SEARS HOLDINGS

Q3 2015

Transformation Update & Financial Results

December 2015

sears kmart SHOP YOUR WAY

Cautionary Statement

Regarding Forward-Looking Information

Results are unaudited. This presentation contains forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements about our transformation through our integrated retail strategy, the opportunities, some of which are quantified, presented by our framework for profit, our plans to redeploy and reconfigure our assets, our liquidity, our ability to exercise financial flexibility as we meet our obligations and pursue possible strategic transactions and other statements that describe the Company's plans. Forward-looking statements, including these, are based on the current beliefs and expectations of our management and are subject to significant risks, assumptions and uncertainties, many of which are beyond the Company's control, that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, the framework for profit is not intended to provide guidance or predict results; instead, it is intended to provide dimensional context for the potential opportunities for increasing profitability if we are successful in achieving the potential results outlined, which is subject to significant assumptions, uncertainties and risks, including those identified in the presentation relating to maintaining, reversing or otherwise improving or achieving certain performance metrics, including member penetration, level of member engagement and retention rates. There can be no assurance that any of these efforts will be successful. The risks and uncertainties include, but are not limited to, those relating to the ABL transaction and the sale-leaseback/REIT transaction, such as the impact of the evaluation of any such transaction on our other businesses. The following additional factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: our ability to successfully implement our integrated retail strategy to transform our business; our ability to successfully manage our inventory levels; initiatives to improve our liquidity through inventory management and other actions; competitive conditions in the retail and related services industries; vendors' lack of willingness to provide acceptable payment terms or otherwise restricting financing to purchase inventory or services; possible limits on our access to our domestic credit facility, which is subject to a borrowing base limitation and a springing fixed charge coverage ratio covenant, capital markets and other financing sources, including additional second lien financings, with respect to which we do not have commitments from lenders; our ability to successfully achieve our plans to generate liquidity through potential transactions or otherwise; potential liabilities in connection with the separation of Lands' End, Inc. and disposition of a portion of our ownership interest in Sears Canada Inc.; our dependence on sources outside the United States for significant amounts of our merchandise; our reliance on third parties to provide us with services in connection with the administration of certain aspects of our business and the transfer of significant internal historical knowledge to such parties; impairment charges for goodwill and intangible assets or fixed-asset impairment for long-lived assets; our ability to attract, motivate and retain key executives and other associates; our ability to protect or preserve the image of our brands; the outcome of pending and/or future legal proceedings, including product liability and qui tam claims, proceedings with respect to which the parties have reached a preliminary settlement and shareholder litigation related to the REIT transaction; and the timing, amount of and other risks related to required pension plan funding. Certain of these and other factors are discussed in more detail in our filings with the Securities and Exchange Commission and our Annual Report on Form 10-K for the fiscal year ended January 31, 2015, which may be accessed through the Commission's website at www.sec.gov. While we believe that our forecasts and assumptions are reasonable, we caution that actual results may differ materially. We intend the forward-looking statements to speak only as of the time made and do not undertake to update or revise them as more information becomes available, except as required by law.

Non-GAAP Financial Measures

For purposes of evaluating operating performance, we use an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") measurement. Adjusted EBITDA is computed as net loss attributable to Sears Holdings Corporation appearing on the statements of operations excluding income loss attributable to noncontrolling interests, income tax (expense) benefit, interest expense, interest and investment income (loss), other income, depreciation and amortization and gain on sales of assets. In addition, it is adjusted to exclude certain significant items as set forth below. Our management uses Adjusted EBITDA to evaluate the operating performance of our businesses, as well as executive compensation metrics, for comparable periods. Adjusted EBITDA should not be used by investors or other third parties as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items. While Adjusted EBITDA and Domestic Adjusted EBITDA are non-GAAP measurements, management believes that they are an important indicator of ongoing operating performance and useful to investors because:

- Adjusted EBITDA, Domestic Adjusted EBITDA and Domestic Adjusted EBITDA excluding Seritage/JV rent exclude the effects of financing and investing activities by eliminating the effects of interest and depreciation costs;
- Management considers gains/(losses) on the sale of assets to result from investing decisions rather than ongoing operations; and
- Other significant items, while periodically affecting our results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects the comparability of results, including impairment charges related to fixed assets and intangible assets, closed store and severance charges, domestic pension expense, one-time credits from vendors, expenses associated with legal matters, transaction costs associated with strategic initiatives and other expenses, amortization of the deferred Seritage gain, the Lands' End separation and the Sears Canada de-consolidation. We have adjusted our results for these items to make our statements more comparable and therefore more useful to investors as the items are not representative of our ongoing operations and reflect past investment decisions.

See appendix for reconciliations of the differences between the non-GAAP financial measures used in this presentation with the most comparable financial measures calculated in accordance with GAAP.

