HUDSON'S BAY COMPANY

2018 Q1 INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

For the Thirteen Weeks Ended

May 5, 2018

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HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF LOSS

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

		Thirteen weeks ended	
	Notes	**May 5, 2018**	Apr 29, 2017 (restated - note 5)
Revenue	6	**3,088**	3,058
Cost of sales	10	**(1,787)**	(1,776)
Selling, general and administrative expenses ("SG&A")		**(1,367)**	(1,323)
Depreciation and amortization	7	**(172)**	(160)
Operating loss		**(238)**	(201)
Finance costs, net	8	**(59)**	(57)
Share of net loss in joint ventures	11	**(62)**	(27)
Dilution gains from investments in joint ventures	11	**1**	3
Loss before income tax		**(358)**	(282)
Income tax benefit		**44**	68
Net loss for the period - continuing operations		**(314)**	(214)
Net loss for the period - discontinued operations, net of taxes	5	**(86)**	(7)
Net loss for the period		**(400)**	(221)
Loss per share - basic and diluted	16		
Continuing operations		**(1.33)**	(1.17)
Discontinued operations		**(0.37)**	(0.04)
Total operations		**(1.70)**	(1.21)

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

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(millions of Canadian dollars)
(unaudited)

	Notes	Thirteen weeks ended May 5, 2018	Thirteen weeks ended Apr 29, 2017
Net loss		**(400)**	(221)
Other comprehensive income, net of tax as applicable:			
Items that may be reclassified subsequently to earnings or loss:			
Currency translation adjustment		**56**	81
Net loss on net investment hedge		**(10)**	(11)
Net gain on derivatives designated as cash flow hedges		**5**	14
Reclassification to non-financial assets of net losses (gains) on derivatives designated as cash flow hedges		**3**	(3)
Reclassification to statement of loss of net losses (gains) on derivatives designated as cash flow hedges		**11**	(2)
Other comprehensive income		**65**	79
Total comprehensive loss		**(335)**	(142)
Total comprehensive loss attributable to:			
Continuing operations		**(249)**	(135)
Discontinued operations	5	**(86)**	(7)
		(335)	(142)

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the thirteen weeks ended May 5, 2018 and April 29, 2017

(millions of Canadian dollars)
(unaudited)

					Accumulated Other Comprehensive Income ("AOCI")					
	Notes	**Share capital**	**Deficit**	**Contributed surplus**	Currency translation adjustment	Employee benefits	Net investment hedge	Cash flow hedges	**AOCI**	**Total shareholders' equity**
As at February 3, 2018		**2,045**	**(120)**	**144**	342	11	(20)	5	**338**	**2,407**
IFRS 9 transitional adjustment	2	—	15	—	—	—	—	—	—	15
Total comprehensive loss		—	(400)	—	56	—	(10)	19	65	(335)
Share based compensation	15	3	—	12	—	—	—	—	—	15
Dividends	16	—	(2)	—	—	—	—	—	—	(2)
As at May 5, 2018		**2,048**	**(507)**	**156**	398	11	(30)	24	**403**	**2,100**

					Accumulated Other Comprehensive Income ("AOCI")					
	Notes	**Share capital**	**Retained earnings**	**Contributed surplus**	Currency translation adjustment	Employee benefits	Net investment hedge	Cash flow hedges	**AOCI**	**Total shareholders' equity**
As at January 28, 2017		**1,422**	**477**	**117**	430	(2)	(37)	3	**394**	**2,410**
Total comprehensive loss		—	(221)	—	81	—	(11)	9	79	(142)
Share based compensation	15	—	—	11	—	—	—	—	—	11
Dividends		—	(9)	—	—	—	—	—	—	(9)
As at April 29, 2017		**1,422**	**247**	**128**	511	(2)	(48)	12	**473**	**2,270**

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

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(millions of Canadian dollars)
(unaudited)

	Notes	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Assets				
Cash	9	**86**	99	70
Trade and other receivables	21	**402**	326	388
Inventories	10	**3,571**	3,688	3,367
Asset held for sale	4	**273**	—	263
Assets of discontinued operations held for sale	5	**74**	—	—
Other current assets		**230**	248	214
Total current assets		**4,636**	4,361	4,302
Property, plant and equipment		**5,261**	5,529	5,155
Intangible assets and goodwill		**1,583**	1,849	1,629
Pensions and employee benefits		**169**	173	171
Deferred tax assets		**359**	330	339
Investments in joint ventures	11	**603**	611	602
Other assets		**41**	19	36
Total assets		**12,652**	12,872	12,234
Liabilities				
Loans and borrowings	12	**1,002**	1,195	363
Finance leases		**41**	27	35
Trade payables	21	**1,345**	1,360	1,422
Other payables and accrued liabilities		**1,026**	1,092	1,031
Deferred revenue		**120**	106	139
Provisions		**220**	182	220
Liabilities of discontinued operations held for sale	5	**94**	—	—
Other current liabilities	13	**240**	126	290
Total current liabilities		**4,088**	4,088	3,500
Loans and borrowings	12	**2,701**	2,852	2,616
Finance leases		**521**	519	526
Provisions		**85**	58	85
Pensions and employee benefits		**714**	699	714
Deferred tax liabilities		**296**	697	308
Investment in joint venture	11	**227**	7	227
Other liabilities	13	**1,920**	1,682	1,851
Total liabilities		**10,552**	10,602	9,827
Shareholders' equity				
Share capital	16	**2,048**	1,422	2,045
(Deficit) retained earnings		**(507)**	247	(120)
Contributed surplus		**156**	128	144
Accumulated other comprehensive income		**403**	473	338
Total shareholders' equity		**2,100**	2,270	2,407
Total liabilities and shareholders' equity		**12,652**	12,872	12,234

