

Hudson's Bay Company Reports Fourth Quarter and Fiscal 2015 Financial Results

- *Fourth quarter consolidated sales increased 70.4% to \$4.5 billion*
- *Fourth quarter consolidated comparable store sales increased 11.0%; up 1.8% on a constant currency basis*
- *Fourth quarter Adjusted EBITDAR increased 61.1% to \$630 million*
- *Fourth quarter net earnings increased by \$255 million to \$370 million*
- *Repaid US\$585 million of long term debt during the fourth quarter*

TORONTO & NEW YORK & COLOGNE, Germany--(BUSINESS WIRE)--April 4, 2016--Hudson's Bay Company ("HBC" or the "Company") (TSX: HBC) today announced its financial results for the fourth quarter and fiscal year ended January 30, 2016 ("Fiscal 2015"). Unless otherwise indicated, all amounts are expressed in Canadian dollars.

Fourth Quarter Year-Over-Year Highlights⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

- Consolidated sales increased 70.4% to \$4.5 billion, with comparable store sales up 1.8% on a constant currency basis
- Total digital sales increased by 61.6%, with comparable digital sales up 22.8% on a constant currency basis
- Gross profit rate on a comparable basis increased 30 basis points to 41.3%
- Adjusted EBITDAR increased 61.1% to \$630 million
- Net Earnings of \$370 million compared to \$115 million in prior year

Fiscal 2015 Year-Over-Over Highlights⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

- Consolidated sales increased 36.6% to \$11.2 billion, with comparable store sales up 2.5% on a constant currency basis
- Total digital sales increased by 48.5%, with comparable digital sales up 23.2% on a constant currency basis
- Gross profit rate on a comparable basis increased 70 basis points to 41.2%
- Adjusted EBITDAR increased 40.7% to \$1,211 million
- Net Earnings of \$387 million compared to \$233 million in prior year

Richard Baker, HBC's Governor and Executive Chairman, commented, "I am proud of HBC's many accomplishments in 2015. The diversity of our banners in terms of geography and consumer segment helped us navigate a challenging retail environment and resulted in 2015 comparable store sales growth of 2.5% on a constant currency basis. We continued our track record of making targeted retail acquisitions with the closing of the GALERIA acquisition ⁽⁵⁾ on September 30th which we expect to grow the Company's revenue by approximately 50%. The largest department stores in both Germany and Belgium are now part of the HBC family. Subsequent to the GALERIA acquisition, we sold a portion of our equity in HBS Global Properties, our global real estate joint venture, and used the proceeds to delever HBC's balance sheet. This is just one example of how we are able to utilize our real estate holdings to enhance our financial flexibility. I am very thankful to the entire HBC team for their achievements in 2015."

Added Jerry Storch, HBC's Chief Executive Officer, "For our leading retail banners, 2015 was a story of fostering innovation while focusing on operational efficiencies. In the face of a challenging retail environment, our teams came together and we continued our relentless focus on our customers. Our 2015 comparable digital sales growth of 23.2% on a constant currency basis is the result of our innovative offerings delighting our customers, as well as enhancements that we have made to our e-commerce platforms and fulfillment capabilities. Our all channel model is further enhanced with the February 1st acquisition of Gilt, and we are working on integrating its industry leading mobile and personalization capabilities across our banners. Throughout the year, we focused on increasing operational efficiencies and were able to generate new savings of over \$60 million during the year as the result of the Saks integration and our North American realignment initiative. Our expense reduction initiatives are an ongoing process, and we will continue our focus on increasing operational efficiencies and implementing best practices across our banners throughout 2016. Also in 2015, we hired new leaders of Human Resources, Supply Chain, Private Brands, Credit, Digital, as well as a new Chief Information Officer. These experts will lead our efforts to drive efficient processes while continuing to provide our customers with the best service. I would like to thank all of our associates for their hard work and dedication over the past year and I am very excited about continuing to execute our strategy for 2016 and beyond."

