



Agreement to merge HBC Europe

September 11, 2018

Forward Looking Information

Forward-Looking Information

This presentation contains information about Hudson's Bay Company, including its direct and indirect subsidiaries (collectively, "HBC" or the "Company") and should be read in conjunction with the Company's public filings available at www.sedar.com and at www.hbc.com.

Certain statements made in this presentation are forward-looking statements within the meaning of applicable securities laws, including, but not limited to, statements with respect to: the strategic partnership with SIGNA Retail Holdings ("SIGNA"), including the combination of HBC Europe's retail operations with SIGNA's retail operations, the proposed real estate joint venture, the transfer of a 50% interest in 41 German properties currently held by HBS Global Properties, the transfer of a 50% interest in 18 additional wholly-owned German properties; the expectation that the transactions will further strengthen HBC's European retail and real estate operations, unlock real estate value, create value for shareholders, improve balance sheet and improve performance; the expectation that net proceeds from the proposed transactions will provide additional liquidity and repay debt; the anticipated performance of the combined retail operating company; the anticipated completion of the proposed transactions; and other statements that are not material facts. Often but not always, forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Although HBC believes that the forward-looking statements in this presentation are based on information and assumptions that are current, reasonable and complete, these statements are by their nature subject to a number of factors that could cause actual results to differ materially from management's expectations and plans as set forth in such forward-looking statements, including, without limitation, the following factors, many of which are beyond HBC's control and the effects of which can be difficult to predict: (a) the failure to obtain or satisfy, in a timely manner or otherwise, required regulatory approvals and other conditions of closing necessary to complete the proposed transactions; (b) the failure to obtain or satisfy, in a timely manner or otherwise, conditions of closing necessary to complete the sale of the proposed transactions on the contemplated timelines; (c) the possibility that the anticipated benefits from the strategic partnership cannot be realized in a timely manner or otherwise; (d) the ability of combined retail operating company to retain and attract key Kaufhof or Karstadt personnel and for Kaufhof or Karstadt to maintain relationships with customers, suppliers and other business partners; (e) credit, market, currency, operational, real estate, liquidity and funding risks generally, including changes in economic conditions, interest rates or tax rates; (f) risks and uncertainties relating to information management, technology, supply chain, product safety, changes in law, competition, seasonality, commodity price and business and (g) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

HBC cautions that the foregoing list of important factors and assumptions is not exhaustive and other factors could also adversely affect its results. For more information on the risks, uncertainties and assumptions that could cause HBC's actual results to differ from current expectations, please refer to the "Risk Factors" section of HBC's Annual Information Form dated May 4, 2018, as well as HBC's other public filings, available at www.sedar.com and at www.hbc.com.

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Pro Forma The pro forma information set forth in this presentation should not be considered to be what the actual financial position or other results of operations would have necessarily been had, the proposed transactions described in this presentation been completed, respectively, as, at or for the periods stated.

Transaction highlights

Drives shareholder value by strengthening European retail operations and unlocking value of real estate assets

Merges two iconic German retail businesses with combined revenue in excess of €5bn

HBC to own 49.99% of stronger, well-capitalized operator positioned for improved profitability

50-50 real estate joint venture values German real estate assets at €3.25bn (C\$4.88bn) vs. total Galeria Kaufhof purchase price of €2.51bn (C\$3.78bn) in 2015¹

Net proceeds to HBC of €411MM (C\$616MM)²

Net proceeds from transactions and implied value of HBC's remaining interest in German real estate assets equal to \$8.71 per share

¹ See September 30, 2015 presentation HBC Closes Acquisition of Galeria Kaufhof available at <http://investor.hbc.com/events>; ² Excluding transaction fees and related expenses

Transaction overview and structure

	1	2	3
Transaction	<p>Retail Joint Venture</p> <p>Joint Venture of HBC Europe and SIGNA's Karstadt to combine two iconic retail businesses</p>	<p>Sale of equity in 41 properties</p> <p>SIGNA to acquire 50% interest in 41 German properties currently in HBS JV – 12% from HBC & 38% from HBC's partners</p>	<p>Wholly-owned portfolio sale</p> <p>Sale of 50% of 18 HBC owned German properties (not previously contributed to any JV) to SIGNA</p>
Proceeds to HBC¹	€100mm	€176mm of gross proceeds	€250mm
Implied valuation	N/A	€2,753 million, incl. €1,338 million of debt	€500mm
Pro forma ownership & governance	<p>49.99% HBC ownership 50.01% SIGNA ownership SIGNA to manage day-to-day operations</p>	<p>50% HBC ownership 50% SIGNA ownership Joint control</p>	<p>50% HBC ownership 50% SIGNA ownership Joint control</p>
Follow on components	HBC and SIGNA to each invest €100mm; Additional investment of €200mm from net proceeds of sale of 2 of 41 properties	Outright sale of 2 properties for €430mm; €230mm used for debt repayment; €200mm to be contributed to retail joint venture	Provides first public marker on asset value of these properties

