September 6, 2016

Hudson's Bay Company Reports Second Quarter 2016 Financial Results

- ***Adjusted EBITDAR increased 113.8% to $263 million; An increase of 210 basis points as a percentage of retail sales***
- ***Adjusted EBITDA increased 55.8% to $81 million despite additional expenses related to the Joint Ventures***
- ***Consolidated retail sales increased 59.6% to $3.3 billion, with comparable sales up 1.9%; down 1.3% on a constant currency basis***
- ***Gross profit rate increased 200 basis points to 41.5%, driven by the addition of HBC Europe and improvements at Saks OFF 5TH***
- ***Net Loss of $142 million; The second quarter of 2015 included a pre-tax gain of $133 million related to the Joint Ventures which contributed to net earnings of $59 million in that period***
- ***Provides commentary on Fiscal 2016 outlook***

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)-- Hudson's Bay Company ("HBC" or the "Company") (TSX: HBC) today announced its second quarter financial results for the thirteen and twenty-six week periods ended July 30, 2016. Unless otherwise indicated, all amounts are expressed in Canadian dollars. Certain metrics, including those expressed on an adjusted, normalized, comparable and/or constant currency basis, are non-IFRS financial measures (for more information please refer to the "Supplemental Information" section of this press release and the reconciliation tables further below).

"The second quarter was another solid quarter for HBC. We continued to execute on our expansion plans in Europe with the announcement that we would be introducing our iconic Hudson's Bay banner to the Netherlands. We currently plan to open up to 20 stores, and during the quarter signed long term lease agreements for 11 locations accounting for approximately 1,526,000 square feet. We also announced the first five Saks OFF 5TH locations in Germany, which we expect to open next summer. In New York we closed a U.S. $400 million, 5-year mortgage on our Lord & Taylor flagship location on 5th Avenue which valued the property at U.S. $655 million based on an independent appraisal commissioned by the lenders. This transaction, as well as the attractive rate we secured, exemplifies both the value of our real estate portfolio and the significant financial flexibility that it provides to HBC as we work through a challenging retail environment" stated Richard Baker, HBC's Governor and Executive Chairman.

Jerry Storch, HBC's Chief Executive Officer, added, "In the second quarter we made good progress on focusing on expenses and leveraging our scale to increase efficiencies. Additionally, our sales associates continued to delight our customers and were able to drive sales in a challenging market. Gross margins increased 200 basis points as a result of the inclusion of HBC Europe as well as our revised pricing strategy at Saks OFF 5TH. To support our digital growth we are bringing industry-leading robotic technology to Canada which we expect will reduce digital order processing time and generate significant savings. We expect the first installation to be fully functional this fall, and are currently the only company in Canada to utilize this technology. We are also proud to support Team Canada in the Rio Olympic and Paralympic games, and it was great to see the iconic Hudson's Bay stripes in both the opening and closing ceremonies and on the medal podiums. As we look towards the second half of 2016, we are monitoring the retail environment closely and are taking prudent steps to ensure that HBC is in a position to capitalize on the opportunities presented as we anniversary last year's tough third and fourth quarters. Despite the uncertainty in the current environment, we remain focused on executing on our long term strategy for profitable growth."

Second Quarter Summary

All comparative figures below are for the thirteen week period ended July 30, 2016 compared to the thirteen week period ended August 1, 2015. DSG refers, collectively, to the Lord & Taylor, Hudson's Bay and Home Outfitters banners. HBC Europe refers, collectively, to GALERIA Kaufhof, Galeria INNO and Sportarena banners. HBC Off Price refers, collectively, to the Saks Fifth Avenue OFF 5TH ("Saks OFF 5TH") and Gilt banners.