Financial Results

Throughout this press release, the terms "Normalized SG&A", "Adjusted EBITDAR", "Adjusted EBITDA", and "Normalized Net Earnings" refer to financial results that have been adjusted to, among other things, exclude certain non-recurring items and charges and, in the case of Adjusted EBITDA and Adjusted EBITDAR, certain adjustments related to our real estate joint venture entities. In addition, certain references are made to financial comparable results, including as expressed on a constant currency basis. For an explanation of the Company's use of non-IFRS measures, including the relevant definitions and reconciliations to reported measures, please refer to the "Supplemental Information" section of this press release. For further discussion of

the Company's financial and operating results, please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations for the 13 and 52 Weeks Ended January 30, 2016 (the "MD&A"). DSG refers, collectively, to the Lord & Taylor, Hudson's Bay and Home Outfitters banners. HBC Europe refers, collectively, to GALERIA Kaufhof, Galeria INNO and Sportarena.

Fourth Quarter Summary

All comparative figures below are for the 13-week period ended January 30, 2016 compared to the 13-week period ended January 31, 2015.

Consolidated retail sales, which include digital sales from all banners, were \$4,486 million, an increase of \$1,854 million or 70.4% from the prior year, primarily a result of the addition of HBC Europe following the close of the GALERIA acquisition on September 30, 2015. On a constant currency basis, consolidated comparable store sales increased by 1.8%, including growth of 4.0% at DSG, growth of 2.0% at Saks OFF 5TH ("OFF 5TH") and growth of 0.4% at HBC Europe, partially offset by a decline of 1.2% at Saks Fifth Avenue. Total digital sales increased by 61.6%, with comparable digital sales increasing by 22.8% on a constant currency basis from the prior year.

In terms of merchandise category performance, sales growth at DSG was driven by women's wear and home. Categories of strength at Saks Fifth Avenue included menswear and cosmetics, with weakness in women's ready to wear; while at OFF 5TH, sales growth was driven by accessories and footwear. At HBC Europe, beauty and accessories led merchandise sales growth during the quarter.

Gross profit rate as a percentage of retail sales was 39.7%. The comparable gross profit rate⁽⁴⁾ was 41.3%, an increase of 30 basis points from the prior year. This increase was primarily related to the addition of HBC Europe, which operates at relatively higher gross margin and SG&A rates.

Expense reduction is an on-going focus for HBC. In the third quarter of Fiscal 2015, HBC announced an initiative to reduce SG&A expenses through its North American operations realignment initiative. In the fourth quarter, the Company realized synergies related to this realignment initiative of approximately \$15 million, and currently expects to meet its target of \$75 million in annual savings during Fiscal 2016. HBC has an ongoing program to continue to increase efficiencies, implement best practices and further reduce expenses.

Additionally, HBC realized approximately \$4 million in synergies related to the integration of Saks Incorporated ("Saks"), bringing total annualized savings from this initiative to \$95 million. At this time, integration is largely complete, and the Company expects to realize the remaining \$5 million of its targeted \$100 million in synergies during the course of Fiscal 2016.

Fourth quarter SG&A expenses were \$1,499 million compared to \$736 million in the prior year, primarily as a result of the addition of HBC Europe. Normalized SG&A expenses were \$1,372 million in the fourth quarter, or 30.6% of consolidated retail sales, compared to 28.7% in the prior year⁽⁶⁾. This rate increase was driven primarily by additional rent expense incurred in connection with the Company's real estate joint ventures ("Joint Ventures") (approximately 70 basis points) and the addition of HBC Europe (approximately 50 basis points). Additionally, as previously disclosed, the Company is investing for growth, which includes opening new stores in Canada and the U.S., and investments in our digital business. Absent these items, SG&A expenses as a percentage of sales would have been approximately 20 basis points lower compared to the prior year.

Following the creation of the Joint Ventures, management believes that Adjusted EBITDAR best reflects the performance of the retail business. This metric provides the most consistent view of the Company's retail performance, as it is not impacted by, among other things, HBC's ownership levels of the Joint Ventures and resulting impact on net rents. Management believes that Adjusted EBITDA is less useful when evaluating the performance of the retail business, but will continue to disclose Adjusted EBITDA for reference purposes.

Adjusted EBITDAR was \$630 million, an increase of 61.1% compared to \$391 million in the prior year, primarily as a result of the addition of HBC Europe.

Finance costs were \$60 million in the fourth quarter compared to \$111 million in the prior year. The decrease can be primarily attributed to non-cash finance income generated by mark to market adjustments for the fourth quarter associated with the valuation of the Common Share purchase warrants outstanding.

