

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

Earnings Report

4Q 2017

Mexico City, February 27, 2018 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the fourth quarter and full year 2017.

HIGHLIGHTS

- During the 4Q17 **Consolidated Total Sales (TS) and Same Store Sales (SSS)** increased 2.7%. During the year, TS grew 4.6% and annual SSS increased 2.3%.
- **Gross Profit** increased 1.1% in the 4Q17 and 4.2% during 2017, reaching Ps. 19,724 million.
- **Operating Income** decreased 8.3% from Ps. 2,239 million in the 4Q16 to Ps. 2,052 million in the 4Q17.
- **Controlling Net Income** grew 7.7% during the quarter, from Ps. 1,542 million to Ps. 1,660 million.
- During the 4Q17 **five new stores** opened including three iShops, one Sears and one Sanborns, and the renovation of three stores concluded. At the end of December 2017 **retail space** increased 1.8% year over year, reaching 1,207,060 sqm.

FINANCIAL SUMMARY (Million pesos, MM Ps)

Consolidated Results	4Q17	4Q16	Var%	2017	2016	Var%
Revenues	16,008	15,582	2.7%	49,768	47,594	4.6%
Gross Profit	6,042	5,979	1.1%	19,724	18,922	4.2%
Operating Income	2,052	2,239	-8.3%	5,158	6,620	-22.1%
Op. Income ex-Other Income	2,052	2,239	-8.3%	5,158	5,479	-5.9%
Controlling Net Income	1,660	1,542	7.7%	3,958	4,466	-11.4%
Control. Net Income ex-Other Income	1,660	1,542	7.7%	3,958	3,667	7.9%
EBITDA	2,288	2,411	-5.1%	6,332	6,474	-2.2%
Gross Margin	37.7%	38.4%		39.6%	39.8%	
Operating Margin	12.8%	14.4%		10.4%	13.9%	
Op. Margin ex-Other Income	12.8%	14.4%		10.4%	11.5%	
EBITDA Margin	14.3%	15.5%		12.7%	13.6%	

TOTAL AND SAME STORE SALES (SSS)

In the last quarter of the year Grupo Sanborns sold Ps. 427 million more, increasing 2.7% and reaching **total sales** of Ps. 16,008 million.

Cumulatively, total sales grew 4.6%, going from Ps. 47,594 million in 2016 to Ps. 49,768 million in 2017.



Consolidated same store sales (SSS) increased 2.7% during the quarter, reflecting the good performance during "El Buen Fin" and holidays -where consumers enjoyed the launches of new products and promotions offered mainly in technology- as well as the effect of the closing of the units located in the Galerías Coapa shopping center after the earthquake. The SSS of the twelve months increased 2.3%.

SSS	4Q17	4Q16	2017	2016
Consolidated	2.7%	5.2%	2.3%	4.0%

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

During the fourth quarter of the year, **gross profit** increased 1.1% reaching Ps 6,042 million. Gross margin decreased 70 basis points to 37.7% due to a higher share of technology items during the period.

The twelve-month cumulative gross margin decreased 20 basis points from 39.8% to 39.6% for the same reason.

Operating and administrative expenses increased from 25.5% to 26.6% during the 4Q17.

On an annual basis, operating and administrative expenses represented 29.9% of sales, increasing 110 basis points, due to the following reasons:

- i. increases in uncollectible accounts and reserves,
- ii. an increase in the line of depreciation derived from the expansion and remodeling program,
- iii. increases in electricity rates,
- iv. operating costs of non-comparable stores,

OPERATING INCOME AND EBITDA

Operating income from October to December 2017 decreased 8.3% totaling Ps. 2,052 MM, mainly due to the increase in operating and administrative expenses mentioned previously.

Cumulative operating income decreased from Ps. 5,479 MM to Ps. 5,158 MM. This was excluding the effect of the extraordinary item of Ps. 1,141 million from the acquisition of 14% of the shares issued by Inmuebles SROM, S.A. de C.V. to Sears México Holdings Corp. recorded during 2016. Operating income for 2017 decreased 5.9%.

