September 5, 2017

# HBC Reports Second Quarter 2017 Financial Results

- ***Second Quarter retail sales increased 1.2% to $3.3 billion, led by digital sales growth***
- ***Comparable sales at Saks Fifth Avenue grew the most in more than two years, up 1.7% on a constant currency basis; Total HBC comparable sales trends improved from the first quarter, declining by 1.3% on a constant currency basis***
- ***Second Quarter comparable digital sales increased 11.0% on a constant currency basis, increasing 19.8% at HBC's department store banners***
- ***Second Quarter Adjusted EBITDAR of $207 million; Net Loss of $201 million***
- ***European expansion on track with five Saks OFF 5TH stores opened in Germany during the quarter and first Hudson's Bay Netherlands store opened today***
- ***Management remains focused on retail operations while pursuing best use of HBC's real estate assets to create shareholder value***

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)-- HBC (TSX: HBC) today announced its second quarter financial results for the thirteen and twenty-six week periods ended July 29, 2017. 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.

"Heading into the fall season, we are optimistic about the remainder of the year. The current retail environment provides both challenges and opportunities, and while it was a tough second quarter as expected, we continue to make the smart decisions necessary to succeed in this rapidly evolving landscape. As part of this, we are constantly evaluating the best use of both our retail and real estate assets to create value for shareholders. HBC has a long, successful history of accretive transactions with our real estate assets, and we are actively exploring further opportunities to build on this track record. We continue to believe that our model of combining world class real estate assets, which are less impacted by short-term trends, with our diverse retail businesses is the right path to generating long-term value for our shareholders," stated Richard Baker, HBC's Governor and Executive Chairman.

Jerry Storch, HBC's Chief Executive Officer, added, "We are growing our business globally, digitally, and physically. Just today we unveiled our first Hudson's Bay store in the Netherlands and re-launched our Gilt website. On Friday, we will be officially opening the renovated designer floor of our Saks Fifth Avenue flagship in New York. During the second quarter, our diversified banners demonstrated areas of strength, with Hudson's Bay and Saks Fifth Avenue delivering positive comparable sales growth. Digital sales grew double digits at our department store banners, reflecting the ongoing execution of our long-term all-channel retail strategy. We are also excited about the recent introduction of Saks OFF 5TH in Germany and the improvements we are making at Galeria Kaufhof, which are important examples of our strong and ongoing commitment to our businesses in Europe. Additionally, we expect that the Transformation Plan will have a much larger impact on our second half results. These factors, combined with what we are seeing so far in the third quarter, give us reason to be optimistic about the remainder of the year. Across our banners, we are focused on driving the business during the critical fall and holiday seasons, which generate the vast majority of HBC's annual earnings. Creating shareholder value remains our top priority. This includes assessing the best use of our retail and real estate portfolio while making the right strategic and tactical decisions to improve performance in our retail businesses going forward."

### Retail Initiatives

While the current retail environment is changing rapidly, management believes that HBC continues to be well positioned to succeed in the long term. The company operates diverse retail offerings across multiple segments and geographies, all of which are supported by a solid capital structure backed by the company's real estate assets. HBC's recently announced Transformation Plan is proceeding as expected, and management expects that the initiatives associated with this plan will have a significant impact in the second half of the year. Through streamlining operations, increasing efficiencies and leveraging scale, the company currently anticipates realizing more than $350 million in annual savings when the plan is fully implemented by the end of Fiscal 2018, including the anticipated $75 million in annual savings previously announced in February. The company anticipates realizing approximately $170 million in savings during Fiscal 2017, with most of these

savings occurring in the second half of the year.

Complementing the company's efforts to increase efficiency are the ongoing changes being made to adapt to evolving customer preferences:

- **Emphasizing digital sales by investing further in improving its digital platforms and online capabilities.** During the quarter, Lord & Taylor moved onto the same online platform as Saks Fifth Avenue and Saks OFF 5TH, while Hudson's Bay is expected to migrate over in early 2018. Using a combined platform allows HBC to leverage the same infrastructure across all of its banners, including improving the ability to test and implement new features. The company is also extending Gilt to an intent based offering while leveraging the Saks OFF 5TH banner. Additionally, the "New Gilt", including a redesigned website, was launched earlier today to better reflect the buying habits of Gilt's member base. Saks OFF 5TH inventory is expected to be offered on Gilt in time for the holiday season, further integrating HBC's luxury off price banners.
- **Leveraging technology to reduce fulfillment time for digital sales**. Following the successful installation of the case shuttle system at its Canadian distribution centre in 2016, HBC remains on track with the installation of the same robotic technology at its Pottsville, Pennsylvania distribution centre, serving Saks OFF 5TH and Lord & Taylor. The first phase of this installation is expected to be completed in the coming months.
- **Creating exciting in-store experiences and unique offerings.** The company continues to explore ways to differentiate the in-store experiences at all of its banners by offering events, pop-up shops, food areas and wellness activations. Recent highlights include the launch of the justBobbi Concept Shop at Lord & Taylor in New York and the opening of Topshop and Sephora store-within-store concepts at multiple Galeria Kaufhof stores in Germany.
- **Growing HBC's presence in the luxury market.** Significant progress has been made on the transformational renovation of the Saks Fifth Avenue New York City flagship, including the opening of its fifth floor, featuring new concepts in women's contemporary and advanced designer ready-to-wear. As a part of the renovation, Saks debuted an innovative wellness-oriented concept called the Saks Wellery and is preparing to officially launch the newly renovated third floor this Friday, a one-of-a-kind destination for extraordinary designer fashion from around the world. Finally, Saks Fifth Avenue continued to advance its efforts to integrate the in-store and online experiences with the introduction of first-to-market shareability and styling functionality on its Saks mobile app as well as further development of its capabilities to connect Saks store associates with Saks.com customers.

