

Grupo Sanborns S.A.B. de C.V.
Earnings Report
2Q 2014

Mexico City, July 24, 2014 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the second quarter of 2014.

HIGHLIGHTS AND RELEVANT EVENTS

- **Total sales** grew 0.7% during the quarter and 0.1% for the first six months of the year.
- Sears increased 1.4% its total sales, while iShop/MixUp grew 2.0%.
- The credit portfolio reached \$9,083 MM Ps while **interest income** totaled \$701 MM Ps, 6.6% and 5.3% additional respectively, compared to the 2Q13.
- Two Sears, one Sanborns and one iShop store were opened, adding 45,914 sq meters to the retail area, compared to the 2Q13.

FINANCIAL SUMMARY (Million Pesos MM Ps)

Consolidated Results	2Q14	2Q13	Var%	6M14	6M13	Var%
Revenues	9,485	9,417	0.7%	18,509	18,490	0.1%
Gross Profit	3,787	3,851	-1.7%	7,431	7,460	-0.4%
Operating Income	944	1,097	-14.0%	1,783	2,062	-13.5%
Controlling Net Income	574	755	-24.0%	1,123	1,407	-20.2%
EBITDA	1,148	1,270	-9.6%	2,179	2,406	-9.4%
Gross Margin	39.9%	40.9%		40.2%	40.3%	
Operating Margin	10.0%	11.7%		9.6%	11.2%	
EBITDA Margin	12.1%	13.5%		11.8%	13.0%	

REVENUES

Grupo Sanborns' sales totaled \$9,485 during the second quarter of 2014, which represented \$68 million pesos more or a 0.7% increase. On a cumulative basis consolidated sales grew 0.1%.

Sears and iShop/MixUp contributed with an increase of 1.4% and 2.0% during the 2Q14 respectively, while Sanborns kept stable its total sales.

Special promotions were held for Mother's Day, Father's Day and the Soccer World Cup, which generated an increase in sales during the month of May and early June. However this performance failed to offset slower consumption in the rest of the period, which was reflected in comparable sales per format as follows:

-1.2% in Sears, -0.7% in Sanborns and -4.9% in iShop/MixUp.

Part of the reduction in SSS was also explained by the following reasons: i) the partial closure of stores being remodeled, where an accumulated effect of \$125 million pesos was recorded at the end of the 2Q14, which will be compensated once the stores are reopened and ii) a negative impact on sales due to the VAT increase in stores located at the border areas (Tijuana, Mexicali, Ciudad Juarez, Cancun and Playa del Carmen).



Revenues by Format

(MM Ps)	2Q14	2Q13	Var%	6M14	6M13	Var%
Sears	5,058	4,987	1.4%	9,502	9,393	1.2%
Sanborns	2,957	2,956	0.03%	5,886	6,020	-2.2%
iShop/Mixup	915	897	2.0%	1,992	1,966	1.3%
Other*	555	577	-3.8%	1,128	1,111	1.5%
Total	9,485	9,417	0.7%	18,509	18,490	0.1%

Same Store Sales (SSS)

SSS	2Q14	2Q13	6M14	6M13
Sears	-1.2%	1.9%	-1.6%	3.8%
Sanborns	-0.7%	0.9%	-3.3%	1.2%
iShop y Mixup	-4.9%	-10.3%	-4.9%	-0.6%

Credit Indicators	2Q14	2Q13	Var%
Loan Portfolio (MM Ps)	9,083	8,520	6.6%
Num. Credit cards issued (MM)	3.16	2.96	6.8%
Non-performing loans (%)	3.8%	2.5%	

Credit income continued improving, from \$665 MM Ps in the 2Q13 to \$701 MM pesos in the 2Q14, posting a 5.3% increase or \$36 million pesos more.

The number of Sears credit cards issued went up 6.8% reaching 3.16 million plastics at June-end 2014, compared with 2.96 million at the end of the same quarter of last year. This performance was maintained through advertising activities, loyalty programs and promotions.

The loan portfolio reached \$9,083 MM Ps in the 2Q14, being 6.6% higher than the portfolio of the previous year. The percentage of past-due loans of more than 90 days rose from 2.5% to 3.8%. It is important to note that the decline in this indicator reflects the situation in the credit market currently, since the granting policies of the Company have remained constant.

COGS AND SG&A

During the second quarter of the year, COGS increased one percentage point, affecting the gross margin, which fell from 40.9% to 39.9%. This was due to the sales mix, where a higher contribution of low-margin categories was observed, coupled with an increased promotional activity.

Operating expenses represented 30.6% of sales. This was due to the impact of wage increases, higher depreciation resulting from the opening of new stores, higher NPLs and an increase in the provision of advertising expenses.

