HUDSON'S BAY COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THIRTEEN AND THIRTY-NINE WEEKS ENDED OCTOBER 27, 2012 AND OCTOBER 29, 2011

Dated December 10, 2012

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 unaudited interim condensed consolidated financial statements and notes thereto for the thirteen and thirty-nine week periods ended October 27, 2012 and October 29, 2011. It should also be read in conjunction with the audited consolidated financial statements for the fiscal year ended January 28, 2012 and the related notes and MD&A, which can be found in the Supplemented PREP Prospectus of the Company filed on SEDAR on November 19, 2012. Unless otherwise indicated, all amounts are expressed in millions of Canadian dollars. This is the Company's first reporting period since becoming a reporting issuer. The Board of Directors, on the recommendation of its Audit Committee, approved the contents of this MD&A on December 10, 2012.

Basis of Presentation

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

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

On January 11, 2012 HBTC completed a reorganization to combine its retail operations, HBC and L&T. As part of the reorganization, HBC acquired L&T from HBTC. The acquisition of L&T 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. Accordingly, HBC's financial information has been retroactively restated to present L&T as a wholly-owned subsidiary since July 16, 2008, the date the entities came under common ownership.

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. The Company ceased operating the Fields banner effective July 28, 2012 when the remaining stores not sold were closed. Accordingly, HBC's financial information has been retroactively restated to present Zellers and Fields as discontinued operations (see Note 4 of the unaudited interim condensed consolidated financial statements and notes thereto for the thirteen and thirty-nine week periods ended October 27, 2012 and October 29, 2011).

Recent Events

On November 19, 2012, the Board of Directors approved the following changes to the Company's share capital:

- Increased the authorized capital of the Company by creating an unlimited number of preferred shares, issuable in series, and an unlimited number of common shares;
- Re-designated the issued and outstanding 10.0 million common shares of the Company as 10.0 million Class B common shares;
- Exchanged the issued and outstanding 0.01 million Class A preferred shares into 0.01 million common shares;

- After giving effect to the foregoing, splitting the Company's common share on a 10.469 to 1 basis; and
- Cancellation of the authorized and unissued Class A preferred shares and the newly re-designated Class B common shares.

All references to number of shares, share prices, per share amounts and share based compensation plans have been adjusted retroactively for the share split.

Also on November 19, 2012, the Company filed a Supplemented PREP prospectus for the sale to the public of 21.5 million common shares at a price of $17.00 per share (the "Offering"). The Offering consisted of a treasury offering by the Company of 14.7 million common shares and a secondary offering by Hudson's Bay Company (Luxembourg) S. à r.l. ("HBCL") of 6.8 million common shares, for gross proceeds to the Company of $250.1 million and to HBCL of $115.0 million. HBCL, the selling shareholder, has also granted to the underwriters of the Offering an over-allotment option allowing for the purchase during the 30 day period following the closing of the Offering of an additional 15% of the number of common shares issued in the Offering. The Company will not receive any proceeds from the sale of these additional shares. The Offering closed on November 26, 2012.

The Offering constituted a "payment event" under the Company's phantom share appreciation rights ("PSAR") plan. Immediately prior to the closing of the Offering, 0.5 million common shares were issued to settle all PSAR units.

Concurrently, with the closing of the Offering on November 26, 2012, the Company repaid its existing $450.0 million term loan facility with GE Capital Canada Finance Inc. and certain others with proceeds from a new $250.0 million senior non-revolving term loan facility dated November 26, 2012 with Bank of Montreal, as administrative agent, BMO Capital Markets and Canadian Imperial Bank of Commerce as co-Lead Arrangers and Joint Bookrunners, and certain other lenders (the "New HBC Term Loan"), together with proceeds from the Offering. The New HBC Term Loan matures two years following the closing of the Offering, bears interest at 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 L&T and its subsidiaries). There are no scheduled principal repayments prior to maturity although there will be certain mandatory repayments in specified circumstances. The New 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.

The Company has also established a share option plan, pursuant to which options to purchase common shares will be granted to the Company's eligible employees. At the closing of the Offering, 12.0 million common shares were reserved for issuance in accordance with the terms of the option plan of which 7.1 million options were granted to certain employees. Of these issued options, 6.1 million represented option grants for senior executives which will vest 50% in year 4 and 50% in year 5, of a 10 year term. One third of these options include a performance condition that the options vest only if the share price is at least 50% higher than the Offering price ($25.50 based on a $17.00 Offering price). This initial grant is equivalent to three annual grants and no additional option grants are anticipated to be made to these individuals before 2016. The remaining options have a 3 year cliff vesting provision and a 7 year term.

Accounting Periods

This MD&A is based on the unaudited condensed consolidated financial statements and notes thereto for the 13 and 39 week periods ended October 27, 2012 and October 29, 2011. 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, Fiscal 2010 and Fiscal 2009 were 52 weeks. Fiscal 2012 will be 53 weeks and will end on February 2, 2013.

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 statemunts 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, which is available on SEDAR 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 nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including gross profit, EBITDA and Normalized EBITDA 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.

Overview

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

Highlights of the 13-week period ended October 27, 2012

- Same store sales increased by 4.5% at Hudson's Bay and 5.2% on a U.S. dollar basis at Lord & Taylor, primarily driven by stronger storewide promotional events in October. Consolidated same store sales, which increased 3.5% compared to the prior period, were negatively impacted by foreign exchange rate movements and lower sales at Home Outfitters;

- Our Omni-channel sales increased 55.3% during the 13 week period ended October 27, 2012 to $32.3 million, reflecting the Company's on-going investment in our Omni-channel initiative;

- Selling, General and Administrative Expenses ("SG&A") was $351.7 million or 37.8% of retail sales in the 13 week period ended October 27, 2012, a decrease of 0.5% compared to the same period in the prior year driven by leverage related to store payroll and other operating costs;

- Normalized EBITDA was $47.9 million in the 13 week period ended October 27, 2012 compared to $65.2 million in the 13 week period ended October 29, 2011, a decrease of $17.3 million. The decline in Normalized EBITDA as a percentage of retail sales was principally due to a higher inventory shortage and seasonal clearance markdowns, partially offset by a 0.5% increase in SG&A leverage;

- Normalized Net Earnings (Loss) – Continuing Operations was $0.8 million for the 13 week period ended October 27, 2012 compared to a ($5.0 million) Normalized Net Earnings (Loss) – Continuing Operations for the 13 week period ended October 29, 2011, a $5.8 million improvement; and

- 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.