Consolidated retail sales were $3,252 million, an increase of 59.6% from the prior year, primarily as a result of the addition of HBC Europe and Gilt as well as an increase in comparable sales of 1.9%. On a constant currency basis, comparable sales grew 1.1% at DSG, offset by declines of 0.9% at HBC Europe, 11.4% at HBC Off Price and 1.3% at Saks Fifth Avenue, resulting in a total comparable sales decline of 1.3%. Total Digital sales increased by 84.4% from the prior year, with total Digital comparable sales increasing by 1.4% on a constant currency basis. Excluding HBC Off Price, total Digital comparable sales increased 17.3% on a constant currency basis.

As discussed in the prior quarter, HBC has significantly reduced its promotional activity at Saks OFF 5TH compared to the prior year, which has substantially increased margins while reducing sales. During the quarter the Company also migrated the Saks OFF 5TH website to a new platform, which caused some disruption and impacted Digital sales at this banner. In addition, at Gilt, which is included in HBC Off Price and is a major component of the Company's digital comparisons, the return policy was enhanced. The Company expects the liberalization of the return policy at Gilt and the new common digital platform will enable HBC to build stronger relationships with its customers over the long term.

For HBC overall, gross profit rate as a percentage of retail sales was 41.5%, an increase of 200 basis points from the prior year. This increase was primarily related to the addition of HBC Europe, which operates at relatively higher gross margin and SG&A rates, as well as higher gross margins at Saks OFF 5TH.

The Company remains focused on improving efficiencies, reducing expenses and optimizing its real estate portfolio, and has made solid progress on its expense management initiatives disclosed previously. These initiatives include the North American operations realignment program, voluntary restructuring programs of its European operations, and the outsourcing of IT systems maintenance positions in North America. During the quarter the Company recorded charges of $4 million related to these initiatives.

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

SG&A expenses were $1,286 million compared to $775 million in the prior year. This increase reflects the additions of HBC Europe, Gilt and the Joint Ventures. Normalized SG&A expenses were $1,249 million or 38.4% of retail sales, compared to 36.9% in the prior year. This rate increase was driven by the inclusion of HBC Europe, which operates at a higher SG&A rate, and the additional net rent expense incurred in connection with the Joint Ventures.

Adjusted EBITDAR was $263 million, an increase of 113.8% compared to $123 million in the prior year, primarily as a result of the addition of HBC Europe. As a percentage of retail sales, Adjusted EBITDAR improved 210 basis points to 8.1%, reflecting the Company's continued focus on increasing efficiencies.

Adjusted EBITDA was $81 million, an increase of 55.8% compared to $52 million in the prior year. The Joint Ventures had a $61 million impact on Adjusted EBITDA during the quarter. These Joint Venture expenses are essentially flat over the course of the year, while the retail business is seasonal, with sales and earnings weighted towards the second half of the fiscal year. While management believes that Adjusted EBITDA is less useful than Adjusted EBITDAR when evaluating the performance of the retail business, the Company will continue to disclose Adjusted EBITDA.

Finance costs were $56 million compared to $52 million in the prior year, primarily due to the change in non-cash finance income generated from mark to market adjustments associated with the valuation of outstanding common share purchase warrants.

Net loss was $142 million compared to Net earnings of $59 million in the prior year. Prior year earnings include a pre-tax gain of $133 million related to the creation of the Joint Ventures. Normalized net loss was $122 million compared to a loss of $61 million in the prior year. The increase is primarily a result of the creation of the Joint Ventures and the additional net rent expense associated with these entities, which are spread evenly over the course of the year, as well as increased depreciation and amortization expenses.

Year-to-Date Summary

All comparative figures below are for the twenty-six week period ended July 30, 2016 compared to the twenty-six week period ended August 1, 2015.

Consolidated retail sales were $6,555 million, an increase of 59.5% from the prior year, primarily as a result of the addition of HBC Europe and Gilt as well as an increase in comparable sales of 3.2%. On a constant currency basis, comparable sales grew 1.7% at DSG, offset by declines of 0.1% at HBC Europe, 7.9% at HBC Off Price and 3.7% at Saks Fifth Avenue, resulting in a total comparable sales decline of 1.1%. Total Digital sales increased by 86.9% from the prior year, with total Digital comparable sales increasing by 5.5% on a constant currency basis.