**Real Estate**

HBC owns a valuable portfolio of real estate assets, and management has a demonstrated track record of realizing underlying value and providing efficient capital from these assets to fund growth of the business. While stores are a critical part of HBC's long-term all-channel strategy, management continues to evaluate all opportunities to generate value from HBC's extensive real estate portfolio, including:

- **Increasing the productivity of HBC's real estate.** Management is actively re-purposing existing floor space for use by partners or others who drive additional traffic and key customer segments to HBC's stores. Examples of this include the Pusateri's food hall in the Saks Fifth Avenue Toronto flagship, the recent introductions of Topshop and Sephora in Germany, and the Wellery installation at the Saks Fifth Avenue flagship in New York.
- **Streamlining the store portfolio.** HBC's strategy includes exiting owned and leased stores when the economic incentives are accretive to its shareholders and it makes sense for the business. This could include the sale of existing leases or the sale or leasing of owned real estate. Previous actions include the sale of the Saks lease in the Short Hills Mall in New Jersey, the sale-leaseback of the downtown Toronto flagship building, and the sale of Zellers leases to Target. Total proceeds from these transactions were greater than $2.5 billion.
- **Diversifying the assets in HBC's Real Estate Joint Ventures.** Management continues to seek accretive real estate acquisition and sublease opportunities for its Real Estate Joint Ventures, HBS Global Properties and the RioCan-HBC JV, to diversify the asset base and overall credit of each JV portfolio. HBC has deliberately structured its Real Estate Joint Ventures to facilitate the future public listing of these entities, and management believes that further diversification would improve the opportunity to undertake an initial public offering, subject to favourable market conditions.

**Second Quarter Summary**

*All comparative figures below are for the thirteen week period ended July 29, 2017 compared to the thirteen week period ended July 30, 2016. DSG refers, collectively, to the Hudson's Bay, Lord & Taylor 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 $3,291 million, an increase of $39 million, or 1.2%, from the prior year. The increase was driven primarily

by the opening of three new Saks Fifth Avenue stores, 26 new Saks OFF 5TH stores and five new Saks OFF 5TH Europe stores which together contributed approximately $64 million sales, as well as a $59 million positive net foreign exchange impact on the translation of U.S. dollar and Euro denominated sales. These increases were offset by lower overall comparable sales of approximately $43 million and a $41 million impact from store closures.

Consolidated comparable sales improved from the first quarter, increasing by 0.4%. On a constant currency basis, comparable sales increased by 1.7% at Saks Fifth Avenue while declining by 1.6% at DSG, 2.3% at HBC Off Price and 2.8% at HBC Europe, resulting in an overall consolidated comparable sales decline of 1.3%. Comparable sales during the quarter were impacted by lower traffic across HBC's banners, as well as a highly promotional retail environment.

Positive comparable sales at Saks Fifth Avenue, the largest quarterly increase in more than two years, reflect the ongoing improvements that are being made to deliver a seamless luxury all-channel offering. Particular areas of strength included handbags and men's, while women's designer apparel saw a notable increase in full price sales. Additionally, there was a small positive impact from the timing shift of a promotional event. Through the remainder of the year, Saks Fifth Avenue will continue its focus on investing in its digital business and creating unique experiences while offering a differentiated and unique assortment of modern fashion.

Although overall comparable sales at DSG declined, constant currency comparable sales increased at Hudson's Bay, driven primarily by strong overall digital sales. Active, kids and dresses performed well while sportswear and accessory sales declined 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. Lower constant currency comparable sales at Lord & Taylor were driven primarily by reduced traffic, partially offset by improved conversion. Stronger categories included active, beauty, denim and modern sportswear, while handbags, watches and classic sportswear were weaker. In addition to increasing the marketing reach of Lord & Taylor's value-focused messaging, Lord & Taylor is rolling out a new GUIDE service model that allows store associates to be more consumer-centric and travel with their clients from the beginning to the end of their visit.

As previously announced, the company created dedicated leadership teams for each of Hudson's Bay and Lord & Taylor. These teams are driving 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 within DSG.

