THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended October 31, 2013

2013 THIRD QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the third quarter ended October 31, 2013. Sales increased 2.5% to $387.2 million compared to the third quarter last year as new store sales and same store sales growth in both the Canadian and International Operations more than offset the impact of store closures in the Canadian Operations in the fourth quarter of 2012. Excluding the foreign exchange impact, sales increased 0.8% and were up 2.3%[1] on a same store basis.

Third quarter net earnings increased 1.3% to $17.4 million and diluted earnings per share were flat to last year at $0.36 per share.

The Board of Directors has approved a quarterly dividend of $0.28 per share to shareholders of record on December 31, 2013.

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 unaudited interim condensed consolidated financial statements for the period ended October 31, 2013 and the audited annual consolidated financial statements and accompanying notes included in the 2012 Annual Report. In the first quarter of 2013, the Company implemented the revised IAS 19, Employee Benefits accounting standard which required the restatement of certain 2012 comparative numbers. Further information on the impact of new accounting standards is provided in the Accounting Standards Implemented in 2013 section of this report or Note 3 in the Company's 2013 third quarter unaudited interim period condensed consolidated financial statements.

CONSOLIDATED RESULTS

Quarter

Third quarter consolidated sales increased 2.5% to $387.2 million compared to $377.7 million in the third quarter last year. Same store sales growth and new store sales in our International Operations more than offset the sales impact of the store closures in the Canadian Operations in the fourth quarter of 2012. Excluding the foreign exchange impact, sales increased 0.8% and were up 2.3%[1] on a same store basis. Food sales[1] increased 1.6% and were up 2.5% on a same store basis and general merchandise sales[1] decreased 1.7% but were up 1.3% on a same store basis.

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

	2013	2012
Food	**78.8%**	78.0%
General merchandise	**17.9%**	18.5%
Other*	**3.3%**	3.5%

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

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

Earnings from Operations[2] increased 2.5% to $26.9 million compared to $26.2 million in the third quarter last year. Gross profit dollars increased 3.0% largely due to sales growth in the International Operations and a 13 basis point increase in gross profit rate on a consolidated basis. Selling, operating and administrative expenses increased 3.1% compared to last year and were up 13 basis points as a percentage to sales mainly due to higher expenses related to new stores in the International Operations and the impact of foreign exchange on the translation of U.S. denominated expenses. Higher employee costs, due in part to pension plan expense and share-based compensation costs related to an increase in the share price in the quarter, and higher utility costs in remote markets were also factors. In the quarter, the Company incurred one-time due diligence costs related to strategic opportunities that were comparable to the $1.3 million asset impairment provision related to the store closures recorded in the third quarter last year. Excluding the foreign exchange impact, earnings from operations increased 1.3% compared to last year.

Trading profit[2] or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 2.6% to $36.5 million compared to $35.6 million last year with both the Canadian Operations and International Operations contributing to the increase. Excluding the foreign exchange impact, trading profit increased 1.4% compared to last year and as a percentage to sales was 9.5% compared to 9.4% last year.

Income tax expense increased 7.0% to $7.6 million compared to $7.1 million last year due to an increase in earnings and a higher effective tax rate. The increase in the effective tax rate is due to the variability of income earned across the various tax jurisdictions. The consolidated effective tax rate in the quarter was 30.5% compared to 29.4% last year.

Net earnings increased 1.3% to $17.4 million and diluted earnings per share were flat to last year at $0.36 per share.

As a result of an increase in long-term interest rates and a higher than expected return on pension plan assets, a re-measurement of the defined benefit pension plan assets and liabilities was performed at October 31, 2013 and the Company recorded a $10.3 million actuarial gain, net of tax, in other comprehensive income in the quarter. The gain was immediately recognized in retained earnings at October 31, 2013. Further information on employee future benefits is provided in Note 16 to the 2013 third quarter unaudited interim period condensed consolidated financial statements.

Year-to-date

Year-to-date sales increased 1.2% to $1.140 billion compared to $1.127 billion in 2012 as new store sales in our International Operations and same store sales gains across our banners more than offset the impact of store closures in the Canadian Operations in the fourth quarter of 2012. The positive impact of foreign exchange on the conversion of U.S. denominated sales was partially offset by the impact of one extra day of operations last year as a result of February 29. Excluding the foreign exchange impact, sales increased 0.2% and were up 1.8%[1] on a same store basis. Food sales[1] increased 1.1% and were up 2.1% on a same store basis. General merchandise sales[1] decreased 3.7% but were up 0.3% on a same store basis.

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

	2013	2012
Food	**78.5%**	77.8%
General merchandise	**17.7%**	18.5%
Other*	**3.8%**	3.7%

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

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

Earnings from Operations increased 2.1% to $75.4 million compared to $73.9 million last year as sales growth and gross profit rate improvements more than offset higher selling, operating and administrative expenses. Selling, operating and administrative expenses increased 1.3% compared to last year and were up 3 basis points as a percentage to sales. The increase in selling, operating and administrative expenses is due in part to new stores, strategic planning costs and higher utility expenses in remote markets partially offset by lower incentive plan costs, a non-comparable insurance gain and costs related to the stores closed last year. The impact of foreign exchange on the translation of U.S. denominated expenses was also a factor contributing to the increase in expenses. The insurance-related gain is the result of a final settlement of claims on stores destroyed by fire in 2011. A portion of the insurance gain was recognized last year due to a partial settlement of the claim. Excluding the foreign exchange impact, the due diligence and strategic planning costs, the insurance gains and the asset impairment provision related to the store closures last year, earnings from operations decreased 0.2% to last year.

Trading profit[2] or earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 2.1% to $104.0 million compared to $101.8 million last year. Excluding the foreign exchange impact, the strategic planning costs, the insurance gains and the asset impairment provision, trading profit increased 0.3% and as a percentage to sales was consistent with last year at 9.1%.

Income taxes increased to $21.3 million compared to $19.9 million last year as a result of earnings growth and a higher effective income tax rate. The consolidated effective tax rate was 30.6% compared to 29.2% last year largely due to a higher effective tax rate in the International Operations related to the variability of income earned across the various tax jurisdictions.

Net earnings increased 0.1% to $48.4 million and diluted earnings per share were flat to last year at $1.00 per share as earnings growth in the Canadian Operations was offset by lower earnings in the International Operations.