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

HUDSON'S BAY COMPANY

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars)
(unaudited)

	Notes	Thirteen weeks ended May 5, 2018	Thirteen weeks ended April 29, 2017 (restated - note 5)
Operating activities			
Net loss from continuing operations		**(314)**	(214)
Income tax benefit		**(44)**	(68)
Dilution gains from investments in joint ventures	11	**(1)**	(3)
Share of net loss in joint ventures	11	**62**	27
Finance costs, net	8	**59**	57
Operating loss		**(238)**	(201)
Net cash income taxes paid		**(16)**	(4)
Interest paid in cash		**(54)**	(45)
Distributions of earnings from joint ventures	11	**52**	54
Items not affecting cash flows:			
Depreciation and amortization	7	**172**	160
Net defined benefit pension and employee benefits expense		**5**	7
Other operating activities		**(4)**	(10)
Share of rent expense to joint ventures	11	**(91)**	(88)
Share based compensation	15	**17**	11
Settlement of share based compensation grants	15	**(2)**	—
Changes in operating working capital	20	**(295)**	(443)
Cash outflow for operating activities from continuing operations		**(454)**	(559)
Cash outflow for operating activities from discontinued operations		**(13)**	(40)
Net cash outflow for operating activities		**(467)**	(599)
Investing activities			
Capital investments		**(187)**	(222)
Proceeds from landlord incentives		**57**	71
Capital investments less proceeds from landlord incentives		**(130)**	(151)
Proceeds from lease terminations and other non-capital landlord incentives		**—**	2
Proceeds on disposal of assets		**1**	3
Cash outflow for investing activities from continuing operations		**(129)**	(146)
Cash outflow for investing activities from discontinued operations		**(1)**	(3)
Net cash outflow for investing activities		**(130)**	(149)
Financing activities			
Repayments of long-term loans and borrowings		**(2)**	(1)
Short-term loans and borrowings:			
Net borrowings from asset-based credit facilities		**627**	745
Borrowing costs		**(1)**	(4)
		626	741
Payments on finance leases		**(11)**	(9)
Dividends paid	16	**(2)**	(9)
Net cash inflow from financing activities from continuing operations		**611**	722
Foreign exchange gain on cash		**2**	3
Increase (decrease) in cash		**16**	(23)
Cash at beginning of year		**70**	122
Cash at end of period		**86**	99

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

NOTE 1. GENERAL INFORMATION

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

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

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

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

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

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

On September 30, 2015, the Company and the HBS Joint Venture acquired GALERIA Holding GmbH for €2,317 million ($3,490 million). The transaction was structured such that effectively, the Company acquired the operating business and certain properties of GALERIA Holding GmbH ("Galeria Kaufhof") while the HBS Joint Venture acquired the property business.

On February 1, 2016, the Company acquired Gilt Groupe Holdings Inc. and its subsidiaries ("Gilt").

On December 6, 2017, the Company issued mandatory convertible preferred shares ("Convertible Preferred Shares") to an affiliate of Rhône Capital LLC for an aggregate purchase price of U.S. $500 million ($638 million).

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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

The preparation of unaudited interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates, which requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited interim financial statements have been set out in note 3 of the annual audited consolidated financial statements for the year ended February 3, 2018.

The accounting policies used in the preparation of the Company's unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's annual consolidated financial statements for the year ended February 3, 2018 , except for the adoption of new standards effective as of February 4, 2018. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Audit Committee of HBC on June 4, 2018.

Accounting standards implemented in fiscal 2018

Revenue

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), which provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and was applied for the first time by the Company in the first quarter of 2018.

The Company adopted IFRS 15 using the modified retrospective method with the cumulative effect of any adjustments recognized in the opening balance of retained earnings as of February 4, 2018. Comparative information has not been restated and continues to be reported under previous accounting standards. IFRS 15 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Company made use of a practical expedient and elected to apply IFRS 15 retrospectively only to contracts that are not completed contracts as at February 4, 2018.

After completing the analysis of its significant customer contracts, the Company has determined that the implementation of IFRS 15 did not result in any adjustments to the opening balance of retained earnings or to the presentation of the Company's condensed consolidated interim statements of financial position.

As a result of adopting IFRS 15, the Company updated its accounting policies for the recognition of revenue as set out below.

Retail merchandise sales

Revenue consists of sales through retail stores of the banners operated by the Company and includes sales through the Company's e-commerce ("Digital Commerce") operations. Merchandise sales through retail stores are recognized at the time of delivery to the customer which is generally at the point of sale when control of the goods has transferred from the Company to the customer. Merchandise sales through Digital Commerce are recognized upon estimated receipt by the customer.

It is the Company's policy to sell merchandise to the customer with a right to return within a specified period. Accumulated experience is used to estimate and provide for such returns. Where it is determined that the Company acts as an agent rather than a principal in a transaction, revenue is recognized to the extent of the commission.

