June 8, 2017

HBC Reports First Quarter 2017 Financial Result

- ***First Quarter retail sales decreased 3.0% to $3.2 billion, a decrease of 2.9% on a constant currency comparable basis***
- ***First Quarter comparable digital sales increased 5.4% on a constant currency basis, increasing 13.2% at HBC's department store banners***
- ***First Quarter Adjusted EBITDAR of $168 million; Net Loss of $221 million***
- ***HBC launches Transformation Plan designed to get ahead of industry developments; expected to generate total annual savings of more than $350 million***
- ***Sets quarterly dividend at $0.0125 per share***

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)-- HBC or the "Company" (TSX: HBC) today announced its first quarter financial results for the thirteen week period ended April 29, 2017, and also launched its Transformation Plan, currently expected to generate total annual savings of more than $350 million. 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.

"This was a tough quarter for HBC. While the retail apparel market remains particularly challenging, we are taking steps to adapt, beginning with our Transformation Plan announced today. This initiative will reshape our organization to accelerate delivery of a best-in-class all-channel experience to our customers while improving our cost structure. The Transformation Plan makes us more agile and better able to respond to evolving customer preferences and a rapidly changing retail landscape. We strongly believe that our model of combining world class real estate assets, which are less impacted by short-term trends, with our diverse retail businesses provides long-term value for the Company and our shareholders," stated Richard Baker, HBC's Governor and Executive Chairman.

Jerry Storch, HBC's Chief Executive Officer, added, "We know we can do better and we are taking bold decisive action. Rather than chase the rapid industry changes, our Transformation Plan will reposition HBC to get ahead and stay ahead. This North American based initiative, the result of a process we began more than six months ago, is designed to increase synergies across our portfolio of businesses, sharpen capabilities that give the Company a competitive edge and re-align our expenses to focus on growing our digital business. Savings from the changes we have announced today are required to help mitigate the pressures we are facing in the current environment. As we have developed our plan, we have been determined to become not just a leaner Company but also a better one. These changes include significant improvements to our organizational structure, store operations and procurement strategy, all of which better reflect the Company's efforts to drive the business forward and deliver a best-in-class all-channel experience. Combined with our prudent management of capital expenditures, we believe that this improved structure will better position HBC for the future."

Update on Operational Review:

As announced today in a separate press release, HBC has largely completed the comprehensive review of its North American business operations started in late 2016. As part of this review, the Company is implementing changes to drive its business forward and improve the Company's all-channel business model. This Transformation Plan will increase operational synergies, sharpen capabilities and reduce expenses. Including the $75 million in savings announced in February, annual savings from this Transformation Plan are currently expected to total more than $350 million by the end of Fiscal 2018, with approximately $170 million anticipated to be realized during this fiscal year. Of this $170 million, the actions necessary to secure $125 million are complete as of today. As part of this initiative, the Company will reduce total headcount by approximately 2,000 positions, including those previously announced in February. These savings are required to help offset revenue, margin and cost pressures the Company is facing in the current retail environment. In addition to the severance charges incurred as part of the Company's actions in February, HBC's expects one-time charges related to this initiative of approximately $95 million over the next 12 months.

Key Actions of HBC's Transformation Plan

- Creating two distinct leadership teams, one focused on Hudson's Bay and one dedicated to Lord & Taylor, to drive market-specific strategies. The Hudson's Bay leadership team will focus on accelerating plans to build upon its successful transformation in Canada, while the Lord & Taylor leadership team will focus on increasing the pace of change at that U.S. banner, with an emphasis on driving digital opportunities while operating its stores more efficiently.
- Integrating digital functions throughout the organization to develop and maximize the impact of all-channel solutions for marketing, operations and technology in order to deliver the most seamless in-store and online experience for HBC's customers.
- Realigning resources including IT and Digital, Store Operations & Visual Merchandising, Buying & Planning and Marketing to increase efficiencies and leverage scale, with world-class centers of excellence that support banners while preserving differentiation among the businesses.
- Optimizing in-store service and enhancing sales training for store associates to better serve HBC's customers.
- Reducing our employee base by approximately 2,000 positions, including those previously announced in February, which will flatten the organization by removing layers to make HBC more nimble and streamline the decision making process.
- Fully leveraging the size and scale of the Company to optimize procurement and generate additional savings.

First Quarter Summary

All comparative figures below are for the thirteen week period ended April 29, 2017 compared to the thirteen week period ended April 30, 2016. DSG refers, collectively, to the Lord & Taylor, Hudson's Bay and Home Outfitters banners. HBC Europe refers, collectively, to the 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.

