THE NORTH WEST COMPANY INC.

Report to Shareholders

Quarterly Period Ended January 31, 2015

2014 FOURTH QUARTER REPORT TO SHAREHOLDERS

Report to Shareholders

The North West Company Inc. reports its results for the fourth quarter ended January 31, 2015. Sales increased 7.6% to $433.5 million compared to the fourth quarter last year led by strong sales growth in the International Operations and the impact of foreign exchange on the translation of U.S. denominated sales. Consolidated sales, excluding the impact of foreign exchange, increased 4.3% and were up 3.6%[1] on a same store basis.

Fourth quarter net earnings decreased 5.7% to $15.0 million and diluted earnings per share were $0.31 per share compared to $0.32 per share last year as higher earnings in the International Operations and the impact of foreign exchange on the translation of U.S. denominated earnings was more than offset by lower earnings in the Canadian Operations largely due to a write-down of discontinued general merchandise inventory.

The Board of Directors has approved a quarterly dividend of $0.29 per share to shareholders of record on March 31, 2015.

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 period condensed consolidated financial statements for the period ended January 31, 2015 and the audited annual consolidated financial statements and accompanying notes included in the 2013 Annual Report.

CONSOLIDATED RESULTS

Quarter

Fourth quarter consolidated sales increased 7.6% to $433.5 million driven by strong sales gains within the International Operations and the impact of foreign exchange on the translation of U.S. denominated sales. Excluding the foreign exchange impact, consolidated sales increased 4.3% and were up 3.6%[1] on a same store basis. Food sales[1] increased 6.1% and were up 4.9% on a same store basis with all banners contributing to the sales growth. General merchandise sales[1] increased 0.3% but were down 0.4% on a same store basis, as lower sales in Canadian Operations more than offset sales gains in the International Operations.

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

	2014	2013
Food	**75.8%**	74.3%
General merchandise	**21.0%**	22.1%
Other*	**3.2%**	3.6%

* 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] decreased 5.6% to $23.2 million compared to $24.6 million in the fourth quarter last year. Gross profit dollars were up only 1.4% as the gross profit rate decreased 170 basis points primarily due to $3.8 million in costs related to the write-down and clearance of discontinued under-performing general merchandise inventory in the Northern Canada stores. This action was part of the Company's initiative to reallocate selling space to products and services with higher growth potential. Selling, operating and administrative expenses increased 3.2% but were down 96 basis points as a percentage to sales. The expense increase was substantially due to the impact of foreign exchange on the translation of International Operations expenses and higher share-based compensation costs related to a 14.0% increase in share price in the quarter compared to a 2.0% decrease last year. These factors were partially offset by lower short-term incentive plan costs. Excluding the impact of the general merchandise inventory reduction costs and foreign exchange, earnings from operations were up 7.0% to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) decreased 2.8% to $33.4 million as lower EBITDA in the Canadian Operations more than offset very strong performance within the International Operations and the impact of foreign exchange. Excluding the impact of the general merchandise inventory reduction costs and foreign exchange, EBITDA was up 5.7% compared to last year and as a percentage to sales was 8.7% compared to 8.6% last year.

Interest expense decreased $622 or 30.2% to $1.4 million largely due to lower interest rates on the senior notes that were refinanced in the 2014 second quarter, partially offset by higher average debt outstanding during the quarter compared to last year.

Income tax expense increased $0.2 million to $6.9 million and the consolidated effective tax rate was 31.4% compared to 29.7% last year primarily due to a higher blend of earnings from the International Operations compared to the fourth quarter last year.

Net earnings decreased $0.9 million or 5.7% to $15.0 million and diluted earnings per share was $0.31 per share compared to $0.32 per share last year as higher net earnings in the International Operations and the impact of foreign exchange was more than offset by lower earnings in the Canadian Operations largely related to the general merchandise inventory reduction costs. Excluding the net impact of the general merchandise inventory reduction costs and foreign exchange, net earnings increased 8.7% compared to last year.

Year

Sales for the year increased 5.3% to $1.624 billion compared to $1.543 billion in 2013 led by sales growth in the International Operations and the positive impact of foreign exchange on the translation of U.S. denominated sales. Excluding the foreign exchange impact, sales increased 2.7% and were up 2.4%[1] on a same store basis. Food sales[1] increased 3.4% and were up 2.8% on a same store basis. General merchandise sales[1] increased 0.4% and were up 0.6% on a same store basis.

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

	2014	2013
Food	**78.2%**	77.4%
General merchandise	**18.3%**	18.9%
Other*	**3.5%**	3.7%

* Other sales includes fuel, fur and financial service revenues

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

Earnings from operations decreased 2.6% to $97.5 million compared to $100.1 million last year as earnings growth in the International Operations and the positive impact of foreign exchange was more than offset by the impact of lower gross profit rates and higher selling, operating and administrative expenses in the Canadian Operations. The lower gross profit rates in the Canadian Operations are largely due to the general merchandise reduction costs and investments made in lower food prices to grow market share. Consolidated selling, operating and administrative expenses increased 3.3% compared to last year but were down 42 basis points as a percentage to sales. This increase in expenses is largely due to the impact of foreign exchange on the translation of International Operations expenses, head office employee restructuring costs and the impact of a non-comparable insurance-related gain last year. These factors were partially offset by the impact of lower share-based compensation costs and short-term incentive plan expense this year and the non-recurrence of due diligence costs related to strategic opportunities incurred in the third quarter of 2013. The non-comparable general merchandise reduction costs, employee restructuring costs, insurance gain and due diligence costs resulted in a net decrease in earnings from operations of $9.7 million compared to last year. Excluding the net impact of foreign exchange and the non-comparable costs, earnings from operations increased 5.1% compared to last year.

Earnings before interest, income taxes, depreciation and amortization (EBITDA[2]) decreased 0.4% to $137.8 million compared to $138.3 million last year. Excluding the net impact of foreign exchange and the non-comparable costs, EBITDA increased 4.7% and as a percentage to sales was 9.1% compared to 8.9% last year.