Highlights of the 39-week period ended October 27, 2012

- Consolidated same store sales increased by 4.9% with an increase of 5.0% at Hudson's Bay and 4.6% on a U.S. dollar basis at Lord & Taylor;
- Sales from our Omni-channel initiative grew 67.7%, from $46.9 million for the 39 week period ended October 29, 2011 to $78.6 million for the 39 week period ended October 27, 2012;
- SG&A was $1,081.7 million or 40.2% of retail sales in the 39 week period ended October 27, 2012 compared to $984.4 million or 38.6% of retail sales in the 39 week period ended October 29, 2011. Excluding the $55.5 million impact of one-time charges related to restructuring and

Offering costs, SG&A as a percentage of retail sales would have improved 2.1% to 38.1% of retail sales in 2012 and would have been 0.2% better than the prior period;

- Normalized EBITDA decreased 9.0% to $132.9 million or 4.9% of retail sales in the 39 week period, compared to $146.1 million or 5.7% of retail sales during the prior period. The decrease in Normalized EBITDA margin is principally due to a higher inventory shortage and seasonal clearance markdowns, partially offset by a 0.3% increase in SG&A leverage;
- Normalized Net Earnings (Loss) – Continuing Operations for the 39 week period ended was ($22.2 million) compared to ($38.9 million) for the prior period, an improvement of $16.7 million; and
- Two new Lord & Taylor stores were opened in Ridge Hill, NY and Rockingham, New Hampshire.

Factors Affecting Our Performance

Retail Sales

The majority of our sales are from branded merchandise purchased directly from the brand owners or their licensee. To increase same store sales, we focus on offering a broad and well-edited selection of upscale branded and private-label merchandise that appeals 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 both 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, we 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, Internet 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. 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, and inventory shortage and any write down of inventory where the net realizeable value is below cost. 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 profit in a number of different ways. We manage the level of promotional activity relative to regular price activity and manage inventory volume to minimize the need for substantial clearance activity. We source private label products and directly import certain branded products from China and other overseas markets, including 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 L&T, 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 L&T will impact consolidated net earnings and foreign currency translation of HBC's investment in L&T and will impact Other Comprehensive Income.

Selling, General and Administrative Expenses

Our 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. 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 out-of-store to either Private Label Credit Cards ("PLCC") or MasterCards. Return on credit operations is 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. In 2012, the terms of the HBC credit card program in relation to MasterCard bounties, royalty rates and loyalty requirements on out-of-store sales were renegotiated to account for the reduction in Zellers' volumes. The estimated year over year impacts of the change in terms are $2.0 million and $13.0 million respectively for the 13 and 39 week periods.

We believe meaningful reductions in annual operating costs can be achieved by the end of Fiscal 2013 as we wind-down most of the Zellers business. In particular, we believe it is possible to reduce the annual operating costs of our continuing operations by approximately $60.0 million by further reducing information technology expenses, occupancy costs, distribution costs and other corporate overhead. We expect the impact of these initiatives to be fully realized by the end of the first quarter of Fiscal 2014. We expect to incur restructuring costs of approximately $20.0 to $25.0 million to achieve these annual operating cost reductions.

Finance Costs

The financial markets in Canada and the United States continue to be competitive with strong investor demand for credit. We paid off the $450.0 million HBC Term Loan concurrently with the Offering, using proceeds from our $250.0 million new HBC term loan and from the Offering. We now have refinanced almost all of our debt since Fiscal 2010. Our current debt financing includes short term borrowings which consist of separate asset-based credit facilities in Canada and the United States and separate long term facilities in each country. Had the refinancing and the new terms been in place in the 13 week period ended October 27, 2012, finance costs would have been lower by an estimated $3.6 million.

The Company's 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 extinguishment of debt, and fair value movements and amortization charges related to embedded derivatives.

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. During the week of October 28, 2012 in the fourth quarter of Fiscal 2012, Hurricane Sandy swept across a large tract of the U.S. northeast. While none of our stores suffered any material 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 to seven days. Other stores had limited operating hours. All stores affected by Hurricane Sandy have since resumed normal operations.

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. As a result of Christmas and the holiday shopping season, we generated 33.6% of our sales in Fiscal 2011 during the fourth quarter.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables set out summary consolidated financial information for the periods indicated. The summary financial information set out below for the thirteen and thirty-nine week periods ended October 27, 2012 and October 29, 2011 has been derived from interim unaudited condensed consolidated financial statements, in each case prepared in accordance with IFRS. The unaudited financial information presented has been prepared on a basis consistent with our audited consolidated financial statements for Fiscal 2011. 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.

