



**2014 Q3 INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the Thirteen and Thirty-Nine Weeks Ended

November 1, 2014

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

(unaudited)

(millions of Canadian dollars, except per share amounts)	Notes	Thirteen weeks ended		Thirty-nine weeks ended	
		Nov 1, 2014	Nov 2, 2013 (restated – see note 2)	Nov 1, 2014	Nov 2, 2013 (restated – see note 2)
Retail sales		1,913	984	5,537	2,816
Cost of sales	9	(1,126)	(588)	(3,334)	(1,696)
Selling, general and administrative expenses		(690)	(359)	(2,023)	(1,030)
Depreciation and amortization	5	(84)	(31)	(247)	(91)
Gain on sale and leaseback transaction	18	—	—	308	—
Operating income (loss)		13	6	241	(1)
Total interest expense, net		(35)	(11)	(142)	(40)
Acquisition-related finance costs		(12)	(123)	(9)	(183)
Finance costs	6	(47)	(134)	(151)	(223)
(Loss) earnings before income tax		(34)	(128)	90	(224)
Income tax benefit	8	21	2	37	10
Net (loss) earnings for the period — continuing operations		(13)	(126)	127	(214)
Net earnings (loss) for the period — discontinued operations, net of taxes	19	—	1	—	(74)
Net (loss) earnings for the period		(13)	(125)	127	(288)
Net (loss) earnings per common share — basic and diluted	12				
Continuing operations		(0.07)	(1.05)	0.70	(1.79)
Discontinued operations		—	—	—	(0.61)
		(0.07)	(1.05)	0.70	(2.40)

(See accompanying notes to the unaudited interim Condensed Consolidated Financial Statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov 1, 2014	Nov 2, 2013 (restated – see note 2)	Nov 1, 2014	Nov 2, 2013 (restated – see note 2)
(millions of Canadian dollars)				
Net (loss) earnings for the period	(13)	(125)	127	(288)
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to earnings or loss:				
Currency translation adjustment	63	2	22	23
Net loss on net investment hedge, net of taxes of nil and nil (2013 — nil and nil)	(12)	—	(3)	—
Net gains (losses) on derivatives designated as cash flow hedges, net of taxes of \$2 and \$2 (2013 — nil and \$2), respectively	4	(1)	4	5
Reclassification to non-financial assets of net losses on derivatives designated as cash flow hedges, net of taxes of nil and \$1 (2013 — nil and \$1), respectively	(1)	(1)	(2)	(3)
Reclassification to earnings of net losses on derivatives designated as cash flow hedges, net of taxes of nil and nil (2013 — nil and nil), respectively	(1)	—	(1)	(1)
Other comprehensive income	53	—	20	24
Total comprehensive income (loss)	40	(125)	147	(264)

(See accompanying notes to the unaudited interim Condensed Consolidated Financial Statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the thirty-nine weeks ended November 1, 2014 and November 2, 2013

(unaudited)

(millions of Canadian dollars)	Notes	Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) ("AOCI")			Total AOCI	Total Equity	
					Currency Translation Adjustment	Employee Benefits	Net Investment Hedge			
As at February 1, 2014		1,420	496	43	149	(6)	(54)	3	92	2,051
Impact of change in accounting policy	2	—	(5)	—	(3)	—	—	—	(3)	(8)
As at February 1, 2014 (restated)		1,420	491	43	146	(6)	(54)	3	89	2,043
Total comprehensive income.....		—	127	—	22	—	(3)	1	20	147
Share based compensation	16	—	—	12	—	—	—	—	—	12
Dividends.....		—	(27)	—	—	—	—	—	—	(27)
As at November 1, 2014		1,420	591	55	168	(6)	(57)	4	109	2,175

(millions of Canadian dollars)	Notes	Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income (Loss) ("AOCI")			Total AOCI	Total Equity	
					Currency Translation Adjustment	Employee Benefits	Net Investment Hedge			
As at February 2, 2013		246	797	33	(12)	(51)	—	—	(63)	1,013
Impact of change in accounting policy	2	—	(4)	—	(1)	—	—	—	(1)	(5)
As at February 2, 2013 (restated)		246	793	33	(13)	(51)	—	—	(64)	1,008
Total comprehensive loss (restated) ...		—	(288)	—	23	—	—	1	24	(264)
Share based compensation	16	—	—	8	—	—	—	—	—	8
Dividends.....		—	(34)	—	—	—	—	—	—	(34)
As at November 2, 2013 (restated) ..		246	471	41	10	(51)	—	1	(40)	718

(See accompanying notes to the unaudited interim Condensed Consolidated Financial Statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

As at November 1, 2014, November 2, 2013, February 1, 2014 and February 2, 2013

(unaudited)

(millions of Canadian dollars)	Notes	November 1, 2014	(restated – see note 2) November 2, 2013	(restated – see note 2 and note 4) February 1, 2014	(restated – see note 2) February 2, 2013
Assets					
Cash	7	44	26	21	48
Restricted funds	12	—	1,052	—	—
Trade and other receivables		128	84	137	74
Inventories	9	2,578	1,317	2,048	994
Financial assets		9	4	8	3
Other current assets		115	48	71	32
Income taxes recoverable		52	6	23	—
Assets of discontinued operations		—	61	2	269
Total current assets		2,926	2,598	2,310	1,420
Property, plant and equipment		4,111	1,459	4,110	1,335
Intangible assets		976	241	980	233
Goodwill		211	—	209	—
Pensions and employee benefits		58	18	72	38
Deferred tax assets		244	221	249	214
Other assets		16	12	13	12
Total assets		8,542	4,549	7,943	3,252
Liabilities					
Loans and borrowings	10	689	558	532	132
Trade payables		971	529	585	400
Other payables and accrued liabilities		595	296	488	273
Other liabilities	11	49	6	6	6
Deferred revenue		143	105	152	110
Provisions		142	81	149	85
Income taxes payable		7	2	10	3
Financial liabilities	17	—	1,187	1	1
Liabilities of discontinued operations		—	108	89	343
Total current liabilities		2,596	2,872	2,012	1,353
Loans and borrowings	10	2,487	719	2,923	719
Provisions		18	14	16	14
Financial liabilities	17	32	42	24	—
Pensions and employee benefits		99	72	96	70
Deferred tax liabilities		635	—	633	—
Other liabilities	11	500	112	196	88
Total liabilities		6,367	3,831	5,900	2,244
Shareholders' Equity					
Share capital		1,420	246	1,420	246
Retained earnings		591	471	491	793
Contributed surplus		55	41	43	33
Accumulated other comprehensive income (loss)		109	(40)	89	(64)
Total shareholders' equity		2,175	718	2,043	1,008
Total liabilities and shareholders' equity		8,542	4,549	7,943	3,252