Retail sales were $3,203 million, a decrease of $100 million, or 3.0%, from the prior year. The decrease is related primarily to lower overall comparable sales of approximately $94 million. The remainder of the decrease was driven by a negative $31 million foreign exchange impact on the translation of U.S. dollar and Euro denominated sales and a $25 million impact from store closures, partially offset by the opening of four new Saks Fifth Avenue stores and 25 new Saks OFF 5TH stores during the last year, which contributed approximately $50 million in sales.

On a constant currency basis, comparable sales held flat at HBC Europe and declined by 2.4% at DSG, 4.8% at Saks Fifth Avenue and 6.8% at HBC Off Price, resulting in an overall consolidated comparable sales decline of 2.9%. Comparable sales during the quarter were impacted by lower traffic across HBC's banners, as well as a highly promotional retail environment.

While HBC Europe experienced lower overall traffic, this was offset by an increase in both conversion rate and average basket size as HBC Europe continued to fine tune its marketing activities and introduce new brands. Looking ahead, creative marketing campaigns combined with the roll-out of new "store within store" concepts and further introduction of new brands are expected to drive sales in Europe through the back half of the fiscal year. Additionally, HBC Europe is introducing the Company's Saks OFF 5TH banner in Germany, with an opportunity for up to 40 stores. The first store opened today in Düsseldorf to large crowds, and the Company has announced the location of four other stores expected to open later this year. In the Netherlands, HBC Europe will be opening the first Hudson's Bay stores later this summer and expects to open a total of ten stores during Fiscal 2017.

Although overall comparable sales at DSG declined, sales increased at Hudson's Bay, primarily driven by strong overall digital sales. Active and ladies shoes continued to perform well while handbag sales declined and growth in home was lower year over year. Ongoing initiatives at Hudson's Bay include an increased focus on key categories such as active, dresses, home and men's, as well as focused digital marketing designed to drive all-channel sales. At Lord & Taylor, in-store traffic remains challenging, though the Company has seen an improvement in overall conversion. During the quarter, Lord & Taylor expanded The Dress Address initiative, and continues to heighten its focus on key categories such as active, dresses, denim and fine jewelry while investing in value-focused messaging and new and existing partnerships. Lord & Taylor is also dedicating additional resources to its digital business in an effort to drive performance of this channel.

As announced today, the Company is creating dedicated leadership teams for each of Hudson's Bay and Lord & Taylor. These teams will drive market-specific strategies that support plans for continued growth at Hudson's Bay in Canada and increase the pace of change at Lord & Taylor, with an emphasis on driving digital opportunities.

Lower comparable sales at Saks Fifth Avenue were primarily driven by lower traffic, a decline in international sales, and a shift in timing of two major promotional events. Saks continues to focus on injecting newness into the customer experience while investing in marketing initiatives in key markets through events, targeted marketing, and continued enhancements to our SaksFirst loyalty program. Saks Fifth Avenue will also roll out several digital initiatives over the coming months and expects to expand its drop ship program in addition to rolling out "buy online, pick up in store" functionality at all stores.

Lower traffic at Saks OFF 5TH and Gilt primarily drove the comparable sales decline at HBC Off Price, though Gilt accounted for an outsized portion of the overall decline. The Company continues to work on elevating the assortment at Saks OFF 5TH, while also growing the amount of exclusive product both in store and online. The integration of Gilt and Saks OFF 5TH is ongoing, with the expectation that Saks OFF 5TH assortments will be available on Gilt by the end of the third fiscal quarter, providing customers with more access to top designers, products, and categories at attractive values.

Digital sales increased by 5.6% from the prior year, with comparable digital sales on a constant currency increasing by 5.4%. Excluding Gilt, comparable digital sales on a constant currency basis increased by 13.2%, reflecting the Company's continued strategic focus on growing this channel.

For HBC overall, gross profit[1] as a percentage of retail sales was 41.7%, a decline of 20 basis points compared to the prior year. The majority of the decrease is the result of lower margins realized at DSG and HBC Off Price due, in part, to increased promotional activity, partially offset by higher margins at Saks Fifth Avenue and HBC Europe.

SG&A expenses were $1,373 million compared to $1,395 million in the prior year. During the quarter the 4th Circuit court affirmed a U.S. $31 million judgment in favour of the Company with respect to its Lord & Taylor store in White Flint, Maryland. This judgment was for damages resulting from changes made to the adjacent White Flint Mall that were undertaken without Lord & Taylor's consent. Cash proceeds from the judgment were also received during the quarter, and the amount has been recognized as a credit to SG&A in the Company's statement of loss.

