2013 Q2 INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the Thirteen and Twenty-Six Weeks Ended

August 3, 2013

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

(unaudited)

(millions of Canadian dollars, except per share amounts)	Notes	Thirteen weeks ended Aug 3, 2013	Thirteen weeks ended Jul 28, 2012 (restated – see note 2)	Twenty-six weeks ended Aug 3, 2013	Twenty-six weeks ended Jul 28, 2012 (restated – see note 2)
Retail sales		**947.7**	911.9	**1,831.7**	1,760.1
Cost of sales	9	**(579.6)**	(547.3)	**(1,107.4)**	(1,054.4)
Selling, general and administrative expenses		**(359.6)**	(345.5)	**(731.3)**	(726.8)
Operating income (loss)		**8.5**	19.1	**(7.0)**	(21.1)
Total interest expense, net	6	**(17.0)**	(24.9)	**(29.1)**	(49.7)
Acquisition-related costs	6	**(59.9)**	—	**(59.9)**	—
Finance costs		**(76.9)**	(24.9)	**(89.0)**	(49.7)
Loss before income tax		**(68.4)**	(5.8)	**(96.0)**	(70.8)
Income tax benefit	8	**1.4**	2.7	**7.8**	20.7
Net loss for the period — continuing operations		**(67.0)**	(3.1)	**(88.2)**	(50.1)
Net (loss) earnings for the period — discontinued operations, net of taxes	18	**(15.3)**	25.3	**(74.8)**	(57.4)
Net (loss) earnings for the period		**(82.3)**	22.2	**(163.0)**	(107.5)
Net (loss) earnings per common share — basic and diluted	12				
Continuing operations		**(0.56)**	(0.03)	**(0.74)**	(0.48)
Discontinued operations		**(0.13)**	0.24	**(0.62)**	(0.55)
		(0.69)	0.21	**(1.36)**	(1.03)

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

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(unaudited)

(millions of Canadian dollars)	Thirteen weeks ended		Twenty-six weeks ended	
	Aug 3, 2013	Jul 28, 2012 (restated – see note 2)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)
Net (loss) earnings for the period	**(82.3)**	22.2	**(163.0)**	(107.5)
Other comprehensive income, net of tax:				
Items that may be reclassified subsequently to earnings or loss:				
Currency translation adjustment	**14.2**	11.1	**21.0**	1.5
Net gains on derivatives designated as cash flow hedges, net of taxes of $2.7 and $2.4 (2012 — $1.7 and $0.3), respectively	**6.4**	5.1	**5.5**	0.9
Reclassification to non-financial assets of net losses on derivatives designated as cash flow hedges, net of taxes of $0.2 and $0.5 (2012 — $0.2 and $0.6), respectively	**(1.1)**	(0.6)	**(1.4)**	(1.7)
Reclassification to earnings of net gains (losses) on derivatives designated as cash flow hedges, net of taxes of $0.1 and $0.3 (2012 — $0.5 and nil), respectively	**0.3**	(1.3)	**(0.8)**	0.1
Other comprehensive income	**19.8**	14.3	**24.3**	0.8
Total comprehensive (loss) income	**(62.5)**	36.5	**(138.7)**	(106.7)

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

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the twenty-six weeks ended August 3, 2013 and July 28, 2012
(unaudited)

(millions of Canadian dollars)	Notes	Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income ("AOCI")				Total Equity
					Currency Translation Adjustment	Employee Future Benefits	Cash Flow Hedges	Total AOCI	
As at February 2, 2013		**246.1**	**792.2**	**32.5**	(11.5)	(61.6)	0.3	**(72.8)**	**998.0**
Impact of change in accounting policy	2	—	4.7	—	—	10.3	—	10.3	15.0
As at February 2, 2013 (restated)		**246.1**	**796.9**	**32.5**	(11.5)	(51.3)	0.3	**(62.5)**	**1,013.0**
Total comprehensive loss		—	(163.0)	—	21.0	—	3.3	24.3	(138.7)
Share based compensation	16	—	—	4.9	—	—	—	—	4.9
Dividends	12	—	(22.5)	—	—	—	—	—	(22.5)
As at August 3, 2013		**246.1**	**611.4**	**37.4**	9.5	(51.3)	3.6	**(38.2)**	**856.7**

(millions of Canadian dollars)	Note	Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income ("AOCI")				Total Equity
					Currency Translation Adjustment	Employee Future Benefits	Cash Flow Hedges	Total AOCI	
As at January 28, 2012		**2.2**	**938.1**	**60.6**	(9.8)	(35.9)	0.7	**(45.0)**	**955.9**
Impact of change in accounting policy	2	—	(5.0)	—	—	5.5	—	5.5	0.5
As at January 29, 2012 (restated)		**2.2**	**933.1**	**60.6**	(9.8)	(30.4)	0.7	**(39.5)**	**956.4**
Total comprehensive loss		—	(107.5)	—	1.5	—	(0.7)	0.8	(106.7)
Share based compensation		—	—	(24.5)	—	—	—	—	(24.5)
Dividends		—	(63.8)	—	—	—	—	—	(63.8)
As at July 28, 2012		**2.2**	**761.8**	**36.1**	(8.3)	(30.4)	—	**(38.7)**	**761.4**

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

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

As at August 3, 2013, July 28, 2012, February 2, 2013 and January 29, 2012

(unaudited)