(See accompanying notes to the unaudited interim Condensed Consolidated Financial Statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the thirty-nine weeks ended November 1, 2014 and November 2, 2013

(unaudited)

(millions of Canadian dollars)	Notes	Nov 1, 2014	Nov 2, 2013 (restated – see note 2)		
			Continuing operations	Discontinued operations	Total
Operating activities					
Net earnings (loss) for the period		127	(214)	(74)	(288)
Deduct: Income tax benefit.....	8, 19	(37)	(10)	(26)	(36)
Add: Finance costs	6	151	223	—	223
Operating income (loss).....		241	(1)	(100)	(101)
Net cash income taxes received (paid).....		4	(4)	49	45
Interest paid in cash.....		(102)	(41)	—	(41)
Items not affecting cash flows:					
Proceeds on sale of leasehold interests recognized		—	—	(33)	(33)
Depreciation and amortization.....	5	247	91	—	91
Net defined benefit pension and employee benefits expense		20	21	6	27
Other operating activities.....		(5)	(5)	—	(5)
(Gain) loss on sale and leaseback transaction and sale of assets		(308)	—	16	16
Share based compensation.....	16	12	8	—	8
Redemption of share based compensation grants.....	16	—	(2)	(4)	(6)
Changes in operating working capital:					
(Increase) decrease in trade and other receivables.....		(19)	(15)	8	(7)
(Increase) decrease in inventories.....		(512)	(306)	151	(155)
(Increase) decrease in other current assets.....		(47)	(14)	5	(9)
Increase (decrease) in trade and other payables, accrued liabilities and provisions		343	133	(192)	(59)
Increase (decrease) in other liabilities		6	—	(2)	(2)
Net cash outflow for operating activities.....		(120)	(135)	(96)	(231)
Investing activities					
Net cash outflow from capital investments:					
Capital investments		(291)	(180)	—	(180)
Proceeds from landlord incentives.....		74	31	—	31
		(217)	(149)	—	(149)
Proceeds from lease terminations and other non-capital landlord incentives.....		51	—	—	—
Proceeds from sale of assets		35	—	3	3
Proceeds from sale and leaseback transaction.....	18	650	—	—	—
Net cash inflow from (outflow for) investing activities		519	(149)	3	(146)
Financing activities					
Long-term loans and borrowings:					
Issued		—	255	—	255
Repayments		(516)	(269)	—	(269)
Borrowing costs.....		—	(5)	—	(5)
		(516)	(19)	—	(19)
Short-term loans and borrowings:					
Net borrowings from asset-based credit facilities		176	407	—	407
Net decrease in other short-term borrowings		(10)	—	—	—
		166	407	—	407
Dividends paid.....		(27)	(34)	—	(34)
Net cash (outflow for) inflow from financing activities.....		(377)	354	—	354
Foreign exchange gain on cash.....		1	1	—	1
Increase (decrease) in cash		23	71	(93)	(22)
Transfer to continuing operations.....		—	(93)	93	—
Increase (decrease) in cash		23	(22)	—	(22)
Cash at beginning of period		21	48	—	48
Cash at end of period		44	26	—	26

(See accompanying notes to the unaudited interim Condensed Consolidated Financial Statements)

HUDSON'S BAY COMPANY

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Thirteen and Thirty-nine Weeks Ended November 1, 2014

(unaudited)

NOTE 1. BASIS OF PREPARATION

Hudson's Bay Company ("HBC" or the "Company") is a Canadian corporation continued under the Canada Business Corporations Act and domiciled in Canada. On July 16, 2008, HBC was acquired by Hudson's Bay Trading Company, LP ("HBTC"), a limited partnership now domiciled in the Cayman Islands. NRDC L&T B LLC ("L&T B"), a Delaware limited liability company, is the managing partner of HBTC. HBTC had previously acquired Lord & Taylor Holdings LLC ("L&T") on October 2, 2006.

On November 4, 2013, the Company acquired Saks Incorporated ("Saks") whereby all of the issued and outstanding shares (other than shares owned by Saks and its subsidiaries) of Saks were purchased through Lord & Taylor Acquisition Inc. ("L&T Acquisition"), a wholly-owned subsidiary of the Company for U.S.\$16.00 per share in an all-cash transaction (the "Acquisition") valued at U.S.\$2,973 million (\$3,097 million), including debt assumed.

The Company owns and operates stores across Canada and the United States under Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks Fifth Avenue OFF 5TH ("OFF 5TH") and Home Outfitters banners. The address of the registered office of HBC is 401 Bay Street, Suite 500, Toronto, ON, M5H 2Y4.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), and therefore, do not contain all disclosures required by International Financial Reporting Standards ("IFRS") as issued by the IASB for annual financial statements. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

The preparation of unaudited interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates that require management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited interim financial statements have been set out in note 2 of the annual audited consolidated financial statements for the year ended February 1, 2014.

The unaudited interim condensed consolidated financial statements were prepared using the same accounting policies and methods as those used in the annual audited consolidated financial statements for the year ended February 1, 2014, except as outlined below.

