MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE FOURTEEN AND FIFTY-THREE WEEKS ENDED FEBRUARY 2, 2013

Dated April 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("MD&A") is intended to assist readers in understanding the business environment, strategies and performance and risk factors of Hudson's Bay Company and its direct and indirect subsidiaries and predecessors or other entities controlled by them, referred to as "HBC", the "Company", "we", "us", or "our". It should be read in conjunction with the audited consolidated financial statements and notes thereto for our fiscal year ended February 2, 2013. Unless otherwise indicated, all amounts are expressed in millions of Canadian dollars.

The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A. This MD&A reflects information as of April 11, 2013.

Basis of Presentation

Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

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

On January 11, 2012, HBTC completed a reorganization to combine its retail operations, HBC and Lord & Taylor. As part of the reorganization, HBC acquired Lord & Taylor from HBTC. The acquisition of Lord & Taylor by HBC is a merger of entities under common control and as such the two entities are presented for financial reporting purposes as if the two entities have been consolidated since HBC's acquisition by HBTC.

On November 26, 2012, the Company closed its initial public offering of common shares (the "Offering").

The Company owns and operates department stores across Canada and regionally within the United States under the Hudson's Bay, Home Outfitters and Lord & Taylor banners and operates discount stores under the Zellers banner. On April 19, 2012, the Company's Board of Directors approved a plan to discontinue the Company's discount store operations. Accordingly, HBC's financial information has been retroactively restated to present its discount store business (Zellers and Fields) as discontinued operations (see Supplemental Information – Discontinued Operations).

Accounting Periods

This MD&A is based on the audited consolidated financial statements and accompanying notes thereto for Fiscal 2012 and Fiscal 2011. Certain financial information for Fiscal 2010 is presented in the Supplemented PREP Prospectus of the Company filed on SEDAR on November 19, 2012. During Fiscal 2011, we changed our convention and began reporting our year end on the Saturday nearest to January 31. Therefore, our Fiscal Year consists of a 52 or 53-week period. "Fiscal 2011" and "Fiscal 2010" were 52 weeks and are references to the Company's fiscal year ended on January 28, 2012 and January 31, 2011, respectively. "Fiscal 2012" was 53 weeks and is a reference to the Company's fiscal year ended on February 2, 2013. Similarly, the fourth quarter of Fiscal 2012 was 14 weeks (as opposed to 13 weeks for the fourth quarter of each of Fiscal 2011 and Fiscal 2010).

Forward-Looking Statements

Certain statements in this MD&A regarding our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments, including without limitation statements under the heading "Outlook", constitute forward- looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", “believes”, “estimates”, “predicts”, “likely” or “potential” or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, the following factors, which are discussed in greater detail in the “Risk Factors” section of the Company’s annual MD&A for Fiscal 2011 as presented in the Supplemented PREP Prospectus of the Company filed on SEDAR on November 19, 2012, which is available at www.sedar.com: (i) significant competition in the retail industry, (ii) changing consumer preferences, (iii) changing consumer spending, (iv) the prospect of unfavourable economic and political conditions, (v) the seasonal nature of our business, (vi) unseasonable weather conditions or natural disasters, (vii) our ability to continue to improve same store sales, (viii) our ability to retain our senior management team who possess specialized market knowledge, (ix) our dependence on our ability to attract and retain quality employees, (x) maintaining good relations with non-unionized and unionized employees, (xi) our dependence on successful inventory management, (xii) increased commodity prices, including for cotton, may affect our profitability, (xiii) our dependence on our advertising and marketing programs, (xiv) a material disruption in our computer systems, (xv) our ability to execute our growth strategy, (xvi) our ability to execute our plan to reduce operating expenses, (xvii) our ability to comply with the covenants in our credit facilities, (xviii) our ability to incur more debt, (xix) breaches of privacy, (xx) risks arising from regulation and litigation, (xxi) product liability claims and product recalls, (xxii) fluctuations in the value of the Canadian dollar in relation to the U.S. dollar, (xxiii) risks associated with doing business abroad, (xxiv) disruption to our centralized distribution centres, (xxv) risks associated with operating freehold and leasehold property, (xxvi) environmental risks associated with operating freehold and leasehold property, (xxvii) our obligations under the agreement entered into with Target Corporation, (xxviii) our ability to maintain the brand value of our various retail banners, (xxix) the value of the brands we offer could diminish due to factors beyond our control, (xxx) current store locations may become less desirable, (xxxi) inability to protect our trademarks and other proprietary rights, (xxxii) risks related to our size and scale, (xxxiii) insurance-related risks, and (xxxiv) pension-related risks. These factors are not intended to represent a complete list of the factors that could affect us; however, these factors should be considered carefully.

The purpose of the forward-looking statements is to provide the reader with a description of management’s expectations regarding the Company’s financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including gross profit, EBITDA, Normalized EBITDA and Normalized Net Earnings – Continuing Operations to provide investors with supplemental measures of 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 and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also uses non-IFRS measures in order to facilitate 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.

Recent Events

- On December 27, 2012, the Company paid a quarterly dividend in the amount of $0.09375 per share, and on March 15, 2013, declared a quarterly dividend, payable on April 15, 2013, of the same amount.

- On January 31, 2013, the Company significantly streamlined its Rewards Program. The simplified structure is designed to create a more impactful customer loyalty program by, amongst other things, (i) offering a personalized shopping experience through exclusive sale events and advance notices, (ii) rewarding higher-spending customers, and (iii) incentivizing customers to use Hudson's Bay Private Label Credit Cards or Hudson's Bay branded MasterCards.

- On March 6, 2013, the Company launched its rebranding initiative for Hudson’s Bay (formerly The Bay) that includes a new, streamlined logo to reflect a modernization of the brand.

- On March 26, 2013, the Company announced that it has entered into an agreement with Kleinfeld Bridal Corp. to become the exclusive Canadian retailer of Kleinfeld products, including Kleinfeld private brand wedding dresses and accessories. The Kleinfeld department will be located at the Hudson’s Bay downtown Toronto store, and is currently scheduled to open in May 2014.

- The Company has substantively executed its strategy to discontinue its discount store business. The Company has completed the wind-down of all of its Fields stores, and as of March 31, 2013, only three Zellers locations remained open.

Overview

Our Business

We are a leading North American retailer offering a wide selection of branded merchandise in Canada and the United States through our three banners. In Canada, we operate Hudson’s Bay, Canada’s largest national branded department store. In the United States, we operate Lord & Taylor, a specialty department store with locations throughout the northeastern United States and in two major cities in the Midwest. We also operate Home Outfitters, a kitchen, bed and bath superstore with locations across Canada.

Since 2008, we have transformed our business by significantly enhancing sales productivity and achieving significant earnings growth. Sales productivity has been enhanced through improved brand and merchandise strategies, investment in high growth merchandise categories and revitalization of our stores. We have achieved substantial earnings growth through a combination of ongoing margin enhancement and aggressive expense reduction and management.

Based on the Company’s reporting convention, our Fiscal 2011 and Fiscal 2010 were 52 weeks while Fiscal 2012 was 53 weeks. Similarly, the fourth quarter of Fiscal 2012 was 14 weeks, as opposed to 13 weeks for the fourth quarter of each of Fiscal 2011 and Fiscal 2010. Notwithstanding the difference in time periods, the Company presents same store sales based on 52-week or 13-week periods, as applicable.

Highlights of the 14-week period ended February 2, 2013

- Consolidated same store sales increased 2.1% for the comparable 13-week period.

- Same store sales at Hudson's Bay increased by 6.1%, and were driven by our strategic initiatives, the completion of the major renovation of our Vancouver flagship store, the continued expansion of Topshop/Topman into certain of our stores, and the continued growth of online sales, men’s apparel, handbags and accessories.

- Same store sales at Lord & Taylor decreased by 2.9% on a U.S. dollar basis, primarily due to the direct and indirect negative impact of Hurricane Sandy in the fourth quarter, during which time over 80% of the Lord & Taylor stores were subject to business disruption.

- Our online sales grew to $58.0 million, an increase of 57.0% for the comparable 13-week period, reflecting the Company's strategic focus on growing our e-commerce channel.

- Normalized EBITDA was $177.1 million compared to $166.8 million in the fourth quarter of Fiscal 2011, an increase of $10.3 million.

- Normalized Net Earnings - Continuing Operations was $99.3 million ($0.86 per common share) compared to Normalized Net Earnings - Continuing Operations of $94.8 million ($0.91 per common share) for the fourth quarter of Fiscal 2011, a $4.5 million improvement.

Highlights of Fiscal 2012

- Consolidated same store sales increased 4.0% for the comparable 52-week period.

- Same store sales at Hudson's Bay increased by 5.4%, and were driven by ladies and men’s apparel, ladies shoes and handbags, specialty Topshop/Topman branded apparel, and cosmetics and fragrances.

- Same store sales at Lord & Taylor increased by 2.2% on a U.S. dollar basis, despite the direct and indirect negative impact of Hurricane Sandy in the fourth quarter. This growth was primarily driven by both storewide promotional events and stronger performance in the first and third quarters of Fiscal 2012.

- Our online sales grew to $136.6 million, an increase of 63.0% for the comparable 52-week period, reflecting the Company's on-going investment in our omni-channel initiative.

- Normalized EBITDA was $310.0 million, compared to $312.9 million in Fiscal 2011, a decrease of $2.9 million.

- Normalized Net Earnings – Continuing Operations was $76.8 million ($0.71 per common share), compared to Normalized Net Earnings – Continuing Operations for Fiscal 2011 of $68.1 million ($0.65 per common share), an $8.7 million improvement.

- Opened new Lord & Taylor stores in Ridge Hill, New York and Rockingham, New Hampshire.

- Unveiled the remodeled Vancouver Hudson’s Bay flagship store, which included a 40,000 square foot Topshop/Topman, and opened a 19,000 square foot Topshop/Topman in our Downtown Toronto Hudson’s Bay flagship store.

- Executed the wind-down of most of the store operations at Zellers, exited the Fields business, and implemented strategies to achieve operating and cost reductions associated with exiting the discount segment.

Factors Affecting Our Performance

Retail Sales

The majority of our sales are from branded merchandise purchased directly from the brand owners or their licensees. To increase same store sales, we focus on offering a broad and well-edited selection of upscale branded and private-label merchandise appealing to the fashion taste of our customers. The quality and breadth of our selection allows us to change the mix of our merchandise based on fashion trends and individual store locations and enables us to address a broad customer base. As part of our efforts to create an omni-channel and seamless direct-to-consumer shopping experience, Hudson's Bay, Lord & Taylor and Home Outfitters are developing enhanced omni-channel platforms.

Same Store Sales — Consolidated (continuing operations)

The Company calculates same store sales on a year-over-year basis from stores operating for at least 13 months, online sales and clearance store sales. Stores undergoing remodeling remain in the same store sales calculation unless the store is closed for a significant period of time. This calculation includes the impact of foreign currency translation. In addition, based on our reporting convention, our Fiscal 2011 and Fiscal 2010 were 52 weeks while Fiscal 2012 was 53 weeks. Similarly, the fourth quarter of Fiscal 2012 was 14 weeks, as opposed to 13 weeks for the fourth quarter of each of Fiscal 2011 and Fiscal 2010. Notwithstanding the difference in time periods, the Company presents same store sales based on 52-week or 13-week periods, as applicable. Definitions and calculations of same store sales differ among companies in the retail industry.

Gross Profit

Our cost of sales consists mainly of merchandise purchases including transportation and distribution costs. Purchases are variable and proportional to our sales volume. We record vendor rebates as a reduction of inventory cost. All costs directly associated with transportation and distribution, excluding central storage costs and any idle capacity, are capitalized as merchandise inventories.