Net Earnings were \$370 million in the fourth quarter, compared to Net Earnings of \$115 million in the prior year. Normalized Net Earnings were \$145 million in the fourth quarter, compared to \$157 million in the prior year. Normalized items include the net-of-tax gain recognized on the sale of a portion of the Company's equity in HBS Global Properties of \$333 million in the fourth quarter.

Fiscal 2015 Summary

All comparative figures below are for the 52-week period ended January 30, 2016 compared to the 52-week period ended January 31, 2015.

Consolidated retail sales were \$11,162 million, an increase of \$2,993 million or 36.6% from \$8,169 million in the prior year. The increase is primarily attributable to the addition of HBC Europe as well as continued strong performance at DSG and OFF 5TH.

On a constant currency basis, consolidated comparable store sales increased by 2.5%, including growth of 4.7% at DSG, growth of 6.3% at OFF 5TH and growth of 1.7% at HBC Europe, partially offset by a decrease of 1.0% at Saks Fifth Avenue. Total digital sales increased by 48.5%, with comparable digital sales up 23.2% on a constant currency basis from the prior year.

Gross profit rate as a percentage of retail sales was 40.5%. The comparable gross profit rate⁽⁴⁾ was 41.2%, an increase of 70 basis points from the prior year. This increase was primarily related to the addition of HBC Europe.

SG&A expenses in Fiscal 2015 were \$4,066 million compared to \$2,759 million in the prior year. Normalized SG&A expenses were \$3,779 million, or

33.9% of consolidated retail sales, compared to 33.1% in the prior year. This rate increase was driven primarily by the addition of HBC Europe, as well as the additional rent expense incurred in connection with the Joint Ventures, partially offset by the savings generated from the integration of Saks as well as the Company's North American realignment initiative.

Following the creation of the Joint Ventures, management believes that Adjusted EBITDAR best reflects the performance of the retail business. This metric provides the most consistent view of the company's retail performance, as it is not impacted by, among other things, HBC's ownership levels of the Joint Ventures and resulting impact on net rents. Management believes that Adjusted EBITDA is less useful when evaluating the performance of the retail business, but will continue to disclose Adjusted EBITDA for reference purposes.

Adjusted EBITDAR for Fiscal 2015 was \$1,211 million, an increase of 40.7% compared to \$861 million in the prior year, primarily as a result of the addition of HBC Europe.

Finance costs were \$188 million in Fiscal 2015 compared to \$262 million in the prior year. The decrease can be primarily attributed to non-cash finance income generated by mark to market adjustments for Fiscal 2015 associated with the valuation of the Common Share purchase warrants outstanding.

Net Earnings were \$387 million in Fiscal 2015, compared to Net Earnings of \$233 million in the prior year. Normalized Net Earnings were \$55 million, compared to \$96 million in the prior year.

The Company ended the fourth quarter with cash on hand of \$507 million. During the fourth quarter, the Company utilised proceeds from the sale of a portion of its equity in HBS Global Properties, as well as cash on hand, to reduce outstanding borrowings on its U.S. Term Loan B by US\$585 million. The Company also reduced borrowings under its ABL facilities by \$119 million from the end of the third quarter.

Inventory

Inventory at the end of the fourth quarter increased by \$1,096 million compared to the prior year. The addition of HBC Europe and foreign exchange rate fluctuations accounted for approximately 75% of the increase. The remainder was driven by a marginal increase in comparable store inventory and additional inventory related to new store openings.

Store Network

	Store Count ⁽¹⁾	Gross Leasable Area ⁽¹⁾ / Square Footage (000s)
STORE INFORMATION AS AT January 30, 2016		
Hudson's Bay	90	16,006
Lord & Taylor	50	6,898
Saks Fifth Avenue	38	4,741
Saks OFF 5TH	90	2,595
Home Outfitters	62	2,214
HBC Europe	131	16,679
Total	461	49,133

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

Fiscal 2016 Outlook

Management is confirming its Adjusted EBITDAR and EBITDA outlook for Fiscal 2016 and increasing its sales guidance to take into account the impact of the Gilt acquisition. Management currently expects Adjusted EBITDA growth to be further weighted towards the second half of the year due to flat rent expense associated with the Company's Joint Ventures, which is spread evenly over the course of the year. Adjusted EBITDAR, which management believes is more reflective of the underlying performance of the retail business, does not include these rent expenses. The Company currently expects the following results for Fiscal 2016, which are fully qualified by the "Forward-Looking Statements" section of this press release.

