

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

Earnings Report

3Q 2017

Mexico City, October 26, 2017 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the third quarter of 2017.

HIGHLIGHTS

- **Total sales** increased 5.5% cumulatively and 0.9% during the 3Q17.
- Consolidated Same Store Sales (**SSS**) decreased 1.9% in the quarter and increased 2.1% in the first nine months of the year.
- **Gross Profit** increased 2.0% in the 3Q17, reaching Ps. 4,499 million, with an improvement of 40 basis points in the gross margin compared to the 3Q16.
- **Operating Income** decreased 58.6% from Ps. 2,266 million in the 3Q16 to Ps. 939 in the 3Q17. This was due to the recording of Ps. 1,141 million as Other Income in the 3Q16 from the acquisition of 14% of the shares issued by Inmuebles SROM, S.A. de C.V. to Sears Mexico Holdings Corp. Excluding the effect of this extraordinary item, operating income went from Ps. 1,125 million in the 3Q16 to Ps. 939 in the 3Q17, or a decrease of 16.5%.
- **Retail area** increased 3.7% year-on-year, reaching 1,191,120 sqm. During the quarter, a new iShop store was opened and one iShop was relocated. A Sears, a Sanborns and an iShop at the La Victoria Shopping Center in the City of Querétaro and an iShop in Tuxtla Gutierrez, Chiapas, were opened on October 5, 6 and 19, respectively.

FINANCIAL SUMMARY (Million pesos, MM Ps)

Consolidated Results	3Q17	3Q16	Var%	9M17	9M16	Var%
Revenues	11,022	10,924	0.9%	33,760	32,012	5.5%
Gross Profit	4,499	4,409	2.0%	13,681	12,944	5.7%
Operating Income	939	2,266	-58.6%	3,106	4,382	-29.1%
Op. Income ex-Other Income	939	1,125	-16.5%	3,106	3,240	-4.1%
Controlling Net Income	687	1,612	-57.4%	2,298	2,925	-21.4%
Control. Net Income ex-Other Income	687	814	-15.5%	2,298	2,126	8.1%
EBITDA	1,250	1,408	-11.2%	4,044	4,063	-0.5%
Gross Margin	40.8%	40.4%		40.5%	40.4%	
Operating Margin	8.5%	20.7%		9.2%	13.7%	
Op. Margin ex-Other Income	8.5%	10.3%		9.2%	10.1%	
EBITDA Margin	11.3%	12.9%		12.0%	12.7%	



TOTAL AND SAME STORE SALES (SSS)

During the third quarter of the year, **total sales** of Grupo Sanborns reached Ps. 11,022 million, which meant 98 million pesos more, or an increase of 0.9%. The most dynamic categories were furniture, fashion, accessories and personal care.

Consolidated same store sales (SSS) were -1.9% in the third quarter of the year. These results were affected by lower traffic in stores in the weeks after the earthquakes in Mexico City, Chiapas, Oaxaca and Morelos. The first days of the earthquake 11 Sears, 13 Sanborns, 2 iShops and 2 MixUps closed. As of September 30, 2017, only 2 Sears, 3 Sanborns, 2 iShops and 2 MixUps remained closed, representing 0.5% of the consolidated SSS. Today October 26, Sears and Sanborns at Plaza Insurgentes reopened in Mexico City.

Cumulative SSS grew by 2.1%.

SSS	3T17	3T16	9M17	9M16
Consolidated	-1.9%	6.3%	2.1%	3.2%

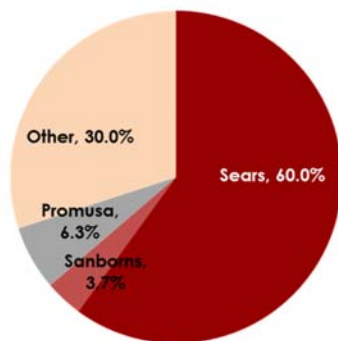
GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross profit increased 2.0% to Ps. 4,499 MM while gross margin improved 40 basis points from 40.4% in the 3Q16 to 40.8% in the 3Q17.

