

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

Earnings Report

3Q 2016

Mexico City, October 20, 2016 – Grupo Sanborns, S.A.B. de C.V. (BMV: GSANBOR OTC: GSAOY) announced today its results for the third quarter of 2016.

HIGHLIGHTS

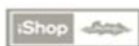
- **Total sales** increased 9.8% during the 3Q16, and including the mobile phones and minutes, total sales increased 12.8%. Consolidated **same store sales** grew 6.3%.
- **Gross Profit** grew 10.4% reaching \$4,409 MM, with a gross margin that increased 30 basis points to 40.4%.
- **Operating Income** increased 155.6% due to the recording of \$1,141 million as Other Income. This was the difference between the price paid and the fair value similar to equity, of the 14.0% stake in Inmuebles SROM, S.A. de C.V. (the real estate company owner of various retail assets) made by Grupo Sanborns to Sears Mexico Holdings Corp. (Sears U.S.A.). In addition, to the acquisition of 14.0% of the shares of its subsidiary Sears Operadora Mexico, which generated a surplus of \$172 million pesos reflected in Stockholders' Equity.
- Excluding the effect of Other Income mentioned in the previous bullet, **EBITDA** increased 25.6% during the quarter, corresponding to a 160 basis points increase in its margin to 12.9%.
- **Retail space grew 3.0% year over year**, reaching 1,148,068 m2. During the 3Q16 two new stores were opened: one Sears and one iShop, and the renovation of two stores ended: Sanborns Plaza Insurgentes and the expansion of Sears Angelopolis in Puebla, Puebla.

FINANCIAL SUMMARY (Million Pesos MXN, MM Ps)

Consolidated Results	3Q16	3Q15	Var%	9M16	9M15	Var%
Revenues	10,924	9,953	9.8%	32,012	30,125	6.3%
Gross Profit	4,409	3,995	10.4%	12,944	11,968	8.2%
Operating Income	2,266	887	155.5%	4,382	2,851	53.7%
Controlling Net Income	1,612	557	189.5%	2,925	1,766	65.6%
EBITDA	1,408	1,121	25.6%	4,063	3,539	14.8%
Gross Margin	40.4%	40.1%		40.4%	39.7%	
Operating Margin	20.7%	8.9%		13.7%	9.5%	
EBITDA Margin	12.9%	11.3%		12.7%	11.7%	

TOTAL AND SAME STORES SALES (SSS)

In the 3Q16, **total sales** of Grupo Sanborns reached \$10,924 million, a 9.8% increase that meant \$971 million pesos more.



Since the second half of September 2015, the revenue business model of mobile phones changed, recording the commission in the gross profit. This change resulted in a reduction in total sales in the 3Q16 of \$374 million pesos. **Without this change, the sales figure of Grupo Sanborns increased 12.8% from \$10,018 MM in the 3Q15 to \$11,298 MM in the 3Q16.**

Consolidates Sales	3Q16	3Q15	Var%	9M16	9M15	Var%
With Mobile phones	10,924	9,953	9.8%	32,012	30,125	6.3%
Without Mobile phones	11,298	10,018	12.8%	33,179	30,190	9.9%

From July to September 2016 **consolidated same store sales (SSS)** grew 6.3%.

SSS	3T16	3T16*	3T15	9M16	9M16*	9M15
Consolidated	6.3%	9.5%	9.1%	3.2%	7.1%	8.1%

*Without considering the change in the mobile phone business scheme

CREDIT BUSINESS

The company added **198 thousand cardholders** at the end of September 2016, bringing the number of private label cards to 3.61 million, compared to 3.41 million in the same period of the previous year.

The delinquency rate is below the market, with a percentage of non-performing loans of more than 90 days of 3.0%, which is lower than 3.6% recorded in the same period of the previous year.

The **loan portfolio stood out growing 11.0%**, totaling \$10,425 million. Credit revenues increased from \$732 to \$800 million, or a 9.2% increase in the 3Q16.