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

This outlook assumes overall low single digit comparable store sales growth, calculated on a constant currency basis.

The Company currently expects that in Fiscal 2016 it will make higher than normal investments in growth initiatives, with total capital investments, net of landlord incentives, expected to be between \$750 million and \$850 million, which is approximately 4.9%-5.5% of the midpoint of the sales outlook. Included in these amounts is the anticipated capital spend associated with the Company's recent acquisitions: HBC Europe and Gilt Groupe. Capital expenditure related to growth initiatives is expected to be approximately 70% of the total amount, with the remaining 30% representing maintenance capital expenditures.

Of the Company's investments in growth initiatives, approximately:

- 40% is expected to be related to store renovations, including the renovation of the Saks Fifth Avenue New York flagship store and renovations to our HBC Europe stores;
- 30% is expected to be related to new stores. The Company anticipates opening a total of 7 Saks Fifth Avenue stores and approximately 32 OFF 5TH stores;
- 30% is expected to be related to digital and technology investments, including the implementation of robotic automation in the Toronto distribution centre and a new internet distribution centre in the U.S.

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

Conference Call to Discuss Results

Richard Baker, Governor and Executive Chairman, Jerry Storch, Chief Executive Officer, and Paul Beesley, Chief Financial Officer, will discuss financial results and other matters during a conference call on April 5, 2016 at 8:30 AM EST.

The conference call will be accessible by calling the participant operator assisted toll-free dial-in number (877) 852-2926 or international dial-in number (253) 237-1123. A live webcast of the conference call will be accessible on HBC's website at: <http://investor.hbc.com/events.cfm>. The audio replay also will be available via this link.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's audited annual consolidated financial statements for year ended January 30, 2016 and Management's Discussion and Analysis thereon will be available under the Company's profile on SEDAR at www.sedar.com.

Selected Consolidated Financial Information

The following tables set out consolidated financial information and supplemental information for each of Fiscal 2015 and Fiscal 2014. The summary financial information set out for the quarters ended January 30, 2016 and January 31, 2015 has been prepared on a basis consistent with our audited annual consolidated financial statements for Fiscal 2015 and Fiscal 2014, respectively. In the opinion of our management, such unaudited financial data reflects all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation of the results for these periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year or any future period. The information presented herein does not contain disclosures required by IFRS and should be read in conjunction with the Company's audited annual consolidated financial statements for Fiscal 2015.

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian dollars except per share amounts)	Thirteen weeks ended		Fifty-two weeks ended	
	Jan 30, 2016	Jan 31, 2015 ⁽¹⁾	Jan 30, 2016	Jan 31, 2015 ⁽¹⁾
Retail sales	4,486	2,632	11,162	8,169
Cost of sales	(2,704)	(1,552)	(6,638)	(4,901)
Selling, general and administrative expenses	(1,499)	(736)	(4,066)	(2,759)
Depreciation and amortization	(149)	(97)	(460)	(344)
Gain on contribution of assets to Joint Ventures	35	—	168	—
Gain on sale of investments in Joint Ventures	516	—	516	—
Gain on Queen Street Sale	—	—	—	308
Operating income	685	247	682	473
Finance costs, net	(60)	(111)	(188)	(262)
Share of net loss in Joint Ventures	(68)	—	(139)	—
Dilution gain from investment in joint venture	16	—	164	—
Earnings before income tax	573	136	519	211
Income tax (expense) benefit	(203)	(21)	(132)	22
Net earnings for the period	370	115	387	233
Earnings per common share				
Basic	2.03	0.63	2.13	1.28
Diluted	1.88	0.62	1.88	1.27

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

(Unaudited)

(millions of Canadian dollars except per share amounts)	Thirteen weeks ended		Fifty-two weeks ended	
	Jan 30, 2016	Jan 31, 2015	Jan 30, 2016	Jan 31, 2015
Adjusted EBITDA ⁽²⁾	455	325	781	604
Adjusted EBITDAR ⁽²⁾	630	391	1,211	861
Normalized SG&A ⁽²⁾	1,372	755	3,779	2,704
Normalized Net Earnings for the period ⁽²⁾	145	157	55	96
Normalized Net Earnings per Common Share – basic ⁽²⁾	0.80	0.86	0.30	0.53
Normalized Net Earnings per Common Share – diluted ⁽²⁾	0.79	0.85	0.30	0.52
Declared dividend per Common Share	0.05	0.05	0.20	0.20

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's audited Annual Consolidated Financial Statements for the year ended January 30, 2016.