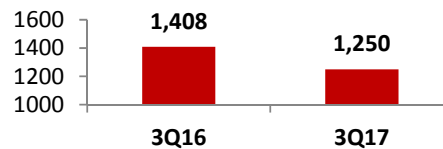
Operating and administrative expenses increased from 30.1% in the 3Q16 to 32.4% of sales in the 3Q17. An increase in the depreciation driven by the expansion and remodeling program, higher electric energy tariffs, increases in non-performing loans and the provision for doubtful accounts explained this.

OPERATING INCOME AND EBITDA

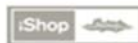
Operating Income Breakdown
Grupo Sanborns 3Q17



EBITDA (MM Ps)



Operating Income decreased 58.6% from Ps. 2,266 million in the 3Q16 to Ps. 939 in the 3Q17. This was due to the recording of Ps. 1,141 million as Other Income in the 3Q16 from the acquisition of 14% of the shares issued by Inmuebles SROM, S.A. de C.V. to Sears Mexico Holdings Corp.





Excluding the effect of this extraordinary item, operating income went from Ps. 1,125 million in the 3Q16 to Ps. 939 in the 3Q17, or a decrease of 16.5%.

For the purposes of calculating **EBITDA**, we did not consider Other Income of Ps. 1,141 MM mentioned above. Quarterly EBITDA decreased by 11.2% to Ps. 1,250 million. The EBITDA margin was 11.3% in relation to sales.

COMPREHENSIVE FINANCIAL RESULT (CFR)

During the 3Q17, the **comprehensive financing result (CFR)** was positive and very similar to the CFR recorded the previous year. Net interest income of Ps. 5 million was recorded, which helped offset an exchange loss of Ps. 4 million.

(MM MXN)						
Financial Results	3Q17	3Q16	Var%	9M17	9M16	Var%
Interest Expenses	-29	-28	5.9%	-88	-82	7.2%
Interest Income	35	42	-16.9%	105	164	-36.1%
Interest (net)	5	14	-61.9%	17	82	-79.7%
ForEx Results	-4	-12	-69.3%	31	-38	NA
CFR	1.50	1.54	-2.3%	47	43	9.0%

NA= Not applicable

NET INCOME

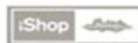
Net operating income decreased 15.5% from Ps. 814 million in the 3Q16 to Ps. 687 million in the 3Q17. This was without considering the effect of Other Income of Ps. 1,141 MM mentioned previously, due to which the net income of the 3Q17 fell 57.4%.

CREDIT BUSINESS

In the first nine months of the year, **211 thousand cardholders** were added, bringing the number of cards to 3.82 million units, compared to 3.61 million at the end of September 2016. The delinquency rate over 90 days increased from 3.1% in 3Q16 to 4.5% in 3Q17.

The **loan portfolio** showed an increase of 10.1%, totaling Ps. 11,663 million. Credit income increased from Ps. 800 million in 3Q16 to Ps. 908 million in 3Q17, which meant a 13.6% growth.

Credit Indicators	3Q17	3Q16	Var%
Credit Portfolio (MM Ps)	11,663	10,590	10.1%
Num. Credit cards issued (MM)	3.82	3.61	5.9%
Non-performing loans (%)	4.5%	3.1%	





DEBT

Grupo Sanborns had no **interest-bearing liabilities** as of September 30, 2017, while cash totaled Ps. 899 million compared to Ps. 1,714 million at the end of December 2016. This decrease of Ps. 815 million was due to the expansion and remodeling plan during the quarter, inventory increases and customer portfolio. Payments: to suppliers, dividends and repurchase of shares.

CAPITAL EXPENDITURES (CapEx)

In the period from January to September 2017, investments in CapEx totaled Ps. 1,053 million.

RETAIL SPACE AND NUMBER OF STORES

As of September 30, 2017, the **sales area** totaled 1,191,120 sqm including 439 stores, an increase of 3.7% in the consolidated retail space compared to the same period of the previous year.

