HUDSON'S BAY COMPANY

2016 Q2 INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the Thirteen and Twenty-six Weeks Ended

July 30, 2016

Table of Contents

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

(millions of Canadian dollars, except per share amounts)
(unaudited)

		Thirteen weeks ended		Twenty-six weeks ended	
	Notes	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)
Retail sales		**3,252**	2,038	**6,555**	4,110
Cost of sales	9	**(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	6	**(154)**	(101)	**(312)**	(201)
Gain on sale of investments in joint ventures	10	**—**	—	**45**	—
Gain on contribution of assets to joint ventures	10	**—**	133	**—**	133
Operating (loss) income		**(89)**	61	**(214)**	35
Finance costs, net	7	**(56)**	(52)	**(101)**	(99)
Share of net loss in joint ventures	10	**(51)**	(7)	**(53)**	(7)
Dilution gains from investments in joint ventures	10	**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	15				
Basic		**(0.78)**	0.33	**(1.31)**	0.05
Diluted		**(0.78)**	0.28	**(1.31)**	0.05

(See accompanying notes to the unaudited interim condensed consolidated financial statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(millions of Canadian dollars)
(unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	Jul 30, 2016	Aug 1, 2015 (restated – note 9)	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)
Net (loss) earnings	**(142)**	59	**(239)**	10
Other comprehensive income (loss), net of tax:				
Items that may be reclassified subsequently to earnings or loss:				
Currency translation adjustment	**100**	129	**(189)**	49
Net (loss) gain on net investment hedge, net of taxes of ($2) and $3 (2015: nil)	**(11)**	—	**20**	—
Net gain (loss) on derivatives designated as cash flow hedges, net of taxes of ($2) and $9 (2015: $1 and $5)	**8**	(4)	**(22)**	(12)
Reclassification to non-financial assets of net losses (gains) on derivatives designated as cash flow hedges, net of taxes of $1 (2015: $1 and $3)	**2**	(3)	**2**	(8)
Reclassification to earnings of net (gains) losses on derivatives designated as cash flow hedges, net of taxes of nil and $2 (2015: ($2) and $1)	**(2)**	(4)	**4**	(2)
Other comprehensive income (loss)	**97**	118	**(185)**	27
Total comprehensive (loss) income	**(45)**	177	**(424)**	37

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

(millions of Canadian dollars)
(unaudited)

					Accumulated Other Comprehensive Income ("AOCI")					
	Notes	**Share Capital**	**Retained Earnings**	**Contributed Surplus**	Currency Translation Adjustment	Employee Benefits	Net Investment Hedge	Cash Flow Hedges	**Total AOCI**	**Total Shareholders' Equity**
As at January 30, 2016		**1,420**	**1,029**	**86**	606	11	(56)	3	**564**	**3,099**
Issuance of common shares	15	1	—	—	—	—	—	—	—	1
Total comprehensive loss		—	(239)	—	(189)	—	20	(16)	(185)	(424)
Share based compensation	14	—	—	7	—	—	—	—	—	7
Dividends	15	—	(18)	—	—	—	—	—	—	(18)
As at July 30, 2016		**1,421**	**772**	**93**	417	11	(36)	(13)	**379**	**2,665**

					Accumulated Other Comprehensive Income ("AOCI")					
	Notes	**Share Capital**	**Retained Earnings**	**Contributed Surplus**	Currency Translation Adjustment	Employee Benefits	Net Investment Hedge	Cash Flow Hedges	**Total AOCI**	**Total Shareholders' Equity**
As at January 31, 2015		**1,420**	**678**	**60**	379	(12)	(56)	5	**316**	**2,474**
Total comprehensive income (restated)	9	—	10	—	49	—	—	(22)	27	37
Share based compensation	14	—	—	12	—	—	—	—	—	12
Dividends		—	(18)	—	—	—	—	—	—	(18)
As at August 1, 2015 (restated)		**1,420**	**670**	**72**	428	(12)	(56)	(17)	**343**	**2,505**

(See accompanying notes to the unaudited interim condensed consolidated financial statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

As at July 30, 2016, August 1, 2015 and January 30, 2016

(millions of Canadian dollars)
(unaudited)

	Notes	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)	Jan 30, 2016 (restated – note 5)
Assets				
Cash	8	**114**	58	507
Trade and other receivables		**505**	168	512
Inventories	9	**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	10	**610**	313	658
Other assets		**21**	16	16
Total assets		**12,427**	8,541	12,640
Liabilities				
Loans and borrowings	11	**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	12	**133**	119	126
Total current liabilities		**3,535**	2,074	3,396
Loans and borrowings	11	**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	10	**14**	49	27
Other liabilities	12	**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

(See accompanying notes to the unaudited interim condensed consolidated financial statements)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

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

(millions of Canadian dollars)
(unaudited)

	Notes	Jul 30, 2016	Aug 1, 2015 (restated – note 9)
Operating activities			
Net (loss) earnings for the period		**(239)**	10
Deduct: Income tax benefit		**(117)**	(81)
Deduct: Dilution gains from investments in joint ventures	10	**(12)**	—
Add: Share of net loss in joint ventures	10	**53**	7
Add: Finance costs, net	7	**101**	99
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	10	**100**	7
Items not affecting cash flows:			
Depreciation and amortization	6	**312**	201
Net defined benefit pension and employee benefits expense		**14**	13
Other operating activities		**(4)**	(19)
Share of rent expense to joint ventures	10	**(185)**	(9)
Gain on contribution of assets to joint ventures	10	**—**	(133)
Gain on sale of investments in joint ventures	10	**(45)**	—
Share based compensation	14	**11**	14
Settlement of share based compensation grants	14	**(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	10	**—**	1,134
Proceeds on disposal of assets		**37**	—
Proceeds from sale of investments in joint ventures	10	**65**	—
Acquisition of Gilt Groupe Holdings Inc., net of cash acquired	4	**(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

(See accompanying notes to the unaudited interim condensed consolidated financial statements)

NOTE 1. GENERAL INFORMATION

Hudson's Bay Company ("HBC" or the "Company") is a Canadian corporation amalgamated under the Canada Business Corporations Act and domiciled in Canada.