CANADIAN OPERATIONS

Canadian Operations sales for the quarter decreased 1.6% to $254.1 million compared to $258.3 million last year due to the store closures in 2012 but were up 2.1% on a same store basis. Food sales decreased 0.5% but were up 2.5% on a same store basis led by sales gains in remote markets. Food inflation was minimal in the quarter. General merchandise sales decreased 4.5% from last year but were up 0.7% on a same store basis as strong sales growth in less remote markets offset weaker sales in remote markets.

Gross profit dollars increased 0.1% as the impact of store closures from last year was largely offset by gross profit rate improvements on a same store basis. The rate improvements were mainly from general merchandise as a result of lower markdowns and inventory shrinkage and favourable product mix changes including higher contributions from hardlines categories in remote markets and apparel categories in less remote markets. Selling, operating and administrative expenses decreased 0.4% but increased 29 basis points as a percentage to sales. The decrease in expenses is largely due to the impact of the store closures in late 2012 partially offset by higher employee costs related to pension expense and share-based compensation costs and an increase in utility expenses in remote stores. Due diligence costs related to an assessment of strategic opportunities in the current year were offset by the store closure asset impairment provision recorded in the third quarter last year.

Canadian trading profit increased 1.1% to $27.6 million compared to $27.3 million last year, largely due to lower expenses, and as a percent to sales was 10.8% compared to 10.6% last year.

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International sales increased 6.0% to $128.3 million compared to $121.0 million in the third quarter last year led by new store sales and same store sales growth of 2.5%. Food sales increased 5.6% and were up 2.3% on a same store basis and general merchandise sales increased 8.9% and were up 3.6% on a same store basis with our AC Value Center ("AC") and Cost-U-Less ("CUL") banners both contributing to the increases. The Permanent Fund Dividend paid to qualifying Alaska residents increased 2.5% to $900 compared to $878 last year and was a positive factor contributing to AC's performance combined with better executed food and big-ticket selling programs. Our CUL stores delivered another quarter of modest same store sales growth.

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

Gross profit dollars increased 4.7% compared to last year as sales growth was partially offset by lower gross profit rates. Gross profit rates decreased compared to the third quarter last year largely due to the new Barbados Cost-U-Less store and more aggressive pricing in certain key markets. Selling, operating and administrative expenses increased 5.8% but were down 3 basis points as a percent to sales. The increase in expenses is mainly due to new stores and higher utility costs partially offset by lower incentive plan expense and employee medical costs in the quarter.

Trading profit increased 2.4% to $8.7 million as the increase in gross profit dollars more than offset higher expenses and as a percent to sales was 6.8% compared to 7.0% in the third quarter last year.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the quarter was 0.64:1 compared to 0.65:1 last year. The debt-to-equity ratio at January 31, 2013 was 0.55:1.

Working capital decreased $103.1 million or 57.2% compared to the third quarter last year largely due to the increase in the current portion of long-term debt. The increase in the current portion of long-term debt is due to the International Operations loan facilities that mature on December 31, 2013 and the senior notes that mature June 15, 2014. Further information on the maturing debt is provided in the sources of liquidity section and in Note 8 to the Company's 2013 third quarter unaudited interim condensed consolidated financial statements. Excluding the impact of the maturing debt, working capital increased $13.4 million or 7.5% compared to last year largely due to an increase in inventories related to new stores and earlier receipt of seasonal merchandise and lower income tax payable as a result of installments made in the quarter, partially offset by an increase in accounts payable related to the timing of payments.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,423,000 shares compared to 48,387,000 shares last year. The increase in basic shares outstanding is due to share options exercised. Further information on the Share Option Plan is provided in Note 6 and Note 12 to the 2013 third quarter unaudited interim condensed consolidated financial statements. The weighted-average fully diluted shares outstanding for the quarter were 48,661,000 compared to 48,577,000 shares last year. The increase in the fully diluted shares outstanding compared to last year is due to options granted under the Share Option Plan and shares granted under the Director Deferred Share Unit Plan.

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

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the major components of cash flow:

$ in thousands	**Three Months ended October 31, 2013**	Three Months ended October 31, 2012	Change	**Nine Months ended October 31, 2013**	Nine Months ended October 31, 2012	Change
Cash flows from (used in):						
Operating Activities Before Taxes Paid	**$ 29,918**	$ 33,383	$ (3,465)	**$ 78,483**	$ 90,182	$ (11,699)
Taxes Paid	**(8,493)**	(3,608)	(4,885)	**(44,964)**	(12,559)	(32,405)
Operating Activities	**21,425**	29,775	(8,350)	**33,519**	77,623	(44,104)
Investing Activities	**(13,358)**	(14,703)	1,345	**(28,242)**	(34,421)	6,179
Financing Activities	**(14,032)**	(15,951)	1,919	**(8,214)**	(29,231)	21,017
Net change in cash	**$ (5,965)**	$ (879)	$ (5,086)	**$ (2,937)**	$ 13,971	$ (16,908)

Cash flow from operating activities in the quarter decreased $8.4 million to $21.4 million compared to cash flow from operating activities of $29.8 million last year. The change in cash flow from operating activities is primarily due to an increase in income tax installments paid in the quarter. Excluding the impact of income tax installments, cash flow from operating activities decreased $3.4 million or 10.1% compared to the third quarter last year due to the change in non-cash working capital largely related to higher seasonal inventories within International Operations.

For the year-to-date, cash flow from operating activities decreased $44.1 million to $33.5 million largely due to the increase in income tax installments and the change in non-cash working capital. As previously announced, the Company paid the remaining balance of the Canadian accrued income taxes for 2012 of approximately $19 million in the first quarter of 2013. The Company expects that its monthly Canadian income tax installments in 2013 will be higher than the monthly installments paid in 2012 as a result of the timing of the final payment for the 2012 tax year. During the remainder of the year the Company expects to pay Canadian and International income tax installments of approximately $8.0 million compared to $2.9 million paid in the last quarter of 2012. Actual installments paid may vary from anticipated payments due to a variety of factors including changes in expected or actual earnings across various tax jurisdictions. The change in non-cash working capital of $24.9 million compared to $10.5 million last year is mainly related to an increase in inventories compared to the prior year.

Cash used for investing activities in the quarter decreased to $13.4 million compared to $14.7 million last year and for the year-to-date was $28.2 million compared to $34.4 million last year. The decrease in the quarter and for the year-to-date is due to a decrease in intangible asset additions primarily related to the transportation management system and a difference in the timing of capital investments. Net capital expenditures for 2013 are projected to be approximately $45.0 million. Further information on planned capital expenditures is included in the Outlook section.