Sales Area	September 2017				September 2016			
	Units	Retail Sqm	Leasable Sqm	Sqm	Units	Retail Sqm	Leasable Sqm	Sqm
Sears	94	815,121		90	775,628			5.1%
Sanborns	174	265,872		171	260,809			1.9%
Promotora Musical	114	38,450		111	37,618			2.2%
Other*	57	71,677		62	74,013			-3.2%
Shopping Centers	2		71,225	2		71,225		0.0%
Total	439	1,191,120	71,225	434	1,148,068	71,225		3.7%

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

During the third quarter, the following changes in stores were registered:

Openings:

- **iShop:** opened a store in the Manacar Mall in Mexico City and relocated a store at the Andamar shopping center in Veracruz. On October 19, two iShops opened, one in La Victoria shopping center in the city of Queretaro and another in Tuxtla Gutiérrez, Chiapas.
- **Sears and Sanborns:** Sears and Sanborns opened one store each at La Victoria shopping center in the City of Querétaro on October 5th and 6th, respectively.

Temporary closures due to the earthquake of September 19, 2017:

- **Sears:** Plaza Insurgentes and Galerías Coapa in Mexico City,
- **Sanborns:** Insurgentes at Aristos, Plaza Insurgentes and Galerías Coapa, all of them in Mexico City.
- **Promusa:** 2 MixUp y 2 iShop stores at Galerías Coapa in Mexico City and Galerías Cuernavaca in the state of Morelos, respectively.

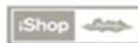


CHART OF THE RENOVATION AND EXPANSION

No.	SEARS	Status	Delivery Date	SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
New Stores									
1	Portal San Angel*	Completed	1Q17	Querétaro La Victoria	Completed	4Q17	Portal San Angel*	Completed	1Q17
2	Querétaro La Victoria	Completed	4Q17	Cuernavaca Averanda		2018	Manacar	Completed	3Q17
3	Cuernavaca Averanda		2018				Andamar Veracruz	Completed	3Q17
4	Parque Puebla		2018				Querétaro La Victoria	Completed	4Q17
5							Tuxtla Gtez. Chiapas	Completed	4Q17
6							Paseo del Carmen		4Q17
7							Plaza Patria, Jalisco		4Q17
Renovations									
Full:									
1	Centro Histórico CDMX (Expansion)*		4Q17	Perinorte EDOMEX Phase 2 (Expansion)		4Q17	Puebla	Completed	3Q17
2	Perisur CDMX (Expansion)*		4Q17				V. Ote. Monterrey	Completed	3Q17
3							Carso CDMX	Completed	3Q17
4							Parque Delta CDMX	Completed	3Q17
5							Cancún QR		4Q17
6							Morelia, Mich.		4Q18
7							Galerías Guadalajara		4Q19
8							Chihuahua		4Q20

*Stores that started its renovation or construction in 2016

RENOVATIONS AND EXPANSIONS

Sears continues with the expansion and renovation of its stores located in Perisur and Historic Center in Mexico City. Sanborns continues with the expansion of its Perinorte store. The renovations of 4 iShop stores concluded in the 3Q17 and 4 renovations more continue for the 4Q17.

WORKING CAPITAL

The balance of the inventory account as of September 30, 2017 was Ps. 11,048 MM, increasing by 5.7% compared to the balance at the end of December of the previous year which was Ps. 10,456 MM. Accounts payable to suppliers amounted to Ps. 5,583 million, which represented a 22.1% decrease compared to the 4Q16. Lastly, accounts receivable totaled Ps. 11,471 million, down 5.6% from the end of 4Q16.

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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CONFERENCE CALL DETAILS (this quarter with simultaneous Spanish to English translation):

Date: Friday October 27, 2017
 Time: **10:30-11:30 A.M. Mexico City Time/11:30 A.M.-12:30 P.M. NY Time (US EST)**
 Access Numbers: 52 (55) 6722-5257 Mexico - Local
 001 866-779-0965 Mexico Freephone
 1 (847) 585-4405 Internacional Toll
 1 (888) 771-4371 US Toll Free
 Code: **4583 8603 for Spanish**
4583 8602 for English
 Replay Spanish: 1 (630) 652-3100 **REF: 4583 8603#**
 Replay English: 1 (630) 652-3000 **REF: 4583 8602#**
 Availability: Until November 26, 2017