During the first quarter of fiscal 2014, the Company adopted IFRIC 21 – Levies ("IFRIC 21") which was effective for periods beginning on or after January 1, 2014 with a requirement for retrospective application. Given that clear interpretive guidance on the application of IFRIC 21 is not yet available, the adoption of this standard required management to exercise significant judgment. As a result, judgments made by management in determining the impact of this adoption included in the Company's reported results may vary materially on an inter-quarter basis from conclusive interpretive guidance if it becomes available.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended February 1, 2014.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Audit Committee of HBC on December 8, 2014.

Accounting Standards Implemented in Fiscal 2014

Financial Instruments

In December 2011, the IASB amended IAS 32 – Financial Instruments: Presentation (“IAS 32”) to clarify the requirements that permit offsetting a financial asset and liability in the financial statements. The Company implemented IAS 32 at the beginning of its 2014 fiscal year and the implementation did not have an impact on its results of operations, financial position or disclosure.

In June 2013, the IASB amended IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”), providing guidance on novation of over-the-counter derivatives and continued designation for hedge accounting. The amendments to IAS 39 must be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company implemented IAS 39 at the beginning of its 2014 fiscal year and the implementation did not have an impact on its results of operations, financial position or disclosure.

Impairment of Assets

In May 2013, the IASB amended IAS 36 – Impairment of Assets (“IAS 36”), providing guidance on recoverable amount disclosures for non-financial assets. The Company implemented IAS 36 at the beginning of its 2014 fiscal year and the implementation did not have an impact on its results of operations, financial position or disclosure.

Levies

In May 2013, the IASB issued IFRIC 21 providing guidance on the accounting for levies imposed by governments. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. It also clarifies that a levy liability is accrued rateably over a reporting period only if the activity that triggers payment occurs over such period, in accordance with the relevant legislation.

Property taxes are charged by a government in accordance with legislation, are based on underlying property value, and include both real and personal property. As such, real and personal property taxes are within the scope of IFRIC 21. Prior to the adoption of IFRIC 21, the Company recorded all property taxes rateably over the relevant tax year.

Property tax legislation in various jurisdictions in Canada does not clearly define a single obligating event that gives rise to a liability to pay annual property taxes. As such, at any date within the year, the only amount of property taxes that an owner can reasonably estimate they are liable for is a pro rata estimate of annual property taxes based on the number of days of ownership. Rateable recognition of property taxes in Canada, therefore, continues to be appropriate under IFRIC 21.

In the majority of the U.S. tax jurisdictions in which the Company operates, the obligating event for real and personal property taxes is ownership of the property on the day of the year for which the tax is imposed.

The Company implemented IFRIC 21 retrospectively in the first quarter of fiscal 2014. The impact of the implementation is summarized as follows:

Consolidated Statements of Loss

	Thirteen weeks ended	Thirty-nine weeks ended	Year ended
<u>(millions of Canadian dollars, except per share amounts)</u>	<u>Nov 2, 2013</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>
Increase in selling, general and administrative expenses	(1)	(1)	(2)
Increase in income tax benefit	—	—	1
Increase in net loss – continuing operations	(1)	(1)	(1)
Increase in net loss	(1)	(1)	(1)
Net loss per common share - basic and diluted			
Continuing operations	(0.01)	(0.01)	(0.01)

Consolidated Statements of Comprehensive Loss

(millions of Canadian dollars)	Thirteen weeks ended Nov 2, 2013	Thirty-nine weeks ended Nov 2, 2013	Year ended Feb 1, 2014
Increase in net loss	(1)	(1)	(1)
Decrease in currency translation adjustment	—	—	(2)
Decrease in other comprehensive income	—	—	(2)
Increase in total comprehensive loss	(1)	(1)	(3)

Consolidated Balance Sheets

(millions of Canadian dollars)	Nov 2, 2013	Feb 1, 2014	Feb 2, 2013
Increase in goodwill	—	5	—
Increase in deferred tax assets	4	—	4
Increase in other payables and accrued liabilities	10	18	9
Decrease in deferred tax liabilities	—	(5)	—
Decrease in retained earnings	(5)	(5)	(4)
Decrease in accumulated other comprehensive income	(1)	(3)	(1)

The impact of the implementation of IFRIC 21 for the thirteen and thirty-nine weeks ended November 1, 2014 was:

(millions of Canadian dollars)	Thirteen weeks ended Nov 1, 2014	Thirty-nine weeks ended Nov 1, 2014
Decrease in selling, general and administrative expenses	2	—
Decrease in income tax benefit	(1)	—
Decrease in net loss – continuing operations	1	—

New Accounting Standards Not Yet Implemented

Financial Instruments

In November 2009, the IASB issued IFRS 9 – Financial Instruments: Classification and Measurement (“IFRS 9”), which contained requirements for financial assets. The IASB added requirements for financial liabilities in October 2010. IFRS 9 will replace IAS 39 in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of this standard.

Revenue

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers (“IFRS 15”), which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017, and must be applied retrospectively. Early adoption is permitted. The Company is assessing the potential impact of IFRS 15.

NOTE 3. SEASONALITY

The Company’s operations are seasonal in nature. Accordingly, retail sales will vary by quarter based on consumer spending behaviour. Historically, the Company’s revenues and earnings are highest in the fourth quarter due to the holiday season. The Company is able to adjust certain variable costs in response to seasonal revenue patterns; however, costs such as occupancy are fixed, causing the Company to report a disproportionate level of earnings in the fourth quarter. This business seasonality results in quarterly performance that is not necessarily indicative of annual performance.

NOTE 4. ACQUISITION OF SAKS

The Company has not yet finalized the purchase price allocation for the acquisition of Saks, including goodwill and therefore, the identifiable net assets acquired, disclosed in the Company's financial statements for the year ended February 1, 2014 are subject to change.