On November 26, 2012, the Company completed an initial public offering (the "IPO") of its common shares, which trade on the Toronto Stock Exchange.

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

On July 9, 2015, the Company and RioCan Real Estate Investment Trust ("RioCan") closed the first tranche of their joint venture, RioCan-HBC Limited Partnership (the "RioCan-HBC JV"). The second tranche of the RioCan-HBC JV closed on November 25, 2015.

On July 22, 2015, the Company and Simon Property Group Inc. ("Simon") closed their joint venture, Simon HBC Opportunities LLC (the "HBC-Simon JV").

On September 30, 2015, prior to the acquisition discussed below, the HBC-Simon JV became a wholly-owned subsidiary of HBS Global Properties LLC (the "HBS Joint Venture").

On September 30, 2015, the Company and the HBS Joint Venture acquired GALERIA Holding ("Kaufhof") for €2,317 million ($3,490 million) (the "Kaufhof Acquisition"). The transaction was structured such that effectively, the Company acquired the operating business and certain properties of Kaufhof (the "Kaufhof Operating Business") for €709 million ($1,068 million) while the HBS Joint Venture acquired the property business (the "Kaufhof Property Business") for €1,608 million ($2,422 million).

On February 1, 2016, the Company acquired Gilt Groupe Holdings Inc. ("Gilt") for U.S.$239 million ($335 million) in cash (the "Gilt Acquisition"), excluding debt (note 4).

The Company owns and operates department stores in Canada and the United States under Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks Fifth Avenue OFF 5TH (" Saks OFF 5TH"), Find @ Lord & Taylor, Gilt and Home Outfitters banners. In Europe, its banners include GALERIA Kaufhof, Galeria Inno, as well as Sportarena, together the "Kaufhof Banners". The address of the registered office of HBC is 401 Bay Street, Suite 500, Toronto, ON, M5H 2Y4.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

The preparation of unaudited interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates, which requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited interim financial statements have been set out in note 3 of the annual audited consolidated financial statements for the year ended January 30, 2016.

These unaudited interim condensed consolidated financial statements were prepared using the same accounting policies and methods as those used in the annual audited consolidated financial statements for the year ended January 30, 2016 and should be read in conjunction with them.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Audit Committee of

HBC on September 6, 2016.

Accounting Standards Implemented in Fiscal 2016

Joint Arrangements

In May 2014, the IASB amended IFRS 11 – Joint Arrangements ("IFRS 11") to require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 – Business Combinations principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments to IFRS 11 are effective for annual periods beginning on or after January 1, 2016, and must be applied prospectively. The Company implemented the amendments to IFRS 11 at the beginning of its 2016 fiscal year and the implementation did not have an impact on its results of operations, financial position or disclosure.

New Accounting Standards Not Yet Implemented

Revenue

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"), which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of IFRS 15.

Financial Instruments

In July 2014, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39").

> *Classification and measurement*
>
> Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in other comprehensive (loss) income instead of net (loss) earnings.
>
> *Impairment*
>
> The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.
>
> *Hedge accounting*
>
> The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The new model will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is assessing the potential impact of IFRS 9.

Leases

In January 2016, the IASB issued the final publication of the IFRS 16 – Leases ("IFRS 16") standard, which is to replace the current IAS 17 lease accounting standard and related interpretations. IFRS 16 is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019 with earlier adoption permitted if IFRS 15 has also been adopted. The Company is assessing the potential impact of IFRS 16.

NOTE 3. SEASONALITY

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

NOTE 4. ACQUISITION OF GILT GROUPE HOLDINGS INC.

On February 1, 2016, the Company acquired Gilt Groupe Holdings Inc. for U.S.$239 million ($335 million) in cash, excluding debt. With the Gilt Acquisition, the Company has added an online shopping destination, which offers its members special access to fashion merchandise and experiences. This transaction reflects the Company's ongoing focus on advancing its all-channel model, while continuing to grow its off-price business through the integration of Gilt with Saks OFF 5TH locations.

During the thirteen weeks ended July 30, 2016, the Company identified measurement period adjustments based on new information relating primarily to inventory. The following table summarizes the estimated fair value of the consideration given and the revised fair value assigned to the assets acquired and the liabilities assumed of Gilt:

(millions)	$ U.S.	$ CAD
Cash	7	10
Inventories	62	87
Property, plant and equipment	26	36
Intangible assets	178	249
Goodwill	72	101
Other assets	20	28
Trade payables	(50)	(70)
Other payables and accrued liabilities	(61)	(85)
Deferred tax liabilities	(9)	(13)
Other liabilities	(6)	(8)
Total identifiable net assets acquired and cash consideration given	239	335

The total Gilt purchase price is subject to certain adjustments to the fair values assigned to the assets acquired and liabilities assumed ("the purchase price adjustment period"), which could result in a final amount paid that is higher or lower than the purchase price disclosed above. The purchase price adjustment period was 60 business days from February 1, 2016, within which the Company's proposed adjustment was submitted and is currently in negotiation. The Company expects the purchase price to be finalized during the third quarter of fiscal 2016.

The Company has not yet finalized the purchase price allocation including goodwill and therefore, the information disclosed above for identifiable net assets acquired is subject to change.

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

The Company incurred acquisition-related costs of $25 million related to external legal fees, consulting fees, due diligence costs and investment banking fees, of which $9 million have been included in SG&A in the unaudited interim condensed consolidated statement of loss for the twenty-six weeks ended July 30, 2016. The remaining costs of $16 million were included in SG&A in the consolidated statement of earnings for the year ended January 30, 2016.