Interest expense decreased $1.1 million or 14.3% to $6.7 million largely due to lower interest rates on the senior notes that were refinanced in the second quarter, partially offset by higher average debt outstanding compared to last year.

Income taxes decreased to $27.9 million compared to $28.0 million last year and the consolidated effective tax rate was 30.7% compared to 30.4% last year due to the variability of income earned across the various tax jurisdictions.

Net earnings decreased 2.1% to $62.9 million compared to $64.3 million last year and diluted earnings per share were $1.29 per share compared to $1.32 per share last year as lower earnings in the Canadian Operations more than offset the higher earnings in the International Operations and the impact of foreign exchange on the translation of U.S. denominated earnings. Excluding the net impact of the non-comparable costs and foreign exchange, net earnings increased 6.7% compared to last year.

As a result of a decrease in long-term interest rates, the Company recorded net actuarial losses of $12.0 million on its defined benefit plan obligation in other comprehensive income, which was immediately recognized in retained earnings. This compares to net actuarial gains on the defined benefit plan obligation of $7.8 million in other comprehensive income last year. Further information on employee future benefits is provided in Note 16 to the Company's 2014 fourth quarter unaudited interim period condensed consolidated financial statements.

CANADIAN OPERATIONS

Canadian Operations sales for the quarter increased 3.3% to $276.9 million compared to $268.0 million last year and were up 1.9% on a same store basis. Food sales increased 5.4% and were up 3.2% on a same store basis with both northern and southern stores contributing to the increase. Food inflation was approximately 2.0% in the quarter. General merchandise sales decreased 0.3% from last year and were down 1.4% on a same store basis as lower sales in northern markets were only partially offset by sales gains in southern markets.

Gross profit dollars decreased 4.4% largely due to clearance costs related to the discontinuance of under-performing general merchandise categories as part of the Company's "Top Categories" initiative to reallocate selling space to products and services with higher upside potential. The impact of investments made in lower food prices in northern markets was also a factor. Selling, operating and administrative expenses increased 2.2% compared to last year but decreased 26 basis points as a percentage to sales. The increase in expenses was largely due to higher share-based compensation costs related to a 14.0% increase in share price in the quarter partially offset by lower short-term incentive plan costs.

Canadian EBITDA decreased 17.6% to $23.4 million compared to $28.3 million last year due to the impact of lower gross profit rates and higher expenses. Excluding the impact of the general merchandise inventory reduction costs, EBITDA decreased 4.0% and as a percentage to sales was 9.8% compared to 10.6% last year.

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

INTERNATIONAL OPERATIONS (stated in U.S. dollars)

International sales increased 6.5% to $134.5 million compared to $126.2 million in the fourth quarter last year and were up 7.3% on a same store basis led by the Cost-U-Less ("CUL") banner. Food sales increased 7.3% and were up 7.9% on a same store basis while general merchandise sales increased 2.7% and were up 3.5% on a same store basis. Better merchandise assortments, in-stock performance and store execution, especially within the Barbados market, in combination with a modestly improved economic environment were the main factors contributing to the sales improvement.

Gross profit dollars increased 6.2% compared to last year as sales growth was partially offset by slightly lower gross profit rates largely due to product blend changes. Selling, operating and administrative expenses decreased 3.5% and were down 217 basis points as a percentage to sales. The decrease in expenses is due in part to the closure of a store in Kodiak, Alaska in the second quarter, lower utility costs in certain markets and a decrease in short-term incentive plan expense.

EBITDA increased 54.4% to $8.7 million due to higher gross profit and lower expenses and as a percentage to sales was 6.5% compared to 4.5% in the fourth quarter last year.

FINANCIAL CONDITION

Financial Ratios

The Company's debt-to-equity ratio at the end of the quarter was 0.61:1 compared to 0.57:1 last year.

Working capital increased $76.3 million compared to the fourth quarter last year due to a decrease in the current portion of long-term debt as a result of refinancing the senior notes in the Canadian Operations. Further information on long-term debt is provided in the sources of liquidity section and in Note 8 to the Company's 2014 fourth quarter unaudited interim period condensed consolidated financial statements. Excluding the impact of the current portion of long-term debt, working capital increased $4.8 million or 2.9% compared to last year. The increase in working capital is largely due to the impact of foreign exchange on the translation of U.S. denominated working capital primarily related to inventories and accounts payable in the International Operations partially offset by higher trade accounts payable in the Canadian Operations related to the timing of payments. The exchange rate used to translate U.S. denominated assets and liabilities into Canadian dollars at January 31, 2015 was 1.2717 compared to 1.1119 at January 31, 2014.

Outstanding Shares

The weighted-average basic shares outstanding for the quarter were 48,441,000 shares compared to 48,424,000 shares last year. The increase in basic shares outstanding is due to share options exercised. The weighted-average fully diluted shares outstanding for the quarter were 48,726,000 compared to 48,670,000 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. Further information on the Share Option Plan and the Director Deferred Share Unit Plan is provided in Note 6 and Note 12 to the Company's 2014 fourth quarter unaudited interim period condensed consolidated financial statements.

(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 January 31, 2015**	Three Months ended January 31, 2014	Change	**Twelve Months ended January 31, 2015**	Twelve Months ended January 31, 2014	Change
Cash flows provided by (used in):						
Operating Activities Before Taxes Paid	**$ 63,563**	$ 53,548	$ 10,015	**$ 148,919**	$ 132,031	$ 16,888
Taxes Paid	**(7,322)**	(7,031)	(291)	**(32,881)**	(51,995)	19,114
Operating Activities	**56,241**	46,517	9,724	**116,038**	80,036	36,002
Investing Activities	**(17,998)**	(14,144)	(3,854)	**(50,312)**	(42,386)	(7,926)
Financing Activities	**(42,163)**	(45,758)	3,595	**(58,950)**	(53,972)	(4,978)
Net change in cash	**$ (3,920)**	$ (13,385)	$ 9,465	**$ 6,776**	$ (16,322)	$ 23,098

Cash flow from operating activities in the quarter increased $9.7 million or 20.9% to $56.2 million compared to cash flow from operating activities of $46.5 million last year. The increase is largely due to non-cash working capital related to the change in inventories and accounts payable compared to the prior year.