The analysis for the allocation of goodwill to groups of cash generating units ("CGUs") that will benefit from the synergies from the acquisition has not yet been completed. The Company has selected a date in the fourth quarter as its effective annual date for goodwill impairment testing.

During fiscal 2014, the Company identified measurement period adjustments based on new information relating primarily to inventories. The impacts of the adjustments to previously reported amounts are as follows:

Consolidated Balance Sheets

<u>(millions of Canadian dollars)</u>	<u>Nov 4, 2013</u>	<u>Feb 1, 2014</u>
Increase in inventories.....	21	22
Decrease in intangible assets.....	(1)	(1)
Decrease in goodwill.....	(9)	(10)
Increase in other payables and accrued liabilities	8	8
Increase in deferred tax liabilities	3	3

NOTE 5. DEPRECIATION AND AMORTIZATION

<u>(millions of Canadian dollars)</u>	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>
Property, plant and equipment	66	22	195	65
Intangible assets.....	19	9	54	28
Deferred credits	(1)	—	(2)	(2)
	84	31	247	91

NOTE 6. FINANCE COSTS

<u>(millions of Canadian dollars)</u>	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>
Interest expense on long-term borrowings	31	7	96	21
Interest expense on short-term borrowings	5	5	16	14
Write-off of deferred financing costs (note 10).....	—	—	18	6
Net interest on pensions and employee benefits	—	(1)	1	(1)
Penalties and fees on term loans (note 10).....	—	—	12	—
Interest income	(1)	—	(1)	—
Total interest expense, net	35	11	142	40
Finance related costs on warrants (note 17).....	12	7	9	18
Change in fair value of Equity Commitment Forwards (note 17).....	—	104	—	153
Bridge financing transaction fees	—	12	—	12
Acquisition-related finance costs.....	12	123	9	183
	47	134	151	223

In connection with financing the Acquisition in fiscal 2013, the Company secured a bridge financing facility in the amount of U.S.\$900 million to fund potential delays related to closing the uncommitted equity and debt financing transactions. Although the facility was not drawn upon, the Company incurred bridge financing transaction fees related to the facility which were included in finance costs for the thirteen weeks ended November 2, 2013.

NOTE 7. CASH

For the purpose of the unaudited interim condensed consolidated statements of cash flows, cash includes cash on hand and in banks. Cash as shown in the unaudited interim condensed consolidated balance sheets is comprised of the following:

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
Cash.....	30	25	19	43
Restricted cash	14	1	2	5
	44	26	21	48

NOTE 8. INCOME TAXES

Income tax benefit for the thirteen and thirty-nine weeks ended November 1, 2014 was \$21 million and \$37 million, respectively (2013: \$2 million and \$10 million, respectively).

The effective income tax rate of 61.8% (2013: 1.6%) for the thirteen weeks ended November 1, 2014 increased compared to the prior year primarily due to the effect of international tax rate differentials in the current year and non-deductible permanent differences in the prior year, principally consisting of acquisition-related finance costs.

The effective income tax rate of (41.1%) (2013: 4.5%) for the thirty-nine weeks ended November 1, 2014 decreased compared to the prior year primarily due to the favourable tax treatment related to the sale and leaseback transaction (note 18) and the effect of international tax rate differentials in the current year, offset in part by non-deductible permanent differences in the prior year, principally consisting of acquisition-related finance costs.

NOTE 9. INVENTORIES

Inventories on hand at November 1, 2014, November 2, 2013, February 1, 2014, and February 2, 2013 were available for sale. The cost of merchandise inventories recognized as expense for the thirteen and thirty-nine weeks ended November 1, 2014 was \$1,126 million and \$3,334 million, respectively (2013: \$588 million and \$1,696 million, respectively).

The write-down of merchandise inventories below cost to net realizable value as at November 1, 2014 was \$36 million (November 2, 2013: \$22 million; February 1, 2014: \$47 million; February 2, 2013: \$34 million). There was no reversal of write-downs previously taken on merchandise inventories that are no longer estimated to sell below cost. Inventory has been pledged as security for certain borrowing agreements.

NOTE 10. LOANS AND BORROWINGS

The Company's debt consists of Canadian and U.S. asset based revolving credit facilities, term loans, mortgages and finance lease obligations.

a) Current loans and borrowings

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
HBC Revolving Credit Facility	79	301	88	—
U.S. Revolving Credit Facility	613	—	418	—
Lord & Taylor Revolving Credit Facility.....	—	250	—	138
Current portion of long-term loans and borrowings.....	19	20	54	10
	711	571	560	148
Less: unamortized costs	(22)	(13)	(28)	(16)
	689	558	532	132

The amounts outstanding and availability under the Company's revolving credit facilities were as follows:

HBC Revolving Credit Facility

(millions of Canadian dollars)	Nov 1, 2014	Nov 2, 2013	Feb 1, 2014	Feb 2, 2013
Gross borrowing base availability	581	672	479	561
Drawings	(79)	(301)	(88)	—
Outstanding letters of credit	(9)	(9)	(9)	(15)
Borrowing base availability net of drawings and letters of credit	<u>493</u>	<u>362</u>	<u>382</u>	<u>546</u>

As the HBC Revolving Credit Facility is available for and used to finance working capital requirements, capital expenditures and other general corporate purposes, it has been classified in the unaudited interim condensed consolidated balance sheets as part of current loans and borrowings. The Company is not required to repay the balance outstanding as at November 1, 2014 until the maturity date of June 15, 2017.

U.S. Revolving Credit Facility

(millions of Canadian dollars)	Nov 1, 2014	Feb 1, 2014
Gross borrowing base availability (U.S.\$950)	1,071	1,058
Drawings	(613)	(418)
Outstanding letters of credit	(17)	(9)
Borrowing base availability net of drawings and letters of credit	<u>441</u>	<u>631</u>

As the U.S. Revolving Credit Facility is available for and used to finance working capital requirements, capital expenditures and other operating activities, it has been classified in the unaudited interim condensed consolidated balance sheets as part of current loans and borrowings. However, the Company is not required to repay the balance outstanding as at November 1, 2014 until the maturity date of November 4, 2018.

