December 5, 2016

Hudson's Bay Company Reports Third Quarter 2016 Financial Results

- ***Consolidated retail sales increased 28.6% to $3.3 billion from $2.6 billion a year ago***
- ***Digital sales at Legacy HBC grew 12.9% on a constant currency comparable basis***
- ***Inventory levels on a comparable basis declined approximately 2% from a year ago as a result of the Company's disciplined focus on this area***
- ***Adjusted EBITDAR decreased 1.4% to $276 million***
- ***Net Loss of $125 million; The current quarter included $3 million in net dilution gains related to the joint ventures compared to $91 million a year ago, which contributed to net earnings of $7 million in that period***

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)-- Hudson's Bay Company ("HBC" or the "Company") (TSX: HBC) today announced its third quarter financial results for the thirteen and thirty-nine week periods ended October 29, 2016. Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted, normalized, comparable and/or constant currency basis, are non-IFRS financial measures (for more information please refer to the "Supplemental Information" section of this press release and the reconciliation tables further below).

"During the third quarter we continued to execute our all channel strategy in the face of a retail environment where there were challenges in the women's apparel, department store and luxury segments. To address this we are continuing to move aggressively, making specific improvements both in our digital and brick and mortar operations that will allow us to better serve our customers. During the quarter we finished installing our world class robotic fulfillment system in Canada, and are already leveraging this technology at Hudson's Bay during the busy holiday season. We are also excited about our progress in Europe. In the Netherlands, we are executing our organic growth strategy, and in November we completed our first major renovation in Germany at our GALERIA Kaufhof store in Düsseldorf. During the quarter, we took advantage of a favourable lending environment to reprice our term loan which will reduce our interest costs going forward. We believe our world class real estate portfolio, which is less affected by near term retail trends, continues to provide substantial value to the Company," stated Richard Baker, HBC's Governor and Executive Chairman.

Jerry Storch, HBC's Chief Executive Officer, added, "Sales were challenging in the third quarter but we believe our all channel strategy is the right long-term strategy for generating profitable growth. We continue to focus on delighting our customers and building a digital and brick and mortar platform that will allow them to shop whenever, wherever and however they choose. Many of our initiatives revolve around finding new ways to wow our customers and offering tailored, exclusive product, which we expect will drive sales across all of our banners. While we have made considerable progress on increasing efficiencies during the last year, we believe that there are further areas for improvement and we will continue to evaluate our options. We remained focused on inventory management during the quarter and despite lower than expected sales, driven by challenges in some of our markets, comparable inventory levels decreased by approximately 2% from the prior year. We believe we are well positioned for and excited about the current holiday season and remain focused on executing our all channel strategy across our banners and geographies."

Plans to Drive Sales Growth

Hudson's Bay and Lord & Taylor are focused on strengthening outperforming categories such as dresses and active wear. Additionally, Hudson's Bay is optimizing its Home Goods business while better utilizing existing space through the addition of new categories such as toys. Both banners will continue to emphasize top-performing brands and products that are "Exclusively Ours". For the holiday season, Hudson's Bay and Lord & Taylor look to deliver strong key items at tremendous values and the introduction of an all-door gift giving program is expected to drive incremental sales. Both banners are also increasing their focus on the fast-growing mobile segment of the digital market.

Saks Fifth Avenue is very focused on sourcing exclusive and limited distribution product in order to differentiate its offerings. In conjunction with this, SaksFirst, the Saks Fifth Avenue customer loyalty program, is dedicating its service towards driving loyalty among emerging customers and creating one-of-a-kind experiences for existing members. For the holiday season, Saks Fifth Avenue is also proud to introduce a new gift concierge service which will offer dedicated gift concierges to assist customers with all of their gift-giving needs, including gift-wrapping, shipping, delivery, or simply finding that perfect holiday gift. Along with these initiatives, Saks Fifth Avenue is equipping all of its sales associates with tools that allow them to market themselves locally and take greater control over their success.

GALERIA Kaufhof is continuing its renovation program to modernize its selling space and introduce new and exciting brands. For example, Topshop recently opened its first German location at the Berlin store on Alexanderplatz. While renovations at key stores have negatively impacted current sales, these initiatives are expected to drive long-term sales growth and modernize the shopping experience throughout the banner. In addition to the ongoing renovations, GALERIA Kaufhof is investing in digital platforms as it works towards creating a best-in-class all channel offering. Digital sales are currently a small portion of the banner's overall sales and GALERIA Kaufhof believes that there is significant opportunity to grow sales in this channel.

HBC's Off Price banners are refocusing on their core strategy: offering high end brands at everyday value. While Saks OFF 5TH attempted to broaden its appeal by offering a wider selection of price points, the banner's ability to provide high end, sought after products is a major differentiating factor for Saks OFF 5TH as compared to other off priced retailers. Saks OFF 5TH is in the process of re-merchandising its product mix to have a higher concentration of products at the top end of Saks OFF 5TH's offering range, which is expected to drive increased traffic and conversion as well as a higher overall basket size. In addition, Saks OFF 5TH introduced a revised pricing strategy which was fully implemented by the end of the third quarter in the prior year. This revised strategy substantially reduced promotional activity and focused on offering great value on an everyday basis. The revised pricing strategy is expected to drive increased margin by offering customers a clearer value proposition. Gilt recently unveiled holiday offerings that feature entire outfits curated from its selection of unique brands, and is expanding its concierge program to provide personalized service to top customers. Heading into next year, Gilt expects to expand its brand partnerships to include new up and coming brands in addition to securing exclusive launches and collaborations.