	13-week period ended				39-week period ended			
(millions of Canadian dollars except for per share amounts)	**Oct 27, 2012**		**Oct 29, 2011**		**Oct 27, 2012**		**Oct 29, 2011**	
	$	%	$	%	$	%	$	%
Earnings Results								
Retail sales	$930.4	100.0%	$896.7	100.0%	$2,690.5	100.0%	$2,550.0	100.0%
Cost of sales	(567.7)	−61.0%	(526.0)	−58.7%	(1,622.1)	−60.3%	(1,510.2)	−59.2%
Gross profit	362.7	39.0%	370.7	41.3%	1,068.4	39.7%	1,039.8	40.8%
Selling, general & administrative expenses	(351.7)	−37.8%	(343.4)	−38.3%	(1,081.7)	−40.2%	(984.4)	−38.6%
Operating income (loss)	11.0	1.2%	27.3	3.0%	(13.3)	−0.5%	55.4	2.2%
Finance costs	(32.7)	−3.5%	(37.9)	−4.2%	(84.1)	−3.1%	(114.4)	−4.5%
Loss before income taxes ("EBT")	(21.7)	−2.3%	(10.6)	−1.2%	(97.4)	−3.6%	(59.0)	−2.3%
Income tax benefit	13.2	1.4%	3.1	0.3%	35.3	1.3%	17.1	0.7%
Net earnings (loss) — continuing operations	(8.5)	−0.9%	(7.5)	−0.8%	(62.1)	−2.3%	(41.9)	−1.6%
Net earnings (loss) — discontinued operations, net of taxes	6.5		1,247.4		(87.7)		1,295.1	
Net earnings (loss) for the period	(2.0)		1,239.9		(149.8)		1,253.2	
EBITDA(1)	42.5	4.6%	61.6	6.9%	77.4	2.9%	139.8	5.5%
Normalized EBITDA(1)	47.9	5.1%	65.2	7.3%	132.9	4.9%	146.1	5.7%
Same Store Sales Percentage Change(2)								
Continuing Operations	3.5%		5.2%		4.9%		4.3%	
Continuing Operations (excluding impact of Foreign Exchange)	3.9%		6.3%		4.2%		6.2%	
Hudson's Bay(3)	4.5%		7.7%		5.0%		5.8%	
Lord & Taylor(4)	5.2%		5.9%		4.6%		7.4%	
Store Information								
Store Count(5)								
Hudson's Bay	90		91					
Lord & Taylor	48		46					
Home Outfitters	69		69					
Total Stores	207		206					
Cash Flow Data								
Total Capital expenditures(6) — continuing operations	64.2		92.6		137.5		147.8	
Net Earnings (Loss) per Common Share — Basic and Diluted(7)								
Continuing Operations	(0.08)		(0.07)		(0.59)		(0.40)	
Discontinued Operations	0.06		11.90		(0.84)		12.36	
Total earnings per share	(0.02)		11.83		(1.43)		11.96	
Weighted average shares outstanding — basic and diluted (millions)	104.8		104.8		104.8		104.8	

(millions of Canadian dollars except for per share amounts)	**Oct 27, 2012**	**January 28, 2012**	**Oct 29, 2011**
Balance Sheet Data(8)			
Cash	37.9	42.4	263.9
Trade and other receivables	53.6	124.0	139.0
Inventories	1,255.1	1,814.2	2,237.6
Assets of discontinued operations held for sale (8)	626.0	-	-
Current assets	2,018.1	2,007.2	2,705.1
Property, plant and equipment	1,318.1	1,401.1	1,384.7
Total assets	3,859.6	3,993.5	4,721.7
Current liabilities	2,093.4	1,916.8	2,855.9
Loans and borrowings (including current portion)	1,412.6	1,192.7	1,489.1
Liabilities of discontinued operations held for sale	525.5	-	-
Shareholders' Equity	692.3	955.9	1,057.9

Notes:

(1) For a reconciliation of Net Earnings (Loss) — Continuing Operations to EBITDA and Normalized EBITDA, please see the table below.

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

(3) Our sponsorship of the Vancouver 2010 Winter Olympics and our status as the exclusive supplier of the Canadian Olympic Collection resulted in significant non-recurring sales in the fourth quarter of Fiscal 2009 and the first quarter of Fiscal 2010. In order to provide meaningful comparisons on a period over period basis, we disclose same store sales percentage change information excluding the impact of sales of Olympic merchandise for the first quarter of 2010 of $50.5 million.

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

(5) Lord & Taylor operates two Lord & Taylor Home stores and three Lord & Taylor Outlet stores that are not included in the store count.

(6) Capital expenditures from continuing operations are inclusive of software development costs and exclude expenditures associated with discontinued operations.

(7) All references to shares, share prices, per share amounts and share plans have been adjusted retroactively for the share split on November 19, 2012.

(8) Under IFRS, prior period balance sheets are not restated to reflect assets and liabilities of discontinued operations apart from ongoing operations. See Note 4 in the unaudited interim condensed consolidated financial statement for the thirteen and thirty-nine weeks ended October 27, 2012 and October 29, 2011 for additional information.

The following table shows the reconciliation of Net Earnings (loss) — Continuing Operations to EBITDA as well as Normalized EBITDA.

	13-week period ended		39-week period ended	
(millions of Canadian dollars)	**Oct 27, 2012**	**Oct 29, 2011**	**Oct 27, 2012**	**Oct 29, 2011**
	$	**$**	**$**	**$**
Net Earnings (Loss) – Continuing Operations	(8.5)	(7.5)	(62.1)	(41.9)
Finance costs	32.7	37.9	84.1	114.4
Income tax benefit	(13.2)	(3.1)	(35.3)	(17.1)
Pension expense (non-cash)	4.6	2.8	13.7	8.4
Depreciation and amortization	26.2	24.3	73.1	66.5
Impairment and other non-cash expenses	0.7	7.2	3.9	9.5
EBITDA	**42.5**	**61.6**	**77.4**	**139.8**
Normalizing Adjustments:				
Restructuring and corporate reorganization	5.4	3.6	55.5	11.9
Gain on sale of Bay Halifax store	-	-	-	(5.6)
Total Normalized Adjustments	**5.4**	**3.6**	**55.5**	**6.3**
Normalized EBITDA	**47.9**	**65.2**	**132.9**	**146.1**

The following table shows the reconciliation of Net Earnings (loss) - Continuing Operations to Normalized Net Earnings (Loss) – Continuing Operations.

	13-week period ended		39-week period ended	
(millions of Canadian dollars)	**Oct 27, 2012**	**Oct 29, 2011**	**Oct 27, 2012**	**Oct 29, 2011**
	$	**$**	**$**	**$**
Net Earnings (Loss) – Continuing Operations	(8.5)	(7.5)	(62.1)	(41.9)
Restructuring	3.8	2.5	38.8	8.3
Gain on sale Bay Halifax store	-	-	-	(5.3)
Write-down of deferred finance costs	5.5	-	5.5	-
Impact of tax rate change	-	-	(4.4)	-
Total Normalized Adjustments	**9.3**	**2.5**	**39.9**	**3.0**
Normalized Net Earnings (Loss) - Continuing Operations	**0.8**	**(5.0)**	**(22.2)**	**(38.9)**

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. For a reconciliation of net earnings (loss) to EBITDA, see the table above.