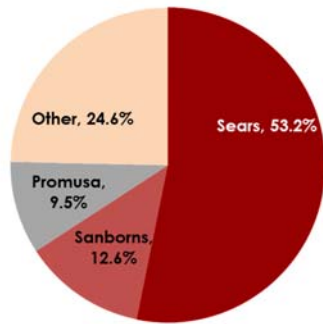
For the purposes of calculating the quarterly **EBITDA** we did not consider Ps. 85 MM as Other Income in the 4Q17, nor Ps. 122 MM in the 4Q16 from the revaluation of assets. Therefore, this indicator decreased 5.1% totaling Ps. 2,288 million with a margin that went from 15.5% to 14.3% on sales.



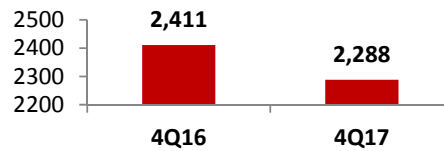


For the calculation of the annual EBITDA, we did not consider Ps. 85 MM as other Income in 2017, nor Ps. 1,263 MM in 2016, which include Ps. 1,141 MM from the acquisition of 14% of the shares issued by Inmuebles SROM, S.A. de C.V. and Ps. 122 MM from revaluation of assets. Therefore, the EBITDA for 2017 was Ps. 6,332 MM with a margin of 12.7%.

Operating Income Breakdown
Grupo Sanborns 4Q17



EBITDA (MM Ps)



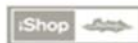
COMPREHENSIVE FINANCIAL RESULT (CFR)

(MM MXN)						
Financial Results	4Q17	4Q16	Var%	2017	2016	Var%
Interest Expenses	-56	-46	19.7%	-144	-129	11.7%
Interest Income	91	84	7.4%	195	248	-21.3%
Interest (net)	35	38	-7.7%	52	119	-56.9%
ForEx Results	-25	-23	8.0%	6	-61	NA
CFR	10.2	15.0	-31.8%	57.6	58.4	-1.5%

NA= Not applicable

During the 4Q17, Ps. 35 million were recorded as Net Interest Income, together with a foreign exchange loss of Ps. 25 million; therefore, **the comprehensive financial result (CFR)** was positive but lower by 31.8% compared to the CFR of the 4Q16.

The accumulated CFR was positive for Ps. 58 million and slightly lower by 1.5% with respect to the CFR recorded during the previous year.



NET INCOME

A reduction in the real tax rate due to a greater effect of inflation on the assets of the company was reflected in the **controlling net income**, which increased 7.7% in the 4Q17 reaching Ps. 1,660 million, compared to Ps. 1,542 million recorded in the 4Q16.

On an annual basis, controlling net income excluding Other Income registered in 2016 increased 7.9%, going from Ps. 3,667 million in the 4Q16 to Ps. 3,958 million in the 4Q17.

CREDIT BUSINESS

We added **268 thousand new account holders** during the year, bringing the number of credit cards to 3.94 million units, compared to 3.67 million at the end of December 2016. The delinquency rate over 90 days improved sequentially from 4.5% in the 3Q17 to 4.3% in the 4Q17, although it was higher than 3.2% recorded in the previous year. **The delinquency rate remains below the market.**

The **loan portfolio** showed an increase of 4.2%, totaling Ps. 12,894 million, while credit income grew 7.9% during the quarter and 13.4% during the year.

Credit Indicators	4Q17	4Q16	Var%
Credit Portfolio (MM Ps)	12,894	12,374	4.2%
Num. Credit cards issued (MM)	3.94	3.67	7.3%
Non-performing loans (%)	4.3%	3.2%	

DEBT

Grupo Sanborns had no **interest-bearing liabilities** as of December 31, 2017, while cash totaled Ps. 1,925 million compared to Ps. 1,714 million at the end of December 2016. This increase of Ps. 210 million was due, among other things, to higher working capital and debt with suppliers.