For HBC overall, gross profit rate as a percentage of retail sales was 41.7%, an increase of 140 basis points from the prior year. This increase was primarily related to the addition of HBC Europe, which operates at relatively higher gross margin and SG&A rates, as well as increased margins at Saks OFF 5TH.

SG&A expenses were $2,681 million compared to $1,555 million in the prior year, primarily as a result of the addition of HBC Europe, Gilt, and the Joint Ventures. Normalized SG&A expenses were $2,549 million or 38.9% of retail sales, compared to 36.5% in the prior year. This rate increase was primarily driven by the inclusion of HBC Europe, as well as net rent expense incurred in connection with the Joint Ventures.

Adjusted EBITDAR was $513 million, an increase of 74.5% compared to $294 million in the prior year, primarily as a result of the addition of HBC Europe. As a percentage of retail sales, Adjusted EBITDAR improved 60 basis points to 7.8%, reflecting the Company's continued focus on improving efficiencies.

Adjusted EBITDA was $143 million, compared to $156 million in the prior year. The Joint Ventures had a $122 million impact on Adjusted EBITDA during the first two quarters of this fiscal year. These Joint Venture expenses are essentially flat over the course of the year, while the retail business is seasonal, with sales and earnings weighted towards the second half of the fiscal year.

Finance costs were $101 million compared to $99 million in the prior year. Cash interest costs were $86 million, a $15 million increase over the prior year. The majority of this increase is related to finance lease payments at HBC Europe and long term property leases at the RioCan-HBC Joint Venture.

Net loss was $239 million compared to net earnings of $10 million in the prior year. Prior year earnings include a pre-tax gain of $133 million related to the Joint Ventures. Normalized net loss was $213 million compared to a loss of $89 million in the prior year, primarily as a result of the creation of the Joint Ventures and the additional net rent expense associated with these entities, which are spread evenly over the course of the year, as well as increased depreciation and amortization expense.

Inventory

Inventory at the end of the second quarter increased by $829 million compared to the prior year. The addition of HBC Europe and Gilt accounted for the majority of the increase. The remainder was driven by additional inventory related to new store openings. On a total company basis, management believes that inventory is in line with the Company's sales expectations for the coming quarters.

Store Network

During the second quarter, the Company opened one Saks Fifth Avenue store located in Greenwich, Connecticut and two Saks OFF 5TH stores located in Chicago, Illinois and Plymouth Meeting, Pennsylvania. The Company closed one Home Outfitters store in Anjou, Quebec.

Store information as at July 30, 2016	Store Count(1)	Gross Leasable Area (1) / Square Footage (000s)
Hudson's Bay	**90**	**15,864**
Lord & Taylor	**50**	**6,898**
Saks Fifth Avenue	**41**	**5,051**
OFF 5TH	**102**	**3,028**
Home Outfitters	**59**	**2,102**
HBC Europe	**130**	**28,609**
Total	**472**	**61,552**

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

Capital Expenditure

Capital expenditures, net of landlord incentives, during the second quarter totaled $186 million, compared to $65 million in the prior year. HBC's initiatives during the quarter included the opening of two Saks OFF 5TH stores in the U.S. and a Saks Fifth Avenue store located in Greenwich, Connecticut. Additionally, the Company completed the remodeling of the 4th floor of the Saks Fifth Avenue flagship in Manhattan, and made significant progress on the construction of the new Brookfield Place and Hawaii Saks Fifth Avenue stores which are expected to open during the third quarter. Installation of automated order fulfillment technology at the Company's distribution centre in Toronto is nearing completion, and the Company expects that this upgrade will significantly increase the efficiency with which online orders are processed.

