

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

Earnings Report

2Q 2018

Mexico City, July 25, 2018 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the second quarter of 2018.

HIGHLIGHTS

- **Total sales** increased 2.8% during the 2Q18 totaling Ps. 11,877 MM, while **consolidated same store sales (SSS)** rose 3.8%.
- The SSS of Sears had a variation of -0.9%, while Sanborns SSS grew 5.1% and iShop/MixUp increased 15.6%.
- During the **2Q18, three new units were opened**: on April 26 a Sears was inaugurated in Parque Puebla and on June 7 and 14, two iShops were opened, one in Parque Las Antenas in Mexico City and another one in Tlaxcala.
- Recently, on July 19, in the Shopping Center Parque Las Antenas in Mexico City, one Sears store and one Sanborns store were opened under the new integrated format.
- On June 20, 2018, **the first exhibition of \$0.45 (Cero Pesos 45/100) was paid in cash of the dividend** decreed of \$0.90 (Zero Pesos 90/100) for each of the subscribed and paid shares of Series B-1.

FINANCIAL SUMMARY (Million pesos, MM MXN)

Consolidated Results	2Q18	2Q17	Var%	6M18	6M17	Var%
Revenues	11,877	11,555	2.8%	23,262	22,738	2.3%
Gross Profit	4,731	4,704	0.6%	9,215	9,182	0.4%
Operating Income	1,051	1,159	-9.3%	1,930	2,167	-10.9%
Controlling Net Income	697	793	-12.1%	1,372	1,610	-14.8%
EBITDA	1,377	1,473	-6.5%	2,538	2,794	-9.1%
Gross Margin	39.8%	40.7%		39.6%	40.4%	
Operating Margin	8.8%	10.0%		8.3%	9.5%	
EBITDA Margin	11.6%	12.7%		10.9%	12.3%	

TOTAL AND SAME STORES SALES (SSS)

During the second quarter of the year, the **total sales** of Grupo Sanborns amounted to Ps. 11,877 million, which meant an increase of 2.8% or Ps. 322 million more. This result included a positive calendar effect, considering an additional Saturday in the month of June, compared to the same period of the previous year.

Higher sales of various categories led to a 3.8% growth in **consolidated same store sales (SSS)**, where the performance by format was -0.9% in Sears, 5.1% in Sanborns and 15.6% in Promotora Musical (iShop /MixUp).

SSS	2Q18	2Q17	6M18	6M17
Consolidated	3.8%	3.4%	3.2%	4.2%

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

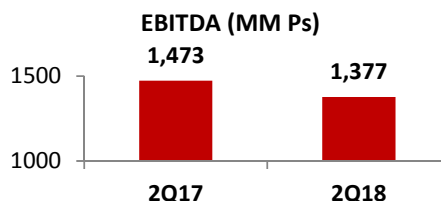
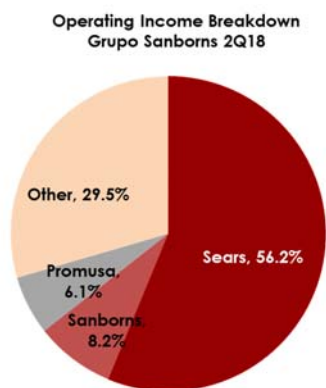
Gross Profit increased 0.6% totaling Ps. 4,731 MM. The gross margin was 39.8%, since there was a greater participation of technology and big-ticket items within the sales mix.

Operating and administrative expenses increased from 31.0% in the 2Q17 to 31.4% of sales in the 2Q18, although sequentially compared to the 1Q18, they reduced 20 basis points. The main reasons for this increase were: i) the pre-opening expenses of the Sears store inaugurated at the Parque Puebla Shopping Center, ii) the closings of a MixUp store, an iShop and a Sanborns Café, iii) three closings of Sanborns stores, as well as iv) uncollectible accounts and reserves.

OPERATING INCOME AND EBITDA

Operating income during the 2Q18 was Ps. 1,051 MM with a margin of 8.8%.

Quarterly EBITDA decreased 6.5% totaling Ps. 1,377 million, with a margin of 11.6% in the 2Q18. Excluding the impact of store closings, the 2Q18 EBITDA reached Ps. 1,407 MM.



COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)	2Q18	2Q17	Var%	6M18	6M17	Var%
Financial Results						
Interest Expenses	-42	-30	41.2%	-84	-59	42.6%
Interest Income	58	34	68.7%	112	70	58.9%
Interest (net)	16	5	251.6%	27	11	144.4%
ForEx Results	-12	17	NA	1	35	-96.1%
CFR	4	21	-81.2%	29	46	-37.2%

NA= Not applicable





A **positive comprehensive financial result (CFR)** of Ps. 4 MM was recorded during the 2Q18, which was 81.2% lower than the CFR of Ps. 21 MM in the same quarter of the previous year. This was due to the recording of a ForEx loss of Ps. 12 MM compared to a ForEx gain of Ps. 17 MM in the 2Q17.

NET INCOME

Controlling net income decreased 12.1% in the 2Q18 totaling Ps. 697 million, compared to Ps. 793 million recorded in the 2Q17. This was due to lower operating results and to the closing of the units mentioned.