(2) For a reconciliation of the non-IFRS measure to the corresponding reported measure, see tables in "Supplemental Information" in this press release and in the MD&A for the fourth quarter and Fiscal 2015.

CONSOLIDATED BALANCE SHEETS

(millions of Canadian dollars)	January 30, 2016	January 31, 2015 ⁽¹⁾
Assets		
Cash	507	168
Trade and other receivables	512	212
Inventories	3,415	2,319
Other current assets	194	100
Total current assets	4,628	2,799
Property, plant and equipment	5,154	4,606
Intangible assets and goodwill	1,774	1,313
Pensions and employee benefits	166	149
Deferred tax assets	253	240
Investments in Joint Ventures	658	—
Other assets	16	15
Total assets	12,649	9,122
Liabilities		
Loans and borrowings	451	246
Finance leases	25	19
Trade payables	1,494	945
Other payables and accrued liabilities	1,020	603
Deferred revenue	132	130
Provisions	148	115
Other liabilities	126	86
Total current liabilities	3,396	2,144
Loans and borrowings	2,729	2,723
Finance leases	500	136
Provisions	89	63
Pensions and employee benefits	681	189
Deferred tax liabilities	887	656
Investment in Joint Venture	27	—
Other liabilities	1,241	737
Total liabilities	9,550	6,648
Shareholders' equity		
Share capital	1,420	1,420
Retained earnings	1,029	678
Contributed surplus	86	60
Accumulated other comprehensive income	564	316
Total shareholders' equity	3,099	2,474
Total liabilities and shareholders' equity	12,649	9,122

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's audited Annual Consolidated Financial Statements for the year ended January 30, 2016.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars)	Fifty-two weeks ended	
	January 30, 2016	January 31, 2015 ⁽¹⁾
Operating activities		
Net earnings for the year	387	233
Add: Income tax expense (benefit)	132	(22)
Deduct: Dilution gain from investment in the HBS Joint Venture	(164)	—
Add: Share of net loss in Joint Ventures	139	—
Add: Finance costs, net	188	262
Operating income	682	473
Net cash income taxes (paid) received	(1)	4
Interest paid in cash	(147)	(143)
Distributions of earnings from Joint Ventures	114	—
Items not affecting cash flows:		
Depreciation and amortization	460	344
Net defined benefit pension and employee benefits expense	17	6
Other operating activities	(11)	(56)
Share of rent expense to Joint Ventures	(188)	—
Gain on contribution of assets to Joint Ventures	(168)	—
Gain on sale of joint ventures' equity	(516)	—
Gain on sale and leaseback transaction	—	(308)
Share based compensation	31	17
Settlement of share based compensation grants	(5)	—
Changes in operating working capital:		
Increase in trade and other receivables	(150)	(142)
Increase in inventories	(99)	(78)
(Increase) decrease in other assets	(52)	(2)
(Decrease) increase in trade and other payables, accrued liabilities and provisions	(52)	326
Increase in other liabilities	103	106
Net cash inflow from operating activities	18	547
Investing activities		
Capital investments	(610)	(426)
Proceeds from landlord incentives	234	113
	(376)	(313)
Proceeds from lease terminations and other non-capital landlord incentives	22	71
Proceeds from sale of assets	—	35
Proceeds from sale and leaseback transaction	—	650
Proceeds from contribution of assets to Joint Ventures	1,134	—
Acquisition of Kaufhof Operating Business, net of cash acquired	(745)	—
Investment in joint ventures	(274)	—
Proceeds on sale of Joint Venture equity	712	—
Other investing activities	—	(2)
Net cash inflow from investing activities	448	441
Financing activities		
Long-term loans and borrowings:		
Issuance	1,453	1,420
Repayments	(1,626)	(1,873)
Borrowing costs	(60)	(48)
	(233)	(501)
Short-term loans and borrowings:		
Net borrowings from (repayments to) asset-based credit facilities	158	(287)
Borrowing costs	—	(2)
Net decrease in other short-term borrowings	(2)	(2)
	156	(291)
Payments on finance leases	(25)	(20)
Dividends paid	(36)	(36)
Net cash outflow for financing activities	(138)	(848)
Foreign exchange gain on cash	11	7

Increase in cash	339	147
Cash at beginning of year	168	21
Cash at end of year	507	168

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to the cost method and its method of calculating the adjustment required that inventory be valued at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's audited Annual Consolidated Financial Statements for the year ended January 30, 2016.