Debt Summary

As at July 30, 2016, the Company had the following outstanding loans and borrowings on its balance sheet (refer to note 11 of the unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016):

(millions of Canadian dollars, unless otherwise noted)	**TOTAL ($)**	CAD ($)	USD ($)	EUR (€)
Global Revolving Credit Facility	**849**	302	397	20
U.S. Term Loan B	**653**	—	500	—
Lord & Taylor Mortgage	**522**	—	400	—
Saks Mortgage	**1,632**	—	1,250	—
Other loans	**8**	—	6	—
Total Outstanding Loans and Borrowings	**3,664**	302	2,553	20

Dividend

The Company also announced today that its Board of Directors has approved a quarterly dividend to be paid on October 17, 2016, to shareholders of record at the close of business on September 30, 2016. The dividend is in the amount of $0.05 per Common Share and is designated as an "eligible dividend" for Canadian tax purposes.

Outlook

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

Given the overall retail environment, management currently expects Sales, Adjusted EBITDAR and Adjusted EBITDA for Fiscal 2016 to trend towards the bottom end of its outlook range. This outlook reflects the Company's performance to date and anticipates overall comparable sales growth, calculated on a constant currency basis, to be in the low single digits for the remainder of the fiscal year as the Company anniversaries the challenging fall season experienced in Fiscal 2015.

(Canadian dollars)	**Fiscal 2016**
Sales	$14.9 to $15.9 billion
Adjusted EBITDAR	$1,560 to $1,710 million
Adjusted EBITDA	$800 to $950 million

The Company currently expects that in Fiscal 2016 it will make higher than normal investments in growth initiatives, with total capital investments, net of landlord incentives, expected to be between $750 million and $850 million, which is approximately 5.0%-5.7% of the midpoint of the Sales outlook. Included in these amounts is the anticipated capital spend associated with the Company's recent acquisitions: HBC Europe and Gilt. Capital expenditure related to growth initiatives is expected to be approximately 70% of the total amount, with the remaining 30% representing maintenance capital expenditures.

The above outlook reflects exchange rate assumptions of USD:CAD = 1:1.32 & EUR:CAD = 1:1.50. Any variation in these foreign exchange rate assumptions could impact the above outlook.

Conference Call to Discuss Results

Richard Baker, HBC's Governor and Executive Chairman, Jerry Storch, HBC's Chief Executive Officer and Paul Beesley, HBC's Chief Financial Officer, will discuss the second quarter financial results and other matters during a conference call on September 7, 2016 at 8:30 am EST.

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

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016 and Management's Discussion and Analysis thereon are available under the Company's profile on SEDAR at www.sedar.com.

Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary financial information set out below has been derived from unaudited interim condensed consolidated financial statements, prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, for the thirteen and twenty-six week periods ended July 30, 2016. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements for Fiscal 2015. In the opinion of our management, such unaudited financial data reflects all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the results for those periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year or any future period.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS

(millions of Canadian dollars, except per share amounts)

(unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	Jul 30, 2016	Aug 1, 2015 *restated* (1)	**Jul 30, 2016**	Aug 1, 2015 *restated* (1)
Retail sales	**3,252**	2,038	**6,555**	4,110
Cost of sales	**(1,901)**	(1,234)	**(3,821)**	(2,452)
Selling, general and administrative expenses ("SG&A")	**(1,286)**	(775)	**(2,681)**	(1,555)
Depreciation and amortization	**(154)**	(101)	**(312)**	(201)
Gain on sale of investments in joint ventures	**—**	—	**45**	—
Gain on contribution of assets to Joint Ventures	**—**	133	**—**	133
Operating (loss) income	**(89)**	61	**(214)**	35
Finance costs, net	**(56)**	(52)	**(101)**	(99)
Share of net loss in Joint Ventures	**(51)**	(7)	**(53)**	(7)
Dilution and other gains from investments in Joint Ventures	**8**	—	**12**	—
(Loss) earnings before income tax	**(188)**	2	**(356)**	(71)
Income tax benefit	**46**	57	**117**	81
Net (loss) earnings for the period	**(142)**	59	**(239)**	10
(Loss) earnings per common share				
Basic	**(0.78)**	0.33	**(1.31)**	0.05
Diluted	**(0.78)**	0.28	**(1.31)**	0.05