The comparable sales decline at HBC Off Price was largely driven by lower traffic at Saks OFF 5TH and Gilt, partially offset by robust digital sales growth at Saks OFF 5TH. The company continues to focus on elevating the assortment at Saks OFF 5TH, while growing the amount of unique product both in store and online through exclusive capsules and collections. The integration of Gilt and Saks OFF 5TH is ongoing, with the expectation that Saks OFF 5TH assortments will be available on Gilt's website by the holiday season, providing customers with more access to top designer products and categories at attractive values. As part of making Gilt more relevant to its members, a redesigned website was launched earlier today featuring easier navigation and advanced personalization for a tailored customer experience.

While HBC Europe experienced lower overall traffic, this was partially offset by an increase in average basket size as HBC Europe continues to fine tune its marketing activities and introduce new brands both in store and online. The company continues to execute on its growth strategy in Germany and achieved significant milestones during the quarter including the opening of the first five Saks OFF 5TH stores, as well as the introduction of Sephora store-within-store concepts at Galeria Kaufhof. All of these new concepts were very well received in Germany, with Saks OFF 5TH attracting more than 1 million visits in the time since its introduction. Looking ahead, creative marketing campaigns combined with the ongoing roll-out of store-within-store concepts and the further introduction of new brands are expected to drive sales in Europe through the back half of the fiscal year. In the Netherlands, HBC Europe opened its first Hudson's Bay store today and expects to open a total of ten Hudson's Bay and two Saks Off 5TH stores over the coming weeks.

Digital sales increased by 12.7% from the prior year, with comparable digital sales on a constant currency increasing by 11.0%, reflecting the company's continued strategic focus on growing this channel. Excluding Gilt, comparable digital sales increased by 22.3% and on a constant currency basis increased by 19.8%.

For HBC overall, gross profit[1] as a percentage of retail sales was 40.2%, a decline of 130 basis points compared to the prior year. This decrease was driven primarily by higher promotional and clearance activity at the majority of the company's banners.

SG&A expenses were $1,392 million compared to $1,286 million in the prior year. The increase was primarily attributable to higher restructuring costs of approximately $44 million resulting from the Transformation Plan announced in the second quarter, a negative foreign exchange impact of approximately $25 million, additional pre-opening expenses associated with the expansion into the Netherlands of approximately $25 million and higher rent expense of $9 million.

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. These increases were partially offset by initial savings from the company's Transformation Plan and $75 million cost reduction initiative announced earlier in the year, an $18 million dollar benefit from the balance sheet impact of foreign exchange rate movements and various other items.

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 $1,287 million or 39.1% of retail sales, compared to $1,249 million or 38.4% in the prior year. This increase in SG&A dollars was driven by the negative impact of foreign exchange rate movements of $25 million, additional investment in digital resources combined with an increase in fulfillment expenses related to the sales growth in this channel shift, additional SG&A related to new stores opened during the last 12 months and various other items. These factors, combined with the impacts associated with lower comparable sales, resulted in an increased Adjusted SG&A[1] expense rate.

The company is focused on reducing its overall expense rate and is progressing as expected on its recently announced Transformation Plan. Management expects that this initiative will have a much larger impact on the second half of the year, due both to timing of the initial actions and additional progress that has been made over the last few months.

Adjusted EBITDAR[1] was $207 million, compared to $263 million in the prior year. The decline in Adjusted EBITDAR[1] can be attributed to an increase in Adjusted SG&A[1] expenses as discussed above combined with a decline in gross profit dollars.

Total rent expense during the second quarter, including net cash rent associated with HBC's joint ventures, was higher compared to the prior year. Accordingly, Adjusted EBITDA[1] was $16 million, a decrease of $65 million compared to the prior year and higher than the decline in Adjusted EBITDAR[1]. 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.

Net loss was $201 million compared to $142 million in the prior year. The higher net loss is primarily due to lower gross margin dollars combined with higher SG&A and depreciation and amortization expenses. These negative impacts were partially offset by a higher net earnings in joint ventures and a larger income tax benefit. The change in the net earnings from joint ventures was driven by the impact of translating intra-group monetary asset and liability balances related to the overall tax and legal structure of the HBS Joint Venture. Normalized Net Loss[1] was $164 million compared to $122 million in the prior year. This increased loss 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.

Cash inflow from operating activities was $141 million during the quarter, driven by changes in working capital. Cash outflow from investing activities was $200 million, $189 million of which was related to net capital investments. Management expects that net capital expenditure will decline during the second half of the year as HBC collects landlord incentives related to its expansion in the Netherlands.

Finance costs were $53 million compared to $56 million in the prior year, which included a write-off of deferred financing costs of $3 million. Interest paid in cash was $49 million compared to $37 million in the prior year. This increase in cash interest was primarily a result of timing differences on the payment of the Saks Fifth Avenue flagship mortgage, as well as the increased size of the Lord & Taylor flagship mortgage and outstanding borrowings on HBC's Global ABL facility.

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.