For the year, cash flow from operating activities increased $36.0 million to $116.0 million largely due to a decrease in income tax installments paid compared to last year as the Company paid the remaining balance of the Canadian accrued income taxes for 2012 of approximately $19.0 million in the first quarter of 2013. Excluding the impact of income tax installments, cash flow from operating activities increased $16.9 million or 12.8% compared to last year. The increase was largely due to the change in non-cash working capital related to the change in inventory and accounts payable compared to last year.

Cash used for investing activities in the quarter increased to $18.0 million compared to $14.1 million last year. For the year, cash used for investing activities increased 18.7% to $50.3 million compared to $42.4 million last year. The increase for the quarter and for the year is largely due to investments in major store renovations, store replacements, fixtures and equipment related to the Top40 initiative described in the Strategy section. Further information on planned capital expenditures is included in the Outlook section.

Cash used in financing activities in the quarter was $42.2 million compared to $45.8 million last year. For the year, the net change in long-term debt and the repayment of long-term debt is related to the refinancing of the US$70.0 million senior notes that matured on June 15, 2014 and changes in amounts drawn on the Company's revolving loan facilities compared to last year. The Company paid dividends of $14.0 million, an increase of 3.5%, compared to $13.6 million in the fourth quarter last year.

Sources of Liquidity

As previously announced, in the second quarter of 2014 the Company completed the refinancing of the US$70 million senior notes that matured on June 15, 2014 . The maturing senior notes had a fixed interest rate of 6.55% on US$42.0 million and a floating interest rate based on US LIBOR plus a spread on US$28.0 million. The new US$70.0 million senior notes, which mature on June 16, 2021, have a fixed interest rate of 3.27% on US$55.0 million and a floating interest rate on US$15.0 million based on US LIBOR plus a spread payable semi-annually. The new senior notes are secured by certain assets of the Company and rank *pari passu* with the $200.0 million Canadian Operations loan facilities and the US$52.0 million loan facilities in the International Operations.

The Canadian Operations have available committed, revolving loan facilities of $200.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the US $52.0 million loan facilities in the International Operations. At January 31, 2015, the Company had drawn $78.4 million on these facilities (January 31, 2014 - $63.6 million).

The International Operations have available committed, revolving loan facilities of US$52.0 million that mature on December 31, 2018. These facilities are secured by certain assets of the Company and rank *pari passu* with the US$70.0 million senior notes and the $200.0 million Canadian Operations loan facilities. At January 31, 2015, the Company had drawn US$22.0 million on these facilities (January 31, 2014 - US$36.0 million).

The International Operations also 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 January 31, 2015, the Company had drawn US$4.8 million on these facilities (January 31, 2014 - US$1.2 million). The Company has begun the process of refinancing this loan facility and does not anticipate any difficulty in securing financing 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 January 31, 2015, the Company is in compliance with the financial covenants under these facilities. Current and forecasted debt levels are regularly monitored for compliance with debt covenants. Further information on the Company's long-term debt and loan facilities is provided in Note 8 to the Company's 2014 fourth quarter unaudited interim period condensed consolidated financial statements.

Cash flow from operating activities and unutilized capacity available on existing loan facilities are expected to be sufficient to fund operating requirements, pension plan contributions, sustaining and planned growth-related capital expenditures as well as anticipated dividends during 2015.

SHAREHOLDER DIVIDENDS

The Board of Directors declared a quarterly dividend of $0.29 per share to shareholders of record on March 31, 2015, to be paid on April 15, 2015.

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 acquired a Tim Horton's franchise in Thompson, Manitoba on November 9, 2014

- The Company opened a temporary general merchandise clearance centre under the Valu Lots banner in Winnipeg, Manitoba on November 25, 2014.

STRATEGY

The Company's following strategic priorities are focused on capturing market share and improving earnings before interest, income taxes, depreciation and amortization (EBITDA) growth within what is assumed to be a modest growth economic environment over the next three to five years:

1. Accelerating investment in the Company's "Top 40" sales and profit potential markets, which began in the second half of 2014. This is expected to result in annual capital spending in the $65 million range until 2018, with some offset from working capital efficiencies.
2. Targeting inventory dollars and selling space on "Top" products and services categories that deliver significant market and profit gains while right sizing low upside categories.

3. Ensuring that the way we work is customer and store-centric by increasing support to the Company's selling activities while streamlining lower value work.
4. Ensuring that the Company continues to take an unconventional, flexible approach to serving its markets, including strong partnerships with other leading retailers like Giant Tiger and Tim Hortons.
5. Continued commitment to the disciplined allocation of capital, cash flow optimization and superior total returns to investors.

OUTLOOK

The Company incurred head office and general merchandising restructuring charges in 2014 as part of its strategy to focus resources on its Top 40 Markets and Top Categories. The successful execution of this work is expected to enable North West to capture market share and sales at a higher rate than general consumer income growth, while focusing on lower-risk products and services.

By region, the economic outlook is most promising in the Caribbean and Pacific regions, spurred by a slow recovery in tourism spending and lower energy costs. In Alaska, spending momentum is tied to an improving U.S. outlook but with a risk of softening in late 2015 if oil prices eventually force reductions in State of Alaska program spending that effect rural areas. Margin pressures in Western Canada are expected to ease as retailers pass through inflationary cost increases. Income contraction in Alberta and Saskatchewan are not expected to adversely affect the Company's Giant Tiger discount banner. Consumer income in Northern Canada is expected to remain constrained by limited resource or government infrastructure investment, with some upside from lower fuel prices.