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 (Loss) – 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 (Loss) – Continuing Operations to provide investors with supplemental measures of our operating performance. We believe Normalized EBITDA and Normalized Net Earnings (Loss) – Continuing Operations are important supplemental measures of operating performance because they eliminate items that have less bearing on our operating performance and thus highlights 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 (Loss) – 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 capital share. Because other companies may calculate EBITDA, Normalized EBITDA, or Normalized Net Earnings (Loss) – Continuing Operations differently than we do, these metrics are not comparable to similarly titled measures reported by other companies.

Supplemental Information — Discontinued Operations

The following table sets forth the major components of the Company’s earnings (loss) from discontinued operations for the periods indicated:

	13-week period ended				**39-week period ended**			
(millions of Canadian dollars)	**Oct 27, 2012**		**Oct 29, 2011**		**Oct 27, 2012**		**Oct 29, 2011**	
	$	%	$	%	$	%	$	%
Retail sales	540.3	100.0%	758.5	100.0%	1,837.1	100.0%	2,265.1	100.0%
Cost of sales	(442.8)	−82.0%	(490.1)	−64.6%	(1,349.0)	-73.4%	(1,493.5)	-65.9%
Selling, general & administrative expenses	(182.6)	-33.8%	(261.3)	-34.4%	(807.0)	-43.9%	(747.0)	-33.0%
Operating income (loss)	(85.1)	-15.8%	7.1	1.0%	(318.9)	-17.3%	24.6	1.1%
Finance income	0.8	0.2%	0.2	0.0%	0.6	0.0%	0.6	0.0%
Earnings (loss) before income taxes (“EBT”)	(84.3)	-15.6%	7.3	1.0%	(318.3)	-17.3%	25.2	1.1%
Income tax (expense) benefit	31.5	5.8%	(44.1)	-5.8%	105.5	5.7%	(14.3)	-0.6%
Net earnings (loss) from discontinued operations, net of taxes	(52.8)		(36.8)		(212.8)		10.9	
Sales of leasehold interests, net of taxes	59.3		1,284.2		125.1		1,284.2	
Net earnings (loss) for the period-discontinued operations, net of taxes	6.5		1,247.4		(87.7)		1,295.1	

Results from Operations

Thirteen Week Period Ended October 27, 2012 Compared to the Thirteen Week Period Ended October 29, 2011

Retail Sales

Retail sales increased by $33.7 million, or 3.8%, from $896.7 million for the 13 week period ended October 29, 2011 to $930.4 million for the 13 week period ended October 27, 2012. Over the same period, consolidated same store sales increased by 3.5%, with an increase of 4.5% at Hudson’s Bay and 5.2% (U.S. dollars) at Lord & Taylor. This improvement in same store sales was primarily driven by stronger storewide promotional events including “Bay Days” at Hudson’s Bay and “Friends and Family” at Lord & Taylor. These events drove same store sales increases at Hudson’s Bay and Lord & Taylor for the 4 weeks ended October 27, 2012 of 8.1% at Hudson’s Bay and 8.7% (U.S. dollars) at Lord & Taylor. Consolidated same store sales were negatively impacted by 0.4% due to the foreign currency translation of Lord & Taylor results and by lower sales at Home Outfitters, partially offset by the impact of two new Lord & Taylor stores in Ridge Hill, NY and Rockingham, New Hampshire which opened in the first quarter of Fiscal 2012.

Retail sales increased in all regions in which the Company operates in Canada and the United States, with the exception of Atlantic Canada, which was impacted by the closure of the Moncton Hudson’s Bay store in 2012 and the Halifax Hudson's Bay store in 2011. Retail sales growth for the 13 week period ended October 27, 2012 was driven by continued strength in men's apparel, handbags, Topshop branded apparel, intimate apparel, and cosmetics and fragrances. This strength was partially offset by unfavourable performance from major home fashion. Sales from the Company's Omni-channel initiative grew 55.3%, from $20.8 million for the 13 week period ended October 29, 2011 to $32.3 million for the 13 week period ended October 27, 2012, excluding in-store returns.

Gross Profit

Gross profit was $362.7 million or 39.0% of retail sales for the 13 week period ended October 27, 2012, compared to $370.7 million or 41.3% of retail sales for the 13 week period ended October 29, 2011. The decrease in gross profit rate was due to an unfavourable inventory shortage and markdowns on seasonal merchandise sales, partially offset by retail sales growth. The higher than expected inventory shortage negatively impacted gross profit by approximately $9.3 million or 1.0% of retail sales for the period. We have revisited our inventory control processes and have taken actions to ensure that this will not be an ongoing issue. As a result of of seasonal markdowns, we were able to reduce excess inventory related to spring 2012 merchandise, which resulted in appropriate inventory levels at the end of the quarter.

Selling, General and Administrative Expenses

SG&A was $351.7 million or 37.8% of retail sales in the 13 week period ended October 27, 2012, compared to $343.4 million or 38.3% of retail sales in the 13 week period ended October 29, 2011, an increase of $8.3 million. The SG&A rate as a percentage of retail sales decreased by 0.5% in the 13 week period ended October 27, 2012 compared to the same period in the prior year. This decrease is a result of improvements in both store payroll, and marketing leverage, and was partially offset by a lower return from credit operations related to the change in terms of the HBC credit card program at the beginning of Fiscal 2012.

EBITDA and Normalized EBITDA

EBITDA was $42.5 million in the 13 week period ended October 27, 2012 compared to $61.6 million in the 13 week period ended October 29, 2011, a decrease of $19.1 million. Normalized EBITDA was $47.9 million in the 13 week period ended October 27, 2012 compared to $65.2 million in the 13 week period ended October 29, 2011, a decrease of $17.3 million. Higher sales were offset by the decline in gross profit rate, reduced return from credit operations and higher SG&A to support store sales. The decline in EBITDA is principally due to a higher inventory shortage, seasonal clearance markdowns and the change in the HBC credit card program terms.