We work to manage gross margin in a number of different ways. We manage the level of promotional activity relative to regular price activity and manage inventory levels to minimize the need for substantial clearance activity. We source private label products and directly import certain branded products from overseas markets, including China, Bangladesh, India, Indonesia, Vietnam and Europe. As a result, our cost of sales is impacted by the fluctuation of foreign currencies against the Canadian dollar. In particular, we purchase a significant amount of our imported merchandise from suppliers in Asia using U.S. dollars. Therefore, our cost of sales is impacted by the fluctuation of the U.S. dollar against the Canadian dollar. We enter into forward contracts to hedge our exposure to fluctuations in the value of the U.S. dollar against the Canadian dollar. Increases in the price of merchandise, raw materials, fuel and labour or their reduced availability could increase our cost of goods and negatively impact our financial results. Generally, we offset these cost increases with pricing adjustments in order to maintain a consistent mark-up on the merchandise, which might cause a decline in our unit volume but typically has a minimal impact on our gross profit rates.

Foreign Exchange

Our net investment in Lord & Taylor, whose functional currency is U.S. dollars, presents a foreign exchange risk to HBC, whose functional currency is Canadian dollars. HBC has not entered into any hedging transactions with respect to this exposure. Foreign currency translation of the net earnings of Lord & Taylor will impact consolidated net earnings and foreign currency translation of HBC's investment in Lord & Taylor will impact other comprehensive income.

Selling, General & Administrative Expenses

Our Selling, General & Administrative Expenses ("SG&A") consist of store labour and maintenance costs, store occupancy costs, advertising and marketing costs and salaries and related benefits of corporate and field management team members, administrative office expenses, services purchased and other related expenses. SG&A includes buying and occupancy costs and excludes transportation and distribution centre costs included in inventory and cost of sales. It also includes depreciation and amortization, pension, restructuring and other non-recurring items. Although our average hourly wage rate is higher than the minimum wage, an increase in the mandated minimum wage could significantly increase our payroll costs unless we realize offsetting productivity gains and cost reductions.

Our occupancy costs are driven primarily by rent expense, which is generally fixed over the existing lease term including option periods. We believe that our existing leases are generally favourable to current market rates. When entering new leases, we are generally able to negotiate leases at attractive market rates due to the increased consumer traffic which our stores generate in strip malls and shopping centres.

We earn royalty and new account bounty payments from credit card issuers based on sales charged both in-store and/or out-of-store to either Hudson's Bay Private Label Credit Cards or Hudson's Bay branded MasterCards. These royalty and/or bounty payments are recorded as a return on credit operations and are included as a reduction of SG&A in our financial statements. We have no risk of credit loss on the credit card receivables in the underlying portfolio.

Finance Costs

The financial markets in Canada and the United States continue to be competitive with strong investor demand for credit. Our finance costs are expenses derived from the financing activities of the Company including interest expense on long and short term borrowings, gains or losses on the early extinguishment of debt, and fair value movements and amortization charges related to embedded derivatives. Our finance costs are dependent on fluctuations in the underlying indexes used to calculate interest rates, including, but not limited to the Canadian prime rate, CDOR and LIBOR.

Weather

Extreme weather conditions in the areas in which the Company's stores are located could adversely affect the Company's business. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for the Company's customers to travel to its stores and thereby reduce the Company's sales and profitability. The Company's business is also susceptible to unseasonable weather conditions. For example, extended periods of unseasonably warm temperatures during the winter season or cool weather during the summer season could result in lower sales and more promotional activity to clear merchandise at the end of the season. Reduced sales from extreme or prolonged unseasonable weather conditions could adversely affect the Company's operating results.

Competition

The Company conducts its retail merchandising business under highly competitive conditions. Although the Company is one of North America's largest retailers, it has numerous and varied competitors at the national and local levels, including conventional and specialty department stores, other specialty stores, category killers, mass merchants, value retailers, discounters, and Internet and mail-order retailers. Competition may intensify as the Company's competitors enter the Canadian market or enter into business combinations or alliances. Competition is characterized by many factors, including assortment, advertising, price, quality, service, location, reputation and credit availability. If the Company does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

Consumer Trends

The fashion and retail industries are subject to sudden shifts in consumer trends and consumer spending. The Company's sales and operating results depend in part on its ability to predict or respond to changes in fashion trends and consumer preferences in a timely manner. The Company develops new retail concepts and continuously adjusts its market positioning in branded and private-label merchandise and product categories in an effort to satisfy customer demand. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on the Company's business. The Company's sales are impacted by discretionary spending by consumers. Consumer spending may be affected by many factors outside of the Company's control, including general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods and the effects of the weather or natural disasters.

Seasonality

The quarterly sales and earnings of the Company and other retail companies are significantly impacted by customer sales patterns. As a result, sales in the fiscal fourth quarter, due to the holiday shopping season, represent a much greater portion of our annual sales volume and a substantial portion of our annual earnings. We generate approximately one-third of our sales during the fourth quarter of each fiscal year due to the Christmas and holiday shopping season.

Selected Consolidated Financial Information

The following tables set out summary consolidated financial information and supplemental information for the periods indicated. The summary annual financial information set out below for each of Fiscal 2012, Fiscal 2011 and Fiscal 2010 has been derived from audited consolidated financial statements, prepared in accordance with IFRS and audited by our auditors, Deloitte LLP. The summary financial information set out below for the quarters ended February 2, 2013 and January 28, 2012 is unaudited. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements for Fiscal 2012. 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 those 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.

Based on the Company's reporting convention, our Fiscal 2011 and Fiscal 2010 were 52 weeks while Fiscal 2012 was 53 weeks. Similarly, the fourth quarter of Fiscal 2012 was 14 weeks, as opposed to 13 weeks for the fourth quarter of each of Fiscal 2011 and Fiscal 2010. Notwithstanding the difference in time periods, the Company presents same store sales based on 52-week or 13-week periods, as applicable.

	Fiscal Year						Fiscal Quarter Ended			
(millions of Canadian dollars except per square foot and per share amounts)	**2012**		**2011**		**2010**		**February 2, 2013**		**January 28, 2012**	
	$	%	$	%	$	%	$	%	$	%
Earnings Results										
Retail sales	4,077.0	100.0%	3,849.6	100.0%	3,718.2	100.0%	1,386.5	100.0%	1,299.6	100.0%
Cost of sales	(2,487.0)	-61.0%	(2,306.0)	−59.9%	(2,209.1)	−59.4%	(864.9)	-62.4%	(795.8)	-61.2%
Gross profit	1,590.0	39.0%	1,543.6	40.1%	1,509.1	40.6%	521.6	37.6%	503.8	38.8%
Selling, General & Administrative Expenses	(1,469.2)	-36.0%	(1,347.2)	−35.0%	(1,360.8)	−36.6%	(387.5)	-27.9%	(362.8)	-27.9%
Operating income	120.8	3.0%	196.4	5.1%	148.3	4.0%	134.1	9.7%	141.0	10.8%
Finance costs	(97.3)	-2.4%	(142.9)	−3.7%	(241.3)	−6.5%	(13.2)	-1.0%	(28.5)	-2.2%
Earnings before income taxes	23.5	0.6%	53.5	1.4%	(93.0)	−2.5%	120.9	8.7%	112.5	8.7%
Income tax benefit (expense)	8.0	0.2%	3.8	0.1%	181.1	4.9%	(27.3)	-2.0%	(13.3)	-1.0%
Net earnings — continuing operations(1)	31.5	0.8%	57.3	1.5%	88.1	2.4%	93.6	6.8%	99.2	7.6%
Net (loss) earnings — discontinued operations, net of taxes	(76.3)		1,391.7		(0.1)		11.4		96.6	
Net (loss) earnings	(44.8)		1,449.0		88.0		105.0		195.8	
Net (Loss) Earnings per Common Share — Basic and Diluted(2)										
Continuing operations	0.29		0.55		0.84		0.81		0.95	
Discontinued operations	(0.71)		13.29		-		0.10		0.92	
	(0.42)		13.84		0.84		0.91		1.87	
Weighted average shares outstanding — basic and diluted (millions)	107.5		104.7		104.7		115.5		104.7	

(millions of Canadian dollars except per square foot and per share amounts)	Fiscal Year 2012		2011		2010		Fiscal Quarter Ended February 2, 2013		January 28, 2012	
	$	%	$	%	$	%	$	%	$	%
Supplemental Information – Continuing Operations										
EBITDA[(1)]	243.2	6.0%	309.3	8.0%	245.2	6.6%	165.8	12.0%	169.5	13.0%
Normalized EBITDA[(1)]	310.0	7.6%	312.9	8.1%	265.0	7.1%	177.1	12.8%	166.8	12.8%
Normalized Net Earnings[(1)]	76.8	1.9%	68.1	1.8%	22.4	0.6%	99.3	7.2%	94.8	7.3%
Normalized Net Earnings per Common Share — basic and diluted[(2)]	0.71		0.65		0.21		0.86		0.91	
Declared dividend per common share	0.95		3.07		-		0.09(3)		1.30	
Same Store Sales Percentage Change[(4)]										
Continuing operations	4.0%		3.7%		3.2%		2.1%		6.8%	
Continuing operations (excluding Vancouver Olympic Sales and impact of foreign exchange)	3.7%		6.5%		6.4%		2.7%		6.8%	
Hudson's Bay (excluding Vancouver Olympic Sales)	5.4%		6.8%		2.2%		6.1%		8.7%	
Lord & Taylor[(5)]	2.2%		7.1%		12.4%		-2.9%		6.6%	
Store Information										
Sales per square foot[(6)]										
Continuing operations	161		152		146					
Hudson's Bay	140		133		124					
Lord & Taylor	218		210		197					
Store count[(7)]										
Hudson's Bay	90		91		92					
Lord & Taylor	48		46		46					
Home Outfitters	69		69		69					
Total square footage ('000)	25,343		25,381		25,452					
Balance Sheet and Cash Flow Data										
Cash	48.3		42.4		57.2					
Trade and other receivables	74.3		124.0		131.9					
Inventories[(8)]	994.3		1,814.2		1,679.8					
Current assets	1,424.7		2,007.2		1,892.8					
Property, plant and equipment	1,335.0		1,401.1		1,353.1					
Total assets	3,252.6		3,993.5		3,881.8					
Current liabilities[(9)]	1,363.5		1,916.8		1,997.0					
Loans and borrowings (excluding current portion)	718.5		901.7		1,430.4					
Shareholders' equity	998.0		955.9		227.1					
Total capital expenditures[(10)] — continuing operations	202.9		166.1		111.8					

Notes:

(1) See tables below for a reconciliation of Net Earnings - Continuing Operations to EBITDA and Normalized EBITDA and a reconciliation of Net Earnings - Continuing Operations to Normalized Net Earnings – Continuing Operations.

(2) All references to shares and per share amounts have been adjusted retroactively for the share split on November 19, 2012. For Fiscal 2010, the net earnings (loss) per common share is unaudited.

(3) Represents the Company's initial quarterly dividend, which was declared and paid in the fourth quarter of Fiscal 2012.