Lord & Taylor Revolving Credit Facility

(millions of Canadian dollars)	Nov 1, 2014	Nov 2, 2013	Feb 1, 2014	Feb 2, 2013
Gross borrowing base availability (U.S.\$350 through Nov 4, 2013).....	—	365	—	313
Drawings	—	(250)	—	(138)
Outstanding letters of credit	—	(8)	—	(2)
Borrowing base availability net of drawings and letters of credit	<u>—</u>	<u>107</u>	<u>—</u>	<u>173</u>

b) Long-term loans and borrowings

(millions of Canadian dollars)	Nov 1, 2014	Nov 2, 2013	Feb 1, 2014	Feb 2, 2013
Senior Term Loan B	2,085	—	2,228	—
Junior Term Loan	—	—	334	—
Yorkdale Mortgage	49	50	49	—
Lord & Taylor Mortgage (U.S.\$250).....	282	261	279	249
HBC Term Loan (Canadian properties).....	—	200	—	250
Lord & Taylor GE Capital Term Loan (U.S properties)	—	208	—	—
Lord & Taylor Term Loan (U.S. properties)	—	—	—	205
Other mortgages	—	10	10	12
Real estate finance leases.....	116	—	118	—
Equipment finance leases and other.....	32	20	42	26
	<u>2,564</u>	<u>749</u>	<u>3,060</u>	<u>742</u>
Less: unamortized costs	(58)	(10)	(83)	(13)
Less: amounts due within one year	(19)	(20)	(54)	(10)
	<u>2,487</u>	<u>719</u>	<u>2,923</u>	<u>719</u>

On February 3, 2014, the Company repaid a mortgage outstanding with a final balloon payment of \$10 million.

On February 25, 2014, proceeds from the sale and leaseback transaction described in note 18 were used to (1) retire in entirety the Junior Term Loan, which bore interest at a rate of 8.25%, (2) permanently pay down U.S.\$150 million of Senior Term Loan B, currently bearing interest at a rate of 4.75% and (3) reduce the outstanding balance of the HBC Revolving Credit Facility. In connection with the repayment of the Junior Term Loan and Senior Term Loan B, \$18 million of deferred financing costs were written off and \$12 million of penalties and fees for early repayment were incurred (note 6).

NOTE 11. OTHER LIABILITIES

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
Deferred landlord incentives.....	240	94	169	71
Deferred gain on sale and leaseback transaction	245	—	—	—
Deferred proceeds from lease terminations	32	—	—	—
Other deferred revenue	12	14	13	15
Other liabilities	20	10	20	8
	549	118	202	94
Non-current.....	500	112	196	88
Current.....	49	6	6	6
	549	118	202	94

NOTE 12. SHARE CAPITAL

On September 17, 2014, June 19, 2014 and March 20, 2014 the Company's Board of Directors declared a dividend of \$0.05 per common share, which was paid on October 15, 2014, July 15, 2014 and April 15, 2014 to shareholders of record at the close of business on September 30, 2014, June 30, 2014 and March 31, 2014, respectively.

On September 10, 2013 the Company issued 16,050,000 subscription receipts ("Subscription Receipts") at a price of \$17.15 per Subscription Receipt, for aggregate gross proceeds of \$275 million. The gross proceeds included \$11 million of underwriters' fees, fifty percent of which were paid on September 10, 2013. The balance of the proceeds were held in escrow pending confirmation by the Company that the conditions precedent to completing the Acquisition contained in the definitive merger agreement with Saks ("Merger Agreement") had been satisfied. The gross proceeds from the Subscription Receipts offering were presented as a current financial liability in the unaudited interim condensed consolidated balance sheet as at November 2, 2013 (note 17). The balance of the proceeds, representing fifty percent of the underwriters' fees and net proceeds of \$264 million are presented as restricted funds in the unaudited interim condensed consolidated balance sheet as at November 2, 2013. Subsequent to the Acquisition, the Subscription Receipts were converted into common shares, and thus transferred to equity.

On November 4, 2013, upon completion of the Acquisition, the Company issued 30,673,530 common shares for net proceeds of \$521 million (U.S.\$500 million) to H.S. Investments L.P. ("HSILP") and 15,376,471 common shares for net proceeds of \$261 million (U.S.\$250 million) to West Face Long Term Opportunities Global Master L.P. ("WF Fund"). As the net proceeds were received prior to the end of the quarter, the receipts were recognized as restricted funds and current financial liabilities in the unaudited interim condensed consolidated balance sheet as at November 2, 2013.

The weighted average number of common shares outstanding for the thirteen and thirty-nine weeks ended November 1, 2014 was 182 million (2013: 120 million) for both basic and diluted earnings per share.

NOTE 13. RELATED PARTY TRANSACTIONS

Transactions between HBC and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Details of transactions with other related parties are disclosed below.

On May 6, 2011, a subsidiary of L&T Acquisition entered into a two year lease with SP 35 L.P. (the "Landlord") for approximately 31,000 square feet in Shrewsbury, NJ. The lease was amended on January 17, 2013 to include three renewal options. The first two renewal options are for terms of two and three years, respectively, at an annual cost of U.S.\$400 thousand. The third renewal option is for a term of five years at an annual cost of U.S.\$500 thousand. The first renewal option was exercised. Amounts charged to the Company under the rental arrangement for the thirteen and thirty-nine weeks

ended November 1, 2014 were U.S.\$100 thousand and U.S.\$300 thousand, respectively (2013: U.S.\$100 thousand and U.S.\$300 thousand, respectively). The Landlord is an affiliate of National Realty & Development Corp. (“NRDC”). Richard Baker and Robert Baker, the principals of NRDC, are directors of the Company.