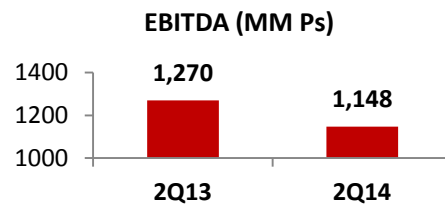
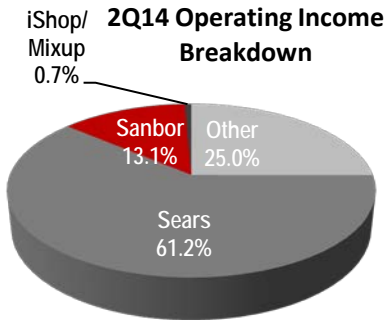




OPERATING INCOME AND EBITDA

Operating income for the period was \$944 MM Ps, representing a 14.0% reduction compared to the same period of 2013. Consequently, operating margin decreased 1.7 percentage points from 11.7% to 10.0% of sales.

Similarly, EBITDA for the quarter totaled \$1,148 MM Ps, or a 9.6% decrease compared to the 2Q13, while the EBITDA margin was 12.1%.



COMPREHENSIVE FINANCIAL RESULT

Financial Results	2Q14	2Q13	Var%	6M14	6M13	Var%
Interest Expenses	-27	-17	60.1%	-55	-58	-5.1%
Income (Loss) on derivatives net	0	0	0.0%	0	0	0.0%
Income (Loss) change in value of fin. instrum.	0	0	0.0%	0	0	0.0%
Interest Income	75	98	-23.3%	153	144	6.8%
Interest (net)	48	81	-40.8%	98	85	14.9%
ForEx Results	0.3	6	-95.2%	-2	6	NA
CFR	48	87	-44.3%	96	91	5.7%

NA= Not applicable

During the 2Q14 a positive comprehensive financial result (CFR) of \$48 MM Ps was recorded, which was lower than a positive CFR of \$87 MM Ps in the 2Q13. Interest income was lower by \$23 million pesos, which was due to a lesser amount of investments, a decline in lending interest rates and a lower ForEx gain.

NET INCOME

As a consequence of lower operating and financial results, controlling net income went down to \$574 MM Ps, compared to a controlling net income of \$755 MM Ps in the 2Q13.

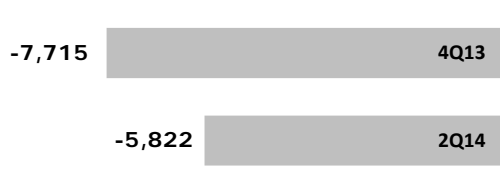




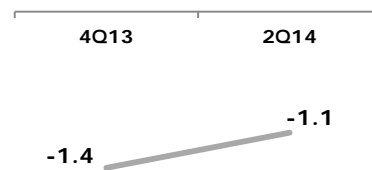
FINANCIAL STRUCTURE

At June 30, 2014 Grupo Sanborns had zero debt. Moreover, the amount of cash and short-term investments totaled \$5,822 MM Ps compared to \$7,715 MM Ps at the end of December 2013. This reduction of \$1,893 MM Ps in cash was mainly driven by the payment of dividends and the financing of the expansion plan, where the openings and remodeling of stores accelerated.

Neta Debt (MM Ps)



Net Debt/LTM Ebitda



CAPEX

During the first half of the year capital expenditures increased 136.4%, an amount that totaled \$738.4 MM Ps compared to \$312.3 MM Ps of investments made during the same semester of last year.

NEW UNITS

Sales area reached 1,022,405 sqm at June 30, 2014 comprising 425 units, which represented 45,914 sqm more or an increase of 4.7% versus the prior year, and 1.8% over the 1Q14.

It is worth mentioning that Sears increased 7.0% its sales area YoY, while Sanborns increased 1.5%.

Sales Area	June 2014			June 2013			sqm Var%
	Units	Sq meters	Sqm Leasable	Units	Sq meters	Sqm Leasable	
Sears	82	655,043		78	612,080		7.0%
Sanborns	169	256,076		167	252,188		1.5%
iShop/Mixup	110	38,125		108	40,323		-5.5%
Other*	64	73,161		62	71,900		1.8%
Shopping Centers	2		71,225	2		73,725	-3.4%
Total	427	1,022,405		417	976,491		4.7%

* Includes stores in Central America, Sanborns Café, DAX stores, Saks Fifth Avenue and Boutiques. Shopping Centers are Plaza Inbursa and Plaza Loreto.