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	3Q17			3Q16			9M17			9M16		
			Var %			Var %					Var%	
Total Revenues	11,022	100.0%	0.9%	10,924	100.0%	0.9%	33,760	100.0%	32,012	100.0%	5.5%	
COGS	6,522	59.2%	0.1%	6,515	59.6%	0.1%	20,079	59.5%	19,068	59.6%	5.3%	
Gross Profit	4,499	40.8%	2.0%	4,409	40.4%	2.0%	13,681	40.5%	12,944	40.4%	5.7%	
SG&A	3,575	32.4%	8.8%	3,285	30.1%	8.8%	10,623	31.5%	9,732	30.4%	9.1%	
Other income (expenses) Net	14	0.1%	-98.8%	1,143	10.5%	-98.8%	48	0.1%	1,170	3.7%	-95.9%	
Operating Income	939	8.5%	-58.6%	2,266	20.7%	-58.6%	3,106	9.2%	4,382	13.7%	-29.1%	
Comprehensive Financial Result	2	0.0%	-2.3%	2	0.0%	-2.3%	47	0.1%	43	0.1%	9.0%	
Share of Profit of Associates and JV's.	35	0.3%	15.2%	30	0.3%	15.2%	108	0.3%	30	0.1%	256.5%	
Income before Taxes	975	8.8%	-57.6%	2,298	21.0%	-57.6%	3,262	9.7%	4,455	13.9%	-26.8%	
Taxes	254	2.3%	-60.5%	644	5.9%	-60.5%	846	2.5%	1,332	4.2%	-36.5%	
Consolidated Net Income	721	6.5%	-56.4%	1,655	15.1%	-56.4%	2,416	7.2%	3,123	9.8%	-22.6%	
Profit attributable to non-controlling int.	33	0.3%	-20.5%	42	0.4%	-20.5%	118	0.4%	199	0.6%	-40.3%	
Profit attributable to owners of parent Co.	687	6.2%	-57.4%	1,612	14.8%	-57.4%	2,298	6.8%	2,925	9.1%	-21.4%	
	0	0.0%	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	
EBITDA	1,250	11.3%	-11.2%	1,408	12.9%	-11.2%	4,044	12.0%	4,063	12.7%	-0.5%	

Balance Sheet figures			
(Million Pesos)	3Q17	4Q16	Var %
Cash & Equivalents	899.3	1,714.4	-47.5%
Trade Receivables	11,471.3	12,155.4	-5.6%
Other Trade Receivables	185.0	280.6	0.0%
Recoverable Taxes	795.0	680.9	16.8%
Other Financial Assets	0.0	0.0	0.0%
Inventories	11,048.1	10,455.9	5.7%
Other Non-Financial Assets	204.7	144.5	41.7%
Current Assets	24,603.4	25,431.7	-3.3%
Other Non-Current Trade Receivables	0.0	10.1	-100.0%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	2,020.1	1,912.2	5.6%
Property, Plant and Equipment	14,353.3	14,400.6	-0.3%
Investment Properties	2,207.9	2,207.9	0.0%
Intangible Assets and Goodwill	21.2	23.8	-10.9%
Deferred Tax Assets	780.2	600.6	29.9%
Other Non-Current Non-Fin. Assets	636.3	596.8	6.6%
Non-Current Assets	20,020.3	19,753.4	1.4%
Total Assets	44,623.7	45,185.0	-1.2%
Trade Payables	5,582.9	7,166.8	-22.1%
Short-Term Taxes Payable	1,827.0	2,153.3	-15.2%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	800.3	854.9	-6.4%
Current Provisions	3,400.4	2,307.5	47.4%
Current Liabilities	11,610.6	12,482.4	-7.0%
Long-Term Taxes Payable	554.7	444.2	24.9%
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	172.5	142.0	21.5%
Other Long-Term Provisions	12.5	0.0	NA
Deferred Tax Liabilities	1,158.9	1,164.9	-0.5%
Non-Current Liabilities	1,898.6	1,751.1	8.4%
Total Liabilities	13,509.2	14,233.5	-5.1%
Stockholder's Equity	31,114.6	30,951.5	0.53%
Shares Outstanding ('000)	2,296,641	2,301,023	-0.2%
Closing Stock Price	21.30	21.69	-1.8%

NA=Not Applicable