SG&A expenses also benefited from a $22 million dollar impact related to foreign exchange rate movements, a $16 million reduction in lease guarantee provisions, a $15 million reduction in acquisition and integration related expenses, as well as initial savings from the Company's $75 million cost savings initiative announced earlier in the year. Partially offsetting these benefits was a $10 million increase in restructuring charges as a result of the same cost savings initiative, $21 million in expenses related to HBC's expansion into the Netherlands, a $7 million increase in rent expense, as well as incremental expenses related to new stores and various other items. Additionally, both the shift to digital sales from traditional in-store sales as well as overall digital sales growth during the quarter continues to have a negative impact on SG&A expenses as a result of higher fulfillment costs associated with this channel. Profit margins on digital sales are expected to improve over time, as the Company continues to invest in its digital supply chain, reduces expenses related to its digital operations and introduces store centric all-channel delivery options.

Adjusted SG&A[1] expenses, which exclude certain non-cash items and normalizing adjustments consistent with the Company's other adjusted non-IFRS metrics, were $1,341 million or 41.9% of retail sales, compared to $1,300 million or 39.4% in the prior year. This increase in SG&A dollars was driven by additional SG&A related to new stores opened during the previous year, additional investment in digital resources combined with an increase in fulfillment expenses related to the sales growth in this channel, and various other items, partially offset by a $19 million benefit as a result of foreign exchange rate movements. These factors, combined with the impacts associated with lower comparable sales, resulted in an increased Adjusted SG&A[1] expense rate.

Adjusted EBITDAR[1] was $168 million, compared to $250 million in the prior year. The decline in Adjusted EBITDAR[1] can be primarily attributed to a decline in gross profit dollars combined with an increase in Adjusted SG&A[1] expenses as discussed above.

While rent expenses are spread evenly over the course of the Fiscal year, the Company's pre-rent earnings are typically highly seasonal, with the majority of earnings generated in the back half of the Fiscal year. The formation of the two real estate joint ventures and the establishment of additional rents payable to these entities significantly increased rental expense as a percentage of the seasonally low pre-rent earnings generated during the first half of the fiscal year. Total rent expense during the first quarter, including net cash rent associated with the Company's joint ventures, was essentially flat compared to the prior year. Accordingly, Adjusted EBITDA[1] was negative $21 million, a decrease of $83 million compared to the prior year and consistent with the decline in Adjusted EBITDAR[1].

Net loss was $221 million compared to $97 million in the prior year. The higher net loss is primarily due to lower gross margin dollars combined with higher depreciation and amortization expenses of $15 million, higher finance costs of $12 million and an increased share of net loss from the joint ventures of $25 million. This change in the net loss from joint ventures was driven by the impact of foreign exchange translation of Euro denominated debt at HBS Global Properties. Additionally, prior year results included a net of tax gain of $28 million on the sale of investments in the joint ventures, while the current quarter included a net of tax $25 million SG&A credit related to the White Flint Lord & Taylor judgment.

Normalized Net Losses[1] were $217 million compared to $91 million in the prior year. This decrease is primarily a result of lower gross profit dollars and higher Adjusted SG&A[1], as described above, as well as increased depreciation and amortization expenses.

Finance costs were $57 million compared to $45 million in the prior year. The increase is primarily related to the reduction in non-cash finance income generated from mark-to-market adjustments associated with the valuation of Common Share purchase warrants outstanding compared to the prior year. Additionally, there was an increase in interest costs related to long-term borrowings, partially offset by reductions in interest costs related to short-term borrowings. Interest paid in cash was $45 million compared to $49 million in the prior year.

Note:
1 These performance metrics have been identified by the Company as Non-IFRS measures. For the relevant definitions and reconciliations, please refer to the "Non-IFRS Measures" and "Supplemental Information" sections, respectively, of this release.

Real Estate

Management strongly believes in the value of the Company's real estate assets, which are predominantly located in high traffic locations including urban high streets and prime retail shopping centres. To date, HBC has structured two joint ventures as REIT ready vehicles, obtained independent appraisals on its two wholly-owned New York City flagships as part of mortgage financings on the properties, and sold equity in HBS Global Properties to third-party investors. To continue to highlight the value of its real estate assets, the Company may take additional actions which could include the sale of additional equity in its joint ventures or real estate assets, and/or a potential public listing of either or both of the joint ventures, in all cases subject to prevailing market conditions.