During the thirteen and thirty-nine weeks ended November 1, 2014, the Company recorded a receivable from HBTC of \$300 thousand (2013: \$300 thousand) relating to the reimbursement of expenses for services provided by HBC on their behalf.

On February 25, 2014, the Company closed its agreement to sell its downtown Toronto flagship retail complex and the Simpson’s Tower to an affiliate of The Cadillac Fairview Corporation Limited, an affiliate of HSILP, a shareholder of the Company, for a purchase price of \$650 million (note 18).

All of the above amounts have been recorded at the exchange value of the transaction.

NOTE 14. CONTINGENT LIABILITIES

As of November 1, 2014, the Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business. Although such matters cannot be predicted with certainty, management currently considers the Company’s exposure to such claims and litigation, tax assessments and reassessments, to the extent not covered by the Company’s insurance policies or otherwise provided for, not to be material to the interim condensed consolidated financial statements, but may have a material impact in future periods.

NOTE 15. SEGMENTED REPORTING

The Company has one reportable operating segment, Department Stores, which earns revenue from the sale of fashion apparel, accessories, cosmetics and home products to customers in a similar target market. The Department Stores segment, which includes Hudson’s Bay, Lord & Taylor, Saks Fifth Avenue, OFF 5TH and Home Outfitters, is managed by the Chief Operating Decision Maker and supported by an integrated shared services function.

The following summarizes retail sales, operating income (loss), non-current assets and total assets by geographic area:

<u>(millions of Canadian dollars)</u>	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>
Total retail sales				
Canada	654	633	1,854	1,793
United States	1,259	351	3,683	1,023
	1,913	984	5,537	2,816

<u>(millions of Canadian dollars)</u>	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u> (restated – see note 2)	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u> (restated – see note 2)
Total operating income (loss)				
Canada	6	(1)	263	(36)
United States	7	7	(22)	35
	13	6	241	(1)

(millions of Canadian dollars)	Nov 1, 2014	Nov 2, 2013 (restated – see note 2)	Feb 1, 2014 (restated – see note 2 and note 4)	Feb 2, 2013 (restated – see note 2)
Non-current assets⁽¹⁾				
Canada.....	631	685	695	623
United States	4,683	1,027	4,617	957
	5,314	1,712	5,312	1,580
Total assets				
Canada.....	1,893	2,975	1,749	1,888
United States	6,649	1,574	6,194	1,364
	8,542	4,549	7,943	3,252

(1) Excludes deferred tax assets and pensions and employee benefits

NOTE 16. SHARE BASED COMPENSATION

Senior executive option transactions were as follows:

	Thirty-nine weeks ended			
	Nov 1, 2014		Nov 2, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year.....	6,562,603	\$17.13	6,090,500	\$17.00
Granted	2,063,548	\$17.48	402,652	\$17.07
Exercised	—	—	—	—
Forfeited.....	(608,871)	\$17.01	(495,500)	\$17.00
Expired.....	—	—	—	—
Outstanding at end of period.....	8,017,280	\$17.23	5,997,652	\$17.00
Share options exercisable at end of period.....	—	—	—	—

During the thirteen and thirty-nine weeks ended November 1, 2014, the grant date fair values of senior executive options granted were \$1 million and \$10 million, respectively.

The following table summarizes information about the senior executive share options outstanding and exercisable as at November 1, 2014:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Nov 1, 2014	Weighted average exercise price
\$17.00 to \$17.49	5,926,553	7.96	\$17.01	—	—
\$17.50 to \$17.99	1,501,364	6.51	\$17.61	—	—
\$18.00 to \$18.85	589,363	9.15	\$18.47	—	—
Total.....	8,017,280	7.77	\$17.23	—	—

Other management option transactions were as follows:

	Thirty-nine weeks ended			
	Nov 1, 2014		Nov 2, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year.....	969,600	\$17.03	929,800	\$17.00
Granted	1,021,600	\$17.55	197,000	\$17.17
Exercised	—	—	—	—
Forfeited.....	(121,400)	\$17.06	(112,800)	\$17.00
Expired.....	—	—	—	—
Outstanding at end of period.....	1,869,800	\$17.31	1,014,000	\$17.03
Share options exercisable at end of period.....	—	—	—	—

During the thirteen and thirty-nine weeks ended November 1, 2014, the grant date fair value of other management options granted was \$100 thousand and \$5 million, respectively.

The following table summarizes information about the other management share options outstanding and exercisable as at November 1, 2014:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Nov 1, 2014	Weighted average exercise price
\$17.00 to \$17.49	976,200	5.40	\$17.04	—	—
\$17.50 to \$17.99	893,600	6.51	\$17.61	—	—
Total.....	1,869,800	5.93	\$17.31	—	—

The assumptions used to measure the fair value of senior executive and other management options granted during the thirteen weeks ended November 1, 2014 under the Black-Scholes option pricing model at the grant date were as follows:

Dividend yield	1.16%
Expected share price volatility.....	25%
Risk-free interest rate.....	1.52%
Expected life of options	5 years

In addition, nil (2013: nil and \$6 million, respectively) was paid during the thirteen and thirty-nine weeks ended November 1, 2014 related to the redemption of long-term incentive plan units. The liability for future payments related to these redemptions as at November 1, 2014 was nil (November 2, 2013: \$2 million; February 1, 2014: nil; February 2, 2013: \$8 million).

During the thirteen and thirty-nine weeks ended November 1, 2014, the Company granted 20,566 and 1,036,937 performance share units (“PSUs”) (2013: nil and 673,700, respectively) with grant date fair values of \$400 thousand and \$18 million, (2013: nil and \$10 million).

During the thirteen and thirty-nine weeks ended November 1, 2014, the Company granted 15,886 and 269,918 restricted share units (“RSUs”) (2013: nil and 32,647, respectively) with grant date fair values of \$300 thousand and \$5 million, respectively (2013: nil and \$1 million, respectively). The fair values of the grants were determined based on the Company’s share price at the date of grant. RSUs were granted under similar terms and conditions as those granted concurrently with the initial public offering.