**Year-to-Date Summary**

*All comparative figures below are for the twenty-six week period ended July 29, 2017 compared to the twenty-six week period ended July 30, 2016.*

Retail sales were $6,494 million, a decrease of $61 million, or 0.9%, from the prior year. The decrease was related primarily to lower overall comparable sales of approximately $137 million and the impact of closed stores of $66 million. The decrease

was offset by a positive $28 million foreign exchange impact on the translation of U.S. dollar and Euro denominated sales and by the opening of three Saks Fifth Avenue stores, 26 Saks OFF 5TH stores and five Saks OFF 5TH Europe stores which contributed approximately $114 million in sales.

Consolidated comparable sales decreased by 1.7%, and on a constant currency basis decreased by 2.1% over the comparable twenty-six week period ended July 30, 2016. On a constant currency basis, comparable sales decreased by 1.4% at HBC Europe, 1.8% at Saks Fifth Avenue, 2.0% at DSG and 4.6% at HBC Off Price.

Digital sales increased by 8.7% from the prior year, while comparable digital sales on a constant currency basis increased by 7.9%, reflecting the company's continued strategic focus on growing this channel. Excluding Gilt, comparable digital sales increased 16.2% on a constant currency basis.

For HBC overall, gross profit[1] as a percentage of retail sales was 40.9%, a decline of 80 basis points compared to the prior year. The decrease is the result of lower margins realized at the majority of the company's banners due, in part, to increased promotional activity, partially offset by higher margins at Saks Fifth Avenue.

SG&A expenses were $2,765 million compared to $2,681 million in the prior year. The increase was primarily driven by a $54 million increase in restructuring charges related to the company's Transformation Plan, $46 million increase in expenses related to HBC's expansion into the Netherlands, a $16 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 had 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 HBC invests in its digital supply chain, reduces expenses related to its digital operations and introduces store centric all-channel delivery options.

As reported in the first quarter of Fiscal 2017, the Fourth 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 attached White Flint mall that were undertaken without Lord & Taylor's consent. Cash proceeds from the judgment were received during the first quarter, and the amount has been recorded in SG&A in the company's statement of loss.

SG&A expenses year to date also benefited from the absence of lease guarantee provisions of $16 million in the prior year, a $24 million reduction in acquisition and integration related expenses as well as initial savings from HBC's Transformation Plan and $75 million cost reduction initiative announced earlier in the year.

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 $2,628 million or 40.5% of retail sales, compared to $2,549 million or 38.9% in the prior year. This increase in SG&A dollars was driven by additional SG&A related to new stores opened over the last 12 months, additional investment in digital resources combined with an increase in fulfillment expenses related to the sales growth in this channel and various other items. 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 $375 million, compared to $513 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. Total rent expense year to date, including net cash rent associated with HBC's joint ventures, was marginally higher compared to the prior year. Accordingly, Adjusted EBITDA[1] was negative $5 million, a decrease of $148 million compared to the prior year.

Net loss was $422 million compared to $239 million in the prior year. The increase in loss is primarily due to lower gross profit dollars and higher SG&A expenses as discussed above, as well as higher depreciation and amortization expenses and an increase in finance costs. These impacts were partially offset by a lower share of net loss from the joint ventures and higher income tax benefit in the current year. In addition, the prior year included a net of tax gain of $28 million on the sale of investments in joint ventures.

Normalized Net Losses[1] were $381 million compared to $213 million in the prior year. This increase in loss was 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 $110 million compared to $101 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, as well as an increase in interest costs related to long-term borrowings. Interest paid in cash was $94 million compared to $86 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.

**Inventory**

Inventory at the end of the second quarter increased by $2 million compared to the prior year. The balance at the end of the quarter was driven primarily by higher inventory at HBC Europe, largely as a result of the introduction of new brands and upgraded concepts at Galeria Kaufhof, as well as the roll out of Saks OFF 5TH in Germany and Hudson's Bay in the Netherlands. Saks Fifth Avenue and Saks OFF 5TH also experienced a moderate increase in inventory levels due to the addition of new stores. These increases were almost entirely offset by foreign exchange rate movements and lower inventory at DSG.

**Store Network**

During the second quarter, HBC opened two Saks OFF 5TH stores located in Winnipeg, Manitoba in Canada and Honolulu, Hawaii in the U.S. The company also opened five Saks OFF 5TH Europe stores in Germany located in Düsseldorf, Frankfurt, Wiesbaden, Heidelberg and Stuttgart. The company closed one Home Outfitters store in Toronto, Ontario and two Galeria Kaufhof stores in the cities of Berlin and Aachen in Germany.

| Store information as at July 29, 2017 | Store Count(1) | Gross Leasable Area (1) / Square Footage (000s) |
|---|---|---|
| Hudson's Bay | 90 | 15,837 |
| Lord & Taylor | 50 | 6,895 |
| Saks Fifth Avenue | 41 | 5,188 |
| Saks OFF 5TH | 124 | 3,727 |
| Home Outfitters | 51 | 1,793 |
| HBC Europe (2) | 127 | 27,854 |
| Total | 483 | 61,294 |

(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.
(2) Includes five Saks OFF 5TH Europe stores opened in Germany during the quarter.

