



**NORTH WEST COMPANY FUND
PRESS RELEASE**

FOR IMMEDIATE RELEASE

**NORTH WEST COMPANY FUND REPORTS 2005 FOURTH QUARTER EARNINGS
AND DECLARES A DISTRIBUTION**

Winnipeg, March 16, 2006: North West Company Fund (the "Fund") today reported 2005 fourth quarter earnings for the period ended January 28, 2006 and declared a quarterly cash distribution of \$0.54 per unit to unitholders of record on March 31, 2006, distributable by April 15, 2006.

Report to Unitholders

The North West Company Fund reports fourth quarter earnings to January 28, 2006 of \$12.2 million, an increase of 15.4% to last year's fourth quarter earnings of \$10.6 million. Diluted earnings per unit improved to \$0.77 compared to \$0.66 last year.

Sales increased 8.2% to \$227.0 million and were up 8.8% excluding the foreign exchange impact of a stronger Canadian dollar compared to the fourth quarter last year. On a same store basis, sales increased 4.1% and were up 4.6% excluding the foreign exchange impact. Sustained food sales growth in all of our banners and strong general merchandise sales in our Giant Tiger stores and Alaska operations were the leading positive factors, offsetting weaker general merchandise sales in Northern Canada.

"The fourth quarter contributed to excellent overall results in 2005," said Edward Kennedy, The North West Company's President & CEO. "We achieved our goal of accelerated growth in food, more of our new stores matured and started to reach their potential and we continued to get new sales by pursuing local market opportunities."

Management's Discussion & Analysis

CONSOLIDATED RESULTS

Fourth quarter consolidated sales increased 8.2% (4.6% on a same store basis excluding the foreign exchange impact) to \$227.0 million compared to \$209.9 million in 2004. The stronger Canadian dollar had the result of reducing sales by \$4.2 million. Diluted earnings per unit improved to \$0.77 compared to \$0.66 last year.

Trading profit¹ or net earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 12.0% to \$24.1 million compared to \$21.5 million in the fourth quarter last year. Sales gains

¹ See Non GAAP Measures Section of Management's Discussion & Analysis

and lower operating expense rates in both Canada and Alaska contributed to this improvement. Interest expense increased 12.5% to \$1.6 million due to higher interest rates compared to the fourth quarter last year. Income taxes increased 14.6% to \$4.0 million due to higher earnings in Canada. Income tax deductions on interest paid to the Fund from Canadian operations have been maximized therefore earnings increases are currently fully taxable.

On a year-to-date basis, sales were up 7.7% to \$849.7 million and were up 9.3% excluding the foreign exchange impact of a stronger Canadian dollar compared to last year. Same store sales increased 4.0%, up 5.4% excluding the foreign exchange impact. Continued food market share growth from all store banners and general merchandise sales gains from Giant Tiger stores contributed to this performance. Trading profit increased 11.6% to \$85.5 million compared to \$76.6 million last year and increased 35 basis points to 10.1% of sales due to operating efficiencies. Consolidated net earnings increased 15.1% to \$42.9 million from \$37.3 million. Earnings per unit were \$2.68 compared to \$2.32 in 2004 on a fully diluted basis. The stronger Canadian dollar negatively impacted the conversion of Alaska earnings by \$0.03 per unit.

CANADIAN OPERATIONS

Canadian sales for the quarter increased 8.5% (4.2% on a same store basis) to \$189.0 million compared to \$174.2 million last year.

Food sales increased 10.3% in the quarter compared to last year (7.8% on a same store basis). Northern Canada and Giant Tiger sales exceeded targets due to a successful focus on more aggressive key item pricing, expanded special buy programs and new product introductions. Leading categories were beverages, produce, food service, and paper, health and beauty.

General merchandise sales were up 3.2% over last year but were down 2.7% on a same store basis. Transportation saw the largest decrease in sales compared to last year. Northern Canada's general merchandise performance was expected to be softer at the revenue line as inventory and credit strategies focussed on higher quality sales in the face of higher energy related living costs and more limited discretionary spending. In the South, Giant Tiger general merchandise sales increased as consumer awareness and strong interest in these stores' fashion mix continued to grow.

Gross profit dollars increased 8.9%. Higher food sales, lower general merchandise markdowns in northern Canada stores and an improved sales mix of higher margin general merchandise in Giant Tiger stores were the main factors. Operating expenses decreased by 42 basis points due to improved work processes and staff productivity, and the maturing of more Giant Tiger stores. These gains offset higher expenses related to debt loss, energy costs and performance incentive payments. Overall Canadian trading profit increased 8.6% to \$21.2 million or 11.2% of sales.