(millions of Canadian dollars)	Notes	August 3, 2013	(restated – see note 2) July 28, 2012	February 2, 2013	January 29, 2012
Assets					
Cash	7	**26.3**	46.8	48.3	42.4
Trade and other receivables		**62.2**	64.9	74.3	124.0
Inventories	9	**1,015.8**	964.2	994.3	1,814.2
Financial assets	17	**6.7**	3.0	3.1	5.7
Other current assets		**48.2**	33.9	31.1	20.9
Income taxes recoverable		**4.7**	—	—	—
Assets of discontinued operations	18	**62.5**	820.1	268.6	—
Total current assets		**1,226.4**	1,932.9	1,419.7	2,007.2
Property, plant and equipment	10	**1,406.5**	1,289.7	1,335.0	1,401.1
Intangible assets		**237.6**	229.9	233.0	224.6
Pensions and employee benefits		**24.4**	77.6	38.3	91.0
Deferred tax assets		**215.2**	207.0	209.5	257.5
Other assets		**12.0**	8.5	12.1	12.1
Total assets		**3,122.1**	3,745.6	3,247.6	3,993.5
Liabilities					
Loans and borrowings	11	**382.9**	433.2	132.1	291.0
Trade payables		**330.0**	337.7	400.4	613.0
Other payables and accrued liabilities		**245.8**	268.0	269.7	700.5
Deferred revenue		**105.1**	124.6	109.9	132.5
Provisions		**84.3**	78.6	84.6	75.4
Income taxes payable		**1.6**	14.8	3.0	102.0
Financial liabilities	17	**25.3**	1.6	0.9	1.9
Liabilities of discontinued operations	18	**143.8**	657.6	342.9	—
Total current liabilities		**1,318.8**	1,916.1	1,343.5	1,916.3
Loans and borrowings	11	**718.8**	906.6	718.5	901.7
Provisions		**14.5**	12.8	13.5	24.5
Financial liabilities	17	**34.7**	3.6	—	—
Pensions and employee benefits		**70.6**	77.7	70.3	75.4
Other liabilities		**108.0**	67.4	88.8	119.2
Total liabilities		**2,265.4**	2,984.2	2,234.6	3,037.1
Shareholders' Equity					
Share capital	12	**246.1**	2.2	246.1	2.2
Retained earnings		**611.4**	761.8	796.9	933.1
Contributed surplus		**37.4**	36.1	32.5	60.6
Accumulated other comprehensive loss		**(38.2)**	(38.7)	(62.5)	(39.5)
Total shareholders' equity		**856.7**	761.4	1,013.0	956.4
Total liabilities and shareholders' equity		**3,122.1**	3,745.6	3,247.6	3,993.5

(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 August 3, 2013 and July 28, 2012

(unaudited)

(millions of Canadian dollars)	Notes	Twenty-six weeks ended					
		August 3, 2013			July 28, 2012 (restated – see note 2)		
		Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
Operating activities							
Net loss for the period		**(88.2)**	**(74.8)**	**(163.0)**	(50.1)	(57.4)	(107.5)
Add: Income tax benefit		**(7.8)**	**(25.5)**	**(33.3)**	(20.7)	(49.8)	(70.5)
Add: Finance costs	6	**89.0**	**0.6**	**89.6**	49.7	0.2	49.9
Loss before income tax and finance costs		**(7.0)**	**(99.7)**	**(106.7)**	(21.1)	(107.0)	(128.1)
Net cash income taxes (paid) received		**(4.1)**	**49.4**	**45.3**	(0.8)	(2.7)	(3.5)
Interest (paid) received		**(20.1)**	—	**(20.1)**	(45.0)	0.2	(44.8)
Items not affecting cash flows:							
Depreciation and amortization	5	**60.3**	—	**60.3**	46.9	6.1	53.0
Proceeds of sale of leasehold interests recognized	18	—	**(33.4)**	**(33.4)**	-	(146.7)	(146.7)
Impairment of property, plant and equipment	10	—	—	—	2.8	31.4	34.2
Net defined benefit pension and employee benefits expense		**14.2**	**6.0**	**20.2**	13.6	5.0	18.6
Other operating activities		**(5.0)**	**(0.1)**	**(5.1)**	(6.2)	0.2	(6.0)
Gain on sale of pharmacy records		—	—	—	-	(40.3)	(40.3)
Loss (gain) on sale of assets		—	**16.4**	**16.4**	(0.6)	(9.3)	(9.9)
Share based compensation	16	**4.9**	—	**4.9**		-	-
Redemption of share-based compensation	16	**(1.5)**	**(4.5)**	**(6.0)**	(1.5)	(6.3)	(7.8)
Changes in operating working capital:					-	-	-
Decrease in trade and other receivables		**13.5**	**7.5**	**21.0**	5.6	24.3	29.9
(Increase) decrease in inventories		**(6.6)**	**151.3**	**144.7**	8.3	186.8	195.1
(Increase) decrease in other current assets		**(21.1)**	**4.8**	**(16.3)**	(10.9)	(3.8)	(14.7)
(Decrease) increase in trade and other payables, accrued liabilities and provisions		**(100.6)**	**(156.2)**	**(256.8)**	(208.9)	101.2	(107.7)
Increase (decrease) in other liabilities		**14.2**	**(1.3)**	**12.9**	102.4	4.2	106.6
Net cash (outflow for) inflow from operating activities		**(58.9)**	**(59.8)**	**(118.7)**	(115.4)	43.3	(72.1)
Investing activities							
Capital expenditures		**(82.7)**	—	**(82.7)**	(57.9)	-	(57.9)
Software development costs		**(16.5)**	—	**(16.5)**	(15.4)	-	(15.4)
Proceeds from sale of assets		—	**1.6**	**1.6**	0.7	71.4	72.1
Other investing activities		—	—	—	0.6	-	0.6
Net cash (outflow for) inflow from investing activities		**(99.2)**	**1.6**	**(97.6)**	(72.0)	71.4	(0.6)
Financing activities							
Long-term loans and borrowings:							
Issued		**254.5**	—	**254.5**	-	-	-
Repayments		**(266.1)**	—	**(266.1)**	(11.2)	-	(11.2)
Borrowing costs		**(4.6)**	—	**(4.6)**	(0.5)	-	(0.5)
		(16.2)	—	**(16.2)**	(11.7)	-	(11.7)
Short-term loans and borrowings:							
Net borrowings from asset-based credit facilities		**232.7**	—	**232.7**	159.9	-	159.9
Net decrease in other short-term borrowings		—	—	—	(2.1)	-	(2.1)
Borrowing costs		**(0.1)**	—	**(0.1)**	(5.2)	-	(5.2)
Dividends paid		**(22.5)**	—	**(22.5)**	(63.8)	-	(63.8)
Net cash inflow from financing activities		**193.9**	—	**193.9**	77.1	-	77.1
Foreign exchange gains on cash		**0.4**	—	**0.4**	-	-	-
Increase (decrease) in cash		**36.2**	**(58.2)**	**(22.0)**	(110.3)	114.7	4.4
Transfer to continuing operations		**(58.2)**	**58.2**	—	114.7	(114.7)	-
(Decrease) increase in cash		**(22.0)**	—	**(22.0)**	4.4	-	4.4
Cash at beginning of period		**48.3**	—	**48.3**	42.4	-	42.4
Cash at end of period		**26.3**	—	**26.3**	46.8	-	46.8

