

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

Earnings Report

3Q 2018

Mexico City, October 24, 2018 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the third quarter of 2018.

HIGHLIGHTS

- **Total sales** increased 7.1% during the 3Q18 reaching Ps. 11,810 MM. Consolidated **Same Stores Sales (SSS)** grew 7.7%.
- The Same store sales of Sears grew 3.1%, of Sanborns 4.3% and of iShop/MixUp 26.0%.
- **Operating and Administrative expenses** decreased 20 basis points to 32.2% of sales.
- A **positive Comprehensive Financial Result** reached Ps. 22 MM compared to Ps. 2 MM in the 3Q17.
- **Consolidated net income** improved 1.4% totaling Ps. \$697 million.
- During the **3Q18 five new units were opened**: on July 19, a Sears and a Sanborns were opened in the Parque Las Antenas Shopping Center in Mexico City under the new integrated format. On August 30, an iShop was opened in the Averanda Shopping Center in Cuernavaca, Morelos and on September 6 and 13, two iShops were opened, one in Mundo E, in the State of Mexico and other in Merida, Yucatan.
- The bankruptcy declaration of Sears U.S.A. has nothing to do with the Sears Mexico operation. **Sears Operadora México S.A. de C.V. has the right to use the Sears brand until 2026.**

FINANCIAL SUMMARY (Million pesos, MM MXN)

Consolidated Results	3Q18	3Q17	Var%	9M18	9M17	Var%
Revenues	11,810	11,022	7.1%	35,072	33,760	3.9%
Gross Profit	4,669	4,499	3.8%	13,883	13,681	1.5%
Operating Income	881	939	-6.2%	2,811	3,106	-9.5%
Controlling Net Income	697	687	1.4%	2,069	2,298	-10.0%
EBITDA	1,208	1,250	-3.4%	3,746	4,044	-7.4%
Gross Margin	39.5%	40.8%		39.6%	40.5%	
Operating Margin	7.5%	8.5%		8.0%	9.2%	
EBITDA Margin	10.2%	11.3%		10.7%	12.0%	

TOTAL AND SAME STORES SALES (SSS)

Total sales of Grupo Sanborns grew 7.1% during the third quarter of the year, reaching Ps 11,810 million, which meant Ps. 788 million more. The sales of categories such as technology, electronics, beauty, fashion, restaurant and accessories stood out.

Likewise, the performance of renovated stores such as Perisur, Plaza Universidad and the online sales at Sears contributed to a 7.7% growth in **consolidated same store sales (SSS)**. Performance by format was 3.1% in Sears, 4.3% in Sanborns and 26.0% in Promotora Musical (iShop/MixUp).

VMT	3T18	3T17	9M18	9M17
Consolidadas	7.7%	-1.9%	4.6%	2.1%

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

Gross profit increased 3.8% totaling Ps. 4,669 MM. However, the gross margin was 39.5%, since there was a higher cost of sales and a higher participation of technology and electronics items, which have a lower margin within the product mix.

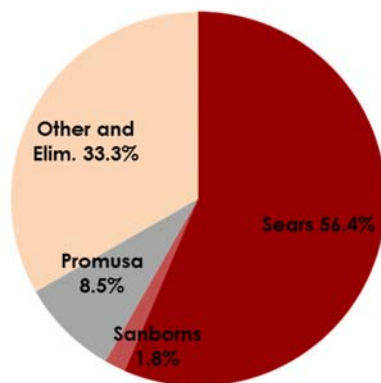
Operating and administrative expenses increased 6.2%, to a lesser extent than sales, going from 32.4% in 3Q17 to 32.2% in 3Q18, which meant a decrease of 20 basis points. This was explained by a greater control of administrative expenses, even including disbursements for: i) pre-opening of the Sears and Sanborns integrated stores in the Parque las Antenas Shopping Center, ii) increase in uncollectible accounts and reserves and iii) higher energy rates.

OPERATING INCOME AND EBITDA

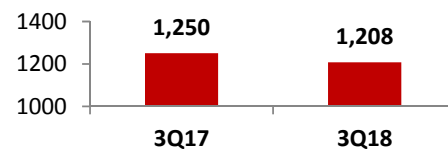
Operating income during the 3Q18 was Ps. 881 MM with a margin of 7.5%.

Quarterly **EBITDA** decreased 3.4% totaling Ps. 1,208 million, with a margin of 10.2% in the 3Q18.

Operating Income Breakdown
Grupo Sanborns 3Q18



EBITDA (MM Ps)



COMPREHENSIVE FINANCIAL RESULT (CFR)

From July to September 2018, a **positive comprehensive financing result (CFR)** of Ps. 22 MM was recorded, which was higher than the CFR of Ps. 2 MM in the 3Q17. This was mainly due to the recording of higher interest income (net) of Ps. 17 MM, coupled with a ForEx gain of Ps. 6 MM, compared to a loss of Ps. 4 MM in the 3Q17.