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

(millions of Canadian dollars except per share amounts)	**Thirteen week period ended**		**Twenty-six week period ended**	
	Jul 30, 2016	Aug 1, 2015 *restated* (1)	**Jul 30, 2016**	Aug 1, 2015 *restated* (1)
Adjusted EBITDA (2)	81	52	143	156
Adjusted EBITDAR (2)	263	123	513	294
Normalized SG&A (2)	1,249	752	2,549	1,502
Normalized Net Loss for the period (2)	(122)	(61)	(213)	(89)
Normalized Net Loss per Common Share — basic and diluted (2)	(0.67)	(0.34)	(1.17)	(0.49)

Declared dividend per Common Share	0.05	0.05	0.10	0.10

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016.
(2) For a reconciliation of the non-IFRS measure to the corresponding reported measure, see tables in "Supplemental Information" in this press release and in the MD&A for the second quarter.

CONDENSED CONSOLIDATED BALANCE SHEETS

As at July 30, 2016 and August 1, 2015

(millions of Canadian dollars)

(unaudited)

	Jul 30, 2016	Aug 1, 2015 *restated* (1)	Jan 30, 2016 *restated* (2)
Assets			
Cash	**114**	58	507
Trade and other receivables	**505**	168	512
Inventories	**3,332**	2,503	3,415
Other current assets	**199**	135	194
Total current assets	**4,150**	2,864	4,628
Property, plant and equipment	**5,224**	3,672	5,156
Intangible assets and goodwill	**1,965**	1,274	1,763
Pensions and employee benefits	**160**	141	166
Deferred tax assets	**297**	261	253
Investments in joint ventures	**610**	313	658
Other assets	**21**	16	16
Total assets	**12,427**	8,541	12,640
Liabilities			
Loans and borrowings	**830**	318	451
Finance leases	**24**	20	25
Trade payables	**1,300**	821	1,494
Other payables and accrued liabilities	**985**	585	1,020
Deferred revenue	**107**	108	132
Provisions	**156**	103	148
Other liabilities	**133**	119	126
Total current liabilities	**3,535**	2,074	3,396
Loans and borrowings	**2,729**	1,969	2,729
Finance leases	**491**	261	502
Provisions	**81**	56	80
Pensions and employee benefits	**664**	194	681
Deferred tax liabilities	**763**	596	885
Investment in joint venture	**14**	49	27
Other liabilities	**1,485**	837	1,241
Total liabilities	**9,762**	6,036	9,541
Shareholders' equity			
Share capital	**1,421**	1,420	1,420
Retained earnings	**772**	670	1,029
Contributed surplus	**93**	72	86

Accumulated other comprehensive income	**379**	343	564
Total shareholders' equity	**2,665**	2,505	3,099
Total liabilities and shareholders' equity	**12,427**	8,541	12,640

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016.
(2) During the thirteen weeks ended July 30, 2016, the Company identified measurement period adjustments related to the Kaufhof Acquisition based on new information relating primarily to property, plant and equipment, and intangible assets. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 5 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the twenty-six weeks ended July 30, 2016 and August 1, 2015

(millions of Canadian dollars)

(unaudited)