Supplemental Information

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

(millions of Canadian dollars)	Thirteen week period ended		Fiscal Year ended	
	January 30, 2016	January 31, 2015 ⁽¹⁾	January 30, 2016	January 31, 2015 ⁽¹⁾
Net Earnings for the Period	370	115	387	233
Finance costs	60	111	188	262
Income tax expense (benefit)	203	21	132	(22)
Share of net loss in Joint Ventures	68	—	139	—
Gain on contribution of assets to Joint Ventures	(35)	—	(168)	—
Gain on sale of investment in Joint Ventures	(516)	—	(516)	—
Gain on Queen Street Sale ⁽²⁾	—	—	—	(308)
Dilution gains from investment in joint venture ⁽³⁾	(16)	—	(164)	—
Non-cash pension (recovery) expense	(3)	(14)	17	6
Depreciation and amortization	149	97	460	344
Impairment and other non-cash expenses	5	1	5	1
Share based compensation	5	4	22	15
EBITDA	290	335	502	531
Normalization and joint venture adjustments				
Acquisition and integration related expenses ⁽⁴⁾	32	13	133	62
Joint ventures transaction costs	11	—	46	—
Amortization of inventory purchase price accounting adjustments ⁽⁵⁾	69	—	75	40
Home Outfitters onerous lease provision	2	14	2	14
Foreign exchange adjustment ⁽⁶⁾	51	(14)	4	(14)
Loyalty Zellers adjustment ⁽⁷⁾	—	(24)	—	(24)
Restructuring and other	12	1	21	(5)
North American realignment initiative ⁽⁸⁾	12	—	37	—
Net rent expense to Joint Ventures ⁽⁹⁾	33	—	37	—
Cash rent to Joint Ventures	(112)	—	(190)	—
Cash distributions from Joint Ventures	55	—	114	—
Total normalizing and Joint Venture adjustments	165	(10)	279	73
Adjusted EBITDA	455	325	781	604
Rent Adjustments				
Third party rent expense	118	66	354	257
Cash rent to Joint Ventures	112	—	190	—
Cash distributions from Joint Ventures	(55)	—	(114)	—
Adjusted EBITDAR	630	391	1,211	861

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to cost and its method of calculating the adjustment required to value inventory at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's audited Annual Consolidated Financial Statements for the year ended January 30, 2016.

(2) Realigned from normalization adjustments in prior year presentation to EBITDA in the current year.

(3) Represents the gain realized as a result of change in ownership related to the Company's investments in the HBS Joint Venture.

(4) Includes acquisition and integration expenses related to the acquisitions of Saks, GALERIA and Gilt.

(5) Relating to the Saks Acquisition in the prior year and the GALERIA Acquisition in the current year.

(6) Represents the impact of unrealized (gains) losses related to the translation of U.S. dollar and Euro denominated monetary asset and liability balances related to the overall tax and legal structure of the Company.

(7) Represents the one time positive impact recognized in the fourth quarter of Fiscal 2014 related to the recognition of the change in redemption patterns of

previous Zellers customers.

(8) Represents costs associated with the implementation of the Company's North American operations realignment initiative announced on September 29, 2015.

(9) Rent expense to the Joint Ventures net of reclassification of rental income related to the Company's ownership interest in the Joint Ventures (see note 12 to the audited Annual Consolidated Financial Statements for the year ended January 30, 2016).

The following table shows the reconciliation of Net Earnings to Normalized Net Earnings.

