THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended January 31, 2018

2017 FOURTH QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the fourth quarter ended January 31, 2018. Sales increased 1.9% to $489.8 million compared to the fourth quarter last year largely due to the acquisition of Roadtown Wholesale Trading Ltd. and North Star Air Ltd. These gains were partially offset by the impact of store closures related to hurricanes in the Caribbean and the impact of foreign exchange on the translation of International Operations sales. Consolidated sales, excluding the impact of foreign exchange, increased 4.2% and were up 0.3%[1] on a same store basis.

Fourth quarter net earnings increased 21.8% to $18.3 million and diluted earnings per share attributable to shareholders were $0.35 per share compared to $0.30 per share last year largely due to acquisition related earnings growth and lower share-based compensation costs. These factors were partially offset by the impact of U.S. tax reform, the hurricane-related store closures and foreign exchange. Excluding the impact of share-based compensation option expense and the one-time income tax expense related to U.S. tax reform, adjusted net earnings[2] decreased 1.3%.

The Board of Directors has approved a quarterly dividend of $0.32 per share to shareholders of record on March 29, 2018.

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 2017 fourth quarter unaudited interim period condensed consolidated financial statements for the period ended January 31, 2018 and the audited annual consolidated financial statements and accompanying notes included in the 2016 Annual Report.

CONSOLIDATED RESULTS

Quarter

Fourth quarter consolidated sales increased 1.9% to $489.8 million due to the acquisition of Roadtown Wholesale Trading Ltd. ("RTW") in the British Virgin Islands and North Star Air Ltd. ("NSA") in Canada. Same store sales gains in International Operations were also a factor. These gains were partially offset by store closures related to hurricanes in the Caribbean and the impact of foreign exchange on the translation of International Operations sales. Excluding the foreign exchange impact, consolidated sales increased 4.2% and were up 0.3%[1] on a same store basis. Food sales[1] increased 1.2% but were flat to last year on a same store basis. General merchandise sales[1] increased 1.8% and were up 1.3% on a same store basis.

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

	2017	2016
Food	**74.7%**	76.8%
General merchandise	**19.9%**	20.3%
Other*	**5.4%**	2.9%

* Other sales includes fuel, fur, tele-pharmacy, airline and financial service charge revenues

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

Earnings from operations increased $5.7 million or 21.6% to $32.2 million compared to $26.5 million last year. Gross profit dollars were up 3.8% driven by the acquisition related sales growth and a 56 basis point increase in gross profit rate compared to last year. The increase in gross profit rate is mainly due to sales blend changes across the various jurisdictions. Selling, operating and administrative expenses decreased 0.2% and were down 51 basis points as a percentage to sales as expenses related to the RTW and NSA acquisitions and new stores in Canadian Operations were more than offset by the impact of lower share-based compensation costs and hurricane-related store closures. Further information on the RTW and NSA acquisitions is provided in Note 17 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements. Further information on the impact of the hurricanes is provided under International Operations.

The decrease in share-based compensation costs of $9.2 million was largely due to an option expense recovery of $2.8 million this year compared to an option expense of $4.6 million last year. A substantial portion of the options granted are accounted for as a liability and are re-measured based on the share price at each quarterly reporting date. The lower option expense this quarter was due to a decrease in the share price in the quarter this year compared to an increase in the share price in the fourth quarter last year. Further information on share-based compensation expense is provided in Note 9 and Note 12 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased $7.7 million or 19.9% to $46.6 million due to the impact of the RTW and NSA acquisitions and lower share-based compensation noted above. These gains were partially offset by the impact of the hurricane-related store closures. Excluding the impact of the share option expense, adjusted EBITDA[2] was up 0.7% compared to last year and as a percentage to sales was 8.9% compared to 9.0% last year.

Interest expense increased $1.3 million to $3.1 million due to an increase in long-term debt largely related to the financing of the RTW and NSA acquisitions and higher interest rates. Further information on long-term debt and interest expense is provided in Note 8 and Note 10 respectively to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Income tax expense increased $1.2 million to $10.9 million and the consolidated effective tax rate was 37.3% compared to 39.3% last year. The decrease in the effective tax rate is due to changes in earnings of the Company's subsidiaries across various tax jurisdictions and the change in non-taxable share-based compensation costs in Canadian Operations compared to last year. These factors more than offset the impact of one-time income tax expense related to U.S. tax reform. The most significant impact of the change in U.S. tax legislation was a reduction in the federal corporate income tax rate from 35.0% to 21.0% effective January 1, 2018 and the implementation of a one-time transition tax on undistributed earnings in foreign subsidiaries. These changes resulted in an income tax expense of $3.9 million for the re-measurement of deferred tax assets and liabilities and the transition tax on undistributed earnings in certain of the Company's foreign subsidiaries. Further information on income tax expense is provided in Note 11 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Net earnings increased 21.8% to $18.3 million and diluted earnings per share were $0.35 per share compared to $0.30 per share last year due to the factors noted above. Excluding the impact of share-based compensation option expense and the one-time tax expense related to U.S. tax reform, adjusted net earnings[2] decreased 1.3%.

Comprehensive income decreased to $13.4 million compared to $22.7 million last year as the increase in net earnings was more than offset by the impact of the remeasurement of the Company's defined benefit pension plan assets and liabilities compared to last year. In the fourth quarter last year there was an $11.7 million net actuarial gain largely related to changes in the discount rate used to measure the defined benefit plan obligation and variability in plan asset returns compared to a $1.2 million gain this year. Further information on the defined benefit plan obligation is provided in Note 18 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

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

Year

Sales for the year increased 5.9% to $1.954 billion compared to $1.844 billion in 2016 due to the RTW and NSA acquisitions, new Giant Tiger stores and same store sales gains. These gains were partially offset by the hurricane-related store closures. Excluding the foreign exchange impact, sales increased 6.3% and were up 1.2%[1] on a same store basis. Food sales[1] increased 5.4% and were up 1.3% on a same store basis led by food sales growth in both Canadian and International Operations. General merchandise sales[1] increased 1.6% and were up 0.7% on a same store basis led by higher sales across northern markets.

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

	2017	2016
Food	**79.2%**	79.6%
General merchandise	**16.6%**	17.5%
Other*	**4.2%**	2.9%

* Other sales includes fuel, fur, tele-pharmacy, airline and financial service charge revenues

Earnings from operations decreased 3.5% to $114.0 million compared to $118.1 million last year. Gross profit dollars increased 8.2% due to sales growth and a 64 basis point increase in the gross profit rate. The increase in the gross profit rate is largely due to sales blend changes within International Operations. Selling, operating and administrative expenses increased 11.5% and were up 120 basis points as a percentage to sales. This increase in expenses is mainly due to the RTW and NSA acquisitions, one-time acquisition related costs of $6.3 million largely related to stamp duties paid to the Government of the British Virgin Islands and new stores in Canadian Operations. Higher amortization expense was also a factor. These factors were partially offset by a gain on the settlement of a fire insurance claim in Canadian Operations.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) increased 1.9% to $169.6 million compared to $166.5 million last year due to the impact of the RTW and NSA acquisitions and earnings improvements in northern Canada. These gains were partially offset by the RTW and NSA acquisition costs and the impact of the hurricane-related store closures. Excluding the impact of the one-time acquisition related costs and share-based compensation option expense, adjusted EBITDA[2] was up $9.8 million or 5.8% compared to last year and as a percentage to sales was flat at 9.2% compared to last year.

