Speech by Léo Charrière, Executive Vice-President, CFO & Secretary

Good morning ladies and gentlemen.

The North West Company's 2005 performance was very strong on all financial measures as long-term initiatives began delivering the expected results. The Company exceeded past trends in sales and bottom line growth.

In 2005, overall sales were up 7.7% to $850 million. The strengthening Canadian dollar negatively impacted our sales growth by 1.5% or $11.8 million.

Canadian food comparable store sales increased by 6.2% as a result of new food pricing strategies implemented in the first quarter of 2005. General merchandise sales in Canada increased 3.4% on a comparable store rate. General merchandise sales weakened in the fourth quarter as we focused on inventory assortment and inventory reduction initiatives.

Our Giant Tiger stores continued to attract more shoppers. Comparable store sales met our expectations. During the year we opened new stores in Winnipeg, Brandon and The Pas, Manitoba and Prince Albert, Saskatchewan. Giant Tiger stores should continue to be a source of sales and bottom line growth for our Canadian operations.

In Alaska, sales increased 8.3% excluding the foreign exchange impact as a result of strong food sales growth of 8.7%. General merchandise sales increased 5.1% but were up only 1.2% on a comparable store basis as the Alaska Permanent Fund dividend paid each fall to state residents decreased 8%.

Consolidated trading profit grew 11.6% to $86 million in 2005. Our Canadian operations led the way with improved margin rates in general merchandise as a result of better inventory control, and lower buying costs. Operating expenses decreased as a rate to sales as efficiencies were realized from our long-term initiatives.

In Alaska, trading profit increased 14.7% excluding the foreign exchange impact. Strong food sales combined with lower operating expenses as a rate to sales contributed to this increase.

Net earnings for 2005 were up 15.1% to $42.9 million and fully diluted earnings grew 15.5% to $2.68 per unit. Interest expense increased 6.2% due to higher interest rates. The average cost of borrowing on interest bearing debt increased 30 basis points to 4.9%. Income tax expense increased by $1.8 million over the previous year with our effective tax rate up by 50 basis points. The increase in the effective tax rate is due to higher Canadian earnings as the Fund has maximized the income tax benefit of its existing structure.

2005 cash flow from operations increased to $71 million while return on net assets moved up 180 basis points to 16.6%, the highest level in 11 years. Net assets employed decreased by $3.0 million due to decreases in receivables and property and equipment and higher payables. These were partly offset by a higher cash position, and increased inventories as a result of the growth in our store base. We have ongoing initiatives to reduce inventories as we believe there is an opportunity to improve our inventory productivity and free up cash for other uses.

Equity in the business has increased to $243 million while debt has fallen by $9.2 million. As a ratio of equity, our debt levels have decreased to 0.46:1.

Our growing financial strength provides flexibility to reinvest for higher growth, to increase distributions to unitholders and to withstand downturns to our business. For 2006, the Board of Trustees has authorized distributions of $2.16 per unit, an increase of 14.9% with the potential of further increases later in the year as a result of the Limited Partnership structure. The North West Company Fund has maintained or increased distributions every year since its inception, excluding special distributions. North West has a track record of earnings and cash flow stability and ongoing potential to grow the bottom line. This, we believe, offers unitholders more stability and earnings upside.

Emphasis on quality of earnings and the fundamentals that support the distribution levels are increasingly important to investors. We believe this focus will continue to be positive for the North West Company Fund.

Now to the results for the first quarter of 2006. Consolidated sales were up 8.9% to $214.0 million. Strong food sales in all our banners contributed to the sales increase. Canadian food sales increased 11% and Alaska food sales were up 9.6%.

Canadian food sales were up 7.9% on a comparable store basis, up from last year's first quarter increase of 4.5%.

Strong general merchandise sales in our Giant Tiger stores more than offset softer general merchandise sales in Northern Canada.

Alaska retail sales increased 3.9% on a comparable stores basis. Strong food sales contributed to this increase as general merchandise sales were soft.