Third Quarter Summary

All comparative figures below are for the thirteen week period ended October 29, 2016 compared to the thirteen week period ended October 31, 2015. DSG refers, collectively, to the Lord & Taylor, Hudson's Bay and Home Outfitters banners. HBC Europe refers, collectively, to GALERIA Kaufhof, Galeria INNO and Sportarena banners. HBC Off Price refers, collectively, to the Saks Fifth Avenue OFF 5TH ("Saks OFF 5TH") and Gilt banners. Legacy HBC refers to the Company as structured prior to the acquisition of HBC Europe and Gilt.

Consolidated retail sales were $3,300 million, an increase of 28.6% from the prior year, primarily as a result of the addition of HBC Europe and Gilt offset by a decrease in comparable sales of 4.0%. On a constant currency basis, comparable sales declined by 2.4% at DSG, 2.2% at HBC Europe, 8.4% at HBC Off Price and 4.6% at Saks Fifth Avenue, resulting in a total comparable sales decline of 3.6%. Total digital sales increased by 73.0% from the prior year, with total digital comparable sales increasing by 5.4% on a constant currency basis. Total digital comparable sales at Legacy HBC increased 12.9% on a constant currency basis.

For HBC overall, gross profit rate as a percentage of retail sales was maintained at 42.2% compared to the prior year.

Over the last several quarters, HBC has grown dramatically through the acquisition of GALERIA Kaufhof, Gilt, and the creation of the respective joint ventures with RioCan Real Estate Investment Trust and Simon Property Group (collectively the "Joint Ventures"). Until the Company begins to anniversary these transactions, SG&A expenses will not be directly comparable to previous periods.

SG&A expenses were $1,342 million compared to $1,012 million in the prior year. This increase reflects the additions of HBC Europe, Gilt and the Joint Ventures. Normalized SG&A expenses were $1,284 million or 38.9% of retail sales, compared to 35.3% in the prior year. This rate increase was primarily driven by increased net rent expenses incurred in connection with the Joint Ventures, lower than expected comparable sales, and the inclusion of HBC Europe, which operates at a higher SG&A rate, for the full quarter.

Adjusted EBITDAR was $276 million, a decrease of 1.4% compared to $280 million in the prior year. This decrease should be viewed in relation to the 52.2% increase in Adjusted EBITDAR reported in the prior year. The decline in the current quarter was driven primarily by lower comparable sales, offset by the addition of HBC Europe for part of the quarter.

Adjusted EBITDA was $89 million, a decrease of $81 million compared to $170 million in the prior year. The Joint Ventures had a $60 million impact on Adjusted EBITDA compared to an $18 million impact in the prior year. Adjusting for this $42 million increase, the decline would have been 22.9%. This decline is relative to an Adjusted EBITDA increase of 44.1% in the prior year.

Commencing with the fourth quarter, the Company expects that its results will be more comparable as it anniversaries the increase in Joint Venture rent expenses associated with the contribution of its European properties and the sales of part of its equity in the HBS Joint Venture to third party investors. These Joint Venture rent expenses are essentially flat over the course of the year, while the retail business is seasonal, with sales and earnings weighted towards the back of the fiscal year.

Finance costs were $48 million compared to $29 million in the prior year. Of the $19 million increase, $8 million was due to the change in non-cash finance income generated from mark to market adjustments associated with the valuation of outstanding common share purchase warrants, and $6 million was related to higher interest expense associated with finance leases and pension liabilities acquired as part of the GALERIA Kaufhof transaction. Interest paid in cash was $41 million compared to $36 million in the prior year.

Net loss was $125 million compared to net earnings of $7 million in the prior year. Prior year earnings included a net gain of $91 million related to the dilution gains from investments in the Joint Ventures, compared to $3 million in the current year. Normalized Net Loss was $102 million compared to a loss of $1 million in the prior year. This increase in loss is primarily a result of increased rent expenses to the Joint Ventures and third parties, higher depreciation and amortization expenses, lower comparable sales and increased finance costs.

Year-to-Date Summary

All comparative figures below are for the thirty-nine week period ended October 29, 2016 compared to the thirty-nine week period ended October 31, 2015.

Consolidated retail sales were $9,855 million, an increase of 47.6% from the prior year, primarily as a result of the addition of HBC Europe and Gilt as well as an increase in comparable sales of 0.7%. On a constant currency basis, comparable sales grew 0.2% at DSG, offset by declines of 0.9% at HBC Europe, 8.0% at HBC Off Price and 4.0% at Saks Fifth Avenue, resulting in a total comparable sales decline of 2.0%. Total digital sales increased by 81.8% from the prior year, with total digital comparable sales increasing by 5.5% on a constant currency basis. Total digital comparable sales at Legacy HBC increased 13.0% on a constant currency basis.

For HBC overall, gross profit rate as a percentage of retail sales was 41.9%, an increase of 80 basis points from the prior year. This increase was primarily related to the addition of HBC Europe, which operates at relatively higher gross margin and SG&A rates.

