

Grupo Sanborns S.A.B. de C.V.

Earnings Report

2Q 2016

Mexico City, July 21, 2016 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the second quarter of 2016.

HIGHLIGHTS

- **Total sales** increased 5.4% during the 2Q16, and including the mobile phones and minutes, total sales increased 9.3%.
- **Gross Profit** grew 7.6% reaching \$4,400 MM, with a gross margin that increased 80 basis points to 40.7%.
- **Operating Income** increased 7.9%, with an operating margin that rose 30 basis points to 10.8%.
- **EBITDA** increased 9.8% during the quarter, with a 50 basis points increase in its margin to 13.3%.
- **Retail space grew 7.8% year over year**, reaching 1,137,655 m2. During the 2Q16 four new stores were opened: 1 Sears, 1 Sanborns and 2 iShop. Additionally the renovations of Sears Oaxaca and Sears Guadalajara Galerías were completed.

RELEVANT EVENTS

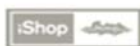
- On July 15, 2016 Grupo Sanborns, S.A.B. de C.V. (Grupo Sanborns) (BMV: GSANBOR), announced to investors that acquired from Sears Mexico Holdings Corp. (Sears USA) an equity stake of 14.0% in Sears Operadora Mexico S.A. de C.V. (Sears Mexico) and the 14.0% stake held in Inmuebles SROM, S. A. de C. V., the real estate owner of some commercial properties, for an amount of USD\$106 million.

FINANCIAL SUMMARY (Million Pesos MXN, MM Ps)

Consolidated Results	2Q16	2Q15	Var%	6M16	6M15	Var%
Revenues	10,803	10,245	5.4%	21,088	20,172	4.5%
Gross Profit	4,400	4,091	7.6%	8,535	7,973	7.0%
Operating Income	1,162	1,076	7.9%	2,115	1,964	7.7%
Controlling Net Income	681	651	4.5%	1,312	1,209	8.5%
EBITDA	1,435	1,307	9.8%	2,655	2,419	9.8%
Gross Margin	40.7%	39.9%		40.5%	39.5%	
Operating Margin	10.8%	10.5%		10.0%	9.7%	
EBITDA Margin	13.3%	12.8%		12.6%	12.0%	

TOTAL AND SAME STORES SALES (SSS)

In the second quarter, **total sales** of Grupo Sanborns reached \$10,803 million, a 5.4% increase that meant \$558 million pesos more. It is important to remember that since the second half of September 2015, the revenue business model of mobile phones changed, recording the commission in the gross profit, which remained constant in pesos.



This change resulted in a reduction in total sales in the 2Q16 of \$392 million pesos. **Without this change, the sales figure of Grupo Sanborns increased 9.3% from \$10,245 MM in the 2Q15 to \$11,194 MM in the 2Q16.**

From April to June 2016 **consolidated same store sales (SSS)** grew 2.8%. Sears reported a 0.4% increase in SSS, which went up to 0.6% excluding the effect of the stores that were under renovation.

SSS	2Q16	2Q16*	2Q15	6M16	6M16*	6M15
Consolidated	2.8%	6.7%	6.8%	1.7%	5.9%	7.6%
Sears	0.4%	4.9%	3.2%	0.0%	4.4%	5.0%
Sears ex/R	0.6%	5.8%	5.3%	0.4%	5.4%	6.9%

Ex/R: Excluding stores under renovation

CREDIT BUSINESS

198 thousand cardholders were added, bringing the number of private label cards to 3.56 million, compared to 3.36 million at the end of June 2015.

The **delinquency rate** is below the market, with a percentage of non-performing loans of more than 90 days of 3.1%, which is less than 3.5% recorded in the same period of the previous year.

The **loan portfolio grew 5.6%**, totaling \$10,246 million. Credit revenues increased from \$741 to \$771 million, or a 4.1% increase in the 2Q16.