Trading profit dollar growth in the first quarter was driven by the strong Canadian results and was up 20.2% to $20.2 million.

In Canada, trading profit was $17.4 million, up 23.5%. Strong food sales and excellent expense controls contributed to the trading profit improvement.

Alaska trading profit was $2.8 million in Canadian dollars, up 2.8% from last year. Comparable stores had a strong increase in trading profit but weaker results in a new store opened in 2005 and at Frontier Expeditors held back the overall increase in trading profit.

Earnings for the quarter were $9.8 million, up 26.1% from 2005. Earnings per unit were 61 cents, an increase of 27.1% on a fully diluted basis.

Our performance indicators are running ahead of 2005 except for general merchandise gross profit dollars in Northern Canada and Alaska which we believe will continue to be challenged in the next two quarters. We believe our food sales momentum will continue to drive earnings for the rest of the year. We will also continue to benefit from the prior years' cost streamlining initiatives.

As explained earlier in our Annual Meeting, an important initiative completed at the end of the first quarter was the transfer of the majority of the Canadian operations to a Limited Partnership. This reorganization should maintain our Canadian income taxes close to 2005 levels. Therefore increases in Canadian operating earnings over 2005 levels should, in most part, flow to the Fund.

The second step of the restructuring will have most of the Canadian pre-tax earnings of the Limited Partnership flow to the Fund. This second step is conditional on receiving a satisfactory tax ruling and lender approval. As of today, we now have unitholder approval.

We believe that, as a result of the initiatives underway, the Fund should have another successful year.

Thank you.

Addendum presented by Léo Charrière in conjunction with the special resolution regarding the proposed internal reorganization of the Fund.

Let me provide some background as to why management and the Board consider it important to proceed with the reorganization.

In 1997, when the Fund was established, the Fund invested in the operating company, The North West Company Inc., in the form of loans and preferred shares.

Interest on the loans paid to the Fund, reduced the earnings in the operating company to a non-taxable level. As the Canadian earnings increased, the preferred shares were converted to loans which increased the amount of interest paid to the Fund.

In the last few years, Canadian earnings in the operating company exceeded the interest paid to the Fund; therefore, increases in Canadian earnings are now fully taxable.

The first step of the reorganization was completed at the end of April which transferred most of the Canadian business assets to a limited partnership. This will allow us to maintain the income taxes paid close to the 2005 amounts. Therefore, most of the increase in Canadian earnings over 2005 will flow to the Fund.

The second step of the reorganization will change the flow of the earnings from the limited partnership. Presently, a substantial portion of the limited partnership earnings must flow to The North West Company Inc. The partnership units held by Inc. will be transferred to the Fund through a series of steps outlined in the Information Circular. The outcome will have most of the Canadian pre-tax earnings flow to the Fund.

The completion of the second step is subject to securing a satisfactory tax ruling and lender approval.

Speech by Ian Sutherland, Chairman

Today, your Board reviewed the strategic plan of our shipping affiliate Transport Nanuk Inc. (TNI). These are exciting times in marine transportation in general and Arctic shipping in particular. The growth in population, infrastructure spending, mining development and dew line decommissioning will create significant demands that TNI is aggressively pursuing. We are fortunate in having good partnerships with Logistec Corporation, a Montreal company with strong expertise in maritime transportation and with our Inuit partners. TNI has shown good profitability in the past few years and the prospects are excellent for increasing contributions. Suzanne Paquin, the President and CEO of TNI is with us today. Suzanne, could you please rise. Also, with us today is Don Coles, the Chairman of TNI. Don initiated our partnership with Logistec Corporation in 1995 and has remained Chairman since his retirement as VP Transportation and Distribution of NWC in 1996. Don’s shipping expertise and strong relationships in the North have helped TNI’s development. Don, could you please rise.