SG&A expenses were $4,023 million compared to $2,567 million in the prior year, primarily as a result of the addition of HBC Europe, Gilt, and the Joint Ventures. Normalized SG&A expenses were $3,833 million or 38.9% of retail sales, compared to 36.1% in the prior year. This rate increase was primarily driven by the inclusion of HBC Europe, as well as net rent expense incurred in connection with the Joint Ventures.

Adjusted EBITDAR was $789 million, an increase of 37.5% compared to $574 million in the prior year, primarily as a result of the addition of HBC Europe. This increase follows an Adjusted EBITDAR increase of 22.1% in the prior year.

Adjusted EBITDA was $232 million, compared to $326 million in the prior year. The Joint Ventures had a $182 million impact on Adjusted EBITDA during the first three quarters of this fiscal year, compared to a $19 million impact in the prior year.

Commencing with the fourth quarter, the Company expects that its results will be more comparable as it anniversaries the increase in Joint Venture rent expenses associated with the contribution of its European properties and the sales of part of its equity in the HBS Joint Venture to third party investors. These Joint Venture rent expenses are essentially flat over the course of the year, while the retail business is seasonal, with sales and earnings weighted towards the back of the fiscal year.

Finance costs were $149 million compared to $128 million in the prior year. The majority of this increase is related to higher interest expense related to the Company's finance leases and pension and employee liabilities acquired as part of the GALERIA Kaufhof transaction, as well an increase in short term borrowing interest expense. Interest paid in cash was $127 million, a $20 million increase over the prior year.

Net loss was $364 million compared to net earnings of $17 million in the prior year. Prior year earnings include total gains of $198 million related to the Joint Ventures, compared to $41 million in the current year. Normalized Net Loss was $315 million compared to a loss of $90 million in the prior year, primarily as a result of the creation of the Joint Ventures and the additional net rent expense associated with these entities, which are spread evenly over the course of the year, and increased depreciation and amortization expense.

Inventory

Inventory at the end of the third quarter increased by $217 million compared to the prior year. This increase was driven by the acquisition of Gilt, the opening of new Saks Fifth Avenue and Saks OFF 5TH stores and foreign exchange movements. During the quarter there was a heightened focus on inventory and as a result, on a comparable basis, inventory levels decreased by approximately 2% compared to the prior year.

Store Network

During the third quarter, the Company opened five Saks OFF 5TH stores in Canada, which are located in Toronto, Ontario; Ottawa, Ontario; Vancouver, British Columbia; Calgary, Alberta and Edmonton, Alberta. In the U.S., the Company opened two Saks Fifth Avenue stores located in New York, New York and Honolulu, Hawaii, as well as 12 Saks OFF 5TH stores, which are located in Woodland Hills, California; Frisco, Texas; Fairfax, Virginia; Palm Desert, California; Springfield, Virginia; Washington, DC; Pittsburgh, Pennsylvania; Brooklyn, New York; Naples, Florida; Scottsdale, Arizona; Rockville, Maryland and Clarksburg, Maryland. The Company closed two Saks Fifth Avenue stores in Short Hills, New Jersey and Fort Myers, Florida, one Saks OFF 5TH store in Schaumburg, Illinois and three Home Outfitters stores in Ottawa, Ontario; Nepean, Ontario and Montreal, Quebec.

Store information as at October 29, 2016	Store Count(1)	Gross Leasable Area (1) / Square Footage (000s)
Hudson's Bay	**90**	**15,834**
Lord & Taylor	**50**	**6,898**
Saks Fifth Avenue	**41**	**5,112**
Saks OFF 5TH	**118**	**3,505**
Home Outfitters	**56**	**1,981**
HBC Europe	**130**	**28,599**
Total	**485**	**61,929**

(1) HBC operates one Find @ Lord & Taylor store, one Hudson's Bay outlet, two Zellers clearance centres and two Lord & Taylor outlets that are excluded from the store count and gross leasable area.

Capital Expenditure

Capital expenditures, net of landlord incentives, during the third quarter totaled $153 million, compared to $141 million in the prior year. HBC's initiatives during the quarter included the opening of 12 Saks OFF 5TH stores in the U.S., five Saks OFF 5TH stores in Canada, and two Saks Fifth Avenue stores in the U.S. Additionally, the Company completed the installation of its robotic fulfillment technology at its Toronto distribution center and wrapped up the first stage of renovations at its GALERIA Kaufhof store in Düsseldorf. Work also continued on the major renovation at the Saks Fifth Avenue flagship store on 5th Avenue in New York.

Debt Summary

As at October 29, 2016, the Company had the following outstanding loans and borrowings on its balance sheet (refer to note 11 of the unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016):

(millions of Canadian dollars, unless otherwise noted)	TOTAL ($)	CAD ($)	USD ($)	EUR (€)
Global Revolving Credit Facility	**1,257**	374	528	120
U.S. Term Loan B	**669**	—	500	—
Lord & Taylor Mortgage	**534**	—	399	—
Saks Mortgage	**1,673**	—	1,250	—
Other loans	**8**	—	6	—
Total Outstanding Loans and Borrowings	**4,141**	374	2,683	120

During the quarter, the Company repriced its term loan with Bank of America, N.A. as the administrative agent, reducing the interest rate from LIBOR plus 3.75% per annum to LIBOR plus 3.25% per annum. As a result of this, the Company expects to realize annual savings of approximately US $2.5 million. All other terms remained substantially the same.