Inventory

Inventory at the end of the first quarter increased by $299 million compared to the prior year. This increase was driven primarily by foreign exchange rate movements and higher inventory at HBC Europe, largely as a result of the introduction of new brands and upgraded concepts at Galeria Kaufhof. Saks Fifth Avenue and Saks OFF 5TH also experienced a moderate increase in inventory levels, driven by the addition of new stores. These increases were partially offset by lower inventory at DSG.

Store Network

During the first quarter, the Company opened four Saks OFF 5TH stores in Canada, which are located in Brampton, Ontario; Pickering, Ontario; Edmonton, Alberta and Quebec City, Quebec. In the U.S., the Company opened one Saks OFF 5TH store in King of Prussia, Pennsylvania. The Company closed one Home Outfitters store in Laval, Quebec and, as part of the conversion of these locations to Saks OFF 5TH stores in Germany, the Carsch-Haus store in Düsseldorf and four Sportarena stores in Frankfurt, Wiesbaden, Heidelberg and Stuttgart.

Store information as at April 29, 2017	Store Count(1)	Gross Leasable Area (1) / Square Footage (000s)
Hudson's Bay	**90**	**15,834**
Lord & Taylor	**50**	**6,901**
Saks Fifth Avenue	**41**	**5,188**
Saks OFF 5TH	**122**	**3,653**
Home Outfitters	**52**	**1,830**
HBC Europe	**124**	**28,054**
Total	**479**	**61,460**

(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 Investments

Capital investments, net of landlord incentives, during the first quarter totaled $153 million, flat compared to the prior year. During the quarter, the Company opened five Saks OFF 5TH stores, four of which were in Canada and one of which was in the U.S. Additionally, the Company also continued work on its major renovation at the Saks Fifth Avenue flagship store on

5th Avenue in New York, commenced the installation of its robotic fulfillment technology in its Pottsville, Pennsylvania distribution centre, completed renovations on the dress floor of its Lord & Taylor flagship store in New York and opened its Saks Fifth Avenue men's store at Brookfield Place, also in New York. In Europe, HBC continued to build out its new Hudson's Bay locations in the Netherlands and made progress on its renovation program at its Galeria Kaufhof stores in Düsseldorf and Frankfurt.

The Company is dedicated to prudent capital management, and given the current retail environment, is focusing its capital investment program on in-progress and expected high-return projects. HBC continues to expect total capital investments in Fiscal 2017, net of landlord incentives, to be between $450 million and $550 million, compared to $657 million in Fiscal 2016.

The above capital investment expectations reflect exchange rate assumptions of USD:CAD = 1:1.34 and EUR:CAD = 1:1.43. 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.

Debt Summary

As at April 29, 2017, 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 weeks ended April 29, 2017):

(millions of Canadian dollars, unless otherwise noted)	**TOTAL ($)**	CAD ($)	USD ($)	EUR (€)
Global ABL	**1,213**	257	547	141
U.S. Term Loan B	**683**	—	500	—
Lord & Taylor Mortgage	**542**	—	397	—
Saks Mortgage	**1,706**	—	1,250	—
Other loans	**7**	—	5	—
Total Outstanding Loans and Borrowings	**4,151**	257	2,699	141

At the end of the quarter, the Company had in excess of $1.4 billion in availability under its Global ABL Facility, comparable to the amount available under its revolving facility in the prior year.

Dividend

As the Company continues to invest in its all-channel business and evaluates other strategic initiatives, the Board of Directors has reset the quarterly dividend to $0.0125 per share. This change in dividend policy is part of the Company's ongoing initiatives to improve operations and cash flow to capitalize on future opportunities. In the near term, Management intends to reallocate the annual cash savings of approximately $27 million to HBC's business operations and debt reduction on its revolving credit facility, while it remains focused on creating long-term shareholder value by making changes to drive the business forward and improve the Company's profitability.

The Company also announced today that its Board of Directors has approved a quarterly dividend to be paid on July 14, 2017, to shareholders of record at the close of business on June 30, 2017. The dividend is in the amount of $0.0125 per Common Share and is designated as an "eligible dividend" for Canadian tax purposes. The declaration of dividends is at the discretion of the Company's Board of Directors.