**Capital Investments**

Capital investments, net of landlord incentives, during the second quarter totaled $189 million, flat compared to the prior year. During the quarter, HBC opened seven Saks OFF 5TH stores, including five in Germany, and made significant progress on the build out of its first ten Hudson's Bay stores in the Netherlands. The landlord incentives for these projects are due to be received upon the opening of the stores, which will reduce the run rate of net capital expenditures in the second half of the year. Additionally, HBC also continued work on its major renovation at the Saks Fifth Avenue flagship store on 5th Avenue in New York, as well as smaller renovations at various Hudson's Bay, Lord & Taylor and Saks stores. In Europe, HBC remains committed to its sizeable renovation program at Galeria Kaufhof, which includes the introduction of new store-within-store concepts as well as other improvements.

HBC 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. Management continues to expect total capital investments in Fiscal 2017, net of landlord incentives, to be approximately $550 million, compared to $657 million in Fiscal 2016.

The above capital investment expectations reflect exchange rate assumptions of USD:CAD = 1:1.25 and EUR:CAD = 1:1.50 for the remainder of the year. 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 July 29, 2017, HBC 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 weeks ended July 29, 2017):

| (millions of Canadian dollars) | TOTAL ($) |
|---|---|
| Global ABL | **1,222** |
| U.S. Term Loan B | **622** |
| Lord & Taylor Mortgage | **493** |
| Saks Mortgage | **1,556** |
| Other loans | **11** |
| **Total Outstanding Loans and Borrowings** | **3,904** |

At the end of the quarter, HBC had approximately $1.1 billion in availability under its Global ABL Facility.

### Dividend

HBC also announced today that its Board of Directors has approved a quarterly dividend to be paid on October 13, 2017, to shareholders of record at the close of business on September 29, 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 HBC's Board of Directors.

### Conference Call to Discuss Results

Management will discuss the second quarter financial results and other matters during a conference call on September 6, 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 and twenty-six weeks ended July 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 periods ended July 29, 2017 and July 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)**

**(Unaudited)**

| | **Thirteen week period ended** | | **Twenty-six week period ended** | |
|---|---|---|---|---|
| | **July 29, 2017** | July 30, 2016 | **July 29, 2017** | July 30, 2016 |
| Retail sales | **3,291** | 3,252 | **6,494** | 6,555 |
| Cost of sales | **(1,967)** | (1,901) | **(3,835)** | (3,821) |
| Selling, general and administrative expenses | **(1,392)** | (1,286) | **(2,765)** | (2,681) |
| Depreciation and amortization | **(173)** | (154) | **(346)** | (312) |
| Gain on sale of investments in joint ventures | **—** | — | **—** | 45 |
| **Operating loss** | **(241)** | (89) | **(452)** | (214) |

| | | | | |
|---|---|---|---|---|
| Finance costs, net | **(53)** | (56) | **(110)** | (101) |
| Share of net earnings (loss) in joint ventures | **4** | (51) | **(23)** | (53) |
| Dilution gains from investments in joint ventures | **—** | 8 | **3** | 12 |
| **Loss before income tax** | **(290)** | (188) | **(582)** | (356) |
| Income tax benefit | **89** | 46 | **160** | 117 |
| **Net loss for the period** | **(201)** | (142) | **(422)** | (239) |
| | | | | |
| **Loss per common share** | | | | |
| Basic and diluted | **(1.10)** | (0.78) | **(2.32)** | (1.31) |

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

| | **Thirteen week period ended** | | **Twenty-six week period ended** | |
|---|---|---|---|---|
| | **July 29, 2017** | July 30, 2016 | **July 29, 2017** | July 30, 2016 |
| Adjusted EBITDAR [(1)] | 207 | 263 | 375 | 513 |
| Adjusted EBITDA [(1)] | 16 | 81 | (5) | 143 |
| Adjusted SG&A [(1)] | 1,287 | 1,249 | 2,628 | 2,549 |
| Normalized net loss for the period [(1)] | (164) | (122) | (381) | (213) |
| Normalized net loss per Common Share — basic and diluted [(1)] | (0.90) | (0.67) | (2.09) | (1.17) |
| Declared dividend per Common Share | 0.01 | 0.05 | 0.03 | 0.10 |

(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.

