

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

### Earnings Report

2Q 2017

Mexico City, July 27, 2017 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the second quarter of 2017.

#### HIGHLIGHTS

- **Total sales** increased 7.0% during the 2Q17 reaching Ps. 11,555 MM.
- Consolidated Same Store Sales (**SSS**) increased 3.4% in the quarter and 4.2% in the first semester.
- **Controlling Net Income** posted a 16.5% increase in the 2Q17, reaching Ps. 793 million pesos, compared with Ps. 681 million recorded in the 2Q16.
- The **credit portfolio** totaled Ps. 11,444 MM being 11.7% higher compared with the 2Q16.
- On June 20, 2017 the first installment of Ps. 0.44 (forty-four cents) was paid, of **the annual dividend of Ps. 0.88** (eighty-eight cents) decreed in the Ordinary General Shareholders' Meeting.
- Retail space increased 5.0% year over year, reaching 1,194,117 sqm. Renovations continued at the Sears Puebla Center store, as well as the stores in Perisur and Historic Center in Mexico City.

#### FINANCIAL SUMMARY (Million pesos, MM Ps)

Consolidated Results	2Q17	2Q16	Var%	6M17	6M16	Var%
Revenues	11,555	10,803	7.0%	22,738	21,088	7.8%
Gross Profit	4,704	4,400	6.9%	9,182	8,535	7.6%
Operating Income	1,159	1,162	-0.3%	2,167	2,115	2.5%
Controlling Net Income	793	681	16.5%	1,610	1,312	22.7%
EBITDA	1,473	1,435	2.7%	2,794	2,655	5.2%
Gross Margin	40.7%	40.7%		40.4%	40.5%	
Operating Margin	10.0%	10.8%		9.5%	10.0%	
EBITDA Margin	12.7%	13.3%		12.3%	12.6%	

#### TOTAL AND SAME STORE SALES (SSS)

During the second quarter of the year, Grupo Sanborns' **total sales** amounted to Ps. 11,555 million, an increase of 7.0% or Ps. 752 million more. The most dynamic categories from April to June 2017 were "big ticket" technology and fashion.

The newly remodeled Sears stores like Angelopolis have had a significant increase in sales as well as non-comparable stores of the corresponding quarter.

In the same way, there was an increase in **consolidated same-store sales (SSS)**, registering growth of 3.4% in the quarter and 4.2% in the first six months of the year.

SSS	2T17	2T16	6M17	6M16
Consolidated	3.4%	2.8%	4.2%	1.7%

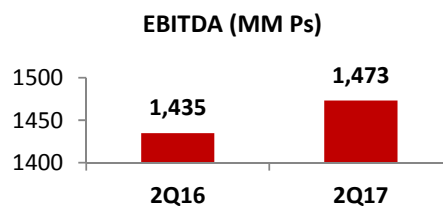
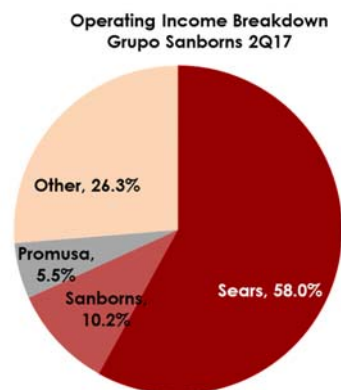
#### GROSS PROFIT AND OPERATING EXPENSES (SG&A)

**Gross profit** increased 6.9% to Ps. 4,704 MM while the gross margin remained constant at 40.7% the same as the previous year, considering that there was a greater participation of “big-ticket” and technology within the sales mix.

**Operating and administrative expenses** increased from 30.3% of sales in 2Q16 to 31.0% in 2Q17. This was explained by an increase in depreciation derived from the expansion and remodeling program, an increase in electricity tariffs and increases in non-performing loans and the provision for doubtful accounts.

#### OPERATING INCOME AND EBITDA

As a result of the increase in expenses, **operating income** was Ps. 1,159 MM with an operating margin of 10.0%. Quarterly EBITDA increased 2.7% to Ps. 1,473 million, with a margin of 12.7% in 2Q17.



#### COMPREHENSIVE FINANCIAL RESULT (CFR)

During the 2Q17, a **positive comprehensive financing result (CFR)** of Ps. 21 million was recorded, which was 6.7% higher than the CFR in 2Q16, mainly due to an exchange gain of Ps. 17 million versus an exchange loss of Ps. 12 million the previous year.