Strengthens retail operations while validating European real estate value and generating significant cash proceeds for HBC

¹ Excluding transaction fees and related expenses

Transaction sources and uses¹

Transaction Sources & Uses			
Sources (€mm)		Uses (€mm)	
Sale of 12.4% of HBC's interest in 41 German properties	176	Cash to HBC	411
Sale of 50% of 18 HBC owned German properties ²	250	Taxes	15
<hr/>			
Proceeds to HBC for retail joint venture	100	Total cash contribution to retail joint venture	400
Cash contribution to retail joint venture by SIGNA	100	Paydown of HBS Europe real estate term loan	230
Sale of 2 of 41 properties ³	430		
Total Sources	€ 1,056	Total Uses	€ 1,056



¹ Excludes transaction fees and related expenses; ² Expected to close by end of Fiscal 2018; ³ Total proceeds to HBC and Signa, expected to close in 2019; ⁴ EUR:USD exchange rate of 1.15 ⁵

Creates stronger retailer positioned for sustained profitability

	HBC Europe	SIGNA Retail Group	Pro forma entity
Banners			
Stores	136 locations	79 locations 28 sports stores 71 restaurants	215 locations 28 sports stores 71 restaurants
Online Platforms	galeria-kaufhof.de inno.be	karstadt.de hood.de Karstadtsports.de	Multiple digital and online platforms
2017 Revenue	€2.9bn	€2.5bn	~€5.4bn

Well capitalized omnichannel retail group with significant synergies generating more than €5 Billion of annual sales across Germany, Belgium and the Netherlands

Reaffirms the value of HBC's European real estate assets

	41 German Properties	18 HBC owned German properties	
<i>€mm, except per share and property count</i>			
# of Properties	41	18	
Real Estate Valuation Implied by Transaction	€2,752	€500	Real estate value of €3.25bn exceeds the original purchase price of Galeria Kaufhof for €2.51bn in 2015
Equity Value Implied by Transaction	€1,414	€500	
Interest Sold by HBC	12.4%	50.0%	Total cash proceeds to HBC of €411 mm (CAD\$ 2.62 per share ¹)
Proceeds to HBC	€161 ²	€250	
HBC's Remaining Interest	50.0%	50.0%	Implied value of HBC's 50% interest in European real estate of €957 mm (CAD\$ 6.09 per share ¹)
Implied Value of HBC's Remaining Interest	€707	€250	

¹ Based on 235.6mm shares outstanding (assuming conversion of preferred shares) and EUR / CAD exchange ratio of 1.5 ; ² Net of €15 in taxes

SIGNA provides additional retail and real estate expertise

SIGNA REAL ESTATE



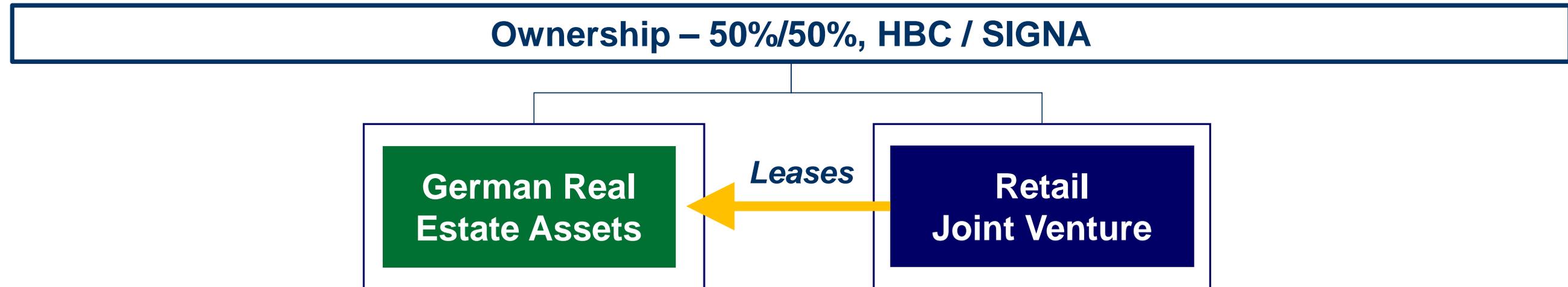
- SIGNA Group is a privately held industry holding company in the real estate and retail sectors, which is majority controlled by the Benko Family Foundation
- With real estate assets of over €12 billion and an additional development pipeline of approximately €8 billion, the company is one of the leading real estate investors in Europe