Dividend

The Company also announced today that its Board of Directors has approved a quarterly dividend to be paid on January

13, 2017, to shareholders of record at the close of business on December 30, 2016. The dividend is in the amount of $0.05 per Common Share and is designated as an "eligible dividend" for Canadian tax purposes.

Outlook

The following outlook is fully qualified by the "Forward-Looking Statements" section of this press release

Management is confirming its Sales, Adjusted EBITDAR and EBITDA outlook for Fiscal 2016 which was updated on November 10, 2016. This outlook reflects, among other things the Company's performance to date and assumes flat to low single digit overall comparable sales growth, calculated on a constant currency basis, during the remainder of the fiscal year.

(Canadian dollars)	Fiscal 2016
Sales	$14.5 to $14.9 billion
Adjusted EBITDAR	$1,440 to $1,525 million
Adjusted EBITDA	$700 to $785 million

The Company expects total capital investments, net of landlord incentives, to be between $700 million and $750 million, which is approximately 4.8%-5.1% of the midpoint of the Sales outlook. Included in these amounts is the capital expenditure associated with the Company's recent acquisitions of HBC Europe and Gilt.

The above outlook reflects exchange rate assumptions of USD:CAD = 1:1.32 and EUR:CAD = 1:1.50. Any variation in these foreign exchange rate assumptions and/or other material assumptions and factors described in the "Forward-Looking Statements" section of this press release could impact the above outlook.

Conference Call to Discuss Results

Richard Baker, HBC's Governor and Executive Chairman, Jerry Storch, HBC's Chief Executive Officer, and Paul Beesley, HBC's Chief Financial Officer, will discuss the third quarter financial results and other matters during a conference call on December 6, 2016 at 8:30 am EST.

The conference call will be accessible by calling the participant operator assisted toll-free dial-in number (800) 535-7056 or international dial-in number (253) 237-1145. A live webcast of the conference call will be accessible on HBC's website at: http://investor.hbc.com/events.cfm. The audio replay also will be available via this link.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016 and Management's Discussion and Analysis ("MD&A") thereon are available under the Company's profile on SEDAR at www.sedar.com.

Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary financial information set out below has been derived from unaudited interim condensed consolidated financial statements, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, for the thirteen and thirty-nine week periods ended October 29, 2016. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements for Fiscal 2015. In the opinion of the Company's management, such unaudited financial data reflects all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year or any future period.

CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

(millions of Canadian dollars, except per share amounts)

(unaudited)

	Thirteen week period ended	Thirty-nine week period ended

	Oct 29, 2016	Oct 31, 2015 restated [1]	Oct 29, 2016	Oct 31, 2015 restated [1]
Retail sales	**3,300**	2,566	**9,855**	6,676
Cost of sales	**(1,908)**	(1,482)	**(5,729)**	(3,934)
Selling, general and administrative expenses	**(1,342)**	(1,012)	**(4,023)**	(2,567)
Depreciation and amortization	**(164)**	(110)	**(476)**	(311)
Gain on sale of investments in joint ventures	**—**	—	**45**	—
Gain on contribution of assets to joint ventures	**—**	—	**—**	133
Operating loss	**(114)**	(38)	**(328)**	(3)
Finance costs, net	**(48)**	(29)	**(149)**	(128)
Share of net loss in joint ventures	**(51)**	(64)	**(104)**	(71)
Dilution gains from investments in joint ventures	**6**	148	**18**	148
(Loss) earnings before income tax	**(207)**	17	**(563)**	(54)
Income tax benefit (expense)	**82**	(10)	**199**	71
Net (loss) earnings for the period	**(125)**	7	**(364)**	17
(Loss) earnings per common share				
Basic	**(0.69)**	0.04	**(2.00)**	0.09
Diluted	**(0.69)**	(0.04)	**(2.00)**	0.02

The following table shows additional summary supplemental information for the periods indicated:

	Thirteen week period ended		**Thirty-nine week period ended**	
	Oct 29, 2016	Oct 31, 2015 restated [1]	**Oct 29, 2016**	Oct 31, 2015 restated [1]
Adjusted EBITDA [2]	89	170	232	326
Adjusted EBITDAR [2]	276	280	789	574
Normalized SG&A [2]	1,284	905	3,833	2,407
Normalized Net Loss for the period [2]	(102)	(1)	(315)	(90)
Normalized Net Loss per Common Share — basic and diluted [2]	(0.56)	(0.01)	(1.73)	(0.49)
Declared dividend per Common Share	0.05	0.05	0.15	0.15

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016.
(2) For a reconciliation of the non-IFRS measure to the corresponding reported measure, see tables in "Supplemental Information" in this press release and in the MD&A for the third quarter.

CONDENSED CONSOLIDATED BALANCE SHEETS

As at October 29, 2016, October 31, 2015 and January 30, 2016

(millions of Canadian dollars)

(unaudited)

	Oct 29, 2016	Oct 31, 2015 restated [1] [2]	Jan 30, 2016 restated [2]
Assets			
Cash	**86**	292	507

