

Canada's Hudson's Bay Company and Metro Group Reach Agreement over Sale of Galeria Kaufhof

- *Creates a Global Platform, Positioning HBC for Future Growth in Europe*
- *Transaction Value of €2.825 Billion Agreed, Including the Assumption of Certain Liabilities*
- *HBC Plans to Work with GALERIA Kaufhof's Existing Management Team to Further Strengthen Offerings to Consumers*
- *Agreement Includes Extensive Commitments to Maintain Employment Levels and Store Count, GALERIA Kaufhof to Remain Headquartered in Cologne*
- *Transaction Expected to Deliver Immediate Value to HBC Shareholders*
- *METRO GROUP Expects Positive EBIT Effect of Around €0.7 Billion from the Transaction*
- *Transaction Should be Completed by the End of the Third Quarter of 2015*
- *Joint Press Conference on Monday in Cologne at 11:15 AM*

DÜSSELDORF, Germany & COLOGNE, Germany & TORONTO--(BUSINESS WIRE)--June 14, 2015--Canada-based Hudson's Bay Company, one of the foremost retail operators in North America and its longest continually operated company, and Düsseldorf-based METRO GROUP today announced that they have entered into a definitive agreement under which HBC will acquire Metro's department store group GALERIA Kaufhof and its Belgian subsidiary Inno for a transaction value of €2.825 billion, including the assumption of certain liabilities. The transaction has been approved by the Board of Directors of HBC as well as the Supervisory Board of METRO AG. It is expected to close by the end of the third quarter of 2015.

As a result of the acquisition, HBC will have:

- 464 Locations Worldwide, 8 Leading Banners
 - C\$13 (€9.0) Billion in Revenue⁽¹⁾
 - Pro Forma Sales by Market: 44% US; 31% Germany 23% Canada, 2% Belgium
 - Strong Management Teams in North America and Europe
-

The transaction is a further extension of HBC's proven strategy of growing through mergers and acquisitions, with GALERIA Kaufhof further diversifying HBC's portfolio and positioning the Company as a premier international retailer. Specifically, HBC is taking over 103 GALERIA Kaufhof stores in Germany from METRO GROUP, including 59 properties in prime inner-city locations that are part of the GALERIA Real Estate portfolio. As part of the transaction, HBC is also acquiring 16 Sportarena stores, 16 GALERIA Inno department stores located in Belgium, as well as various logistics centres, warehouses and other properties, and the long-standing GALERIA Kaufhof head office in Cologne.

Richard Baker, HBC's Governor and Executive Chairman, said, "This is an exciting transaction that demonstrates our proven growth formula in action, and it is the right investment and the right time. We have been carefully surveying the European retail landscape for many years for a potential expansion opportunity and have watched GALERIA Kaufhof build on its exceptional real estate to become the #1 department store in Germany. We are excited to work with the GALERIA Kaufhof management team to leverage our expertise, and we welcome GALERIA Kaufhof to our portfolio of dynamic brands."

Olaf Koch, Chairman of METRO'S Management Board, said, "With Hudson's Bay Company, we have found the ideal partner for a successful future of GALERIA Kaufhof. HBC pursues a strategy of international growth and GALERIA Kaufhof plays a central role in this expansion. Beyond the attractive financial and transactional aspects, a key factor for us was the fact that HBC has made binding guarantees to take on the approximately 21,500 GALERIA Kaufhof employees in Germany and Belgium. We also would like to thank all employees of GALERIA Kaufhof and its management for their outstanding contribution to the business and their great work. Without their dedication, the company would not have achieved, and maintained, its No 1 position."

With this transaction METRO GROUP will achieve a positive cash inflow of around €1.6 billion and significantly reduce its rating-relevant net debt by around €2.7 billion. Moreover METRO GROUP expects a positive EBIT effect of around €0.7 billion from the transaction.