	Jul 30, 2016	Aug 1, 2015 *restated (1)*
Operating activities		
Operating (loss) income	**(214)**	35
Net cash income taxes (paid) received	**(12)**	2
Interest paid in cash	**(86)**	(71)
Distributions of earnings from Joint Ventures	**100**	7
Items not affecting cash flows:		
Depreciation and amortization	**312**	201
Net defined benefit pension and employee benefits expense	**14**	13
Other operating activities	**(4)**	(19)
Share of rent expense to Joint Ventures	**(185)**	(9)
Gain on contribution of assets to Joint Ventures	**—**	(133)
Gain on sale of investments in Joint Ventures	**(45)**	—
Share based compensation	**11**	14
Settlement of share based compensation grants	**(4)**	(2)
Changes in operating working capital:		
Decrease in trade and other receivables	**1**	7
Increase in inventories	**(11)**	(135)
Increase in other assets	**(24)**	(44)
Decrease in trade and other payables, accrued liabilities and provisions	**(360)**	(163)
Increase (decrease) in other liabilities	**127**	(31)
Net cash outflow for operating activities	**(380)**	(328)
Investing activities		
Capital investments	**(542)**	(210)
Proceeds from landlord incentives	**203**	91
	(339)	(119)
Proceeds from lease terminations and other non-capital landlord incentives	**—**	22
Proceeds from contribution of assets to Joint Ventures	**—**	1,134
Proceeds on disposal of assets	**37**	—
Proceeds from sale of investments in joint ventures	**65**	—
Acquisition of Gilt Groupe Holdings Inc., net of cash acquired	**(325)**	—
Other investing activities	**6**	—
Net cash (outflow for) inflow from investing activities	**(556)**	1,037

Financing activities		
Long-term loans and borrowings:		
Issuance	**522**	—
Repayments	**(325)**	(841)
Borrowing costs	**(13)**	—
	184	(841)
Short-term loans and borrowings:		
Net borrowings from asset-based credit facilities	**415**	56
Borrowing costs	**(12)**	—
Net decrease in other short-term borrowings	**(1)**	—
	402	56
Payments on finance leases	**(16)**	(15)
Dividends paid	**(18)**	(18)
Net cash inflow from (outflow for) financing activities	**552**	(818)
Foreign exchange loss on cash	**(9)**	(1)
Decrease in cash	**(393)**	(110)
Cash at beginning of year	**507**	168
Cash at end of period	**114**	58

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016.

Supplemental Information

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

	Thirteen week period ended		**Twenty-six week period ended**	
	Jul 30, 2016	**Aug 1, 2015**	**Jul 30, 2016**	**Aug 1, 2015**
(millions of Canadian dollars)		*restated* (1)		*restated* (1)
	$	$	$	$
Net (Loss) Earnings for the Period	**(142)**	59	**(239)**	10
Finance costs, net	56	52	101	99
Income tax benefit	(46)	(57)	(117)	(81)
Share of net loss in Joint Ventures	51	7	53	7
Gain on contribution of assets to Joint Ventures	—	(133)	—	(133)
Gain on sale of investments in joint ventures	—	—	(45)	—
Dilution gains from investments in Joint Ventures (2)	(8)	—	(12)	—
Non-cash pension expense	7	7	14	13
Depreciation and amortization	154	101	312	201
Impairment and other non-cash expenses	(6)	—	(8)	—
Share based compensation	9	6	17	11
EBITDA	**75**	42	**76**	127
Normalization and joint venture adjustments				
Acquisition and integration related expenses (3)	12	15	32	24
Lease guarantee provision (4)	—	—	16	—
Joint ventures transaction costs	—	31	—	32
Foreign exchange adjustment (5)	1	(31)	3	(26)
Restructuring (6)	7	(1)	34	(1)
Credit card chargeback expense (7)	2	—	10	—
Other (8)	5	(4)	14	—
Net rent expense to Joint Ventures (9)	40	1	80	1

Cash rent to Joint Ventures	(110)	(8)	(222)	(8)
Cash distributions from Joint Ventures	49	7	100	7
Total normalizing and joint venture adjustments	6	10	67	29
Adjusted EBITDA	**81**	52	**143**	156
Rent adjustments				
Third party rent expense (10)	121	70	248	137
Cash rent to Joint Ventures	110	8	222	8
Cash distributions from Joint Ventures	(49)	(7)	(100)	(7)
Adjusted EBITDAR	**263**	123	**513**	294

