDSUs based on changes in the market value of the Company's shares are recognized at each reporting date. The EDSU plan compensation cost recorded for the three months ended January 31, 2017 is $92 (three months ended January 31, 2016 – $NIL) and for the twelve months ended January 31, 2017 is $35 (twelve months ended January 31, 2016 – $NIL). There were no EDSUs redeemed during the twelve months ended January 31, 2017 and 2016.

Employee Share Purchase Plan
The Employee Share Purchase Plan provides participants with the opportunity to acquire an ownership interest in the Company. The Company contributes an additional 33% of the amount invested, subject to a maximum annual contribution of 2% of the participants' base salary. The plan is administered by a trustee who uses the funds received to purchase shares on the TSX on behalf of the participating employees. These shares are registered in the name of the plan trustee on behalf of the participants. The Company's contribution to the plan is recorded as compensation expense. The employee share purchase plan compensation cost recorded for the three months ended January 31, 2017 is $146 (three months ended January 31, 2016 – $144) and for the twelve months ended January 31, 2017 $779 (twelve months ended January 31, 2016– $728).

13. SEASONALITY

The Company's business follows a seasonal pattern where historically the first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting consumer holiday buying patterns. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories. Net earnings are historically lower in the first quarter due to lower sales and fixed costs such as rent and overhead that apply uniformly throughout the year.

14. SUBSIDIARIES AND JOINT VENTURES

The Company's principal operating subsidiaries are set out below:

			Proportion of voting rights held by:	
	Activity	**Country of Organization**	**Company**	**Subsidiary**
NWC GP Inc.	General Partner	Canada	100%	
North West Company Holdings Inc.	Holding Company	Canada	100%	
The North West Company LP	Retailing	Canada	100% (less one unit)	
NWC (U.S.) Holdings Inc.	Holding Company	United States		100%
The North West Company (International) Inc.	Retailing	United States		100%
The North West Finance Company Cooperatie U.A.	Finance Company	Netherlands	99%	1%

The Company's investment in joint ventures comprises a 50% interest in a Canadian Arctic shipping company, Transport Nanuk Inc.

15. EXPENSES BY NATURE

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016	**Twelve Months Ended January 31, 2017**	Twelve Months Ended January 31, 2016
Employee costs	**$ 70,634**	$ 72,075	**$ 260,891**	$ 260,600
Amortization	**12,379**	11,640	**48,367**	44,026
Operating lease rentals	**7,734**	7,840	**30,207**	29,494
Other income	**(7,321)**	(7,108)	**(30,168)**	(29,497)

16. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments. All of the Company's financial instruments are carried at amortized cost using the effective interest rate method.

These amounts represent point-in-time estimates and may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of significant judgment.

		Assets (Liabilities) carried at amortized cost	
	Maturity	Carrying amount	Fair value
Cash	Short-term	$ 30,243	$ 30,243
Accounts receivable	Short-term	78,931	78,931
Other financial assets	Long-term	1,582	1,582
Accounts payable and accrued liabilities	Short-term	(146,639)	(146,639)
Long-term debt	Long-term	(229,266)	(230,067)

The methods and assumptions used in estimating the fair value of the Company's financial instruments are as follows:

- The fair value of short-term financial instruments approximates their carrying values due to their immediate or short-term period to maturity. Any differences between fair value and book values of short-term financial instruments are considered to be insignificant.
- The fair value of long-term debt with fixed interest rates is estimated by discounting the expected future cash flows using the current risk-free interest rate on an instrument with similar terms adjusted for an appropriate risk premium. This is considered a level 2 fair value estimate.

17. POST EMPLOYMENT BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities is assessed at each reporting period. During the three months ended January 31, 2017, the Company recorded net actuarial gains on its defined benefit plan obligation of $11,668 (three months ended January 31, 2016 - $4,558) in other comprehensive income, which was recognized immediately in retained earnings. During the twelve months ended January 31, 2017, the Company recorded net actuarial gains on its defined benefit plan obligation of $2,413 (twelve months ended January 31, 2016 - $4,583) in other comprehensive income, which was recognized immediately in retained earnings.

The remeasurements for the three months ended January 31, 2017 were primarily due to changes in the discount rate used to measure the defined benefit obligation and variability in asset returns. The remeasurements for the twelve months ended January 31, 2017 were primarily due to variability in asset returns. The discount rate used to determine the benefit obligation for the defined benefit pension plan at January 31, 2017 was 4.00% (January 31, 2016 - 4.00%).

The defined benefit obligation and fair value of plan assets for the Company's pension and other post-retirement plans were as follows:

	January 31, 2017	January 31, 2016
Defined benefit obligation	**$ (112,358)**	$ (110,282)
Fair value of plan assets	**78,280**	76,429
Defined benefit plan obligation, funded status	**$ (34,078)**	$ (33,853)

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18. SUBSEQUENT EVENTS

On March 15, 2017, the Board of Directors declared a dividend of $0.32 per common share payable April 17, 2017 to shareholders of record on March 31, 2017.

On February 9, 2017, the Company acquired 76% of the outstanding common shares of Roadtown Wholesale Trading Ltd. (RTT), operating primarily as Riteway Food Markets in the British Virgin Islands. (BVI) RTT is the leading retailer in BVI with seven retail outlets, two Cash and Carry stores and a significant wholesale operation. The purchase price was US$27,046 consisting of cash consideration of US$24,004 financed through existing loan facilities and the issuance of 133,900 common shares, in accordance with the form of consideration elected to be received by RTT shareholders.

Given the timing of the transaction, the preliminary purchase price allocation is not yet available.