Finance Costs

Finance costs for the 13 week period ended October 27, 2012 were $32.7 million compared with $37.9 million for the 13 week period ended October 29, 2011, representing a decrease of $5.2 million or 13.7%. As a component of these costs, ongoing cash interest expense for the 13 week period ended October 27, 2012 was $21.4 million representing a decrease of $6.1 million or 22.2% compared to the prior year. Finance costs for the 13 week period ended October 27, 2012 included a charge of $9.4 million related to the early repayment of a portion of the L&T Term Loan of which $7.8 million represents non-cash deferred financing costs.

Income Tax Benefit

Income tax benefit was $13.2 million for the 13 week period ended October 27, 2012 compared to $3.1 million for the 13 week period ended October 29, 2011 due primarily to a higher loss before income taxes and in the prior year, L&T earnings were not subject to tax at the partnership level.

Net Earnings (Loss) — Continuing Operations

The Company's Continuing Operations had a net loss of $8.5 million in the 13 week period ended October 27, 2012 compared to a net loss of $7.5 million in the 13 week period ended October 29, 2011, an increased loss of $1.0 million. The increase was due to decreased finance costs and increased income tax benefit partially offset by lower operating income.

Normalized Net Earnings (Loss) – Continuing Operations were $0.8 million for the 13 week period ended October 27, 2012 compared to a ($5.0 million) Normalized Net Earnings (Loss) – Continuing Operations for the 13 week period ended October 29, 2011, a $5.8 million improvement.

Net Earnings (Loss) — Discontinued Operations

The Company's Discontinued Operations had net earnings of $6.5 million for the 13 week period ended October 27, 2012 compared to net earnings of $1,247.4 million for the 13 week period ended October 29, 2011. The decrease in net earnings was primarily due to the sale of leasehold interests in 2011, and was partially offset by reduced sales and margin at those Zellers and Fields stores that were being liquidated and closed.

Thirty-Nine Week Period Ended October 27, 2012 Compared to the Thirty-Nine Week Period Ended October 29, 2011

Retail Sales

Retail sales increased by $140.5 million, or 5.5% from $2,550.0 million for the 39 week period ended October 29, 2011 to $2,690.5 million for the 39 week period ended October 27, 2012. Over the same period, consolidated same store sales increased 4.9%, with an increase of 5.0% at Hudson's Bay and 4.6% (U.S. dollars) at Lord & Taylor. Positive foreign exchange rate movements increased consolidated same store sales by 0.7%. In addition, Lord & Taylor opened two new stores in Ridge Hill, New York and Rockingham, New Hampshire, during the first quarter of 2012, which increased total sales.

Retail sales increased in all markets in which the Company operates in Canada and the United States, with the exception of Atlantic Canada. This market was impacted by the closure of the Halifax Hudson's Bay store in 2011 and the Moncton Hudson's Bay store in 2012. Retail sales growth was driven by ladies and men's apparel, ladies shoes and handbags, specialty Topshop branded apparel, and cosmetics and fragrances. This sales growth was partially offset by a decline in major home fashion due to the reallocation of selling space from this department to apparel and shoes. In addition, sales from our Omni-channel initiative grew 67.7%, from $46.9 million for the 39 week period ended October 29, 2011 to $78.6 million for the 39 week period ended October 27, 2012, excluding in-store returns.

Gross Profit

Gross profit was $1,068.4 million or 39.7% of retail sales for the 39 week period ended October 27, 2012, compared to $1,039.8 million or 40.8% of retail sales for the 39 week period ended October 29, 2011. Gross profit increased by $28.6 million due to sales growth. This was partially offset by a 1.1% decrease in our gross profit rate in the 39 week period ended October 27, 2012 as compared to the prior year period. This increase was primarily due to both increased promotional activities in key high growth areas and unfavourable inventory shortage results. The higher than expected inventory shortage impacted gross profit by $13.3 million or 0.5% of retail sales approximately for the 39 week period. The increase in seasonal markdowns focused on maintaining appropriate inventory levels in key categories, and enhanced the sales productivity of our major seasonal marketing events. These efforts resulted in a period ending October 27, 2012 inventory level approximately 1.8% higher than 2011 levels.

Selling, General and Administrative Expenses

SG&A was $1,081.7 million or 40.2% of retail sales in the 39 week period ended October 27, 2012 compared to $984.4 million or 38.6% of retail sales in the 39 week period ended October 29, 2011, an increase of $97.3 million, or 9.9%. The SG&A as a percentage of retail sales increased by 1.6% in the 39 week period ended October 27, 2012 compared to the same period in the prior year. This increase arose largely as a result of $55.5 million of restructuring costs incurred in 2012 which are not considered part of day to day operations as discussed below, as well as both higher costs to support the Omni-channel initiative and a lower return from credit operations.

The increase in SG&A for the 39 week period ended October 27, 2012 was due to increased store payroll and benefits to support increased sales, decreased return from credit operations of $12.4 million due to new program terms, incremental costs of $7.4 million associated with the investment in our Omni-channel platform, corporate reorganization charges primarily due to costs associated with closing distribution centres and a gain recorded in 2011 associated with the sale of the Halifax Hudson's Bay store. The cost increases were partially offset by reductions in shared service costs. Adjusting the SG&A for the period by the $55.5 million in costs associated with restructuring and Offering costs, SG&A as a percentage of retail sales would improve 2.1% to 38.1% in 2012 and would be 0.2% better than the prior period.

EBITDA and Normalized EBITDA

EBITDA was $77.4 million in the 39 week period ended October 27, 2012 compared to $139.8 million in the 39 week period ended October 29, 2011, a decrease of $62.4 million or 44.6%. Normalized EBITDA was $132.9 million in the 39 week period ended October 27, 2012 compared to $146.1 million in the 39 week period ended October 29, 2011, a decrease of $13.2 million or 9.0%. The decrease in Normalized EBITDA was primarily the result of both a lower return from credit operations and higher expenses as described above.