Trade and other receivables	**509**	370	512
Inventories	**4,134**	3,917	3,404
Other current assets	**191**	173	194
Total current assets	**4,920**	4,752	4,617
Property, plant and equipment	**5,434**	4,782	5,156
Intangible assets and goodwill	**2,010**	1,777	1,779
Pensions and employee benefits	**158**	138	166
Deferred tax assets	**318**	263	253
Investments in joint ventures	**619**	600	658
Other assets	**22**	17	16
Total assets	**13,481**	12,329	12,645
Liabilities			
Loans and borrowings	**1,240**	582	451
Finance leases	**23**	33	25
Trade payables	**1,763**	1,679	1,494
Other payables and accrued liabilities	**1,099**	964	1,020
Deferred revenue	**121**	123	132
Provisions	**155**	157	153
Other liabilities	**111**	75	126
Total current liabilities	**4,512**	3,613	3,401
Loans and borrowings	**2,796**	3,314	2,729
Finance leases	**493**	455	502
Provisions	**73**	76	80
Pensions and employee benefits	**675**	655	681
Deferred tax liabilities	**727**	681	885
Investment in joint venture	**11**	47	27
Other liabilities	**1,592**	1,000	1,241
Total liabilities	**10,879**	9,841	9,546
Shareholders' equity			
Share capital	**1,422**	1,420	1,420
Retained earnings	**638**	668	1,029
Contributed surplus	**104**	80	86
Accumulated other comprehensive income	**438**	320	564
Total shareholders' equity	**2,602**	2,488	3,099
Total liabilities and shareholders' equity	**13,481**	12,329	12,645

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016.
(2) Subsequent to the acquisition of HBC Europe, the Company identified measurement period adjustments related to the acquisition based on new information relating primarily to inventories, intangible assets and provisions. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 5 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirty-nine weeks ended October 29, 2016 and October 31, 2015

(millions of Canadian dollars)

(unaudited)

	Oct 29, 2016	Oct 31, 2015 *restated* (1)
Operating activities		
Net (loss) earnings for the period	**(364)**	17
Deduct: Income tax benefit	**(199)**	(71)
Deduct: Dilution gains from investments in joint ventures	**(18)**	(148)
Add: Share of net loss in joint ventures	**104**	71
Add: Finance costs, net	**149**	128
Operating loss	**(328)**	(3)
Net cash income taxes (paid) received	**(21)**	1
Interest paid in cash	**(127)**	(107)
Distributions of earnings from joint ventures	**152**	59
Items not affecting cash flows:		
Depreciation and amortization	**476**	311
Net defined benefit pension and employee benefits expense	**23**	20
Other operating activities	**(4)**	(48)
Share of rent expense to joint ventures	**(276)**	(89)
Gain on contribution of assets to joint ventures	**—**	(133)
Gain on sale of investments in joint ventures	**(45)**	—
Share based compensation	**23**	23
Settlement of share based compensation grants	**(3)**	(3)
Changes in operating working capital	**(541)**	(669)
Net cash outflow for operating activities	**(671)**	(638)
Investing activities		
Capital investments	**(834)**	(378)
Proceeds from landlord incentives	**342**	118
	(492)	(260)
Proceeds from lease terminations and other non-capital landlord incentives	**—**	22
Proceeds from contribution of assets to joint ventures	**—**	1,134
Acquisition of Kaufhof Operating Business, net of cash acquired	**—**	(745)
Investment in joint ventures	**—**	(186)
Proceeds on disposal of assets	**84**	—
Proceeds from sale of investments in joint ventures	**65**	—
Acquisition of Gilt Groupe Holdings Inc., net of cash acquired	**(325)**	—
Other investing activities	**7**	—
Net cash outflow for investing activities	**(661)**	(35)
Financing activities		
Long-term loans and borrowings:		
Issuance	**522**	1,453
Repayments	**(326)**	(844)
Borrowing costs	**(16)**	(58)
	180	551
Short-term loans and borrowings:		
Net borrowings from asset-based credit facilities	**807**	306
Borrowing costs	**(13)**	—
Net decrease in other short-term borrowings	**(2)**	(1)
	792	305
Payments on finance leases	**(27)**	(19)
Dividends paid	**(27)**	(27)
Net cash inflow from financing activities	**918**	810
Foreign exchange loss on cash	**(7)**	(13)
(Decrease) increase in cash	**(421)**	124
Cash at beginning of year	**507**	168
Cash at end of period	**86**	292

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net

realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016.

Supplemental Information

The following table presents the reconciliation of Net (Loss) Earnings to EBITDA, Adjusted EBITDA and to Adjusted EBITDAR:

	Thirteen week period ended		Thirty-nine week period ended	
	Oct 29, 2016	**Oct 31, 2015**	**Oct 29, 2016**	**Oct 31, 2015**
(millions of Canadian dollars)		*restated* (1)		*restated* (1)
	$	$	$	$
Net (Loss) Earnings for the Period	**(125)**	7	**(364)**	17
Finance costs, net	48	29	149	128
Income tax (benefit) expense	(82)	10	(199)	(71)
Share of net loss in joint ventures	51	64	104	71
Gain on contribution of assets to joint ventures	—	—	—	(133)
Gain on sale of investments in joint ventures	—	—	(45)	—
Dilution gains from investments in joint ventures (2)	(6)	(148)	(18)	(148)
Non-cash pension expense	9	7	23	20
Depreciation and amortization	164	110	476	311
Impairment and other non-cash items (3)	(8)	—	(16)	—
Share based compensation	10	6	27	17
EBITDA	**61**	85	**137**	212
Normalization and joint venture adjustments				
Acquisition and integration related expenses (4)	9	77	41	101
Lease guarantee provision (5)	(2)	—	14	—
Joint ventures transaction costs	—	3	—	35
Amortization of inventory purchase price accounting adjustments	—	6	—	6
Foreign exchange adjustment (6)	5	(21)	8	(47)
Restructuring (7)	13	35	47	34
Credit card chargeback expense (8)	1	—	11	—
Other (9)	21	—	35	—
Net rent expense to joint ventures (10)	41	3	121	4
Cash rent to joint ventures	(112)	(70)	(334)	(78)
Cash distributions from joint ventures	52	52	152	59
Total normalization and joint venture adjustments	28	85	95	114
Adjusted EBITDA	**89**	170	**232**	326
Rent adjustments				
Third party rent expense (11)	127	92	375	229
Cash rent to joint ventures	112	70	334	78
Cash distributions from joint ventures	(52)	(52)	(152)	(59)
Adjusted EBITDAR	**276**	280	**789**	574