As part of the Agreement, HBC will continue to operate GALERIA Kaufhof, Inno and Sportarena under their current brand banners. No significant changes, beyond those already announced by GALERIA Kaufhof, are currently anticipated with respect to the store footprints or staffing levels at any of the brand banners, and GALERIA Kaufhof will remain headquartered in Cologne. When combined with HBC's current portfolio of iconic store banners, including Hudson's Bay, Lord & Taylor, Saks Fifth Avenue, Saks OFF 5TH and Home Outfitters, HBC will operate 464 stores under 8 banners, with 44% of sales generated in the United States, 31% in Germany, 23% in Canada and 2% in Belgium.

GALERIA Kaufhof's existing management team is expected to remain in place following the close of the transaction, and will work closely with HBC's leadership to explore opportunities to further strengthen GALERIA Kaufhof's offerings to consumers. These are expected to include: expanding the GALERIA Kaufhof brand matrix; aggressively growing GALERIA Kaufhof's eCommerce; optimizing key merchandise categories; and pursuing the opportunity to introduce the Saks Fifth Avenue and the Saks OFF 5TH banners in Germany and Belgium, and the potential to build within the existing store network to improve productivity and optimize floor space.

Kaufhof Acquisition Strengthens HBC's Position as a Premier International Retailer

Jerry Storch, CEO of HBC, said, "This transaction is a significant step forward in our plans to become a premier global retailer. We look forward to working with GALERIA Kaufhof's management team as we bring together two geographically complementary businesses, diversifying HBC's revenue base with leading banners in Canada, the United States, Germany and Belgium. This is a strong foundation to explore additional opportunities for growth throughout the Continent."

Lovro Mandac, Chairman and CEO of Galeria Holding, said: "GALERIA Kaufhof has worked in the past years to achieve a good position in the German retailing market through a continual willingness to change and a high customer orientation. That is thanks to the performance of the Associates and the leadership team. As a result, our company is now well-armed for the future with Hudson's Bay as our new owner. It is good and important for the company that there is now clarity about the ownership question. We thank METRO GROUP for their support in the past years and look forward to cooperating with Hudson's Bay on the future positioning of the company."

Building on GALERIA Kaufhof's Leadership Position in the German Retail Marketplace

Don Watros, President of HBC International, commented, "With GALERIA Kaufhof, we gain a best-in-market, successful retailer with a network of very well-maintained stores, a beloved heritage and a brand that resonates strongly with German consumers. Based on our extensive experience in building outstanding department stores, we intend to leverage our expertise and proven strategies to further build GALERIA Kaufhof for a strong, all-channel future. We are looking forward to working with the 21,500 highly skilled and motivated employees and in close cooperation with GALERIA Kaufhof's works councils and unions."

HBC is structuring the transaction and financing similar to previous transactions in Canada and the United States. BofA Merrill Lynch is acting as exclusive financial advisor to HBC on the transaction. Willkie Farr & Gallagher LLP is acting as M&A legal counsel, and Stikeman Elliott LLP is acting as company legal counsel. METRO is being advised by JP Morgan and Deutsche Bank and Clifford Chance is serving as legal counsel.

METRO GROUP had decided to sell its department store subsidiary because the Düsseldorf-based group wishes to focus more strongly on its wholesale business METRO Cash & Carry, its consumer electronics division Media-Saturn and its hypermarket chain Real in the future. "Not only has HBC submitted the best offer in terms of a secure future for GALERIA Kaufhof, it has also made a valuable bid for our shareholders," said Olaf Koch. "We will also use the proceeds from the sale of GALERIA Holding GmbH for greater investment in our other sales channels, thus ensuring the group's future growth. In this way, we are strengthening METRO GROUP for our customers and in the interests of all our employees and shareholders."

Both companies will hold a press conference this Monday at 11:15 h German time at the Cologne Marriott Hotel which will be broadcasted online. A dedicated invitation to the media will be sent out soon.

METRO GROUP will also invite to an analysts call, details will be sent out soon.

Prior to an HBC conference call for its investors and analysts later this morning, HBC intends to issue an additional press release providing further financial detail with respect to the transaction, structure and expected impact of the addition of GALERIA Kaufhof to HBC.