Interest expense increased $2.9 million to $10.1 million due to an increase in long-term debt largely related to the financing of the RTW and NSA acquisitions and higher interest rates.

Income tax expense decreased $1.6 million to $32.2 million and the consolidated effective tax rate was 31.0% compared to 30.5% last year. The increase in the effective tax rate is largely due to the impact of one-time income tax expense related to U.S. tax reform previously noted.

Net earnings decreased 7.1% to $71.6 million compared to $77.1 million last year and diluted earnings per share were $1.40 per share compared to $1.57 per share due to the factors noted above. Excluding the impact of acquisition expenses, share-based compensation option expense and the one-time U.S. tax reform expense, adjusted net earnings[2] increased $5.0 million or 6.3%.

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

CANADIAN OPERATIONS

Canadian Operations sales increased 5.6% to $311.6 million compared to $294.9 million in the fourth quarter last year due to the impact of the NSA acquisition and new stores as same store sales were flat to last year. Food sales decreased 0.2% and were down 0.8% on a same store basis and general merchandise sales increased 5.7% from last year and were up 2.3% on a same store basis. Sales in the eastern arctic were negatively impacted by a 40% increase in weather-related store closures and cargo flight cancellations that affected inventory in-stock rates and perishable shrink. Food deflation in the quarter was also a factor, with freight related inflation in northern markets more than offset by price discounting in southern markets.

Gross profit dollars increased 2.7% as sales growth more than offset the impact of a lower gross profit rate. The drop in gross profit rate was mainly due to higher third party freight costs in northern markets and the impact of more aggressive promotional pricing in southern markets. These decreases were partially offset by stronger general merchandise gross profit rates in northern markets driven by lower markdowns and improved inventory shrinkage. Selling, operating and administrative expenses were down 3.5% and 225 basis points as a percentage to sales compared to last year as the impact of the NSA acquisition and new stores was more than offset by lower share-based compensation costs.

Canadian EBITDA[2] increased 27.3% to $32.2 million compared to $25.3 million last year primarily due to the decrease in share-based compensation costs. EBITDA[2] as a percentage to sales was 10.3% compared to 8.6% last year. Excluding the impact of the share-based compensation option expense, adjusted EBITDA[2] was down 1.7% compared to last year and as a percentage to sales was 9.4% compared to 10.1% to last year, primarily due to NSA ramp-up costs and below target performance from new Giant Tiger stores.

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International Operations sales increased 1.2% to $140.9 million compared to $139.3 million in the fourth quarter last year as the RTW acquisition and same store sales growth of 1.3% more than offset the impact of store closures in the Caribbean due to the hurricanes that occurred in the third quarter. Food sales increased 3.5% and were up 2.0% on a same store basis with both Alaska Commercial ("AC") and Cost-U-Less ("CUL") stores contributing to the same store sales increase. General merchandise sales decreased 12.4% largely due to the hurricane related store closures and were down 2.8% on a same store basis as sales gains in AC stores were more than offset by softer sales in CUL stores.

Similar to northern Canada, logistics disruptions were a factor in Alaska and the Caribbean. In Alaska, weather conditions and breakdowns in the "by-pass" mail freight system affected store in-stock rates. In the Caribbean, the aftermath of hurricanes Irma and Maria affected shipping port capacity and cargo container availability.

Gross profit dollars increased 11.7% compared to last year as same store sales growth and the acquisition of RTW more than offset the impact of price investments in certain AC stores. Selling, operating and administrative expenses increased 11.8% and were up 222 basis points as a percentage to sales largely due to the acquisition of RTW stores. The RTW expenses were partially offset by the impact of the hurricane related store closures.

EBITDA[2] increased 11.6% to $11.3 million compared to $10.1 million last year as the impact of the RTW acquisition more than offset lower earnings in AC and the impact of the hurricane related store closures. EBITDA[2] as a percentage to sales was 8.0% compared to 7.3% in the fourth quarter last year.

Hurricane related store closures negatively impacted sales and EBITDA[2] in the quarter by approximately $23.6 million and $2.5 million respectively. On an annualized basis, these stores represent approximately $92.0 million in sales and $6.6 million in EBITDA[2]. A CUL store in St. Maarten was partially re-opened on November 17, 2017. A CUL Store in St. Thomas and three stores in the BVI require complete reconstruction and are expected to re-open in 2019. Insurance proceeds are expected to be sufficient to cover repair and reconstruction costs. The Company also has business interruption insurance that will help mitigate the earnings impact of the store closures however, the settlement is expected to take approximately 12 to 15 months to complete. The settlement of these claims and the receipt of payments are expected to result in insurance-related gains in the consolidated statements of earnings in subsequent periods.

(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 0.82:1 compared to 0.62:1 last year largely due to higher debt related to the RTW and NSA acquisitions.

Working capital decreased $11.9 million compared to the fourth quarter last year as the impact of the net working capital in RTW and NSA was more than offset by higher trade accounts payable and accrued expenses in Canadian Operations largely related to timing of payments and an increase in accrued incentive plan costs. Changes in the foreign exchange rate used to translate International Operations balance sheets was also a factor. The exchange rate used to convert U.S. denominated International Operations balance sheets into Canadian dollars at January 31, 2018 was 1.2301 compared to 1.3030 last year. Further information on the working capital impact of the RTW and NSA acquisitions is provided in Note 17 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,690,000 shares compared to 48,526,000 shares last year. The increase in basic shares outstanding is due to shares issued in connection with the acquisition of RTW and share options exercised. The weighted-average fully diluted shares outstanding for the quarter were 49,301,000 shares compared to 48,978,000 shares last year. The increase in fully diluted shares outstanding compared to last year is due to shares issued in connection with the RTW acquisition, 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 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

On June 14, 2017, the Company's Common Shares were replaced by Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes cast at such meeting. Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the Canada Transportation Act). Further information on the Company's share capital is provided in Note 6 to the Company's 2017 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, 2018**	Three Months Ended January 31, 2017	Change	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017	Change
Cash flows provided by (used in):						
Operating activities	**$ 55,513**	$ 51,497	$ 4,016	**$ 141,419**	$ 126,024	$ 15,395
Investing activities	**(40,047)**	(23,830)	(16,217)	**(165,861)**	(77,682)	(88,179)
Financing activities	**(42,919)**	(44,485)	1,566	**19,928**	(54,398)	74,326
Effect of foreign exchange on cash	**(207)**	(524)	317	**(569)**	(944)	375
Net change in cash	**$ (27,660)**	$ (17,342)	$ (10,318)	**$ (5,083)**	$ (7,000)	$ 1,917

Cash flow from operating activities in the quarter increased $4.0 million to $55.5 million compared to cash flow from operating activities of $51.5 million last year. This increase is primarily due to higher net earnings and a decrease in taxes paid due to timing of installments. These positive impacts were partially offset by the change in non-cash working capital largely due to the change in inventory and accounts receivable compared to last year. For the year, cash flow from operating activities increased $15.4 million or 12.2% to $141.4 million largely due to the change in non-cash working capital related to changes in inventory, accounts receivable and accounts payable and accrued expenses compared to the prior year.