Today, I want to touch briefly on the annual incentive bonus program at NWC. We have a guiding principle of pay for performance in determining our program and making annual awards. We believe it is appropriate to pay upper quartile total compensation for upper quartile performance. Our base salaries reflect what we determine as average base pay rates for similar jobs in similar companies, and we rely on the bonus system and long term incentives to bring total compensation above median when performance warrants. The system works both ways and there were times in the past when awards were very low. Fortunately, for management, and I must add for unitholders as well, awards have been good over the past several years.

We certainly have had top quartile performance in terms of total unitholder returns. The measurement and judgment of the components of the program are complex. Management and the Board of Directors, through our HR Committee led by Sandy Riley, give this program a great deal of thought and significant discussion and debate. Our key measurement is EBIT, adjusted by a variance in cost of capital. This variance adjustment ensures that management is judicious in the use of capital and the risks of investing too much in inventory and receivables. We believe when EBIT grows, unitholders will, over time, see superior returns from their units. We think that the system works well but it is a system that requires regular review and the application of seasoned judgment. Your HR Committee is well endowed with the appropriate experience and judgment to monitor this system for you.

On Monday, Edward Kennedy and NWC received the 2006 Distinguished Canadian Retailer of the Year Award from the Retail Council of Canada. The many excellent NWC programs such as Weekly Information Meetings, the minutes of which are distributed weekly to all store managers, Store Managers' Council, Leadership Development, Recognizing Excellence, Incentive Programs, to name a few, have been developed and refined under Edward's leadership. The results have been excellent. From my experience, NWC does as good a job as any company in communicating in an open fashion to its people spread out over our unique geography. More important, I feel that management is listening to the constructive feedback from these many initiatives. The strong profitability and excellent returns of NWF show that this is working. It is gratifying that our industry recognizes the success of all NWC, Alaska Commercial and Giant Tiger employees. Congratulations Edward and congratulations to all Nor'Westers.

Speech by Edward Kennedy, President & CEO

Good Morning

Thank you Ian for your remarks about the Retail Council of Canada Award. The Award is a nice recognition of the work being done at North West. It has generated a sense of pride across our organization and has raised our national profile.

As you saw from Léo's presentation, the numbers last year were very good and the first quarter of 2006 was even better. Since 1999, North West has generated consecutive yearly increases in revenues, trading profit, net income and asset productivity. Over this period, unitholders have earned an average annual return of 23.8% and a cumulative return of over 345%.

Compared to other retail indices and the TSX overall, we have met our goal of delivering consistent top quartile performance.

At North West, we have over 650 employee unit owners, including all of our senior management and our Board of Directors. This means that we are aligned with you when it comes to NWF's investment performance.

Today, I want to give you a clear picture of our direction and more insight into the role of leadership at North West. My goal is that this will help ensure that we are also on the same page with you when it comes to answering the question: How strong are North West's prospects for continued growth and superior returns?

Let's start with 2005. Last year, our sales, trading profit and earnings grew at a rate that was well above the preceding five year average. One year doesn't create a new standard, but I believe it is an indicator of "next level" potential for The North West Company.

When you think about how we reached the "next level", it helps to remember that North West consists of more than just our Northern stores. Surprisingly to me, this is still not a common impression. The fact is we've spent over 10 years and tens of millions of dollars building new banners, products and services to complement our Northern store business.

From Northern to AC Value Center to NorthMart to Giant Tiger, today's North West Company is a true, multi-format retailer. Our stores and our catalogue reaches customers spanning the upper half of North America, in markets with diverse strengths, ranging from the stable growth of Winnipeg and most northern Canadian communities, to the buoyant resource economies of Alaska and Alberta. Compared to even five years ago, today we have more ways to grow and we depend less on any one store format.

2005 is also a good example of long-range work that contributes to a "next level" performance. Consider our technology investment. We've spent in the range of $25 million over the past four years, installing new check-out, back-office, staff scheduling and credit management systems. Last year we achieved the full benefit of these systems by linking them to our head office through a broadband network.