The Company expects no amount of goodwill to be deductible for tax purposes.

NOTE 5. ACQUISITION OF GALERIA HOLDINGS

The total Kaufhof purchase price of €2,317 million ($3,490 million) is subject to certain adjustments to the fair values assigned to the assets acquired and liabilities assumed ("the purchase price adjustment period") as agreed upon between the Company and METRO AG ("METRO"), which could result in a final amount paid that is higher or lower than the purchase price disclosed above. The purchase price adjustment period was 90 business days from September 30, 2015, within which the Company's proposed adjustment was submitted and is currently in negotiation. The Company expects the purchase price to be finalized during the third quarter of fiscal 2016.

The Company has not yet finalized the purchase price allocation including any potential goodwill and therefore, the amounts recorded for identifiable net assets acquired are subject to change.

During the twenty-six weeks ended July 30, 2016, the Company identified measurement period adjustments based on new information relating primarily to property, plant and equipment, intangible assets and provisions. The impacts of the adjustments to previously reported comparative amounts are as follows:

(millions of Canadian dollars)	Sept 30, 2015	Jan 30, 2016
Property, plant and equipment	2	2
Intangible assets	(11)	(11)
Finance leases	2	2
Provisions	(9)	(9)
Deferred tax liabilities	(2)	(2)

NOTE 6. DEPRECIATION AND AMORTIZATION

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015
Property, plant and equipment	**109**	81	**229**	159
Intangible assets	**46**	21	**85**	44
Deferred credits	**(1)**	(1)	**(2)**	(2)
	154	101	**312**	201

NOTE 7. FINANCE COSTS

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015
Interest expense on long-term borrowings	**31**	29	**59**	60
Interest expense on short-term borrowings	**9**	5	**21**	10
Interest expense on finance leases	**10**	4	**20**	7
Write-off of deferred financing costs	**3**	18	**3**	18
Net interest on pensions and employee benefits	**4**	1	**7**	1
Interest income	**(1)**	—	**(1)**	—
Total interest expense	**56**	57	**109**	96
Saks acquisition-related finance (income) costs (note 13)	**—**	(5)	**(8)**	3
	56	52	**101**	99

NOTE 8. CASH

As at July 30, 2016, cash includes restricted cash of $15 million (August 1, 2015: $15 million; January 30, 2016: $94 million).

NOTE 9. INVENTORIES

Inventories on hand at July 30, 2016, August 1, 2015 and January 30, 2016 were available for sale. The cost of merchandise inventories recognized as expense for the thirteen and twenty-six weeks ended July 30, 2016 was $1,901 million and $3,821 million (2015: $1,234 million and $2,452 million). The write-down of merchandise inventories below cost to net realizable value as at July 30, 2016 was $70 million (August 1, 2015: $44 million; January 30, 2016: $86 million). There was no reversal of write-downs previously taken on merchandise inventories that are no longer estimated to sell below cost. Inventory has been pledged as security for certain borrowing agreements.

Change in accounting policy

During the fourth quarter of fiscal 2015, the Company changed its policy with respect to the valuation of Saks' inventory from the retail method to cost, as well as, the method of calculating the adjustment required to value inventory to its net realizable value. The change in policy was implemented retrospectively to February 2, 2014. The Company was unable to quantify the impact of the accounting change prior to February 2, 2014 as data required for this was not historically maintained at the necessary level of detail.

Prior to February 2, 2014, item cost was determined using the retail method, which reduced the selling price of inventories to cost using the application of average department mark-up. The adjustment to net realizable value was then calculated by assessing department aging and mark down status of items in the department. Subsequent to February 2, 2014, cost is determined using the weighted average cost on an individual style basis. The net realizable value calculation is now performed integrating item level analysis as well as aging and markdown status.

As at August 1, 2015, the impact of this change in policy is as follows:

Condensed Consolidated Balance Sheet

(millions of Canadian dollars)	Aug 1, 2015
Decrease in inventories	(36)
Decrease in deferred tax liabilities	(15)
Decrease in retained earnings	(18)
Decrease in accumulated other comprehensive income	(3)

Condensed Consolidated Statements of Earnings and Comprehensive Income

	Aug 1, 2015	
(millions of Canadian dollars)	Thirteen weeks ended	Twenty-six weeks ended
Increase in cost of sales	(14)	(6)
Increase in income tax benefit	6	3
Decrease in net earnings and comprehensive income for the period	(8)	(3)
Decrease in earnings per common share - basic	(0.04)	(0.02)
Decrease in earnings per common share - diluted	(0.05)	(0.02)

NOTE 10. INVESTMENTS IN JOINT VENTURES

The following table summarizes the details of the RioCan-HBC JV, HBS Joint Venture and other joint venture:

			Jul 30, 2016		Aug 1, 2015		Jan 30, 2016	
(millions of Canadian dollars, except ownership interest)	**Principal Activity**	**Principal Places of Business**	**Ownership Interest**	**Carrying Value**	Ownership Interest	Carrying Value	Ownership Interest	Carrying Value
RioCan-HBC JV	Real estate investment	Canada	**88.4%**	**(14)**	86.6%	(49)	89.7%	(27)
HBS Joint Venture	Real estate investment	United States, Germany	**64.7%**	**509**	99.9%	313	67.4%	545
Other joint venture	Real estate investment	United States, Germany	**64.7%**	**101**	—	—	67.4%	113
				596		264		631

RioCan-HBC JV

During the thirteen and twenty-six weeks ended August 1, 2015, HBC contributed 7 properties with a combined value of approximately $1.3 billion to the RioCan-HBC JV. Based on RioCan's ownership interest in the joint venture, the total gain on contribution of the owned and ground-leased properties was $147 million of which $15 million was deferred and recorded in non-current other liabilities (note 12). The Company also received cash proceeds of $352 million from the RioCan-HBC JV which it primarily used to repay a senior secured term loan and the HBC Revolving Credit Facility.