SIGNA RETAIL



- SIGNA Retail Group consists of five independent retail platforms: SIGNA Premium, SIGNA Sports United, SIGNA Department Store Group, SIGNA Home & Lifestyle and SIGNA Food & Restaurants
- In total, SIGNA Retail Group encompasses more than 300 stores and multiple online platforms across 20 countries

Partnership aligns European real estate and operations



Aligns economic interests for future value creating initiatives

HBC / SIGNA will operate with a focused strategy to pursue value-maximizing opportunities for the real estate investments

Transaction furthers HBC's long term strategy

HBC's long term strategy to maximize shareholder value



Enhance profitability of retail business

Stabilize earnings while enhancing profitability through operational improvements and strategic transactions, including industry consolidation

- **September 11, 2018: Announces strategic partnership for HBC Europe, merging iconic banners Galeria Kaufhof and Karstadt**
- **June 5, 2018: Announces streamlining of Lord & Taylor store portfolio**
- **June 5, 2018: Announces decision to divest Gilt and agreement to sell related assets**



Unlock value of real estate

Continue to unlock value of real estate through capital partnerships, redevelopment and enhancing the credit profile of retail tenants

- **September 11, 2018: Announces 50-50 joint venture for HBC's German real estate; generates net proceeds of \$616 million**
- **October 24, 2017: Agreement to sell Lord & Taylor 5th Avenue building for US\$850 million to an affiliate of WeWork Property Advisors**
- **October 24, 2017: Global relationship with WeWork to lease space within select stores**

Appendix

Pro forma summary of HBC real estate holdings



Saks 5TH Avenue - 611 5th Ave.

- ~655K Sq. Ft. of retail space
- Appraised at US\$3.7 billion for lenders in 2014⁽¹⁾
- Collateral for US\$1.25 billion 20 yr. ground mortgage
- Ongoing US\$250 million renovation plan



Lord & Taylor Flagship – 424 5th Ave

- Agreement to sell to an affiliate of WeWork Property Advisors for US\$850 million
- Expected to close in Q4 of Fiscal 2018
- Collateral for US\$400 million mortgage



RioCan Joint Venture – 88% HBC

- Canadian partnership with RioCan REIT
- 10 Hudson's Bay properties in prime locations
- 50% interest in two RioCan mall properties
- RioCan investment values assets at CAD\$2.1 billion
- ~\$105 million in annual rents
- \$791 million in borrowings



HBS Global Properties JV – 62% HBC

- Partnership with Simon Property Group
- 42 L&T and Saks properties in North America
- ~US\$117 million in annual rents
- US\$846 million in borrowings



18 German Properties – 50% HBC

- Joint venture with SIGNA values assets at €500mm
- Occupied by Galeria Kaufhof and other 3rd parties
- Some outstanding minority ownership interests
- Not used as collateral for any borrowings