Cash used for financing activities in the quarter was $14.0 million compared to $16.0 million last year. The change in long-term debt in the quarter is due to an increase in amounts drawn on the Company's revolving loan facilities compared to last year. On a year-to-date basis, cash used in financing activities was $8.2 million compared to $29.2 million last year. The change in long-term debt is primarily related to the payment of income tax installments and higher inventories as previously noted. Further information on long-term debt is provided in Note 8 to the 2013 third quarter unaudited interim period condensed consolidated financial statements. In the first three quarters of the year, the Company paid dividends of $40.7 million, an increase of 7.7%, compared to $37.7 million last year.

Sources of Liquidity

The Canadian Operations have available committed, extendible, revolving loan facilities of $170.0 million that mature on December 31, 2015. These facilities are secured by a floating charge on the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities. At October 31, 2013, the Company had drawn $82.3 million on these facilities (October 31, 2012 - $69.1 million). Further information on the refinancing of this facility is provided under Loan Facilities Refinancing below.

The International Operations have available a committed, revolving loan facility of US$30.0 million that matures October 31, 2015 and is secured by certain accounts receivable and inventories of the International Operations. At October 31, 2013, the Company had drawn US$5.3 million on these facilities (October 31, 2012 - US$4.4 million).

The International Operations also have available committed, revolving loan facilities of US$52.0 million that mature on December 31, 2013. These facilities are secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $170.0 million loan facilities. At October 31, 2013, the Company had drawn US$42.0 million on these facilities (October 31, 2012 - US$44.0 million). Further information on the refinancing of this facility is provided under Loan Facilities Refinancing below.

The Canadian Operations have US$70.0 million senior notes that mature June 15, 2014. The senior notes are secured by a floating charge against the assets of the Company and rank *pari passu* with the $170.0 million Canadian Operations loan facilities and the US$52.0 million loan facilities in the International Operations. The Company does not anticipate any difficulty in refinancing the US$70.0 million senior notes however, economic conditions can change which may negatively impact the availability of credit, interest rates and the scope of financing covenants.

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 October 31, 2013, the Company is in compliance with all covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants.

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, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2013.

Loan Facilities Refinancing

On December 9, 2013, the Company completed the previously announced refinancing of the US$52.0 million loan facility in the International Operations. The new, committed, revolving loan facilities provide the Company with a US$52.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities mature December 31, 2018 and bear a floating rate of interest based on LIBOR plus a spread. These facilities are secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $200.0 million loan facilities (see below).

The Company also completed the previously announced refinancing of the $170.0 million loan facility in the Canadian Operations on December 9, 2013. The new, increased, committed, revolving loan facilities provide the Company with a $200.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities mature December 31, 2018 and bear a floating rate of interest based on Bankers Acceptances rates plus a spread or the Canadian prime rate. These facilities are secured by a floating charge on the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.28 per share to shareholders of record on December 31, 2013, to be paid on January 15, 2014.

The payment of dividends on the Company's common shares are subject to the approval of the Board of Directors and is based on, among other factors, the financial performance of the Company, its current and anticipated future business needs and the satisfaction of solvency tests imposed by the Canada Business Corporations Act (CBCA) for the declaration of dividends. The dividends are designated as eligible dividends in accordance with the provisions of the Canadian Income Tax Act.

OTHER HIGHLIGHTS

- The Company opened a convenience and liquor store in Nome, Alaska on August 26, 2013.
- An expanded replacement store opened in Albany, Ontario on September 16, 2013.
- North West was awarded the pharmacy contract for HealthLink BC, a 1-811 public access health information line. North West tele-pharmacists will be providing medication information and advice to the residents of British Columbia and Yukon Territory.

OUTLOOK

Merchandise productivity and improved operating standards are expected to continue to provide margin upside within many of the remote markets served by the Company's Alaskan, northern Canada and Cost-U-Less stores while helping to fund price reductions in high growth potential, everyday needs categories. Consumer incomes and spending momentum is expected to slow somewhat in Alaska after a relatively strong second and third quarter. Other remote regions, namely northern Canada and southern islands, are expected to remain flat to slightly positive in terms of income growth. The Company's Giant Tiger stores are facing food sales and gross margin pressure due to changes in their competitive environment but are expected to continue to achieve offsetting gains in fashion and hardlines. In the fourth quarter, gains are expected from lower perishable product waste, improved general merchandise inventory productivity, lower markdowns, and the closure of underperforming stores in fiscal 2012.

The Company continues to work on an in-depth strategic review of medium and long-range opportunities and invested significant resources in the third quarter on due diligence. Specific initiatives related to medium and long-range opportunities are expected to be finalized in the first quarter of 2014.

Net capital expenditures for 2013 are expected to be approximately $45.0 million (2012 - $48.8 million) reflecting the opening and acquisition of new stores, major store replacement projects, energy efficiency projects, and the final phase of a transportation management system which is targeted for completion in the first quarter of 2014. Capital expenditures depend upon the completion of landlord negotiations and shipment of construction materials to remote markets and therefore, their actual amount and timing can fluctuate.

The Company expects its Canadian monthly income tax installments to increase in 2013 based on a normalized level of taxable income in 2012 and the recognition of a portion of the deferred limited partnership income. During the remainder of the year the Company expects to pay Canadian and International income tax installments of approximately $8.0 million compared to $2.9 million paid in the last quarter of 2012. Actual installments paid may vary from anticipated payments due to a variety of factors including changes in expected or actual earnings across various tax jurisdictions. These income tax payments will reduce cash flow from operating activities in 2013.

The adoption of revised accounting standards for defined benefit pension plans in IAS 19, *Employee Benefits*, has resulted in the restatement of the 2012 comparative numbers in the 2013 consolidated financial statements. The impact of the changes in this standard will result in a decrease in 2012 restated net earnings of approximately $1.3 million. Further information on new accounting standards is provided in Note 3 in the Company's 2013 third quarter unaudited interim condensed consolidated financial statements.

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

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information. In 2013, the first quarter had 89 days of operations compared to 90 days of operations in 2012 as a result of February 29.