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

NOTE 1. BASIS OF PREPARATION

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

On November 26, 2012 the Company completed an initial public offering (the "IPO") of its common shares.

The Company owns and operates department stores across Canada and regionally within the United States under Hudson's Bay, Home Outfitters and Lord & Taylor banners. The Company has substantively completed the discontinuation of its discount store business. The address of the registered office of HBC is 401 Bay Street, Toronto, ON, M5H 2Y4.

On July 29, 2013, the Company and Saks Incorporated ("Saks") announced that they have entered into a definitive merger agreement ("Merger Agreement") whereby the Company agreed to acquire all of the issued and outstanding shares of Saks (other than shares owned by Saks and its subsidiaries, the Company or Harry Acquisition Inc., an indirect wholly-owned subsidiary of the Company ("Merger Sub")) for U.S.$16.00 per share in an all-cash transaction (the "Acquisition") valued at approximately U.S.$2,900.0 million, including debt (see note 4).

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The unaudited interim condensed consolidated financial statements were prepared using the same accounting policies and methods as those used in the annual audited consolidated financial statements for the year ended February 2, 2013 except for the new accounting standards below which have been adopted on February 3, 2013. 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 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 condensed consolidated 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 February 2, 2013. Additionally, in connection with the Acquisition, we have issued or plan to issue warrants related to the equity commitments. Due to the variability of the share issue price and certain features of the investment agreements, forward contracts ("Equity Commitment Forwards") have been recognized and accounted for as derivative financial instruments. The classification of these instruments as financial liabilities is an area of significant judgment. We record the mark-to-market valuation adjustment of these warrants and Equity Commitment Forwards as finance costs based upon the end of period valuation. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended February 2, 2013.

These unaudited interim condensed consolidated financial statements were approved by the Company's Audit Committee on September 11, 2013.

Accounting Standards Implemented in Fiscal 2013

Employee Benefits

In June 2011, the IASB amended IAS 19 — Employee Benefits. The amendments provide clarification on the recognition of termination benefits; eliminate the existing option to defer actuarial gains and losses (known as the corridor approach) related to defined benefit plans; require changes from remeasurement of defined benefit plan assets and liabilities to be presented in

the statement of other comprehensive income; and require additional disclosures. Net interest on the net defined benefit plan assets and liabilities, as calculated under the amended IAS 19, is now included in finance costs in the statements of (loss) earnings in accordance with IAS 1 – Presentation of Financial Statements. The Company adopted the amended IAS 19 standard retrospectively in the first quarter of fiscal 2013. The impact of the amendments to IAS 19 is summarized as follows:

Consolidated Statements of (Loss) Earnings

(millions of Canadian dollars, except per share amounts)	Year ended Feb 2, 2013	Thirteen weeks ended Jul 28, 2012	Twenty-six weeks ended Jul 28, 2012
(Increase) decrease in selling, general and administrative expenses	(8.6)	(2.6)	3.2
Decrease in finance costs	3.5	0.8	1.7
Increase (decrease) in income tax benefit	1.4	0.4	(1.4)
(Increase) decrease in net loss – continuing operations	(3.7)	(1.4)	3.5
Decrease in net loss – discontinued operations	13.4	37.4	36.8
Decrease in net loss	9.7	36.0	40.3
Net (loss) earnings per common share - basic and diluted			
Continuing operations	(0.03)	(0.01)	0.04
Discontinued operations	0.12	0.35	0.34
	0.09	0.34	0.38

Consolidated Statements of Comprehensive (Loss) Income

(millions of Canadian dollars)	Year ended Feb 2, 2013	Thirteen weeks ended Jul 28, 2012	Twenty-six weeks ended Jul 28, 2012
Decrease in net loss	9.7	36.0	40.3
Decrease in net defined benefit plan actuarial loss net of taxes of $1.8	4.8	—	—
Decrease in other comprehensive loss	4.8	—	—
Decrease in total comprehensive loss	14.5	36.0	40.3

Consolidated Balance Sheets

(millions of Canadian dollars)	Feb 2, 2013	Jul 28, 2012	Jan 29, 2012
Decrease in assets of discontinued operations held for sale	(5.0)	—	—
Decrease in pensions and employee benefits - asset	—	(2.8)	—
Increase in deferred tax assets	—	0.8	—
(Decrease) increase in provisions	(1.9)	0.2	(0.7)
Increase in income taxes payable	0.5	—	0.2
Decrease in liabilities of discontinued operations held for sale	(18.6)	(43.0)	—
Increase (decrease) in retained earnings	4.7	35.3	(5.0)
Decrease in accumulated other comprehensive loss	10.3	5.5	5.5

Fair Value Measurement

In May 2011, the IASB issued IFRS 13 — Fair Value Measurement ("IFRS 13"), which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Company implemented this standard prospectively in the first quarter of fiscal 2013 and there were no measurement impacts on the Company's unaudited interim condensed consolidated financial statements. Implementation of IFRS 13 has resulted in additional disclosures in note 17 to these unaudited interim condensed consolidated financial statements.

Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 — Consolidated Financial Statements ("IFRS 10") which replaces portions of IAS 27 — Consolidated and Separate Financial Statements ("IAS 27") and all of SIC-12 — Consolidation — Special Purpose

Entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires an entity to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements. The Company implemented the standard at the beginning of its 2013 fiscal year and the implementation did not have an impact on its results of operations, financial position and disclosures.