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 first quarter financial results and other matters during a conference call on June 9, 2017 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 weeks ended April 29, 2017 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 for the quarters ended April 29, 2017 and April 30, 2016 has been prepared on a basis consistent with our audited annual consolidated financial statements for Fiscal 2016. 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. The information presented herein does not contain disclosures required by IFRS and should be read in conjunction with the Company's audited annual consolidated financial statements for Fiscal 2016.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(millions of Canadian dollars, except per share amounts)

	Thirteen week period ended	
	Apr 29, 2017	Apr 30, 2016
Retail sales	**3,203**	3,303
Cost of sales	**(1,868)**	(1,920)
Selling, general and administrative expenses	**(1,373)**	(1,395)
Depreciation and amortization	**(173)**	(158)
Gain on sale of investments in joint ventures	**—**	45
Operating loss	**(211)**	(125)
Finance costs, net	**(57)**	(45)
Share of net loss in joint ventures	**(27)**	(2)
Dilution gains from investments in joint ventures	**3**	4
Loss before income tax	**(292)**	(168)
Income tax benefit	**71**	71
Net loss for the period	**(221)**	(97)
Loss per common share		
Basic	**(1.21)**	(0.53)
Diluted	**(1.21)**	(0.58)

The following table shows additional summary supplemental information for the periods indicated (1):

	Thirteen week period ended	
	Apr 29, 2017	Apr 30, 2016
Adjusted EBITDAR (1)	168	250
Adjusted EBITDA (1)	(21)	62
Adjusted SG&A (1)	1,341	1,300
Normalized net loss for the period (1)	(217)	(91)
Normalized net loss per Common Share — basic and diluted (1)	(1.19)	(0.50)
Declared dividend per Common Share	0.05	0.05

(1) See below for relevant definitions and tables for reconciliations of net loss to EBITDA, Adjusted EBITDA and Adjusted EBITDAR, SG&A to Adjusted SG&A and net loss to Normalized net loss. These performance metrics have been identified by the Company as Non-IFRS measures. For the relevant definitions, please refer to the "Non-IFRS Measures" section of this release and for the relevant reconciliations of the nearest IFRS measures, please refer to the "Supplemental Information" section of this release and the MD&A for the thirteen weeks ended April 29, 2017.

CONDENSED CONSOLIDATED BALANCE SHEETS

As at April 29, 2017 and April 30, 2016

(millions of Canadian dollars)

	Apr 29, 2017	Apr 30, 2016 *restated* (1)
Assets		
Cash	**99**	101
Trade and other receivables	**339**	566
Inventories	**3,688**	3,389
Other current assets	**248**	175
Total current assets	**4,374**	4,231
Property, plant and equipment	**5,529**	4,885
Intangible assets and goodwill	**1,849**	1,926
Pensions and employee benefits	**173**	163
Deferred tax assets	**330**	305
Investments in joint ventures	**611**	597
Other assets	**19**	19
Total assets	**12,885**	12,126
Liabilities		
Loans and borrowings	**1,195**	743
Finance leases	**27**	25
Trade payables	**1,373**	1,329
Other payables and accrued liabilities	**1,092**	1,103
Deferred revenue	**106**	105
Provisions	**182**	160
Other liabilities	**126**	189
Total current liabilities	**4,101**	3,654
Loans and borrowings	**2,852**	2,443
Finance leases	**519**	484
Provisions	**58**	85
Pensions and employee benefits	**699**	650
Deferred tax liabilities	**697**	780
Investment in joint venture	**7**	20
Other liabilities	**1,682**	1,290
Total liabilities	**10,615**	9,406
Shareholders' equity		
Share capital	**1,422**	1,421
Retained earnings	**247**	923
Contributed surplus	**128**	94
Accumulated other comprehensive income	**473**	282
Total shareholders' equity	**2,270**	2,720
Total liabilities and shareholders' equity	**12,885**	12,126

(1) Subsequent to the acquisitions of Kaufhof and Gilt, the Company identified measurement period adjustments related to the acquisitions based on new information. Due to this change, certain previously reported figures have been restated. For more information, please refer to Notes 4 and 5 of the Company's unaudited interim condensed consolidated financial statements for the thirteen week period ended April 29, 2017.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the 13 weeks ended April 29, 2017 and April 30, 2016

(millions of Canadian dollars)