Cash used for investing activities in the quarter increased to $40.0 million compared to $23.8 million last year due to the purchase of aircraft and equipment to expand the number of stores serviced by NSA. Investments related to the implementation of a new point-of-sale and merchandise management system were also factors. For the year, cash used for investing activities increased $88.2 million to $165.9 million primarily due to the RTW and NSA acquisitions and investments in aircraft, Top Markets and technology. The Company received insurance proceeds for damage sustained by the hurricanes in the Caribbean, including $7.0 million as an interim payment for property and equipment. Further information on planned capital expenditures is included in the Outlook section.

Cash used in financing activities in the quarter was $42.9 million compared to $44.5 million last year. The net change in long-term debt in the quarter is due to a decrease in amounts drawn on the Company's revolving loan facilities. For the year, cash provided by financing activities was $19.9 million due to the issuance of $100.0 million in senior notes and a corresponding decrease in amounts drawn on the Company's revolving loan facilities. Further information on long-term debt is provided in the Sources of Liquidity section and in Note 8 to the Company's 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Sources of Liquidity

In September 2017, the Company issued $100.0 million senior notes, the proceeds of which were used to reduce amounts outstanding on the $300.0 million revolving loan facilities. These senior notes mature September 26, 2029 and have a fixed interest rate of 3.74%. The notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt comprised of the $300.0 million Canadian Operations loan facilities, the US$70.0 million senior notes and the US$52.0 million loan facilities.

The Canadian Operations have US$70.0 million senior notes that mature on June 16, 2021. These 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. These senior notes are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt.

The Canadian Operations also have committed, revolving loan facilities of $300.0 million that bear a floating rate of interest based on Bankers Acceptances rates plus a stamping fee. In September 2017, the maturity date was extended from April 29, 2021 to September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt. At January 31, 2018, the Company had drawn $91.1 million on these facilities (January 31, 2017 - $126.3 million).

The Company has committed, revolving loan facilities of US$52.0 million that bear interest at U.S. LIBOR plus a spread. In September 2017, the maturity date was extended from April 29, 2021 to September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the Company's other senior debt. At January 31, 2018, the Company had drawn US$27.9 million on these facilities (January 31, 2017 - US$NIL).

The International Operations 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, 2018, the Company had drawn US$1.4 million on these facilities (January 31, 2017 - US$9.1 million).

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, 2018, 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 2017 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 2018.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.32 per share to shareholders of record on March 29, 2018, to be paid on April 16, 2018.

The payment of dividends on the Company's 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

- NSA completed the acquisition of two ATR 72 - 500 aircraft which are being modified to cargo configurations. These aircraft, which will enable faster and more reliable cargo service to more of the Company's northern Canada stores, are expected to be operational in the first half of fiscal 2018.

- Two new Giant Tiger store were opened in Winnipeg on November 18th and December 2nd respectively, bringing the Company's Giant Tiger store count to 41.

STRATEGY

The Company is focused on building a stronger store network with more products and services 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. Ensuring that the way we work is "Pure Retail", with top store teams, lean processes, and customer driven store-centric support from the rest of our organization.
2. 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 while allocating more selling space to "Top Categories" which offer the highest everyday convenience and service value to our customers.
3. Investing in new retail markets through acquisitions primarily in the Caribbean region and store openings in western Canada (Giant Tiger).
4. Investing to build a superior air logistics capability, with a focus on providing faster, more reliable and lower cost service to our stores and customers in northern Canada.
5. Completing "Project Enterprise", an initiative to implement new work force management, point-of-sale and merchandise management systems. This project is expected to deliver gains in pricing, more effective promotions, inventory management and store productivity, all aligned with the Company's "Top" strategies.

Further information on the Company's strategy is provided in the 2016 Annual Report.

OUTLOOK

As noted under the Strategy section, the Company's principal focus continues to be on its store network, people, products and facilities. The successful execution of this enables the Company to capture market share and sales at a higher rate, while focusing on lower-risk products and services. Priority work in 2018 will include implementing hurricane recovery plans in the Caribbean and post-acquisition plans for RTW and NSA, with an emphasis on growing these regions and businesses to their full potential.

The short-term consumer income outlook is stable to positive and aligns with the Company's lower risk product and service focus, augmented by opportunistic investments. Northern Canada is seeing more mining development activity, public infrastructure investment and spending on indigenous programming which is expected to continue over the next two to five years. The western Canadian retail environment is important for our Giant Tiger business and we expect to face ongoing low food inflation and price competition within this region combined with modest growth in competitive selling space.

Economic conditions in Alaska are expected to recover modestly from depressed conditions over the past two years led by stronger commercial fishing and more oil and gas activity. The impact of lower corporate income tax rates as a result of U.S. tax reform will have a positive impact on net earnings in International Operations starting in 2018.

CUL market prospects vary significantly from island to island and overall, with the exception of the islands impacted by hurricanes Irma and Maria, and are expected to be comparable to 2017. As previously noted in the International Operations section, it is uncertain how long it will take for major infrastructure repairs to be completed on these islands and what the economic impacts will be over the medium term as the rebuilding efforts continue.

Net capital expenditures for 2018 are expected to be in the $108.0 million range (2017 - $172.9 million) reflecting investments in aircraft and major store replacements, store renovations, fixtures, equipment, staff housing and store-based warehouse expansions under the Company's Top Markets and Top Categories initiatives; the opening of three Giant Tiger stores and the completion of "New Store Experience" upgrades in GT stores. The Company will also continue to invest in implementing new information systems as described under the strategy section. Finally, expenditures include approximately $21.0 million in hurricane-related construction costs which the Company expects to recover through insurance proceeds.

In 2019, the Company expects that sustaining capital expenditures, including sustaining investments in aircraft, will be in the range of $60.0 million plus approximately $12.0 million in hurricane-related capital expenditures which are expected to be recovered through insurance. 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**	**89 days**	**90 days**
($ in millions)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sales	**$ 489.8**	$ 480.6	$ 479.3	$ 464.0	$ 507.9	$ 460.6	$ 476.8	$ 439.0
EBITDA[2]	**46.6**	38.9	45.6	51.1	47.3	38.9	30.1	37.6
Earnings from operations	**32.2**	26.5	31.8	39.1	33.2	27.0	16.7	25.6
Net earnings	**18.3**	15.0	21.0	27.9	23.3	16.4	9.1	17.8
Net earnings per share:								
Basic	**0.36**	0.31	0.42	0.57	0.47	0.34	0.17	0.37
Diluted	**0.35**	0.30	0.42	0.57	0.46	0.34	0.17	0.36

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.

(2) See Non-GAAP Measures Section of Management's Discussion & Analysis

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 published by the Committee of Sponsoring Organizations of the Treadway Commission as the control framework in designing its internal controls over financial reporting.

Management has limited the scope of the design of internal controls over financial reporting and disclosure controls and procedures to exclude the controls, policies and procedures of Roadtown Wholesale Trading Ltd. ("RTW") operating primarily as Riteway Food Markets in the British Virgin Islands and North Star Air Ltd ("NSA"). RTW and NSA were acquired February 9, 2017 and June 15, 2017 respectively and their operating results have been included in the 2017 fourth quarter unaudited interim period condensed consolidated financial statements for the period ended January 31, 2018. The scope limitation is due to the time required for the Company to assess disclosure controls & procedures and internal controls over financial reporting at both RTW and NSA in a manner consistent with its other operations. This limitation is in accordance with Section 3.3 of National Instrument 52-109, *Certification of Disclosure in Issuer's Annual and Interim Filings*, which allows an issuer to limit its design of internal controls over financial reporting and disclosure controls and procedures of a company acquired not more than 365 days before the end of the financial period to which the certificate relates. Since the date of the RTW and NSA acquisitions, the impact on sales was an increase of $133.5 million and the impact on net earnings was an increase of $6.4 million. The net earnings increase of $6.4 million includes $6.2 million in acquisition costs, net of tax, substantially related to stamp duty paid to the Government of the British Virgin Islands. Further financial information on the acquisitions of RTW and NSA is included in Note 17 to the 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

There have been no changes in the internal controls over financial reporting during the quarter ended January 31, 2018 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting. The assessment of the design of internal controls over financial reporting and disclosure controls and procedures for RTW and NSA are on track for completion by the first and second quarters of 2018, respectively.