(4) The Company calculates same store sales on a year-over-year basis from stores operating for at least 13 months, online sales and clearance store sales.
(5) Same store sales of Lord & Taylor are calculated in U.S. dollars. Lord & Taylor same store sales percentage change, including the impact of foreign exchange, were 2.9% in Fiscal 2012, 3.4% in Fiscal 2011, 2.3% in Fiscal 2010, (4.6)% in the fourth quarter of Fiscal 2012 and 6.5% in the fourth quarter of Fiscal 2011.
(6) Sales per square foot is calculated as the total revenue for the stated period divided by the gross leasable area as of the balance sheet date (which is calculated based on the gross leasable area as of the end of the applicable reporting period). This metric is used by management to measure the productivity of the Company's retail operations. For Lord & Taylor, sales per square foot is calculated in U.S. dollars. Hudson's Bay sales per square foot is calculated excluding Vancouver Olympic Sales, which resulted in significant non-recurring sales in the fourth quarter of Fiscal 2009 (approximately $44.4 million) and the first quarter of Fiscal 2010 (approximately $50.5 million).
(7) Lord & Taylor also leases two Lord & Taylor Home stores and operates three Lord & Taylor Outlet stores that are not included in the store count. The two leased Lord & Taylor Home stores were closed in March 2013; one of which is scheduled to open as a Lord & Taylor Outlet store in April 2013.
(8) Includes inventories related to discontinued operations as of January 28, 2012 and January 31, 2011 of $844.2 million and $810.9 million, respectively.
(9) Includes trade payables, other payables and accrued liabilities and provisions related to discontinued operations as at January 28, 2012 and January 31, 2011 of $629.1 million and $299.9 million, respectively.
(10) Capital expenditures from continuing operations are inclusive of software development costs. Capital expenditures presented exclude those associated with discontinued operations of nil, $4.1 million and $25.6 million in Fiscal 2012, 2011 and 2010, respectively and $nil in the fourth quarter of Fiscal 2012 and $0.1 million in the fourth quarter of Fiscal 2011.

The following table shows the reconciliation of Net Earnings - Continuing Operations to EBITDA as well as Normalized EBITDA.

	Fiscal Year			**Fiscal Quarter Ended**	
(millions of Canadian dollars)	**2012**	**2011**	**2010**	**February 2, 2013**	**January 28, 2012**
	$	$	$	$	$
Net Earnings - Continuing Operations	31.5	57.3	88.1	93.6	99.2
Finance costs	97.3	142.9	241.3	13.2	28.5
Income tax (benefit) expense	(8.0)	(3.8)	(181.1)	27.3	13.3
Pension expense (recovery) (non-cash)	5.0	12.1	8.6	(8.7)	3.7
Depreciation and amortization	104.1	90.6	84.4	31.0	24.1
Impairment and other non-cash expenses	13.3	10.2	3.9	9.4	0.7
EBITDA	**243.2**	**309.3**	**245.2**	**165.8**	**169.5**
Normalization adjustments					
Restructuring and other	76.8	22.3	22.9	21.3	10.3
Foreign exchange gains on capital transactions	-	(13.1)	(3.1)	-	(13.1)
Real estate (gains) losses	(10.0)	(5.6)	-	(10.0)	0.1
Total normalizing adjustments	66.8	3.6	19.8	11.3	(2.7)
Normalized EBITDA	**310.0**	**312.9**	**265.0**	**177.1**	**166.8**

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

	Fiscal Year			**Fiscal Quarter Ended**	
(millions of Canadian dollars)	**2012**	**2011**	**2010**	**February 2, 2013**	**January 28, 2012**
	$	$	$	$	$
Net Earnings – Continuing Operations	31.5	57.3	88.1	93.6	99.2
Normalization Adjustments					
Restructuring and other	54.6	16.1	18.3	15.8	7.8
Foreign Exchange Gains on Capital Transactions	-	(9.6)	(2.3)	-	(9.6)
Real estate gains	(5.9)	(5.3)	-	(5.9)	-
Financing related adjustments(1)	6.6	18.0	81.9	1.4	5.8
Tax related adjustments(2)	(10.0)	(8.4)	(163.6)	(5.6)	(8.4)
Total normalizing adjustments	45.3	10.8	(65.7)	5.7	(4.4)
Normalized Net Earnings - Continuing Operations	76.8	68.1	22.4	99.3	94.8

Notes:
(1) Includes write-off of deferred financing costs, gain on early extinguishment of debt, fair market value movement in embedded derivatives and amortization of loan renewal options. Please refer to Note 6 of the Company's audited consolidated financial statements for the fiscal year ended February 2, 2013.

(2) Includes impact of tax rate change, Lord & Taylor deferred tax assets on change in tax status and reversal of valuation allowances on deferred tax assets. Please refer to Note 7 of the Company's audited consolidated financial statements for the fiscal year ended February 2, 2013.

EBITDA is a non-IFRS measure that we use to assess our operating performance. EBITDA is defined as net earnings before interest expense, income taxes, depreciation and amortization expense. The Company's defined benefit pension plan is currently over-funded, and as a result pension expense is adjusted as management does not expect to make any payments given the surplus position.

Normalized EBITDA is defined as EBITDA adjusted to exclude: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; and (iii) normalizing adjustments, if any, related to transactions that are not associated with day-to-day operations. Normalized Net Earnings – Continuing Operations is defined as net earnings (loss) adjusted to exclude: (i) business and organization restructuring/realignment charges; (ii) merger/acquisition costs and expenses; and (iii) normalizing adjustments, if any, related to transactions that are not associated with day-to-day operations. We have included Normalized EBITDA and Normalized Net Earnings – Continuing Operations to provide investors with supplemental measures of our operating performance. We believe Normalized EBITDA and Normalized Net Earnings – Continuing Operations 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 and other interested parties frequently use EBITDA, Normalized EBITDA, and Normalized Net Earnings – Continuing Operations in the evaluation of issuers, many of which present similar metrics when reporting their results. Our management also uses Normalized EBITDA in order to facilitate 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 shares. Because other companies may calculate EBITDA, Normalized EBITDA, or Normalized Net Earnings – Continuing Operations differently than we do, these metrics are not comparable to similarly titled measures reported by other companies.

Supplemental Information — Discontinued Operations

During 2012, the Company announced its intention to discontinue store operations at Fields and most of the store operations at Zellers. The Company has completed the wind-down of its 169 Fields stores and as of March 31, 2013, only three Zellers locations remained open. The direct results of these two operations have been reflected in the Company's financial statements as "discontinued operations". Certain shared service and corporate overhead costs previously allocated to Zellers and Fields have been included in continuing operations' SG&A and therefore the Company's SG&A is reflective of the larger organization.

The Company has retrospectively restated its consolidated statements of (loss) earnings for all periods to reflect the discount store segment as discontinued operations. The following table sets forth the major components of the Company's (loss) earnings from discontinued operations:

	Fiscal Year						**Fiscal Quarter Ended**			
(millions of Canadian dollars)	**2012**		**2011**		**2010**		**February 2, 2013**		**January 28, 2012**	
	$	%	$	%	$	%	$	%	$	%
Retail sales...............................	2,374.5	100.0%	3,288.6	100.0%	3,623.8	100.0%	537.4	100.0%	1,023.5	100.0%
Cost of sales	(1,778.2)	-74.9%	(2,159.7)	-65.7%	(2,472.7)	-68.2%	(429.2)	-79.9%	(666.2)	-65.1%
Selling, General & Administrative Expenses	(954.2)	-40.2%	(1,026.2)	-31.2%	(1,034.6)	-28.6%	(147.2)	-27.4%	(279.2)	-27.3%
Operating (loss) income	(357.9)	-15.1%	102.7	3.1%	116.5	3.2%	(39.0)	-7.2%	78.1	7.6%
Finance income (expense)	0.4	0.0%	0.7	0.0%	0.4	0.0%	(0.2)	-0.1%	0.1	0.0%
(Loss) earnings before income taxes......................	(357.5)	-15.1%	103.4	3.1%	116.9	3.2%	(39.2)	-7.3%	78.2	7.6%
Income tax benefit (expense)...	99.7	4.2%	(29.3)	-0.9%	(117.0)	-3.2%	(5.8)	-1.1%	(15.0)	-1.5%
Net (loss) earnings from discontinued operations, net of taxes.........................	(257.8)	-10.9%	74.1	2.3%	(0.1)		(45.0)	-8.4%	63.2	6.2%

(millions of Canadian dollars)	Fiscal Year 2012 $	%	2011 $	%	2010 $	%	Fiscal Quarter Ended February 2, 2013 $	%	January 28, 2012 $	%
Sales of leasehold interests, net of taxes.........................	181.5		1,317.6		-		56.4		33.4	
Net (loss) earnings for the period — discontinued operations, net of taxes	(76.3)		1,391.7		(0.1)		11.4		96.6	

Results of Operation

Fourteen-Week Period Ended February 2, 2013 Compared to the Thirteen-Week Period Ended January 28, 2012

The following section provides an overview of our financial performance during the 14-week period ended February 2, 2013 compared to the 13-week period ended January 28, 2012.

During the week commencing October 28, 2012, Hurricane Sandy caused significant damage and disruption to many communities in the U.S. northeast. While none of our stores suffered any material physical damage as a result of the storm, over 80% of Lord & Taylor stores, including the New York City flagship on 5th Avenue, were closed for between one and seven days. Other stores had limited operating hours. As further described below, Hurricane Sandy had a significant negative impact on all aspects of our fourth quarter results.

Retail Sales

Retail sales were $1,386.5 million for the 14-week period ended February 2, 2013, an increase of $86.9 million, or 6.7%, from $1,299.6 million for the 13-week period ended January 28, 2012 to. The 14th week contributed $50.0 million in retail sales.

Retail sales growth for the 14-week period ended February 2, 2013 was driven by men's apparel, handbags and accessories, Topshop/Topman branded apparel, and cosmetics and fragrances. Growth in these categories was partially offset by a decline in major home fashion due to the reallocation of selling space from this department to apparel and shoes. Online sales for the Company grew 62.8% (57.0% on a 13-week basis), from $35.6 million for the 13-week period ended January 28, 2012 to $58.0 million for the 14-week period ended February 2, 2013.

For the same periods, 13-week consolidated same store sales increased by 2.1%, with an increase of 6.1% at Hudson's Bay and a decrease of 2.9% (U.S.$) at Lord & Taylor. The improvement in same store sales at Hudson's Bay was primarily driven by stronger promotional events, including "One Day Sales" and our Boxing Day Event. Negative foreign exchange rate movements reduced consolidated same store sales by 0.6%.

The decrease in same store sales at Lord & Taylor was due to the direct and indirect impact of Hurricane Sandy at the beginning of the quarter, weaker than expected sales in the weeks leading up to Christmas, and subsequent clearance activity as a result of a need to reduce excess inventory caused by lower than expected sales.

Gross Profit

Gross profit was $521.6 million, or 37.6% of retail sales, for the 14-week period ended February 2, 2013, compared to $503.8 million, or 38.8% of retail sales, for the 13-week period ended January 28, 2012. Gross Profit increased $17.8 million due to sales growth. This decrease in gross profit rate was primarily due to increased year over year clearance activity at Lord & Taylor to clear excess inventory caused by sales being below planned levels, in large part due to Hurricane Sandy's significant effect on customers. Hurricane Sandy's impact on our gross profit rate in the quarter was disproportionate to its impact on our sales due to the depth of the sales discounts necessary to reduce inventory to an appropriate level. Additional margin rate decline also resulted from the higher mix of merchandise sold during planned promotional events, including "One Day Sales" and our Boxing Day Event at Hudson's Bay.

Selling, General & Administrative Expenses

The following table shows the reconciliation of Selling, General & Administrative Expenses for the 14-week period ended February 2, 2013 and the 13-week period ended January 28, 2012, excluding certain items.