Broadband is taken for granted in the South but in the North it gives us a distinct advantage. We can serve customers faster than our competition and our employees have saved hours through automated work. Even more important, we now have an electronic pipeline to our stores. For the next three to five years, I see this link as a catalyst for information and new services like telepharmacy, merchandise ordering and distance learning. The only limit is running out of ideas and, knowing the creativity of our people, that's not likely to happen.

2005 was another investment year for store learning. Over the last three years, 175 manager-level employees have spent three to four weeks at select stores, immersed in learning best management practices. While we're satisfied that there were real benefits from this approach, we believe the long term impact will be stronger with better follow-up in the managers home store. Our new plan is to bring best practice training directly into each manager's store, include the total store staff, and ensure the active engagement of the store manager's manager. We plan to test this model in 2006 and we'll start to roll it out next year.

Giant Tiger was a positive and it delivered a modest, growing contribution to our total results. We continue to see our Giant Tiger stores as a pure development opportunity, as much related to the maturing of existing stores as to the opening of new ones. Our goal is to open stores and get them to their full potential as soon as possible. The process takes two to three years and it's been worth the waiting time. We find that as Giant Tiger stores mature, brand awareness grows through word of mouth advertising and we gain a large base of very loyal shoppers. At the same time, we benefit from the growing experience and skill of our store managers and support teams.

Last year these factors clearly demonstrated that the ingredients are in place for Giant Tiger to become a sustainable, cash-generating store format.

Alaska Commercial Company (AC) deserves mention as a business that's been extremely successful in growing market share and profitability. 2005 marked AC's 11^{th} straight year of profit improvement, excluding an unusual gain in 2003. For two years now, AC has moved ahead of our Northern Canadian Retail stores on profit and productivity measures. It's taken a long time but we need to remember that AC started out as a money losing company.

Now, by saying this I'm being a bit mischievous in trying to provoke our northern Canadian retail group to beat AC's numbers in 2006. To be fair, Northern Canada Retail had a tremendous year in 2005 and had a stronger first quarter. It's just that AC had a better return on investment. There, I think I've said enough to get the competitive fires started.

Creating new ways to grow remains a priority in 2006. Within each existing product and service category and within each store, that is the challenge we put to ourselves. Last year I highlighted new products, each with sales potential of over $1 million ranging from single serve coffee to motor vehicles.

This year I'd like to focus on four broader opportunities:

1. Retail Food
2. New Stores
3. Healthcare
4. Gas Bars

1. Retail Food

First, our retail food business. Last year we grew same store food sales by 6.2% in Canada and 6.8% in Alaska. In this year's first quarter, the increase was 7.7% and 5.6%. These are exceptionally strong numbers compared to our industry. They indicate that we've gained significant market share. Having the "Right Price" on key items we sell has been a big factor. In our small road stores, this means being Priced Right compared to out of town competition. In remote markets, like northern Quebec, Priced Right means matching and beating the prices of a very competitive group of co-op stores.

In our large store markets, the emphasis is on better promotions, higher standards and more newness in our stores.

Across the board, we keep aiming higher when it comes to food. We are re-launching our store brands, adding the "North Star" label as a mid-tier, to complement our opening price "Best Value" and our higher quality "Exclusive Selections" line-up (which you are invited to sample at lunch after our meeting).

We are also revamping our quick service food menus, we're bringing more special buys and new items to our stores and we're putting more emphasis on closing the food sales gap between like stores.

2. New Stores

Historically, our business has been driven by growing with and within our existing markets. Exceeding these growth rates requires pursuing profitable new locations and this is a strategy that is starting to pay dividends.

Since the beginning of 2005, we've opened or acquired 12 stores in new markets. Over the next 18 months, we expect to open or acquire at least 12 more for a total of 24 in three years. The foundation for new store growth is our Giant Tiger expansion, at five to six stores per year. On top of Giant Tiger, we continue to see opportunities in Alaska and northern Canada.