Finance Costs

Finance costs for the 39 week period ended October 27, 2012 were $84.1 million compared with $114.4 million for the 39 week period ended October 29, 2011, representing a decrease of $30.3 million or 26.5%. As a component of these costs, ongoing cash interest expense for the 39 week period ended October 27, 2012 was $66.2 million representing a decrease of $25.7 million or 28.0% compared to the prior year. This decrease was driven by our ability to reduce average outstanding loans and borrowings. These reductions were facilitated by the use of proceeds resulting from the sale of discontinued operations, cash flow from continuing operations and multiple re-financings which lowered our overall cost of debt. Finance costs for the 39 week period ended October 27, 2012 included a charge of $11.7 million related to the early repayment of a portion of the L&T Term Loan of which $7.8 million represents non-cash deferred financing costs.

Income Tax Benefit

The income tax benefit for the 39 week period ended October 27, 2012 was $35.3 million compared to a benefit of $17.1 million for the 39 week period ended October 29, 2011. This increase was primarily a result of a higher loss before income taxes in the period. In addition, a change in statutory tax rates for future periods resulted in a $4.4 million benefit in the period as the value of timing differences and tax loss carry forwards increased. In addition, L&T ceased to be a flow through entity for U.S. federal income tax purposes in the fourth quarter of 2011. We estimate our normalized effective blended tax rate will be approximately 31.5% for 2012.

Net Earnings (Loss) — Continuing Operations

The Company's Continuing Operations had a net loss of $62.1 million in the 39 week period ended October 27, 2012 compared to a net loss of $41.9 million in the 39 week period ended October 29, 2011, an increased loss of $20.2 million. The increase was due to lower operating income, and was partially offset by both a higher income tax benefit and decreased finance costs.

Normalized Net Earnings (Loss) – Continuing Operations for the 39 week period ended October 27, 2012 was ($22.2 million) compared to a Normalized Net Earnings (Loss) – Continuing Operations of ($38.9 million) for the 39 week period ended October 29, 2012 an improvement of $16.7 million.

Net Earnings (Loss) — Discontinued Operations

The Company's Discontinued Operations had a loss of $87.7 million for the 39 week period ended October 27, 2012 compared to net earnings of $1,295.1 million for the 39 week period ended October 29, 2011. The decrease in net earnings was primarily due to lower earnings recognized related to the sale of leasehold interests and the reduced sales and margin at those Zellers and Fields stores that were liquidated or closed during the year. This decrease was partially offset by an income tax benefit in the period. The results are in line with management's expectations. The Company provided for certain one-time expenses associated with the closure and wind-down of the Fields operations and most of the Zellers operations in the first quarter of 2012. Management has provided for known one-time expenses associated with the closure and wind-down of Fields and most of the Zellers operations as at October 27, 2012.

Hurricane Sandy Update

During the week of October 28, 2012 in the fourth quarter of Fiscal 2012, Hurricane Sandy swept across a large tract of the U.S. northeast. While none of our stores suffered any material 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 anywhere between one to seven days. Other stores had limited operating hours. The effects of Hurricane Sandy may negatively impact fourth quarter sales by approximately U.S. $20 million and result in moderately higher inventory levels at Lord & Taylor. We are currently taking action to ensure our inventory is at appropriate levels by the end of Fiscal 2012. All stores affected by Hurricane Sandy have resumed normal operations.

Because of this disruption to our operations we are providing November's same store sales information. For the month of November, our consolidated same store sales were flat. This was driven by positive comparable sales results at Hudson's Bay of 9.0% and negative 12.4% comparable (U.S. dollars) sales results at Lord & Taylor. Adjusting for the U.S. $20 million impact of Sandy, same store sales at Lord & Taylor would have increased 3.7% (U.S. dollars), and consolidated same store sales would have increased 5.7%. Both banners experienced uplift in sales performance as a result of promotional activity during Black Friday sales at the end of the month.

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:

	39-week period ended	
$ in millions	**Oct 27, 2012**	**Oct 29, 2011**
	$	$
Operating activities – continuing operations	(139.7)	(284.4)
Investing activities – continuing operations	(136.0)	(138.0)
Financing activities – continuing operations	113.5	(1,135.1)
(Decrease) Increase in cash from continued operations	(162.2)	(1,557.5)
(Decrease) Increase in cash from discontinued operations	157.7	1,764.1
Foreign exchange gains (losses) on cash	-	0.1
Cash beginning of period	42.4	57.2
Cash end of period	37.9	263.9

Net Cash Inflow (Outflow) Operating Activities

Cash flows from continuing operating activities for the 39 week period ended October 27, 2012 were a use of $139.7 million compared to a use of $284.4 million for the 39 week period ended October 29, 2011, a decrease of $144.7 million. Inventory from continuing operations increased from $1,233.0 million to $1,255.1 million, a 1.8% year over year increase.

Net Cash Inflow (Outflow) Investing Activities

Cash flows used in investing activities relating to continuing operations decreased from a use of $138.0 million for the 39 week period ended October 29, 2011 to a use of $136.0 million for the 39 week period ended October 27, 2012, a decrease of $2.0 million. For the 39 week period ended October 29, 2011, proceeds from the sale of discontinued operations was $1,832.4 million.

Capital Expenditures

Capital expenditures for continuing operations were $137.5 million for the 39 week period ended October 27, 2012, compared to capital expenditures for continuing operations of $147.8 million for the 39 week period ended October 29, 2011.

In Fiscal 2012, we anticipate capital expenditures to increase in the range of 11.4% to 17.4% from Fiscal 2011 to approximately $185.0 to $195.0 million. This increased investment is primarily related to the major renovation of our Vancouver flagship store, which includes a Topshop, expansion of our Toronto Queen Street Topshop, continued renovation of our Yorkdale store, continued expansion of our Omni-channel capabilities, and renovations of various Lord & Taylor stores, including our locations at Bala Cynwyd, Oak Brook, and Boston. We expect total depreciation and amortization expense to be between $100.0 and $105.0 for 2012.