Operating Results - Consolidated

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	92 days	92 days	92 days	92 days	89 days	90 days	92 days	92 days
($ in millions)	2013	2012	2013	2012	2013	2012	2012	2011
Sales	**$ 387.2**	$ 377.7	$ 388.6	$ 383.8	$ 364.5	$ 365.5	$ 386.6	$ 397.6
Trading profit	**36.5**	35.6	37.4	36.4	30.0	29.7	32.1	30.6
Net earnings	**17.4**	17.2	18.1	18.0	12.9	13.2	15.8	13.5
Net earnings per share:								
Basic	**0.36**	0.36	0.37	0.37	0.27	0.27	0.33	0.28
Diluted	**0.36**	0.36	0.37	0.37	0.27	0.27	0.32	0.27

Historically, the Company's first quarter sales are the lowest and the fourth quarter sales are the highest, reflecting the holiday selling period. Weather conditions are often extreme and can affect sales in any quarter. Net earnings are historically lower in the first quarter due to lower sales. Net earnings generally follow higher sales but can be dependent on markdown activity in key sales periods to reduce excess inventories.

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 statements 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. There have been no changes in the internal controls over financial reporting during the quarter ended October 31, 2013 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2013

The Company adopted the amendments to IFRS listed below effective February 1, 2013, as required by the International Accounting Standards Board (IASB).

Employee benefits The revised IAS 19, *Employee Benefits* (IAS 19r) issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amended the calculation of plan assets and benefit obligations, streamlined the presentation of changes in defined benefit plans and required enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation was the most significant for the Company. The implementation of this standard in the Company's 2013 financial statements required the restatement of the 2012 comparative numbers.

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

The impact for the year ended January 31, 2013 is a decrease in net earnings of $1.260 million comprised of an increase to interest expense of $1.170 million, an increase to selling, operating and administrative expenses of $0.550 million and a deferred tax recovery of $0.460 million. The impact for the three months ended October 31, 2012 is a decrease in net earnings of $0.315 million comprised of an increase to interest expense of $0.293 million, an increase to selling, operating and administrative expenses of $0.137 million and a deferred tax recovery of $0.115 million. The impact for the nine months ended October 31, 2012 is a decrease in net earnings of $0.945 million comprised of an increase to interest expense of $0.878 million, an increase to selling, operating and administrative expenses of $0.412 million and a deferred tax recovery from other comprehensive income of $0.345 million.

In addition to IAS 19r, the Company adopted the following standards and amendments effective February 1, 2013: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests In Other Entities*; IAS 28r, *Investment in Associates and Joint Ventures*; IAS 1, *Presentation of Financial Statements*; and IFRS 13, *Fair Value Measurement*. The adoption of these standards and amendments had no material impact on the Company's results from operations or financial condition. Additional interim disclosures required by IFRS 13 have been included in Note 15 to the 2013 third quarter unaudited interim condensed consolidated financial statements. Further annual disclosure will be included in the Company's 2013 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, 2014, and have not been applied in preparing the 2013 third quarter unaudited interim condensed consolidated financial statements:

Offsetting Financial Assets and Liabilities - The amended IAS 32, *Financial Instruments: Presentation* clarifies the requirements that permit offsetting certain financial instruments. The Company is currently assessing the significance of these amendments to determine the potential impact, if any. This standard is effective for the Company's financial year beginning February 1, 2014. No significant impact is anticipated.

Financial Instruments - The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial liabilities. The new standard also requires a single impairment method to be used replacing the multiple impairment methods in IAS 39. This standard is effective for the Company's financial year beginning February 1, 2015. The Company is currently assessing the impact of changes to this standard.

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

NON-GAAP MEASURES

(1) Trading Profit (EBITDA) is not a recognized measure under IFRS. Management believes that in addition to net earnings, trading profit 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 trading profit 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 trading profit may differ from other companies and may not be comparable to measures used by other companies.

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

	Third Quarter		Year-to-Date	
($ in thousands)	**2013**	2012	**2013**	2012
Net earnings	**$ 17,387**	$ 17,172	**$ 48,408**	$ 48,372
Add: Amortization	**9,667**	9,383	**28,521**	27,907
Interest expense	**1,853**	1,919	**5,724**	5,611
Income taxes	**7,636**	7,137	**21,311**	19,902
Trading profit	**$ 36,543**	$ 35,611	**$ 103,964**	$ 101,792

For trading profit information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2013 third quarter unaudited interim period condensed consolidated financial statements.

(2) Earnings From Operations/Earnings Before Interest and Income Taxes (EBIT) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBIT is a useful supplemental measure as it provides investors with an indication of the performance of the consolidated operations and/or business segments, prior to interest expense and income taxes. Investors should be cautioned however, that EBIT 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 EBIT may differ from other companies and may not be comparable to measures used by other companies.

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

	Third Quarter		Year-to-Date	
($ in thousands)	**2013**	2012	**2013**	2012
Net earnings	**$ 17,387**	$ 17,172	**$ 48,408**	$ 48,372
Add: Interest expense	**1,853**	1,919	**5,724**	5,611
Income taxes	**7,636**	7,137	**21,311**	19,902
Earnings from operations	**$ 26,876**	$ 26,228	**$ 75,443**	$ 73,885

For earnings from operations information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2013 third quarter unaudited interim period condensed consolidated financial statements.

Management uses these and other non-GAAP financial measures to exclude the impact of certain income and expenses that must be recognized under GAAP as the excluded amounts are not necessarily reflective of the Company's underlying operating performance and can make comparisons of financial performance between periods more difficult. The Company may exclude additional items if it believes that doing so will result in a more effective analysis and explanation of the underlying financial performance. The exclusion of these items does not imply that they are non-recurring.

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Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the unaudited interim condensed consolidated financial statements and notes to the unaudited interim 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 December 11, 2013.