The following table presents the reconciliation of SG&A to Normalized SG&A:

	Thirteen week period ended	**Thirty-nine week period ended**

(millions of Canadian dollars)	Oct 29, 2016	Oct 31, 2015	Oct 29, 2016	Oct 31, 2015
	$	$	$	$
SG&A	**1,342**	1,012	**4,023**	2,567
Normalization adjustments				
Non-cash pension expense	(9)	(7)	(23)	(20)
Impairment and other non-cash expense [3]	8	—	16	—
Share based compensation	(10)	(6)	(27)	(17)
Acquisition and integration related expenses [4]	(9)	(77)	(41)	(101)
Joint ventures transaction costs	—	(3)	—	(35)
Lease guarantee provision [5]	2	—	(14)	—
Foreign exchange adjustment [6]	(5)	21	(8)	47
Restructuring [7]	(13)	(35)	(47)	(34)
Credit card chargeback expense [8]	(1)	—	(11)	—
Other [9]	(21)	—	(35)	—
Total normalization adjustments	(58)	(107)	(190)	(160)
Normalized SG&A	**1,284**	905	**3,833**	2,407
Normalized SG&A as a percentage of retail sales	**38.9 %**	35.3 %	**38.9 %**	36.1 %

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016.
(2) Represents the gains realized as a result of the changes in ownership related to the Company's investment in the Joint Ventures.
(3) Includes gain on the sale of the Company's leasehold interest in a Saks Fifth Avenue store at Short Hills mall in New Jersey during the third quarter of $25 million.
(4) Includes acquisition and integration expenses related to the acquisitions of Saks, Kaufhof and Gilt.
(5) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.
(6) Represents the impact of unrealized gains/losses related to the translation of U.S. dollar and Euro denominated monetary asset and liability balances related to the overall tax and legal structure of the Company.
(7) Restructuring includes preliminary costs associated with programs initiated by HBC Europe to optimize operating efficiencies and additional costs associated with the North American realignment program announced in the third quarter of Fiscal 2015.
(8) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.
(9) Primarily represents duplicative costs associated with the U.S. office consolidation of $22 million and $36 million for the thirteen and thirty-nine week periods ended October 29, 2016, respectively, costs related to the Netherlands expansion of $4 million and $8 million for the thirteen and thirty-nine week periods ended October 29, 2016 respectively, offset by other smaller items totaling $5 million and $1 million for the thirteen and thirty-nine week periods ended October 29, 2016 respectively, and share based compensation expense adjustment of $8 million for the thirty-nine week period ended October 29, 2016 (see note 14 to the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016).
(10) Rent expense to the Joint Ventures net of reclassification of rental income related to the Company's ownership interest in the Joint Ventures (see note 10 to the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016).
(11) Previously included rent expense related to leases at Home Outfitters that have been classified as onerous lease contracts. As of the second quarter, we have removed amounts related to these onerous lease contracts and have restated any previously reported amounts impacted by this adjustment. The impact to the first quarter of Fiscal 2016 was a decrease of $1 million while the annual impact to Fiscal 2015 was a decrease of $11 million ($2 million to $4 million per quarter).

The following table presents the reconciliation of Net (Loss) Earnings to Normalized Net Loss:

	Thirteen week period ended		Thirty-nine week period ended	
	Oct 29, 2016	Oct 31, 2015	Oct 29, 2016	Oct 31, 2015

(millions of Canadian dollars)		restated (1)		restated (1)
	$	$	$	$
Net (Loss) Earnings for the period	**(125)**	7	**(364)**	17
Normalization adjustments (2)				
Gain on contribution of assets to joint ventures	—	—	—	(107)
Gain on sale of investments in joint ventures	—	—	(28)	—
Dilution gains from investments in joint ventures	(3)	(91)	(13)	(91)
Acquisition and integration related expenses and finance costs (3)	(1)	57	14	75
Joint ventures transaction costs	—	2	—	23
Restructuring (4)	9	23	32	21
Financing related adjustments	—	—	2	13
Amortization of inventory purchase price accounting adjustments	—	4	—	4
Foreign exchange adjustment (5)	—	(22)	10	(44)
Adjustments to share of net loss in joint ventures (6)	7	19	(5)	19
Tax related adjustments	—	—	—	(20)
Lease guarantee provision (7)	(2)	—	10	—
Credit card chargeback expense (8)	1	—	7	—
Other (9)	12	—	20	—
Total normalization adjustments	23	(8)	49	(107)
Normalized Net Loss	**(102)**	(1)	**(315)**	(90)