Total share based compensation expense for the thirteen and thirty-nine weeks ended November 1, 2014 is summarized as follows:

	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>
Share options.....	4	2	8	5
DSUs, Phantom shares, PSUs and RSUs	2	1	4	3
	6	3	12	8

NOTE 17. FINANCIAL INSTRUMENTS

The fair value of the HBC Revolving Credit Facility, U.S. Revolving Credit Facility, Lord & Taylor Revolving Credit Facility, Senior Term Loan B, Junior Term Loan, Yorkdale Mortgage, HBC Term Loan, Lord & Taylor Mortgage, Lord & Taylor Term Loan and other mortgages are valued using a discounted cash flow model, taking into consideration the fixed interest rate spread included in the related debt compared to fixed interest rate spreads on similar debt available in the market at the balance sheet dates. These instruments are classified within Level 2 of the fair value hierarchy.

As at November 1, 2014, November 2, 2013, February 1, 2014 and February 2, 2013, the carrying value and fair value of these debt instruments were:

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
Carrying value.....	3,108	1,280	3,406	854
Fair value	3,116	1,280	3,446	857

Cash, restricted cash, trade and other receivables, trade payables and other payables and accrued liabilities are financial assets or liabilities that are carried at other than fair value in the unaudited interim condensed consolidated balance sheets. The fair value of these financial assets and liabilities approximate their carrying values at the balance sheet dates due to their short-term nature.

The fair values of foreign currency options, interest rate swaps, forward foreign currency contracts and warrants reflect the estimated amounts that the Company would receive or pay if it were to settle the contracts at the reporting date and are determined using valuation techniques based on observable market input data. The fair values of embedded foreign currency derivatives reflect the estimated amounts the Company would receive or pay to settle forward foreign exchange contracts with similar terms using valuation techniques which utilize observable market input data. These instruments are classified within Level 2 of the fair value hierarchy.

As at November 1, 2014, November 2, 2013, February 1, 2014 and February 2, 2013, the fair value and carrying value of derivative financial assets and financial liabilities were:

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
Financial assets	9	4	8	3
Financial liabilities	32	172	25	1

Current and non-current financial liabilities are summarized in the following tables and discussed below:

Financial liabilities – current

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
Gross proceeds from Subscription Receipts (note 12).....	—	275	—	—
Proceeds from HSILP and WF Fund in advance of common shares issuance (note 12).....	—	782	—	—
Fair value of Equity Commitment Forwards	—	130	—	—
Fair value of embedded foreign currency derivatives	—	—	1	1
	—	1,187	1	1

Financial liabilities – non-current

<u>(millions of Canadian dollars)</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>	<u>Feb 2, 2013</u>
Fair value of 1.5 million warrants issued to HSILP	7	9	5	—
Fair value of 5.25 million warrants issued to HSILP and WF Fund	25	33	19	—
	<u>32</u>	<u>42</u>	<u>24</u>	<u>—</u>

Gross proceeds from the sale of Subscription Receipts which totaled \$275 million (note 12) resulted in the presentation of a financial liability as at November 2, 2013 in the unaudited interim condensed consolidated balance sheet. Due to its short-term nature, the fair value of this financial liability approximates its carrying value as at November 2, 2013.

As net proceeds of \$521 million (U.S.\$500 million) from HSILP and \$261 million (U.S.\$250 million) from WF Fund were received in advance of the issuance of common shares, the Company recognized the receipt of the cash as a financial liability in the unaudited interim condensed consolidated balance sheet as at November 2, 2013. Due to its short-term nature, the fair value of this financial liability approximates its carrying value as at November 2, 2013.

Certain features of the warrants issued in connection with the Acquisition result in the warrants being presented as derivative financial liabilities recorded at fair value in the unaudited interim condensed consolidated balance sheets.

During the thirteen and thirty-nine weeks ended November 1, 2014, in relation to the 1.5 million warrants issued to HSILP concurrently with the Merger Agreement (“Merger Agreement Warrants”), the Company recognized finance related costs of \$3 million and \$2 million, respectively (2013: \$2 million and \$9 million, respectively) representing mark to market adjustments to the fair value as at November 1, 2014. As at November 1, 2014, the fair value of the Merger Agreement Warrants was \$7 million (November 2, 2013: \$9 million, February 1, 2014: \$5 million; February 2, 2013: nil).

In relation to the 5.25 million warrants issued to HSILP and WF Fund on November 4, 2013 upon closing of the transaction (“Acquisition Warrants”), the Company recognized finance related costs during the thirteen and thirty-nine weeks ended November 1, 2014 of \$9 million and \$7 million, respectively (2013: \$5 million and \$9 million, respectively), representing the mark to market adjustments to the fair value as at November 1, 2014. As at November 1, 2014, the fair value of the Acquisition Warrants was \$25 million (November 2, 2013: \$33 million; February 1, 2014: \$19 million; February 2, 2013: nil). The Company will continue to record mark to market gains and losses on the warrants until the earlier of the date of exercise or expiry.

The fair values of the warrants were determined using the Black-Scholes option pricing model using the assumptions outlined in the table below.

Equity commitments from HSILP and WF Fund required the Company to issue its common shares at a future date at \$17.00 per share (subject to adjustment in certain limited circumstances). Due to the variability of the share issue price and certain other features of the investment agreements with HSILP and WF Fund, forwards (“Equity Commitment Forwards”) were recognized and accounted for as derivative financial instruments. On the date of the execution of the Merger Agreement, the Equity Commitment Forwards were determined to be in an asset position. During the thirteen and thirty-nine weeks ended November 2, 2013, the Company recognized an expense of \$104 million and \$153 million, respectively representing mark to market adjustments. As at November 2, 2013, the fair value of the Equity Commitment Forwards was a liability position of \$130 million. The fair values were determined using a forward pricing model using the assumptions outlined below. The Company continued to record mark to market gains and losses on the Equity Commitment Forward until the commitment period ended on November 4, 2013.