During the quarter the following changes in stores were recorded:

- 2 Sears were opened in Sinaloa: one in Los Mochis on April 9th and one in Galerías Mazatlan on April 29th, adding 19,148 square meters of selling area,
- Sanborns Bamer was opened in Mexico City,
- One iShop was opened on Madero street in the historic center of Mexico City,
- 3 MixUp stores were closed: Kukulcan in Cancun, Palmas and Mundo E in Mexico City.





REFURBISHMENTS

In terms of renovations, on April 15th major works concluded in Sears Plaza Universidad Mexico City, as well as in the Forjadores store in Tijuana. The units scheduled to be delivered during the 3Q14 are: Merida Plaza, Tangamanga San Luis Potosi, Monterrey San Agustin, the second stage of Lindavista and the WTC (considering expansion of square meters), the latter two stores are located in Mexico City. Additionally, the remodeling of the Sears Satellite store in the State of Mexico is about to begin.

The partial or soft remodeling of Sears stores continued, and they comprise the following units: Queretaro, Leon Plaza Mayor, Jalapa Veracruz and Veracruz Plaza, which are all estimated to be completed in the 3Q14.

Regarding the renovations in the Sanborns format, on June 15th the Veracruz Americas store concluded while the progress in the Toluca Centro store continues, to be delivered during the 3Q14. Additionally the remodeling of the Sanborns Satellite store in the State of Mexico is about to begin.

WORKING CAPITAL

The balance of the inventory account at June 30, 2014 was \$8,690 MM Ps, being 4.2% lower than the balance at December last year. Moreover, the accounts payable to suppliers were \$4,141 MM Ps, an amount 35.5% less than the figure recorded in the 4Q13. Accounts receivable net totaled \$8,851 MM Ps being 6.5% lower than the balance recorded at the same item at end-4Q13.

CONFERENCE CALL

Date: Friday July 25, 2014
Time: 9:30 a.m. Mexico City Time/10:30 a.m. NY Time (US EST)
Access Number: International and Mexico: +1(412) 317-6776
Toll Free US: +1(877) 317-6776
Conference ID: Grupo Sanborns

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NOTES

Other: includes DAX, Sanborns Café Restaurants, Saks Fifth Avenue, Sears and Sanborns stores in Central America, Seven Boutiques, Pam Pam industrial catering, Sanborns and Mixup credit cards and Plaza Loreto and Plaza Inbursa malls, royalties and corporate charges paid by our subsidiaries to Grupo Sanborns as well as eliminations of transactions between subsidiaries.

Limitation of Liabilities

This earnings release contains certain forecasts or projections that reflect the current views or expectations of Grupo Sanborns and its management regarding its performance, business and future events. Grupo Sanborns utilizes words like "believe," "anticipate," "plan," "expect," "intend," "target," "guidance," "should" and similar expressions to identify forward-looking statements, but are not the only way that are mentioned thereto. Such statements are subject to certain risks, uncertainties and assumptions that are detailed in the prospectus of the Group and that could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in this release. Grupo Sanborns is not subject to obligation and expressly disclaims any intention or obligation to update or revise any forecasts or projections that may result from new information, future events or otherwise.





ADDITIONAL CHARTS

Income Statement (MM Ps)	2014						2013						Million DOLLARS		
	2Q14	2Q13	Var %	6M14	6M13	Var %	2Q14	2Q13	Var %	2Q14	2Q13	Var %			
Revenues	8,784	92.6%	8,752	92.9%	0.4%	17,079	92.3%	17,167	92.8%	-0.5%	676	702	-3.8%		
Consumer Credit Income	701	7.4%	665	7.1%	5.3%	1,430	7.7%	1,324	7.2%	8.0%	54	53	1.0%		
Total Revenues	9,485	100.0%	9,417	100.0%	0.7%	18,509	100.0%	18,490	100.0%	0.1%	729	755	-3.4%		
COGS	5,698	60.1%	5,566	59.1%	2.4%	11,078	59.9%	11,031	59.7%	0.4%	438	446	-1.9%		
Gross Profit	3,787	39.9%	3,851	40.9%	-1.7%	7,431	40.2%	7,460	40.3%	-0.4%	291	309	-5.7%		
SG&A	2,903	30.6%	2,793	29.7%	3.9%	5,707	30.8%	5,437	29.4%	5.0%	223	224	-0.4%		
Other (income) expenses	-60	-0.6%	-39	-0.4%	53.7%	-60	-0.3%	-39	-0.2%	54.4%	-5	-3	47.4%		
Operating Income	944	10.0%	1,097	11.7%	-14.0%	1,783	9.6%	2,062	11.2%	-13.5%	73	88	-17.5%		
Comprehensive Financial Result	48	0.5%	87	0.9%	-44.3%	96	0.5%	91	0.5%	5.7%	4	7	-46.6%		
Part. In Non-controlling Subs.	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	0	0	0.0%		
Income before Taxes	992	10.5%	1,184	12.6%	-16.2%	1,880	10.2%	2,153	11.6%	-12.7%	76	95	1.0%		
Taxes	364	3.8%	354	3.8%	2.7%	656	3.5%	609	3.3%	7.7%	28	28	-1.5%		
Consolidated Net Income	628	6.6%	829	8.8%	-24.3%	1,224	6.6%	1,544	8.4%	-20.7%	48	67	-27.4%		
Profit attributable to non-controlling int.	54	0.6%	74	0.8%	-26.6%	101	0.5%	137	0.7%	-26.5%	4	6	-29.7%		
Profit attributable to owners of parent Co.	574	6.1%	755	8.0%	-24.0%	1,123	6.1%	1,407	7.6%	-20.2%	44	61	-27.2%		
EBITDA	1,148	12.1%	1,270	13.5%	-9.6%	2,179	11.8%	2,406	13.0%	-9.4%	88	102	-13.3%		