Disclosure of Involvement with Other Entities

In May 2011, the IASB issued IFRS 12 — Disclosure of Interests in Other Entities ("IFRS 12") which establishes disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosure requirements and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Company implemented the standard at the beginning of its 2013 fiscal year and the implementation did not have an impact on its results of operations, financial position and disclosures.

Other Comprehensive Income Presentation

In June 2011, the IASB amended IAS 1 — Presentation of Financial Statements (the "IAS 1 amendment") to require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments reaffirm the existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. As a result of the adoption of the IAS 1 amendment the Company has modified its presentation of other comprehensive income in these unaudited interim condensed consolidated financial statements.

Financial Instruments: Asset and Liability Offsetting - Disclosures

In December 2011, the IASB amended IFRS 7 — Financial Instruments: Disclosures ("IFRS 7"), to require new disclosures on the effect of offsetting arrangements on the Company's financial position. The Company implemented IFRS 7 at the beginning of its 2013 fiscal year and the implementation did not have an impact on its results of operations, financial position and disclosures.

New Accounting Standards

Financial Instruments

In November 2009, the IASB issued IFRS 9 – Financial Instruments: Classification and Measurement ("IFRS 9"), which contained requirements for financial assets. The IASB added requirements for financial liabilities in October 2010. IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety. IFRS 9 uses a single approach to determine whether a financial asset or liability is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. For financial assets, the approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015 and early adoption is permitted. The Company is assessing the potential impact of this standard.

In December 2011, the IASB amended IAS 32 – Financial Instruments: Presentation ("IAS 32") to clarify the requirements which permit offsetting a financial asset and liability in the financial statements. The IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 32 amendments.

In June 2013, IASB amended IAS 39 – Financial Instruments: Recognition and Measurement, providing guidance on novation of over-the-counter derivatives and continued designation for hedge accounting. The amendments to IAS 39 must be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 39 amendments.

Impairment of Assets

In May 2013, the IASB amended IAS 36 – Impairment of Assets ("IAS 36'), providing guidance on recoverable amount disclosures for non-financial assets. The amendments to IAS 36 must be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is assessing the potential impact of the IAS 36 amendments.

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. AGREEMENT TO ACQUIRE SAKS INCORPORATED

On July 29, 2013, the Company and Saks announced that they have entered into a Merger Agreement whereby the Company agreed to acquire all of the issued and outstanding shares of Saks (other than shares owned by Saks and its subsidiaries, the Company or Merger Sub) for U.S.$16.00 per share in an all-cash transaction valued at approximately U.S.$2,900.0 million, including debt.

The transaction has been approved by each company's board of directors and is expected to close before the end of the calendar year, subject to approval by Saks' shareholders, regulatory approvals and other customary closing conditions.

The Company intends to finance the Acquisition, refinance a portion of existing debt and pay fees and expenses incurred in connection with the Acquisition with a combination of approximately U.S.$1,000.0 million of new common shares, U.S.$1,900.0 million of senior secured loans, U.S.$400 million of senior unsecured notes and available cash on hand. H.S. Investment L.P. ("HSILP"), an entity affiliated with Ontario Teachers' Pension Plan Board, and West Face Long Term Opportunities Global Master L.P. ("WF Fund"), a fund advised by West Face Capital Inc. have separately committed to provide the Company with the Canadian dollar equivalent of up to U.S.$500.0 million and U.S.$250.0 million of equity funding, respectively, to support the transaction (the ''Equity Commitments''). In consideration for HSILP's commitment, concurrently with the execution of the Merger Agreement, the Company issued 1.5 million share purchase warrants to HSILP, and will issue an additional 3.5 million warrants to HSILP upon the closing of the transaction. In consideration for WF Fund's commitment, the Company will issue 1.75 million warrants to WF Fund upon the closing of the transaction. The subscription price of the common shares and the exercise price of the warrants will be $17.00 per share (subject to adjustment in certain limited circumstances) which represents a premium to the trading price of the Company's shares immediately prior to the announcement of the Acquisition. The warrants will have a five year term from the date of issue and are subject to anti-dilution provisions in certain circumstances.

The Company will be required to pay a termination fee to Saks of U.S.$173.8 million in cash in the event that the Merger Agreement is terminated as a result of the inability to complete the Acquisition by January 31, 2014, as a result of a breach or inability to perform its obligations unless such date is extended pursuant to the Merger Agreement.

NOTE 5. DEPRECIATION AND AMORTIZATION

	Thirteen weeks ended		Twenty-six weeks ended	
(millions of Canadian dollars)	**Aug 3, 2013**	**Jul 28, 2012**	**Aug 3, 2013**	**Jul 28, 2012**
Included in selling, general and administrative expenses:				
Property, plant and equipment	**21.2**	22.6	**42.9**	44.6
Intangible assets	**9.9**	6.1	**18.7**	12.1
Other	**0.2**	(1.8)	**(1.3)**	(3.7)
	31.3	26.9	**60.3**	53.0

NOTE 6. FINANCE COSTS

(millions of Canadian dollars)	Thirteen weeks ended Aug 3, 2013	Thirteen weeks ended Jul 28, 2012 (restated – see note 2)	Twenty-six weeks ended Aug 3, 2013	Twenty-six weeks ended Jul 28, 2012 (restated – see note 2)
Interest expense on long-term borrowings	**6.4**	16.7	**14.6**	34.7
Interest expense on short-term borrowings	**5.2**	9.2	**9.4**	17.4
Write-off of deferred financing fees (note 11)	**5.8**	—	**5.8**	—
Net interest on pensions and employee benefits	**(0.2)**	(0.8)	**(0.4)**	(1.7)
Interest income	**(0.2)**	(0.2)	**(0.3)**	(0.7)
Total interest expense, net	**17.0**	24.9	**29.1**	49.7
Finance related costs on warrants (note 17)	**11.4**	—	**11.4**	—
Change in fair value of Equity Commitment Forwards (note 17)	**48.5**	—	**48.5**	—
Acquisition-related costs	**59.9**	—	**59.9**	—
	76.9	24.9	**89.0**	49.7