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016
(2) Net of income tax as appropriate.
(3) Includes acquisition and integration expenses related to the acquisitions of Saks, Kaufhof and Gilt. In addition, includes the recognition of non-cash finance income related to Common Share purchase warrants of $7 million and $15 million for the thirteen and thirty-nine week periods ended October 29, 2016, respectively (thirteen and thirty-nine week periods ended October 31, 2015: $15 million and $12 million respectively).
(4) Restructuring includes preliminary expected costs associated with programs initiated by HBC Europe to optimize operating efficiencies and additional costs associated with the North American realignment program announced in the third quarter of Fiscal 2015.
(5) Represents the impact of unrealized losses (gains) related to the translation of U.S. dollar and Euro denominated monetary asset and liability balances related to the overall tax and legal structure of the Company.
(6) Relates to the Company's share of unrealized foreign exchange losses (gains) incurred by the HBS Joint Venture on translation of a Euro denominated monetary liability related to the tax and legal structure of the joint venture.
(7) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.
(8) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.
(9) Primarily represents duplicative costs associated with the U.S. office consolidation of $13 million and $22 million for the thirteen and thirty-nine week periods ended October 29, 2016, respectively, costs related to the Netherlands expansion of $2 million and $5 million for the thirteen and thirty-nine week periods ended October 29, 2016 respectively, offset by other smaller items totaling $3 million and $1 million for the thirteen and thirty-nine week periods ended October 29, 2016 respectively, and share based compensation expense adjustment of $6 million for thirty-nine week period ended October 29, 2016 (see note 14 to the Company's unaudited interim condensed consolidated financial statements for the thirteen and thirty-nine week periods ended October 29, 2016).

Non-IFRS Measures

EBITDA, EBITDAR, Normalized Net Loss and Normalized SG&A are non-IFRS measures that the Company uses to assess its operating performance. EBITDA is defined as Net (Loss) Earnings before finance costs, income tax benefit, share of net loss in Joint Ventures, gain on contribution of assets to Joint Ventures, gain on sale of investments in Joint Ventures, dilution gains from investments in the Joint Ventures, non-cash pension expense, depreciation and amortization expense, impairment and other non-cash expenses and non-cash share based compensation expense. EBITDAR is defined as

EBITDA before rent expense to third parties and net rent expense to Joint Ventures.

Adjusted EBITDA is defined as EBITDA adjusted to exclude: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; and (iii) normalization and joint venture adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations. Adjusted EBITDAR is defined as Adjusted EBITDA excluding third party rent expense, cash rent to Joint Ventures and cash distributions from Joint Ventures. Normalized Net Loss is defined as Net (Loss) Earnings adjusted to exclude: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; (iii) normalizing adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations. Normalized SG&A is defined as SG&A adjusted to exclude: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; (iii) normalizing adjustments, if any, related to transactions that are not associated with day-to-day operations. For further clarity, please refer to the detailed tables reconciling Net (Loss) Earnings to Adjusted EBITDA and to Adjusted EBITDAR, reported SG&A to Normalized SG&A and Net (Loss) Earnings to Normalized Net Loss.

The Company has included EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Loss and Normalized SG&A to provide investors and others with supplemental measures of its operating performance. The Company believes EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Loss and Normalized SG&A are important supplemental measures of operating performance because they eliminate items that have less bearing on the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believe that securities analysts, investors, rating agencies and other interested parties frequently use EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Loss and Normalized SG&A in the evaluation of issuers, many of which present similar metrics when reporting their results. The Company management also uses Adjusted EBITDAR in order to facilitate retail business operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its future debt service, capital expenditure and working capital requirements and the Company's ability to pay dividends on its Common Shares. As other companies may calculate EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Loss or Normalized SG&A differently than the Company, these metrics may not be comparable to similarly titled measures reported by other companies.

This press release makes reference to certain comparable financial results expressed on a constant currency basis, including comparable sales, comparable digital sales and comparable inventory levels. The Company calculates comparable sales on a year-over-year basis from stores operating for at least thirteen months and includes digital sales and clearance store sales. In calculating the sales change, including digital sales, on a constant currency basis, prior year foreign exchange rates are applied to both current year and prior year comparable sales. Additionally, where an acquisition closed in the previous twelve months, comparable sales change on a constant currency basis incorporate results from the pre-acquisition period. This enhances the ability to compare underlying sales trends by excluding the impact of foreign currency exchange rate fluctuations as well as by reflecting new acquisitions. The Company calculates comparable inventory levels on a year-over-year constant currency basis and does not include (i) acquisitions not closed prior to the end of the same comparable quarter of the prior fiscal year and (ii) new store openings after the end of the same comparable quarter of the prior fiscal year. Definitions and calculations of comparable sales, comparable digital sales and comparable inventory levels differ among companies in the retail industry. The Company notes that results from acquisitions are only incorporated in the Company's reported consolidated financial results from and after the acquisition date.

For further discussion of the Company's financial and operating results, please refer to the MD&A of Financial Condition and Results of Operations for the thirteen and thirty-nine week periods ended October 29, 2016.

About Hudson's Bay Company

Hudson's Bay Company is one of the fastest-growing department store retailers in the world, based on its successful formula of growing through acquisitions, driving the performance of high quality stores and their all-channel offerings and unlocking the value of real estate holdings. Founded in 1670, HBC is the oldest company in North America. HBC's portfolio today includes nine banners, in formats ranging from luxury to premium department stores to off price fashion shopping destinations, with more than 480 stores and 66,000 employees around the world.