ACCOUNTING STANDARDS IMPLEMENTED IN 2017

The Company adopted amendments to IAS 7, *Statement of Cash Flows* and amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses* effective February 1, 2017, as required by the IASB.

The IAS 7 amendments provide guidance on the disclosure of liabilities that form part of an entity's financing activities. The amendments had no material impact on the condensed consolidated financial statements and will not have a material impact on the Company's annual consolidated financial statements.

The IAS 12 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 had no impact on the condensed consolidated financial statements and will not have a material impact on the Company's annual 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, 2018, and have not been applied in preparing the Company's 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. The Company will adopt IFRS 9 February 1, 2018. The standard establishes new principles 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
- Required disclosures about an entity's risk management strategy and the impact of hedge accounting on the consolidated financial statements

The Company does not believe that either the new classification requirements or the new hedge accounting requirement will have a material impact on its accounting for financial instruments. Under IFRS 9 the Company's financial assets and financial liabilities will be classified and measured at amortized cost. The Company's net investment hedging relationship meets the new hedging requirements.

The Company will apply a new forward-looking lifetime expected credit loss ("ECL") impairment model to its accounts receivable based on historical trends, timing of recoveries and management's judgment. The change in ECL's will be recognized in earnings and reflected as an allowance against accounts receivable. In accordance with the transitional provisions of IFRS 9 which requires retrospective application without restatement (modified retrospective approach), the initial measurement difference is adjusted to retained earnings. This adjustment is not expected to be significant.

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. The Company will adopt this standard effective February 1, 2018. The impact of adopting this standard on reporting earnings is not expected to be significant.

Share-based payments 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; specifically, accounting for cash-settled share-based transactions, share-based payment transactions with a net settlement feature and modifications of share-based payment transactions that change classification from cash-settled to equity-settled. The Company will adopt this standard effective February 1, 2018. The impact of adopting this standard on reported earnings is not expected to be significant.

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. 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 right-of-use assets and lease liabilities for its operating leases of land, building 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.

On transition the Company can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The Company plans to apply IFRS 16 initially on February 1, 2019 and has not yet determined which transition approach to apply. As a result, the Company has not yet quantified the impact on its reported assets and liabilities since it will depend on the transition method chosen. The Company is continuing to analyze the impact of this change on its leases, including the impacts on our accounting system, processes and internal controls.

Annual Improvements In December 2017, the IASB issued amendments to IFRS 3 - *Business Combinations*; IAS 12 - *Income Taxes* and IAS 23 - *Borrowing Costs*. These amendments are effective for the Company February 1, 2019. The Company is currently assessing the potential impacts of these amendments.

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

NON-GAAP MEASURES

The Company uses the following non-GAAP financial measures: earnings before interest, income taxes, depreciation and amortization (EBITDA), adjusted EBITDA and adjusted net earnings. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below.

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.

Adjusted EBITDA and Adjusted Net Earnings Adjusted EBITDA and adjusted net earnings are not recognized measures under IFRS. Management uses these non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS. The excluded amounts are either subject to volatility in the Company's share price or may not necessarily be reflective of the Company's underlying operating performance. These factors can make comparisons of the Company's 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.

These measures do not have a standardized meaning prescribed by GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to the other financial measures determined in accordance with IFRS.

Reconciliation of consolidated net earnings to EBITDA and adjusted EBITDA:

	Fourth Quarter		Year-to-Date	
($ in thousands)	**2017**	2016	**2017**	2016
Net earnings	**$ 18,264**	$ 14,994	**$ 71,630**	$ 77,076
Add: Amortization	**14,378**	12,379	**55,653**	48,367
Interest expense	**3,076**	1,801	**10,145**	7,220
Income taxes	**10,875**	9,687	**32,196**	33,835
EBITDA	**$ 46,593**	$ 38,861	**$ 169,624**	$ 166,498
Add: Acquisition costs	**—**	—	**6,344**	—
Share-based compensation option expense / (recovery)	**(2,826)**	4,586	**2,886**	2,510
Adjusted EBITDA	**$ 43,767**	$ 43,447	**$ 178,854**	$ 169,008

For EBITDA information by business segment, see Note 4 to the Company's 2017 fourth quarter unaudited interim period condensed consolidated financial statements.

Reconciliation of consolidated net earnings to adjusted net earnings:

	Fourth Quarter		Year-to-Date	
($ in thousands)	**2017**	2016	**2017**	2016
Net earnings	**$ 18,264**	$ 14,994	**$ 71,630**	$ 77,076
Add: Acquisition costs, net of tax	**—**	—	**6,188**	—
Share-based compensation option expense / (recovery)	**(2,826)**	4,586	**2,886**	2,510
U.S. Tax reform transition and deferred tax expense	**3,896**	—	**3,896**	—
Adjusted net earnings	**$ 19,334**	$ 19,580	**$ 84,600**	$ 79,586

Acquisition costs were incurred to complete the North Star Air Ltd. and Roadtown Wholesale Trading Ltd. transactions. They comprise stamp duty, external legal fees and other costs all of which are included in selling, operating and administrative expenses.

The Company is exposed to market price fluctuations in its share price through share-based compensation costs. Accrued share-based compensation is presented as a liability on the Company's consolidated balance sheets. This liability is recorded at fair value at each reporting date based on the market price of the Company's shares at the end of each reporting period with the changes in fair value recorded in selling, operating and administrative expenses.

U.S. tax reform transition and deferred tax expense were incurred due to new corporate tax legislation enacted in December 2017. They comprise a one-time transition tax on undistributed accumulated earnings in foreign owned subsidiaries and also the re-measurement of deferred tax assets and liabilities.

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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 2017 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, 2018.