NOTE 7. CASH

For the purpose of the unaudited interim condensed consolidated statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash as at August 3, 2013, July 28, 2012, February 2, 2013 and January 29, 2012 as shown in the unaudited interim condensed consolidated balance sheets is comprised of the following:

(millions of Canadian dollars)	Aug 3, 2013	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
Cash	**21.8**	43.3	43.0	42.4
Restricted cash	**4.5**	3.5	5.3	—
	26.3	46.8	48.3	42.4

NOTE 8. INCOME TAXES

Income tax benefit for the thirteen and twenty-six weeks ended August 3, 2013 was $1.4 million and $7.8 million (2012: $2.7 million and $20.7 million). The effective income tax rate of 2.0% and 8.1% (2012: 46.6% and 29.2%) decreased compared to the thirteen and twenty-six weeks ended July 28, 2012 primarily due to a decrease in statutory rate, decrease in prior year recoveries and non-deductible permanent differences, principally consisting of acquisition-related costs (see note 6).

NOTE 9. INVENTORIES

Inventories on hand at August 3, 2013, July 28, 2012, February 2, 2013, and January 29, 2012 were available for sale. The cost of merchandise inventories related to continuing operations recognized as expense for the thirteen and twenty-six weeks ended August 3, 2013 was $579.6 million and $1,107.4 million (2012: $547.3 million and $1,054.4 million).

The write-down of merchandise inventories below cost to net realizable value related to continuing operations as at August 3, 2013 was $27.1 million (July 28, 2012: $21.0 million; February 2, 2013: $33.9 million; January 29, 2012: $31.5 million). There was no reversal of write-downs previously taken on merchandise inventories that are no longer estimated to sell below cost. Inventory has been pledged as security for certain borrowing agreements.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

Each reporting period, the Company conducts a review of its cash generating units ("CGU's") in order to determine any indication of impairment losses or reversals of previously recorded impairment losses. In the thirteen and twenty-six weeks ended August 3, 2013, no impairment losses (2012: nil and $2.8 million) were recognized. The impairment losses recognized in the twenty-six weeks ended July 28, 2012 relate to changes to the Company's logistics infrastructure as a result of volume declines associated with the closure of the Zellers banner.

NOTE 11. LOANS AND BORROWINGS

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

a) Current loans and borrowings

(millions of Canadian dollars)	Aug 3, 2013	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
HBC Revolving Credit Facility	**204.5**	277.7	—	155.0
Lord & Taylor Revolving Credit Facility	**172.1**	161.8	137.8	125.2
Current portion of long-term loans and borrowings	**20.1**	14.7	10.0	27.6
	396.7	454.2	147.8	307.8
Less: unamortized costs	**(13.8)**	(21.0)	(15.7)	(16.8)
	382.9	433.2	132.1	291.0

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

HBC Revolving Credit Facility

(millions of Canadian dollars)	Aug 3, 2013	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
Gross borrowing base availability	**534.8**	918.2	560.7	1,063.1
Drawings	**(204.5)**	(277.7)	—	(155.0)
Outstanding letters of credit	**(8.5)**	(23.6)	(14.4)	(29.0)
Borrowing base availability net of drawings and letters of credit	**321.8**	616.9	546.3	879.1

Lord & Taylor Revolving Credit Facility

(millions of Canadian dollars)	Aug 3, 2013	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
Gross borrowing base availability	**307.0**	281.4	312.5	263.4
Drawings	**(172.1)**	(161.8)	(137.8)	(125.2)
Outstanding standby letters of credit	**(2.3)**	(2.2)	(2.2)	(6.3)
Borrowing base availability net of drawings and standby letters of credit	**132.6**	117.4	172.5	131.9

b) Long-term loans and borrowings

(millions of Canadian dollars)	Aug 3, 2013	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
HBC Term Loan (Canadian properties)	**200.0**	—	250.0	—
Old HBC Term Loan (Canadian properties)	**—**	443.8	—	448.9
Yorkdale Mortgage	**49.8**	—	—	—
Lord & Taylor Mortgage (U.S.$250.0)	**259.7**	—	249.3	—
Lord & Taylor GE Capital Term Loan (U.S. properties[1])	**207.8**	—	—	—
Lord & Taylor Term Loan (U.S. properties[2])	**—**	446.3	204.7	450.3
Other mortgages	**10.7**	12.8	11.7	13.7
Equipment finance leases and other	**22.1**	30.8	25.9	34.5
	750.1	933.7	741.6	947.4
Less: unamortized costs	**(11.2)**	(12.4)	(13.1)	(18.1)
Less: amounts due within one year	**(20.1)**	(14.7)	(10.0)	(27.6)
	718.8	906.6	718.5	901.7

[1] Balance as at August 3, 2013 was U.S.$ 200.0 million

[2] Balance as at August 3, 2013 was nil (July 28, 2012: U.S.$444.4 million; February 2, 2013: U.S.$205.3 million; January 29, 2012: U.S.$445.5 million).

On May 22, 2013 the Company entered into an agreement with Murray & Company Holdings Limited for a $50.0 million mortgage (the “Yorkdale Mortgage”). The Yorkdale Mortgage matures in 10 years, bears interest at 4.89% over a 25-year amortization schedule and is secured by a first mortgage of a leasehold interest of the Hudson’s Bay store at the Yorkdale Shopping Centre in Toronto, Ontario. The proceeds of the Yorkdale Mortgage were used to partially prepay the HBC Term Loan. In connection with the prepayment, $0.3 million of deferred financing costs were written off.