Upside to the business in 2015 will depend on the timing and success of Top 40 Markets and Top Categories work as well as the consumer income and competitive factors noted above. Downside exists with respect to possible continued margin pressure in food and the transition of reducing general merchandise inventory and shifting selling space which is expected to be substantially completed in the third quarter.

Net capital expenditures for 2015 are expected to be approximately $65.0 million (2014 - $50.3 million) reflecting major store replacements, store renovations and investments in fixtures, equipment, staff housing and store-based warehouse expansions as part of the Company's Top 40 markets initiative. In 2015, the Company expects to complete 10 to 12 stores under the Top 40 Markets initiative in Northern Canada with most openings weighted to the third quarter. The Company also plans to open three Giant Tiger stores and complete "New Store Experience" upgrades in six Giant Tiger stores. Store-based capital expenditures can be impacted by the completion of landlord negotiations, shipment of construction materials to remote markets, and weather-related delays and therefore, their actual amount and timing can fluctuate.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information.

Operating Results - Consolidated

	Fourth Quarter		**Third Quarter**		**Second Quarter**		**First Quarter**	
	92 days	**92 days**	**92 days**	**92 days**	**92 days**	**92 days**	**89 days**	**89 days**
($ in millions)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Sales	**$ 433.5**	$ 402.9	$ 413.5	$ 387.2	$ 401.1	$ 388.6	$ 376.3	$ 364.5
EBITDA	**33.4**	34.4	37.8	36.5	36.4	37.4	30.2	30.0
Net earnings	**15.0**	15.9	18.4	17.4	16.9	18.1	12.7	12.9
Net earnings per share:								
Basic	**0.31**	0.33	0.38	0.36	0.35	0.37	0.26	0.27
Diluted	**0.31**	0.32	0.37	0.36	0.35	0.37	0.26	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 and other factors which can affect net earnings.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company in order to provide reasonable assurance that all material information relating to the Company is made known to management in a timely manner so that appropriate decisions can be made regarding public disclosure. Management is also responsible for establishing and maintaining internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. All internal control systems, no matter how well designed, have inherent limitations. Therefore even those systems determined to be designed effectively can only provide reasonable assurance of achieving the control objectives. Additionally, management is necessarily required to use judgment in evaluating controls and procedures. Management used the Internal Control - Integrated Framework (2013) published by the Committee of Sponsoring Organizations of the Treadway Commission as the control framework in designing its internal controls over financial reporting. There have been no changes in the internal controls over financial reporting during the quarter ended January 31, 2015 that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

ACCOUNTING STANDARDS IMPLEMENTED IN 2014

The Company adopted amendments to IAS 32, *Financial Instruments: Presentation* and IFRIC 21, *Levies* retrospectively effective February 1, 2014. IAS 32 clarified the requirements that permit offsetting certain financial instruments. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms a levy liability is recognized only when the triggering event specified in the legislation occurs. Neither change had an impact on the Company's consolidated financial statements.

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

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, 2015, and have not been applied in preparing the Company's 2014 fourth quarter unaudited interim period condensed consolidated financial statements:

Revenue Recognition In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard which is effective for the Company's financial year ending January 31, 2018, will be applied retrospectively and is available for early adoption. The IFRS 15 standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized at an amount that reflects the consideration the Company is entitled to. The Company is currently assessing the potential impact this new standard will have on its consolidated financial statements.

Presentation of Financial Statements In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments provide guidance on the application of judgment in the preparation of financial statements and disclosure and are effective for the Company's financial year ending January 31, 2017. The Company is currently assessing the potential impact of changes to this standard.

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 by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial assets and liabilities, hedge accounting and a single forward-looking expected loss impairment model. In July 2014, the IASB issued the complete version of IFRS 9 which is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption. The Company is currently assessing the potential impact of changes to this standard.

NON-GAAP MEASURES

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

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

	Fourth Quarter		Year-to-Date	
($ in thousands)	**2014**	2013	**2014**	2013
Net earnings	**$ 14,953**	$ 15,855	**$ 62,883**	$ 64,263
Add: Amortization	**10,172**	9,755	**40,372**	38,276
Interest expense	**1,438**	2,060	**6,673**	7,784
Income taxes	**6,858**	6,702	**27,910**	28,013
EBITDA	**$ 33,421**	$ 34,372	**$ 137,838**	$ 138,336

For EBITDA information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2014 fourth 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:

	Fourth Quarter		Year-to-Date	
($ in thousands)	**2014**	2013	**2014**	2013
Net earnings	**$ 14,953**	$ 15,855	**$ 62,883**	$ 64,263
Add: Interest expense	**1,438**	2,060	**6,673**	7,784
Income taxes	**6,858**	6,702	**27,910**	28,013
Earnings from operations	**$ 23,249**	$ 24,617	**$ 97,466**	$ 100,060

For earnings from operations information by business segment, see Note 4, Segmented Information, in the notes to the Company's 2014 fourth 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.

****

Unless otherwise stated, this Management's Discussion & Analysis (MD&A) is based on the financial information included in the Company's 2014 fourth quarter unaudited interim period condensed consolidated financial statements and notes to the unaudited interim period condensed consolidated financial statements which have been prepared in accordance with International Financial Reporting Standards and is in Canadian dollars. The information contained in this MD&A is current to March 12, 2015.