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 2016 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, 2018**	January 31, 2017
CURRENT ASSETS		
Cash	**$ 25,160**	$ 30,243
Accounts receivable	**80,765**	78,931
Inventories (Note 5)	**222,072**	213,217
Prepaid expenses	**7,006**	5,547
	335,003	327,938
NON-CURRENT ASSETS		
Property and equipment	**469,993**	358,121
Goodwill	**41,231**	37,752
Intangible assets	**37,628**	35,394
Deferred tax assets	**34,450**	32,853
Other assets	**12,643**	13,763
	595,945	477,883
TOTAL ASSETS	**$ 930,948**	$ 805,821
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 170,166**	$ 146,639
Income tax payable (Note 11)	**1,046**	5,605
	171,212	152,244
NON-CURRENT LIABILITIES		
Long-term debt (Note 8)	**313,549**	229,266
Defined benefit plan obligation (Note 18)	**34,095**	34,078
Deferred tax liabilities	**6,468**	2,661
Other long-term liabilities	**21,623**	19,787
	375,735	285,792
TOTAL LIABILITIES	**546,947**	438,036
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**172,619**	168,283
Contributed surplus	**2,570**	2,647
Retained earnings	**183,783**	176,003
Accumulated other comprehensive income	**12,824**	20,852
Equity attributable to The North West Company Inc.	**371,796**	367,785
Non-controlling interests	**12,205**	—
TOTAL EQUITY	**384,001**	367,785
TOTAL LIABILITIES & EQUITY	**$ 930,948**	$ 805,821

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended January 31, 2018**	Three Months Ended January 31, 2017	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017
SALES	**$ 489,756**	$ 480,593	**$ 1,953,743**	$ 1,844,093
Cost of sales	**(341,705)**	(338,017)	**(1,367,657)**	(1,302,596)
Gross profit	**148,051**	142,576	**586,086**	541,497
Selling, operating and administrative expenses (Notes 9, 15)	**(115,836)**	(116,094)	**(472,115)**	(423,366)
Earnings from operations	**32,215**	26,482	**113,971**	118,131
Interest expense (Note 10)	**(3,076)**	(1,801)	**(10,145)**	(7,220)
Earnings before income taxes	**29,139**	24,681	**103,826**	110,911
Income taxes (Note 11)	**(10,875)**	(9,687)	**(32,196)**	(33,835)
NET EARNINGS FOR THE PERIOD	**$ 18,264**	$ 14,994	**$ 71,630**	$ 77,076
NET EARNINGS ATTRIBUTABLE TO				
The North West Company Inc.	**$ 17,339**	$ 14,994	**69,093**	77,076
Non-controlling interests	**925**	—	**2,537**	—
TOTAL NET EARNINGS	**$ 18,264**	$ 14,994	**$ 71,630**	$ 77,076
NET EARNINGS PER SHARE				
Basic	**$ 0.36**	$ 0.31	**$ 1.42**	$ 1.59
Diluted	**$ 0.35**	$ 0.30	**$ 1.40**	$ 1.57
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,690**	48,526	**48,680**	48,524
Diluted	**49,301**	48,978	**49,275**	48,964

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017	Twelve Months Ended January 31, 2018	Twelve Months Ended January 31, 2017
NET EARNINGS FOR THE PERIOD	**$ 18,264**	$ 14,994	**$ 71,630**	$ 77,076
Other comprehensive income/(loss), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**(5,833)**	(4,025)	**(8,028)**	(9,566)
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 18)	**1,175**	11,668	**1,175**	2,413
Remeasurements of defined benefit plans of equity investee	**(173)**	19	**(173)**	19
Total other comprehensive income/(loss), net of tax	**(4,831)**	7,662	**(7,026)**	(7,134)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 13,433**	$ 22,656	**$ 64,604**	$ 69,942
OTHER COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO				
The North West Company Inc.	**$ (4,831)**	$ 7,662	**$ (7,026)**	$ (7,134)
Non-controlling interests	**—**	—	**—**	—
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)	**$ (4,831)**	$ 7,662	**$ (7,026)**	$ (7,134)
COMPREHENSIVE INCOME ATTRIBUTABLE TO				
The North West Company Inc.	**$ 12,508**	$ 22,656	**$ 62,067**	$ 69,942
Non-controlling interests	**925**	—	**2,537**	—
TOTAL COMPREHENSIVE INCOME	**$ 13,433**	$ 22,656	**$ 64,604**	$ 69,942

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	Non-Controlling Interests	Total Equity
Balance at January 31, 2017	$ 168,283	$ 2,647	$ 176,003	$ 20,852	$ 367,785	$ —	$ 367,785
Net earnings for the period	—	—	69,093	—	69,093	2,537	71,630
Other comprehensive income/(loss)	—	—	1,175	(8,028)	(6,853)	—	(6,853)
Other comprehensive income of equity investee	—	—	(173)	—	(173)	—	(173)
Comprehensive income/(loss)	—	—	70,095	(8,028)	62,067	2,537	64,604
Acquisition of subsidiary with non-controlling interests (Note 17)	—	—	—	—	—	12,150	12,150
Equity settled share-based payments	—	259	—	—	259	—	259
Dividends (Note 7)	—	—	(62,315)	—	(62,315)	(2,482)	(64,797)
Issuance of shares (Note 6)	4,336	(336)	—	—	4,000	—	4,000
	4,336	(77)	(62,315)	—	(58,056)	9,668	(48,388)
Balance at January 31, 2018	**$ 172,619**	**$ 2,570**	**$ 183,783**	**$ 12,824**	**$ 371,796**	**$ 12,205**	**$ 384,001**
Balance at January 31, 2016	$ 167,910	$ 2,620	$ 156,664	$ 30,418	$ 357,612	$ —	$ 357,612
Net earnings for the period	—	—	77,076	—	77,076	—	77,076
Other comprehensive income/(loss)	—	—	2,413	(9,566)	(7,153)	—	(7,153)
Other comprehensive income of equity investee	—	—	19	—	19	—	19
Comprehensive income/(loss)	—	—	79,508	(9,566)	69,942	—	69,942
Equity settled share-based payments	—	168	—	—	168	—	168
Dividends (Note 7)	—	—	(60,169)	—	(60,169)	—	(60,169)
Issuance of common shares (Note 6)	373	(141)	—	—	232	—	232
	373	27	(60,169)	—	(59,769)	—	(59,769)
Balance at January 31, 2017	$ 168,283	$ 2,647	$ 176,003	$ 20,852	$ 367,785	$ —	$ 367,785

(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, 2018**	Three Months Ended January 31, 2017	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 18,264**	$ 14,994	**$ 71,630**	$ 77,076
Adjustments for:				
Amortization	**14,378**	12,379	**55,653**	48,367
Provision for income taxes (Note 11)	**10,875**	9,687	**32,196**	33,835
Interest expense (Note 10)	**3,076**	1,801	**10,145**	7,220
Equity settled share option expense (Note 12)	**199**	41	**259**	168
Taxes paid	**(5,638)**	(9,421)	**(36,213)**	(35,430)
(Gain)/loss on disposal of property and equipment	**(2)**	—	**552**	1,115
	41,152	29,481	**134,222**	132,351
Change in non-cash working capital	**11,416**	16,692	**4,210**	(10,799)
Change in other non-cash items	**2,945**	5,324	**2,987**	4,472
Cash from operating activities	**55,513**	51,497	**141,419**	126,024
Investing activities				
Purchase of property and equipment	**(37,246)**	(21,363)	**(114,948)**	(66,180)
Business acquisitions (Note 17)	**585**	—	**(51,204)**	—
Intangible asset additions	**(3,449)**	(2,467)	**(7,087)**	(11,565)
Proceeds from disposal of property and equipment	**63**	—	**370**	63
Proceeds from interim insurance settlement on property and equipment	**—**	—	**7,008**	—
Cash used in investing activities	**(40,047)**	(23,830)	**(165,861)**	(77,682)
Financing activities				
Debt issuance (Note 8)	**—**	—	**100,000**	—
Net (decrease)/increase in long-term debt (Note 8)	**(23,113)**	(27,127)	**(9,092)**	11,567
Dividends (Note 7)	**(15,581)**	(15,042)	**(62,315)**	(60,169)
Dividends to non-controlling interests (Note 7)	**(2,482)**	—	**(2,482)**	—
Interest paid	**(1,743)**	(2,548)	**(6,183)**	(6,028)
Issuance of common shares	**—**	232	**—**	232
Cash provided by/(used in) financing activities	**(42,919)**	(44,485)	**19,928**	(54,398)
Effect of foreign exchange rates on cash	**(207)**	(524)	**(569)**	(944)
NET CHANGE IN CASH	**(27,660)**	(17,342)	**(5,083)**	(7,000)
Cash, beginning of period	**52,820**	47,585	**30,243**	37,243
CASH, END OF PERIOD	**$ 25,160**	$ 30,243	**$ 25,160**	$ 30,243

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. In 2017, the Company acquired 76% of the outstanding shares of Roadtown Wholesale Trading Ltd., operating primarily as Riteway Food Markets in the British Virgin Islands. The Company also acquired 100% of the outstanding common shares of North Star Air Ltd., a Thunder Bay based airline providing cargo and passenger services within northwestern Ontario, Canada. See Note 17 for further information on these business acquisitions. 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 largely 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, 2018.