ALASKAN OPERATIONS (stated in U.S. dollars)

Alaska Commercial Company (AC) sales for the quarter increased 10.5% (7.5% on a same store basis) to \$32.6 million compared to \$29.5 million last year.

Retail food sales increased 11.0% (7.7% on a same store basis) reflecting market share growth. Sales were strong in all categories with confection, beverages, snack foods, produce and tobacco having the largest increase over last year. A state tobacco tax increase continues to contribute to tobacco sales dollar growth.

Retail general merchandise sales increased 9.8% (6.9% on a same store basis). Sales rebounded sharply from a very weak third quarter due to the late disbursement of the State of Alaska's Permanent Fund Dividend payment to many of our customers. Most payments were received in

late October and early November pushing sales into the fourth quarter, which resulted in an 18.7% same store sales increase in the month of November. Sales were up in most categories led by transportation, ladies apparel and sporting goods.

Quarterly sales at Frontier Expeditors, AC's wholesale business, increased 8.1% over last year. Food sales were up 3.7%. General merchandise sales were up 37.3% due to expanded general merchandise programs and the timing of the Permanent Fund Dividend payment.

Trading profit increased \$776,000 or 44.5% to \$2.5 million reflecting AC's sales performance and a 134 basis point drop in expenses led by staff productivity gains.

FINANCIAL CONDITION

Financial Ratios

The Fund's debt-to-equity ratio at the end of the quarter was .46:1 compared to .51:1 last year. This reflects an increase in cash generated from operating activities which lowered bank advances outstanding at year-end.

Working capital increased \$5.2 million from the third quarter and is \$3.4 million higher compared to the 2004 year-end. The increase in cash and inventories compared to the 2004 year-end was offset by an increase in accounts payable. The increase in cash is due to the timing of deposits in-transit and higher cash balances in our stores to support our financial services activities. Receivables decreased compared to last year reflecting lower credit sales in the fourth quarter. The increase in inventories is due to new stores opened in Canada and Alaska and higher freight costs included in closing inventories.

Outstanding Units

The weighted average units outstanding for the quarter were 15,781,000 compared to 15,937,000 last year. In the third quarter, the Board of Trustees authorized additional units under the Company's Unit Purchase Loan Plan most of which were purchased during the latter half of October.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operating activities for the quarter increased to \$39.8 million from \$19.5 million last year. Inventories were down \$17.2 million from the third quarter as better balanced inventory purchases and targeted markdowns on excess inventories helped reduce levels by year-end. Accounts payable increased \$5.9 million from the third quarter resulting from extended terms with our suppliers. Cash flow from operations in 2005 funded sustaining and growth-related capital expenditures as well as all distributions for the year.

Cash flow used in investing activities in the quarter increased to \$6.2 million from \$4.9 million last year. In 2005, capital expenditures totalled \$24.8 million compared to an expected \$27.2 million. Capital expenditures were \$22.3 million in 2004. The increase in 2005 total capital expenditures over 2004 reflects the opening of more Giant Tiger stores, major store replacements and renovations in northern Canada, and the addition of new stores in Alaska.

Cash used in financing activities in the quarter was \$34.9 million compared to \$16.9 million last year resulting from a decrease in bank advances and short-term notes as inventories were reduced and payables increased.

OTHER HIGHLIGHTS

- The Company's strategy to expand health-related products and services moved forward with the acquisition of Northern Pharmacy, a business based in Moosonee, Ontario which includes retail pharmacy, telepharmacy and contract hospital pharmacy services.
- AC has entered into an agreement to acquire five stores on Prince of Wales Island in southeast Alaska. This acquisition will add approximately \$13 million to AC's sales base and is expected to be completed by May 1, 2006.
- A new 20,000 square foot Giant Tiger store opened in Yorkton, Saskatchewan on February 25, 2006. Five more Giant Tiger stores are planned for opening in 2006 with Grande Prairie and Calgary openings scheduled for April and June 2006.
- As announced in the third quarter report to unitholders, the Company is proceeding with an internal reorganization whereby the majority of its Canadian operations will be placed into a limited partnership. This is expected to be mostly completed by the end of April 2006.

A second phase restructuring plan, as indicated in the third quarter report, is also proceeding. The completion of the restructuring plan is subject to receiving a satisfactory tax ruling and lender and unitholder approvals.