On April 19, 2016, RioCan contributed $6 million to the RioCan-HBC JV for tenant improvements to real estate properties. As a result of the contribution, HBC's ownership interest in the RioCan-HBC JV decreased from 89.7% to 89.3% and the Company realized a dilution gain of $2 million. Similarly, on May 12, 2016, RioCan contributed an additional $15 million to the RioCan-

HBC JV, decreasing HBC's ownership interest in the RioCan-HBC JV from 89.3% to 88.4% and resulting in the Company realizing a dilution gain of $4 million.

The following table details the changes in the Company's investment in the RioCan-HBC JV:

	Thirteen weeks ended		**Twenty-six weeks ended**		Year ended
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015	Jan 30, 2016
Equity investment as at the beginning of the period	**(20)**	—	**(27)**	—	—
Dilution gains from change in equity interest	**4**	—	**6**	—	—
Share of net earnings from joint venture	**20**	4	**41**	4	37
Distributions from joint venture	**(18)**	(4)	**(34)**	(4)	(34)
Investments in joint venture	**—**	(49)	**—**	(49)	(30)
Equity investment as at the end of the period	**(14)**	(49)	**(14)**	(49)	(27)

Summarized financial information of the RioCan-HBC JV and reconciliation with the carrying amount of the investment in the unaudited interim condensed consolidated balance sheets are set out below:

(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	Jan 30, 2016
Cash	**1**	—	1
Other current financial assets	**8**	—	—
Other current assets	**1**	—	—
Non-current financial assets	**143**	120	142
Other non-current assets	**1,759**	1,433	1,755
Current financial liabilities	**(10)**	(12)	(5)
Non-current financial liabilities	**(542)**	(480)	(547)
Net assets at 100%	**1,360**	1,061	1,346
Company's share of net assets in the RioCan-HBC JV	**1,202**	902	1,207
Less gain on contributions of assets to the RioCan-HBC JV not recognized related to Company's ownership interest	**(1,216)**	(951)	(1,234)
Company's carrying value of investment in the RioCan-HBC JV	**(14)**	(49)	(27)

Summarized statement of earnings of the RioCan-HBC JV:

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015
Rental revenue	**28**	5	**56**	5
Rental revenue - recoveries	**2**	1	**4**	1
Property operating costs	**(2)**	(1)	**(5)**	(1)
Depreciation and amortization	**(11)**	(2)	**(21)**	(2)
Finance income	**2**	1	**5**	1
Finance costs	**(4)**	(1)	**(8)**	(1)
Net earnings at 100%	**15**	3	**31**	3
Company's share of net earnings in the RioCan-HBC JV prior to adjustment	**14**	3	**28**	3
Adjustment for the Company's share of depreciation on the fair value increment of the contributed properties	**6**	1	**13**	1
Company's share of net earnings from the RioCan-HBC JV	**20**	4	**41**	4
Reclassification of rental income to SG&A related to the Company's ownership interest in the RioCan-HBC JV	**(21)**	(4)	**(42)**	(4)
Company's share of net loss in the RioCan-HBC JV	**(1)**	—	**(1)**	—

HBS Joint Venture

During the thirteen and twenty-six weeks ended August 1, 2015, HBC contributed forty-two properties with a combined value of approximately $2.1 billion to the HBC-Simon JV. Based on Simon's ownership interest in the joint venture, the total gain on contribution of the owned and ground-leased properties was $1 million. The Company also received cash proceeds of $782 million from the HBC-Simon JV which was used to repay a senior secured term loan in full and to partially repay the outstanding balance on its U.S. Revolving Credit Facility. On September 30, 2015, the HBC-Simon JV became a wholly-owned subsidiary of the HBS Joint Venture.

On March 16, 2016, Simon contributed U.S.$5 million ($6 million) to the HBS Joint Venture towards its U.S.$99 million commitment for improvements to properties contributed by HBC. As a result, the Company's ownership interest in the HBS Joint Venture decreased from 67.4% to 67.2% and the Company realized a dilution gain of $2 million.

On March 30, 2016, HBC sold a further portion of its equity investment in the HBS Joint Venture (and other joint venture) to Madison International Realty for proceeds of U.S.$50 million ($65 million), reducing the Company's ownership interest in the HBS Joint Venture to 65.0%. Total proceeds from the sale were used to pay down the Global Revolving Credit Facility. As a result of the transaction, the Company recognized a pre-tax gain on the sale of $45 million.

On June 7, 2016 and July 1, 2016, Simon made additional contributions to the HBS Joint Venture of U.S.$3 million ($4 million) and U.S.$5 million ($6 million), respectively. HBC's ownership interest decreased from 65.0% to 64.9% on June 7, 2016 and further to 64.7% on July 1, 2016. The Company realized a dilution gain of $4 million.