On May 23, 2013 the Company and General Electric Capital Corporation (“GE Capital”) executed the Second Amended and Restated Credit Agreement (the “Lord & Taylor Credit Facility”) that continues to provide a revolving line of credit (the “Lord & Taylor Revolving Credit Facility”) and a new U.S.$200.0 million Term Loan (the “Lord & Taylor GE Capital Term Loan”). Together with cash on hand, the proceeds of the Lord & Taylor GE Capital Term Loan repaid the Lord & Taylor Term Loan (Lender was Credit Suisse Securities LLC) in full. The Lord & Taylor Credit Facility matures on May 23, 2018, currently bears interest at Libor plus 2.25% and is secured by first lien security on the majority of the owned and ground leased facilities (excluding the Fifth Avenue L&T flagship store) and the accounts receivable, inventory and furniture and fixtures of L&T. In connection with the repayment of the Lord & Taylor Term Loan, $5.5 million of deferred financing costs were written-off.

In connection with financing the pending acquisition of Saks and refinancing of existing debt, on July 28, 2013 the Company obtained a commitment letter which was subsequently amended on August 21, 2013, from Bank of America, N.A. Merrill Lynch, Pierce, Fenner & Smith Incorporated, affiliates of each of Merrill Lynch Canada Inc., RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and TD Securities Inc., General Electric Capital Corporation, GE Capital Markets, Inc., MIHI LLC and MacQuarie Capital (USA), Inc. for secured and unsecured credit facilities in an aggregate amount of U.S.$3,750.0 million and $750.0 million, respectively.

NOTE 12. SHARE CAPITAL

On June 11, 2013 and March 15, 2013 the Company’s Board of Directors declared a dividend of $0.09375 per common share which was paid on July 15, 2013 and April 15, 2013 to shareholders of record at the close of business on June 28, 2013 and March 28, 2013, respectively.

The number of common shares issued and outstanding as at August 3, 2013 was 120.0 million (July 28, 2012: 104.7 million; February 2, 2013: 120.0 million; January 29, 2012: 104.7 million).

The weighted average number of common shares outstanding for the thirteen and twenty-six weeks ended August 3, 2013 is 120.0 million (2012: 104.7 million).

NOTE 13. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Company is L&T B. Transactions between HBC, L&T and their respective subsidiaries, which are related parties have been eliminated on consolidation and are not disclosed in this note.

On May 6, 2011, a subsidiary of L&T entered into a two year lease with SP 35 L.P. (the “Landlord”) for approximately 31,000 square feet in Shrewsbury, NJ. The lease was amended on January 17, 2013 to include three renewal options. The first two renewal options are for terms of two and three years respectively at an annual cost of U.S.$0.4 million. The third renewal option is for a term of five years at an annual cost of U.S.$0.5 million. The first renewal option was exercised. Amounts charged to the Company under the rental arrangement for the thirteen and twenty-six weeks ended August 3, 2013 were $0.1 million and $0.2 million (2012: $0.3 and $0.5 million), respectively. The Landlord is an affiliate of National Realty & Development Corp. (“NRDC”), an entity under common control. Richard Baker and Robert Baker, the principals of NRDC, are also members of L&T B.

Prior to November 26, 2012, agreements existed between HBC and other related parties including HBTC, True North Retail Investments Limited Partnership (“TNRI”), Hudson’s Bay Company (Luxembourg) S. à r.l. (“HBCL”), and NRDC, all of which are entities under common control for the reimbursement of expenses and management fees. On November 26, 2012 these agreements were amended such that these entities will no longer be entitled to management fees, or to have their expenses reimbursed.

Amounts charged to the Company by HBTC, TNRI, and HBCL relating to the reimbursement of expenses were $0.2 million and $0.7 million for the thirteen and twenty-six weeks ended July 28, 2012, respectively. Amounts charged to the Company by HBTC under a management agreement were $0.5 million and $1.0 million for the thirteen and twenty-six weeks ended July 28, 2012, respectively. Amounts charged to the Company by NRDC under a property agreement were $1.0 million and $2.0 million for the thirteen and twenty-six weeks ended July 28, 2012, respectively.

As at July 28, 2012 and January 29, 2012 $0.6 million and $0.8 million were included in other current assets for fees paid or incurred under the agreements. In October of 2012, the Company received a $3.2 million payment from TNRI to settle a receivable related to advances which had been outstanding at July 28, 2012 and January 29, 2012.

All amounts were recorded at the exchange value of the transaction.

NOTE 14. CONTINGENT LIABILITIES

As of August 3, 2013, there are a number of claims against the Company where the likely outcome is both quantifiable and estimable in varying amounts and for which provisions have been made in these unaudited interim condensed consolidated financial statements, as appropriate. It is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims, but management believes that any such amounts would not have a material impact on the business or financial position of the Company.

NOTE 15. SEGMENTED REPORTING

As a result of the divestiture of the Zellers and Fields banners, the Company has one reportable operating segment, Department Stores, which earns revenue from the sale of fashion apparel, accessories, cosmetics and home products to customers in a similar target market. The Department Stores segment which includes Hudson's Bay, Lord & Taylor and Home Outfitters is managed by the Chief Operating Decision Maker and supported by an integrated shared service function.

The following summarizes retail sales from continuing operations, operating income (loss) from continuing operations and total assets by geographic area:

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Aug 3, 2013**	Jul 28, 2012	**Aug 3, 2013**	Jul 28, 2012
Total retail sales				
Canada	**603.4**	567.9	**1,160.0**	1,094.8
United States	**344.3**	344.0	**671.7**	665.3
	947.7	911.9	**1,831.7**	1,760.1

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)
Total operating income (loss)				
Canada	**(8.4)**	(12.0)	**(34.9)**	(65.5)
United States	**16.9**	31.1	**27.9**	44.4
	8.5	19.1	**(7.0)**	(21.1)

		(restated – see note 2)		
(millions of Canadian dollars)	**Aug 3, 2013**	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
Total assets				
Canada[1]	**1,686.6**	2,423.1	1,887.3	2,708.5
United States	**1,435.5**	1,322.5	1,360.3	1,285.0
	3,122.1	3,745.6	3,247.6	3,993.5

[1] Includes assets of discontinued operations of $62.5 million as at August 3, 2013 (July 28, 2012: $820.1 million; February 2, 2013: $268.6 million).