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016.
(2) Represents the gains realized as a result of the changes in ownership related to the Company's investment in the Joint Ventures.
(3) Includes acquisition and integration expenses related to the acquisitions of Saks, Kaufhof and Gilt.
(4) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.
(5) Represents the impact of unrealized 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.
(6) 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.
(7) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.
(8) Primarily represents duplicative costs associated with the U.S. office consolidation of $9 million and $14 million for the thirteen and twenty-six week periods ended July 30, 2016 respectively, costs related to the Netherlands expansion of $4 million for the thirteen and twenty-six week periods ended July 30, 2016 and other smaller items totaling nil and $4 million for the thirteen and twenty-six week periods ended July 30, 2016, offset by the share based compensation expense adjustment of $8 million for the thirteen and twenty-six week periods ended July 30, 2016 (see note 14 to the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016).
(9) Rent expense to the Joint Ventures net of reclassification of rental income related to the Company's ownership interest in the Joint Ventures (see note 10 to the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016).
(10) Previously included rent expense related to leases at Home Outfitters that have been classified as onerous lease contracts. As of the second quarter, we have removed amounts related to these onerous lease contracts and have restated any previously reported amounts impacted by this adjustment. The impact to the first quarter of Fiscal 2016 was a decrease of $1 million while the annual impact to Fiscal 2015 was a decrease of $11 million ($2 million to $4 million per quarter).

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

	Thirteen week period ended		**Twenty-six week period ended**	
(millions of Canadian dollars)	**Jul 30, 2016**	**Aug 1, 2015** *restated (1)*	**Jul 30, 2016**	**Aug 1, 2015** *restated (1)*
	$	$	$	$
Net (Loss) Earnings for the period	**(142)**	59	**(239)**	10
Normalization adjustments (2)				
Gain on contribution of assets to Joint Ventures	—	(107)	—	(107)
Gain on sale of investments in joint ventures	—	—	(28)	—
Dilution gains from investments in Joint Ventures	(7)	—	(10)	—
Acquisition and integration related expenses and finance costs (3)	9	4	15	18
Joint ventures transaction costs	—	20	—	21

Restructuring (4)	5	(1)	23	(2)
Financing related adjustments	2	13	2	13
Foreign exchange adjustment (5)	(1)	(26)	10	(22)
Adjustments to share of net loss in Joint Ventures (6)	9	—	(12)	—
Tax related adjustments	—	(20)	—	(20)
Lease guarantee provision (7)	—	—	12	—
Credit card chargeback expense (8)	1	—	6	—
Other (9)	2	(3)	8	—
Total normalizing adjustments	20	(120)	26	(99)
Normalized Net Loss	**(122)**	(61)	**(213)**	(89)

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016
(2) Net of income tax as appropriate.
(3) Includes acquisition and integration expenses related to the acquisitions of Saks, Kaufhof and Gilt. In addition, includes the recognition of non-cash finance income (costs) related to Common Share purchase warrants of nil and $8 million for the thirteen and twenty-six week periods ended July 30, 2016 respectively (thirteen and twenty-six week periods ended August 1, 2015: $5 million and $(3) million respectively).
(4) 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.
(5) Represents the impact of unrealized 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.
(6) Relates to the Company's share of unrealized foreign exchange gains incurred by the HBS Joint Venture on translation of a Euro denominated monetary liability related to the tax and legal structure of the joint venture.
(7) Represents the Company's expected share of costs associated with default on subleases guaranteed by the Company.
(8) Represents additional non-recurring credit card chargeback expenses attributed to industry legal liability changes effective October 2015.
(9) Primarily represents duplicative costs associated with the U.S. office consolidation of $5 million and $9 million for the thirteen and twenty-six week periods ended July 30, 2016 respectively and costs related to the Netherlands expansion of $3 million for the thirteen and twenty-six week periods ended July 30, 2016 and other smaller items totaling nil and $2 million for the thirteen and twenty-six week periods ended July 30, 2016, offset by the share based compensation expense adjustment of $6 million for the thirteen and twenty-six week periods ended July 30, 2016 (see note 14 to the Company's unaudited interim condensed consolidated financial statements for the thirteen and twenty-six week periods ended July 30, 2016).