The following table details the changes in the Company's investment in the HBS Joint Venture:

	Thirteen weeks ended		**Twenty-six weeks ended**		Year ended
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015	Jan 30, 2016
Equity investment as at the beginning of the period	**500**	—	**545**	—	—
Share of net earnings (loss) from joint venture	**20**	(2)	**91**	(2)	12
Dilution gains from changes in equity interest	**4**	—	**6**	—	164
Sale of a portion of investment in joint venture	**—**	—	**(17)**	—	(191)
Distributions of earnings from joint venture	**(31)**	(3)	**(66)**	(3)	(80)
Return of capital from joint venture	**(6)**	—	**(6)**	—	—
Net foreign currency exchange and other	**22**	1	**(44)**	1	43
Investments in joint venture	**—**	317	**—**	317	597
Equity investment as at the end of the period	**509**	313	**509**	313	545

Summarized financial information of the HBS Joint Venture and reconciliation with the carrying amount of the investment in the unaudited interim condensed consolidated balance sheets are set out below:

(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	Jan 30, 2016
Cash	**80**	338	144
Other current financial assets	**21**	—	18
Non-current assets	**5,419**	2,155	5,710
Current liabilities	**(31)**	(19)	(32)
Current financial liabilities	**(168)**	—	(235)
Non-current liabilities	**(404)**	—	(423)
Non-current financial liabilities	**(3,157)**	(1,106)	(3,319)
Net assets at 100%	**1,760**	1,368	1,863
Company's share of net assets in the HBS Joint Venture	**1,138**	1,367	1,256
Less gain on contribution of assets to the HBS Joint Venture not recognized related to Company's ownership interest	**(629)**	(1,054)	(711)
Company's carrying value of investment in the HBS Joint Venture	**509**	313	545

Summarized statement of earnings of the HBS Joint Venture:

(millions of Canadian dollars)	Thirteen weeks ended Jul 30, 2016	Thirteen weeks ended Aug 1, 2015	Twenty-six weeks ended Jul 30, 2016	Twenty-six weeks ended Aug 1, 2015
Rental revenue	**109**	5	**219**	5
Rental revenue - recoveries	**7**	—	**12**	—
Property operating costs	**(6)**	—	**(8)**	—
General and administrative expenses	**(26)**	(4)	**23**	(4)
Depreciation and amortization	**(27)**	(3)	**(56)**	(3)
Finance costs	**(28)**	(1)	**(56)**	(1)
Income tax expense	**(5)**	—	**(9)**	—
Net earnings (loss) at 100%	**24**	(3)	**125**	(3)
Company's share of net earnings (loss) in the HBS Joint Venture prior to adjustment	**16**	(3)	**83**	(3)
Adjustment for the Company's share of depreciation on the fair value increment of the contributed properties	**4**	1	**8**	1
Company's share of net earnings (loss) from the HBS Joint Venture	**20**	(2)	**91**	(2)
Reclassification of rental income to SG&A related to the Company's ownership interest in the HBS Joint Venture	**(70)**	(5)	**(143)**	(5)
Company's share of net loss in the HBS Joint Venture	**(50)**	(7)	**(52)**	(7)

NOTE 11. LOANS AND BORROWINGS

The Company's debt consists of a Global U.S. dollar denominated asset based revolving credit facility and U.S. term loans and mortgages.

a) Current loans and borrowings

(millions of Canadian dollars)	Jul 30, 2016	Aug 1, 2015	Jan 30, 2016
Global Revolving Credit Facility	**849**	—	—
U.S. Revolving Credit Facility	**—**	335	464
Current portion of long-term loans and borrowings	**7**	5	5
	856	340	469
Less: unamortized costs	**(26)**	(22)	(18)
	830	318	451

On February 5, 2016, the Company entered into a senior secured asset-based revolving credit facility for the benefit of the Company's Canadian, U.S. and European operations ("Global Revolving Credit Facility") with Bank of America, N.A. as the administrative agent and collateral agent. The Global Revolving Credit Facility replaced the HBC Revolving Credit Facility and the U.S. Revolving Credit Facility which existed up until February 4, 2016. The Global Revolving Credit Facility, with availability of up to U.S.$1.9 billion, has a maturity date of February 5, 2021 and is secured by a first priority security interest over all inventory and accounts receivable in Canada, the United States and Germany.

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

Global Revolving Credit Facility

(millions of Canadian dollars)	Jul 30, 2016
Gross borrowing base availability	**2,315**
Drawings	**(849)**
Outstanding letters of credit	**(118)**
Borrowing base availability net of drawings and letters of credit	**1,348**

As the Global Revolving Credit Facility is available for and used to finance working capital requirements, capital expenditures and other general corporate purposes, it has been classified in the unaudited interim condensed consolidated balance sheet as part of current loans and borrowings. However, the Company is not required to repay any balance outstanding until the maturity date of February 5, 2021.

HBC Revolving Credit Facility

(millions of Canadian dollars)	Aug 1, 2015	Jan 30, 2016
Gross borrowing base availability	527	495
Outstanding letters of credit	(13)	(13)
Borrowing base availability net of letters of credit	514	482

U.S. Revolving Credit Facility

(millions of Canadian dollars)	Aug 1, 2015	Jan 30, 2016
Gross borrowing base availability	1,439	1,541
Drawings	(335)	(464)
Outstanding letters of credit	(26)	(28)
Borrowing base availability net of drawings and letters of credit	1,078	1,049

b) Long-term loans and borrowings

(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	Jan 30, 2016
U.S. Term Loan B	**653**	—	700
Yorkdale Mortgage	**—**	48	—
Lord & Taylor Mortgage	**522**	327	349
Saks Mortgage	**1,632**	1,635	1,750
Other loans	**8**	9	10
	2,815	2,019	2,809
Less: unamortized costs	**(79)**	(45)	(75)
Less: amounts due within one year	**(7)**	(5)	(5)
	2,729	1,969	2,729

On July 19, 2016, LT 424 LLC, an indirect subsidiary of L&T Acquisition, refinanced its previous U.S.$250 million mortgage loan by entering into a U.S.$400 million syndicated floating rate senior mortgage loan ("the Lord & Taylor Mortgage") with an affiliate of CIBC World Markets Inc., as the administrative agent.

The Lord & Taylor Mortgage matures August 10, 2021 and carries an interest rate of LIBOR plus 3.25% (note 13). The Lord & Taylor Mortgage is subject to mandatory prepayments over the term of the loan and allows for the ability to prepay the entire amount outstanding after the first 2 years with a fee payable to the lenders at 2% of the outstanding loan principal. This prepayment fee is reduced to 1% after 3 years, and further reduced to nil after August 10, 2020. Any prepayments made are applied to reduce the remaining scheduled installments.