Balance Sheet figures (MM Ps)	2014			2013			Million DOLLARS		
	2Q14	4Q13	Var %	2Q14	4Q13	Var %	2Q14	4Q13	Var %
Cash & Equivalents	3,400.5	4,594.3	-26.0%	261.5	352.6	-25.8%	261.5	352.6	-25.8%
Short T. Investments	2,421.8	3,120.7	-22.4%	186.3	239.5	-22.2%	186.3	239.5	-22.2%
Trade Receivables, Net	8,850.8	9,462.9	-6.5%	680.7	726.3	-6.3%	680.7	726.3	-6.3%
Inventories	8,690.5	9,070.6	-4.2%	668.4	696.2	-4.0%	668.4	696.2	-4.0%
Other Current Assets	763.7	729.4	4.7%	58.7	56.0	4.9%	58.7	56.0	4.9%
Current Assets	24,127.2	26,977.9	-10.6%	1,855.6	2,070.7	-10.4%	1,855.6	2,070.7	-10.4%
Accounts Receivable, Net	57.5	57.5	0.0%	4.4	4.4	0.2%	4.4	4.4	0.2%
Investments in Associates	1.4	1.4	0.0%	0.1	0.1	0.2%	0.1	0.1	0.2%
PP&E, Net	10,050.7	9,733.2	3.3%	773.0	747.1	3.5%	773.0	747.1	3.5%
Investment Property	1,687.7	1,687.7	0.0%	129.8	129.5	0.2%	129.8	129.5	0.2%
Intangible Assets, Net	1.6	1.7	-8.0%	0.1	0.1	-7.9%	0.1	0.1	-7.9%
Other Non-Current Assets	906.0	908.5	-0.3%	69.7	69.7	-0.1%	69.7	69.7	-0.1%
Non-Current Assets	12,704.9	12,390.0	2.5%	977.1	951.0	2.7%	977.1	951.0	2.7%
Total Assets	36,832.1	39,367.9	-6.4%	2,832.7	3,021.7	-6.3%	2,832.7	3,021.7	-6.3%
Short-Term Bank Loans	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%
Trade Payables	4,141.5	6,417.0	-35.5%	318.5	492.5	-35.3%	318.5	492.5	-35.3%
Taxes Payable	1,014.2	1,257.5	-19.3%	78.0	96.5	-19.2%	78.0	96.5	-19.2%
Other Current Liabilities	3,155.4	2,255.4	39.9%	242.7	173.1	40.2%	242.7	173.1	40.2%
Current Liabilities	8,311.1	9,929.9	-16.3%	639.2	762.2	-16.1%	639.2	762.2	-16.1%
Long-Term Bank Loans	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%
Deferred Tax Liabilities	1,245.8	1,335.3	-6.7%	95.8	102.5	-6.5%	95.8	102.5	-6.5%
Other Non-Current Liabilities	104.5	91.3	0.0%	8.0	7.0	0.0%	8.0	7.0	0.0%
Non-Current Liabilities	1,350.3	1,426.6	0.0%	103.8	109.5	-5.2%	103.8	109.5	-5.2%
Total Liabilities	9,661.3	11,356.5	-14.9%	743.0	871.7	-14.8%	743.0	871.7	-14.8%
Stockholder's Equity	27,170.7	28,011.4	-3.0%	2,089.7	2,150.0	-2.8%	2,089.7	2,150.0	-2.8%
Shares Outstanding ('000)	2,351,623	2,355,000	-0.1%	0.0	0.0	0.0%	0.0	0.0	0.0%
Stock Price*	23.92	27.65	-13.5%	1.8	2.1	-13.3%	1.8	2.1	-13.3%
NA=Not Applicable									