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 2013 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)	**January 31, 2015**	January 31, 2014
CURRENT ASSETS		
Cash	**$ 29,129**	$ 22,353
Accounts receivable	**72,506**	70,527
Inventories (Note 5)	**204,812**	198,856
Prepaid expenses	**9,393**	7,335
	315,840	299,071
NON-CURRENT ASSETS		
Property and equipment	**311,692**	286,875
Goodwill	**33,653**	29,424
Intangible assets	**22,485**	21,514
Deferred tax assets	**28,074**	19,597
Other assets	**12,555**	14,031
	408,459	371,441
TOTAL ASSETS	**$ 724,299**	$ 670,512
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 142,788**	$ 128,999
Current portion of long-term debt (Note 8)	**6,271**	77,800
Income tax payable (Note 11)	**1,170**	2,939
	150,229	209,738
NON-CURRENT LIABILITIES		
Long-term debt (Note 8)	**195,125**	105,062
Defined benefit plan obligation (Note 16)	**36,556**	18,417
Deferred tax liabilities	**2,392**	2,012
Other long-term liabilities	**10,714**	12,843
	244,787	138,334
TOTAL LIABILITIES	**395,016**	348,072
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**167,460**	166,069
Contributed surplus	**2,831**	3,528
Retained earnings	**140,527**	145,762
Accumulated other comprehensive income	**18,465**	7,081
TOTAL EQUITY	**329,283**	322,440
TOTAL LIABILITIES & EQUITY	**$ 724,299**	$ 670,512

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Earnings

(unaudited, $ in thousands, except per share amounts)	**Three Months Ended January 31, 2015**	Three Months Ended January 31, 2014	**Twelve Months Ended January 31, 2015**	Twelve Months Ended January 31, 2014
SALES	**$ 433,504**	$ 402,868	**$ 1,624,400**	$ 1,543,125
Cost of sales	**(311,666)**	(282,764)	**(1,160,182)**	(1,088,071)
Gross profit	**121,838**	120,104	**464,218**	455,054
Selling, operating and administrative expenses (Note 9)	**(98,589)**	(95,487)	**(366,752)**	(354,994)
Earnings from operations	**23,249**	24,617	**97,466**	100,060
Interest expense (Note 10)	**(1,438)**	(2,060)	**(6,673)**	(7,784)
Earnings before income taxes	**21,811**	22,557	**90,793**	92,276
Income taxes (Note 11)	**(6,858)**	(6,702)	**(27,910)**	(28,013)
NET EARNINGS FOR THE PERIOD	**$ 14,953**	$ 15,855	**$ 62,883**	$ 64,263
NET EARNINGS PER SHARE				
Basic	**$ 0.31**	$ 0.33	**$ 1.30**	$ 1.33
Diluted	**$ 0.31**	$ 0.32	**$ 1.29**	$ 1.32
WEIGHTED-AVERAGE NUMBER OF SHARES OUTSTANDING (000's)				
Basic	**48,441**	48,424	**48,432**	48,413
Diluted	**48,726**	48,670	**48,709**	48,657

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Comprehensive Income

(unaudited, $ in thousands)	**Three Months Ended January 31, 2015**	Three Months Ended January 31, 2014	**Twelve Months Ended January 31, 2015**	Twelve Months Ended January 31, 2014
NET EARNINGS FOR THE PERIOD	**$ 14,953**	$ 15,855	**$ 62,883**	$ 64,263
Other comprehensive income/(expense), net of tax:				
Items that may be reclassified to net earnings:				
Exchange differences on translation of foreign controlled subsidiaries	**10,597**	4,964	**11,384**	7,898
Items that will not be subsequently reclassified to net earnings:				
Remeasurements of defined benefit plans (Note 16)	**(11,968)**	(2,542)	**(11,968)**	7,804
Remeasurements of defined benefit plans of equity investee	**30**	(300)	**30**	(300)
Total other comprehensive income, net of tax	**(1,341)**	2,122	**(554)**	15,402
COMPREHENSIVE INCOME FOR THE PERIOD	**$ 13,612**	$ 17,977	**$ 62,329**	$ 79,665

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2014	$ 166,069	$ 3,528	$ 145,762	$ 7,081	$ 322,440
Net earnings for the period	—	—	62,883	—	62,883
Other comprehensive income	—	—	(11,968)	11,384	(584)
Other comprehensive income of equity investee	—	—	30	—	30
Comprehensive income	—	—	50,945	11,384	62,329
Equity settled share-based payments	—	373	—	—	373
Dividends (Note 7)	—	—	(56,180)	—	(56,180)
Issuance of common shares (Note 6)	1,391	(1,070)	—	—	321
	1,391	(697)	(56,180)	—	(55,486)
Balance at January 31, 2015	**$167,460**	**$ 2,831**	**$140,527**	**$ 18,465**	**$329,283**

(unaudited, $ in thousands)	Share Capital	Contributed Surplus	Retained Earnings	AOCI [1]	Total
Balance at January 31, 2013	$ 165,358	$ 3,485	$ 128,224	$ (817)	$ 296,250
Net earnings for the period	—	—	64,263	—	64,263
Other comprehensive income	—	—	7,804	7,898	15,702
Other comprehensive income of equity investee	—	—	(300)	—	(300)
Comprehensive income	—	—	71,767	7,898	79,665
Equity settled share-based payments	—	623	—	—	623
Dividends (Note 7)	—	—	(54,229)	—	(54,229)
Issuance of common shares (Note 6)	711	(580)	—	—	131
	711	43	(54,229)	—	(53,475)
Balance at January 31, 2014	$ 166,069	$ 3,528	$ 145,762	$ 7,081	$ 322,440

(1) Accumulated Other Comprehensive Income

See accompanying notes to condensed consolidated financial statements.