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**As at July 29, 2017 and July 30, 2016**

**(millions of Canadian dollars)**

**(Unaudited)**

| | **July 29, 2017** | July 30, 2016 *restated* [(1)] |
|---|---|---|
| **Assets** | | |
| Cash | **112** | 114 |
| Trade and other receivables | **343** | 505 |
| Inventories | **3,324** | 3,322 |
| Other current assets | **199** | 199 |
| **Total current assets** | **3,978** | 4,140 |
| | | |
| Property, plant and equipment | **5,273** | 5,204 |
| Intangible assets and goodwill | **1,705** | 1,984 |
| Pensions and employee benefits | **170** | 160 |
| Deferred tax assets | **358** | 297 |
| Investments in joint ventures | **588** | 610 |
| Other assets | **22** | 21 |
| **Total assets** | **12,094** | 12,416 |
| | | |
| **Liabilities** | | |

| | | |
|---|---|---|
| Loans and borrowings | **1,206** | 830 |
| Finance leases | **28** | 24 |
| Trade payables | **1,464** | 1,261 |
| Other payables and accrued liabilities | **946** | 1,051 |
| Deferred revenue | **103** | 107 |
| Provisions | **193** | 170 |
| Other liabilities | **157** | 140 |
| **Total current liabilities** | **4,097** | 3,583 |
| | | |
| Loans and borrowings | **2,604** | 2,729 |
| Finance leases | **500** | 493 |
| Provisions | **53** | 74 |
| Pensions and employee benefits | **690** | 664 |
| Deferred tax liabilities | **573** | 757 |
| Investment in joint venture | **4** | 14 |
| Other liabilities | **1,683** | 1,437 |
| **Total liabilities** | **10,204** | 9,751 |
| **Shareholders' equity** | | |
| Share capital | **1,426** | 1,421 |
| Retained earnings | **44** | 772 |
| Contributed surplus | **128** | 93 |
| Accumulated other comprehensive income | **292** | 379 |
| **Total shareholders' equity** | **1,890** | 2,665 |
| **Total liabilities and shareholders' equity** | **12,094** | 12,416 |

(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 and twenty-six week periods ended July 29, 2017.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the 26 weeks ended July 29, 2017 and July 30, 2016**

**(millions of Canadian dollars)**

**(Unaudited)**

| | **July 29, 2017** | July 30, 2016 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the period | **(422)** | (239) |
| Income tax benefit | **(160)** | (117) |
| Dilution gains from investments in joint ventures | **(3)** | (12) |
| Share of net loss in joint ventures | **23** | 53 |
| Finance costs, net | **110** | 101 |
| Operating loss | **(452)** | (214) |
| Net cash income taxes received (paid) | **17** | (12) |
| Interest paid in cash | **(94)** | (86) |
| Distributions of earnings from joint ventures | **105** | 100 |
| Items not affecting cash flows: | | |
| Depreciation and amortization | **346** | 312 |
| Net defined benefit pension and employee benefits expense | **15** | 14 |
| Other operating activities | **(17)** | (5) |
| Share of rent expense to joint ventures | **(178)** | (185) |
| Gain on sale of investments in joint ventures | **—** | (45) |
| Share based compensation | **17** | 11 |
| Settlement of share based compensation grants | **(2)** | (3) |
| Changes in operating working capital | **(215)** | (267) |

| | | |
|---|---|---|
| **Net cash outflow for operating activities** | **(458)** | (380) |
| **Investing activities** | | |
| Capital investments | **(474)** | (542) |
| Proceeds from landlord incentives | **132** | 203 |
| Capital investments less proceeds from landlord incentives | **(342)** | (339) |
| Proceeds from lease terminations and other non-capital landlord incentives | **2** | — |
| Proceeds on disposal of assets | **3** | 37 |
| Proceeds from sale of investments in joint ventures | **—** | 65 |
| Acquisition of Gilt Groupe Holdings Inc., net of cash acquired | **—** | (325) |
| Other investing activities | **(12)** | 6 |
| **Net cash outflow for investing activities** | **(349)** | (556) |
| **Financing activities** | | |
| Long-term loans and borrowings: | | |
| Issuance | **5** | 522 |
| Repayments | **(4)** | (326) |
| Borrowing costs | **—** | (13) |
| | **1** | 183 |
| Short-term loans and borrowings: | | |
| Net borrowings from asset-based credit facilities | **825** | 415 |
| Borrowing costs | **(2)** | (12) |
| | **823** | 403 |
| Payments on finance leases | **(17)** | (16) |
| Dividends paid | **(11)** | (18) |
| **Net cash inflow from financing activities** | **796** | 552 |
| Foreign exchange gain (loss) on cash | **1** | (9) |
| Decrease in cash | **(10)** | (393) |
| **Cash at beginning of year** | **122** | 507 |
| **Cash at end of period** | **112** | 114 |