Credit Indicators	2Q16	2Q15	Var%
Credit Portfolio (MM Ps)	10,246	9,701	5.6%
Num. Credit cards issued (MM)	3.56	3.36	5.9%
Non-performing loans (%)	3.1%	3.5%	

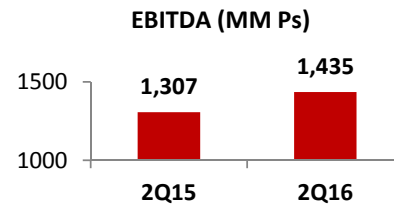
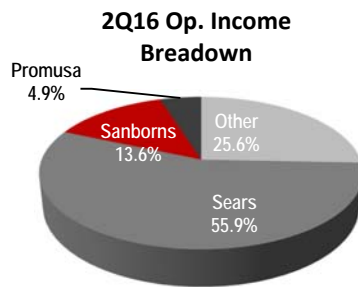
GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross profit increased 7.6% reaching \$4,400 MM. Gross margin expanded 80 basis points to 40.7%, due to the change in the revenue business model of mobile phones, which offset a higher share of technology products within the sales mix.

During the 2Q16, **operating expenses** represented 30.3% of sales, including a higher depreciation from the expansion plan of the Group. Without considering the mobile phone business, the proportion of expenses to sales was 29.2%, being lower than 29.8% reported in the 2Q15.

OPERATING INCOME AND EBITDA

Regarding the **operating income and EBITDA**, these items totaled \$1,162 and \$1,435 million, which represented increases of 7.9% and 9.8%, respectively. The operating margin improved to 10.8% of sales, while the EBITDA margin improved to 13.3%.



COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)	2Q16	2Q15	Var%	6M16	6M15	Var%
Financial Results						
Interest Expenses	-28	-25	13.7%	-54.7	-51.4	6.5%
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	60	55	9.6%	122	112	9.1%
Interest (net)	32	30	6.3%	68	61	11.3%
ForEx Results	-12	-6.7	84.9%	-26	-16	55.8%
CFR	20	24	-16.0%	42	44	-5.4%

NA= Not applicable

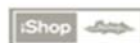
During the 2Q16 a positive comprehensive financial result (CFR) of \$20 million pesos was recorded, which was 16.0% lower than the CFR of the 2Q15, mainly due to a ForEx loss of \$12 million pesos.

NET INCOME

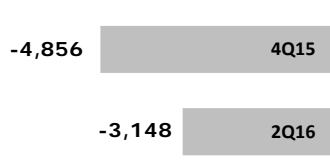
Better operating results caused an increase of 4.5% in the **controlling net income** in the 2Q16, reaching \$681 million pesos, compared to \$651 million recorded in the 2Q15.

DEBT

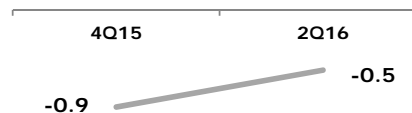
Grupo Sanborns had no debt at June 30, 2016, while the amount of cash and cash-equivalents totaled \$3,148 MM compared to \$4,856 MM at the end of December 2015. This decrease of \$1,708 million in cash was due to the funding of the expansion plan -where we have opened 5 new units during the first semester of the year- as well as due to a higher credit portfolio and inventories.



Deuda Neta (MM Ps)



Net Debt/LTM EBITDA



CAPITAL EXPENDITURES (CapEx)

CapEx totaled \$1,522 MM compared to investments of \$976 MM during the same period of the previous year.

RETAIL SPACE AND NUMBER OF STORES

At June 30, 2016 retail space reached 1,137,655 sqm including 432 stores, an increase of 7.8% compared to the same period of the previous year.

During the second quarter, the changes in the number of stores were as follows:

- **Sears:** opened a store in the Via Vallejo shopping center, located in Azcapotzalco, in Mexico City,
- **Sanborns:** opened one store in Via Vallejo,
- **Promotora Musical:** opened 2 iShop stores, one in Via Vallejo and one in Nezahualcoyotl.

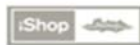
Sales Area	June 2016			June 2015			sqm Var%
	Units	Sq meters	Leaseable Sqm	Units	Sq meters	Leaseable Sqm	
Sears	89	766,450		84	691,124		10.9%
Sanborns	171	260,788		168	255,356		2.1%
Promotora Musical	110	37,346		108	36,987		1.0%
Other*	62	73,071		61	72,048		1.4%
Shopping Centers	2		71,225	2		71,225	0.0%
Total	432	1,137,655		421	1,055,515		7.8%

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

RENOVATIONS AND EXPANSIONS OF STORES

Sears: As shown in the following table, during the 2Q16 the expansion and renovation of the Oaxaca store as well as the partial renovation of Guadalajara Galerias were completed. The renovation and expansion of Angelopolis in Puebla continues, as well as 5 partial renovations.

Sanborns: The full renovations of Sanborns stores continue, to be finished in the following quarters.