	Fiscal Quarter Ended	
(millions of Canadian dollars)	**February 2, 2013**	**January 28, 2012**
	$	$
Selling, General & Administrative Expenses	**387.5**	**362.8**
% of Retail sales	**27.9%**	**27.9%**
less the following:		
Impairment and other non-cash	9.4	0.7
Restructuring and other non-recurring	21.3	10.3
Foreign exchange gains on capital transactions	-	(13.1)
Real estate (gains) losses	(10.0)	0.1
Selling, General & Administrative Expenses excluding items above	**366.8**	**364.8**
% of Retail sales	**26.5%**	**28.1%**

SG&A was $387.5 million, or 27.9% of retail sales, in the 14-week period ended February 2, 2013 compared to $362.8 million, or 27.9% of retail sales, in the 13-week period ended January 28, 2012, an increase of $24.7 million. The increase in SG&A was due to store payroll and benefits to support the increased sales, decreased return from credit operations of $3.1 million due to new program terms, incremental costs associated with the investment in our online/omni-channel platform, increased depreciation and amortization costs related to a higher asset base resulting from capital expenditures over the last 12 months, corporate reorganization charges associated with the relocation of information system functions to St. Louis, Missouri, two Lord & Taylor Home store closings, and an impairment primarily related to distribution centers. The cost increases were partially offset by a favourable pension expense and $8 million of expense reductions related to the rightsizing of the corporate infrastructure due to the Zellers store closures. SG&A benefited from a meaningful year over year reduction in bonus-related compensation as a result of weaker than forecasted operating and financial performance and from lower pension expense. Adjusting for the $20.7 million in expenses associated with impairment and other non-cash restructuring, foreign exchange and other real estate gains, SG&A would be $366.8 million (compared to $364.8 million in the fourth quarter of Fiscal 2011) and SG&A as a percentage of retail sales would be 26.5%, a 1.6% improvement from the fourth quarter of Fiscal 2011. The improvement in SG&A as a percentage of sales was a result of improvements in store operating leverage, offset by higher expenses for information systems and supporting online sales growth.

EBITDA and Normalized EBITDA

EBITDA was $165.8 million in the 14-week period ended February 2, 2013, compared to $169.5 million in the 13-week period ended January 28, 2012, a decrease of $3.6 million. Normalized EBITDA was $177.1 million in the 14-week period ended February 2, 2013, compared to $166.8 million in the 13-week period ended January 28, 2012, an increase of $10.3 million. The increase in Normalized EBITDA was primarily related to increased sales offset by lower credit revenue due to new terms, higher SG&A expenses to support store sales, and a decline in the gross profit rate.

Finance Costs

Finance costs were $13.2 million for the 14-week period ended February 2, 2013, compared with $28.5 million for the 13-week period ended January 28, 2012, a decrease of $15.3 million, or 53.7%. This decrease was driven by our ability to reduce average outstanding loans and borrowings, as well as more favourable loan terms from multiple re-financings in Fiscal 2012. The reduction of outstanding loans and borrowings was facilitated by a combination of Offering and operating proceeds, including the wind-down of discontinued operations.

Income Tax Benefit

Income tax expense was $27.3 million for the 14-week period ended February 2, 2013, compared to $13.3 million for the 13-week period ended January 28, 2012, due in part to higher income before taxes. In addition, Lord & Taylor ceased to be a flow-through entity for U.S. federal income tax purposes near the end of the fourth quarter of Fiscal 2011, resulting in Lord & Taylor earnings being subject to tax in Fiscal 2012. The conversion of Lord & Taylor into a taxable entity resulted in non-recurring benefits of $5.5 million in Fiscal 2012 and $8.4 million in Fiscal 2011.

Net Earnings — Continuing Operations

Net Earnings - Continuing Operations were $93.6 million in the 14-week period ended February 2, 2013 compared to of $99.2 million in the 13-week period ended January 28, 2012, a decrease of $5.6 million.

Normalized Net Earnings — Continuing Operations

Normalized Net Earnings - Continuing Operations were $99.3 million in the 14-week period ended February 2, 2013 compared to $94.8 million in the 13-week period ended January 28, 2012, an increase of $4.5 million.

Net (Loss) Earnings — Discontinued Operations

Net Earnings - Discontinued Operations were $11.4 million for the 14-week period ended February 2, 2013 compared to $96.6 million for the 13-week period ended January 28, 2012. The decrease in net earnings was primarily due to reduced sales and margin from Zellers stores that were liquidated and closed during Fiscal 2012.

Fifty-three Week Period Ended February 2, 2013 Compared to the Fifty-two Week Period Ended January 28, 2012

The following section provides an overview of our financial performance during the 53-week period ended February 2, 2013 compared to the 52 week period ended January 28, 2012.

Retail Sales

Retail sales were $4,077.0 million in Fiscal 2012, an increase of $227.4 million, or 5.9%, from $3,849.6 million in Fiscal 2011. The 53rd week contributed $50.0 million in retail sales.

Retail sales growth for the 53-week period ended February 2, 2013 was driven by ladies and men’s apparel, ladies’ shoes, handbags and accessories, Topshop/Topman branded apparel and cosmetics and fragrances, partially offset by a decline in major home fashion due to the reallocation of selling space from this department to apparel and shoes. Online sales for the Company grew 65.5% (63.0% on a 52-week basis), from $82.5 million in Fiscal 2011 to $136.6 million in Fiscal 2012.

For the same periods, 52-week consolidated same store sales increased 4.0%, with an increase of 5.4% at Hudson’s Bay and 2.2% (U.S. dollars) at Lord & Taylor. Consolidated same store sales were positively impacted by 0.3% due to the foreign currency translation of Lord & Taylor results. In addition, the impact of two new Lord & Taylor stores in Ridge Hill, New York and Rockingham, New Hampshire that opened in the first quarter of Fiscal 2012 increased total sales by 1.8% year over year.

Gross Profit

Gross profit was $1,590.0 million, or 39.0% of retail sales, for Fiscal 2012, compared to $1,543.6 million, or 40.1% of retail sales, for Fiscal 2011. Gross profit dollars increased due to higher retail sales. The decrease in gross profit rate was primarily due to increased clearance activity at Lord & Taylor following Hurricane Sandy, planned increases in promotional activities and additional clearance activity at Hudson’s Bay.

Selling, General & Administrative Expenses

The following table shows the reconciliation of Selling, General & Administrative expenses for the 53-week period ended February 2, 2013 and the 52-week period ended January 28, 2012, excluding certain items.

(millions of Canadian dollars)	Fiscal Year 2012	2011
	$	$
Selling, General & Administrative Expenses	**1,469.2**	**1,347.2**
% of Retail sales	**36.0%**	**35.0%**
less the following:		
Impairment and other non-cash	13.3	10.2
Restructuring and other non-recurring	76.8	22.3
Foreign exchange gains on capital transactions	-	(13.1)
Real estate gains	(10.0)	(5.6)
Selling, General & Administrative Expenses excluding items above	**1,389.1**	**1,333.4**
% of Retail sales	**34.1%**	**34.6%**

SG&A was $1,469.2 million in Fiscal 2012 compared to $1,347.2 million in Fiscal 2011, an increase of $122.0 million. The increase in SG&A was primarily due to store payroll and benefits to support the increased sales, decreased return from credit operations of $15.9 million due to new program terms, incremental costs associated with the investment in our online/omni-channel platform, increased depreciation and amortization costs related to a higher asset base due to capital expenditures during Fiscal 2012, certain of the Offering costs, corporate reorganization charges, Lord & Taylor Home store closings, and impairment primarily related to distribution centers. The cost increases were partially offset by favourable pension expense and $8 million of expense reductions related to the rightsizing of the corporate infrastructure due to the Zellers store closures. SG&A benefited from a meaningful year over year reduction in bonus-related compensation as a result of weaker than forecasted operating and financial performance and from lower pension expense. Adjusting for the $80.1 million in expenses associated with impairment and other non-cash restructuring, foreign exchange and other real estate gains, SG&A would be $1,389.1 million (compared to $1,333.4 million in Fiscal 2011) and SG&A as a percentage of retail sales would be 34.1%, a 0.5% improvement from Fiscal 2011. The improvement in SG&A as a percentage of retail sales was a result of improvements in store operating leverage, offset by higher expenses for information systems and supporting online sales growth.

EBITDA and Normalized EBITDA

EBITDA was $243.2 million in Fiscal 2012 compared to $309.3 million in Fiscal 2011, a decrease of $66.1 million, or 21.4%. Normalized EBITDA was $310.0 million in Fiscal 2012 compared to $312.9 million in Fiscal 2011, a decrease of $2.9 million, or 0.9%. The decrease in EBITDA was primarily related to the increase in non-recurring expenses related to restructuring and certain Offering costs. The decrease in Normalized EBITDA was driven by an increase in sales offset by an increase in SG&A to support the sales increase, lower credit revenue due to new terms and incremental markdown activity associated with clearance and promotional activity at Lord & Taylor and Hudson's Bay.

Finance Costs

Finance costs were $97.3 in Fiscal 2012 compared to $142.9 million in Fiscal 2011, a decrease of $45.6 million, or 31.9 %. This decrease was driven by our ability to reduce average outstanding loans and borrowings, as well as more favourable loan terms from multiple re-financings in Fiscal 2012. The reduction of outstanding loans and borrowings was facilitated by a combination of Offering and operating proceeds, including the wind-down of discontinued operations.

Income Tax Benefit

Income tax benefit was $8.0 million in Fiscal 2012 compared to $3.8 million in Fiscal 2011, an increase of $4.2 million. A change in statutory tax rates for future periods resulted in a $4.5 million benefit in Fiscal 2012 as the value of timing differences and tax loss carry forwards increased. In addition, Lord &Taylor ceased to be a flow-through entity for U.S. federal income tax purposes in the fourth quarter of 2011, resulting in an accounting benefit of $8.4 million in Fiscal 2011, compared to $5.5 million in Fiscal 2012.

Net Earnings — Continuing Operations

Net Earnings — Continuing Operations were $31.5 million in Fiscal 2012 compared to $57.3 million in Fiscal 2011, a decrease of $25.8 million.

Normalized Net Earnings — Continuing Operations

Normalized Net Earnings — Continuing Operations were $76.8 million in Fiscal 2012 compared to $68.1 million in Fiscal 2011, an increase of $8.7 million.

Net (Loss) Earnings — Discontinued Operations

Net (Loss) Earnings — Discontinued Operations were ($76.3) million in Fiscal 2012 compared to net earnings of $1,391.7 million in Fiscal 2011, a decrease of $1,468.0 million. The decrease was primarily due to the gain from the sale of Zellers leasehold interests, net of income taxes, of $1,317.6 million in Fiscal 2011, and reduced sales and margin from Zellers and Fields stores that were liquidated and closed.

Summary of Consolidated Quarterly Results

The following table summarizes quarterly financials for the Company for six of the past eight quarters. Financial statements for the first quarter of Fiscal 2012 and the first quarter of Fiscal 2011, both of which ended prior to the Company becoming a reporting issuer, were not prepared and therefore information for those quarters is not included in the table below.

	Fiscal Quarter Ended					
(millions of Canadian dollars except per share amounts)	**February 2, 2013**	**October 27, 2012**	**July 28, 2012**	**January 28, 2012**	**October 29, 2011**	**July 30, 2011**
	$	$	$	$	$	$
Retail sales	1,386.5	930.4	911.9	1,299.6	896.7	869.0
Net earnings (loss) — continuing operations	93.6	(8.5)	(1.7)	99.2	(7.5)	3.8
Net earnings (loss) — discontinued operations, net of taxes	11.4	6.5	(12.1)	96.6	1,247.4	53.5
Net earnings (loss) for period	105.0	(2.0)	(13.8)	195.8	1,239.9	57.3
Net Earnings (Loss) per Common Share — Basic and Diluted						
Continuing Operations	0.81	(0.08)	(0.02)	0.95	(0.07)	0.04
Discontinued Operations	0.10	0.06	(0.12)	0.92	11.90	0.51
Normalized EBITDA	177.1	47.9	58.9	166.8	65.2	59.9
Same Store Sales Percentage Change(1)						
Continuing Operations	2.1%	3.5%	3.9%	6.8%	5.2%	3.5%
Continuing Operations (excluding Vancouver Olympic Sales and impact of foreign exchange)	2.7%	3.9%	2.0%	6.8%	6.3%	6.3%
Hudson’s Bay (excluding Vancouver Olympic Sales)	6.1%	4.5%	3.2%	8.7%	7.7%	4.9%
Lord & Taylor(2)	(2.9)%	5.2%	1.5%	6.6%	5.9%	8.9%

Note:

(1) The Company calculates same store sales on a year-over-year basis from stores operating for at least 13 months, online sales and clearance store sales.