(millions of Canadian dollars)	Unaudited			
	Thirteen Weeks Ended		Fifty-two Weeks Ended	
	January 30, 2016	January 31, 2015 ⁽¹⁾	January 30, 2016	January 31, 2015 ⁽¹⁾
	\$	\$	\$	\$
Net Earnings	370	115	387	233
Normalization Adjustments⁽²⁾				
Gain on contribution of assets to Joint Ventures	(27)	-	(134)	-
Gain on sale of investment in joint ventures	(333)	-	(333)	-
Gain on Queen Street sale	-	-	-	(261)
Dilution gains from investment in joint venture	(7)	-	(98)	-
Acquisition and integration related expenses and finance costs ⁽³⁾	(2)	43	73	84
Joint ventures transaction costs	8	-	31	-
Restructuring and other	7	1	12	(4)
North American realignment initiative	7	-	23	-
Financing related adjustments ⁽⁴⁾	24	25	37	47
Amortization of inventory purchase price accounting adjustments ⁽⁵⁾	49	-	53	24
Home Outfitters onerous lease provision	1	10	1	10
Foreign exchange adjustment ⁽⁶⁾	35	(12)	(9)	(12)
Adjustments to share of net loss in Joint Ventures ⁽⁷⁾	13	-	32	-
Loyalty Zellers adjustment ⁽⁸⁾	-	(18)	-	(18)
Tax related adjustments ⁽⁹⁾	-	(7)	(20)	(7)
Total normalizing adjustments	(225)	42	(332)	(137)
Normalized Net Earnings	145	157	55	96

(1) During the fourth quarter of Fiscal 2015, the Company changed its policy with respect to the valuation of inventory from the retail method to cost and its method of calculating the adjustment required to value inventory at its net realizable value. Due to this change, certain previously reported figures have been restated. For more information, please refer to Note 9 of the Company's audited Annual Consolidated Financial Statements for the year ended January 30, 2016.

(2) Net of tax as appropriate.

(3) Includes the recognition of non-cash finance income (costs) related to Common Share purchase warrants of \$37 million (2014: (\$44) million) for the Fiscal year and \$25 million (2014: (\$35) million) for the fourth quarter.

(4) Includes write-off of deferred financing costs and in the prior year penalties on early extinguishment of debt.

(5) Relating to the Saks Acquisition in the prior year and the GALERIA Acquisition in the current year.

(6) Represents the impact of unrealized (gains) losses related to the translation of U.S. dollar and Euro denominated monetary asset and liability balances related to the overall tax and legal structure of the Company.

(7) Relates to the Company's share of non-recurring transaction costs and foreign exchange related gains and losses incurred by the HBS Joint Venture.

(8) Represents the one time positive impact recognized in the fourth quarter related to the recognition of the change in redemption patterns of previous Zellers customers.

(9) Relates to capital loss realized upon repayment of U.S. dollar denominated debt.

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

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

We have included EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Earnings and Normalized SG&A to provide investors and others with

supplemental measures of our operating performance. We believe EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Earnings and Normalized SG&A are important supplemental measures of operating performance because they eliminate items that have less bearing on our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors, rating agencies and other interested parties frequently use EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Earnings and Normalized SG&A in the evaluation of issuers, many of which present similar metrics when reporting their results. Our management also uses Adjusted EBITDAR in order to facilitate retail business operating performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our future debt service, capital expenditure and working capital requirements and our ability to pay dividends on our common shares. As other companies may calculate EBITDA, Adjusted EBITDA, Adjusted EBITDAR, Normalized Net Earnings or Normalized SG&A differently than we do, these metrics may not be comparable to similarly titled measures reported by other companies.

This press release makes reference to certain comparable financial results expressed on a constant currency basis, including comparable store sales, comparable digital sales and comparable gross profit rate. The Company calculates comparable store sales on a year-over-year basis from stores operating for at least 13 months and includes digital sales and clearance store sales. In calculating the sales change, including digital Sales, on a constant currency basis, prior year foreign exchange rates are applied to both current year and prior year comparable sales. Additionally, where an acquisition closed in the previous twelve months, comparable sales change on a constant currency basis incorporate results from the pre-acquisition period. This enhances the ability to compare underlying sales trends by excluding the impact of foreign currency exchange rate fluctuations as well as by reflecting new acquisitions. Definitions and calculations of comparable sales differ among companies in the retail industry. The Company notes that results from acquisitions are only incorporated in the Company's reported consolidated financial results from and after the acquisition date. In calculating comparable gross profit rate, the current and prior year gross profit rates are adjusted for the negative impacts associated with the amortization of inventory related purchase price accounting adjustments.

About Hudson's Bay Company

Hudson's Bay Company is one of the fastest-growing department store retailers in the world, based on its successful formula of driving the performance of high quality stores and their all-channel offerings, unlocking the value of real estate holdings and growing through acquisitions. Founded in 1670, HBC is the oldest company in North America. HBC's portfolio today includes ten banners, in formats ranging from luxury to better department stores to off price fashion shopping destinations, with more than 460 stores and 66,000 employees around the world.