In Alaska, we've built a reputation as the best partner for communities looking for better shopping choices or for private owners looking to sell.

In northern Canada, we are seeing the same type of interest. As an example, we were recently approached to open stores in two Arctic communities, both traditionally strong supporters of their local co-op stores.

3. Healthcare

Healthcare is essential to our customers and we know that, after food, more money is spent on health than any other category. Going forward, we consider health products and services, including healthier food choices, to be a key part of our positioning as a retailer of everyday needs. Over the next five years, our goal is to credibly build healthcare into our value offer so that we earn a trusted identity as a health solutions provider.

In 2006 we are putting in place the detailed plans and the people to get started. The first step was the purchase this March of Northern Pharmacy, a relatively large pharmacy with operations in Moosonee and Moose Factory, Ontario. More than a single business, the Northern Pharmacy acquisition gives us people with the knowledge to bring health services, using our store infrastructure, to many more rural and remote communities.

These services will include opening hub pharmacies with smaller spoke locations serviced by telepharmacy technology, providing extended hours, telepharmacy support to remote hospitals and being able to work closely with local health professionals.

With Northern Pharmacy, we now operate three full-service pharmacies and one remote telepharmacy. Our plan for 2006 is to open an additional three telepharmacies and two more full-service locations, all within existing Northern or NorthMart stores.

In 2007, we will continue our telepharmacy rollout, we expect to test a pharmacy in a Giant Tiger store and plan to create a larger hub pharmacy, likely in Winnipeg. We are actively looking for more pharmacy acquisitions in the North and we have several prospects that could accelerate our growth further.

Finally, as we develop our health business, we see benefits to customers in all stores, whether or not we offer prescription services. For example, we now have the expertise to add non-prescription health products in-store and health equipment through our catalogue.

4. Gas Bars

Gas bars are a clear fit with being the first choice for everyday needs. They are also integral to our plans to reshape the way we serve smaller, road accessible communities.

We like selling gas because it’s a traffic generator, just like our post offices, financial service counters, video rental business and our pharmacies. Gas retailing also gives us an edge against our local competition, by using cross promotional coupons, similar to what you see in the Winnipeg market with Safeway and Superstore. And, if our customer still is bound and determined to shop out of town, at least we can sell them the gas, sun glasses and snack foods that they need for the trip.

Although environmental risk was considered to be a barrier in this business, today we believe we can manage this risk as well or better than anyone. Our goal is to open about six gas bars per year and we expect to have 39 outlets by the end of 2006.

The bigger picture for gas bars is how they link to the future of our group of small road stores. These stores have not performed at an acceptable level because they still look and feel too much like a general store. We’ve had success by adding our Fun to Go coffee, slush and sandwich programs, by combining office and checkout workstations, and with our gas bars.

The next level is to start with a clean sheet of paper and create a unique super convenience format that brings together 7-11 type products and services while still offering a sufficiently broad mix of food to compete with a conventional store.

The plan is to have this concept store up and running next Spring and I look forward to reporting on the performance at our 2007 annual meeting.

Behind all of our growth plans are capital and people. The capital part is straightforward. This year we will invest in spending $38 million in capital expenditures. Of this amount, $20 million will be on new stores, new businesses and major store expansions. That's capital that technically could be paid to unitholders because it's over and above our core business needs.

The principle we follow on reinvestment is this: if we can invest for growth, that realistically can become as consistently profitable as our core business, then our business and our unitholders will be better off. If we can't find or create these growth opportunities, then our discipline is to pay the excess cash as distributions.

Seeing the opportunities and having the capital is a strength, but it doesn't get us to the next level without highly capable leaders throughout our organization.

A strong leader at North West is someone who is effective in their role and, specifically, as a manager, it is about connecting with the right people to get the things done.

We focus on key principles and practices when we work on leadership. This includes being accountable, getting aligned, delegating work to the right level and building trust.