The Lord & Taylor Mortgage contains customary representations and warranties, positive and negative covenants, reporting requirements and events of default. As security for the Lord & Taylor Mortgage, the Company granted a first priority mortgage in the Fifth Avenue Lord & Taylor flagship property.

NOTE 12. OTHER LIABILITIES

(millions of Canadian dollars)	Jul 30, 2016	Aug 1, 2015	Jan 30, 2016
Deferred landlord incentives	**823**	389	648
Deferred gain on sale and leaseback transaction	**227**	237	232
Operating lease intangible liability	**113**	—	88
Deferred proceeds from lease terminations	**77**	71	65
Income taxes payable	**37**	13	50
Financial liabilities	**38**	101	37
Other liabilities	**303**	145	247
	1,618	956	1,367
Current	**133**	119	126
Non-current	**1,485**	837	1,241
	1,618	956	1,367

NOTE 13. FINANCIAL INSTRUMENTS

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

As at July 30, 2016, August 1, 2015 and January 30, 2016, the carrying value and fair value of these debt instruments were:

(millions of Canadian dollars)	Jul 30, 2016	Aug 1, 2015	Jan 30, 2016
Carrying value	**3,664**	2,354	3,273
Fair value	**3,666**	2,354	3,272

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

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

As at July 30, 2016, August 1, 2015 and January 30, 2016, the fair value and carrying value of derivative financial assets and financial liabilities were:

(millions of Canadian dollars)	Jul 30, 2016	Aug 1, 2015	Jan 30, 2016
Current financial assets (included in other current assets)	**4**	20	23
Current financial liabilities (included in other current liabilities)	**15**	30	6
Non-current financial liabilities (included in other liabilities)	**23**	71	31

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

In relation to the 1.5 million warrants issued concurrently with the execution of the merger agreement ("Merger Agreement Warrants") to H.S. Investments L.P. ("HSILP"), an entity affiliated with Ontario Teachers' Pension Plan Board, the Company recognized acquisition related finance income of nil and $2 million during the thirteen and twenty-six weeks ended July 30, 2016 (2015: income of $1 million and costs of $1 million), representing mark-to-market adjustments to the fair value as at July 30, 2016. As at July 30, 2016, the fair value of the Merger Agreement Warrants was $5 million (August 1, 2015: $16 million;

January 30, 2016: $7 million).

In relation to the 5.25 million warrants issued to HSILP and West Face Long Term Opportunities Global Master L.P, a fund advised by West Face Capital Inc., on November 4, 2013 upon closing of the acquisition of Saks ("Acquisition Warrants"), the Company recognized acquisition related finance income of nil and $6 million during the thirteen and twenty-six weeks ended July 30, 2016 (2015: income of $4 million and costs of $2 million), representing mark-to-market adjustments to the fair value as at July 30, 2016. As at July 30, 2016, the fair value of the Acquisition Warrants was $18 million (August 1, 2015: $55 million; January 30, 2016: $24 million).

The Company will continue to record mark-to-market gains and losses on the warrants until the earlier of the date of exercise or expiry.

The fair values of the warrants were determined using the Black-Scholes option pricing model using the following assumptions:

	Jul 30, 2016	Aug 1, 2015	Jan 30, 2016
Share price	**$16.41**	$26.50	$17.30
Expected volatility	**38%**	30%	42%
Dividend yield	**1.22%**	0.75%	1.16%
Risk free interest rate	**0.57%**	0.52%	0.49%
Expected life – Merger Agreement Warrants	**2.0 years**	3.0 years	2.5 years
Expected life – Acquisition Warrants	**2.3 years**	3.3 years	2.8 years

The Company's net investments in L&T Acquisition and Gilt (U.S. dollars) and the Kaufhof Operating Business (Euros), whose functional currencies are not Canadian dollars present foreign exchange risks to HBC. The Company is using a net investment hedge to mitigate a portion of the U.S. dollar foreign exchange risk by designating U.S.$245 million of U.S. Term Loan B as a hedge of the first U.S.$245 million of net assets of L&T Acquisition. Foreign currency translation of the net earnings (loss) of L&T Acquisition, Gilt and the Kaufhof Operating Business impacts consolidated net (loss) earnings. Foreign currency translation of HBC's investments in L&T Acquisition, Gilt and the Kaufhof Operating Business impacts other comprehensive (loss) income.

On July 19, 2016, the Company entered into 2 interest rate swap arrangements related to the Lord & Taylor Mortgage (note 11) to reduce its future cash flow exposure to floating interest rates. The Company fixed the interest rate at approximately 4.3% over the term of the mortgage. Each interest rate swap is designated as a cash flow hedge and accounted for using hedge accounting. The interest rate swaps are valued based on the difference between the exercise rate and the spot rate, volatility of exchange rates and market interest rates at the period-end date.

NOTE 14. SHARE BASED COMPENSATION

Senior executive option transactions were as follows:

	Twenty-six weeks ended			
	Jul 30, 2016		Aug 1, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	10,656,936	$20.37	8,945,597	$18.07
Granted	6,617,787	$16.94	2,008,152	$28.34
Forfeited	(524,447)	$19.02	(1,128,585)	$18.34
Outstanding at end of period	16,750,276	$19.05	9,825,164	$20.14
Share options exercisable at end of period	—	—	—	—

During the thirteen and twenty-six weeks ended July 30, 2016, the grant date fair value of senior executive options granted was $1 million and $28 million (2015: $14 million).