(MM MXN)						
Financial Results	3Q18	3Q17	Var%	9M18	9M17	Var%
Interest Expenses	-40	-29	36.1%	-124	-88	40.4%
Interest Income	56	35	63.4%	168	105	60.3%
Interest (net)	17	5	212.9%	44	17	166.5%
ForEx Results	6	-4	NA	7	31	-77.7%
CFR	22	2	1374.9%	51	47	7.7%

NA= Not applicable

NET INCOME

Derived from the better financial performance mentioned above, **controlling net income** increased 1.4% in the 3Q18, totaling Ps. 697 million, compared to Ps. 687 million registered in the 3Q17.

CREDIT BUSINESS

285 thousand new cardholders were added, bringing the number of private label cards to 4.11 million, compared to 3.82 million at the end of September 2017.

The percentage of non-performing loans over 90 days was 4.9%, while in the 3Q17 NPL 's were 4.4%. **The delinquency rate is below the market.**

The **loan portfolio** totaled Ps. 11,629 million, decreasing 0.7%, while credit income went from Ps. 908 to Ps. 940 million, which meant a 3.5% growth in the 3Q18.

Credit Indicators	3Q18	3Q17	Var%
Credit Portfolio (MM Ps)	11,629	11,716	-0.7%
Num. Credit cards issued (MM)	4.11	3.82	7.5%
Non-performing loans (%)	4.9%	4.4%	

DEBT

Grupo Sanborns had no **debt with cost** as of September 30, 2018, while the amount of cash totaled Ps. 1,724 MM compared to Ps. 1,925 MM at the close of December 2017. The expansion plan, the payment of liabilities to suppliers and the payment of dividends explain this variation of Ps. 201 million.

CAPITAL EXPENDITURES (CapEx)

Investments in fixed assets totaled Ps. 1,067 MM, amount that was 1.4% higher than Ps. 1,053 MM in the year ago period. For 2018, the estimation is to open 13 new stores (three Sears, two Sanborns and eight iShop), 2 expansions and 4 renovations. Additionally, the reopening of a Sears, a Sanborns, a MixUp and an iShop stores in the Galerías Coapa Shopping Center; as well as a Sanborns in the Mérida Altabrisa Shopping Center.

CHART OF THE RENOVATIONS AND EXPANSION PLAN

No.	SEARS	Status	Delivery Date	No.	SANBORNS	Status	Delivery Date	No.	iSHOP	Status	Delivery Date
New Stores:				New Stores				New Stores:			
1	Cuernavaca Averanda*	Completed	1Q18	1	Cuernavaca Averanda*	Completed	1Q18	1	Parque Puebla	Completed	1Q18
2	Parque Puebla	Completed	2Q18	2	Parque Las Antenas	Completed	3Q18	2	Parque Las Antenas	Completed	2Q18
3	Parque Las Antenas	Completed	3Q18	3	Guadalajara Gran Plaza		2019	3	Tlaxcala	Completed	2Q18
Reopenings				Reopenings				Reopenings			
1	Galerías Coapa		4Q18	1	Galerías Coapa		4Q18	5	Galerías Mérida	Completed	3Q18
					Mérida Altabrisa		4Q18	6	Mundo E	Completed	3Q18
								7	Cumbres Monterrey		4Q18
								8	Ecatepec		4Q18
Full Renovations:				Full Renovations:				Full Renovations:			
1	Centro Histórico CDMX (Ampliación)*	Completed	3Q18	1				1	Morelia Michoacán*	Completed	2Q18
2	Perisur CDMX (Ampliación)*	Completed	3Q18	2				2	Chihuahua*	Completed	2Q18
3	Guadalajara Centro (Ampliación)		2019	3				3	Mérida Altabrisa	Completed	2Q18
4	Puebla Centro (Ampliación)		2019	4				4	Perisur (cambio C/MixUp)		4Q18
5	Morelia Americas (Ampliación)		2019	5				5	Hermosillo		1Q19
								6	Parroquia		1Q19
								7	Irapuato		1Q19
								8	Oaxaca		1Q19
								9	Uruapan		1Q19
								10	Ecatepec (parcial C/MixUp)		1Q19

*Stores that started its renovation or construction in 2017.

RENOVATIONS AND EXPANSIONS

During the 3Q18, the renovation and expansion of the Sears Perisur and Sears Centro Histórico stores in Mexico City were completed. Remodeling works continued at 3 Sears stores and 7 iShops.



RETAIL SPACE AND NUMBER OF STORES

Sales Area	September 2018			September 2017			Sqm	Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm		
Sears	96	852,332		93	805,285			5.8%
Sanborns	165	252,444		172	262,650			-3.9%
Promotora Musical	118	39,815		112	38,090			4.5%
Other*	55	70,520		57	71,678			-1.6%
Shopping Centers		2	71,225		2	71,225		0.0%
Total	434	1,215,111	71,225	434	1,177,703	71,225		3.2%

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

At September 30, 2018, the consolidated sales area reached 1,215,111 sqm, which meant an increase of 3.2% in the retail space, considering the same number of 434 stores than the previous year.