Gift card breakage

Through its retail stores, websites and selected third parties, the Company sells gift cards that have no administrative fee charges or expiration dates. No revenue is recognized at the time gift cards are sold. Revenue is recognized as a merchandise sale when the gift card is redeemed by the customer.

The Company also recognizes income when it is considered highly probable that a gift card will not be redeemed by the customer ("gift card breakage"). Gift card breakage is estimated based on historical redemption patterns and is recognized in proportion to the redemption of gift card balances.

Loyalty programs

Award credits are accounted for as a separate component of the sales transaction in which they are granted. As a result, the consideration received is allocated between the loyalty awards and the goods and services on which the awards were earned, based on their relative stand-alone selling prices. The amount allocated to the loyalty points is recorded as deferred revenue until the award credits are redeemed by the customer. The points expected to be redeemed are based on many factors, including an actuarial review, where required, of customers' past experience and trends.

Financial Instruments

In July 2014, the IASB issued IFRS 9 - Financial Instruments ("IFRS 9"), which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 and the related consequential amendments to IFRS 7 - Financial Instruments: disclosures are effective for annual periods beginning on or after January 1, 2018 and were applied for the first time by the Company in the first quarter of 2018.

As permitted by the transitional provision of IFRS 9, the Company elected not to restate comparative figures. Adjustments to the carrying amount of financial assets and financial liabilities at the date of transition were recognized in the opening retained earnings of the current period. Accordingly, the information presented in these interim financial statements for the prior year does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented in the current period under IFRS 9.

The impact of implementing IFRS 9 on the carrying amounts of the Company's financial assets and financial liabilities is related to a prior period modification of the Company's U.S. Term Loan B (note 12), which at the time of modification did not result in the derecognition of that loan. Under IFRS 9, this modification reduces the carrying value of U.S. Term Loan B resulting in the recognition of a $15 million modification gain, which has been recognized in the opening retained earnings of the current period.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their contractual cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through other comprehensive income, and fair value through profit or loss. Financial liabilities are classified and measured based on two categories: amortized cost or fair value through profit and loss. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at February 4, 2018.

Asset/Liability	**Original classification under IAS 39**	**New classification under IFRS 9**
Cash	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Short-term deposits	Held-to-maturity	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Trade payables and other liabilities	Other liabilities	Amortized cost
Loans and borrowings	Other liabilities	Amortized cost
Derivatives, not in a hedging relationship	Fair value through profit or loss	Fair value through profit or loss

Financial assets are not reclassified subsequent to their initial recognition, unless the Company identifies changes in its business model in managing financial assets and would reassess the classification of financial assets.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model is applied, at each balance sheet date, to financial assets measured at amortized cost or those measured at fair value through other comprehensive income, except for investments in equity instruments. The new ECL model will result in an allowance for credit losses being recorded on financial assets irrespective of whether there has been an actual loss event.

The Company's financial assets at amortized cost consist of trade receivables, cash, and restricted cash.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company applied the practical expedient to determine ECLs for its trade receivables based on historical credit loss experiences to estimate lifetime ECLs.

The Company determined that the initial application of IFRS 9's impairment requirements at February 4, 2018 resulted in no additional recorded impairment allowance.

Hedge accounting

As permitted by IFRS 9, the Company has elected to continue applying the hedge accounting requirements of IAS 39 instead of the requirements set out in IFRS 9. This election applies to all of the Company's hedging relationships.

New accounting standard not yet implemented

Leases

In January 2016, the IASB issued the final publication of IFRS 16 – Leases ("IFRS 16"), which is to replace the current IAS 17 lease accounting standard and related interpretations. IFRS 16 is required to be adopted either retrospectively or by recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach under IFRS 16 substantially unchanged from the current IAS 17 lease accounting standard and related interpretations. IFRS 16 is effective for fiscal years beginning on or after January 1, 2019. The Company has contracted third party advisors to assist with the implementation of this standard. Although the Company is still in the process of assessing the potential impact of IFRS 16, it expects this standard will have a significant impact on its consolidated balance sheet, along with a change to the recognition, measurement and presentation of lease expenses in the consolidated statement of earnings.

Uncertain Tax Positions

In June 2017, the IASB issued IFRS Interpretations Committee Interpretation 23 – Uncertainty over Income Tax Treatments ("IFRIC 23"), which is effective for annual periods commencing on or after January 1, 2019. The interpretation provides guidance on how to value uncertain income tax positions based on the probability of whether the relevant tax authorities will accept a company's tax treatments. A company is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. IFRIC 23 is to be applied by recognizing the cumulative effect of initially applying these guidelines in opening retained earnings without adjusting comparative information. The Company is assessing the potential impact of IFRIC 23.

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. ASSET HELD FOR SALE

On October 24, 2017, the Company announced a series of strategic transactions with WeWork Companies Inc., which included the sale of the Lord & Taylor Fifth Avenue building. The property sale has a transaction value of U.S.$850 million (approximately $1.1 billion) and is currently expected to close no later than August 2018, subject to the satisfaction of applicable conditions. As a result, as at May 5, 2018, the carrying value of the property of $273 million (April 29, 2017: nil; February 3, 2018: $263 million) was classified as an asset held for sale. The Lord & Taylor Mortgage (note 12) is secured by this property and will become due and payable upon its sale. The sales proceeds will be used, in part, to repay the mortgage.

On December 6, 2017, the Company received a U.S.$75 million deposit in connection with sale of this property. This deposit is non-refundable subject to certain limited exceptions and has been recorded in other current liabilities (note 13).