Accountability is our way of saying we are all paid to do our best work and provide our best advice. As managers, we are accountable for the output of our team whether it's a Store Manager's store team or the CEO's executive team. This is clear language. It's not meant to intimidate. In practice, it's actually liberating because it forces clear roles and helps our people negotiate the resources they need to do their job.

Alignment means planning, building the best possible team and getting the team on the same page. We have made a large financial commitment to recruiting and training top quality managers, especially at the Store Manager level. We are doing this because we believe the Store Manager is the most important position in our business. Only a highly capable Store Manager can deliver on our strategy of running each store as if it were the only one we own. So, building the best possible team starts with the Store Manager and carries upward and downward through the organization.

Delegating work to the right level may sound obvious but it's something that's poorly practiced by most organizations. The way we see it, we all have enough work of our own so we shouldn't be spending time doing someone else's job one or two levels below. Unfortunately, there's also the time-honoured principle that says "Retail is Detail". More than one Store Manager or CEO, in my case, has used this as cover to get involved in work at the micro level.

The solution is good example setting, starting with the CEO and, again, a focus on what work gets done above and below the pivotal role of our Store Manager. We try to understand every aspect of our Store Manager's day, what they are doing in reality and what needs to change to free their time to do the work that only they can do effectively.

Trustworthiness comes primarily from honesty and honesty is the cornerstone of how we communicate and work with each other at North West. We encourage our managers to build trust by being forthright with their teams, by knowing when to direct and when to let others work and by encouraging advice.

These and other leadership practices are built into the everyday work at North West and receive special attention through our ongoing management development programs. We consider leadership to be part of our long term capability building and continually revisit the effectiveness of our investment, just like we did with our Store Best Practice Program.

Ultimately, it is difficult to measure the ROI of a learning initiative. But we know what success looks like and that gives us a good idea of the type of management ability we are striving for at North West. Pictured here are three examples: Kirk Coates, Gerald Favel and Lizzie Sakiagak.

Kirk Coates is Store Manager of our Regina Giant Tiger store and a recipient of our President's Award for Leadership. Kirk and four other managers came out of our northern business to help lead the start-up of our Giant Tiger venture four years ago. To be a successful northern retailer you have to be resourceful to get sales. When your day starts with thawing out the store and ends with unloading freight from a plane in the total darkness of winter, at forty below, then by comparison, running a Giant Tiger store, even head to head against the big box competition in Regina or Winnipeg, although not easy, let's just say it's doable for people like Kirk.

Gerald Favel, the Store Manager of our Easterville, Manitoba Northern store, is a great example of today's enterprising spirit at North West. Gerald took over his first store 18 months ago and immediately went after plus business like catalogue, special order and contract sales. He grew his top line by over 40% and was a recipient of our President's Award for Enterprising Excellence. Last week, Gerald landed a $500,000 contract to furnish the new school in his community.

North West is connected to our communities. We make a difference to people's lives because we are a highly visible, community store, whether in the North or in an urban neighbourhood. The only question is: What kind of difference? For me and for our people, being able to answer that question positively goes to the heart of what makes our work truly human and personally fulfilling. An example is Lizzie Sakiagak, our ever smiling office supervisor from Kangiqsujuaq, Quebec, famous for her vest full of pins. She is also a President's Award winner for Community Support. Lizzie is a local translator, heads up the Diabetes fundraiser, and is an all-round, tireless community volunteer.

Another reason for our attention on growing leaders is that we have to replace the ones who leave. I'd like to take this opportunity to express my appreciation for the combined 74 years of enterprising leadership provided by Len Flett and Carl McKay, who retired as officers in the past year. Len and Carl were store managers who grew, through many different roles, into valued senior leaders at North West. Their insight into our business, their flexibility and openness and their dedication to our success will be missed, although not for long, since they are both providing assistance to us in a consulting role. Thank you Carl and Len.

Thank you very much for your attention.

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

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

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