(2) Same store sales of Lord & Taylor are calculated in U.S. dollars.

Outlook

In 2013, management expects to build upon the Company’s momentum toward revitalizing its banners and product offerings, and strengthening our customer experience. The Company remains committed to executing its strategy with a particular focus on initiatives intended to increase store productivity. The following key initiatives will impact our results in 2013 and beyond:

1. Continue the evolution of our e-commerce platform, including the re-launch of *lordandtaylor.com* and *thebay.com* during the Spring season with significantly expanded product assortments and a more robust infrastructure.

2. Launch our omni-channel functionality during the Fall season. This will include mobile shopping applications, expanded fulfillment capabilities geared towards creating an "endless aisle" for our customers, and enhanced digital and social media marketing programs.

3. Open five new Topshop/Topman stores comprising a total of approximately 65,000 gross square feet. These stores will be located in our Sherway Gardens (Etobicoke, Ontario), Les Galeries d'Anjou (Anjou, Quebec), Carrefour Laval (Laval, Quebec), Square One Shopping Centre (Mississauga, Ontario), and Chinook Centre (Calgary, Alberta) stores.

4. Undertake significant renovations, including the expansion of selling areas in key categories such as shoes, accessories, cosmetics, and menswear, to multiple locations including our Flagship Hudson's Bay on Queen Street (Toronto, Ontario), Yorkdale Shopping Centre (Toronto, Ontario), Sherway Gardens (Etobicoke, Ontario), Les Galeries d'Anjou (Anjou, Quebec), our Flagship Lord & Taylor on Fifth Avenue (New York, New York), Bala Cynwyd Shopping Centre (Philadelphia, Pennsylvania), South Shore (Bayshore, New York), and Oakbrook Centre Mall (Oakbrook, Illinois) stores.

5. Open a new full line Lord & Taylor store in Boca Raton, Florida in the Fall season.

6. Expand Hudson's Bay's bridal program including improved registry services with a dedicated Gift Registry Mobile App, a more robust online experience, and a new strategic partnership with leading bridal retailer Kleinfeld who plans to open a 20,000 square foot bridal boutique at our Queen Street flagship in Toronto, Ontario in Fiscal 2014.

Recent Sales Information

Consolidated sales for the first nine weeks of Fiscal 2013 have not met management's expectations. While Hudson's Bay's same store sales were in line with expectations, Lord & Taylor's same store sales, primarily attributable to a late start to Spring, were weaker than anticipated.

Fiscal 2013– Full Year

Our Fiscal 2013 guidance incorporates sales and margin trends to date, expected investments in the above outlined initiatives and higher bonus-related and equity-based compensation, offset by $35 million to $40 million in incremental year over year operating cost savings from continued operations. Additionally, non-cash pension expense for continuing operations will increase to approximately $25 million for Fiscal 2013 (from $5 million in Fiscal 2012) partially as a result of the adoption of IAS 19R - Employee Benefits. The resulting guidance, which is fully qualified by the *Forward-Looking Statements* section at the beginning of this MD&A, is as follows:

- Total sales growth of 1.5% to 3.5% on same store sales growth of 3.0% to 5.0%, both on a constant currency basis
- Normalized EBITDA of $360 million to $390 million
- Expected consolidated effective tax rate of 29.0% to 31.0%
- Capital expenditures of $175 million to $185 million

Management expects sales and earnings to be stronger in the second half of Fiscal 2013 as headwinds experienced in the fourth quarter of Fiscal 2012, including the significant effects of Hurricane Sandy on the Northeastern United States and slowing consumer spending in both Canada and the United States, extend into the

Spring season. This guidance is also based on the assumption that foreign exchange rates for Fiscal 2013 will be similar to those in Fiscal 2012. Significant variations in these rates would impact the guidance.

Liquidity and Capital Resources

Cash Flows

Our total cash and cash equivalents including restricted cash is managed to remain at minimal levels by drawing on or repaying our revolving credit facilities. Our liquidity and capital resources are primarily impacted by: (i) current cash and cash equivalents, (ii) operating activities, (iii) investing activities, and (iv) financing activities. The following table summarizes cash flows by activity:

	Fiscal Year			**Fiscal Quarter Ended**	
(millions of Canadian dollars)	**2012**	**2011**	**2010**	**February 2, 2013**	**January 28, 2012**
	$	$	$	$	$
Operating activities — continuing operations	80.8	29.3	55.4	220.5	313.7
Investing activities — continuing operations	(197.3)	(222.6)	(89.7)	(61.3)	(84.6)
Financing activities — continuing operations	(232.1)	(1,679.5)	(52.1)	(345.6)	(544.4)
Decrease in cash from continuing operations	(348.6)	(1,872.8)	(86.4)	(186.4)	(315.3)
Increase in cash from discontinued operations	354.5	1,867.3	92.9	196.8	103.2
Foreign exchange losses on cash	-	(9.3)	(0.3)	-	(9.4)
Cash beginning of period	42.4	57.2	51.0	37.9	263.9
Cash end of period	48.3	42.4	57.2	48.3	42.4

Net Cash Inflow Operating Activities

Cash flows from continuing operating activities were $80.8 million in Fiscal 2012 compared to $29.3 million in Fiscal 2011, an increase of $51.5 million, due to lower investment in working capital and lower cash interest expense. Additionally, approximately $30 million in cash was spent on restructuring and one-time expenses.

Net Cash Outflow Investing Activities

Cash flows used in investing activities relating to continuing operations decreased from $222.6 million in Fiscal 2011 to $197.3 million in Fiscal 2012, a decrease of $25.3 million. The decrease was primarily due to the non-recurring acquisition by the Company of $65.4 million of buildings and capital leases in Fiscal 2011. This was partially offset by continuing operations - capital expenditures of $202.9 million in Fiscal 2012, compared to $166.1 million in Fiscal 2011, an increase of $36.8 million.

Capital Expenditures

The tables below summarize our investments by major areas:

	Fiscal Year		
(millions of Canadian dollars)	**2012**	**2011**	**2010**
	$	$	$
Merchandising	118.1	108.4	64.7
Information technology	24.7	21.9	26.0
Omni-channel	31.6	10.4	2.3
Maintenance	28.5	25.3	18.8
Total capital expenditures — continuing operations [(1)]	202.9	166.1	111.8
Capital expenditures — discontinued operations	-	4.1	25.6
Total capital expenditures	202.9	170.2	137.4

Note:
(1) Capital expenditures are inclusive of software development costs.

In Fiscal 2012, capital expenditures for continuing operations were $202.9 million, an increase of $36.8 million over Fiscal 2011. The increased capital expenditures were primarily related to increased investment in both the Company's ongoing expansion of omni-channel capabilities and merchandising.

In addition to capital investments, we received combined vendor allowances and landlord incentives of $27.0 million, $21.7 million, and $12.3 million in Fiscal 2012, Fiscal 2011 and Fiscal 2010, respectively. Landlord incentives were received in relation to leasehold improvements and are included in our cash provided by operations in our consolidated statements of cash flows. However, operationally we view these as an offset to our capital expenditures.

We anticipate capital expenditures of approximately $175 to $185 million in Fiscal 2013, a decrease of approximately 8.8% to 13.8% over Fiscal 2012. Management expects to invest primarily in the continued evolution of our e-commerce platform, the launch of our omni-channel functionality during the Fall season, the opening of five new Topshop/Topman stores, the opening of a new full line Lord & Taylor store in Boca Raton, Florida in the Fall season, and renovations of various Hudson's Bay and Lord & Taylor stores, including our locations at Queen Street Flagship (Toronto, Ontario), Yorkdale Shopping Centre (Toronto, Ontario), Sherway Gardens (Etobicoke, Ontario), Les Galeries d'Anjou (Anjou, Quebec), Fifth Avenue Flagship (New York, New York), Bala Cynwyd Shopping Centre (Philadelphia, Pennsylvania), South Shore (Bayshore, New York) and Oakbrook Centre Mall (Oakbrook, Illinois).

Net Cash Outflow Financing Activities

Cash flows used in financing activities relating to continuing operations decreased from $1,679.5 million in Fiscal 2011 to $232.1 million in Fiscal 2012, a decrease of $1,447.4 million. This was primarily due to reduced debt. In Fiscal 2011, with the $1,832.4 million proceeds from the transaction entered into with Target Corporation, we paid dividends and returned capital to our shareholders in the amount of $668.3 million and made an investment in Lord & Taylor, reducing Lord & Taylor's long-term debt by $378.4 million.

Cash Balances and Liquidity

Our primary needs for cash are to fund: (i) operations; (ii) capital expenditures in connection with our renovation programs and strategic initiatives; (iii) seasonal inventory purchases and other working capital requirements; (iv) debt service; and (v) the wind down of discontinued operations. Working capital requirements are at their highest in the latter half of the fiscal year as inventory builds through the Fall, peaking during the October through December holiday selling season. Working capital is at its lowest at fiscal year-end.

Our primary sources of funds are cash flows provided by operations, our HBC and Lord & Taylor revolving credit facilities, and mortgage-backed real estate financing. Other potential sources of funding may include new corporate loans and mortgages, the sale and leaseback of real estate properties, selling real estate, selling other company assets or the issuance of equity. The availability of funding sources is dependent on economic conditions, capital markets, and our financial condition.

The Company may consider additional acquisitions of, and investments in, retail businesses, and other complimentary assets or companies. Transactions, if any, are expected to be financed through a combination of the following sources: cash on hand, borrowing under existing or new credit facilities and the issuance of long-term debt or other securities, including common shares.

Wind Down of Discontinued Operations

The Company will continue to fund the settlement of certain net liabilities associated with the wind down of our discontinued operations. The most significant factors impacting the Company's cash flows will be (i) an operating loss during the period through March 31, 2013 when all but three Zellers locations were closed, (ii) severance paid to former employees, (iii) payment of lease obligations for certain closed store locations, and (iv) income tax recoveries anticipated to be received in early-Fiscal 2014 and early-Fiscal 2015. We expect future net cash outflow from discontinued operations to be $150 to $175 million, the majority of which will occur in 2013.

Funding Capacity

We anticipate that we will be able to satisfy our working capital requirements, planned capital expenditures and debt service requirements with proceeds from cash flows from operations, short-term trade credit, seasonal borrowings under our revolving credit facilities and other sources of financing. We expect to generate adequate cash flow from operating activities to sustain current levels of operations.

Management does not believe that there is a significant risk of default and/or arrears on dividend payments, lease payments, interest or principal payment of debt, or of a breach of debt covenants.

There is no provision in debt, lease, or other arrangements that could trigger an additional funding requirement for the Company. There are no legal or practical restrictions on the ability of subsidiaries to transfer funds to the Company which would affect the ability to meet its obligations as and when they fall due.