Credit Indicators	3Q16	3Q15	Var%
Credit Portfolio (MM Ps)	10,425	9,391	11.0%
Num. Credit cards issued (MM)	3.61	3.41	5.8%
Non-performing loans (%)	3.0%	3.6%	

GROSS PROFIT AND OPERATING EXPENSES (SG&A)

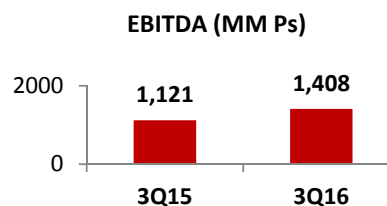
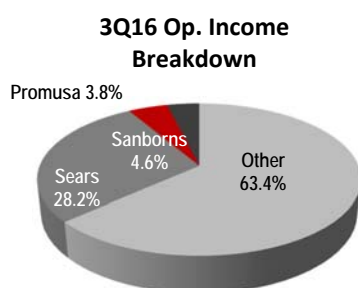
Gross profit increased 10.4% in the quarter reaching \$4,409 MM. Gross margin increased 30 basis points to 40.4%. This was due to the change in the revenue business model of mobile phones, coupled with a better product sales mix.

Including a higher depreciation from the expansion plan of the Group, during the 3Q16 **operating and administrative expenses** represented 19.6% of sales, benefited with Other Income of \$1,141 million pesos.

OPERATING INCOME AND EBITDA

Regarding **operating income**, this item increased 155.6% reaching \$2,266 million pesos. Operating margin was 20.7%, improving from 8.9% recorded in the previous year. This was due to a higher gross profit, but mainly to the recording of \$1,141 MM as Other Income from an equity stake of 14.0% in Inmuebles SROM, S.A. de C.V. made to Sears Mexico Holdings Corp. (Sears U.S.A.) by Grupo Sanborns. Also to the acquisition of 14.0% of the shares of its subsidiary Sears Operadora Mexico, which generated a surplus of \$172 million reflected in Stockholders' Equity.

For the calculation of the quarterly EBITDA, we did not include \$1,141 million pesos of Other Income from the acquisition of shares. Therefore, EBITDA grew 25.6% reaching \$1,408 million pesos. The EBITDA margin increased 160 basis points to reach 12.9% on sales.



COMPREHENSIVE FINANCIAL RESULT (CFR)

During the 3Q16 a positive Comprehensive Financial Result (CFR) of \$2 million pesos was recorded, being 77.2% lower than the CFR of \$7 million pesos recorded in the 3Q15. This was the due to a reduction in interest income and a lower exchange loss.

(MM MXN)						
Financial Results	3Q16	3Q15	Var%	9M16	9M15	Var%
Interest Expenses	-28	-26	4.7%	-82	-78	5.9%
Interest Income	42	54	-23.2%	164	166	-1.4%
Interest (net)	14	28	-49.7%	82	89	-7.9%
ForEx Results	-12	-21	-40.8%	-38	-38	1.6%
CFR	2	7	-77.2%	43	51	-14.9%

NA= Not applicable

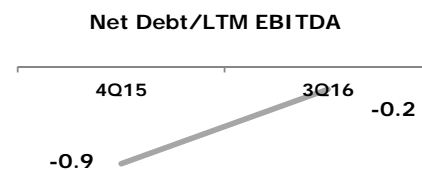
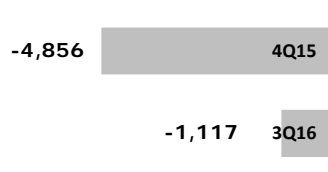
NET INCOME

Controlling net income increased 189.5% in the 3Q16, reaching \$1,612 million pesos, compared to \$557 million recorded in the 3Q15. This was mainly explained by the amount recorded as Other Income mentioned previously.

DEBT

Grupo Sanborns had no debt at September 30, 2016, while the amount of cash and cash-equivalents totaled \$1,117 MM compared to \$4,856 MM at the end of December 2015. The decrease of \$3,739 million in cash was due to the funding of the expansion plan -where we have opened seven new units and finished the renovation of four stores during the first nine months of the year-. It was also due to a higher credit portfolio and inventories, to share repurchases and lastly, to the acquisition of the 14.0% stake of Sears Operadora Mexico and Inmuebles SROM, S.A. de C.V.

Deuda Neta (MM Ps)



CAPITAL EXPENDITURES (CapEx)

CapEx totaled \$2,202 MM, increasing 35.7% compared to investments of \$1,623 MM during the same period of the previous year.

RETAIL SPACE AND NUMBER OF STORES

At September 30, 2016 retail space reached 1,148,068 sqm including 434 stores, an increase of 3.0% compared to the same period of the previous year.