NOTE 16. SHARE BASED COMPENSATION

During the thirteen weeks ended August 3, 2013 the Company granted options under its share option plans which were established concurrently with the IPO. The share options plans for certain employees and its Board of Directors are described in note 19 to the Company's 2012 audited consolidated financial statements.

On May 6, 2013, the Company granted 0.7 million performance share units ("PSUs") with a fair value of $14.64 per unit. The fair value was determined based on the Company's share price at the date of the grant and adjusted to reflect that PSUs are not entitled to dividends. The PSUs vest three years from the date of grant at the end of that calendar year and are forfeited immediately in the event a grantee is terminated for cause, and after 45 days in the event of a voluntary resignation or termination without cause, subject to a pro-rata vesting schedule if the grantee is terminated. The grant date fair value of the PSUs is $9.9 million of which $7.7 million is expected to vest.

On June 19, 2013, the Company granted 0.4 million performance based options and 0.1 million options with a grant date fair value of $4.20 and $4.25 per option, respectively, to employees under similar terms and conditions as those granted concurrently with the IPO. The grant date fair value of these options is $2.0 million of which $1.0 million is expected to vest. The assumptions related to the valuation of the grants are as follows:

Share price	$ 15.99
Exercise price	$ 17.00
Expected volatility	38.7%
Risk-free interest rate	1.40%
Dividend yield	2.35%
Weighted average expected life	6.1 years

On June 19, 2013 the Company granted 32,647 restricted share units ("RSUs") under similar terms and conditions as those granted concurrently with the IPO. The grant-date fair value of these RSUs is $0.6 million. As at August 3, 2013, there were 0.1 million RSUs outstanding.

During the thirteen and twenty-six weeks ended August 3, 2013, $2.6 million and $4.9 million of share based compensation expense was recognized. The following is a summary of the Company's activity related to these plans:

(millions)	PSUs	Options
Outstanding at beginning of year	—	7.1
Issued	0.7	0.5
Forfeited	—	(0.6)
Outstanding at August 3, 2013	0.7	7.0
Exercisable at August 3, 2013	—	—
Weighted average contract life remaining at August 3, 2013	3.4 years	9.4 years

The weighted average exercise price of all options outstanding, issued and forfeited is $17.00.

During the thirteen and twenty-six weeks ended August 3, 2013, nil and $6.0 million (2012: $0.4 million and $7.8 million) was paid related to the redemption of long-term incentive plan units. The liability for future payments related to these redemptions at August 3, 2013 is $2.4 million (July 28, 2012: $11.6 million; February 2, 2013: $8.4 million; January 29, 2012: nil).

NOTE 17. FINANCIAL INSTRUMENTS

The fair value of the HBC Revolving Credit Facility, Lord & Taylor Revolving Credit Facility, HBC Term Loan, Yorkdale Mortgage, Lord & Taylor Mortgage and the Lord & Taylor GE Capital Term Loan 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 of the hierarchy. As at August 3, 2013, the carrying value and fair value of these debt instruments was $1,104.6 million and $1,104.1 million, respectively.

Cash, restricted cash, trade and other receivables, trade payables and other payables and accrued liabilities are financial assets or liabilities that are recorded at their carrying value in the unaudited interim condensed consolidated balance sheets. The fair value of these financial assets and liabilities approximate their carrying values at August 3, 2013 due to their short-term nature.

The fair values of foreign currency options, interest rate swaps, forward foreign currency contracts, warrants and the Equity Commitment Forwards 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. These instruments are classified within Level 2 of the fair value hierarchy. As at August 3, 2013, the fair value of derivative financial assets, current derivative financial liabilities and non-current derivative financial liabilities are $6.7 million, $25.3 million and $34.7 million, respectively.

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.

Certain features of the warrants issued in connection with the Acquisition (note 4) result in the warrants being presented as derivative financial liabilities recorded at fair value in the unaudited interim condensed consolidated balance sheet.

In relation to the 1.5 million warrants issued to HSILP concurrently with the execution of the Merger Agreement, the Company recognized finance related costs of $6.6 million representing the fair value of the warrants at issuance. The Company recognized an additional $1.0 million expense representing the mark to market adjustment to the fair value of $7.6 million as at August 3, 2013. The fair values were determined using the Black-Scholes options pricing model using the assumptions outlined below.

In relation to the 5.25 million warrants to be issued to HSILP and WF Fund upon closing of the transaction, the Company recognized $3.8 million of finance related costs representing the mark to market adjustment from the date of the execution of the Merger Agreement to August 3, 2013. Accounting recognition was required due to the high likelihood that the transaction will close. As at August 3, 2013, the fair value of the 5.25 million warrants was $27.1 million. The fair values were determined using the Black-Scholes options pricing model using the assumptions outlined below.

The Equity Commitments from HSILP and WF Fund require the Company to issue it's common shares at a future date at $17.00 per share (subject to adjustment in certain limited circumstances). Due to the variability of the share issue price and certain other features of the investment agreements with HSILP and WF Fund, Equity Commitment Forwards have been recognized and accounted for as derivative financial instruments. On the date of the execution of the Merger Agreement, the Equity Commitment Forwards were determined to be in an asset position. During the thirteen and twenty-six weeks ended August 3, 2013, the Company recognized $48.5 million expense representing the mark to market adjustment from the date of the execution to the period end date. As at August 3, 2013, the fair value of the Equity Commitment Forwards was a liability position of $25.2 million. The fair values were determined using a forward pricing model using the assumptions outlined below. The Company will continue to record mark to market gains and losses on the Equity Commitment Forwards until the commitment period ends, at which point the remaining asset or liability will be reclassified to equity. At the date of the execution of the Merger Agreement, the 5.25 million warrants and Equity Commitment Forwards were valued together.