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, dividends, debt levels, financial capacity, access to capital, and liquidity), on-going business strategies or prospects, and possible future action by the Company, are also forward-looking statements. 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 strategic transactions and integrate acquisitions and the Company's success in anticipating and managing the foregoing risks. The reader is cautioned that the foregoing list of important factors is not exhaustive. Other risks are outlined in the Risk Management section of the 2012 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 has no specific intention 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)	October 31, 2013	October 31, 2012	January 31, 2013
CURRENT ASSETS			
Cash	**$ 35,738**	$ 40,955	$ 38,675
Accounts receivable	**68,319**	69,915	70,040
Inventories (Note 5)	**218,641**	201,944	187,200
Prepaid expenses	**8,009**	7,455	7,981
	330,707	320,269	303,896
NON-CURRENT ASSETS			
Property and equipment	**276,678**	268,224	274,027
Goodwill	**27,598**	26,173	26,162
Intangible assets	**20,822**	19,062	20,136
Deferred tax assets	**15,711**	13,072	12,904
Other assets	**14,741**	16,041	14,269
	355,550	342,572	347,498
TOTAL ASSETS	**$ 686,257**	$ 662,841	$ 651,394
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	**$ 135,402**	$ 124,274	$ 130,501
Current portion of long-term debt (Note 8)	**116,716**	541	40,417
Income tax payable (Note 11)	**1,542**	15,345	19,266
	253,660	140,160	190,184
NON-CURRENT LIABILITIES			
Long-term debt (Note 8)	**87,971**	187,227	122,937
Defined benefit plan obligation (Note 16)	**14,646**	31,945	28,431
Deferred tax liabilities	**2,069**	2,495	2,026
Other long-term liabilities	**9,985**	10,582	11,566
	114,671	232,249	164,960
TOTAL LIABILITIES	**368,331**	372,409	355,144
SHAREHOLDERS' EQUITY			
Share capital (Note 6)	**166,025**	165,358	165,358
Contributed surplus	**3,469**	3,407	3,485
Retained earnings	**146,315**	122,490	128,224
Accumulated other comprehensive income	**2,117**	(823)	(817)
TOTAL EQUITY	**317,926**	290,432	296,250
TOTAL LIABILITIES & EQUITY	**$ 686,257**	$ 662,841	$ 651,394

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended October 31, 2013**	Three Months Ended October 31, 2012	**Nine Months Ended October 31, 2013**	Nine Months Ended October 31, 2012
SALES	**$ 387,173**	$ 377,664	**$ 1,140,257**	$ 1,127,024
Cost of sales	**(271,671)**	(265,486)	**(805,307)**	(796,992)
Gross profit	**115,502**	112,178	**334,950**	330,032
Selling, operating and administrative expenses (Notes 3, 9)	**(88,626)**	(85,950)	**(259,507)**	(256,147)
Earnings from operations	**26,876**	26,228	**75,443**	73,885
Interest expense (Notes 3, 10)	**(1,853)**	(1,919)	**(5,724)**	(5,611)
Earnings before income taxes	**25,023**	24,309	**69,719**	68,274
Income taxes (Note 11)	**(7,636)**	(7,137)	**(21,311)**	(19,902)
NET EARNINGS FOR THE PERIOD	**$ 17,387**	$ 17,172	**$ 48,408**	$ 48,372
NET EARNINGS PER SHARE				
Basic	**$ 0.36**	$ 0.36	**$ 1.00**	$ 1.00
Diluted	**$ 0.36**	$ 0.36	**$ 1.00**	$ 1.00
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,423**	48,387	**48,410**	48,382
Diluted	**48,661**	48,577	**48,645**	48,566

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended October 31, 2013**	Three Months Ended October 31, 2012	**Nine Months Ended October 31, 2013**	Nine Months Ended October 31, 2012
NET EARNINGS FOR THE PERIOD	**$ 17,387**	$ 17,172	**$ 48,408**	$ 48,372
Other comprehensive income/(expense):				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries, net of tax	**1,090**	11	**2,934**	(228)
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans, net of tax (Note 16)	**10,346**	(4,134)	**10,346**	(4,134)
Total other comprehensive income, net of tax	**11,436**	(4,123)	**13,280**	(4,362)
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 28,823**	$ 13,049	**$ 61,688**	$ 44,010

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at Balance at January 31, 2013	$ 165,358	$ 3,485	$ 128,224	$ (817)	$ 296,250
Net earnings for the period	—	—	48,408	—	48,408
Other comprehensive income	—	—	10,346	2,934	13,280
Comprehensive income	—	—	58,754	2,934	61,688
Equity settled share-based payments	—	520	—	—	520
Dividends (Note 7)	—	—	(40,663)	—	(40,663)
Issuance of common shares (Note 6)	667	(536)	—	—	131
	667	(16)	(40,663)	—	(40,012)
Balance at October 31, 2013	**$166,025**	**$ 3,469**	**$146,315**	**$ 2,117**	**$317,926**
Balance at January 31, 2012	$ 165,133	$ 3,180	$ 115,991	$ (595)	$ 283,709
Net earnings for the period	—	—	48,372	—	48,372
Other comprehensive income	—	—	(4,134)	(228)	(4,362)
Comprehensive income	—	—	44,238	(228)	44,010
Equity settled share-based payments	—	393	—	—	393
Dividends (Note 7)	—	—	(37,739)	—	(37,739)
Issuance of common shares (Note 6)	225	(166)	—	—	59
	225	227	(37,739)	—	(37,287)
Balance at October 31, 2012	$ 165,358	$ 3,407	$ 122,490	$ (823)	$ 290,432

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended October 31, 2013**	Three Months Ended October 31, 2012	**Nine Months Ended October 31, 2013**	Nine Months Ended October 31, 2012
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 17,387**	$ 17,172	**$ 48,408**	$ 48,372
Adjustments for:				
Amortization	**9,667**	9,383	**28,521**	27,907
Provision for income taxes (Note 11)	**7,636**	7,137	**21,311**	19,902
Interest expense (Note 10)	**1,853**	1,919	**5,724**	5,611
Equity settled share option expense (Note 12)	**302**	127	**520**	393
Taxes paid	**(8,493)**	(3,608)	**(44,964)**	(12,559)
Loss on disposal of property and equipment	**16**	(146)	**88**	34
Asset impairment (Note 17)	**—**	2,142	**—**	2,142
	28,368	34,126	**59,608**	91,802
Change in non-cash working capital	**(7,752)**	(3,959)	**(24,939)**	(10,534)
Change in other non-cash items	**809**	(392)	**(1,150)**	(3,645)
Cash from operating activities	**21,425**	29,775	**33,519**	77,623
Investing activities				
Purchase of property and equipment	**(11,918)**	(12,978)	**(25,784)**	(28,423)
Intangible asset additions	**(1,484)**	(1,925)	**(2,732)**	(6,447)
Proceeds from disposal of property and equipment	**44**	200	**274**	449
Cash from investing activities	**(13,358)**	(14,703)	**(28,242)**	(34,421)
Financing activities				
Net Increase/(decrease) in long-term debt (Note 8)	**100**	(2,684)	**36,203**	12,203
Dividends (Note 7)	**(13,558)**	(12,581)	**(40,663)**	(37,739)
Interest paid	**(607)**	(686)	**(3,885)**	(3,754)
Issuance of common shares	**33**	—	**131**	59
Cash from financing activities	**(14,032)**	(15,951)	**(8,214)**	(29,231)
NET CHANGE IN CASH	**(5,965)**	(879)	**(2,937)**	13,971
Cash, beginning of period	**41,703**	41,834	**38,675**	26,984
CASH, END OF PERIOD	**$ 35,738**	$ 40,955	**$ 35,738**	$ 40,955

See accompanying notes to condensed consolidated financial statements. Certain prior year figures have been restated as required by IAS 19r - see Note 3.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on December 11, 2013.