HBC Revolving Credit Facility

HBC is party to a credit facility with Bank of America, N.A. (through its Canadian branch), Wells Fargo Financial Corporation Canada, GE Canada Finance Holding Company, JPMorgan Chase Bank, N.A., Toronto Branch, CIBC Asset-Based Lending, Merrill Lynch, Pierce, Fenner & Smith Incorporated, GE Capital Markets (Canada) Limited, GE Capital Markets, Inc. and certain other financial institutions (the "HBC Revolving Credit Facility"). As of February 2, 2013, HBC owed $nil under the HBC Revolving Credit Facility. HBC is in compliance with all covenants contained in the HBC Revolving Credit Facility.

The HBC Revolving Credit Facility includes a revolving credit facility with total availability of $1,100.0 million. The HBC Revolving Credit Facility is subject to a borrowing base, based predominantly on eligible inventory of HBC (excluding Lord & Taylor and its subsidiaries) and certain eligible equipment and eligible credit card receivables of HBC and certain of its subsidiaries (excluding Lord & Taylor and its subsidiaries). The HBC Revolving Credit Facility bears interest based on various rates depending on which facility is utilized, including the Canadian prime rate, CDOR rate, United States index rate and LIBOR. The HBC Revolving Credit Facility is available to finance working capital requirements, capital expenditures or other general corporate purposes and to make certain restricted payments, investments and repayments of indebtedness.

The HBC Revolving Credit Facility contains restrictive covenants customary for facilities of this nature, including restrictions on the incurrence of indebtedness, restrictions on capital expenditures and restrictions on payments to affiliates and shareholders. It also includes events of default and representations and warranties that are customary for credit facilities of this nature.

The HBC Revolving Credit Facility is secured by a first priority security interest in our property other than our real property (not including any property of Lord & Taylor and its subsidiaries).

On June 15, 2012, the Company executed an amendment to the HBC Revolving Credit Facility. The amendment extends the maturity date to June 15, 2017 and reduces the amount available to be borrowed to $750.0 million after May 1, 2013 as a result of the lower borrowing base associated with the continuing operations.

HBC Term Loan

On November 26, 2012, HBC entered into a $250.0 million senior non-revolving term loan facility (the "HBC Term Loan") with BMO Capital Markets and Canadian Imperial Bank of Commerce, as co-Lead Arrangers and Joint Bookrunners, which matures two years following the closing of the Offering. HBC utilized the net proceeds of this loan, together with proceeds from the Offering, to reduce the balance of the previous term loan facility with GE Capital Canada Finance Inc. and certain others.

Interest is charged on the HBC Term Loan at a rate of the bankers' acceptance rate plus 2.25% and is secured by a first priority security interest in certain of the real property of the Company and its subsidiaries (other than Lord & Taylor and its subsidiaries). There will be no scheduled principal repayments prior to maturity. The

HBC Term Loan will require certain mandatory principal repayments upon the occurrence of any of the following events: (i) any issuances of any debt by HBC and the loan guarantors, in which case, 100% of the net proceeds must be used to repay the HBC Term Loan; (ii) the sale or disposition of any real estate assets held by HBC and the loan guarantors, in which case 100% of the net proceeds must be used to repay the HBC Term Loan; and (iii) insurance proceeds received in respect of certain real estate assets securing the financing in excess of agreed upon thresholds in respect of each asset, in which case, 100% of the excess must be used to repay the HBC Term Loan.

The HBC Term Loan contains representations and warranties, positive and negative covenants, reporting requirements and a number of events of default. The agreement contains covenants to maintain fixed charge coverage and leverage ratios. HBC is in compliance with all covenants contained in the HBC Term Loan.

Lord & Taylor Revolving Credit Facility

Lord & Taylor is party to an amended and restated credit facility with General Electric Capital Corporation, General Electric Capital Markets, Inc., and an affiliate of CIBC World Markets Inc. (the "Lord & Taylor Revolving Credit Facility"). As of February 2, 2013, Lord & Taylor owed U.S.$138.2 million under the Lord & Taylor Revolving Credit Facility. Lord & Taylor is in compliance with all covenants contained in the Lord & Taylor Revolving Credit Facility.

The Lord & Taylor Revolving Credit Facility provides a U.S.$350 million revolving line of credit through September 30, 2016. This revolving line of credit is subject to a borrowing base, based predominantly on eligible inventory and furniture and fixtures of Lord & Taylor and its subsidiaries. The Lord & Taylor Revolving Credit Facility is available to finance working capital needs, capital expenditures, operating activities and to support the issuance of standby letters of credit. The weighted-average interest rate of the Lord & Taylor Revolving Credit Facility is LIBOR plus 2.0% to 2.5% based upon the availability schedule.

The Lord & Taylor Revolving Credit Facility contains restrictive covenants customary for credit facilities of this nature, including restrictions on the incurrence of indebtedness, financial maintenance covenants, restrictions on capital expenditures and restrictions on payments to affiliates and shareholders. It also includes events of default and representations and warranties that are customary for credit facilities of this nature.

The Lord & Taylor Revolving Credit Facility is primarily secured by eligible inventory and furniture and fixtures of Lord & Taylor and its subsidiaries.

Lord & Taylor Term Loan

On January 11, 2012, Lord & Taylor entered into a U.S.$450.0 million syndicated term loan with Credit Suisse Securities LLC, as Sole Lead Arranger of the syndicate, which matures on January 11, 2019 (the "Lord & Taylor Term Loan").

Interest is charged on the Lord & Taylor Term Loan depending on the type of borrowing and is based on a greater of test of various rates, including, but not limited to, the LIBOR rate plus an applicable margin of 4.5%. The LIBOR rate is subject to a floor of 1.25%. The weighted average interest rate of the Lord & Taylor Term Loan at February 2, 2013 was 5.97%. The average rate for Fiscal 2012 was 5.75%.

Lord & Taylor is required to apply up to 50% of its excess free cash flow, as defined in the loan agreement and the percentage determined by the leverage ratio of Lord & Taylor at the fiscal year-end, to reduce the outstanding balance of the Lord & Taylor Term Loan. Lord & Taylor is also required to match any dividends it pays to a parent company with an equal pay down of the Lord & Taylor Term Loan. The remaining amount outstanding will be repaid on the maturity date. Except with respect to a re-pricing event, Lord & Taylor has the ability to prepay the Lord & Taylor Term Loan at any time without penalty after year one. Any prepayments are applied to reduce the balance of the loan outstanding. In September 2012, Lord & Taylor prepaid approximately U.S.$242.5 million of the Lord & Taylor Term Loan with the net proceeds from the Lord & Taylor Mortgage.

The Lord & Taylor Term Loan is secured by a first lien security on the majority of the owned and ground leased facilities and a second priority security on the accounts receivable, inventory and furniture and fixtures of Lord & Taylor. The Lord & Taylor Term Loan contains customary representations and warranties, positive and negative covenants, reporting requirements and events of default. Lord & Taylor is in compliance with all covenants contained in the Lord & Taylor Term Loan.

Lord & Taylor Mortgage

On September 7, 2012, Lord & Taylor entered into a U.S.$250.0 million syndicated floating rate senior mortgage loan with an affiliate of CIBC World Markets Inc., as Administrative Agent of the syndicate of lenders, which matures on September 10, 2017 (the "Lord & Taylor Mortgage"). Lord & Taylor utilized the net proceeds of this loan, approximately U.S.$242.5 million, to reduce the balance of the Lord & Taylor Term Loan.

Interest is charged on the Lord & Taylor Mortgage at a rate of LIBOR plus 3.0%. The Company has entered into interest rate swap arrangements, the effect of which is to fix the interest rate related to the Lord & Taylor Mortgage at 3.85%.

The Lord & Taylor Mortgage is structured to be interest only during the first three years, with monthly amortization payments required during the final two years, based upon a 30 year straight-line amortization schedule with an interest rate of 7%. Lord & Taylor has the ability to prepay the Lord & Taylor Mortgage after the first two years with a fee to the lenders of 2%, which fee drops to 1% after three years, and without fees after September 10, 2016. Any prepayments are applied to reduce the then remaining scheduled installments.

The Lord & Taylor Mortgage contains customary representations and warranties, positive and negative covenants, reporting requirements and events of default. Lord & Taylor is in compliance with all covenants contained in the Lord & Taylor Mortgage. As security for the Lord & Taylor Mortgage the Company granted a first priority mortgage in the 5th Avenue Lord & Taylor property.

Contractual Obligations

Our significant contractual obligations and commitments as of February 2, 2013 are as follows:

		Fiscal Year					
(millions of Canadian dollars)	**Total**	**2013**	**2014**	**2015**	**2016**	**2017**	**Thereafter**
	$	$	$	$	$	$	$
Lease financing							
Operating lease arrangements(1)(2)	1,162.5	156.7	136.1	128.8	117.8	98.7	524.4
Short-term borrowings(3)							
HBC Revolving Credit Facility	—	—	—	—	—	—	—
Lord & Taylor Revolving Credit Facility	137.8	137.8	—	—	—	—	—
Long-term borrowings(4)							
HBC Term Loan	250.0	—	250.0	—	—	—	—
Lord & Taylor Term Loan(5)	204.7	—	—	—	—	—	204.7
Lord & Taylor Mortgage	249.3	—	—	0.7	2.3	246.3	—
Other Mortgages	11.7	1.9	9.8	—	—	—	—
Finance leases(4)	25.9	8.1	8.1	7.8	1.9	—	—
Purchase obligations(6)	62.7	30.4	6.9	5.7	4.7	4.8	10.2
Other obligations(7)	690.9	690.9	—	—	—	—	—
Total obligations	2,795.5	1,025.8	410.9	143.0	126.7	349.8	739.3

Notes:

(1) Represents future minimum lease payments under non-cancellable operating leases. Minimum lease payments are defined as the payments over the lease term that the Company is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor, together with any guaranteed amounts.

(2) Included in these figures are future minimum payments relating to Zellers of $33.7 million, $16.8 million, $12.9 million, $12.1 million, $9.8 million and $43.2 million for Years 1-5 and thereafter, respectively.

(3) The HBC Revolving Credit Facility matures June 15, 2017 and the Lord & Taylor Revolving Credit Facility matures September 30, 2016. These amounts have been reflected as due in Year 1 as they are credit lines which can be repaid in full at any time, and are used to finance working capital needs.

(4) Amounts exclude interest.

(5) Additional payments may be required if certain excess cash flow thresholds are exceeded.

(6) Includes contractual obligations to purchase goods or services of a material amount where the contract prescribes fixed or minimum volumes to be purchased or payments to be made within a fixed period of time for a set or variable price. These are only estimates of anticipated financial commitments under these arrangements and the amount of actual payments will vary. These purchase obligations do not include purchase orders issued or agreements made in the ordinary course of business which are solely for goods which are meant for resale, nor do they include any contracts which may be terminated on relatively short notice or with relatively insignificant cost or liability to the Company.

(7) Other obligations include trade and other payables, and derivative and other liabilities.

Leases

The Company has long-term operating lease obligations that are not capitalized on the consolidated balance sheet in accordance with IFRS. These leases are primarily related to store locations and are reflected within "Operating lease arrangements" included in the table above. Leases typically have an original term ranging from 15 to 25 years and provide for renewal periods exercisable at the Company's option. Operating leases relating to property typically require that the Company pays associated real estate taxes and common area maintenance costs in addition to the minimum lease payments noted above. Such costs vary from period to period and totaled $188.6 million in Fiscal 2012 and $205.0 million in Fiscal 2011. In addition to operating leases relating to store locations, the Company also holds finance leases related to equipment which are capitalized on the consolidated balance sheet in accordance with IFRS.