Consolidated Statements of Cash Flows

(unaudited, $ in thousands)	**Three Months Ended January 31, 2015**	Three Months Ended January 31, 2014	**Twelve Months Ended January 31, 2015**	Twelve Months Ended January 31, 2014
CASH PROVIDED BY (USED IN)				
Operating activities				
Net earnings for the period	**$ 14,953**	$ 15,855	**$ 62,883**	$ 64,263
Adjustments for:				
Amortization	**10,172**	9,755	**40,372**	38,276
Provision for income taxes (Note 11)	**6,858**	6,702	**27,910**	28,013
Interest expense (Note 10)	**1,438**	2,060	**6,673**	7,784
Equity settled share option expense (Note 12)	**144**	103	**373**	623
Taxes paid	**(7,322)**	(7,031)	**(32,881)**	(51,995)
(Gain)/Loss on disposal of property and equipment	**101**	76	**(294)**	164
	26,344	27,520	**105,036**	87,128
Change in non-cash working capital	**27,085**	14,493	**9,225**	(10,446)
Change in other non-cash items	**2,812**	4,504	**1,777**	3,354
Cash from operating activities	**56,241**	46,517	**116,038**	80,036
Investing activities				
Purchase of property and equipment	**(16,762)**	(13,812)	**(49,101)**	(39,596)
Intangible asset additions	**(1,387)**	(879)	**(3,228)**	(3,611)
Proceeds from disposal of property and equipment	**151**	547	**2,017**	821
Cash used in investing activities	**(17,998)**	(14,144)	**(50,312)**	(42,386)
Financing activities				
Net change in long-term debt (Note 8)	**(26,704)**	(29,308)	**78,572**	6,895
Repayments of long-term debt (Note 8)	**—**	—	**(75,950)**	—
Dividends (Note 7)	**(14,047)**	(13,566)	**(56,180)**	(54,229)
Interest paid	**(1,674)**	(2,884)	**(5,713)**	(6,769)
Issuance of common shares	**262**	—	**321**	131
Cash used in financing activities	**(42,163)**	(45,758)	**(58,950)**	(53,972)
NET CHANGE IN CASH	**(3,920)**	(13,385)	**6,776**	(16,322)
Cash, beginning of period	**33,049**	35,738	**22,353**	38,675
CASH, END OF PERIOD	**$ 29,129**	$ 22,353	**$ 29,129**	$ 22,353

See accompanying notes to condensed consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

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

These unaudited interim period condensed consolidated financial statements (condensed consolidated financial statements) have been approved for issue by the Board of Directors of the Company on March 12, 2015.

2. BASIS OF PREPARATION

(A) Statement of Compliance These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board (IASB). These condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements and the accompanying notes included in The North West Company Inc.'s 2013 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 (Note 15)
- Financial instruments designated at fair value (Note 15)
- Liabilities for share-based payment plans (Note 12)
- Defined benefit pension plan
- Assets and liabilities acquired in a business combination

The methods used to measure fair values are discussed further in the notes to the Company's 2013 annual audited consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as noted below, the significant accounting policies are set out in the Company's 2014 annual audited consolidated financial statements. These policies have been applied to all periods presented in these condensed consolidated financial statements, and have been applied consistently by both the Company and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances.

Accounting Standards Implemented in Current Year The Company adopted amendments to IAS 32, *Financial Instruments: Presentation* and IFRIC 21, *Levies* retrospectively effective February 1, 2014. IAS 32 clarified the requirements that permit offsetting certain financial instruments. IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms a levy liability is recognized only when the triggering event specified in the legislation occurs. Neither change had an impact on the Company's consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED 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, 2015, and have not been applied in preparing these condensed consolidated financial statements:

Revenue Recognition In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard which is effective for the Company's financial year ending January 31, 2018, will be applied retrospectively and is available for early adoption. The IFRS 15 standard contains a comprehensive model which specifies the criteria and timing for recognizing revenue, and also requires additional disclosures in the notes to the financial statements. The core principle of the standard is that revenue is recognized at an amount that reflects the consideration the Company is entitled to. The Company is currently assessing the potential impact this new standard will have on its consolidated financial statements.

Presentation of Financial Statements In December 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*. The amendments provide guidance on the application of judgment in the preparation of financial statements and disclosure and are effective for the Company's financial year ending January 31, 2017. The Company is currently assessing the potential impact of changes to this standard.

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 by both cash flow characteristics and how an entity manages financial impairment, replacing the multiple classification options in IAS 39 with three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. Additional guidance was also issued on the classification and measurement of financial assets and liabilities, hedge accounting and a single forward-looking expected loss impairment model. In July 2014, the IASB issued the complete version of IFRS 9 which is effective for the Company's financial year ending January 31, 2019, will be applied retrospectively and is available for early adoption. 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.

4. SEGMENTED INFORMATION

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

The following key information is presented by geographic segment:

Consolidated Statements of Earnings

	Three Months Ended January 31, 2015	Three Months Ended January 31, 2014	**Twelve Months Ended January 31, 2015**	Twelve Months Ended January 31, 2014
Sales				
Canada	**$ 276,895**	$ 267,976	**$ 1,042,168**	$ 1,022,985
International	**156,609**	134,892	**582,232**	520,140
Consolidated	**$ 433,504**	$ 402,868	**$ 1,624,400**	$ 1,543,125
Earnings before amortization, interest and income taxes				
Canada	**$ 23,358**	$ 28,344	**$ 100,896**	$ 111,225
International	**10,063**	6,028	**36,942**	27,111
Consolidated	**$ 33,421**	$ 34,372	**$ 137,838**	$ 138,336
Earnings from operations				
Canada	**$ 15,777**	$ 20,948	**$ 70,594**	$ 81,967
International	**7,472**	3,669	**26,872**	18,093
Consolidated	**$ 23,249**	$ 24,617	**$ 97,466**	$ 100,060

Supplemental information:

	January 31, 2015	January 31, 2014
Assets		
Canada	**$ 455,032**	$ 438,299
International [1]	**269,267**	232,213
Consolidated	**$ 724,299**	$ 670,512

(1) International total assets includes goodwill of $33,653 (January 31, 2014 - $29,424).