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 audited annual consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2012 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:

- Derivative financial instruments
- Financial instruments designated at fair value
- Liabilities for share-based payment plans
- Defined benefit pension plan

(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.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the significant accounting policies are set out in the Company's 2012 audited annual 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.

Accounting Standards Implemented in Current Year The Company adopted the amendments to IFRS listed below effective February 1, 2013, as required by the IASB.

Employee benefits The revised IAS 19, *Employee Benefits* (IAS 19r) issued by the IASB eliminates the option to defer the recognition of actuarial gains and losses on defined benefit plans. It amended the calculation of plan assets and benefit obligations, streamlined the presentation of changes in defined benefit plans and required enhanced disclosure. The requirement to calculate the expected return on plan assets with the interest rate used to calculate the defined benefit plan obligation was the most significant for the Company. Implementation of this standard in these financial statements required restatement of the 2012 comparative numbers.

The impact for the three months ended October 31, 2012 is a decrease in net earnings of $315 comprised of an increase to interest expense of $293, an increase to selling, operating and administrative expenses of $137, and a deferred tax recovery from other comprehensive income of $115. The impact for the nine months ended October 31, 2012 is a decrease in net earnings of $945 comprised of an increase to interest expense of $878, an increase to selling, operating and administrative expense of $412, and a deferred tax recovery from other comprehensive income of $345.

In addition to IAS 19r, the Company adopted the following standards and amendments effective February 1, 2013: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests In Other Entities*; IAS 28r, *Investment in Associates and Joint Ventures*; IAS 1, *Presentation of Financial Statements*; and IFRS 13, *Fair Value Measurement*. These amendments had no material impact on the Company's results from operations or financial condition. Additional interim disclosures required by IFRS 13 have been included in Note 15 - Financial Instruments. Further annual disclosure will be included in the Company's 2013 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 ended January 31, 2014, and have not been applied in preparing these consolidated financial statements:

Offsetting Financial Assets and Liabilities The amended IAS 32, *Financial Instruments: Presentation* clarifies the requirements that permit offsetting certain financial instruments. The Company is currently assessing the significance of these amendments to determine the potential impact, if any. This standard is effective for the Company's financial year beginning February 1, 2014. No significant impact is anticipated.

Financial Instruments The amended IFRS 9, *Financial Instruments* is a multi-phase project with the goal of improving and simplifying financial instrument reporting. IFRS 9 uses a single approach to determine measurement of a financial asset based on how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with only two categories: amortized cost and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial liabilities. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. It is effective for the Company's financial year beginning February 1, 2015. The Company is currently assessing the potential impact of changes to this standard.

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

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

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended October 31, 2013	Three Months Ended October 31, 2012	**Nine Months Ended October 31, 2013**	Nine Months Ended October 31, 2012
Sales				
Canada	**$ 254,103**	$ 258,346	**$ 755,009**	$ 773,179
International	**133,070**	119,318	**385,248**	353,845
Consolidated	**$ 387,173**	$ 377,664	**$ 1,140,257**	$ 1,127,024
Earnings before amortization, interest and income taxes				
Canada	**$ 27,550**	$ 27,253	**$ 82,881**	$ 78,878
International	**8,993**	8,358	**21,083**	22,914
Consolidated	**$ 36,543**	$ 35,611	**$ 103,964**	$ 101,792
Earnings from operations				
Canada	**$ 20,184**	$ 19,844	**$ 61,019**	$ 56,955
International	**6,692**	6,384	**14,424**	16,930
Consolidated	**$ 26,876**	$ 26,228	**$ 75,443**	$ 73,885

Supplemental information:

	October 31, 2013	October 31, 2012	January 31, 2013
Assets			
Canada	**$ 455,476**	$ 457,795	$ 444,848
International (1)	**230,781**	205,046	206,546
Consolidated	**$ 686,257**	$ 662,841	$ 651,394

(1) International total assets includes goodwill of $27,598 (October 31, 2012 - $26,173; January 31, 2013 -$26,162).

	Three Months Ended October 31, 2013		Three Months Ended October 31, 2012		**Nine Months Ended October 31, 2013**		Nine Months Ended October 31, 2012	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 7,367**	**$ 4,551**	$ 7,666	$ 5,312	**$ 16,486**	**$ 9,298**	$ 17,377	$ 11,046
Amortization	**$ 7,366**	**$ 2,301**	$ 7,409	$ 1,974	**$ 21,862**	**$ 6,659**	$ 21,923	$ 5,984

5. INVENTORIES

Included in inventories recognized as an expense for the three months ended October 31, 2013, the Company recorded $258 (three months ended October 31, 2012 - $479) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the nine months ended October 31, 2013, the Company recorded $1,103 (nine months ended October 31, 2012 - $1,310) for the write-down of 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 nine months ended October 31, 2013 or 2012.

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	Consideration
Balance at January 31, 2013	**48,388,721**	**$ 165,358**
Issued under option plans (Note 12)	**34,245**	**$ 667**
Balance at October 31, 2013	**48,422,966**	**$ 166,025**

Balance at January 31, 2012	48,378,000	$ 165,133
Issued under option plans (Note 12)	10,721	$ 225
Balance at October 31, 2012	48,388,721	$ 165,358

7. DIVIDENDS

	October 31, 2013	October 31, 2012
Dividends paid in cash	**$ 40,663**	$ 37,739
Dividends per share	**$ 0.84**	$ 0.78

The payment of dividends on the Company's common shares is subject to the approval of the Board of Directors and is based upon, among other factors, the financial performance of the Company, its current and anticipated future business needs, and the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends. Dividends are recognized as a liability in the consolidated financial statements in the period in which they are approved by the Board of Directors.