Lease Guarantees

As part of normal operations, the Company regularly reviews its real estate portfolio and store locations. Based on the reviews conducted in prior years, the Company has closed certain store premises that it deemed to be non-strategic. Where these premises were leased, when possible, the Company assigned its leases to other retail operators, but remained obligated to the landlord on those leases as the original tenant thereunder despite the assignment. If the assignee were to default on the lease agreement, the Company would remain obligated to the landlord for payment of amounts due under the lease. The terms of these assigned leases can extend up to the year 2023. As of February 2, 2013, these leases have future minimum lease payments of $239.6 million, of which $180.4 million relates to leases assigned to Target Corporation, in addition to other lease-related expenses, such as property taxes and common area maintenance. The Company's obligation would be offset by payments from existing or future assignees and their obligations to the Company to comply with the assigned leases. Potential liabilities related to these guarantees may be subject to certain defences by the Company. The Company does not expect to make any significant payments with respect to these lease obligations and believes that the risk of significant loss is low.

Short-term and Long-term Borrowings

As of February 3, 2013, Company's drawings on the HBC Revolving Credit Facility and the Lord & Taylor Revolving Credit Facility were nil and $137.8 million, respectively.

On September 7, 2012, Lord & Taylor entered into the Lord & Taylor Mortgage. The Company used the proceeds of the Lord & Taylor Mortgage to repay U.S.$242.5 million of the L&T Term Loan. Repayments in respect of the Lord & Taylor Mortgage will commence in November 2015.

On November 26, 2012, HBC entered into the HBC Term Loan. The Company used the proceeds of the HBC Term Loan to repay $250.0 million of the old HBC Term Loan. There are no scheduled principal repayments prior to maturity although there will be certain mandatory repayments in specified circumstances.

Procurement

The above contractual obligations table includes purchase orders for goods not for resale that are enforceable and legally binding on the Company and which specify all significant terms including: fixed or minimum quantities to be purchased; fixed minimum or variable price provisions; and the approximate timing of the transaction. The purchase obligations figures disclosed above also include obligations in respect of minimum royalty payments due to certain key suppliers.

Pensions

The defined benefit component of the Company's pension plan is currently over-funded, and as a result the Company does not expect to make significant contributions to it over the next five years, subject to the performance of the plan assets. The Company has non-pension employee benefit plans, which are not funded.

For defined contribution plans, the Company pays contributions to pension plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. Contributions are recognized as an employee benefit expense as incurred, which is as the related employee service is rendered.

Other

As of February 2, 2013, the Company had other long-term liabilities which included an accrued benefit plan liability and an accrued self-insurance provision. The Company also had obligations in respect of equity grants and incentive units which may be settled with cash or shares of the Company. These have not been classified as contractual obligations for the following reasons:

- future payments of accrued benefit plan liability, principally post-retirement benefits, depend on when and if retirees submit claims;
- future payments of equity grants and incentive units depend on whether the grants or incentive units have vested, and whether any will be elected to be cash settled; and
- future payments of insurance claims can extend over several years and depend on the timing of anticipated settlements and results of litigation.

Guarantees and Off-Balance Sheet Arrangements

The Company has guarantees and general indemnification commitments to counterparties. Historically, the Company has not made any significant payments with respect to these guarantees and indemnification provisions, and management believes that the risk of significant loss is low.

Standby and documentary letters of credit are used in connection with certain obligations mainly related to purchase orders. The aggregate gross potential liability related to the Company's letters of credit is approximately $16.6 million at the end of Fiscal 2012.

The Company has not created, and is not party to, any special purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business. The Company does not have any relationships or arrangements with entities that are not consolidated into its financial statements that are reasonably likely to materially affect liquidity or the availability of capital resources.

Financial Instruments and Other Instruments

The Company utilizes certain derivatives as cash flow hedges of its exposure to foreign currency risk and interest rate risk. The effective portion of the changes in the fair value of the hedging derivatives, net of taxes, is recognized in other comprehensive income (loss).

The Company enters into forward foreign exchange contracts to fix the cost of certain U.S. dollar based purchases of merchandise from foreign suppliers in Canadian dollars. These forward exchange contracts have been designated as cash flow hedges and reported at fair value in financial assets or financial liabilities, depending on their fair value. Once the inventory is recognized, the Company has elected to reclassify the related accumulated other comprehensive income (loss) amount to merchandise inventories. Subsequent changes in the fair value of the forward foreign exchange contracts are recorded in net earnings.

Derivative financial instruments not designated within an effective hedging relationship and embedded derivatives are classified as fair value though profit or loss and measured at fair value with any changes in their fair values recognized in income in the period in which the change occurs. Short-term deposits are classified as held to maturity, which are measured at amortized cost using the effective interest method. All other financial assets are classified as loans and receivables and measured at amortized cost using the effective interest method. All other financial liabilities are classified as other liabilities and measured at amortized cost using the effective interest method. Interest income and expense are included in financing costs.

The Company determines the fair value of its long-term loans and borrowings using a discounted cash flow model, taking into consideration the fixed interest rate spread included in the related debt compared to fixed interest rate spreads on similar debt available in the market at the balance sheet dates. The fair values of foreign currency options, interest rate swaps and forward foreign currency contracts reflect the estimated amounts that the Company would receive or pay if it were to settle the contracts at the reporting date.

In the 53-week period ended February 2, 2013, there was no material change to the nature of the risks arising from derivative financial instruments. For a complete description of the derivative financial instruments of the Company and related risks, please refer to Note 18 of the Company's audited consolidated financial statements for the fiscal year ended February 2, 2013.

Risks arising from Financial Instruments

Through its use of financial instruments, the Company has exposure to credit, liquidity and market risk. The following is a description of those risks and how the exposures are managed:

(i) Credit risk

Credit risk refers to the possibility that the Company can suffer financial losses due to the failure of the Company's counterparties to meet their payment obligations. The Company is exposed to minimal credit risk from customers, vendors, and financial counterparties as a result of ongoing credit evaluations and review of accounts receivable collectability. Credit risk is mitigated by various techniques including selecting counterparties based on acceptable credit ratings and minimizing the concentration of positions with individual counterparties.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of the Company's working capital needs, sales and earnings. The HBC Revolving Credit Facility, the Lord & Taylor Revolving Credit Facility and the bank overdraft facilities are used to maintain liquidity.

(iii) Market risk

The Company is exposed to foreign currency risk and interest rate risk:

(a) Foreign currency risk

The Company is a Canadian dollar functional currency entity that purchases a significant amount of inventory for its Canadian operations in U.S. dollars. HBC enters into forward foreign exchange contracts and foreign currency options to reduce the foreign exchange risk with respect to these U.S. dollar denominated purchases.

In accordance with the policy, HBC may hedge up to 100% of all foreign currency transactions and economic exposures that are recognized on the consolidated balance sheet, or deemed as firm commitments (e.g. purchase orders that have been issued for goods and services in foreign currency). HBC may further hedge up to 70% of forecasted transactions (anticipated transactions for which there are no firm commitments).

Our net investment in Lord & Taylor, whose functional currency is U.S. dollars, presents a foreign currency risk to HBC, whose functional currency is Canadian dollars. HBC has not entered into any hedging transactions with regards to this exposure.

(b) Interest rate risk

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company's variable rate borrowings are denominated in U.S. dollars and Canadian dollars.

Cash flow interest rate risk is mitigated by the use of interest rate swaps.

Classification of Financial Instruments

Derivative financial instruments not designated within an effective hedging relationship and embedded derivatives are classified as fair value though profit or loss and measured at fair value with any changes in their fair values recognized in income in the period in which the change occurs. Short-term deposits are classified as held to maturity, which are measured at amortized cost using the effective interest method. All other financial assets are classified as loans and receivables and measured at amortized cost using the effective interest method. All other financial liabilities are classified as other liabilities and measured at amortized cost using the effective interest method. Interest income and expense are included in financing costs.

The following table provides a summary of the fair values of financial instruments by classification as of February 2, 2013 and January 28, 2012:

(millions of Canadian dollars)	**2012**	**2011**
	$	$
Classified as fair value through profit or loss	(0.1)	(3.4)
Classified as loans and receivables	133.4	166.4
Classified as held to maturity	1.7	1.8
Financial derivatives designated as cash flow hedges	0.6	1.9
Classified as other liabilities	(1,547.7)	(2,072.7)

Fair Value of Financial Instruments

The Company determines the fair value of its long-term loans and borrowings using a discounted cash flow model, taking into consideration the fixed interest rate spread included in the related debt compared to fixed interest rate spreads on similar debt available in the market at the balance sheet dates.

The fair values of foreign currency options, interest rate swaps and forward foreign currency contracts reflect the estimated amounts that the Company would receive or pay if it were to settle the contracts at the reporting date. The fair value of foreign currency options are determined based on the difference between the exercise rate and the spot rate, volatility of exchange rates and market interest rates at the period-end date. Interest rate swaps are valued using a discounted cash flow model based on market interest rate curves at the period-end date. The forward foreign currency contracts are valued based on the difference between contract rates and spot rates at the period-end date, discounted to reflect the time-value of money. 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 and observable market input data.

For Fiscal 2012, the Company recorded a $0.1 million loss on the change in fair value of embedded foreign currency derivatives (2011: loss of $0.6 million) and $3.5 million gain on the change in fair values of the old HBC Term Loan embedded derivatives (2011: loss of $3.5 million). No gains or losses were recognized in Fiscal 2011 in relation to the change in fair value of CDOR based interest rate swaps.

Tax Matters

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

The Company regularly reviews the potential for adverse outcomes in respect of tax matters. The Company believes that there are no tax matters that will have a material adverse effect on its liquidity, consolidated financial position or results of operations because the Company believes that it has adequate provision for any tax matters. Should the ultimate tax liability materially differ from the provisions, the Company's effective tax rate and its earnings could be affected, positively or negatively, in the period in which the matters are resolved.

Related Party Transactions

The ultimate controlling party of the Company is L&T B.

Transactions between HBC, Lord &Taylor and their respective 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.

The Company, HBTC, True North Retail Investments Limited Partnership ("TNRI") and Hudson's Bay Company Luxembourg, S.A.R.L., all of which are entities under common control, and their respective general partners, as applicable, (as "Related HBC Entities") entered into an agreement for the reimbursement of expenses (the "Reimbursement Agreement") effective July 17, 2008 whereby the Company agreed to pay for maintenance and operating expenses of the Related HBC Entities, subject to compliance with the HBC Revolving Credit Facility. Amounts charged to the Company by Related HBC Entities under the Reimbursement Agreement were $1.4 million for Fiscal 2012 (Fiscal 2011: $5.2 million).

The Company and HBTC entered into a management services agreement (the "Management Agreement"), effective July 17, 2008 whereby the Company agreed to pay HBTC an annual fee of U.S.$2.0 million plus reimbursement of other expenses for management, financial, strategic and transaction support. Amounts charged to the Company by HBTC under the Management Agreement for Fiscal 2012 were $1.5 million (Fiscal 2011: $2.6 million).

The Company and National Realty & Development Corp. ("NRDC"), an entity under common control entered into Property Management Agreements (the "Property Agreements"), whereby the Company agreed to retain NRDC as its property manager and pay NRDC an annual property management fee of U.S.$4.0 million. Amounts charged to the Company by NRDC under the Property Agreements were $3.3 million in Fiscal 2012 (Fiscal 2011: $4.0 million).

On November 26, 2012, the Reimbursement Agreement, Management Agreement, and Property Agreements were amended such that the Related HBC Entities and NRDC will no longer be entitled to management fees, or to have their expenses reimbursed.