NOTE 5. DISCONTINUED OPERATIONS

During the thirteen weeks ended May 5, 2018, the Company decided to divest of Gilt and to discontinue operations of the Gilt banner. The disposal is consistent with the Company's long-term strategy to streamline operations and improve profitability. As Gilt represents a separate line of business of the Company the revenue, expenses and cash flows related to Gilt's operations have been presented in these unaudited interim condensed consolidated financial statements as discontinued operations on a retroactive basis. As at May 5, 2018, certain of Gilt's assets and liabilities have been reclassified to assets and liabilities of discontinued operations held for sale and have been recorded at the lower of their carrying value and their fair value less estimated selling costs. As a result, in the thirteen weeks ended May 5, 2018, the Company recognized a pre-tax impairment loss of $77 million and a related tax benefit of $4 million, which are included in net loss for the period from discontinued operations. Subsequent to May 5, 2018, the Company entered into agreements for the sale of certain assets and liabilities of Gilt. See note 22 for details.

The results of operations related to discontinued operations were as follows:

	Thirteen weeks ended	
(millions of Canadian dollars)	**May 5, 2018**	Apr 29, 2017
Revenue	**107**	145
Cost of sales	**(68)**	(92)
Selling, general and administrative expenses	**(117)**	(50)
Depreciation and amortization	**(10)**	(13)
Loss before income tax	**(88)**	(10)
Income tax benefit	**2**	3
Net loss for the period	**(86)**	(7)

As at May 5, 2018 Gilt's assets and liabilities held for sale were as follows:

(millions of Canadian dollars)	**May 5, 2018**
Inventories	**48**
Trade and other receivables	**10**
Intangible assets	**6**
Other classes of assets	**10**
Assets of discontinued operations held for sale	**74**
Trade payables	**(43)**
Other payables and accrued liabilities	**(44)**
Other classes of liabilities	**(7)**
Liabilities of discontinued operations held for sale	**(94)**

NOTE 6. REVENUE

Revenue by major customer market was as follows:

	Thirteen weeks ended	
	May 5, 2018	Apr 29, 2017
(millions of Canadian dollars)		(restated - note 5)
Department Store	**1,934**	1,902
Luxury	**862**	853
Off Price	**292**	303
	3,088	3,058

NOTE 7. DEPRECIATION AND AMORTIZATION

	Thirteen weeks ended	
	May 5, 2018	Apr 29, 2017
(millions of Canadian dollars)		(restated - note 5)
Property, plant and equipment	**132**	124
Intangible assets	**43**	37
Deferred credits and other	**(3)**	(1)
	172	160

NOTE 8. FINANCE COSTS, NET

(millions of Canadian dollars)	Thirteen weeks ended May 5, 2018	Apr 29, 2017
Interest expense on long-term borrowings	**34**	34
Interest expense on short-term borrowings	**12**	9
Interest expense on finance leases	**11**	10
Net interest on pensions and employee benefits	**3**	3
Total interest expense, net	**60**	56
Saks acquisition-related finance (income) costs (note 14)	**(1)**	1
	59	57

NOTE 9. CASH

As at May 5, 2018, cash included restricted cash of $2 million (April 29, 2017: $23 million; February 3, 2018: $3 million).

NOTE 10. INVENTORIES

Inventories on hand at May 5, 2018, April 29, 2017 and February 3, 2018 were available for sale. The cost of merchandise inventories recognized as expense for the thirteen weeks ended May 5, 2018 was $1,787 million (2017: $1,776 million). The write-down of merchandise inventories below cost to net realizable value as at May 5, 2018 was $100 million (April 29, 2017: $69 million; February 3, 2018: $100 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 described in note 12.

NOTE 11. INVESTMENTS IN JOINT VENTURES

The following table summarizes the details of our joint ventures whose principal activities are real estate investments:

		May 5, 2018		Apr 29, 2017		Feb 3, 2018	
(millions of Canadian dollars, except ownership interest)	**Principal Place(s) of Business**	**Ownership Interest**	**Carrying Value**	Ownership Interest	Carrying Value	Ownership Interest	Carrying Value
RioCan-HBC JV	Canada	**87.9%**	**(227)**	88.1%	(7)	88.0%	(227)
HBS Joint Venture	United States, Germany	**62.4%**	**506**	63.1%	507	62.4%	509
Other joint venture	United States, Germany	**62.4%**	**97**	63.1%	104	62.4%	93
			376		604		375

RioCan-HBC JV

During thirteen weeks ended May 5, 2018, RioCan contributed $1 million (2017: nil). As a result of this contribution, the Company's ownership interest in the RioCan-HBC JV decreased from 88.0% as at February 3, 2018 to 87.9% as at May 5, 2018 and the Company realized a dilution gain of $1 million during thirteen weeks ended May 5, 2018 (2017: nil).