Non-IFRS Measures

EBITDA and EBITDAR are non-IFRS measures that we use to assess our operating performance. EBITDA is defined as Net (Loss) Earnings before finance costs, income tax benefit, share of net loss in Joint Ventures, gain on contribution of assets to Joint Ventures, gain on sale of investments in joint ventures, dilution gains from investments in the Joint Ventures, non-cash pension expense, depreciation and amortization expense, impairment and other non-cash expenses and non-cash share based compensation expense. EBITDAR is defined as EBITDA before rent expense to third parties and net rent expense to Joint Ventures.

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

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

For further discussion of the Company's financial and operating results, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for the thirteen and twenty-six week periods ended July 30, 2016 (the "MD&A").

About Hudson's Bay Company

Hudson's Bay Company is one of the fastest-growing department store retailers in the world, based on its successful formula of driving the performance of high quality stores and their all-channel offerings, unlocking the value of real estate holdings and growing through acquisitions. Founded in 1670, HBC is the oldest company in North America. HBC's portfolio today includes ten banners, in formats ranging from luxury to premium department stores to off price fashion shopping destinations, with more than 470 stores and 66,000 employees around the world.

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

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

Forward-Looking Statements

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

Implicit in forward-looking statements in respect of Sales, Adjusted EBITDA, and Adjusted EBITDAR, are certain current assumptions, including, among others, the Company achieving overall low single digit comparable store sales growth on a constant currency basis for the remainder of Fiscal 2016, the Company achieving additional savings from operational initiatives, the Company's anticipated total capital investments, net of landlord incentives, between $750 million and $850 million, the Company opening new stores in North America, the Company maintaining a significant ownership interest in the HBS Joint Venture and the RioCan-HBC JV, and assumptions regarding the overall retail environment and currency exchange rates for Fiscal 2016. Specifically, we have assumed the following exchange rates for Fiscal 2016: USD:CAD = 1:1.32 and EUR:CAD = 1:1.50. These current assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated Sales, Adjusted EBITDA, and Adjusted EBITDAR, are subject to a number of risks and uncertainties, including, among others described below, general economic, geo-political, market and business conditions, changes in foreign currency rates from those assumed, the risk of unseasonal weather patterns, the risk that the Company may not achieve comparable sales growth on a constant currency basis for the remainder of Fiscal 2016 and the risk that the Company may not achieve the contemplated cost savings and synergies as described above, and could differ materially from what is currently expected as set out above.

Although HBC believes that the forward-looking statements in this news release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements for a variety of reasons. Some of the factors - many of which are beyond HBC's control and the effects of which can be difficult to predict - include, among others: ability to execute retailing growth strategies, ability to continue comparable sales growth, changing consumer preferences, ability to realize synergies and growth from strategic acquisitions, ability to make successful acquisitions and investments, successful inventory management, ability to upgrade and maintain our information systems to support the organization and protect against cyber-security threats, privacy breach, loss of key personnel, ability to retain key personnel of HBC Europe and Gilt, ability to attract and retain qualified employees, 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, fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies, increase in raw material costs, 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, developments in the credit card and financial services industries, and other risks inherent to the Company's business and/or factors beyond the Company's control which could have a material adverse effect on the Company.

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

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

Caution should also be exercised in the evaluation and use of the independent appraisal results. The appraisals are based on various assumptions of future expectations, including the assumption that the entire flagship property is net leased by Lord & Taylor at an estimated current fair market rent. While the appraiser's assumptions are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

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