Net Cash Flow Inflow (Outflow) Financing Activities

Cash flows from financing activities relating to continuing operations increased from a use of $1,135.1 million for the 39 week period ended October 29, 2011 to a source of $113.5 million for the 39 week period ended October 27, 2012, a difference of $1,248.6 million. For the 39 week period ended October 29, 2011, the Company distributed $429.9 million to shareholders as dividends or return of capital and made repayments of debt totaling $701.7 million. For the 39 week period ended October 27, 2012, L&T entered into a floating rate mortgage loan and prepaid a portion of the L&T Term Loan with the net proceeds. Net drawing from the revolving credit facilities for the 39 week period ended October 27, 2012 was $224.3 million. For the 39 week period ended October 27, 2012 we paid dividends in the amount of $89.8 million.

HBC has decided to pay a dividend earlier than expected. On December 10, 2012 HBC's Board of Directors declared a dividend of $0.09375 per share, payable on December 27, 2012 to shareholders of record as of December 19, 2012. All dividends (and deemed dividends) paid by HBC, unless otherwise indicated, are designated as "eligible dividends" for purposes of the enhanced dividend tax credit rules contained in the *Income Tax Act* (Canada) and any applicable corresponding provincial or territorial provisions.

Cash Balances and Liquidity

Our primary needs for cash are to fund operations, to fund capital expenditures in connection with our renovation and remodeling programs, and to fund seasonal inventory purchases and other working capital requirements. Working capital requirements are at their highest in the latter half of the fiscal year as inventory builds through the Fall, peaking during the November and 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 L&T revolving credit facilities, and mortgage-backed real estate financing. Other potential sources of funding include mortgaging unencumbered real estate or entering into the sale and leaseback of real estate properties, or selling real estate. 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 complementary 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 share.

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

As of October 27, 2012, HBC owed $325.0 million under the HBC Revolving Credit Facility. Total availability under the HBC Revolving Credit Facility is $1,100.0 million. HBC is in compliance with all covenants contained in the HBC Revolving Credit Facility.

The HBC Revolving Credit Facility is subject to a borrowing base, based predominantly on eligible inventory, eligible credit card receivables and certain eligible equipment of HBC and certain of its subsidiaries (excluding L&T and its subsidiaries). The HBC Revolving Credit Facility is available to finance working capital requirements and capital expenditures, or other general corporate purposes and to make certain restricted payments, investments and repayments of indebtedness. The interest rate of the drawn portion of the HBC Revolving Credit Facility is CDOR plus 1.5% to 2.0% based upon the availability schedule. The facility can also be funded with different indices at different spreads including US index rate, LIBOR and the Canadian prime rate. 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 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 L & T and its subsidiaries).

New HBC Term Loan

On November 26, 2012, HBC entered into a $250.0 million senior non-revolving term loan facility (the "New 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 term loan facility with GE Capital Canada Finance Inc. and certain others.

Interest is charged on the New 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 L&T and its subsidiaries). There are no scheduled principal repayments prior to maturity although there will be certain mandatory repayments in specified circumstances.

The New 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 New HBC Term Loan.

L&T Revolving Credit Facility

As of October 27, 2012, L&T owed U.S. $179.3 million under the L&T Revolving Credit Facility. The L&T Revolving Credit Facility provides a U.S. $350 million revolving line of credit through September 30, 2016. L&T is in compliance with all covenants contained in the L&T Revolving Credit Facility.

The L&T revolving line of credit is subject to a borrowing base, based predominantly on eligible inventory, eligible credit card receivables and certain eligible equipment of L&T and its subsidiaries. The L&T 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 interest rate of the drawn portion of the L&T Revolving Credit Facility is LIBOR, plus 2.0% to 2.5% based upon the availability schedule.

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

L&T Term Loan

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

Interest is charged on the L&T 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 L&T Term Loan at January 28, 2012 was 5.75%. The average rate for Fiscal 2011 was 5.75%.

The L&T Term Loan is repayable in installments of U.S. $1.1 million payable at the end of each April, July, October and January from April 30, 2012 to October 31, 2018. In addition to the quarterly amortization schedule outlined in the preceding sentence, L&T 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 L&T at the fiscal year-end, to reduce the outstanding balance of the L&T Term Loan. L&T is also required to match any dividends paid with an equal pay down of the L&T Term Loan. The remaining amount outstanding will be repaid on the maturity date. Except with respect to a repricing event, L&T has the ability to prepay the L&T Term Loan at any time without penalty after year one. Any prepayments are applied to reduce the then remaining scheduled installments. In September 2012, L&T prepaid approximately U.S. $242.5 million of the L&T Term Loan with the net proceeds from the 5th Avenue L&T Mortgage.

The L&T 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 L&T. The L&T Term Loan contains customary representations and warranties, positive and negative covenants, reporting requirements and events of default. L&T is in compliance with all covenants contained in the L&T Term Loan.

5th Avenue L&T Mortgage

On September 7, 2012, L&T entered into a U.S. $250.0 million syndicated floating rate senior mortgage loan (the "5th Avenue L&T Mortgage") with an affiliate of CIBC World Markets Inc., as Administrative Agent of the syndicate of lenders, which matures on September 10, 2017. L&T utilized the net proceeds of this loan, approximately U.S. $242.5 million, to reduce the balance of the L&T Term Loan.

Interest is charged on the 5th Avenue L&T 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 5th Avenue L&T Mortgage at 3.85%.

The 5th Avenue L&T 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%. L&T has the ability to prepay the 5th Avenue L&T 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 5th Avenue L&T Mortgage contains representations and warranties, positive and negative covenants, reporting requirements and events of default. L&T is in compliance with all covenants contained in the 5th Avenue L&T Mortgage. As security for the 5th Avenue L&T Mortgage the Company granted a first priority mortgage in the 5th Avenue L&T property.

Consolidated Capitalization

The following table sets forth the consolidated capitalization of the Company before and after giving effect to the Offering and entering in to the New HBC Term Loan.