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

(millions of Canadian dollars)	Thirteen weeks ended May 5, 2018	Apr 29, 2017
Equity investment as at the beginning of the year	**(227)**	(9)
Share of net earnings from joint venture	**14**	20
Dilution gains from changes in equity interest	**1**	—
Distributions of earnings from joint venture	**(15)**	(18)
Equity investment as at the end of the period	**(227)**	(7)

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

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Cash	**2**	1	3
Current other financial assets	**—**	9	—
Current other assets	**1**	1	—
Non-current financial assets	**148**	142	147
Non-current other assets	**1,696**	1,725	1,703
Current financial liabilities	**(449)**	(7)	(450)
Current other liabilities	**(8)**	—	(8)
Non-current financial liabilities	**(337)**	(539)	(338)
Net assets at 100%	**1,053**	1,332	1,057
Company's share of net assets in the RioCan-HBC JV based on ownership interest	**926**	1,173	930
Less gain on contributions of assets to the RioCan-HBC JV not recognized related to Company's ownership interest	**(1,153)**	(1,180)	(1,157)
Company's carrying value of investment in the RioCan-HBC JV	**(227)**	(7)	(227)

Summarized statements of earnings of the RioCan-HBC JV:

(millions of Canadian dollars)	Thirteen weeks ended	
	May 5, 2018	Apr 29, 2017
Rental revenue	**27**	27
Rental revenue - recoveries	**2**	2
Property operating costs	**(3)**	(3)
Depreciation and amortization	**(11)**	(9)
Finance income	**3**	3
Finance costs	**(7)**	(4)
Net earnings at 100%	**11**	16
Company's share of net earnings in the RioCan-HBC JV based on ownership interest	**9**	14
Adjustment for the Company's share of expenses not recognized by HBC	**5**	6
Company's share of net earnings from the RioCan-HBC JV	**14**	20
Reclassification of rental income to SG&A related to the Company's ownership interest in the RioCan-HBC JV	**(20)**	(21)
Company's share of net loss in the RioCan-HBC JV	**(6)**	(1)

HBS Joint Venture

During the thirteen weeks ended May 5, 2018, Simon made no capital contributions to the HBS Joint Venture (2017: U.S.$7 million ($9 million)). In the thirteen weeks ended April 29, 2017, in connection with the contributions made during that period, Company realized dilution gains of $3 million.

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

(millions of Canadian dollars)	Thirteen weeks ended	
	May 5, 2018	Apr 29, 2017
Equity investment as at the beginning of the year	**509**	481
Share of net earnings from joint venture	**15**	41
Dilution gains from changes in equity interest	**—**	3
Distributions of earnings from joint venture	**(37)**	(36)
Net foreign currency exchange	**19**	18
Equity investment as at the end of the period	**506**	507

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

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Cash	**52**	51	51
Current other financial assets	**19**	15	20
Non-current other assets	**5,321**	5,371	5,267
Current financial liabilities	**(324)**	(322)	(313)
Current other liabilities	**(33)**	(31)	(32)
Non-current financial liabilities (1)	**(2,945)**	(2,931)	(2,920)
Non-current liabilities (1)	**(407)**	(400)	(411)
Net assets at 100%	**1,683**	1,753	1,662
Company's share of net assets in the HBS Joint Venture based on ownership interest	**1,051**	1,106	1,037
Less gain on contribution of assets to the HBS Joint Venture not recognized related to Company's ownership interest	**(545)**	(599)	(528)
Company's carrying value of investment in the HBS Joint Venture	**506**	507	509

(1) Figures of the balance sheet as at April 29, 2017 have been restated to correct the classification of a $130 million liability from non-current financial liabilities to non-current liabilities.

Summarized statements of earnings of the HBS Joint Venture:

	Thirteen weeks ended	
(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017
Rental revenue	**111**	106
Rental revenue - recoveries	**6**	5
Property operating costs	**(5)**	(6)
General and administrative expenses	**(2)**	(2)
Foreign exchange (loss) gain	**(29)**	14
Depreciation and amortization	**(27)**	(27)
Finance costs	**(30)**	(28)
Income tax expense	**(6)**	(4)
Net earnings at 100%	**18**	58
Company's share of net earnings in the HBS Joint Venture based on ownership interest	**11**	37
Adjustment for the Company's share of expenses not recognized by HBC	**4**	4
Company's share of net earnings from the HBS Joint Venture	**15**	41
Reclassification of rental income to SG&A related to the Company's ownership interest in the HBS Joint Venture	**(71)**	(67)
Company's share of net loss in the HBS Joint Venture	**(56)**	(26)

NOTE 12. LOANS AND BORROWINGS

The Company's debt consists of a global U.S. dollar denominated asset based revolving credit facility ("Global ABL"), a U.S. term loan ("U.S. Term Loan B"), mortgages and other loans.

a) Current loans and borrowings

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Global ABL	**1,012**	1,213	375
Current portion of long-term loans and borrowings	**8**	8	8
	1,020	1,221	383
Less: unamortized costs	**(18)**	(26)	(20)
	1,002	1,195	363

The amounts outstanding and the availability under the Global ABL were as follows:

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Gross borrowing base availability	**2,802**	2,732	2,435
Drawings	**(1,012)**	(1,213)	(375)
Outstanding letters of credit	**(300)**	(96)	(332)
Borrowing base availability net of drawings and letters of credit	**1,490**	1,423	1,728

As the Global ABL is available for and used to finance working capital needs, capital expenditures, operating activities of the Company's Canadian, U.S., and European operations and other general corporate purposes, it has been classified in the unaudited interim condensed consolidated balance sheets as part of current loans and borrowings. However, the Company is not required to repay any balance outstanding until the maturity date of February 5, 2021.