In North America, HBC's leading banners include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Gilt, and Saks OFF 5TH, along with Home Outfitters. In Europe, its banners include GALERIA Kaufhof, the largest department store group in Germany, Belgium's only department store group Galeria INNO, as well as Sportarena.

HBC has significant investments in real estate joint ventures. It has partnered with Simon Property Group Inc. in the HBS Global Properties Joint Venture, which owns properties in the United States and Germany. In Canada, it has partnered with RioCan Real Estate Investment Trust in the RioCan-HBC Joint Venture.

Forward-Looking Statements

Certain statements made in this news release, including, but not limited to, the benefits that are expected to result from the acquisitions of HBC Europe and Gilt, the Company's plans for expansion in Europe, the benefits that are expected to result from the installation of automated order fulfillment technology at the Company's distribution centre in Toronto, benefits of reduced promotional activity at Saks OFF 5TH, impact on the Company's reported gross profit and expense margins as a result of the acquisition of HBC Europe, stabilization of rent expenses related to the Joint Ventures, expected savings in connection with the repricing of the Company's term loan, the benefits that are expected to result from the North American operations realignment initiative and additional cost saving activities, expected expenditures on investments in growth initiatives, the Company's prospects for future growth opportunities, including targeting acquisitions, anticipated store openings, the Company's growth strategies of improving retail operations, programs to drive incremental sales, partnerships and exclusive launches and collaborations and unlocking the value of real estate, and the Company's commentary on outlook in respect of sales, Adjusted EBITDA, and Adjusted EBITDAR, and other statements that are not historical facts, are forward-looking. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Implicit in forward-looking statements in respect of sales, Adjusted EBITDA and Adjusted EBITDAR, are certain current assumptions, including, among others, the Company achieving flat to low single digit overall comparable store sales growth on a constant currency basis for the remainder of Fiscal 2016, the Company achieving additional savings from operational initiatives, the Company's anticipated total capital investments, net of landlord incentives, between $700 million and $750 million, the Company opening new stores in North America, the Company maintaining a significant ownership interest in the HBS Joint Venture and the RioCan-HBC JV, and assumptions regarding the overall retail environment and currency exchange rates for Fiscal 2016. Specifically, we have assumed the following exchange rates for Fiscal 2016: USD:CAD = 1:1.32 and EUR:CAD = 1:1.50. These current assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated sales, Adjusted EBITDA and Adjusted EBITDAR, are subject to a number of risks and uncertainties, including, among others described below, general economic, geo-political, market and business conditions, changes in foreign currency rates from those assumed, the risk of unseasonal weather patterns, the risk that the Company may not achieve flat to low single digit overall comparable sales growth on a constant currency basis for the remainder of Fiscal 2016 and the risk that the Company may not achieve the contemplated cost savings and synergies as described above, and could differ materially from what is currently expected as set out above.

Although HBC believes that the forward-looking statements in this news release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements for a variety of reasons. Some of the factors - many of which are beyond HBC's control and the effects of which can be difficult to predict - include, among others: ability to execute retailing growth strategies, ability to continue comparable sales growth, changing consumer preferences, marketing and advertising program success, damage to brands, dependence on vendors, ability to realize synergies and growth from strategic acquisitions, ability to make successful acquisitions and investments, successful inventory management, loss or disruption in centralized distribution centres, ability to upgrade and maintain our information systems to support the organization and protect against cyber-security threats, privacy breach, risks relating to our size and scale, loss of key personnel, ability to attract and retain qualified employees, deterioration in labour relations, ability to maintain pension plan surplus, funding requirement in Saks' pension plan, funding requirement of the HBC Europe pension plan, limits on insurance policies, loss of intellectual property rights, insolvency risk of parties which we do business with or their unwillingness to perform their obligations, exposure to changes in the real estate market, successful operation of the Joint Ventures to allow the Company to realize the anticipated benefits, loss of flexibility with respect to properties in the Joint Ventures, exposure to environmental liabilities, liabilities associated with Target Corporation and its affiliates and other third parties who have assumed leases from the Company, changes in demand for current real estate assets, increased competition, change in spending of consumers including the impact of unfavourable or unstable political conditions and terrorism, international operational risks, fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies, increase in raw material costs, seasonality of business, extreme weather conditions or natural disasters, ability to manage indebtedness and cash flow, risks related with increasing indebtedness, restrictions of existing credit facilities reducing flexibility, ability to maintain adequate financial processes and controls, ability to maintain dividends, ability of a small number of shareholders to influence the business, uncontrollable sale of the Company's Common Shares by significant shareholders could affect share price, constating documents discouraging favorable takeover attempts, increase in regulatory liability, increase in produce liability or recalls, increase in litigation, developments in the credit card and financial services industries, changes in accounting standards and other risks inherent to the Company's business and/or factors beyond the Company's control which could have a material adverse effect on the Company.

HBC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Annual Information Form dated April 28, 2016, as well as HBC's other public filings, available at www.sedar.com and at www.hbc.com.

The forward-looking statements contained in this news release describe HBC's expectations at the date of this news release and, accordingly, are subject to change after such date. Except as may be required by applicable Canadian securities laws, HBC does not undertake any obligation to update or revise any forward-looking statements contained in this news release, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on these forward-looking statements.

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