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 2016 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 18)
- Assets and liabilities acquired in a business combination (Note 17)

The methods used to measure fair values are discussed further in the notes to the Company's 2016 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 2016 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 7, *Statement of Cash Flows* and amendments to IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses* effective February 1, 2017, as required by the IASB.

The IAS 7 amendments provide guidance on the disclosure of liabilities that form part of an entity's financing activities. The amendments had no material impact on the condensed consolidated financial statements and will not have a material impact on the Company's annual consolidated financial statements.

The IAS 12 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 had no impact on the condensed consolidated financial statements and will not have a material impact on the Company's annual consolidated financial statements.

Future Standards and Amendments The following new standards, and amendments to standards and interpretations, are not yet effective for the year ending January 31, 2018, and have not been applied in preparing these condensed consolidated financial statements.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. The Company will adopt IFRS 9 February 1, 2018. The standard establishes new principles for:

- The classification and measurement of financial assets and liabilities. IFRS 9 uses a single approach to determine measurement of financial assets 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
- Required disclosures about an entity's risk management strategy and the impact of hedge accounting on the consolidated financial statements

The Company does not believe that either the new classification requirements or the new hedge accounting requirement will have a material impact on its accounting for financial instruments. Under IFRS 9 the Company's financial assets and financial liabilities will be classified and measured at amortized cost. The Company's net investment hedging relationship meets the new hedging requirements.

The Company will apply a new forward-looking lifetime expected credit loss ("ECL") impairment model to its accounts receivable based on historical trends, timing of recoveries and management's judgment. The change in ECL's will be recognized in earnings and reflected as an allowance against accounts receivable. In accordance with the transitional provisions of IFRS 9 which requires retrospective application without restatement (modified retrospective approach), the initial measurement difference is adjusted to retained earnings. This adjustment is not expected to be significant.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. The Company will adopt this standard effective February 1, 2018. The impact of adopting this standard on reported earnings is not expected to be significant.

Share-based payments 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; specifically, accounting for cash-settled share-based transactions, share-based payment transactions with a net settlement feature and modifications of share-based payment transactions that change classification from cash-settled to equity-settled. The Company will adopt IFRS 2 February 1, 2018. As a practical simplification, the amendments can be applied prospectively. The Company does not expect a material impact on its consolidated financial statements as a result of these changes.

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. 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 right-of-use assets and lease liabilities for its operating leases of land, buildings 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.

On transition the Company can either apply the standard using a retrospective approach or a modified retrospective approach with optional practical expedients. The Company plans to apply IFRS 16 initially on February 1, 2019 and has not yet determined which transition approach to apply. As a result, the Company has not yet quantified the impact on its reported assets and liabilities since it will depend on the transition method chosen. The Company is continuing to analyze the impact of this change on its leases, including the impacts on our accounting system, processes and internal controls.

Annual Improvements In December 2017, the IASB issued amendments to IFRS 3, *Business Combinations*; IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs*. These amendments are effective for the Company February 1, 2019. The Company is currently assessing the potential impacts of these amendments.

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, amortization of property and equipment, impairment of long-lived assets, goodwill and indefinite life intangible asset impairment, income taxes, defined benefit plan obligations, and business combinations.

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 Canadian segment consists of subsidiaries operating retail stores and complimentary businesses to serve northern and western Canada. The International segment consists largely of 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, 2018	Three Months Ended January 31, 2017	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017
Sales				
Canada	**$ 311,574**	$ 294,932	**$ 1,171,621**	$ 1,125,330
International	**178,182**	185,661	**782,122**	718,763
Consolidated	**$ 489,756**	$ 480,593	**$ 1,953,743**	$ 1,844,093
Earnings before amortization, interest and income taxes				
Canada	**$ 32,225**	$ 25,324	**$ 112,393**	$ 109,736
International	**14,368**	13,537	**57,231**	56,762
Consolidated	**$ 46,593**	$ 38,861	**$ 169,624**	$ 166,498
Earnings from operations				
Canada	**$ 21,435**	$ 16,282	**$ 72,597**	$ 74,445
International	**10,780**	10,200	**41,374**	43,686
Consolidated	**$ 32,215**	$ 26,482	**$ 113,971**	$ 118,131

Supplemental information

	January 31, 2018	January 31, 2017
Assets		
Canada (1)	**$ 634,399**	$ 529,807
International (1)	**296,549**	276,014
Consolidated	**$ 930,948**	$ 805,821

(1) Canadian total assets includes goodwill of $6,730 (January 31, 2017 - $3,271). International total assets includes goodwill of $34,501 (January 31, 2017 - $34,481).

	Three Months Ended January 31, 2018		Three Months Ended January 31, 2017		**Twelve Months Ended January 31, 2018**		Twelve Months Ended January 31, 2017	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 28,715**	**$ 8,531**	$ 15,966	$ 5,397	**$ 92,313**	**$ 22,635**	$ 53,701	$ 12,479
Amortization	**$ 10,790**	**$ 3,588**	$ 9,042	$ 3,337	**$ 39,796**	**$ 15,857**	$ 35,291	$ 13,076

5. INVENTORIES

Included in cost of sales for the three months ended January 31, 2018, the Company recorded $434 (three months ended January 31, 2017 – $234) 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, 2018 the Company recorded $1,335 (twelve months ended January 31, 2017 – $1,129) 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, 2018 or 2017.

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of Common Voting Shares and Variable Voting Shares.

January 31, 2018	**Shares**	**Consideration**
Balance at January 31, 2017	**48,542,514**	**$ 168,283**
Issued for acquisition of Roadtown Wholesale Trading Ltd. (Note 17)	**133,944**	**4,000**
Issued under option plans (Note 12)	**13,754**	**336**
Balance at January 31, 2018	**48,690,212**	**$ 172,619**

January 31, 2017		
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

On June 14, 2017, the Company's Common Shares were replaced by Variable Voting Shares and Common Voting Shares. The two classes of shares have equivalent rights as shareholders except for voting rights. Holders of Variable Voting Shares are entitled to one vote per share except where (i) the number of outstanding Variable Voting Shares exceeds 25% of the total number of all issued and outstanding Variable Voting Shares and Common Voting Shares, or (ii) the total number of votes cast by or on behalf of the holders of Variable Voting Shares at any meeting on any matter on which a vote is to be taken exceeds 25% of the total number of votes cast at such meeting.