Long-term loans and borrowings

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
U.S. Term Loan B	**642**	683	619
Lord & Taylor Mortgage	**504**	542	488
Saks Mortgage	**1,606**	1,706	1,548
Other loans	**36**	7	36
	2,788	2,938	2,691
Less: unamortized costs	**(79)**	(78)	(67)
Less: amounts due within one year	**(8)**	(8)	(8)
	2,701	2,852	2,616

NOTE 13. OTHER LIABILITIES

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Deferred landlord incentives	**1,163**	977	1,113
Straight-line rent liabilities	**422**	314	393
Deferred gain on sale and leaseback transaction	**210**	220	212
Deposit for sale of Lord & Taylor Fifth Avenue building (note 4)	**96**	—	93
Operating lease intangible liability	**85**	108	87
Deferred proceeds from lease terminations	**65**	64	65
Income taxes payable	**48**	31	60
Financial liabilities	**3**	7	18
Other	**68**	87	100
	2,160	1,808	2,141
Current	**240**	126	290
Non-current	**1,920**	1,682	1,851
	2,160	1,808	2,141

NOTE 14. FINANCIAL INSTRUMENTS

The fair values of the Global ABL, U.S. Term Loan B, Lord & Taylor Mortgage, Saks Mortgage and other loans are determined using either quoted prices for identical or similar securities or a discounted cash flow model that uses current market interest rates for items of similar risk. These instruments are classified within Level 2 of the fair value hierarchy.

As at May 5, 2018, April 29, 2017 and February 3, 2018, the carrying value and fair value of these debt instruments were:

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Carrying value (1)	**3,800**	4,151	3,066
Fair value	**3,688**	4,163	2,980

(1) Carrying values exclude unamortized costs.

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

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

As at May 5, 2018, April 29, 2017 and February 3, 2018, the fair value and carrying value of derivative financial assets and financial liabilities were as follows:

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Current financial assets (included in other current assets)	**28**	31	23
Current financial liabilities (included in other current liabilities)	**3**	1	18
Non-current financial liabilities (included in other liabilities)	**—**	6	—

Certain features of the warrants issued in connection with the acquisition of Saks result in the warrants being presented as derivative financial liabilities recorded at fair value in the unaudited interim condensed consolidated balance sheets. These warrants are exercisable into common shares of the Company at an exercise price of $17.00 per warrant which in certain circumstances is subject to adjustment.

In relation to the 1.5 million warrants issued concurrently with the execution of the merger agreement ("Merger Agreement Warrants") the Company recognized acquisition related finance income of less than $1 million during the thirteen weeks ended May 5, 2018 (2017: finance income of less than $1 million) representing mark-to-market adjustments as at May 5, 2018. As at May 5, 2018, the fair value of the Merger Agreement Warrants was less than $1 million (April 29, 2017: $1 million; February 3, 2018: less than $1 million). The Merger Agreement Warrants expire on July 26, 2018.

In relation to the 5.25 million warrants issued on November 4, 2013 upon closing of the acquisition of Saks ("Acquisition Warrants"), the Company recognized acquisition related finance income of $1 million during the thirteen weeks ended May 5, 2018 (2017: finance costs of $1 million), representing mark-to-market adjustments to the fair value as at May 5, 2018. As at May 5, 2018, the fair value of the Acquisition Warrants was less than $1 million (April 29, 2017: $5 million; February 3, 2018: $1 million). The Acquisition Warrants expire on November 4, 2018.

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

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

NOTE 15. SHARE BASED COMPENSATION

Senior executive option transactions were as follows:

	Thirteen weeks ended			
	May 5, 2018		Apr 29, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	16,303,997	$15.55	16,289,564	$19.03
Granted	450,000	$10.12	—	—
Forfeited	(445,404)	$16.17	(323,271)	$19.74
Outstanding at end of period	16,308,593	$15.38	15,966,293	$19.01
Share options exercisable at end of period	6,050,709	$16.81	3,254,314	$17.01

During the thirteen weeks ended May 5, 2018, the grant date fair value of senior executive options was $2 million (2017: nil).

The following table summarizes information about the senior executive share options outstanding and exercisable as at May 5, 2018:

Range of exercise prices	**Number of outstanding options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable at May 5, 2018**	**Weighted average exercise price**
$8.50 to $8.99	2,186,003	6.1	$8.95	384,302	$8.95
$10.00 to $10.49	3,805,704	6.6	$10.39	—	—
$11.00 to $11.49	308,641	6.5	$11.45	51,440	$11.45
$15.00 to $15.49	126,617	5.1	$15.01	42,199	$15.01
$16.00 to $16.49	87,096	4.7	$16.28	—	—
$16.50 to $16.99	120,214	5.4	$16.96	40,067	$16.96
$17.00 to $17.49	7,080,480	4.8	$17.01	4,748,854	$17.01
$17.50 to $17.99	494,398	3.0	$17.61	494,398	$17.61
$23.50 to $23.99	1,201,349	4.2	$23.83	274,345	$23.58
$24.00 to $24.49	100,000	4.4	$24.22	—	—
$28.00 to $28.49	798,091	4.1	$28.34	15,104	$28.34
Total	16,308,593	5.3	$15.38	6,050,709	$16.81

Other management option transactions were as follows:

	Thirteen weeks ended			
	May 5, 2018		Apr 29, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding at beginning of year	1,371,466	$19.05	1,861,600	$19.13
Forfeited	(56,534)	$19.40	(82,149)	$20.78
Outstanding at end of period	1,314,932	$19.04	1,779,451	$19.06
Share options exercisable at end of period	992,730	$17.28	649,154	$17.03

During the thirteen weeks ended May 5, 2018 and April 29, 2017, no other management options were granted.