ABOUT GALERIA KAUFHOF

GALERIA Holding GmbH is a group of companies with sales of EUR 3.1bn and 21,500 employees (2013/14 business year). It comprises the operating department store business of GALERIA Kaufhof GmbH in Germany (103 stores), Sportarena GmbH (16 stores) and GALERIA Inno in Belgium (16 stores). Galeria KAUFHOF and GALERIA Inno are market leaders in their respective countries and they interlink their online shops and their bricks-and-mortar business through a successful multi-channel strategy. GALERIA Real Estate Holding GmbH, as a subsidiary of GALERIA Holding GmbH, is responsible for the strategic development of the 59 inner-city retail properties under its management in Germany. GALERIA Real Estate Group contributes to maintaining and increasing the value of the real estate portfolio. GALERIA Immobilienservice GmbH is the subsidiary of GALERIA Holding GmbH that performs various services related to the department store properties.

ABOUT HUDSON'S BAY COMPANY

Hudson's Bay Company, founded in 1670, is North America's oldest company. Today, HBC offers customers a range of retailing categories and shopping experiences primarily in the United States and Canada. Our leading banners – Hudson's Bay, Lord & Taylor, Saks Fifth Avenue and Saks Fifth Avenue OFF 5TH – offer a compelling assortment of apparel, accessories, shoes, beauty and home merchandise. Hudson's Bay is Canada's most prominent department store with 90 full-line locations, two outlet stores and thebay.com. Lord & Taylor operates 50 full-line locations primarily in the northeastern and mid-Atlantic U.S., four Lord & Taylor outlet locations and lordandtaylor.com. Saks Fifth Avenue, one of the world's pre-eminent luxury specialty retailers, comprises 39 U.S. stores, five international licensed stores and saks.com. OFF 5TH offers value-oriented merchandise through 83 U.S. stores and saksoff5th.com. The Company also operates Home Outfitters, Canada's largest kitchen, bed and bath specialty superstore with 67 locations. Hudson's Bay Company trades on the Toronto Stock Exchange under the symbol "HBC".

ABOUT METRO GROUP

METRO GROUP is one of the most important international trading companies. In the financial year 2013/14, it generated sales of about €63 billion. The company operates around 2,200 stores in 30 countries and has a headcount of around 250,000 employees. The performance of METRO GROUP is based on the strength of its sales brands that operate independently in their respective market segments: METRO/MAKRO Cash & Carry – the international leader in self-service wholesale –, Media Markt and Saturn – the European market leader in consumer electronics retailing – Real hypermarkets and Galeria Kaufhof department stores.

FORWARD-LOOKING STATEMENTS - HBC

Certain statements made in this news release, including, but not limited to, statements relating to HBC's proposed acquisition of Kaufhof and the timing and benefits that are expected to result from the acquisition, and other statements that are not historical facts, are forward-looking. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Although HBC believes that the forward-looking statements in this news release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements for a variety of reasons. Some of the factors - many of which are beyond HBC's control and the effects of which can be difficult to predict - include, among others (a) the failure to obtain, on a timely basis or otherwise, required approvals for the proposed acquisition; (b) the risk that a condition to completion of the proposed acquisition may not be satisfied; (c) the possibility that the anticipated benefits from the proposed acquisition cannot be realized; (d) the ability of HBC to retain and attract key Kaufhof personnel and for Kaufhof to maintain relationships with customers, suppliers and other business partners; (e) credit, market, currency, operational, liquidity and funding risks generally, including changes in economic conditions, interest rates or tax rates; and (f) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business. The proposed acquisition could be modified, restructured or terminated.

HBC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Annual Information Form dated April 30, 2015, as well as HBC's other public filings, available at www.sedar.com and at www.hbc.com.

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

Note: Assumes € 1 = C\$1.387

⁽¹⁾ 52 weeks ended May 2, 2015 for HBC and 12 months ended March 31, 2015 for Galeria.

CONTACT:

For Hudson's Bay Company

Media

Hudson's Bay Company

Andrew Blecher

SVP Communications

andrew.blecher@hbc.com

or

Kekst and Company

Molly Morse, 212-521-4826

molly-morse@kekst.com

or

Investors

Phone: 416-256-6745

Email: investorrelations@hbc.com

or

For METRO GROUP

Media

Phone: +49-211-6886-4252

presse@metro.de