OUTLOOK

This past year's food sales momentum has carried forward into the first quarter of 2006. In the North, general merchandise sales will continue to emphasize merchandise assortment and targeted margin enhancement. Giant Tiger stores are expected to deliver higher general merchandise sales blends as stores mature, possibly offset by slower comparable store sales increases as more stores reach their second and third year of operation.

New business growth, people development programs and technology to enable improved store level merchandise ordering are priorities for 2006. Energy production and development activity is expected to spur the economy in Alaska and the Mackenzie region of the Northwest Territories.

Capital expenditures in 2006 are expected to be in the range of \$35 to \$40 million due to larger store replacements and more new market opportunities. The average capital expenditures for 2006 and the past two years should approximate \$28 million.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected quarterly financial information. Each quarter represents a 13-week period.

Operating Results-Consolidated

(\$ in millions)	Fourth Quarter		Third Quarter		Second Quarter		First Quarter	
	2005	2004	2005	2004	2005	2004	2005	2004
Sales	\$227.0	\$209.9	\$211.3	\$197.0	\$215.1	\$197.5	\$196.2	\$184.4
Trading profit	24.1	21.5	22.7	21.2	21.9	19.3	16.8	14.6
Net earnings	12.2	10.6	12.2	11.0	10.8	9.3	7.7	6.4
Net earnings per unit:								
Basic	0.77	0.66	0.77	0.69	0.67	0.59	0.49	0.40
Diluted	0.77	0.66	0.76	0.68	0.67	0.58	0.48	0.40

ACCOUNTING STANDARDS IMPLEMENTED IN 2005

There were no new accounting standards implemented in this quarter.

UNITHOLDER DISTRIBUTIONS

The Trustees declared a quarterly cash distribution of \$0.54 per unit to unitholders of record on March 31, 2006 and distributable by April 15, 2006.

NON-GAAP MEASURES

(1) Trading Profit (EBITDA) is not a recognized measure under Canadian generally accepted accounting principles (GAAP). Management believes that in addition to net earnings (loss), trading profit is a useful supplemental measure as it provides investors with an indication of the Company's ability to generate cash flows to fund its cash requirements, including distributions and capital investment. Investors should be cautioned, however, that trading profit should not be construed as an alternative to net earnings (loss) determined in accordance with GAAP as an indicator of NWF's performance. NWF's method of calculating trading profit may differ from other companies and, accordingly, trading profit may not be comparable to measures used by other companies.

A reconciliation of net earnings, the closest comparable GAAP measure, to trading profit or EBITDA for consolidated operations is provided below.

Reconciliation of net earnings to trading profit:

(\$ in thousands)	Fourth Quarter		Year to Date	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net earnings	\$ 12,189	\$ 10,564	\$ 42,890	\$ 37,265
Add: Amortization	6,339	6,065	25,013	23,905
Interest expense	1,573	1,398	6,120	5,761
Income taxes	<u>3,995</u>	<u>3,487</u>	<u>11,479</u>	<u>9,675</u>
Trading profit	<u>\$ 24,096</u>	<u>\$ 21,514</u>	<u>\$ 85,502</u>	<u>\$ 76,606</u>

For trading profit information by business segment, see note 5 Segmented Information in the notes to the unaudited interim period consolidated financial statements.

Forward-Looking Statements

This Quarterly Report for North West Company Fund, including Management's Discussion and Analysis (MD&A), contains certain forward-looking statements. Such statements relate to, among other things, sales growth, expansion and growth of the Company's business, future capital expenditures and the Company's business strategy. Forward-looking statements are subject to inherent uncertainties and risks including but not limited to: general industry and economic conditions, changes in the Company's relationship within the communities it serves and with its suppliers, pricing pressure and other competitive factors, the availability and costs of merchandise, fuels and utilities, the results of the Company's ongoing efforts to improve cost effectiveness, the rates of return on the Company's pension plan assets, changes in regulatory requirements affecting the Company's business and the

availability and terms of financing. Other risks are outlined in the Risk Management section of the MD&A included in the Fund's 2004 Management's Discussion & Analysis and Consolidated Financial Statements report. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements. In evaluating forward-looking statements, readers should specifically consider the various factors, which could cause actual events or results to differ materially from such forward-looking statements.

The North West Company Inc. (NWC) is a leading retailer of food and everyday products and services to rural communities and urban neighborhoods across Canada and Alaska. NWC operates 193 stores under a number of trading names, including Northern, NorthMart, Giant Tiger and AC Value Center, and provides catalogue shopping services through its *Selections* catalogue in northern Canada.

The units of the Fund trade on the TSX Toronto Stock Exchange under the symbol "NWF.UN".

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