The following table summarizes information about the other management options outstanding and exercisable as at May 5, 2018:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable at May 5, 2018	Weighted average exercise price
$15.00 to $15.49	38,400	5.1	$15.01	12,792	$15.01
$16.00 to $16.49	14,400	4.7	$16.28	—	—
$17.00 to $17.49	681,332	2.5	$17.03	632,738	$17.03
$17.50 to $17.99	336,000	3.0	$17.61	336,000	$17.61
$23.50 to $23.99	51,200	4.3	$23.83	11,200	$23.58
$28.00 to $28.49	193,600	4.1	$28.34	—	—
Total	1,314,932	3.0	$19.04	992,730	$17.28

The assumptions used to measure the fair value of senior executive options granted during the thirteen weeks ended May 5, 2018 under the Black-Scholes option pricing model at the grant date were as follows:

Expected dividend yield	0.5%
Expected share price volatility	42.6%
Risk-free interest rate	1.9%
Expected life of options (years)	3.9 to 5.4

During the thirteen weeks ended May 5, 2018, the Company granted 189,111 (2017: 142,391) deferred share units (“DSUs”) and 1,142,231 (2017: nil) restricted share units (“RSUs”) with grant date fair values of $2 million (2017: $1 million) and $11 million (2017: nil). During the thirteen weeks ended May 5, 2018, the Company granted 815 DSUs (2017: 1,757) and 9,422 RSUs (2017: 8,196) as dividend equivalents. The fair values of the grants were determined based on the Company’s share price at the date of the grant. RSUs granted vest over terms ranging from 12 to 36 months.

During the thirteen weeks ended May 5, 2018, the Company granted 917,604 performance share units (“PSUs”) (2017: nil) with grant date fair values of $8 million (2017: nil) of which $8 million (2017: nil) is expected to vest. The fair value was determined based on the Company’s share price at the date of the grant and have a life of 4 years. Based on the achievement of specified performance targets,which are linked to the maximum 90-day average share price observed over the vesting period, the number of PSUs that vest will range from 50% and 150% of the number of units awarded. If at the expiry date the performance targets are not met, no PSUs will vest. During the thirteen weeks ended May 5, 2018, the Company granted 7,898 PSUs (2017: 2,567) as dividends equivalents.

During the thirteen weeks ended May 5, 2018, the Company granted 1,925 (2017: 7,139) performance restricted share units (“PRSUs”) as dividend equivalents to senior executives.

Share based compensation expense

Total share based compensation expense for thirteen weeks ended May 5, 2018 is summarized as follows:

	Thirteen weeks ended	
(millions of Canadian dollars)	**May 5, 2018**	Apr 29, 2017
Share options	**4**	7
PSUs	**3**	(2)
RSUs	**8**	4
Other share based compensation (1)	**2**	2
	17	11

(1) Includes phantom share units, DSUs and PRSUs.

During the thirteen weeks ended May 5, 2018, $5 million (2017: nil) of share based compensation was settled. Of the total settlement, $2 million (2017: nil) of common shares were purchased on the open market while the Company issued common shares for the remainder.

NOTE 16. SHARE CAPITAL

The Company's share capital consists of common shares and preferred shares as follows:

(millions of Canadian dollars)	May 5, 2018	April 29, 2017	February 3, 2018
Authorized:			
Unlimited number of common shares			
Unlimited number of preferred shares, issued in series			
Issued:			
183,073,362 common shares (April 29, 2017: 182,251,145, February 3, 2018: 182,853,504)	1,430	1,422	1,427
50,919,608 preferred shares (April 29, 2017: nil, February 3, 2018: 50,919,608)	618	—	618
	2,048	1,422	2,045

During the thirteen weeks ended May 5, 2018, the Company issued 219,858 (2017: nil) common shares in connection with the settlement of vested share based awards.

The holder of Convertible Preferred Shares has the option to convert any or all outstanding Convertible Preferred Shares into common shares. The conversion amount is equal to U.S.$500 million plus cumulative interest accrued at 5% per annum, divided by conversion price that was set at U.S$9.82 on the issuance date. The conversion price is subject to adjustment from time to time in accordance with the terms of the Convertible Preferred Shares. As at May 5, 2018, the outstanding Convertible Preferred Shares could have been converted into 52,122,495 common shares.

During the thirteen weeks ended May 5, 2018, the Company's Board of Directors declared the following dividends on common shares:

Date of declaration	Record date	Date paid	Dividend per share	Number of shares (millions)	Dividends paid
March 1, 2018	March 30, 2018	April 13, 2018	$0.0125	183	2

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

	Thirteen weeks ended	
(millions of Canadian dollars or shares except per share amounts)	May 5, 2018	Apr 29, 2017
Net loss from continuing operations	**(314)**	(214)
Net loss from discontinued operations	**(86)**	(7)
Total net loss for basic and diluted earnings per share	**(400)**	(221)
Weighted average common shares outstanding	**183**	182
Weighted average common shares that could be issued upon conversion of Convertible Preferred Shares	**52**	—
Basic and diluted weighted average common shares outstanding	**235**	182
Loss per share - basic and diluted		
Continuing operations	**(1.33)**	(1.17)
Discontinued operations	**(0.37)**	(0.04)
Total operations	**(1.70)**	(1.21)

NOTE 17. RELATED PARTY TRANSACTIONS

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

A subsidiary of L&T Acquisition has a lease with SP 35 L.P. (the "Landlord") for approximately 31,000 square feet in Shrewsbury, NJ. Amounts charged to the Company under the rental arrangement for thirteen weeks ended May 5, 2018 were U.S.$110 thousand (2017: U.S.$110 thousand). The Landlord is an affiliate of National Realty & Development Corp. ("NRDC"). Richard and Robert Baker, the principals of NRDC, are directors of the Company.