8. LONG-TERM DEBT

	October 31, 2013	October 31, 2012	January 31, 2013
Current:			
Notes payable	**$ 139**	$ 233	$ 199
Finance lease liabilities	**75**	308	250
Revolving loan facilities (2)	**43,802**	—	39,968
Senior notes (4)	**72,700**	—	—
	$ 116,716	$ 541	$ 40,417
Non-current:			
Revolving loan facilities (1)	**$ 5,483**	$ 4,418	$ 718
Revolving loan facilities (2)	**—**	43,982	—
Revolving loan facilities (3)	**82,311**	69,079	52,499
Senior notes (4)	**—**	69,430	69,461
Notes payable	**94**	222	189
Finance lease liabilities	**83**	96	70
	$ 87,971	$ 187,227	$ 122,937
Total	**$ 204,687**	$ 187,768	$ 163,354

(1) This committed, revolving loan facility provides the Company with up to US$30,000 for working capital requirements and general business purposes. This facility, which matures October 31, 2015, bears a floating rate of interest based on LIBOR plus a spread and is secured by a charge against certain accounts receivable and inventories of the International Operations. At October 31, 2013, the International Operations had drawn US$5,257 (October 31, 2012 – US$4,420; January 31, 2013 - US$719) on this facility.

(2) The US$52,000 committed, revolving loan facilities mature December 31, 2013 (Subsequent Event - Note 18) and bear interest at LIBOR plus a spread. These loan facilities are secured by a floating first charge against the assets of the Company and rank *pari passu* with the US$70,000 senior notes and the $170,000 Canadian Operations loan facilities. At October 31, 2013, the Company had drawn US$42,000 (October 31, 2012 – US$44,000; January 31, 2013 - US$40,000) on these facilities.

(3) The Canadian Operations have extendible, committed, revolving loan facilities of $170,000 for working capital requirements and general business purposes. These facilities mature December 31, 2015 (Subsequent Event - Note 18) and are secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70,000 senior notes and the US$52,000 loan facilities in International Operations. These facilities bear a floating interest rate based on Bankers Acceptances rates plus stamping fees or the Canadian prime interest rate.

(4) The US$70,000 senior notes mature on June 15, 2014 and bear interest at a rate of 6.55%, payable semi-annually. The notes are secured by a floating charge against the assets of the Company and rank *pari passu* with the $170,000 Canadian Operations loan facilities and the US$52,000 loan facilities in International Operations. The Company has entered into interest rate swaps resulting in floating interest costs on US$28,000 of its senior notes (October 31, 2012 – US$28,000; January 31, 2013 - US$28,000). The interest rate swaps mature June 15, 2014.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. EMPLOYEE COSTS

	Three Months Ended October 31, 2013	Three Months Ended October 31, 2012	**Nine Months Ended October 31, 2013**	Nine Months Ended October 31, 2012
Wages, salaries and benefits including bonus	**$ 51,881**	$ 50,396	**$ 152,155**	$ 151,714
Retirement benefit expense	**1,595**	1,378	**4,822**	4,471
Share-based compensation (Note 12)	**2,881**	2,598	**7,537**	6,768

10. INTEREST EXPENSE

	Three Months Ended October 31, 2013	Three Months Ended October 31, 2012	**Nine Months Ended October 31, 2013**	Nine Months Ended October 31, 2012
Interest on long-term debt	**$ 1,775**	$ 1,903	**$ 5,331**	$ 5,282
Fair value movement of derivative financial instruments in effective fair value hedging relationships	**(1)**	6	**9**	25
Interest on pension plan liabilities	**281**	311	**842**	932
Interest income	**(177)**	(135)	**(284)**	(275)
Less: interest capitalized	**(25)**	(166)	**(174)**	(353)
Interest expense	**$ 1,853**	$ 1,919	**$ 5,724**	$ 5,611

11. INCOME TAXES

The estimated effective income tax rate for the three months ended October 31, 2013 is 30.5% (October 31, 2012 - 29.4%) and for the nine months ended October 31, 2013 is 30.6% (nine months ended October 31, 2012 - 29.2%). 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. The increase primarily reflects changes in each individual subsidiaries' earnings across various tax jurisdictions.

12. SHARE-BASED COMPENSATION

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

The total expense relating to share-based payment plans for the three months ended October 31, 2013 is $2,881 (three months ended October 31, 2012 - $2,598) and for the nine months ended October 31, 2013 is $7,537 (nine months ended October 31, 2012 - $6,768). The carrying amount of the Company's share-based compensation arrangements including RSU, PSU, share option and DSU plans are recorded on the consolidated balance sheets as follows:

	October 31, 2013	October 31, 2012
Accounts payable and accrued liabilities	**$ 9,455**	$ 6,919
Other long-term liabilities	**3,748**	4,547
Contributed surplus	**1,899**	1,838
Total	**$ 15,102**	$ 13,304

Restricted Share Units and Performance Share Units

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

Each RSU entitles the participant to receive a cash payment equal to the market value of the number of notional shares granted at the end of the vesting period. This plan was discontinued in July 2011. All outstanding grants are scheduled to vest no later than January 31, 2014. The RSU account for each participant includes the value of dividends from the Company as if reinvested in additional RSU's. RSU 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.

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 PSU's. 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 RSU's and PSU's for the three months ended October 31, 2013 are $1,563 (three months ended October 31, 2012 - $1,709) and for the nine months ended October 31, 2013 are $4,244 (nine months ended October 31, 2012 - $4,255).

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. Each option is exercisable into one share of the Company at the price specified in the terms of the option, or the employee may elect 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 share-based compensation is recognized in net earnings over the vesting period.

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9% of the Company's issued and outstanding shares at October 31, 2013. Fair value of these options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the three months ended October 31, 2013 is $832 (three months ended October 31, 2012 - $443) and for the nine months ended October 31, 2013 is $1,657 (nine months ended October 31, 2012 - $1,062).