(MM MXN)						
Financial Results	2Q17	2Q16	Var%	6M17	6M16	Var%
Interest Expenses	-30	-28	6.7%	-59	-55	7.8%
Interest Income	34	60	-42.9%	70	122	-42.6%
<b>Interest (net)</b>	<b>5</b>	<b>32</b>	<b>-86.0%</b>	<b>11</b>	<b>68</b>	<b>-83.4%</b>
ForEx Results	17	-12	NA	35	-26	NA
<b>CFR</b>	<b>21</b>	<b>20</b>	<b>6.7%</b>	<b>46</b>	<b>42</b>	<b>9.4%</b>

NA= Not applicable

### NET INCOME

**Controlling net income** increased 16.5% in the 2Q17, reaching Ps. 793 million, compared to Ps. 681 million registered in the 2Q16. This was the result of the operating income, a lower effective tax rate, the participation in Inmuebles SROM subsidiary and a smaller share of minority shareholders.

### CREDIT BUSINESS

In the 2Q17, **223 thousand cardholders** were added, bringing the number of cards to 3.78 million plastics, compared to 3.56 million at the end of June 2016.

The delinquency rate over 90 days increased from 3.1% in 2Q16 to 4.1% in 2Q17.

On the other hand, **the loan portfolio showed a sound increase of 11.7%**, totaling Ps. 11,444 million. Revenues from credit increased from Ps. 771 in 2Q16 to Ps. 896 million pesos in 2Q17, which represented a growth of 16.1%.

Credit Indicators	2Q17	2Q16	Var%
Credit Portfolio (MM Ps)	11,444	10,246	11.7%
Num. Credit cards issued (MM)	3.78	3.56	6.3%
Non-performing loans (%)	4.1%	3.1%	

### DEBT

Grupo Sanborns recorded a **debt with a cost** of Ps. 250 million as of June 30, 2017, while cash amounted to Ps. 478 million compared to Ps. 1,714 million at the close of December 2016. This decrease of Ps. 1,236 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 June 2017, investments in fixed assets totaled Ps. 725 million.

**RETAIL SPACE AND NUMBER OF STORES**

As of June 30, 2017, the retail space totaled 1,194,117 sqm including 442 stores, an increase of 5.0% in the consolidated commercial area compared to the same period of the previous year.

During the second quarter of 2017 there were no changes in the number of stores.

Sales Area	June 2017			June 2016			Sqm Var%
	Units	Retail Sqm	Leaseable Sqm	Units	Retail Sqm	Leaseable Sqm	
Sears	94	815,121		89	766,450		6.4%
Sanborns	175	267,593		171	260,788		2.6%
Promotora Musical	113	38,072		110	37,346		1.9%
Other*	60	73,331		62	73,071		0.4%
Shopping Centers	2		71,225	2		71,225	0.0%
<b>Total</b>	<b>442</b>	<b>1,194,117</b>	<b>71,225</b>	<b>432</b>	<b>1,137,655</b>	<b>71,225</b>	<b>5.0%</b>

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

**CHART OF THE RENOVATION AND EXPANSION PLAN**

No.	SEARS	Status	Delivery Date	SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
	<b>New Stores</b>			<b>New Stores</b>			<b>New Stores</b>		
1	Portal San Angel*	Completed	1Q17	Querétaro La Victoria		3Q17	Portal San Angel*	Completed	1Q17
2	Querétaro La Victoria		3Q17	Cachanilla		4Q17	Manacar		3Q17
3	Cuernavaca Averanda		4Q17	Cuernavaca Averanda		4Q17	Andamar Veracruz		3Q17
4	Parque Puebla		4Q17	Paseo Interlomas		4Q17	Playa del Carmen		3Q17
5							Plaza Patria, Jalisco		4Q17
6							Querétaro La Victoria		4Q17
7							Durango		4Q17
	<b>Renovations</b>			<b>Renovations</b>			<b>Renovations</b>		
	<b>Full:</b>			<b>Full:</b>			<b>Full:</b>		
1	Puebla Centro Histórico (Expansion)		3Q17	Perinorte EDOMEX Phase II (Expansion)		3Q17	Puebla		3Q17
2	Centro Histórico CDMX (Expansion)*		4Q17	Satélite EDOMEX (Expansion)		4Q17	V. Ote. Monterrey		3Q17
3	Perisur CDMX (Expansion)*		4Q17	Perisur CDMX (Expansion)		4Q17	Carso CDMX		3Q17
4							Parque Delta CDMX		3Q17
5							Cancún QR		3Q17
6							Morelia, Mich.		3Q17
7							Galerías Guadalajara		3Q17
8							Satélite, EDOMEX		4Q17
9							Chihuahua		4Q17