	Apr 29, 2017	Apr 30, 2016
Operating activities		

Net loss for the period	**(221)**	(97)
Income tax benefit	**(71)**	(71)
Dilution gains from investments in joint ventures	**(3)**	(4)
Share of net loss in joint ventures	**27**	2
Finance costs, net	**57**	45
Operating loss	**(211)**	(125)
Net cash income taxes paid	**(4)**	—
Interest paid in cash	**(45)**	(49)
Distributions of earnings from joint ventures	**54**	51
Items not affecting cash flows:		
Depreciation and amortization	**173**	158
Net defined benefit pension and employee benefits expense	**7**	7
Other operating activities	**(10)**	2
Share of rent expense to joint ventures	**(88)**	(94)
Gain on sale of investments in joint ventures	**—**	(45)
Share based compensation	**11**	10
Settlement of share based compensation grants	**—**	(2)
Changes in operating working capital	**(486)**	(248)
Net cash outflow for operating activities	**(599)**	(335)
Investing activities		
Capital investments	**(224)**	(231)
Proceeds from landlord incentives	**71**	78
Capital investments less proceeds from landlord incentives	**(153)**	(153)
Proceeds from lease terminations and other non-capital landlord incentives	**2**	—
Proceeds on disposal of assets	**3**	34
Proceeds from sale of investments in joint ventures	**—**	65
Acquisition of Gilt Groupe Holdings Inc., net of cash acquired	**—**	(325)
Other investing activities	**(1)**	(3)
Net cash outflow for investing activities	**(149)**	(382)
Financing activities		
Long-term loans and borrowings:		
Repayments	**(1)**	(1)
	(1)	(1)
Short-term loans and borrowings:		
Net borrowings from asset-based credit facilities	**745**	353
Borrowing costs	**(4)**	(13)
	741	340
Payments on finance leases	**(9)**	(8)
Dividends paid	**(9)**	(9)
Net cash inflow from financing activities	**722**	322
Foreign exchange gain (loss) on cash	**3**	(11)
Decrease in cash	**(23)**	(406)
Cash at beginning of year	**122**	507
Cash at end of period	**99**	101

Supplemental Information

The following table presents the reconciliation of net loss to EBITDA , Adjusted EBITDA and to Adjusted EBITDAR:

	Thirteen week period ended	
(millions of Canadian dollars)	**Apr 29, 2017**	Apr 30, 2016
	$	$
Net loss for the period	**(221)**	(97)
Finance costs, net	**57**	45
Income tax benefit	**(71)**	(71)
Depreciation and amortization	**173**	158

EBITDA [1] [5]	**(62)**	35
Certain non-cash items [2]	**43**	(34)
Normalization adjustments [3]	**13**	82
Net rent expense to joint ventures [4]	**43**	40
Cash rent to joint ventures	**(112)**	(112)
Cash distributions from joint ventures	**54**	51
Total adjustments	**41**	27
Adjusted EBITDA [5]	**(21)**	62
Rent adjustments		
Third party rent expense [6]	**131**	127
Cash rent to joint ventures	**112**	112
Cash distributions from joint ventures	**(54)**	(51)
Adjusted EBITDAR [5]	**168**	250

Notes:

(1) Since the fourth quarter of Fiscal 2016, EBITDA as previously reported has been redefined to exclude the add back for 'Certain non-cash items'. These add backs are summarized in footnote 2 and are now included as part of the adjustments to calculate Adjusted EBITDA. See the definition of EBITDA in the "Non-IFRS measures" section of this release.

(2) Certain non-cash items consist of:

Share of net loss in joint ventures	27	2
Gain on sale of investments in joint ventures	—	(45)
Dilution gains from investments in joint ventures [i]	(3)	(4)
Non-cash pension expense	7	7
Impairment and other non-cash items	(1)	(2)
Share based compensation	13	8
	43	(34)

(i) Represents gains realized as a result of the changes in ownership related to the Company's investments in the joint ventures.

(3) Normalization adjustments consist of:

Acquisition and integration related expenses [i]	5	20
Lease guarantee provision [ii]	—	16
Foreign exchange adjustment [iii]	(11)	2
Restructuring [iv]	37	27
Credit card chargeback expense [v]	1	8
European expansion [vi]	21	—
Other [vii]	(40)	9
	13	82

(i) Includes acquisition and integration expenses related to the acquisitions of Saks, Kaufhof and Gilt.
(ii) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.
(iii) 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.
(iv) 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.

(v) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.

(vi) Includes one-time start-up and expansion costs related to HBC Europe's opening of Hudson's Bay and Saks OFF 5TH stores in the Netherlands and Germany.

(vii) For the thirteen week period ended April 29, 2017, primarily represents a $42 million payment received for a favourable verdict with respect to a 2013 lawsuit brought forth by the Company relating to White Flint mall, offset by other smaller items totaling a net of $2 million.

(4) 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 week period ended April 29, 2017).
(5) These performance metrics have been identified by the Company as Non-IFRS measures. For the relevant definitions, please refer to the "Non-IFRS Measures" section of this release.
(6) Previously included rent expense related to leases at Home Outfitters that have been classified as onerous lease contracts. As of the second quarter of Fiscal 2016, amounts related to these onerous lease contracts have been removed and any previously reported amounts impacted by this adjustment have been restated.