**Supplemental Information**

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

| | **Thirteen week period ended** | | **Twenty-six week period ended** | |
|---|---|---|---|---|
| **(millions of Canadian dollars)** | **July 29, 2017** | **July 30, 2016** | **Jul 29, 2017** | Jul 30, 2016 |
| | $ | $ | $ | $ |
| **Net loss for the period** | **(201)** | (142) | **(422)** | (239) |
| Finance costs, net | **53** | 56 | **110** | 101 |
| Income tax benefit | **(89)** | (46) | **(160)** | (117) |
| Depreciation and amortization | **173** | 154 | **346** | 312 |
| **EBITDA** (1) (5) | **(64)** | 22 | **(126)** | 57 |
| Certain non-cash items (2) | **16** | 53 | **59** | 19 |
| Normalization adjustments (3) | **85** | 27 | **98** | 109 |
| Net rent expense to joint ventures (4) | **43** | 40 | **86** | 80 |
| Cash rent to joint ventures | **(115)** | (110) | **(227)** | (222) |
| Cash distributions from joint ventures | **51** | 49 | **105** | 100 |
| Total adjustments | **80** | 59 | **121** | 86 |
| **Adjusted EBITDA** (5) | **16** | 81 | **(5)** | 143 |
| **Rent adjustments** | | | | |
| Third party rent expense | **127** | 121 | **258** | 248 |
| Cash rent to joint ventures | **115** | 110 | **227** | 222 |
| Cash distributions from joint ventures | **(51)** | (49) | **(105)** | (100) |

| | | | | |
|---|---|---|---|---|
| **Adjusted EBITDAR** [(5)] | **207** | 263 | **375** | 513 |

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 (earnings) loss in joint ventures | (4) | 51 | 23 | 53 |
| Gain on sale of investments in joint ventures | — | — | — | (45) |
| Dilution gains from investments in joint ventures [(i)] | — | (8) | (3) | (12) |
| Non-cash pension expense | 8 | 7 | 15 | 14 |
| Impairment and other non-cash items | 6 | (6) | 5 | (8) |
| Share based compensation | 6 | 9 | 19 | 17 |
| | 16 | 53 | 59 | 19 |

(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)] | 3 | 12 | 8 | 32 |
| Lease guarantee provision [(ii)] | — | — | — | 16 |
| Foreign exchange adjustment [(iii)] | (18) | 1 | (29) | 3 |
| Restructuring [(iv)] | 51 | 7 | 88 | 34 |
| Credit card chargeback expense [(v)] | — | 2 | 1 | 10 |
| European expansion [(vi)] | 29 | 4 | 50 | 4 |
| Onerous lease provisions [(vii)] | 10 | — | 9 | — |
| Other [(viii)] | 10 | 1 | (29) | 10 |
| | 85 | 27 | 98 | 109 |

(i) Includes acquisition and integration expenses related to the acquisitions of 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 resulting from the translation of certain intra-group monetary asset and liabilities related to the overall tax and legal structure of the company.
(iv) Restructuring includes expected costs associated with the Transformation Plan, the $75 million initiative announced in February and programs initiated by HBC Europe to optimize operating efficiencies.
(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) Represents provisions for the estimated costs associated with certain leased locations in excess of anticipated recoveries.
(viii) Other normalized expenses for the thirteen week period ended July 29, 2017, includes duplicative costs associated with the U.S. office consolidation of $6 million and other smaller items totaling a net of $4 million. Other normalized income for the twenty-six week period ended July 29, 2017 includes $42 million received in the first quarter of Fiscal 2017 for a favourable verdict with respect to a 2013 lawsuit brought forth by the company relating to White Flint mall, which was partly offset by duplicative costs associated with the U.S. office consolidation of $8 million and other smaller items totaling a net of $5 million. Prior year balances primarily represent 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 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.

(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 and twenty-six week periods ended July 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.

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

| | **Thirteen week period ended** | | **Twenty-six week period ended** | |
|---|---|---|---|---|
| **(millions of Canadian dollars)** | **July 29, 2017** | **July 30, 2016** | **Jul 29, 2017** | Jul 30, 2016 |
| | $ | $ | $ | $ |
| **SG&A** | **1,392** | 1,286 | **2,765** | 2,681 |
| Certain non-cash items [(1)] | **(20)** | (10) | **(39)** | (23) |
| Normalization adjustments [(2)] | **(85)** | (27) | **(98)** | (109) |
| Total adjustments | **(105)** | (37) | **(137)** | (132) |
| **Adjusted SG&A [(3)]** | **1,287** | 1,249 | **2,628** | 2,549 |
| **Adjusted SG&A [(3)] as a percentage of retail sales** | **39.1 %** | 38.4 % | **40.5 %** | 38.9 % |

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

| | | | | |
|---|---|---|---|---|
| Non-cash pension expense | (8) | (7) | (15) | (14) |
| Impairment and other non-cash items | (6) | 6 | (5) | 8 |
| Share based compensation | (6) | (9) | (19) | (17) |
| | (20) | (10) | (39) | (23) |

(2) Normalization adjustments consist of:

| | | | | |
|---|---|---|---|---|
| Acquisition and integration related expenses [(i)] | (3) | (12) | (8) | (32) |
| Lease guarantee provision [(i)] | — | — | — | (16) |
| Foreign exchange adjustment [(i)] | 18 | (1) | 29 | (3) |
| Restructuring [(i)] | (51) | (7) | (88) | (34) |
| Credit card chargeback expense [(i)] | — | (2) | (1) | (10) |
| European expansion [(i)] | (29) | (4) | (50) | (4) |
| Onerous lease provisions [(i)] | (10) | — | (9) | — |
| Other [(i)] | (10) | (1) | 29 | (10) |
| | (85) | (27) | (98) | (109) |