No.	SEARS	Status	Delivery Date	SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
New Stores				New Stores			New Stores		
1	Irapuato Cibeles*	Completed	1Q16	Vía Vallejo	Completed	2Q16	Vía Vallejo	Completed	2Q16
2	Vía Vallejo	Completed	2Q16	Perinorte (conversion)		3Q16	Nezahualcoyotl	Completed	2Q16
3	Chimalhuacan		3Q16	Tampico Fashion Mall		4Q16	Tezontle		3Q16
4	Tampico Fashion Mall		4Q16	Cetram Toreo		4Q16	Tampico Fashion Mall		4Q16
5	San Angel		4Q16	Palmas		4Q16	San Angel		4Q16
6	Cetram Toreo		4Q16	La Raza		4Q16			
7	Atizapan		4Q16	Atizapan		4Q16			
Renovations				Renovations			New Image		
Full:				Full:					
1	Oaxaca (Expansion)	Completed	2Q16	Plaza Insurgentes		3Q16	10 iShop stores		2016
2	Angelópolis Puebla (Expansion)*		3Q16	Perisur		4Q16			
				Villa Coapa		2016			
				Galerías Coapa		2016			
Parciales:									
1	Guadalajara Galerías*	Completed	2Q16						
2	Irapuato antiguo		3Q16						
3	Tezontle		2016						
4	Galerías Coapa		2016						
5	Tampico		2016						
6	Centro Historico		2016						

*Stores that started its renovation or construction in 2015

WORKING CAPITAL

The balance of the inventory account at June 30, 2016 was \$9,646 MM, increasing 4.8% from the balance at the end of December last year, which totaled \$9,205 MM. Purchases of merchandise for non-comparable stores such as Vía Vallejo, Tlalnepantla, Coacalco-Cosmopol and Irapuato Cibeles, explained this change, as well as inventories for special and night sales promotions. Considering the seasonality of our operations, accounts payable to suppliers were \$4,910 MM, which meant a reduction of 20.0% compared to the amount of the 4Q15. Lastly, accounts receivable totaled \$10,267 MM decreasing 3.4% compared to the balance at end-4Q15.

NOTE:

Other: includes DAX, Sanborns Café Restaurants, Saks Fifth Avenue, Sears and Sanborns stores in Central America, 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.

CONTACTS FOR INVESTORS:

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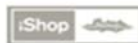
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CONFERENCE CALL DETAILS:

Date: Friday July 22, 2016
 Time: 10:00-11:00 A.M. Mexico City Time / 11:00 A.M. -12:00 PM NY Time (US EST)
 Access Number: +1 (412) 317-5457 (International and Mexico)
 US Toll Free.: +1(844) 846-8976
 Conference ID: Grupo Sanborns
 Replay: International and Mexico+1 (412) 317-0088
 US Toll Free: +1 (877) 344-7529
 Canada Toll Free: 855-669-9658
 Replay Access Code: 10089149 (Available until August 3, 2016)

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	(MM USD)																			
	2Q16			2Q15			6M16			6M15			2Q16			2Q15			Var %	
Revenues	10,032	92.9%	9,504	92.8%	5.5%	19,533	92.6%	18,675	92.6%	4.6%	556	621	-10.5%							
Consumer Credit Income	771	7.1%	741	7.2%	4.1%	1,554	7.4%	1,497	7.4%	3.8%	43	48	-11.8%							
Total Revenues	10,803	100.0%	10,245	100.0%	5.4%	21,088	100.0%	20,172	100.0%	4.5%	598	669	-10.6%							
COGS	6,403	59.3%	6,155	60.1%	4.0%	12,553	59.5%	12,199	60.5%	2.9%	355	402	-11.8%							
Gross Profit	4,400	40.7%	4,091	39.9%	7.6%	8,535	40.5%	7,973	39.5%	7.0%	244	267	-8.8%							
SG&A	3,269	30.3%	3,049	29.8%	7.2%	6,447	30.6%	6,026	29.9%	7.0%	181	199	-9.1%							
Other income (expenses)	30	0.3%	35	0.3%	-13.3%	28	0.1%	17	0.1%	60.8%	2	2	-26.5%							
Operating Income	1,162	10.8%	1,076	10.5%	7.9%	2,115	10.0%	1,964	9.7%	7.7%	64	70	-8.5%							
Comprehensive Financial Result	20	0.2%	24	0.2%	-16.0%	42	0.2%	44	0.2%	-5.4%	1	2	-28.7%							
Share of Profit of Associates and JV's.	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	0	0	0.0%							
Income before Taxes	1,182	10.9%	1,100	10.7%	7.4%	2,157	10.2%	2,008	10.0%	7.4%	65	72	-8.9%							
Taxes	420	3.9%	372	3.6%	12.7%	689	3.3%	651	3.2%	5.7%	23	24	-4.4%							
Consolidated Net Income	762	7.1%	728	7.1%	4.7%	1,469	7.0%	1,357	6.7%	8.2%	42	48	-11.2%							
Profit attributable to non-controlling int.	81	0.7%	76	0.7%	6.1%	156	0.7%	148	0.7%	5.8%	4	5	-10.0%							
Profit attributable to owners of parent Co.	681	6.3%	651	6.4%	4.5%	1,312	6.2%	1,209	6.0%	8.5%	38	43	-11.3%							
EBITDA	1,435	13.3%	1,307	12.8%	9.8%	2,655	12.6%	2,419	12.0%	9.8%	79	85	-6.9%							