If either of the above-noted thresholds is surpassed at any time, the vote attached to each Variable Voting Share will decrease automatically without further act or formality. Under the circumstances described in paragraph (i) above, the Variable Voting Shares as a class cannot carry more than 25% of the total voting rights attached to the aggregate number of issued and outstanding Variable Voting Shares and Common Voting Shares of the Company. Under the circumstances described in paragraph (ii) above, the Variable Voting Shares as a class cannot, for a given Shareholders' meeting, carry more than 25% of the total number of votes cast at the meeting.

Variable Voting Shares may only be held, beneficially owned or controlled, directly or indirectly, by persons who are not Canadians (within the meaning of the Canada Transportation Act). An issued and outstanding Variable Voting Share is converted into one Common Voting Share automatically and without any further act of the Company or the holder, if such Variable Voting Share becomes held, beneficially owned and controlled, directly or indirectly, otherwise than by way of security only, by a Canadian, as defined in the Canada Transportation Act.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. DIVIDENDS

	Twelve Months Ended January 31, 2018	Twelve Months Ended January 31, 2017
Dividends recorded in equity and paid in cash	**$ 64,797**	$ 60,169
Less: Dividends paid to non-controlling interests	**$ (2,482)**	$ —
Shareholder dividends	**$ 62,315**	$ 60,169
Dividends per share	**$ 1.28**	$ 1.24

The payment of dividends on the Company's 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, 2018	January 31, 2017
Current:		
Revolving loan facilities	—	—
	$ —	$ —
Non-current:		
Revolving loan facilities (1)	**$ 1,776**	$ 11,887
Revolving loan facilities (2)	**34,365**	—
Revolving loan facilities (3)	**91,108**	126,344
Revolving loan facilities (4)	**—**	—
Revolving loan facilities (5)	**540**	—
Senior notes (6)	**85,760**	91,035
Senior notes (7)	**100,000**	—
	$ 313,549	$ 229,266
Total	**$ 313,549**	$ 229,266

(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, 2018, the International Operations had drawn US$1,444 (January 31, 2017 – US$9,122) on this facility.

(2) In September 2017, the Company extended the maturity date of the US$52,000 loan facilities. These facilities mature September 26, 2022 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, the $100,000 senior notes and the $300,000 Canadian Operations loan facilities. At January 31, 2018, the Company had drawn US$27,936 (January 31, 2017 – US$NIL) on these facilities.

(3) These committed, revolving loan facilities provide the Company's Canadian Operations with up to $300,000 for working capital and general business purposes. In September 2017, the Company extended the maturity date of these facilities to September 26, 2022. These facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes, the $100,000 senior notes and the US$52,000 loan facilities. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The revolving U.S. loan facility provides the International Operations with up to US$1,500 for Roadtown Wholesale Trading Ltd.'s (RTW) working capital requirements and general business purposes. This facility bears a floating rate of interest based on a U.S. dollar base rate plus a spread and is secured by certain assets of RTW. At January 31, 2018, the Company had drawn US$NIL on this facility.

(5) The Canadian Operations also have a $2,375 revolving loan facility to meet North Star Air Ltd.'s (NSA) working capital requirements and for general business purposes. This facility bears a floating rate of interest and is secured by the assets of NSA.

(6) 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, the $100,000 senior notes and the US$52,000 loan facilities.

(7) In September 2017, the Company issued $100,000 senior notes maturing September 26, 2029. These senior notes have a fixed interest rate of 3.74%, are secured by certain assets of the Company and rank *pari passu* with the $300,000 Canadian Operations loan facilities, the US$70,000 senior notes and the US$52,000 loan facilities.

9. EMPLOYEE COSTS

	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017
Wages, salaries and benefits including bonus	**$ 73,286**	$ 61,797	**$ 279,525**	$ 246,678
Post employment benefits	**2,041**	1,733	**8,072**	7,160
Share-based compensation (Note 12)	**(2,093)**	7,104	**8,820**	7,053

10. INTEREST EXPENSE

	Three Months Ended January 31, 2018	Three Months Ended January 31, 2017	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017
Interest on long-term debt	**$ 2,893**	$ 1,770	**$ 9,363**	$ 6,326
Net interest on defined benefit plan obligation	**331**	336	**1,322**	1,324
Interest income	**(19)**	(20)	**(38)**	(92)
Less: interest capitalized	**(129)**	(285)	**(502)**	(338)
Interest expense	**$ 3,076**	$ 1,801	**$ 10,145**	$ 7,220

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES

The estimated effective income tax rate for the three months ended January 31, 2018 is 37.3% (three months ended January 31, 2017 – 39.3%) and for the twelve months ended January 31, 2018 is 31.0% (twelve months ended January 31, 2017 - 30.5%). 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 changes in earnings of the Company's subsidiaries across various tax jurisdictions and the impact of non-tax deductible items.

In December 2017, new corporate tax legislation was enacted in the United States which reduced the federal corporate tax rate from 35.0% to 21.0% effective January 1, 2018. There was also a one-time transition tax introduced on undistributed accumulated earnings in foreign owned subsidiaries. These changes resulted in an income tax expense of $3,896, comprised of $1,827 for the re-measurement of deferred tax assets and liabilities and $2,069 for transition tax related to certain of the Company's subsidiaries.

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 shares.

The total expense relating to share-based payment plans for the three months ended January 31, 2018 is a recovery of $2,093 (three months ended January 31, 2017 – expense of $7,104) and for the twelve months ended January 31, 2018 is an expense of $8,820 (twelve months ended January 31, 2017 – expense of $7,053). 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, 2018	January 31, 2017
Accounts payable and accrued liabilities	**$ 14,164**	$ 10,844
Other long-term liabilities	**14,188**	13,624
Contributed surplus	**1,001**	1,078
Total	**$ 29,353**	$ 25,546

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, 2018 are $854 (three months ended January 31, 2017 – $1,362) and for the twelve months ended January 31, 2018 are $4,048 (twelve months ended January 31, 2017 - $3,017).

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.

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 8.9% of the Company's issued and outstanding shares at January 31, 2018. 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 years. The share option compensation cost recorded for the three months ended January 31, 2018 is a recovery of $2,826 (three months ended January 31, 2017 – expense of $4,586) and for the twelve months ended January 31, 2018 is an expense of $2,886 (twelve months ended January 31, 2017 - expense of $2,510).

The fair values for options issued were calculated based on the assumptions below.

	2017	2016
Fair value of options granted	**$ 3.12 to $ 4.30**	$ 2.80 to $ 3.88
Exercise price	**$ 32.40**	$ 28.81
Dividend yield	**4.2%**	3.9%
Annual risk-free interest rate	**1.2%**	0.5% to 0.7%
Expected share price volatility	**21.6%**	19.8%

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

	2017	2016
Dividend yield	**4.4%**	4.2%
Annual risk-free interest rate	**1.8% to 2.1%**	0.8% to 1.1%
Expected share price volatility	**16.6% to 20.5%**	19.7% to 23.3%

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	
	2017	2016	**2017**	2016
Outstanding options, beginning of period	**2,082,892**	1,659,664	**442,642**	400,045
Granted	**441,269**	454,057	**63,843**	68,564
Exercised	**(28,527)**	(30,829)	**(16,855)**	(25,967)
Forfeited or cancelled	**(30,694)**	—	**(35,453)**	—
Outstanding options, end of period	**2,464,940**	2,082,892	**454,177**	442,642
Exercisable at end of period	**773,188**	485,431	**237,026**	205,958

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2017	2016	**2017**	2016
Outstanding options, beginning of period	**$ 24.81**	$ 23.67	**$ 23.21**	$ 21.86
Granted	**32.34**	28.81	**32.40**	28.81
Exercised	**21.68**	21.95	**22.71**	17.20
Forfeited or cancelled	**26.36**	—	**26.31**	—
Outstanding options, end of period	**$ 26.18**	$ 24.81	**$ 24.28**	$ 23.21
Exercisable at end of period	**$ 19.52**	$ 18.47	**$ 20.67**	$ 20.29

Options outstanding at January 31, 2018 have an exercise price range of $17.19 to $32.40 and a weighted-average remaining contractual life of 3.7 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, 2018 is a recovery of $234 (three months ended January 31, 2017 – expense of $918) and for the twelve months ended January 31, 2018 is an expense of $1,047 (twelve months ended January 31, 2017 – expense of $712). The total number of DDSUs outstanding at January 31, 2018 is 249,108 (January 31, 2017 – 212,166). There were no DDSUs exercised during the twelve months ended January 31, 2018 and 2017.