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

	Thirteen week period ended	
(millions of Canadian dollars)	**Apr 29, 2017**	Apr 30, 2016
	$	$
SG&A	**1,373**	1,395
Certain non-cash items (1)	**(19)**	(13)
Normalization adjustments (2)	**(13)**	(82)
Total adjustments	**(32)**	(95)
Adjusted SG&A (3)	**1,341**	1,300
Adjusted SG&A (3) as a percentage of retail sales	**41.9 %**	39.4 %

Notes:
(1) Certain non-cash items consist of:

Non-cash pension expense	(7)	(7)
Impairment and other non-cash items	1	2
Share based compensation	(13)	(8)
	(19)	(13)

(2) Normalization adjustments consist of:

Acquisition and integration related expenses (i)	(5)	(20)
Lease guarantee provision (i)	—	(16)
Foreign exchange adjustment (i)	11	(2)
Restructuring (i)	(37)	(27)
Credit card chargeback expense (i)	(1)	(8)
European expansion (i)	(21)	—
Other (i)	40	(9)
	(13)	(82)

(i) For details refer to footnote 3 to the reconciliation of net loss to EBITDA, Adjusted EBITDA and to Adjusted EBITDAR table above.

(3) This performance metric has been identified by the Company as a Non-IFRS measure. For the relevant definition,

please refer to the "Non-IFRS Measures" section of this release.

The following table presents the reconciliation of net loss to Normalized net loss:

	Thirteen week period ended	
(millions of Canadian dollars)	**Apr 29, 2017**	Apr 30, 2016
	$	$
Net loss for the period	**(221)**	(97)
Certain non-cash items (1)	**(2)**	(31)
Normalization adjustments (2)	**12**	58
Adjustments to share of net loss in joint ventures (3)	**(6)**	(21)
Total adjustments (4)	**4**	6
Normalized net loss (5)	**(217)**	(91)

Notes:
(1) Certain non-cash items consist of:

Gain on sale of investments in joint ventures	—	(28)
Dilution gains from investments in joint ventures	(2)	(3)
	(2)	(31)

(2) Normalization adjustments consist of:

Acquisition and integration related expenses and finance costs (i)	5	6
Restructuring (ii)	25	18
Foreign exchange adjustment (iii)	(8)	11
Lease guarantee provision (iv)	—	12
Credit card chargeback expense (v)	—	5
European expansion (vi)	14	—
Other (vii)	(24)	6
	12	58

(i) Includes acquisition and integration expenses related to the acquisitions of Saks, Kaufhof and Gilt. In addition, includes the recognition of non-cash finance (loss) income related to Common Share purchase warrants of ($1) million for the thirteen week period ended April 29, 2017, (thirteen week period ended April 30, 2016: $8 million).
(ii) 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.
(iii) Represents the impact of unrealized losses (gains) on 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.
(iv) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.
(v) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.
(vi) Includes one-time start-up and expansion costs related to HBC Europe's opening of Hudson's Bay and Saks OFF 5TH stores in the Netherlands and Germany.
(vii) For the thirteen week period ended April 29, 2017, primarily represents a $42 million payment ($25 million net of tax) received for a favourable verdict with respect to a 2013 lawsuit brought forth by the Company relating to White Flint mall, offset by other smaller items totaling a net of $1 million.

(3) Relates to the Company's share of net non-recurring items incurred by HBS Global Properties LLC.
(4) All adjustments are tax-effected as appropriate.
(5) This performance metric has been identified by the Company as a Non-IFRS measure. For the relevant definition, please refer to the "Non-IFRS Measures" section of this release.

Non-IFRS Measures

Gross profit, EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized net loss and Adjusted SG&A are non-IFRS measures that the Company uses to assess its operating performance. Gross profit is defined as retail sales less cost of sales. EBITDA is defined as net earnings (loss) before net finance costs, income tax expense (benefit) and depreciation and amortization expense. EBITDA as previously reported has now been defined to exclude the add back for 'certain non-cash items'. These add backs are summarized above and in note 2 to the reconciliation of net loss to EBITDA, Adjusted EBITDA and Adjusted EBITDAR in the "Supplemental Information" section of this press release. As a result of this change, previous references to EBITDA have been updated to conform to this basis.