(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** | | **Twenty-six week period ended** | |
|---|---|---|---|---|
| **(millions of Canadian dollars)** | **July 29, 2017** | **July 30, 2016** | **Jul 29, 2017** | Jul 30, 2016 |
| | $ | $ | $ | $ |
| **Net loss for the period** | **(201)** | (142) | **(422)** | (239) |

| | | | | |
|---|---|---|---|---|
| Certain non-cash items [1] | **—** | (7) | **(2)** | (38) |
| Normalization adjustments [2] | **60** | 16 | **72** | 74 |
| Financing related adjustments | **—** | 2 | **—** | 2 |
| Adjustments to share of net earnings (loss) in joint ventures [3] | **(23)** | 9 | **(29)** | (12) |
| Total adjustments [4] | **37** | 20 | **41** | 26 |
| **Normalized net loss [5]** | **(164)** | (122) | **(381)** | (213) |

Notes:

(1) Certain non-cash items consist of:

| | | | | |
|---|---|---|---|---|
| Gain on sale of investments in joint ventures | — | — | — | (28) |
| Dilution gains from investments in joint ventures | — | (7) | (2) | (10) |
| | — | (7) | (2) | (38) |

(2) Normalization adjustments consist of:

| | | | | |
|---|---|---|---|---|
| Acquisition and integration related expenses and finance costs [i] | (1) | 9 | 4 | 15 |
| Restructuring [ii] | 33 | 5 | 58 | 23 |
| Foreign exchange adjustment [iii] | (7) | (1) | (15) | 10 |
| Lease guarantee provision [iv] | — | — | — | 12 |
| Credit card chargeback expense [v] | 1 | 1 | 1 | 6 |
| European expansion [vi] | 21 | 2 | 35 | 2 |
| Onerous lease provisions [vii] | 7 | — | 6 | — |
| Other [viii] | 6 | — | (17) | 6 |
| | 60 | 16 | 72 | 74 |

(i) Includes acquisition and integration expenses related to the acquisitions of Kaufhof and Gilt. In addition, includes the recognition of non-cash finance (loss) income related to Common Share purchase warrants of $2 million and $1 million for the thirteen and twenty-six week periods ended July 29, 2017, respectively (thirteen and twenty-six week periods ended July 30, 2016: nil and $8 million, respectively).
(ii) Restructuring includes expected costs associated with the Transformation Plan, the $75 million initiative announced in February and programs initiated by HBC Europe to optimize operating efficiencies.
(iii) Represents the impact of unrealized (gains) losses resulting from the translation of certain intra-group monetary asset and liabilities 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) Represents provisions for the estimated costs associated with certain leased locations in excess of anticipated recoveries.
(viii) Other normalized expenses for the thirteen week period ended July 29, 2017, includes duplicative costs associated with the U.S. office consolidation of $4 million and other smaller items totaling a net of $2 million. Other normalized income for the twenty-six week period ended July 29, 2017 includes $42 million ($25 million net of tax) received in the first quarter of Fiscal 2017 for a favourable verdict with respect to a 2013 lawsuit brought forth by the company relating to White Flint mall, which was partly offset by duplicative costs associated with the U.S. office consolidation of $5 million and other smaller items totaling a net of $3 million. Prior year balances primarily represent 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 other smaller items totaling $1 million and $3 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.

(3) Relates to the Company's share of net non-recurring items incurred by the HBS Joint Venture, which is primarily

represents the impact of unrealized (gains) losses resulting from the translation of certain intra-group monetary asset and liabilities related to the overall tax and legal structure of the joint venture.
(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 (earnings) 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 and tax related adjustments; (C) financing related adjustments and (D) adjustments to share of net (earnings) 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 believes 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 and twenty-six weeks ended July 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, management's optimism about the remainder of the year, the anticipated benefits and annualized savings from HBC's Transformation Plan, including the anticipated timing of realizing such savings, the company's ongoing exploration and evaluation of real estate strategies and its ability to generate value from HBC's extensive real estate portfolio, ongoing store openings and renovations, ongoing activities expected to drive sales in Europe, including the introduction of new banners, ongoing digital initiatives, including the migration on to a common online platform for HBC's banners, the ongoing integration of Gilt and Saks OFF 5TH, the installation of automated fulfillment technology at the Pottsville distribution centre, 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, 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, to be approximately $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 approximately $1.1 billion, of which approximately $800 million is related to growth initiatives. Specifically, the company has assumed the following exchange rates for the remainder of Fiscal 2017: USD:CAD = 1:1.25 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 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 September 5, 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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**HBC**
**INVESTOR RELATIONS:**
Elliot Grundmanis, 646-802-2469
elliot.grundmanis@hbc.com
or
**MEDIA:**
Andrew Blecher, 646-802-4030
Andrew.blecher@hbc.com

Source: Hudson's Bay Company

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