The fair values for options issued during the nine months ended October 31 were calculated based on the following assumptions:

	2013	2012
Fair value of options granted	**$ 3.28 to 4.46**	$ 3.35 to 4.62
Exercise price	**$ 23.21**	$ 21.86
Dividend yield	**4.4%**	4.7%
Annual risk-free interest rate	**1.3% to 1.4%**	1.6% to 1.7%
Expected share price volatility	**26.0%**	28.0%

The assumptions used to measure cash settled options at October 31 were as follows:

	2013	2012
Dividend yield	**4.3%**	4.4%
Annual risk-free interest rate	**1.2% to 1.8%**	1.2% to 1.3%
Expected share price volatility	**19.7% to 24.9%**	26.3% to 26.5%

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 nine months ended October 31:

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2013	2012	**2013**	2012
Outstanding options, beginning of period	**580,015**	315,812	**556,932**	548,486
Granted	**316,679**	328,677	**67,580**	63,177
Exercised	**—**	—	**(90,566)**	(26,430)
Forfeited or cancelled	**—**	(53,950)	**—**	(16,534)
Outstanding options, Outstanding options, end of period	**896,694**	590,539	**533,946**	568,699
Exercisable at end of period	**—**	—	**139,867**	59,165

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2013	2012	**2013**	2012
Outstanding options, beginning of period	**$ 21.12**	$ 20.34	**$ 18.07**	$ 17.45
Granted	**23.21**	21.86	**23.21**	21.86
Exercised	**—**	—	**16.07**	15.25
Forfeited or cancelled	**—**	21.11	**—**	17.30
Outstanding options, end of period	**$ 21.86**	$ 21.12	**$ 19.06**	$ 18.06
Exercisable at end of period	**$ —**	$ —	**$ 17.07**	$ 15.25

Options outstanding at October 31, 2013 have an exercise price range of $15.25 to $23.21 and a weighted-average remaining contractual life of 5.7 years.

Director Deferred Share Unit Plan

The Director DSU Plan is available for independent Directors. Participants are credited with deferred share units based on the portion of fees each participant elects to allocate to the DSU. Each deferred share unit entitles the holder to receive a share of the Company. The deferred share units 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 deferred share units, 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, in consideration for the surrender by the participant to the Company the right to receive shares from exercising the deferred share units.

Compensation expense is measured based on the fair market value at each reporting date. The deferred share unit plan compensation recorded for the three months ended October 31, 2013 is an expense of $378 (three months ended October 31, 2012 –$334) and for the nine months ended October 31, 2013 is $1,056 (nine months ended October 31, 2012 - $912). The total number of deferred share units outstanding at October 31, 2013 is 143,889 (October 31, 2012 – 132,738). There were 20,629 deferred share units exercised during the three months ended October 31, 2013 (three months ended October 31, 2012 – 4,698) and 20,629 deferred share units exercised during the nine months ended October 31, 2013 (nine months ended October 31, 2012 - 4,698).

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 recorded for the three months ended October 31, 2013 is $108 (three months ended October 31, 2012 – $112) and for the nine months ended October 31, 2013 is $580 (nine months ended October 31, 2012 - $539).

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. As a result, a disproportionate amount of total revenues and earnings are typically earned in the fourth quarter. 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 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		100%

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

15. FINANCIAL INSTRUMENTS

Accounting classifications and fair value estimation

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

The Company uses a three-level hierarchy to categorize financial instruments carried at fair value as follows:

- Level 1 – Fair values measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – Fair values measured using directly or indirectly observable inputs, other than those included in Level 1
- Level 3 – Fair values measured using inputs that are not based on observable market data

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		**Assets (Liabilities) carried at fair value**
	Maturity	Carrying amount	Fair value	Carrying amount
Cash	Short-term	$ 35,738	$ 35,738	$ —
Accounts receivable	Short-term	68,319	68,319	—
Other financial assets	Long-term	3,681	3,681	—
Accounts payable and accrued liabilities	Short-term	135,402	135,402	—
Financial derivative instruments(1)	Long-term	—	—	465
Current portion of long-term debt(1)	Short-term	(116,716)	(117,181)	—
Long-term debt	Long-term	(87,971)	(87,971)	—

(1) These items total $116,716 which comprise the carrying amount of debt presented as current (Note 8)

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 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 for the Company's credit profile.
- The derivative financial instruments have been measured using a generally accepted valuation technique. The pricing model incorporates current market measures for interest rates, credit spreads, volatility levels and other market-based pricing factors.

The portion of long-term debt in an effective fair value hedging relationship and derivative financial instruments are classified as Level 2, as they are primarily derived from observable interest rates. There would be no significant effect on net income if one or more of the assumptions used to fair value these instruments were changed to other reasonably possible alternatives. No financial instruments have been classified as Level 1 or Level 3.

Financial derivative instruments
The Company holds interest rate swaps with a notional value of US$28,000 (October 31, 2012 - US$28,000) to hedge a portion of the fixed rate senior notes due in 2014. Under the terms of the swaps, the Company receives fixed interest and pays floating rate interest at a fixed spread above three-month LIBOR.

16. EMPLOYEE FUTURE BENEFITS

As a result of an increase in long-term interest rates and a higher than expected return on pension plan assets, the Company recorded net actuarial gains on its defined benefit plan obligation of $10,346 in other comprehensive income, which was recognized immediately in retained earnings at October 31, 2013. The Company's defined benefit obligation decreased by $14,125, comprised of a decrease in benefit plan obligations of $7,993 and an increase in pension benefit assets of $6,132. Consequently, deferred income tax liabilities increased by $3,779.

At October 31, 2012, the Company recorded net actuarial losses on defined benefit plan obligations of $4,134 in other comprehensive income, which was recognized immediately in retained earnings.

The discount rate used to determine the benefit obligation for the remeasurement was 4.75% (October 31, 2012 - 4.0%).

17. ASSET IMPAIRMENT

At October 31, 2012, the Company had entered into an agreement to assign the leases for six stores which were closed on December 22, 2012. For the three months ended October 31, 2012, the Company recognized a net asset impairment loss of $1,338 on these assets comprised of an asset impairment loss of $2,142 less unamortized lease inducements of $804. The impairment loss was recognized in selling, operating and administrative expenses.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. SUBSEQUENT EVENTS

Refinancing

On December 9, 2013, the Company completed the previously announced refinancing of the US$52.0 million loan facility in the International Operations. The new, committed, revolving loan facilities provide the Company with a US$52.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities mature December 31, 2018 and bear a floating rate of interest based on LIBOR plus a spread. These facilities are secured by a floating charge against the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $200.0 million loan facilities (see below).

The Company also completed the previously announced refinancing of the $170.0 million loan facility in the Canadian Operations on December 9, 2013. The new, increased, committed, revolving loan facilities provide the Company with a $200.0 million revolving loan facility for working capital and general corporate purposes. The new loan facilities mature December 31, 2018 and bear a floating rate of interest based on Bankers Acceptances rates plus a spread or the Canadian prime rate. These facilities are secured by a floating charge on the assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US$52.0 million loan facilities.

Dividend

On December 11, 2013 the Board of Directors declared a dividend of $0.28 per common share payable January 15, 2014 to shareholders of record on December 31, 2013.