Balance Sheet figures (Million Pesos)				(MM USD)		
	2Q16	4Q15	Var %	2Q16	4Q15	Var %
Cash & Equivalents	3,147.5	3,904.5	-19.4%	174	233	-25.2%
Trade Receivables	10,266.9	10,633.4	-3.4%	569	635	-10.4%
Other Trade Receivables	175.5	234.7	-25.2%	10	14	-30.6%
Recoverable Taxes	645.6	604.0	6.9%	36	36	-0.8%
Other Financial Assets	0.0	951.0	NA	0	57	NA
Inventories	9,646.0	9,204.6	4.8%	534	550	-2.8%
Other Non-Financial Assets	190.8	126.9	50.4%	11	8	39.5%
Current Assets	24,072.4	25,659.0	-6.2%	1,333	1,532	-13.0%
Other Non-Current Trade Receivables	25.5	27.5	-7.3%	1	2	-14.0%
Other Non-Current Financial Assets	1.3	1.3	0.0%	0	0	0.0%
Property, Plant and Equipment	13,576.8	12,608.5	7.7%	752	753	-0.1%
Investment Properties	2,086.2	2,086.2	0.0%	116	125	-7.2%
Intangible Assets and Goodwill	7.7	1.2	552.8%	0	0	0.0%
Deferred Tax Assets	428.1	362.9	18.0%	24	22	9.5%
Other Non-Current Non-Fin. Assets	632.4	617.4	2.4%	35	37	-5.0%
Non-Current Assets	16,758.1	15,705.0	6.7%	928	938	-1.0%
Total Assets	40,830.4	41,364.0	-1.3%	2,262	2,470	-8.4%
Trade Payables	4,910.2	6,135.5	-20.0%	272	366	-25.7%
Short-Term Taxes Payable	1,639.4	2,065.9	-20.6%	91	123	-26.4%
Short-Term Bank Debt	0.0	0.0	0.0%	0	0	0.0%
Other Current Financial Liabilities	726.2	500.3	45.2%	40	30	34.7%
Current Provisions	3,156.9	2,050.0	54.0%	175	122	42.9%
Current Liabilities	10,432.7	10,751.7	-3.0%	578	642	-10.0%
Long-Term Taxes Payable	333.0	245.9	35.4%	18	15	25.7%
Long-Term Bank Debt	0.0	0.0	0.0%	0	0	0.0%
Other L.T. Financial Liabilities	0.0	0.0	0.0%	0	0	0.0%
Other Non-Financial L.T. Liabilities	0.0	0.0	0.0%	0	0	0.0%
Long-Term Provisions	191.8	161.9	18.4%	11	10	9.9%
Deferred Tax Liabilities	821.9	809.4	1.5%	46	48	-5.8%
Non-Current Liabilities	1,346.6	1,217.2	10.6%	75	73	2.7%
Total Liabilities	11,779.3	11,968.9	-1.6%	653	715	-8.7%
Stockholder's Equity	29,051.0	29,395.1	-1.2%	1,609	1,755	-8.3%
Shares Outstanding ('000)	2,304,148	2,310,971	-0.3%	2,304,148	2,310,971	-0.3%
Closing Stock Price	24.36	26.36	-7.6%	1.3	1.6	-14.3%

NA=Not Applicable