\*Stores that started its renovation or construction in 2016

**NEW STORES**

The expansion plan in 2017 includes 15 new stores: 4 Sears, 4 Sanborns and 7 iShop.



### RENOVATIONS AND EXPANSIONS

The expansion and renovation of the Sears stores located in Perisur and Historic Center in Mexico City continue, as well as the renovation of Sears Puebla Center. For Sanborns 3 expansions and renovations continue and 9 renovations of iShop stores.

### WORKING CAPITAL

The balance of the inventory account as of June 30, 2017 was Ps. 10,536 MM, increasing slightly by 0.8% compared to the balance at the end of December of the previous year that was Ps. 10,456 MM. Accounts payable to suppliers amounted to Ps. 5,288 million, which represented a 26.2% decrease compared to 4Q16. Lastly, accounts receivable totaled Ps. 11,619 million, down 4.4% 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.

### CONTACTS FOR INVESTORS:

Mario Bermúdez Dávila

CFO Grupo Sanborns

T. +52 (55) 5257-9323

[mbermudez@sears.com.mx](mailto:mbermudez@sears.com.mx)

Angélica Piña Garnica

Investor Relations

T. +52 (55) 1101-2956

[napinag@gcarso.com.mx](mailto:napinag@gcarso.com.mx)

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

Date: Friday July 28, 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: **45335206 for Spanish**  
**45335207 for English**  
Replay Spanish: 1 (888) 843-7419 1 (630) 652-3042 **REF: 4533 5206#**  
Replay English: 1 (888) 843-7419 1 (630) 652-3042 **REF: 4533 5207#**  
Availability: **90 days**

ADDITIONAL CHARTS:

Income Statement (Million Pesos)											
	2Q17		2Q16		Var %	6M17		6M16		Var%	
Revenues	10,659	92.2%	10,032	92.9%	6.3%	20,932	92.1%	19,533	92.6%	7.2%	
Consumer Credit Income	896	7.8%	771	7.1%	16.1%	1,807	7.9%	1,554	7.4%	16.2%	
<b>Total Revenues</b>	<b>11,555</b>	<b>100.0%</b>	<b>10,803</b>	<b>100.0%</b>	<b>7.0%</b>	<b>22,738</b>	<b>100.0%</b>	<b>21,088</b>	<b>100.0%</b>	<b>7.8%</b>	
COGS	6,851	59.3%	6,403	59.3%	7.0%	13,556	59.6%	12,553	59.5%	8.0%	
<b>Gross Profit</b>	<b>4,704</b>	<b>40.7%</b>	<b>4,400</b>	<b>40.7%</b>	<b>6.9%</b>	<b>9,182</b>	<b>40.4%</b>	<b>8,535</b>	<b>40.5%</b>	<b>7.6%</b>	
SG&A	3,582	31.0%	3,269	30.3%	9.6%	7,048	31.0%	6,447	30.6%	9.3%	
Other income (expenses) Net	37	0.3%	30	0.3%	22.0%	34	0.1%	28	0.1%	21.2%	
<b>Operating Income</b>	<b>1,159</b>	<b>10.0%</b>	<b>1,162</b>	<b>10.8%</b>	<b>-0.3%</b>	<b>2,167</b>	<b>9.5%</b>	<b>2,115</b>	<b>10.0%</b>	<b>2.5%</b>	
Comprehensive Financial Result	21	0.2%	20	0.2%	6.7%	46	0.2%	42	0.2%	9.4%	
Share of Profit of Associates and JV's.	31	0.3%	0	0.0%	NA	73	0.3%	0	0.0%	NA	
<b>Income before Taxes</b>	<b>1,211</b>	<b>10.5%</b>	<b>1,182</b>	<b>10.9%</b>	<b>2.5%</b>	<b>2,286</b>	<b>10.1%</b>	<b>2,157</b>	<b>10.2%</b>	<b>6.0%</b>	
Taxes	388	3.4%	420	3.9%	-7.6%	591	2.6%	689	3.3%	-14.1%	
<b>Consolidated Net Income</b>	<b>824</b>	<b>7.1%</b>	<b>762</b>	<b>7.1%</b>	<b>8.1%</b>	<b>1,695</b>	<b>7.5%</b>	<b>1,469</b>	<b>7.0%</b>	<b>15.4%</b>	
Profit attributable to non-controlling int.	30	0.3%	81	0.7%	-62.6%	85	0.4%	156	0.7%	-45.7%	
<b>Profit attributable to owners of parent Co.</b>	<b>793</b>	<b>6.9%</b>	<b>681</b>	<b>6.3%</b>	<b>16.5%</b>	<b>1,610</b>	<b>7.1%</b>	<b>1,312</b>	<b>6.2%</b>	<b>22.7%</b>	
	0	0.0%	0	0.0%	0.0%	0	0.0%	0	0.0%	0.0%	
<b>EBITDA</b>	<b>1,473</b>	<b>12.7%</b>	<b>1,435</b>	<b>13.3%</b>	<b>2.7%</b>	<b>2,794</b>	<b>12.3%</b>	<b>2,655</b>	<b>12.6%</b>	<b>5.2%</b>	

