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Land & Buildings Responds to Perplexing Comments from Hudson's Bay

- *Believes Stark Contrast in the Market's Reactions to HBC's Dilutive Share Issuance and the Reported Signa Offer is Telling –*

- *Land & Buildings Lays Out Clear Legal Rationale For Why Dilutive Share Issuance Should Be Voted on by Non-insider Shareholders –*

Stamford, CT, November 2, 2017 – Land & Buildings Investment Management, LLC (together with its affiliates, "Land & Buildings") issued the following statement responding to the November 2, 2017 press release from Hudson's Bay Company (TSX: HBC) ("Hudson's Bay", "HBC" or the "Company"):

"In regards to Hudson's Bay's comments today, many of which were highly perplexing, we would ask our fellow Hudson's Bay shareholders to consider the following points:

- **The market's reaction speaks for itself** – Since the announcement on October 24, 2017 of the Company's dilutive share issuance and accompanying transactions, HBC's share price declined by 4% prior to yesterday, likely in part to what appears to be inferior market terms of the convertible security, including paid in kind dividends, anti-dilution provisions, board representation, no premium conversion price and issuance at 35% of the Company's stated net asset value.

  Following news reports yesterday that Signa had made an offer to purchase Hudson's Bay's German business above what HBC paid for it, the share price rallied 9%. HBC's press release claims that the dilutive share issuance and accompanying transactions were in the "best interests of the Company and its stakeholders," while implying from its boilerplate response that the Signa offer is not. Investors are "stakeholders," and the market's reactions appear to disagree.

- **HBC's comments around the financing of the Signa offer are perplexing** – Hudson's Bay stated yesterday and again today that the Signa offer had "no evidence of financing". Signa reportedly would not need any third-party financing as its proposal included €1.7 billion in cash, with €1 billion already in hand and the additional $700 million already approved from European banks. Reportedly, Signa also offered to assume all of Kaufhof's outstanding debt.

  We are unclear what additional evidence HBC would expect at this stage regarding Signa's ability to finance the transaction – anything further would be unusual for an initial offer.

- **We are asking that the dilutive share issuance be publicly voted on by shareholders** – Land & Buildings believes a majority of the non-insider shareholders should have a chance to vote on the material and dilutive Rhône transaction, and should have the full information around the transaction in advance of voting, for several reasons:

  - <u>Conflicted shareholders</u> – It is clear that the shareholders who have purportedly approved the transaction have a special interest in the deal: these supporting shareholders have rights to representation on the Board and Rhône has agreed to support the Board's choice of future nominee directors.

  - <u>Conflicted directors</u> – L&T B (Cayman) Inc. (L&T) has *de facto* control of the Board. The HBC Board approved a transaction that was designed to require Rhône to continue to support L&T's control of HBC's Board.

- Entrenchment – The Board has engineered the Rhône transaction such that existing insider shareholders, who have the right to board representation amongst other things, have contractually agreed to support the transaction, which will act to entrench future nominees of the Board. The Board already has support agreements from insiders: L&T and Hanover Investments (Luxembourg) S.A. With the Rhône transaction, the Board has effectively disenfranchised all other shareholders.

- Common Share Prejudice – The Rhône transaction effectively transfers meaningful and practical control of the Company into a class of Preferred Shares that over time functionally outstrip Common Shareholders of their equity. A vote of Common Shareholders (without insider, or more particularly L&T, participation) is necessary to fairly assess whether this new investment is truly in the interests of Common Shareholders.

We look forward to Hudson's Bay addressing these points and questions in a clear and factual manner, and look forward to continuing to advocate for the rights of all HBC shareholders."

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