CREDIT BUSINESS

273 thousand new cardholders were added, bringing the number of cards to 4.05 million, compared to 3.78 million at the end of June 2017.

The percentage of non-performing loans over 90 days was 4.9%, while in the 2Q17 was 4.1%. **The delinquency rate is below the market.**

The **loan portfolio** totaled Ps. 11,771 million. Credit income went from Ps. 896 to Ps. 938 million, which meant a growth of 4.7% in the 2Q18.

Credit Indicators	2Q18	2Q17	Var%
Credit Portfolio (MM Ps)	11,771	11,825	-0.5%
Num. Credit cards issued (MM)	4.05	3.78	7.2%
Non-performing loans (%)	4.9%	4.1%	

DEBT

Grupo Sanborns had no **interest bearing liabilities** as of June 30, 2018, while the amount of cash totaled Ps. 915 MM compared to Ps. 1,925 MM at the close of December 2017. This decrease of Ps. 1,010 million was explained by the expansion plan, the payment to suppliers and the payment of the first installment of the dividend.

CAPITAL EXPENDITURES (CapEx)

Investments in fixed assets totaled Ps. 768 MM, amount that was 5.9% higher than Ps. 725 MM in the same period of the previous year. The estimated CapEx for 2018 is approximately Ps. 2,300 million, for the opening of 15 new stores (three Sears, three Sanborns and nine iShop), expansions and renovations.

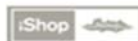


CHART OF THE RENOVATIONS AND EXPANSION PLAN

No.	SEARS	Delivery		SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
		Status	Date						
New Stores									
1	Cuernavaca Averanda*	Completed	1Q18	Cuernavaca Averanda*	Completed	1Q18	Parque Puebla	Completed	1Q18
2	Parque Puebla	Completed	2Q18	Parque Las Antenas		3Q18	Parque Las Antenas	Completed	2Q18
3	Parque Las Antenas		3Q18	Guadalajara Gran Plaza		4Q18	Tlaxcala	Completed	2Q18
4							Cuernavaca Averanda		3Q18
5							Galerías Mérida		3Q18
6							Mundo E		3Q18
7							Parque Tepeyac		4Q18
8							Monclova		4Q18
9							Durango		4Q18
Full Renovations:									
1	Centro Histórico CDMX (Expansion)*		3Q18				Morelia Michoacán*	Completed	2T18
2	Perisur CDMX (Expansion)*		3Q18				Chihuahua*	Completed	2T18
3	Guadalajara Centro (Expansion)		2018				Mérida Altabrisa	Completed	2T18
4	Puebla Centro (Expansion)		2018				Perisur (change w /MixUp)	Completed	2T18
5	Morelia Americas (Expansion)		2018				Coapa (change w /MixUp)		3T18
6							Hermosillo		3T18
7							Parroquia		4T18
8							Irapuato		4T18
9							Oaxaca		4T18
10							Cumbres Monterrey		4T18
11							Uruapan		4T18
12							Ecatepec (partial w /MixUp)		4T18

*Stores which started its construction or renovation in 2017

RENOVATIONS AND EXPANSIONS

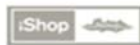
During the 2Q18, the remodeling and expansion of the Sears Perisur and Sears Centro Histórico stores continued in Mexico City. iShop completed the major renovations of four stores and continues working in eight additional stores.

RETAIL SPACE AND NUMBER OF STORES

Sales Area	June 2018			June 2017			Sqm	Var%
	Units	Retail Sqm	Leasable Sqm	Units	Retail Sqm	Leasable Sqm		
Sears	95	837,945		94	815,121			2.8%
Sanborns	164	251,860		175	267,593			-5.9%
Promotora Musical	115	38,938		113	38,072			2.3%
Other*	55	70,520		60	73,331			-3.8%
Shopping Centers	2		71,225	2		71,225		0.0%
Total	429	1,199,263	71,225	442	1,194,117	71,225		0.4%

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

As of June 30, 2018, the sales area totaled 1,199,263 m2 including 429 stores, or an increase of 0.4% in the consolidated commercial area compared to the same period of the previous year.



Durante the second quarter the following stores movements were recorded:

- **Sears:** opened one store in the Parque Puebla Shopping Center.
- **Sanborns:** closed three units being these Monterrey Valle Oriente in Nuevo León, Reforma in Mexico City and Colima. Also temporarily closed the Mérida Altabrisa Sanborns in Yucatán.
- **Sanborns Café:** closed the Misterios unit in Mexico City.
- **Promusa:** opened two iShop stores, one in Parque Las Antenas, in Mexico City and one in Tlaxcala. Additionally one iShop was closed in Lindavista in Mexico City and one MixUp in Plaza Patria in Jalisco.

WORKING CAPITAL

The balance of the inventories account as of June 30, 2018 was Ps. 10,663 MM, decreasing 1.3% compared to the balance at the end of December of the previous year, which was Ps. 10,806 MM. The accounts payable to suppliers were Ps. 5,813 MM, which meant a decrease of 22.6% in relation to the amount of the 4Q17. Lastly, accounts receivable from customers totaled Ps. 11,762 MM, decreasing 11.3% compared to the close of the 4Q17.