The following table summarizes information about the senior executive share options outstanding and exercisable as at July 30, 2016:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Jul 30, 2016	Weighted average exercise price
$15.00 to $15.49	221,975	6.9	$15.01	—	—
$16.00 to $16.49	285,482	6.5	$16.28	—	—
$17.00 to $17.49	11,406,475	6.5	$17.15	—	—
$17.50 to $17.99	879,708	4.8	$17.61	—	—
$23.50 to $23.99	2,158,907	5.7	$23.73	—	—
$24.00 to $24.49	100,000	6.2	$24.22	—	—
$28.00 to $28.49	1,697,729	5.9	$28.34	—	—
Total	16,750,276	6.3	$19.05	—	—

Other management option transactions were as follows:

	Twenty-six weeks ended			
	Jul 30, 2016		Aug 1, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,843,600	$19.72	1,729,400	$17.35
Granted	332,800	$16.70	403,200	$28.34
Forfeited	(168,933)	$19.59	(167,600)	$17.75
Outstanding at end of period	2,007,467	$19.20	1,965,000	$19.57
Share options exercisable at end of period	597,200	$17.00	—	—

During the thirteen and twenty-six weeks ended July 30, 2016, the grant date fair value of other management options granted was nil and $1 million (2015: $3 million).

The following table summarizes information about the other management share options outstanding and exercisable as at July 30, 2016:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at Jul 30, 2016	Weighted average exercise price
$15.00 to $15.49	49,600	6.9	$15.01	—	—
$16.00 to $16.49	16,000	6.5	$16.28	—	—
$17.00 to $17.49	1,005,867	4.4	$17.08	597,200	$17.00
$17.50 to $17.99	529,600	4.8	$17.61	—	—
$23.50 to $23.99	97,600	6.1	$23.86	—	—
$28.00 to $28.49	308,800	5.9	$28.34	—	—
Total	2,007,467	4.9	$19.20	597,200	$17.00

The assumptions used to measure the fair value of senior executive and other management options granted during the thirteen and twenty-six weeks ended July 30, 2016 under the Black-Scholes option pricing model at the grant date were as follows:

Expected dividend yield	1.18 % - 1.33%
Expected share price volatility	32.93% - 32.98%
Risk-free interest rate	0.64% - 0.66%
Expected life of options (years)	4 - 5

During the thirteen and twenty-six weeks ended July 30, 2016, the Company granted 104,360 (2015: 109,250) phantom share units with a grant date fair value of $2 million (2015: $3 million).

During the thirteen and twenty-six weeks ended July 30, 2016, the Company granted nil and 88,538 (2015: 21,905 and 60,085) deferred share units ("DSUs") and 155,363 and 1,657,695 (2015: 48,893 and 67,567) restricted share units ("RSUs") with grant date fair values of nil and $2 million (2015: $1 million and $2 million) and $2 million and $28 million (2015: $1 million and $2 million), respectively. The fair values of the grants were determined based on the Company's share price at the date of the grant. RSUs granted in fiscal 2016 vest over 1, 2 and 3 year terms.

During the thirteen and twenty-six weeks ended July 30, 2016, the Company granted nil and 593,812 (2015: 608,491) performance share units ("PSUs") with grant date fair values of nil and $10 million (2015: $17 million), of which nil and $8 million (2015: $13 million) is expected to vest. The fair value was determined based on the Company's share price at the date of the grant. Prior to fiscal 2016, the fair value was adjusted to reflect PSU's non-entitlement of dividends.

During the thirteen and twenty-six weeks ended July 30, 2016, the Company granted nil (2015: 1,470,724) performance restricted share units ("PRSUs") to senior executives with a total grant date fair value of nil (2015: $15 million) and nil and 4,794 (2015: 2,677) as dividend equivalents.

Share based compensation expense

Total share based compensation expense for thirteen and twenty-six weeks ended July 30, 2016 is summarized as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015
Share options	**4**	4	**9**	7
PSUs	**(8)**	1	**(6)**	3
RSUs	**3**	1	**5**	2
Other share based compensation (1)	**2**	1	**3**	2
	1	7	**11**	14

(1) Includes phantom shares, DSUs and PRSUs.

During the quarter, the Company's regular review of equity instruments expected to vest resulted in revisions to cumulative expenses for certain share based awards. These revisions were recorded in the thirteen weeks ended July 30, 2016.

During the thirteen and twenty-six weeks ended July 30, 2016, $4 million (2015: $2 million) of share based compensation was settled.

NOTE 15. SHARE CAPITAL

On June 9, 2016 and March 21, 2016, the Company's Board of Directors declared a dividend of $0.05 per common share which was paid on July 15, 2016 and April 15, 2016 to shareholders of record at the close of business on June 30, 2016 and March 31, 2016, respectively.

During thirteen and twenty-six weeks ended July 30, 2016, the Company issued 26,051 and 80,791 common shares in connection with the settlement of vested share based awards.

Net (loss) earnings per common share and weighted average common shares outstanding are calculated as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
	Jul 30, 2016	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015
(millions of Canadian dollars or shares except per share amounts)		(restated - note 9)		(restated - note 9)
Net (loss) earnings for basic earnings per share	**(142)**	59	**(239)**	10
Impact of options and warrants	**—**	(5)	**—**	—
Net (loss) earnings for diluted earnings per share	**(142)**	54	**(239)**	10
Weighted average common shares outstanding	**182**	182	**182**	182
Dilutive effect of options and warrants	**—**	6	**—**	3
Diluted weighted average common shares outstanding	**182**	188	**182**	185
(Loss) earnings per common share				
Basic	**(0.78)**	0.33	**(1.31)**	0.05
Diluted	**(0.78)**	0.28	**(1.31)**	0.05

NOTE 16. RELATED PARTY TRANSACTIONS

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

On May 6, 2011, a subsidiary of L&T Acquisition entered into a 2 year lease with SP 35 L.P. (the "Landlord") for approximately 31,000 square feet in Shrewsbury, NJ. The lease was amended on January 17, 2013 to include 3 renewal options. The first 2 renewal options are for terms of 2 and 3 years at an annual cost of U.S.$440 thousand. The third renewal option is for a term of 5 years at an annual cost of U.S.$484 thousand. The first and second renewal options were exercised. Amounts charged to the Company under the rental arrangement for the thirteen and twenty-six weeks ended July 30, 2016 were U.S.$110 thousand and U.S.$220 thousand (2015: U.S.$110 thousand and U.S.$220 thousand). The Landlord is an affiliate of National Realty & Development Corp. ("NRDC"). Richard and Robert Baker, the principals of NRDC, are directors of the Company.