At the end of Fiscal 2011, $0.8 million was included in prepaids for Fiscal 2012 fees to be incurred under the Reimbursement Agreement and the Property Agreements. As of February 2, 2013, there were no amounts included in prepaids for fees paid or incurred under the Reimbursement Agreement and the Property Agreements.

At the end of Fiscal 2011, $3.2 million has been included in receivables for advances made by the Company to TNRI. The advances were related to professional fees, capital taxes and other costs. As of February 2, 2013, there were no amounts included in receivables for advances made by the Company to TNRI.

In connection with the transaction entered into with Target Corporation, on September 29, 2012, Zellers and L&T B entered into a Fee Agreement that provided for a fee of $8.0 million payable to L&T B for advisory services. The fee was paid to L&T B on October 27, 2012.

On May 6, 2011, Lord &Taylor's subsidiary, Lord & Taylor Home LLC, which operates home furnishings stores, entered into a two year lease at U.S.$1.0 million annually (with renewal options) with SP 35 L.P. (the "Landlord") for approximately 31,000 sq. ft. in Shrewsbury, NJ to operate a home store. The lease was amended on January 17, 2013 to include three renewal options. The first two renewal options are for terms of two and three years, respectively at an annual cost of U.S $0.4 million. The third renewal option is for a term of five years at an annual cost of U.S. $0.5 million. The first renewal option was exercised. Amounts charged to the Company under the rental arrangement for Fiscal 2012 and Fiscal 2011 were $0.4 million. The Landlord is an affiliate of NRDC. Richard Baker and Robert Baker, the principals of NRDC, are also members of L&T B.

A director of the Company works for an investment banking firm that was part of the syndicate of investment banks involved in the Offering. Commissions of $0.4 million were paid in connection with this transaction.

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

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with IFRS. The Company's significant accounting policies are described in Note 2 to the Fiscal 2012 audited consolidated financial statements.

The preparation of these financial statements requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, and reporting of income and expenses, that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are certain critical judgments and estimations that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements (see Note 3 to the Fiscal 2012 audited consolidated financial statements for further critical judgments and estimations):

Inventories

Inventories are valued at the lower of cost and net realizable value.

Cost is determined, for the majority of inventory, using the weighted average cost method, based on individual items. Costs comprise all variable costs such as the merchandise cost, freight and handling, incurred in bringing inventories to their present location and condition. Storage and administrative overheads are expensed as incurred. Supplier rebates and discounts received or receivable based on vendor agreements are recorded as a reduction in the cost of purchases unless they relate to a reimbursement of specific incremental expenses. The Company receives significant support from vendors for promotional markdown activity and reflects this support as an offset to the cost of markdowns taken in cost of goods sold.

Net realizable value is the estimated selling price determined at the item level using historical markdown rates for similar items in the ordinary course of business, less estimated costs required to sell. At each balance sheet date, the Company reviews its on-hand inventory to identify items selling below cost at that date and uses historical trends and current inventory mix to determine an additional reserve for the impact of future markdowns which will take the net realizable value of inventory on-hand below cost.

Physical inventories are generally taken within each merchandise department annually, and inventory records are adjusted accordingly resulting in an expense within cost of goods sold. The Company records a shrink reserve utilizing historical shrink rates to reflect the incremental expense between the time of the physical inventory count and the reporting date.

Loyalty Program

Loyalty program accounting allocates a portion of consideration paid by the customer at the time merchandise or services are acquired to the value of the loyalty entitlement earned as part of the transaction. This portion of the consideration is treated as deferred revenue and recognized when the customer redeems points and ultimately acquires additional merchandise or services. The Company retains an external actuary to estimate the percentage of rewards points earned by customers that ultimately will be redeemed.

Impairment of Property, Plant and Equipment and Intangible Assets

The carrying amount of property, plant, and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The changes, for example, may be economic, competitive or a result of changing consumer attitudes which may arise across the Company or in individual markets in which the Company operates. Indefinite life intangible assets are tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company generally performs its impairment testing at the individual store level which is the lowest level at which independent cash flows are generated.

An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell ("FVLCTS") and value in use. Value in use is estimated as the present value of the future cash flows that the Company expects to derive from the asset. In calculating the value in use, management estimates future cash flows using approved budgets / forecasts for the following fiscal year and considers future opportunities and risks in determining an appropriate growth rate for future periods.

Subsequent changes in estimates, including the expected future cash flows, growth rate and discount rate may result in subsequent changes to impairment charges or reversals recorded.

Income Taxes

In connection with HBTC's reorganization on January 11, 2012 which resulted in Lord & Taylor becoming a wholly owned subsidiary of the Company, Lord & Taylor became a taxable entity. Prior to January 11, 2012, Lord & Taylor was considered a flow-through (limited liability corporations or "LLC", and limited partnerships) entity for tax purposes. The Company's accounting policies for the following types of entities are as follows:

(i) Taxable entities

The Company has recognized deferred income tax assets arising from differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements as well as those in respect of non-capital losses carried forward. The extent to which assets have been recognized reflects management's expectation that these assets will be recovered through the reversal of the differences between the tax and accounting basis as well as through future taxable profits being earned before expiry of the losses. A valuation allowance is recorded to the extent that management does not believe that the assets are recoverable. The Company has had significant movement in the valuation allowance in recent years as operating performance has improved, demonstrating the Company's ability to realize the timing differences and tax loss carry-forwards. The sale of leasehold interests caused management to record a valuation allowance on the deferred tax assets related to Zellers due to the expected inability to fully utilize the tax loss carry-forwards. This was subsequently reduced based on additional information that confirmed the extent to which restricted losses would not be recovered.

Income tax expense or benefit comprises current and deferred income taxes. Tax is recognized in the consolidated statements of earnings (loss), except to the extent that it relates to items recognized either in other comprehensive income or directly in equity. The income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the date of the balance sheet.

(ii) Flow-through entities

Lord & Taylor, as a limited liability company from the date of its acquisition by HBTC through January 10, 2012, was treated as a partnership for U.S. federal income tax purposes and in most states in which it operates. Lord & Taylor did not record a federal tax provision for deferred tax assets or liabilities related to federal tax prior to its acquisition by HBC.

Lord & Taylor operates stores in ten states, plus the District of Columbia. Although most of these states follow the federal treatment of LLCs, four states require an LLC to file a state corporation or franchise tax return and pay any related taxes or submit income tax withholdings on the partners' behalf. Accordingly, a state income tax expense is recorded for estimated income attributable to those states.

Post-employment benefits

Post-employment benefits include pensions (both defined contribution and defined benefit) and non-pension post-retirement benefits (medical and dental benefits and life insurance commitments to retirees). The Company reports its obligations under these plans net of any plan assets.

The asset or liability recognized in the consolidated balance sheet in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries.

Actuarial gains and losses (typically related to investment performance or interest rate movement different from management's assumptions) are excluded from operating income and are recognized in other comprehensive income in the period in which they arise. Past service costs are recognized in operating income in the year in which they arise to the extent that the associated benefits are fully vested. For funded plans, surpluses are recognized only to the extent to which the Company can unilaterally reduce future contributions to the plan.

For defined contribution plans, the Company pays contributions to pension plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. Contributions are recognized as an employee benefit expense as incurred, which is as the related employee service is rendered.

Changes in Accounting Policies Including Initial Adoption

Future Expected Changes

Financial Instruments — Disclosures — In October 2010, the International Accounting Standards Board ("IASB") amended IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), which increased the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011. The application of the standard does not have a material impact on the consolidated financial statements.

Financial Instruments — The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 and October 2010 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard is effective for annual periods beginning on or after January 1, 2015. The Company is currently assessing the impact of the new standard on its financial statements.

Consolidated Financial Statements — In May 2011, the IASB issued IFRS 10 — Consolidated Financial Statements ("IFRS 10") which replaces portions of IAS 27 — Consolidated and Separate Financial Statements ("IAS 27") and all of SIC-12 — Consolidation — Special Purpose Entities. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires an entity to consolidate an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a consequence, IAS 27 has been amended but retains the existing guidance for separate financial statements. IFRS 10 was issued as part of the IASB's broader project on interests in all types of entities. On June 28, 2012, the IASB issued amendments to IFRS 10 which provides transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. IFRS 10 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company will apply the standard at the beginning of its 2013 fiscal year and does not expect the implementation to have a significant impact on its results of operations, financial position and disclosures.

Disclosure of Involvement with Other Entities — In May 2011, the IASB issued IFRS 12 — Disclosure of Interests in Other Entities ("IFRS 12") which establishes disclosure requirements for an entity's interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosure requirements and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. On June 28, 2012, the IASB issued amendments to IFRS 12 which provides transition relief, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. IFRS 12 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The Company will apply the standard at the beginning of its 2013 fiscal year and does not expect the implementation to have a significant impact on its results of operations, financial position and disclosures.

Fair Value Measurement — In May 2011, the IASB issued IFRS 13 — Fair Value Measurement ("IFRS 13"), which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosure about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. Early adoption is permitted. The Company will apply the standard at the beginning of its 2013 fiscal year and does not expect the implementation to have a significant impact on its results of operations, financial position and disclosures.

Other Comprehensive Income Presentation — In June 2011, the IASB amended IAS 1 — Presentation of Financial Statements to require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments reaffirm the existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. The amendments are effective for annual periods beginning on or after July 1, 2012. The Company is assessing the impact of the IAS 1 amendment on its presentation of other comprehensive income.

Employee Benefits — In June 2011, the IASB amended IAS 19 — Employee Benefits. The amendments provide clarification on the recognition of termination benefits; eliminate the existing option to defer actuarial gains and losses (known as the corridor approach) related to defined benefit plans; require changes from remeasurement of defined benefit plan assets and liabilities to be presented in the statement of other comprehensive income; and require additional disclosures. The amendments are effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company will adopt this standard in the first quarter of fiscal 2013. The standard will be applied retrospectively, with restatement of prior periods. The Company estimates the changes related to defined benefit plans will increase fiscal 2012 continuing operations expense by approximately $6.5 million and the changes related to termination benefits will decrease discontinued operations expenses by approximately $16.5 million.

Financial Instruments — Asset and Liability Offsetting — The IASB has issued amendments to IFRS 7 and IAS 32, "Financial Instruments: Presentation" ("IAS 32"), which clarify the requirements for offsetting financial instruments and require new disclosures on the effect of offsetting arrangements on the Company's financial position. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and must be applied retrospectively. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and must be applied retrospectively. The Company is assessing the impact of the amendments to IFRS 7 and IAS 32 on its results of operations, financial position and disclosures.

Additional Information

Additional information relating to Hudson's Bay Company is available on SEDAR at www.sedar.com.

Risk Factors

For a detailed description of risk factors associated with the Company, refer to the "Risk Factors" section of the Company's supplemented PREP Prospectus filed on SEDAR on November 19, 2012. The Company is not aware of any significant changes to the Company's risk factors from those disclosed at that time.

Dividends

As mentioned above, the Company's Board of Directors approved the payment of a quarterly dividend on December 27, 2012 and on March 15, 2013 declared a quarterly dividend, payable on April 15, 2013, to shareholders of record at the close of business March 28, 2013, respectively. Each dividend was in the amount of $0.09375 per common share and was designated as an "eligible dividend" for Canadian tax purposes.

Outstanding Share Data

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of April 10, 2013, the Company had 120.0 million common shares issued and outstanding and no preferred shares issued and outstanding. The Company's common shares trade on the Toronto Stock Exchange under the symbol "HBC" and began trading on November 20, 2012. In addition there were 12.0 million common shares reserved for issuance for the exercise of share options and the settlement of restricted share units. Assuming exercise of all outstanding share options and the settlement of all outstanding restricted share units, there would be 127.2 million common shares issued and outstanding on a fully diluted basis.