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.

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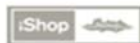
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CONFERENCE CALL DETAILS:

Date: Thursday, July 26 2018.
 Time: **10:00 A.M.-11:00 A.M. Mexico City Time/ 11:00 A.M-12:00 P.M. NY Time (US EST)**
 Access Numbers: 52 (55) 6722-5257 México - Local
 001 866-779-0965 México Freephone
 1 (847) 585-4405 Internacional Toll
 1 (888) 771-4371 US Toll Free
 0808 238 9578 UK Freephone
 0 203 147 4818 UK-London Local

Access Code: **4726 0919# for Spanish**
4726 0918# for English

Replay : 1 (630) 652-3000 Spanish REF: 4726 0919#
 English REF: 4726 0918#

Availability: Until August 25, 2018

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	2Q18		2Q17		Var %	6M18		6M17		Var%
Total Revenues	11,877	100.0%	11,555	100.0%	2.8%	23,262	100.0%	22,738	100.0%	2.3%
COGS	7,146	60.2%	6,851	59.3%	4.3%	14,047	60.4%	13,556	59.6%	3.6%
Gross Profit	4,731	39.8%	4,704	40.7%	0.6%	9,215	39.6%	9,182	40.4%	0.4%
SG&A	3,731	31.4%	3,582	31.0%	4.2%	7,329	31.5%	7,048	31.0%	4.0%
Other income (expenses) Net	51	0.4%	37	0.3%	38.9%	45	0.2%	34	0.1%	32.6%
Operating Income	1,051	8.8%	1,159	10.0%	-9.3%	1,930	8.3%	2,167	9.5%	-10.9%
Comprehensive Financial Result	4	0.0%	21	0.2%	-81.2%	29	0.1%	46	0.2%	-37.2%
Share of Profit of Associates and JV's.	23	0.2%	31	0.3%	-27.1%	57	0.2%	73	0.3%	-21.9%
Income before Taxes	1,078	9.1%	1,211	10.5%	-11.0%	2,016	8.7%	2,286	10.1%	-11.8%
Taxes	351	3.0%	388	3.4%	-9.4%	568	2.4%	591	2.6%	-3.9%
Consolidated Net Income	726	6.1%	824	7.1%	-11.8%	1,448	6.2%	1,695	7.5%	-14.6%
Profit attributable to non-controlling int.	29	0.2%	30	0.3%	-4.2%	76	0.3%	85	0.4%	-10.1%
Profit attributable to owners of parent Co.	697	5.9%	793	6.9%	-12.1%	1,372	5.9%	1,610	7.1%	-14.8%
EBITDA	1,377	11.6%	1,473	12.7%	-6.5%	2,538	10.9%	2,794	12.3%	-9.1%

Balance Sheet figures			
(Million Pesos)	2Q18	4Q17	Var %
Cash & Equivalents	915.0	1,924.6	-52.5%
Trade Receivables	11,761.8	13,263.9	-11.3%
Recoverable Taxes	1,027.4	1,011.7	1.5%
Other Financial Assets	0.0	0.0	0.0%
Inventories	10,663.2	10,806.0	-1.3%
Other Non-Financial Assets	230.3	158.3	45.5%
Current Assets	24,597.6	27,164.5	-9.4%
Other Non-Current Trade Receivables	0.0	0.0	0.0%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	2,142.6	2,085.5	2.7%
Property, Plant and Equipment	14,574.4	14,517.8	0.4%
Investment Properties	2,323.9	2,323.9	0.0%
Intangible Assets and Goodwill	24.9	28.1	-11.4%
Deferred Tax Assets	1,073.9	1,014.5	5.9%
Other Non-Current Non-Fin. Assets	769.3	752.3	2.3%
Non-Current Assets	20,910.2	20,723.4	0.9%
Total Assets	45,507.8	47,887.9	-5.0%
Trade Payables	5,813.0	7,505.7	-22.6%
Short-Term Taxes Payable	2,049.7	2,580.0	-20.6%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	756.6	907.6	-16.6%
Current Provisions	3,353.4	2,405.1	39.4%
Current Liabilities	11,972.7	13,398.4	-10.6%
Long-Term Taxes Payable	529.8	497.4	6.5%
Long-Term Bank Debt	0.0	0.0	0.0%
Other L.T. Financial Liabilities	0.0	0.0	0.0%
Other Non-Financial L.T. Liabilities	0.0	0.0	0.0%
Long-Term Provisions	145.9	245.2	-40.5%
Deferred Tax Liabilities	1,257.2	1,227.2	2.4%
Non-Current Liabilities	1,932.9	1,969.8	-1.9%
Total Liabilities	13,905.6	15,368.2	-9.5%
Stockholder's Equity	31,602.2	32,519.8	-2.82%
Shares Outstanding (´000)	2,267,602	2,280,206	-0.6%
Closing Stock Price	18.90	19.60	-3.6%

NA=Not Applicable