During the third quarter, the following store movements were recorded:

- **Sears:** opened one integrated store in the Parque Las Antenas Shopping Center in Mexico City.
- **Sanborns:** opened one integrated store in the Parque Las Antenas Shopping Center in Mexico City.
- **Promusa:** opened three iShop stores, one in Cuernavaca, Morelos in the AVeranda Shopping Center, one in the State of Mexico and one in Merida, Yucatan.

WORKING CAPITAL

The balance of the inventories account as of September 30, 2018 was Ps. 11,139 MM, up 3.1% from the balance at the end of December of the previous year, which was Ps. 10,806 MM. The accounts payable to suppliers were Ps. 6,233 MM, which meant a decrease of 17.0% in relation to the amount of the 4Q17. Finally, accounts receivable from customers totaled Ps. 11,594 MM, decreasing 12.6% 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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CONFERENCE CALL DETAILS:

Date: Thursday October 25, 2018
 Time: **10:00 A.M.-11:00 A.M. Mexico City/ 11:00 A.M-12:00 P.M. NY (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

Access Code : **4775 9236 for Spanish**
4775 9260 for English

Replay: 1 (630) 652-3000 Spanish REF: 4775 9236#
 English REF: 4775 9260#

Availability: Until November 9, 2018

ADDITIONAL CHARTS:

Income Statement (Million Pesos)	3Q18		3Q17		Var %	9M18		9M17		Var%
Total Revenues	11,810	100.0%	11,022	100.0%	7.1%	35,072	100.0%	33,760	100.0%	3.9%
COGS	7,141	60.5%	6,522	59.2%	9.5%	21,189	60.4%	20,079	59.5%	5.5%
Gross Profit	4,669	39.5%	4,499	40.8%	3.8%	13,883	39.6%	13,681	40.5%	1.5%
SG&A	3,798	32.2%	3,575	32.4%	6.2%	11,127	31.7%	10,623	31.5%	4.7%
Other income (expenses) Net	10	0.1%	14	0.1%	-28.1%	55	0.2%	48	0.1%	14.6%
Operating Income	881	7.5%	939	8.5%	-6.2%	2,811	8.0%	3,106	9.2%	-9.5%
Comprehensive Financial Result	22	0.2%	2	0.0%	1374.9%	51	0.1%	47	0.1%	7.7%
Share of Profit of Associates and JV's.	55	0.5%	35	0.3%	57.0%	112	0.3%	108	0.3%	3.6%
Income before Taxes	958	8.1%	975	8.8%	-1.8%	2,974	8.5%	3,262	9.7%	-8.8%
Taxes	222	1.9%	254	2.3%	-12.8%	790	2.3%	846	2.5%	-6.6%
Consolidated Net Income	736	6.2%	721	6.5%	2.1%	2,184	6.2%	2,416	7.2%	-9.6%
Profit attributable to non-controlling int.	39	0.3%	33	0.3%	17.7%	116	0.3%	118	0.4%	-2.3%
Profit attributable to owners of parent Co.	697	5.9%	687	6.2%	1.4%	2,069	5.9%	2,298	6.8%	-10.0%
EBITDA	1,208	10.2%	1,250	11.3%	-3.4%	3,746	10.7%	4,044	12.0%	-7.4%

Balance Sheet figures			
(Million Pesos)	3Q18	4Q17	Var %
Cash & Equivalents	1,724.1	1,924.6	-10.4%
Trade Receivables	11,594.4	13,263.9	-12.6%
Recoverable Taxes	1,065.4	1,011.7	5.3%
Other Financial Assets	0.0	0.0	0.0%
Inventories	11,139.5	10,806.0	3.1%
Other Non-Financial Assets	168.5	158.3	6.5%
Current Assets	25,691.8	27,164.5	-5.4%
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	2,197.4	2,085.5	5.4%
Property, Plant and Equipment	14,526.9	14,517.8	0.1%
Investment Properties	2,323.9	2,323.9	0.0%
Intangible Assets and Goodwill	23.2	28.1	-17.4%
Deferred Tax Assets	1,207.0	1,014.5	19.0%
Other Non-Current Non-Fin. Assets	774.4	752.3	2.9%
Non-Current Assets	21,054.1	20,723.4	1.6%
Total Assets	46,746.0	47,887.9	-2.4%
Trade Payables	6,232.8	7,505.7	-17.0%
Short-Term Taxes Payable	2,099.9	2,580.0	-18.6%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	740.9	907.6	-18.4%
Current Provisions	3,439.1	2,405.1	43.0%
Current Liabilities	12,512.8	13,398.4	-6.6%
Long-Term Taxes Payable	542.3	497.4	9.0%
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	157.7	245.2	-35.7%
Deferred Tax Liabilities	1,249.7	1,227.2	1.8%
Non-Current Liabilities	1,949.7	1,969.8	-1.0%
Total Liabilities	14,462.5	15,368.2	-5.9%
Stockholder's Equity	32,283.4	32,519.8	-0.73%
Shares Outstanding ('000)	2,265,578	2,280,206	-0.6%
Closing Stock Price	19.20	19.60	-2.0%
NA=Not Applicable			