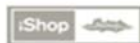
CAPITAL EXPENDITURES (CapEx)

In the period from January to December 2017, investments in CapEx totaled Ps. 1,584 MM.

RETAIL SPACE AND NUMBER OF STORES

Sales Area	December 2017			December 2016			Sqm	Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm		
Sears	95	827,341		93	806,448			2.6%
Sanborns	174	268,583		176	268,446			0.1%
Promotora Musical	117	39,458		112	37,821			4.3%
Other*	57	71,678		61	73,515			-2.5%
Shopping Centers	2		71,225	2		71,225		0.0%
Total	443	1,207,060	71,225	442	1,186,230	71,225		1.8%

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





As of December 31, 2017, the sales area totaled 1,207,060 sqm including 443 stores, an increase of 1.8% in the consolidated retail area compared to the same period of the previous year.

During the fourth quarter, the following changes were recorded in the number of stores:

Openings:

- **iShop:** On October 19, two iShops were opened, one at the La Victoria shopping center in the city of Queretaro and the other in Tuxtla Gutierrez, Chiapas. On December 21, an iShop opened in Paseo del Carmen, Quintana Roo.
- **Sears and Sanborns:** On October 5 and 6, a Sears and a Sanborns store opened in the La Victoria shopping center in the city of Queretaro.

Stores that remained closed as of December 31, 2017 after the earthquake in Mexico City:

- **Galerías Coapa:** a Sears, a Sanborns, an iShop and a MixUp,
- **Insurgentes:** one Sanborns

Definitive Closures:

- **Tlalnepantla:** One Sanborns was closed on October 22, 2017 in the State of Mexico.

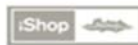
CHART OF THE RENOVATION AND EXPANSION PLAN

No.	SEARS	Status	Delivery Date	SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
	New Stores			New Stores			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	Completed	4Q17
7							Plaza Patria, Jalisco		2018
	Renovations			Renovations			Renovations		
	Full:			Full:			Full:		
1	Centro Histórico CDMX (Expansion)*		2018	Perinorte EDOMEX (Expan.)	Completed	4Q17	Puebla	Completed	3Q17
2	Perisur CDMX (Expansion)*		2018				V. Ote. Monterrey	Completed	3Q17
3							Carso CDMX	Completed	3Q17
4							Parque Delta CDMX	Completed	3Q17
5							Cancún QR	Completed	4Q17
6							Galerías Guadalupe	Completed	4Q17
7							Morelia Michoacán	Completed	2018
8							Chihuahua		2018

*Stores that started its renovation or construction in 2016

RENOVATIONS AND EXPANSIONS

The remodeling and expansion of the stores of Sears located in Perisur and Centro Histórico in Mexico City continue. Sanborns concluded the conversion of the Perinorte store in the State of Mexico and two iShop stores finished its renovation. Two renovations of iShop stores continue for 2018 that began this year.





WORKING CAPITAL

The balance of the inventories account, net, as of December 31, 2017 was Ps. 10,806 MM, increasing 3.3% compared to the balance at the end of December of the previous year, which was Ps. 10,456 MM.

Accounts payable to suppliers were Ps. 7,506 MM, which meant an increase of 4.7% compared to the 4Q16 figure. Lastly, accounts receivable totaled Ps. 12,741 MM, up 4.8% from the close of the 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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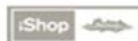
CONFERENCE CALL DETAILS:

Date: Wednesday, February 28, 2018
Time: **11:00 A.M-12:00 P.M. Mexico City Time/12:00 P.M.-13:00 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
0808 238 9578 UK Freephone
0 203 147 4818 UK-London Local

Code: **4645 4828 for Spanish**
4645 4829 for English

Replay: 1 (630) 652-3000 Spanish: **REF: 4645 4828#**
English: **REF: 4645 4829#**

Availability: Until March 14, 2018



ADDITIONAL CHARTS:

Income Statement (Million Pesos)											
	4Q17		4Q16		Var %	2017		2016		Var%	
Total Revenues	16,008	100.0%	15,582	100.0%	2.7%	49,768	100.0%	47,594	100.0%	4.6%	
COGS	9,966	62.3%	9,603	61.6%	3.8%	30,045	60.4%	28,671	60.2%	4.8%	
Gross Profit	6,042	37.7%	5,979	38.4%	1.1%	19,724	39.6%	18,922	39.8%	4.2%	
SG&A	4,259	26.6%	3,965	25.5%	7.4%	14,882	29.9%	13,698	28.8%	8.6%	
Other income (expenses) Net	269	1.7%	225	1.4%	19.2%	316	0.6%	1,396	2.9%	-77.3%	
Operating Income	2,052	12.8%	2,239	14.4%	-8.3%	5,158	10.4%	6,620	13.9%	-22.1%	
Comprehensive Financial Result	10	0.1%	15	0.1%	-31.8%	58	0.1%	58	0.1%	-1.5%	
Share of Profit of Associates and JV's.	65	0.4%	60	0.4%	9.4%	173	0.3%	90	0.2%	92.6%	
Income before Taxes	2,128	13.3%	2,313	14.8%	-8.0%	5,389	10.8%	6,769	14.2%	-20.4%	
Taxes	382	2.4%	702	4.5%	-45.7%	1,227	2.5%	2,035	4.3%	-39.7%	
Consolidated Net Income	1,746	10.9%	1,611	10.3%	8.4%	4,162	8.4%	4,734	9.9%	-12.1%	
Profit attributable to non-controlling int.	86	0.5%	69	0.4%	23.9%	204	0.4%	268	0.6%	-23.7%	
Profit attributable to owners of parent Co.	1,660	10.4%	1,542	9.9%	7.7%	3,958	8.0%	4,466	9.4%	-11.4%	
	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	
EBITDA	2,288	14.3%	2,411	15.5%	-5.1%	6,332	12.7%	6,474	13.6%	-2.2%	

Balance Sheet figures			
(Million Pesos)	4Q17	4Q16	Var %
Cash & Equivalents	1,924.6	1,714.4	12.3%
Trade Receivables	12,741.4	12,155.4	4.8%
Other Trade Receivables	522.5	280.6	0.0%
Recoverable Taxes	1,011.7	680.9	48.6%
Other Financial Assets	0.0	0.0	0.0%
Inventories	10,806.0	10,455.9	3.3%
Other Non-Financial Assets	158.3	144.5	9.5%
Current Assets	27,164.5	25,431.7	6.8%
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	2,085.5	1,912.2	9.1%
Property, Plant and Equipment	14,517.8	14,400.6	0.8%
Investment Properties	2,323.9	2,207.9	5.3%
Intangible Assets and Goodwill	28.1	23.8	18.2%
Deferred Tax Assets	1,014.5	600.6	68.9%
Other Non-Current Non-Fin. Assets	752.3	596.8	26.0%
Non-Current Assets	20,723.4	19,753.4	4.9%
Total Assets	47,887.9	45,185.0	6.0%
Trade Payables	7,505.7	7,166.8	4.7%
Short-Term Taxes Payable	2,250.8	2,153.3	4.5%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	907.6	854.9	6.2%
Current Provisions	2,392.6	2,307.5	3.7%
Current Liabilities	13,056.7	12,482.4	4.6%
Long-Term Taxes Payable	826.6	444.2	86.1%
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	245.2	142.0	72.7%
Other Long-Term Provisions	12.5	0.0	NA
Deferred Tax Liabilities	1,227.2	1,164.9	5.3%
Non-Current Liabilities	2,311.4	1,751.1	32.0%
Total Liabilities	15,368.2	14,233.5	8.0%
Stockholder's Equity	32,519.8	30,951.5	5.07%
Shares Outstanding (´000)	2,280,206	2,301,023	-0.9%
Closing Stock Price	19.60	21.69	-9.6%

NA=Not Applicable