	Three Months Ended January 31, 2015		Three Months Ended January 31, 2014		**Twelve Months Ended January 31, 2015**		Twelve Months Ended January 31, 2014	
	Canada	**International**	Canada	International	**Canada**	**International**	Canada	International
Purchase of property and equipment	**$ 12,421**	**$ 4,341**	$ 9,756	$ 4,056	**$ 36,455**	**$ 12,646**	$ 26,242	$ 13,354
Amortization	**$ 7,581**	**$ 2,591**	$ 7,396	$ 2,359	**$ 30,302**	**$ 10,070**	$ 29,258	$ 9,018

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

Included in cost of sales for the three months ended January 31, 2015, the Company recorded $2,751 (three months ended January 31, 2014 – $419) for the write-down of period end inventories as a result of net realizable value being lower than cost. For the twelve months ended January 31, 2015, the Company recorded $4,223 (twelve months ended January 31, 2014 – $1,522) for the write-down of inventories as a result of net realizable value being lower than cost. The increase in the write-down of inventories is due to the clearance of discontinued under-performing general merchandise inventory in the northern Canada stores. There was no reversal of inventories written down previously that are no longer estimated to sell below cost during the twelve months ended January 31, 2015 or 2014.

6. SHARE CAPITAL

Authorized – The Company has an unlimited number of shares.

	Shares	Consideration
Balance at January 31, 2014	**48,425,787**	**$ 166,069**
Issued under option plans (Note 12)	**71,412**	**1,391**
Balance at January 31, 2015	**48,497,199**	**$ 167,460**

	Shares	Consideration
Balance at January 31, 2013	48,388,721	$ 165,358
Issued under option plans (Note 12)	37,066	711
Balance at January 31, 2014	48,425,787	$ 166,069

7. DIVIDENDS

	Twelve Months Ended January 31, 2015	Twelve Months Ended January 31, 2014
Dividends paid in cash	**$ 56,180**	$ 54,229
Dividends per share	**$ 1.16**	$ 1.12

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

8. LONG-TERM DEBT

	January 31, 2015	January 31, 2014
Current:		
Notes payable	**$ 72**	$ 148
Finance lease liabilities	**55**	76
Revolving loan facilities (1)	**6,144**	—
Senior notes (4)	**—**	77,576
	$ 6,271	$ 77,800
Non-current:		
Revolving loan facilities (1)	**$ —**	$ 1,302
Revolving loan facilities (2)	**27,977**	40,028
Revolving loan facilities (3)	**78,367**	63,607
Senior notes (4)	**88,779**	—
Notes payable	**—**	62
Finance lease liabilities	**2**	63
	$ 195,125	$ 105,062
Total	**$ 201,396**	$ 182,862

(1) This committed, revolving loan facility provides the International Operations 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 January 31, 2015, the International Operations had drawn US$4,831 (January 31, 2014 – US$1,171) on this facility.

(2) The US$52,000 committed, revolving loan facilities in the International Operations mature December 31, 2018 and bear interest at LIBOR plus a spread. These loan facilities are secured by certain assets of the Company and rank *pari passu* with the US$70,000 senior notes and the $200,000 Canadian Operations loan facilities. At January 31, 2015, the Company had drawn US$22,000 (January 31, 2014 – US$36,000) on these facilities.

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

(4) The Company refinanced the US$70,000 senior notes that matured on June 15, 2014. The maturing senior notes had a fixed interest rate of 6.55% on US$42,000 and a floating interest rate based on US LIBOR plus a spread on US$28,000. The new US$70,000 senior notes, which mature on June 16, 2021, have a fixed interest rate of 3.27% on US$55,000 and a floating interest rate on US$15,000 based on US LIBOR plus a spread. The new senior notes are secured by certain assets of the Company and rank *pari passu* with the $200,000 Canadian Operations loan facilities and the US$52,000 loan facilities in the International Operations.

9. EMPLOYEE COSTS

	Three Months Ended January 31, 2015	Three Months Ended January 31, 2014	**Twelve Months Ended January 31, 2015**	Twelve Months Ended January 31, 2014
Wages, salaries and benefits including bonus and termination	**$ 56,001**	$ 55,777	**$ 217,288**	$ 207,932
Post employment benefits	**1,405**	1,264	**6,169**	6,086
Share-based compensation (Note 12)	**2,984**	1,397	**5,948**	8,934

10. INTEREST EXPENSE

	Three Months Ended January 31, 2015	Three Months Ended January 31, 2014	**Twelve Months Ended January 31, 2015**	Twelve Months Ended January 31, 2014
Interest on long-term debt	**$ 1,472**	$ 1,850	**$ 6,143**	$ 7,181
Fair value movement of derivative financial instruments in effective fair value hedging relationships	**—**	(12)	**173**	(3)
Net interest on defined benefit plan obligation	**197**	284	**781**	1,126
Interest income	**(48)**	(44)	**(150)**	(328)
Less: interest capitalized	**(183)**	(18)	**(274)**	(192)
Interest expense	**$ 1,438**	$ 2,060	**$ 6,673**	$ 7,784

11. INCOME TAXES

The estimated effective income tax rate for the three months ended January 31, 2015 is 31.4% (three months ended January 31, 2014 – 29.7%) and for the twelve months ended January 31, 2015 is 30.7% (twelve months ended January 31, 2014 – 30.4%). The Company estimates its effective income tax rate on a weighted-average basis by determining the income tax rate applicable to each taxing jurisdiction and applying it to its pre-tax earnings. Changes in the effective income tax rate primarily reflect changes in earnings of the Company's subsidiaries across various tax jurisdictions.

12. SHARE-BASED COMPENSATION

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

The total expense relating to share-based payment plans for the three months ended January 31, 2015 is $2,984 (three months ended January 31, 2014 - $1,397) and for the twelve months ended January 31, 2015 is $5,948 (twelve months ended January 31, 2014 - $8,934). 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:

	January 31, 2015	January 31, 2014
Accounts payable and accrued liabilities	**$ 9,526**	$ 7,688
Other long-term liabilities	**4,485**	6,593
Contributed surplus	**1,262**	1,959
Total	**$ 15,273**	$ 16,240

Restricted Share Units and Performance Share Units

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

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

Each RSU entitled 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 vested January 31, 2014. The RSU account for each participant included the value of dividends from the Company as if reinvested in additional RSUs. Compensation expense was 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 was recognized over the vesting period based on the estimated total compensation to be paid out at the end of the vesting period.