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, 2018 is a recovery of $40 (three months ended January 31, 2017 – expense of $92) and for the twelve months ended January 31, 2018 is an expense of $28 (twelve months ended January 31, 2017 – expense of $35).

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, 2018 is $153 (three months ended January 31, 2017 – $146) and for the twelve months ended January 31, 2018 is $811 (twelve months ended January 31, 2017 - $779) .

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. SUBSIDIARIES AND JOINT VENTURES

The Company's principal operating subsidiaries at January 31, 2018 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%
Roadtown Wholesale Trading Ltd.	Retailing	British Virgin Islands		76%
North Star Air Ltd.	Airline	Canada		100%

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, 2018	Three Months Ended January 31, 2017	**Twelve Months Ended January 31, 2018**	Twelve Months Ended January 31, 2017
Employee costs (Note 9)	**$ 73,234**	$ 70,634	**$ 296,417**	$ 260,891
Amortization	**14,378**	12,379	**55,653**	48,367
Operating lease rentals	**9,200**	7,734	**35,394**	30,207
Other income	**(7,493)**	(7,321)	**(31,604)**	(30,168)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

The following table comprises the carrying amounts of the Company's financial instruments at January 31, 2018. 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	$ 25,160	$ 25,160
Accounts receivable	Short-term	80,765	80,765
Other financial assets	Long-term	1,197	1,197
Accounts payable and accrued liabilities	Short-term	(170,166)	(170,166)
Long-term debt	Long-term	(313,549)	(310,737)

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Business Acquisitions

On February 9, 2017, the Company acquired 76% of the outstanding common shares of Roadtown Wholesale Trading Ltd. (RTW), operating primarily as Riteway Food Markets in the British Virgin Islands (BVI). RTW is the leading retailer in BVI with seven retail outlets, two Cash and Carry stores and a wholesale operation. Based on the Company's closing share price on that date, the purchase price was $35,593 (US$27,044). This was comprised of cash consideration of $31,593 (US$24,004) financed through existing loan facilities and the issuance of 133,944 shares, in accordance with the form of consideration elected to be received by RTW shareholders. The purchase price allocation based on management's best estimate of the acquisition date fair value of assets acquired and liabilities assumed is as follows:

(unaudited, $ in thousands)		February 9, 2017
CURRENT ASSETS		
Cash	$	8,738
Accounts receivable		2,647
Inventories		12,432
Prepaid expenses		616
	$	24,433
NON-CURRENT ASSETS		
Property and equipment	$	34,574
Goodwill		2,085
Intangible assets		909
		37,568
TOTAL ASSETS	$	62,001
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	(14,258)
NET IDENTIFIABLE ASSETS		47,743
Less: non-controlling interests		(12,150)
CONSIDERATION	$	35,593
Less: cash acquired		(8,738)
Less: share consideration		(4,000)
NET CASH FLOW FOR BUSINESS ACQUISITION	$	22,855

This acquisition was completed to gain access to a new market, consistent with the Company's overall Caribbean growth plans. The acquisition was accounted for using the acquisition method. Since the date of acquisition the impact on sales was an increase of $105,270 and the impact on net earnings was an increase of $5,417. The net earnings of $5,417 includes $5,765 in acquisition costs substantially related to stamp duty paid to the Government of the British Virgin Islands. These acquisition costs are included in selling, operating and administrative expenses in the consolidated statements of earnings. On February 9, 2017, accounts payable and accrued liabilities includes a $7,470 (US$5,676) dividend payable to RTW shareholders declared prior to the acquisition. This dividend was paid subsequent to the closing of the acquisition and was fully funded by the cash acquired.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. Business Acquisitions (continued)

On June 15, 2017, the Company acquired 100% of the outstanding common shares of North Star Air Ltd. (NSA). NSA is a Thunder Bay based airline, providing cargo and passenger services within northwestern Ontario, Canada. The purchase price was $30,755, subject to working capital adjustments, and was financed through existing loan facilities. The preliminary purchase price allocation based on management's best estimate of fair values of assets acquired and liabilities assumed is as follows:

(unaudited, $ in thousands)		June 15, 2017
CURRENT ASSETS		
Cash	$	2,406
Accounts receivable		5,258
Inventories		1,053
Prepaid expenses		1,852
	$	10,569
NON-CURRENT ASSETS		
Property and equipment	$	28,547
Goodwill		3,459
		32,006
TOTAL ASSETS	$	42,575
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	(7,547)
Deferred tax liability		(4,273)
NET IDENTIFIABLE ASSETS & CONSIDERATION		30,755
Less: cash acquired		(2,406)
NET CASH FLOW FOR BUSINESS ACQUISITION	$	28,349

This acquisition was completed to allow the Company to deliver faster, more consistent service to our customers. The acquisition was accounted for using the acquisition method. Since the date of acquisition the impact on sales was an increase of $28,194 and the impact on net earnings was an increase of $943. The net earnings of $943 includes $423 in acquisition costs, net of tax. Acquisition costs are included in selling, operating and administrative expenses in the consolidated statements of earnings.

In the fourth quarter of 2017, the Company revised its fair value estimates and updated the NSA purchase price allocation based on the final settlement of working capital adjustments. The result was to decrease the purchase price by $585 with a corresponding decrease in assets acquired of $439 and an increase in current liabilities of $146.

The Company has one year from the date of acquisition to finalize the fair value of net tangible assets, goodwill and intangible assets and therefore these amounts are subject to change.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. 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, 2018, the Company recorded net actuarial gains on its defined benefit plan obligation of $1,175 (three months ended January 31, 2017 - $11,668) in other comprehensive income, which was recognized immediately in retained earnings. During the twelve months ended January 31, 2018, the Company recorded net actuarial gains on its defined benefit plan obligation of $1,175 (twelve months ended January 31, 2017 - $2,413) in other comprehensive income, which was recognized immediately in retained earnings.

The discount rate used to determine the benefit obligation for the defined benefit pension plan at January 31, 2018 was 3.50% (January 31, 2017 - 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, 2018	January 31, 2017
Defined benefit obligation	**$ (118,432)**	$ (112,358)
Fair value of plan assets	**84,337**	78,280
Defined benefit plan obligation, funded status	**$ (34,095)**	$ (34,078)

19. SUBSEQUENT EVENTS

On March 15, 2018, the Board of Directors declared a dividend of $0.32 per share payable April 16, 2018 to shareholders of record on March 29, 2018.