The assumptions related to the valuation of the warrants issued and the Equity Commitment Forwards are as follows:

Share price - July 26, 2013	$ 16.49
Share price - August 3, 2013	$ 17.59
Expected warrant volatility	36.2%
Expected Equity Commitment Forwards volatility	32.8%
Dividend yield	1.62%
Risk free interest rate	1.25%
Expected life – warrant	5.0 years
Expected life – Equity Commitment Forwards	expected date of close

NOTE 18. DISCONTINUED OPERATIONS

Discontinued Operations

The Company substantively completed the discontinuation of its discount store business which consists of the Zellers and Fields banners. The plan was approved by the Company's Board of Directors on April 19, 2012. The decision followed the sale of certain Zellers' leasehold interests to Target Corporation. As a result of these changes, the Company has reflected the discount store operations as discontinued operations in the unaudited interim condensed consolidated statements of (loss) earnings.

The results of operations relating to discontinued operations are as follows:

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)
Net loss from discontinued operations, net of taxes	**(15.3)**	(9.1)	**(103.5)**	(123.2)
Sale of leasehold interests, net of taxes	**—**	34.4	**28.7**	65.8
Net (loss) earnings for the period — discontinued operations, net of taxes	**(15.3)**	25.3	**(74.8)**	(57.4)

Net loss from discontinued operations were as follows:

	Thirteen weeks ended		**Twenty-six weeks ended**	
(millions of Canadian dollars)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)	**Aug 3, 2013**	Jul 28, 2012 (restated – see note 2)
Retail sales	**—**	632.9	**145.8**	1,296.8
Cost of sales	**—**	(465.4)	**(162.4)**	(906.2)
Selling, general and administrative expenses	**(10.0)**	(188.3)	**(116.4)**	(573.9)
Operating loss	**(10.0)**	(20.8)	**(133.0)**	(183.3)
Net finance costs	**(0.6)**	(0.5)	**(0.6)**	(0.2)
Loss before income tax	**(10.6)**	(21.3)	**(133.6)**	(183.5)
Income tax (expense) benefit	**(4.7)**	12.2	**30.1**	60.3
Net loss for the period	**(15.3)**	(9.1)	**(103.5)**	(123.2)

Net earnings from the sale of leasehold interests in the thirteen and twenty-six weeks ended August 3, 2013 were nil and $28.7 million (2012: $34.4 million and $65.8 million), net of income taxes of nil and $4.6 million (2012: $5.0 million and $10.5 million).

Historically, the Zellers and Fields banners were allocated overhead and shared services costs in accordance with the Company's cost sharing agreements. Certain of these costs do not qualify as discontinued operations as they are not directly attributable to the discount store operations. Consequently, operating income related to continuing operations may not be indicative of future operating results.

Assets and Liabilities of Discontinued Operations

The unaudited interim condensed consolidated balance sheet for August 3, 2013 reflects assets and liabilities relating to the discontinuance of the Zellers and Fields businesses. IFRS does not permit the restatement of balance sheets of periods prior to the businesses being designated as held for sale. The following table sets out the assets and liabilities relating to Zellers and Fields businesses as at August 3, 2013, July 28, 2012, February 2, 2013 and January 29, 2012.

		(restated – see note 2)		
(millions of Canadian dollars)	**Aug 3, 2013**	Jul 28, 2012	Feb 2, 2013	Jan 29, 2012
Trade and other receivables	**3.2**	26.3	10.8	56.0
Inventories	**—**	657.4	151.5	844.2
Other current assets	**—**	4.7	4.7	1.0
Income taxes recoverable	**43.2**	—	62.2	—
Property, plant and equipment	**1.1**	73.0	19.4	130.6
Deferred tax assets	**15.0**	57.8	19.9	61.1
Other assets - non-current	**—**	0.9	0.1	3.2
Assets of discontinued operations	**62.5**	820.1	268.6	
Trade payables	**15.7**	138.8	41.6	215.3
Other payables and accrued liabilities	**14.1**	260.5	100.6	382.7
Provisions - current	**111.3**	219.8	184.9	30.4
Income taxes payable	**—**	17.7	—	93.7
Provisions - non-current	**2.7**	12.1	11.7	12.1
Other liabilities	**—**	8.7	4.1	46.6
Liabilities of discontinued operations	**143.8**	657.6	342.9	

NOTE 19. SUBSEQUENT EVENTS

On August 20, 2013 the Company announced that it had entered into an underwriting agreement with a syndicate of underwriters to sell 16,050,000 subscription receipts (the "Subscription Receipts") at a price of $17.15 per Subscription Receipt, for aggregate gross proceeds of $275.3 million (the "Offering"). The Company also granted the underwriters an over-allotment option to purchase up to an additional 1,605,000 Subscription Receipts for additional gross proceeds of up to $27.5 million. The Company will use the proceeds from the Offering to finance a portion of the consideration in connection with the Acquisition.

On September 10, 2013 the Company announced the closing of the Offering. The gross proceeds from the sale of Subscription Receipts will be held in escrow pending confirmation by the Company that the conditions precedent to completing the Acquisition contained in the Merger Agreement have been satisfied (the "Escrow Release Condition"). If the Escrow Release Condition is satisfied prior to 12:01 a.m. (Toronto time) on the Termination Date (as defined herein), holders of Subscription Receipts will be entitled to receive, without payment of additional consideration or further action, one Common Share for each Subscription Receipt plus if applicable, payment equal to the aggregate amount per Common Share of dividends declared by the Company, if any, for which record dates have occurred during the period from the date of the closing of the Offering to the date immediately preceding the satisfaction of the Escrow Release Condition. If (i) the Escrow Release Condition is not satisfied by 12:01 a.m. (Toronto time) on April 25, 2014, (ii) the Merger Agreement is terminated at any earlier time, or (iii) the Company determines that it does not intend to proceed with the Acquisition (the date upon which any such event occurs, being the "Termination Date"), holders of the Subscription Receipts will be entitled to receive an amount equal to the full subscription price thereof plus their pro rata share of earned interest.

On September 11, 2013 the Company's Board of Directors declared a dividend of $0.09375 per common share, payable on October 15, 2013, to shareholders of record at the close of business on September 30, 2013.