On May 18, 2015, a subsidiary of L&T Acquisition entered into a 10 year lease with Mack Properties Co. No. 6 LLC ("Mack Properties") for approximately 35,000 square feet in Paramus, NJ. The lease has 2 renewal options for terms of 10 and 5 years, respectively. The rent commencement date was November 19, 2015 and amounts charged to the Company under the rental arrangement for the thirteen and twenty-six weeks ended July 30, 2016 were U.S.$219 thousand and U.S.$438 thousand. Mack Properties is owned by William Mack, a director of the Company. There were no amounts charged to the Company for the thirteen and twenty-six weeks ended August 1, 2015 since the rent commencement date had not yet occurred.

HBC has entered into vendor agreements with two related companies in which Earl Rotman, a director of the Company, has an ownership interest. The agreements relate to menswear and womenswear sold in Saks and the Department Store Group ("DSG"). During the thirteen and twenty-six weeks ended July 30, 2016, HBC purchased goods of approximately $566 thousand and $1 million, respectively from these companies, and has committed to ordering approximately $907 thousand for the remainder of fiscal 2016.

In connection with the closing of its agreements to sell and leaseback various U.S. properties to the HBS Joint Venture, HBC paid for certain cash reserves and financing and operating expenses on behalf of the HBS Joint Venture for which the Company received a promissory note in the amount of $8 million. The promissory note was interest-free and matured on July 22, 2016. As at July 30, 2016, the promissory note was repaid in full (August 1, 2015: $7 million; January 30, 2016: $4 million).

The Company entered into management agreements with the joint ventures upon their closing. Pursuant to the management agreements, HBC is reimbursed for expenses relating to advisory and administrative services it provides to the RioCan-HBC JV and the HBS Joint Venture. Reimbursement related to expenses for the thirteen and twenty-six weeks ended July 30, 2016 were $144 thousand and $299 thousand. Fees related to the thirteen and twenty-six weeks ended August 1, 2015 were waived by the Company.

As part of the acquisition of the Kaufhof Operating Business, the Company assumed a $22 million liability due to a wholly-owned subsidiary of the HBS Joint Venture. The liability relates to 2 properties the Company controls as a result of the acquisition. In addition, the Company acquired options to purchase these properties that when exercised, would relieve this liability. In addition, the Company has an outstanding payable to the HBS Joint Venture in the amount of $11 million as at July 30, 2016.These liabilities have been included in other liabilities.

During the thirteen and twenty-six weeks ended July 30, 2016, the Company incurred rent expense of $131 million and $265 million (2015: $5 million) related to both the RioCan-HBC JV and the HBS Joint Venture. As at July 30, 2016, other current assets included prepaid rent to the HBS Joint Venture of $31 million (August 1, 2015: $12 million; January 30, 2016: $13 million).

The Company has an outstanding receivable in the amount of $49 million, as at July 30, 2016 (August 1, 2015: nil; January 30, 2016: $46 million), due from the HBS Joint Venture with respect to transactions carried out on behalf of the Company.

Included in other current liabilities as at July 30, 2016 is a promissory note in the amount of $12 million to both the RioCan-HBC JV and RioCan ($6 million each) which pertains to a tenant improvement advance from the joint venture to the Company. The promissory note is interest-free and will be settled over time as HBC satisfies its tenant improvement commitment.

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

NOTE 17. CONTINGENT LIABILITIES

As of July 30, 2016, the Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, tax assessments and reassessments, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the unaudited interim condensed consolidated financial statements, but may have a material impact in future periods.

NOTE 18. SEGMENTED REPORTING

The Company has 4 operating segments (DSG which includes Hudson's Bay, Lord & Taylor, and Home Outfitters; Saks Fifth Avenue; the Kaufhof Banners; and HBC Off Price which includes Saks OFF 5TH, Find @ Lord & Taylor and Gilt) which are aggregated into 1 reportable segment, Department Stores, as they have similar economic characteristics, products and services and customers. The Department Stores segment earns revenue from the sale of fashion apparel, accessories, cosmetics and home products to customers in a similar target market, is managed by the Chief Operating Decision Maker and supported by an integrated shared services function.

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

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015	**Jul 30, 2016**	Aug 1, 2015
Retail sales				
Canada	**721**	657	**1,401**	1,256
United States	**1,525**	1,381	**3,049**	2,854
Europe	**1,006**	—	**2,105**	—
	3,252	2,038	**6,555**	4,110

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)
Operating (loss) income				
Canada	**4**	142	**(85)**	109
United States	**(30)**	(81)	**53**	(74)
Europe	**(63)**	—	**(182)**	—
	(89)	61	**(214)**	35

(millions of Canadian dollars)	**Jul 30, 2016**	Aug 1, 2015 (restated – note 9)	Jan 30, 2016 (restated – note 5)
Non-current assets[(1)]			
Canada	**931**	673	806
United States	**4,534**	4,289	4,580
Europe	**1,745**	—	1,549
	7,210	4,962	6,935
Total assets			
Canada	**2,178**	1,937	2,189
United States	**7,511**	6,604	7,764
Europe	**2,738**	—	2,687
	12,427	8,541	12,640

(1) Excludes deferred tax assets, pensions and employee benefits and investments in joint ventures