Compensation costs related to the RSUs and PSUs for the three months ended January 31, 2015 are $474 (three months ended January 31, 2014 - $1,023) and for the twelve months ended January 31, 2015 are $2,138 (twelve months ended January 31, 2014 - $5,267).

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The maximum number of shares available for issuance is a fixed number set at 4,354,020, representing 9% of the Company's issued and outstanding shares at January 31, 2015. Fair value of the Company's options is determined using an option pricing model. Share options granted vest on a graduated basis over five years and are exercisable over a period of seven to ten years. The share option compensation cost recorded for the three months ended January 31, 2015 are $1,720 (three months ended January 31, 2014 - $277) and for the twelve months ended January 31, 2015 are $2,119 (twelve months ended January 31, 2014 - $1,934).

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

	2014	2013
Fair value of options granted	**$ 3.14 to 4.43**	$ 3.28 to 4.46
Exercise price	**$ 24.79**	$ 23.21
Dividend yield	**4.6%**	4.4%
Annual risk-free interest rate	**1.1% to 1.6%**	1.3% to 1.4%
Expected share price volatility	**23.7%**	26.0%

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

	2014	2013
Dividend yield	**4.4%**	4.4%
Annual risk-free interest rate	**0.4% to 0.6%**	1.0% to 1.6%
Expected share price volatility	**16.7% to 19.6%**	19.2% to 22.2%

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

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

Number of options outstanding	**Declining Strike Price Options**		**Standard Options**	
	2014	2013	**2014**	2013
Outstanding options, beginning of period	**896,694**	580,015	**526,380**	556,932
Granted	**355,795**	316,679	**36,631**	67,580
Exercised	**(21,028)**	—	**(169,035)**	(98,132)
Forfeited or cancelled	**(23,466)**	—	**(2,100)**	—
Outstanding options, end of period	**1,207,995**	896,694	**391,876**	526,380
Exercisable at end of period	**73,675**	—	**121,333**	132,301

Weighted-average exercise price	Declining Strike Price Options		Standard Options	
	2014	2013	**2014**	2013
Outstanding options, beginning of period	**$ 21.86**	$ 21.12	**$ 19.10**	$ 18.07
Granted	**24.79**	23.21	**24.79**	23.21
Exercised	**20.62**	—	**16.22**	16.09
Forfeited or cancelled	**22.88**	—	**19.11**	—
Outstanding options, end of period	**$ 22.79**	$ 21.86	**$ 20.88**	$ 19.10
Exercisable at end of period	**$ 18.73**	$ —	**$ 18.92**	$ 17.11

Options outstanding at January 31, 2015 have an exercise price range of $15.25 to $24.79 and a weighted-average remaining contractual life of 4.9 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 DSU entitles the holder to receive a share of the Company. The DSUs 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 DSUs, 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 DSUs.

Compensation expense is measured based on the fair market value at each reporting date. The DSU plan compensation recorded for the three months ended January 31, 2015 is an expense of $654 (three months ended January 31, 2014 – recovery of $25) and for the twelve months ended January 31, 2015 is an expense of $930 (twelve months ended January 31, 2014 – expense of $1,031). The total number of DSUs outstanding at January 31, 2015 is 171,443 (January 31, 2014 – 145,806). There were 3,500 DSUs exercised during the twelve months ended January 31, 2015 (twelve months ended January 31, 2014 – 20,629).

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 January 31, 2015 is $136 (three months ended January 31, 2014 – $122) and for the twelve months ended January 31, 2015 is $761 (twelve months ended January 31, 2014 – $702).

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	99%	1%

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	$ 29,129	$ 29,129	$ —
Accounts receivable	Short-term	72,506	72,506	—
Other financial assets	Long-term	1,321	1,321	—
Accounts payable and accrued liabilities	Short-term	(142,788)	(142,788)	—
Current portion of long-term debt	Short-term	(6,271)	(6,271)	—
Long-term debt	Long-term	(195,125)	(197,654)	—

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 in an effective fair value hedging relationship 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 were 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.

A portion of the senior notes that matured June 15, 2014 were in an effective fair value hedging relationship. These notes and associated derivative financial instruments were classified as Level 2, as their values were primarily derived from observable interest rates. There would have been 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 held interest rate swaps with a notional value of US$28,000 (January 31, 2014 – US$28,000) to hedge a portion of the fixed rate senior notes that matured in June 2014. Under the terms of these swaps, the Company received fixed interest and paid floating rate interest at a fixed spread above three-month LIBOR. These interest rate swaps matured June 15, 2014 and were not renewed.

16. EMPLOYEE BENEFITS

A remeasurement of the defined benefit pension plan assets and liabilities is assessed at each reporting period. During the three months ended January 31, 2015, the Company recorded net actuarial losses on its defined benefit plan obligation of $11,968 in other comprehensive income, which was recognized immediately in retained earnings (three months ended January 31, 2014 - $2,542). The Company recorded net actuarial losses on defined benefit plan obligations of $11,968 for the twelve months ended January 31, 2015 in other comprehensive income, which was recognized immediately in retained earnings (twelve months ended January 31, 2014 - net gains of $7,804).

These losses were primarily due to a decrease in the discount rate used to measure the defined benefit obligation. The discount rate used to determine the benefit obligation for the defined benefit pension plan at January 31, 2015 was 3.50% (January 31, 2014 - 4.50%).

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

	January 31, 2015	January 31, 2014
Defined benefit obligation	**(118,854)**	(93,844)
Fair value of plan assets	**82,298**	75,427
Defined benefit plan obligation, funded status	**(36,556)**	(18,417)

17. SUBSEQUENT EVENTS

On March 12, 2015, the Board of Directors declared a dividend of $0.29 per common share payable April 15, 2015 to shareholders of record on March 31, 2015.