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

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

Forward-Looking Statements

Certain statements made in this news release, including, but not limited to, the benefits that are expected to result from the acquisitions of HBC Europe and Gilt, the impact on the Company's reported gross profit and expense margins as a result of the acquisition of HBC Europe, the benefits that are expected to result from the North American operations realignment initiative, the Company's prospects for future growth opportunities, including targeting acquisitions, the Company's growth strategies of improving retail operations and unlocking the value of real estate, and the Company's outlook in respect of Sales, Adjusted EBITDAR, Adjusted EBITDA and capital investments (net of landlord incentives) for Fiscal 2016, and other statements that are not historical facts, are forward-looking. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Implicit in forward-looking statements in respect of Sales, Adjusted EBITDA, Adjusted EBITDAR and capital investments (net of landlord incentives) for Fiscal 2016, are certain current assumptions, including, among others, the Company achieving overall low single digit comparable store sales growth on a constant currency basis in Fiscal 2016, the Company realizing annualized cost savings and synergies during Fiscal 2016 totaling \$75 million from the previously announced North American operations realignment program, the Company achieving \$100 million in synergies from the continued integration of Saks, the Company opening new stores in North America, the Company maintaining a significant ownership interest in the HBS Joint Venture and the RioCan-HBC JV, and assumptions regarding currency exchange rates for Fiscal 2016. Specifically, we have assumed the following exchange rates for Fiscal 2016: USD:CAD = 1:1.32 and EUR:CAD = 1:1.50. These current assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual future operating results and economic performance of the Company, including with respect to our anticipated Sales, Adjusted EBITDA, Adjusted EBITDAR and capital investments (net of landlord incentives) for Fiscal 2016, are subject to a number of risks and uncertainties, including, among others described below, general economic, geo-political, market and business conditions, changes in foreign currency rates from those assumed, the risk that the Company may not achieve comparable store sales growth on a constant currency basis and the risk that the Company may not achieve the contemplated cost savings and synergies as described above, and could differ materially from what is currently expected as set out above.

Although HBC believes that the forward-looking statements in this news release are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements for a variety of reasons. Some of the factors - many of which are beyond HBC's control and the effects of which can be difficult to predict - include, among others: ability to execute retailing growth strategies, ability to continue comparable store sales growth, changing consumer preferences, ability to realize synergies and growth from strategic acquisitions, ability to make successful acquisitions and investments, successful inventory management, ability to upgrade and maintain our information systems to support the organization and protect against cyber-security threats, privacy breach, loss of key personnel, ability to retain key personnel of HBC Europe, ability to attract and retain qualified employees, exposure to changes in the real estate market, successful operation of the Joint Ventures to allow the Company to realize the anticipated benefits, loss of flexibility with respect to properties in the Joint Ventures, exposure to environmental liabilities, changes in demand for current real estate assets, increased competition, change in spending of consumers including the impact of unfavourable or unstable political conditions and terrorism,

fluctuations in the U.S. dollar, Canadian dollar, Euro and other foreign currencies, increase in raw material costs, extreme weather conditions or natural disasters, ability to manage indebtedness and cash flow, risks related with increasing indebtedness, restrictions of existing credit facilities reducing flexibility, ability to maintain adequate financial processes and controls, ability to maintain dividends, developments in the credit card and financial services industries, and other risks inherent to the Company's business and/or factors beyond the Company's control which could have a material adverse effect on the Company.

HBC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Management Discussion & Analysis dated April 4, 2016, as well as HBC's other public filings, available at www.sedar.com and at www.hbc.com.

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

¹ For the definition of certain financial comparable results, including as expressed on a constant currency basis, see "Supplemental Information" below.

² Does not include Gilt Groupe Holdings Inc., which was acquired by the Company on February 1, 2016, subsequent to the end of Fiscal 2015.

³ HBC's financial results for the fourth quarter and Fiscal 2015 include October 1, 2015 through January 30, 2016 results of HBC Europe.

⁴ Comparable gross profit rate means that the current and prior year gross profit rates are adjusted for the negative impacts associated with the amortization of inventory related purchase price accounting adjustments.

⁵ Defined as HBC Europe and refers collectively to, GALERIA Kaufhof, Galeria Inno and Sportarena.

⁶ For additional detail with respect to normalization and adjustments related to the real estate joint venture entities, please refer to the Supplemental Information section of this press release.

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