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: (A) certain non-cash items which include: (i) share of net loss in joint ventures, (ii) gain on contribution of assets to joint ventures, (iii) gain on sale of investments in joint ventures, (iv) dilution gains from investments in the joint ventures, (v) non-cash pension expense, (vi) impairment and other non-cash items and (vii) non-cash share based compensation expense; (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges, (ii) merger/acquisition costs and expenses and (iii) adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations and joint venture adjustments. Adjusted EBITDAR is defined as Adjusted EBITDA before third party rent expense, cash rent to joint ventures and cash distributions from joint ventures. Adjusted SG&A is defined as selling general & administrative expenses adjusted to exclude: (A) certain non-cash items which include: (i) non-cash pension expense, (ii) impairment and other non-cash items and (iii) non-cash share based compensation expense, and (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges and (ii) merger/acquisition costs and expenses and (iii) adjustments, if any, related to transactions that are not associated with day-to-day operations. Normalized net earnings (loss) is defined as net earnings (loss) adjusted to exclude: (A) certain non-cash items which include: (i) impairment of goodwill, (ii) gain on contribution of assets to joint ventures, (iii) gain on sale of investments in joint ventures and (iv) dilution gains from investments in joint ventures; (B) normalization adjustments which include: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses and (iii) adjustments, including those related to purchase accounting, if any, related to transactions that are not associated with day-to-day operations, financing and tax related adjustments; and © adjustments to share of net loss in joint ventures . For further clarity, please refer to the detailed tables reconciling net (loss) earnings to Adjusted EBITDA and to Adjusted EBITDAR, reported SG&A to Adjusted SG&A and net (loss) earnings to Normalized net earnings (loss).

The Company uses these non-IFRS measures to provide investors and others with supplemental measures of its operating performance. The Company believes these non-IFRS measures 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 these non-IFRS measures in the evaluation of issuers, many of which present similar metrics when reporting their results. The Company's 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 these non-IFRS measures 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 and comparable digital sales. 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 where applicable, 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. Definitions and calculations of comparable sales financial results 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 respective 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 week period ended April 29, 2017.

About HBC

HBC is a diversified global retailer focused on driving the performance of high quality stores and their all-channel offerings, growing through acquisitions, and unlocking the value of real estate holdings. Founded in 1670, HBC is the oldest company in North America. HBC's portfolio today includes formats ranging from luxury to premium department stores to off price fashion shopping destinations, with more than 480 stores and over 66,000 employees around the world.

HBC's leading banners across North America and Europe include Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Gilt, Saks OFF 5TH, Galeria Kaufhof, the largest department store group in Germany, and Belgium's only department store group Galeria INNO.

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 of the Company's model of combining world class real estate assets with diverse retail businesses, the anticipated benefits and annualized savings from HBC's Transformation Plan and potential additional productivity enhancements, including the initiative's ability to increase synergies across the Company's portfolio of businesses, sharpen capabilities that give the Company a competitive edge and re-align its expenses to focus on growing our digital business and ability to execute key components of the Transformation Plan, including creating dedicated leadership teams for each of Hudson's Bay and Lord & Taylor, integrating digital functions throughout the organization, realigning Company resources to increase efficiencies and leverage scale, optimizing in-store service and enhanced training to store associates, reducing headcount by approximately 2,000 positions, leveraging the size and scale of the Company to optimize procurement, activities expected to drive sales in Europe, opportunity for Saks OFF 5TH banner stores in Germany, digital initiatives, integration of Gilt and Saks OFF 5TH, and the Company's strategy with respect to the joint ventures, the Company's anticipated gross capital investments and capital investments, net of landlord incentives, for Fiscal 2017, and the intended use of such capital investments, including expansion into the Netherlands, ongoing store renovations and the installation of automated fulfillment technology at the Pottsville distribution centre, the intended use of the cash savings from the Company's change in dividend policy, 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 capital investments, including, among others, the Company's anticipated Fiscal 2017 total capital investments, net of landlord incentives, between $450 million and $550 million, are certain assumptions regarding, among others, the overall retail environment and currency exchange rates for Fiscal 2017. Gross capital investment is expected to be between $1,025 million and $1,125 million, of which approximately $800 million is related to growth initiatives. Specifically, the Company has assumed the following exchange rates for Fiscal 2017: USD:CAD = 1:1.34 and EUR:CAD = 1:1.43. These current assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual capital investments could differ materially from what is currently expected and 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 and the risk that the Company may not achieve overall anticipated financial performance.

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 the Company's actual results, level of activity, performance, achievements, future events or developments to differ materially from management's expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond HBC's control and the effects of which can be difficult to predict: 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 the Company's information systems to support the organization and protect against cyber-security threats, privacy breach, risks relating to the Company's 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 of 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 the Company does 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, 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 product liability or recalls, increase in litigation, developments in the credit card and financial services industries, changes in accounting standards, other risks inherent to the Company's business and/or factors beyond its 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, 2017, the "Risk Factors" section of HBC's MD&A dated June 8, 2017, 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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