39 German Properties – 50% HBC

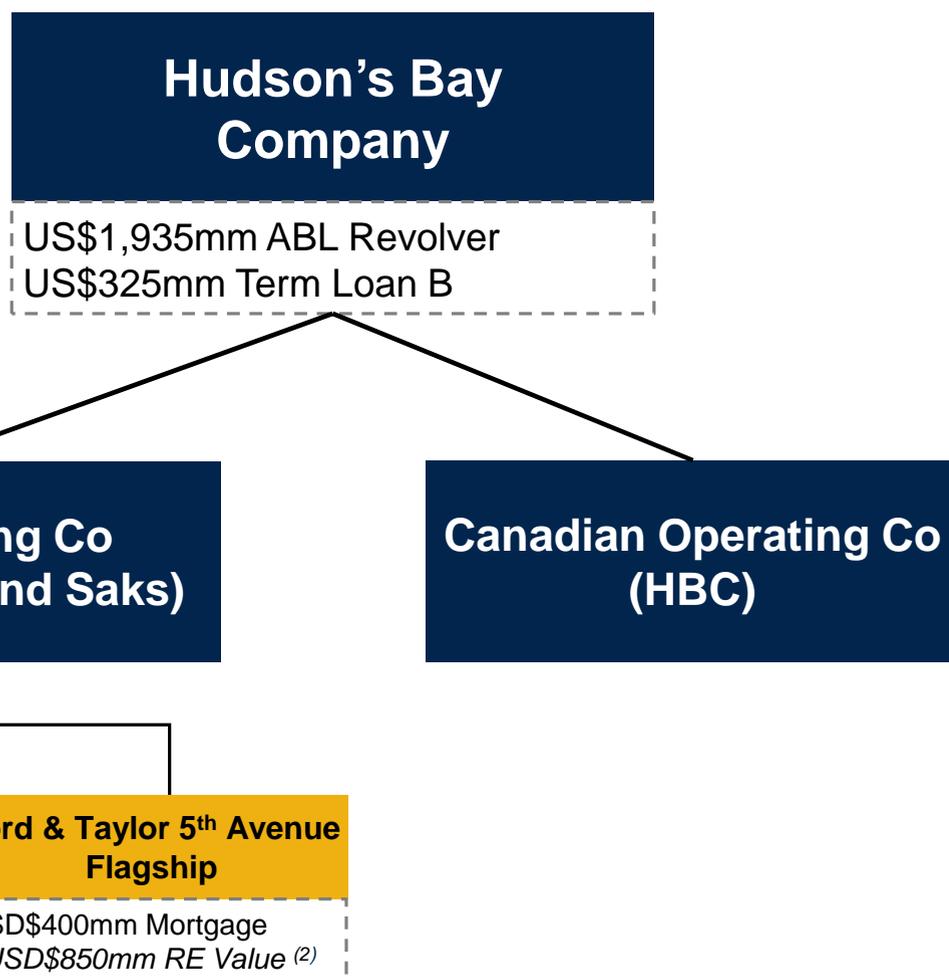
- Joint venture with SIGNA values assets at €2,323mm
- Occupied by Galeria Kaufhof and other 3rd parties
- ~€132 million in annual rents with
- European term loan of ~ €1.108 billion

¹ Based on independent appraisal obtained by lenders in conjunction with the mortgage on this property, assumes US \$250 million capital investment program is completed. ¹²

Pro Forma simplified organizational structure



Consolidated

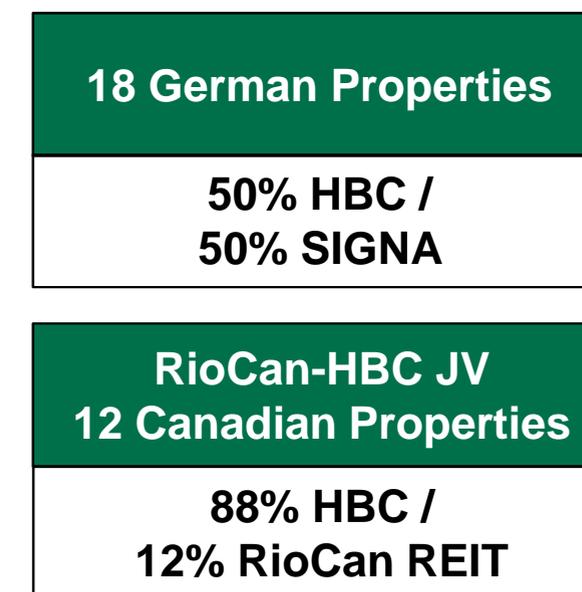
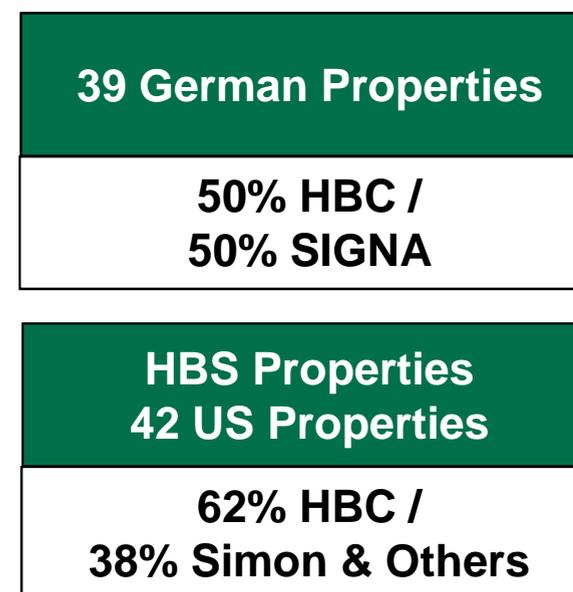


Not Consolidated

RETAIL



REAL ESTATE



¹ Based on independent 3rd party appraisal of the land and building obtained by lenders as of November 2014; ² Based on sale agreement with an affiliate of WeWork Property Advisors