(millions of Canadian dollars)	Interest Rate as at October 27, 2012 (1)	As at October 27, 2012	As adjusted for the Offering and entering into the New HBC Term Loan
		$	$
Cash		37.9	37.9
Short-term Debt			
HBC Revolving Credit Facility(2)	CDOR + 1.50%-2.00%	325.0	289.7
L&T Revolving Credit Facility	LIBOR + 2.00%-2.50%	179.3	179.3
Total Short-term Debt:		504.3	469.0
Long-term Debt			
Existing HBC Term Loan(3)	9.25%(4)	443.8	-
New HBC Term Loan(5)	3.47%(6)	-	250.0
L&T Term Loan	5.75%(7)	204.9	204.9
5th Avenue L&T Mortgage	3.85%(8)	249.5	249.5
Mortgages, finance leases and other	various	40.7	40.7
Total Long-term Debt:		938.9	745.1
Gross Debt:		1,443.2	1,214.1
Less unamortized costs		(30.6)	(29.9)
Loans and Borrowings (including current portion)		1,412.6	1,184.2
Shareholder Equity			
Voting common shares (authorized – unlimited)		-	235.0
Non-voting common shares		1.2	-
Class A preferred shares		1.0	-
Retained earnings		698.5	698.5
Contributed Surplus		37.8	37.8
Accumulated other comprehensive (loss)		(46.2)	(46.2)
Total Shareholder Equity:		**692.3**	**925.1**
Total Capitalization		**2,104.9**	**2,109.3**

Notes:

(1) All-in rate includes other fees and fixed interest unless otherwise noted.

(2) Remainder of New HBC Term Loan and Offering Proceeds are used to pay down HBC Revolving Credit Facility.

(3) Proceeds from Offering and New HBC Term Loan (net proceeds after transaction fees estimated to be $3.8 million) used to repay loan.

(4) Actual Rate is BA + 6.75% with a 1.5% BA floor plus 1.0% administrative fee.

(5) Closed on November 26th, 2012 (does not include transaction fees).

(6) Actual Rate is BA + 2.25%.

(7) Actual Rate is LIBOR + 4.50% with a 1.25% LIBOR floor.

(8) Actual Rate is LIBOR + 3.00%. The Company entered into a swap for the duration of the loan to fix the rate at 3.85%.

Contractual Obligations

As at October 27, 2012, the Company had increased its drawings on both the HBC Revolving Credit Facility and the L&T Revolving Credit Facility to $325.0 million and $179.3 million, respectively.

On September 7, 2012, L&T entered into the 5th Avenue L&T Mortgage. The Company used the proceeds of the 5th Avenue L&T Mortgage to repay U.S. $242.5 million of the L&T Term Loan. Repayments in respect of the 5th Avenue L&T Mortgage will commence in November 2015.

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

In the period up to December 10, 2012, there were no other material changes to the Company's contractual obligations other than the reduction of certain Zellers lease obligations as a result of agreements reached with landlords.

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 $16.3 million as at October 27, 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 to mitigate 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 prepaid expenses or other accounts payable and accrued liabilities, depending on their fair value. Once the inventory is recognized, the Company has elected to reclassify the related accumulated other comprehensive income amount to merchandise inventories. Subsequent changes in the fair value of the forward foreign exchange contracts are recorded in net earnings.

Financial derivative 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 caps, 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 39 week period ended October 27, 2012, 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 January 28, 2012.

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, L&T 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 HBCL, 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 $0.7 million and $1.4 million (2011: $1.5 million and $3.8 million), respectively for the thirteen and thirty-nine weeks ended October 27, 2012.

The Company and HBTC entered into an 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 were $0.5 million and $1.5 million (2011: $0.7 million and $2.5 million), respectively for the thirteen and thirty-nine weeks ended October 27, 2012.

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 $1.3 million and $3.3 million (2011: $1.0 million and $2.9 million), respectively for the thirteen and thirty-nine weeks ended October 27, 2012.

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

As at October 27, 2012 nil (January 28, 2012: $0.8 million; October 29, 2011: $0.8 million) has been included in other current assets for fees paid or incurred under the Reimbursement Agreement, Management Agreement and Property Agreements.

In October 2012, the Company received payment from TNRI to settle receivables for advances resulting in a receivables balance at October 27, 2012 of nil (January 28, 2012: $3.2 million; October 29, 2011: $3.2 million).

As at October 27, 2012, receivables include nil (January 28, 2012: $1.3 million; October 29, 2011: $1.1 million) primarily for income tax payments made on behalf of Maple Leaf Heritage Investments ULC, an unlimited liability corporation under common control.

On May 6, 2011, L&T'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. Amounts charged to the Company under the rental arrangement for the thirteen and thirty-nine weeks ended October 27, 2012 were $0.1 million and $0.3 million (2011: $0.1 million and $0.1 million), respectively. The Landlord is an affiliate of NRDC. Richard Baker and Robert Baker, the principals of NRDC, are also members of L&T B.

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 our recently filed Supplemented PREP Prospectus of the Company and in Note 2 to the October 27, 2012 unaudited interim condensed 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 the 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:

- Inventories
- Loyalty program
- Impairment of property, plant and equipment and intangible assets
- Income taxes
- Post-employment benefits

For a complete description of these critical accounting policies, please refer to the Supplemented PREP Prospectus of the Company filed on SEDAR at www.sedar.com.

Future Expected Changes in Accounting Policies

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 Company is currently assessing the impact of the amendment on its financial statement disclosures.

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 is assessing the impact of IFRS 10 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 is assessing the impact of IFRS 12 on its 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 is assessing the potential impact of the new standard.

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, related to Defined Benefit Plans. The amendments eliminate the existing option to defer actuarial gains and losses (known as the corridor approach); 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 is assessing the potential impact of these amendments.

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. The Company is not aware of any significant changes to the Company’s risk factors from those disclosed at that time.

Quarterly Common Share Trading Information

The Company’s common shares trade on the Toronto Stock Exchange under the symbol “HBC” and began trading on November 20, 2012. As at December 10, 2012, the Company had 120.0 million common shares issued and outstanding. 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.