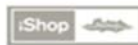
During the third quarter, the changes in the number of stores were as follows:

- **Sears:** opened one store in Chimalhuacan, in the State of Mexico,
- **Promotora Musical:** opened one iShop store in Tezontle, in Mexico City,

Sales Area	September 2016			September 2015			Sqm Var%
	Units	Sq meters	Leasable Sqm	Units	Sq meters	Leasable Sqm	
Sears	90	775,628		87	744,988		4.1%
Sanborns	171	260,809		170	258,983		0.7%
Promotora Musical	111	37,618		109	37,253		1.0%
Other*	62	74,013		62	73,073		1.3%
Shopping Centers		2	71,225		2	71,225	0.0%
Total	434	1,148,068	71,225	428	1,114,297	71,225	3.0%

*Includes stores in Central America, Sanborns Café, DAX stores, Saks Fifth Avenue and Boutiques.

Shopping Centers are Plaza Inbursa and Plaza Loreto.



RENOVATIONS AND EXPANSIONS OF STORES

No.	SEARS	Status	Delivery Date	SANBORNS	Status	Delivery Date	iSHOP	Status	Delivery Date
New Stores				New Stores			New Stores		
1	Irapuato Cibeles*	Completed	1Q16	Vía Vallejo	Completed	2Q16	Vía Vallejo	Completed	2Q16
2	Vía Vallejo	Completed	2Q16	Perinorte (conversion)		4Q16	Nezahualcoyotl	Completed	2Q16
3	Chimalhuacan	Completed	3Q16	Tampico Altama		4Q16	Tezontle	Completed	3Q16
4	Tampico Altama		4Q16	Cuatro Caminos		4Q16	Tampico Altama		4Q16
5	Cuatro Caminos		4Q16	Palmas		4Q16	San Angel		2017
6	Atizapan		4Q16	La Raza		4Q16			
7	San Angel		2017	Atizapan		4Q16			
Renovations Full:				Renovations Full:			New Image		
1	Oaxaca (Expansion)	Completed	2Q16	Plaza Insurgentes	Completed	3Q16	3 iShop stores		4Q16
2	Angelópolis Puebla (Expansion)*	Completed	3Q16	Perisur		4Q16			
				Villa Coapa		2017			
				Galerías Coapa		2017			
Parciales:									
1	Guadalajara Galerías*	Completed	2Q16						
2	Irapuato antiguo		4Q16						
3	Tezontle		4Q16						
4	Galerías Coapa		2017						
5	Tampico		2017						
6	Centro Historico		2017						

*Stores that started its renovation or construction in 2015

Sears: As shown in the previous table, during the 3Q16 the expansion and renovation of the Angelopolis store in Puebla concluded. The partial renovations of Irapuato Antiguo and Tezontle continue.

Sanborns: This quarter the renovation of the Plaza Insurgentes store in Mexico City finished. The full renovation of the Perisur store continues.

WORKING CAPITAL

The balance of the inventory account at September 30, 2016 was \$10,363 MM, increasing 12.6% from the balance at the end of December last year, which totaled \$9,205 MM. Purchases of merchandise for non-comparable stores such as Chimalhuacan, Via Vallejo, Tlalnepantla, Coacalco-Cosmopol and Irapuato Cibeles explained this change; as well special and night promotions, higher sales and inventories for the coming Holidays.

Considering the seasonality of our operations, accounts payable to suppliers were \$5,477 MM, which meant a reduction of 10.7% compared to the amount of the 4Q15. Lastly, accounts receivable totaled \$10,510 MM decreasing 1.2% compared to the balance at end-4Q15.

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 Bermudez Davila
CFO Grupo Sanborns
T. +52 (55) 5257-9323
mbermudez@sears.com.mx

Angelica Piña Garnica
Investor Relations
T. +52 (55) 1101-2956
napinag@gcarso.com.mx

CONFERENCE CALL DETAILS:

Date: Friday October 21, 2016
Time: 10:00-11:00 A.M. Mexico City Time / 11:00 A.M. -12:00 PM NY Time (US EST)
Access Number: +1 (412) 317-5457 (International and Mexico)
US Toll Free.: +1(844) 846-8976
Conference ID: Grupo Sanborns
Replay: International and Mexico+1 (412) 317-0088
US Toll Free: +1 (877) 344-7529
Canada Toll Free: 855-669-9658
Replay Access Code: 10094107 (Available until October 29, 2016)

ADDITIONAL CHARTS:

Income Statement										
(Million Pesos)	3Q16		3Q15		Var %	9M16		9M15		Var %
Revenues	10,124	92.7%	9,221	92.6%	9.8%	29,658	92.6%	27,896	92.6%	6.3%
Consumer Credit Income	800	7.3%	732	7.4%	9.2%	2,354	7.4%	2,229	7.4%	5.6%
Total Revenues	10,924	100.0%	9,953	100.0%	9.8%	32,012	100.0%	30,125	100.0%	6.3%
COGS	6,515	59.6%	5,958	59.9%	9.3%	19,068	59.6%	18,158	60.3%	5.0%
Gross Profit	4,409	40.4%	3,995	40.1%	10.4%	12,944	40.4%	11,968	39.7%	8.2%
SG&A	3,285	30.1%	3,099	31.1%	6.0%	9,732	30.4%	9,125	30.3%	6.7%
Other income (expenses) Net	1,143	10.5%	-9	-0.1%	NA	1,170	3.7%	8	0.0%	13755.0%
Operating Income	2,266	20.7%	887	8.9%	155.6%	4,382	13.7%	2,851	9.5%	53.7%
Comprehensive Financial Result	2	0.0%	7	0.1%	-77.2%	43	0.1%	51	0.2%	-14.9%
Share of Profit of Associates and JV's.	30	0.3%	0	0.0%	NA	30	0.1%	0	0.0%	NA
Income before Taxes	2,298	21.0%	893	9.0%	157.2%	4,455	13.9%	2,902	9.6%	53.5%
Taxes	644	5.9%	269	2.7%	139.4%	1,332	4.2%	920	3.1%	44.8%
Consolidated Net Income	1,654	15.1%	625	6.3%	164.9%	3,123	9.8%	1,982	6.6%	57.6%
Profit attributable to non-controlling int.	42	0.4%	68	0.7%	-37.8%	199	0.6%	216	0.7%	-7.9%
Profit attributable to owners of parent Co.	1,612	14.8%	557	5.6%	189.5%	2,924	9.1%	1,766	5.9%	65.6%
EBITDA	1,408	12.9%	1,121	11.3%	25.6%	4,063	12.7%	3,539	11.7%	14.8%

Balance Sheet figures			
(Million Pesos)	3Q16	4Q15	Var %
Cash & Equivalents	1,117.3	3,904.5	-71.4%
Trade Receivables	10,510.3	10,633.4	-1.2%
Other Trade Receivables	185.9	234.7	-20.8%
Recoverable Taxes	604.4	604.0	0.1%
Other Financial Assets	0.0	951.0	NA
Inventories	10,362.7	9,204.6	12.6%
Other Non-Financial Assets	192.7	126.9	51.9%
Current Assets	22,973.2	25,659.0	-10.5%
Other Non-Current Trade Receivables	14.0	27.5	-49.2%
Other Non-Current Financial Assets	1.3	1.3	0.0%
Investments in subsidiaries and associates	1,852.5	0.0	NA
Property, Plant and Equipment	13,976.0	12,608.5	10.8%
Investment Properties	2,086.2	2,086.2	0.0%
Intangible Assets and Goodwill	8.2	1.2	597.4%
Deferred Tax Assets	517.7	362.9	42.7%
Other Non-Current Non-Fin. Assets	685.5	617.4	11.0%
Non-Current Assets	19,141.4	15,705.0	21.9%
Total Assets	42,114.6	41,364.0	1.8%
Trade Payables	5,477.2	6,135.5	-10.7%
Short-Term Taxes Payable	1,490.4	2,065.9	-27.9%
Short-Term Bank Debt	0.0	0.0	0.0%
Other Current Financial Liabilities	759.1	500.3	51.7%
Current Provisions	3,250.4	2,050.0	58.6%
Current Liabilities	10,977.0	10,751.7	2.1%
Long-Term Taxes Payable	372.1	245.9	51.3%
Long-Term Bank Debt	0.0	0.0	0.0%
Other L.T. Financial Liabilities	12.1	0.0	NA
Other Non-Financial L.T. Liabilities	0.0	0.0	0.0%
Long-Term Provisions	190.1	161.9	17.4%
Deferred Tax Liabilities	1,157.5	809.4	43.0%
Non-Current Liabilities	1,731.8	1,217.2	42.3%
Total Liabilities	12,708.8	11,968.9	6.2%
Stockholder's Equity	29,405.8	29,395.1	0.04%
Shares Outstanding ('000)	2,302,397	2,310,971	-0.4%
Closing Stock Price	21.87	26.36	-17.0%
NA=Not Applicable			