HBC has entered into vendor agreements with 2 related companies in which Earl Rotman, a director of the Company, has a non-controlling ownership interest. The agreements relate to menswear and womenswear sold in Saks Fifth Avenue and the Department Store Group ("DSG"). During the thirteen weeks ended May 5, 2018, HBC purchased goods of approximately $162 thousand (2017: $467 thousand) from these companies and has committed to ordering approximately $385 thousand for the remainder of fiscal 2018.

Excluding returns of capital and distributions received (note 11), transactions with the RioCan-HBC JV and the HBS Joint Venture comprised the following:

	Thirteen weeks ended	
(millions of Canadian dollars)	**May 5, 2018**	**Apr 29, 2017**
Rent expense	**139**	135

Balances due from (to) the RioCan-HBC JV and the HBS Joint Venture are comprised of:

	RioCan-HBC JV			HBS Joint Venture		
(millions of Canadian dollars)	**May 5, 2018**	**Apr 29, 2017**	**Feb 3, 2018**	**May 5, 2018**	**Apr 29, 2017**	**Feb 3, 2018**
Prepaid rents (included in other current assets)	**7**	2	7	**32**	12	32
Receivables (included in trade and other receivables)	**—**	—	—	**14**	14	16
Payables (included in other current liabilities)	**—**	—	—	**(4)**	(4)	(4)
Loans payable (included in other current liabilities)	**—**	—	—	**(12)**	(5)	(12)

In addition, included in other current liabilities as at April 29, 2017 were promissory notes in the aggregate amount of $12 million to both RioCan-HBC JV and RioCan ($6 million each) which pertained to a tenant improvement advance from the joint venture to the Company. The promissory notes were interest-free and were fully settled during the year ended February 3, 2018 as HBC had satisfied its tenant improvement commitment.

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

NOTE 18. CONTINGENT LIABILITIES

As at May 5, 2018, the Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, tax assessments and reassessments, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the unaudited interim condensed consolidated financial statements, but may have a material impact in future periods.

NOTE 19. SEGMENTED REPORTING

The Company has 6 operating segments: Hudson's Bay, Lord & Taylor, and Home Outfitters (collectively referred to as DSG); Saks Fifth Avenue; HBC Europe; and Saks OFF 5TH, which are aggregated into 1 reportable segment, Department Stores, as they have similar economic characteristics, products and services and customers. The Department Stores segment earns revenue from the sale of fashion apparel, accessories, cosmetics and home products to customers in a similar target market, is managed by the Chief Operating Decision Maker and supported by an integrated shared services function.

The following summarizes retail sales and non-current assets by country/region of origin:

(millions of Canadian dollars)	Thirteen weeks ended May 5, 2018	Apr 29, 2017 (restated - note 5)
Retail sales		
Canada	**697**	676
United States	**1,447**	1,486
Europe	**944**	896
	3,088	3,058

(millions of Canadian dollars)	May 5, 2018	Apr 29, 2017	Feb 3, 2018
Non-current assets(1)			
Canada	**1,013**	982	1,004
United States	**4,075**	4,881	4,006
Europe	**1,797**	1,534	1,810
	6,885	7,397	6,820

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

NOTE 20. CHANGES IN OPERATING WORKING CAPITAL

(millions of Canadian dollars)	Thirteen weeks ended May 5, 2018	Apr 29, 2017 (restated - note 5)
(Increase) decrease in trade and other receivables	**(31)**	61
Increase in inventories	**(204)**	(184)
Increase in other assets	**(14)**	(50)
Decrease in trade and other payables, accrued liabilities and provisions	**(7)**	(224)
Decrease in other liabilities	**(39)**	(46)
	(295)	(443)

NOTE 21. CHANGES IN PRESENTATION

In the annual audited consolidated financial statements for the year ended February 3, 2018, the Company made changes to its financial statement presentation. These changes only impact the Company's balance sheet for the comparative period and have no impact on the Company's results from operations or earnings (loss) per share. The impacts of the financial statement presentation changes to previously reported comparative amounts are as follows:

(millions of Canadian dollars)	April 29, 2017 Decrease in trade and other receivables	Decrease in trade payables
Reclassification of vendor debit balances	13	13

NOTE 22. SUBSEQUENT EVENTS

On June 2, 2018, a subsidiary of the Company entered into an agreement with Gladd Inc. to sell the shares of Gilt Groupe K.K., a Japanese subsidiary of Gilt. On June 3, 2018, certain U.S. and Irish subsidiaries of the Company entered into an agreement with Rue La La ("RLL"), where RLL will purchase certain assets and liabilities of the Gilt business. Both transactions are expected to close in the second quarter of 2018. Expected proceeds from both transactions are still to be finalized subject to certain terms of the agreements and customary closing conditions.