The assumptions related to the valuation of the warrants issued are as follows:

Share price – November 1, 2014	\$19.56
Share price – February 1, 2014	\$16.47
Share price – November 2, 2013	\$19.82
Share price – July 26, 2013	\$16.49

	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Feb 1, 2014</u>
Expected warrant volatility – Merger Agreement Warrants	24%	29%	27%
Expected warrant volatility – Acquisition Warrants.....	24%	30%	27%
Expected Equity Commitment Forward volatility	—	64%	—
Dividend yield	1.02%	1.01%	1.31%
Risk free interest rate	1.40%	1.58%	1.21%
Expected life – Merger Agreement Warrants	3.8 years	4.8 years	4.5 years
Expected life – Acquisition Warrants	4.0 years	5.0 years	4.8 years
Expected life – Equity Commitment Forwards	—	up to Nov 4, 2013	—

In connection with the Saks mortgage transaction (note 21), the Company entered into an interest rate swap lock forward contract (the “Rate Lock”) during the thirteen weeks ended November 1, 2014, that resulted in the Company fixing the interest rate to be paid over the term for a portion of the mortgage. The Company designated the Rate Lock as a hedge of the cash flows from the forecasted proceeds of the Saks mortgage transaction. The Saks mortgage is expected to take effect in the Company’s fourth quarter. The hedging relationship was assessed to be highly effective and as at November 1, 2014, a net unrealized gain of \$1 million, with a related deferred tax liability of \$nil was included in other comprehensive income representing the mark-to-market adjustment to fair value from the date of execution of the Rate Lock, October 10, 2014 to November 1, 2014. The amounts retained in other comprehensive income in respect of the Rate Lock are expected to mature and affect the statement of profit or loss in the Company’s fourth quarter once the Saks mortgage takes effect.

The fair value of the Rate Lock was determined using a valuation technique that employs the use of market observable inputs and based on the differences between the contract rate and the market rates as at the period-end date, taking into consideration discounting to reflect the time value of money.

NOTE 18. SALE AND LEASEBACK TRANSACTION

On February 25, 2014, the Company sold its downtown Toronto flagship retail complex and the Simpson’s Tower located at 401 Bay Street to an affiliate of The Cadillac Fairview Corporation Limited for a purchase price of \$650 million. The Company has leased the entire retail and office complex back for a base term of twenty-five years with renewal options of up to approximately twenty-five years. Proceeds of the transaction were used to retire in entirety the Junior Term Loan, which bore interest at a rate of 8.25%, permanently pay down U.S.\$150 million of the Senior Term Loan B, currently bearing interest at a rate of 4.75% and reduce the outstanding balance of the HBC Revolving Credit Facility.

The total gain on the sale and leaseback transaction was \$560 million, \$308 million of which was recognized immediately in the unaudited interim condensed consolidated statement of (loss) earnings. The remaining \$252 million of the gain was deferred and is being amortized over the term of the lease as a reduction in rent expense. The current and non-current portions of the deferred gain are included in other liabilities in the unaudited interim condensed consolidated balance sheet.

NOTE 19. DISCONTINUED OPERATIONS

<u>(millions of Canadian dollars)</u>	<u>Thirteen weeks ended</u>		<u>Thirty-nine weeks ended</u>	
	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>	<u>Nov 1, 2014</u>	<u>Nov 2, 2013</u>
Net earnings (loss) from discontinued operations before sale of leasehold interests, net of taxes	—	1	—	(102)
Sale of leasehold interests, net of taxes of nil and nil (2013: nil and \$4 million).....	—	—	—	28
Net earnings (loss) for the period — discontinued operations, net of taxes	—	1	—	(74)

(millions of Canadian dollars)	Thirteen weeks ended		Thirty-nine weeks ended	
	Nov 1, 2014	Nov 2, 2013	Nov 1, 2014	Nov 2, 2013
Retail sales	—	—	—	146
Cost of sales	—	—	—	(162)
Selling, general and administrative expenses	—	—	—	(116)
Operating loss	—	—	—	(132)
Finance income	—	1	—	—
Earnings (loss) before income tax	—	1	—	(132)
Income tax benefit	—	—	—	30
Net earnings (loss) from discontinued operations before sale of leasehold interests, net of taxes	—	1	—	(102)

NOTE 20. NEW CREDIT CARD AGREEMENT

During the thirteen weeks ended November 1, 2014, the Company entered into a co-branded and private label credit card agreement with Capital One Financial Corporation (“Capital One”), subject to certain closing conditions that resulted in Capital One becoming the exclusive issuer for both private label and co-branded credit cards at all Company banners, including Hudson’s Bay, Lord & Taylor, Saks Fifth Avenue, OFF 5TH and Home Outfitters. The agreement has an effective date of January 1, 2015 with an initial term of seven years followed by automatic successive options to renew each for a term of one year unless either the Company or Capital One provides written notice to terminate.

NOTE 21. SUBSEQUENT EVENTS

On December 3, 2014, the Company obtained a U.S.\$1.25 billion, 20-year mortgage on the ground portion of its Saks Fifth Avenue flagship store in New York City, located at 611 Fifth Avenue (the “Saks Mortgage”) with Bank of America as the administrative agent. The Saks Mortgage matures December 3, 2034, carries a fixed interest rate of less than 4.40% and requires interest only payments. The mortgage is secured by the first mortgage lien on the fee interest in the property, together with all ground lease rents, profits and revenue. Net of associated fees and expenses, all proceeds from the Saks Mortgage were utilized to permanently pay down U.S.\$1.2 billion of Senior Term Loan B. In connection with the repayment, approximately \$34 million of deferred financing costs will be written off.