<b>Balance Sheet figures</b>			
<b>(Million Pesos)</b>	<b>2Q17</b>	<b>4Q16</b>	<b>Var %</b>
Cash & Equivalents	478.2	1,714.4	-72.1%
Trade Receivables	11,618.5	12,155.4	-4.4%
Other Trade Receivables	186.2	280.6	-33.7%
Recoverable Taxes	685.9	680.9	0.7%
Other Financial Assets	0.0	0.0	0.0%
Inventories	10,536.5	10,455.9	0.8%
Other Non-Financial Assets	224.2	144.5	55.2%
<b>Current Assets</b>	<b>23,729.4</b>	<b>25,431.7</b>	<b>-6.7%</b>
Other Non-Current Trade Receivables	10.1	10.1	0.0%
Other Non-Current Financial Assets	1.3	1.3	NA
Investments in subsidiaries and associates	1,985.3	1,912.2	NA
Property, Plant and Equipment	14,438.0	14,400.6	0.3%
Investment Properties	2,207.9	2,207.9	0.0%
Intangible Assets and Goodwill	22.3	23.8	-6.4%
Deferred Tax Assets	684.6	600.6	14.0%
Other Non-Current Non-Fin. Assets	626.2	596.8	4.9%
<b>Non-Current Assets</b>	<b>19,975.7</b>	<b>19,753.4</b>	<b>1.1%</b>
<b>Total Assets</b>	<b>43,705.2</b>	<b>45,185.0</b>	<b>-3.3%</b>
Trade Payables	5,288.4	7,166.8	-26.2%
Short-Term Taxes Payable	1,790.1	2,153.3	-16.9%
Short-Term Bank Debt	250.1	0.0	0.0%
Other Current Financial Liabilities	816.5	854.9	-4.5%
Current Provisions	3,286.4	2,307.5	42.4%
<b>Current Liabilities</b>	<b>11,431.4</b>	<b>12,482.4</b>	<b>-8.4%</b>
Long-Term Taxes Payable	516.7	444.2	16.3%
Long-Term Bank Debt	0.0	0.0	0.0%
Other L.T. Financial Liabilities	12.2	0.0	NA
Other Non-Financial L.T. Liabilities	0.0	0.0	0.0%
Long-Term Provisions	162.3	142.0	14.3%
Deferred Tax Liabilities	1,167.8	1,164.9	0.2%
<b>Non-Current Liabilities</b>	<b>1,859.0</b>	<b>1,751.1</b>	<b>6.2%</b>
<b>Total Liabilities</b>	<b>13,290.3</b>	<b>14,233.5</b>	<b>-6.6%</b>
<b>Stockholder's Equity</b>	<b>30,414.8</b>	<b>30,951.5</b>	<b>-1.73%</b>
Shares Outstanding ('000)	2,297,896	2,301,023	-0.1%
Closing Stock Price	21.27	21.69	-1.9%

NA=Not Applicable