Agenda

- Opening Remarks
- Financial Results
- Funding Our Transformation
- Progress On Our Transformation

Opening Remarks

1. Restoring Profitability To Our Company

2. Funding Our Transformation

3. Transforming Into A Member Focused Company

Financial Results

Q3 2015

Domestic Adjusted EBITDA Results

5th Consecutive Quarter of Year-Over-Year Improvement in Adjusted EBITDA[2]

$(in millions)	Q4 2014	Q1 2015	Q2 2015[1]	Q3 2015[1]	TTM[1]
Current Year	$125	$(141)	$(200)	$(280)	$(496)
Prior Year	$(92)	$(178)	$(298)	$(296)	$(864)
Year-Over-Year Improvement	**$217**	**$37**	**$98**	**$16**	**$368**

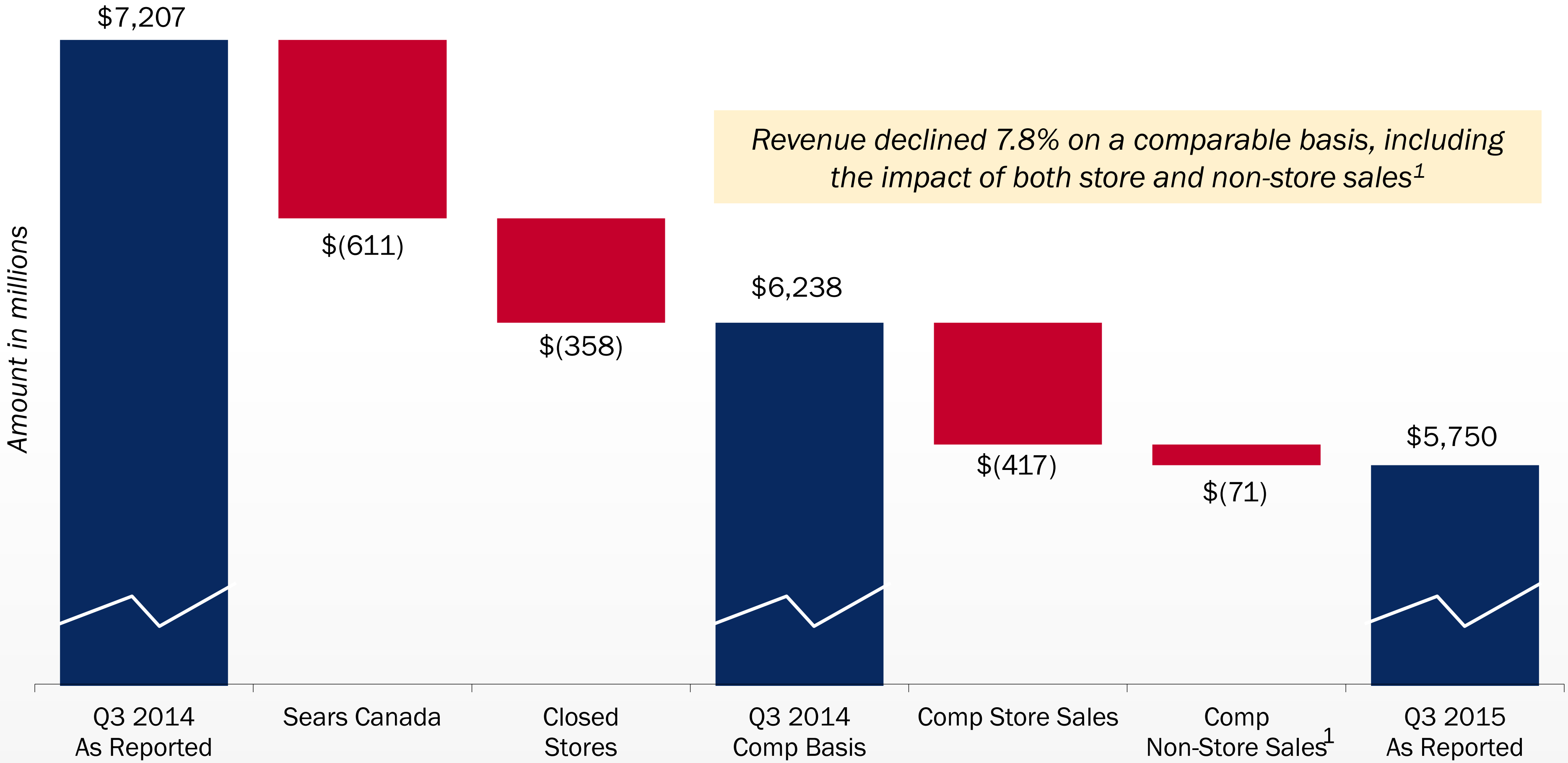
(1) Adjusted EBITDA of $(280)M for Q3 2015 and $(200)M for Q2 2015 is shown before additional rent expense of $52M for Q3 2015 and $26M for Q2 2015 in addition to lost of third party rent income resulting from (i) the recent transaction with Seritage Growth Properties ("Seritage") and (ii) joint ventures entered into with General Growth Properties, Inc., Simon Property Group and The Macerich Company. Due to the structure of the leases, we expect that our cash rent obligations to Seritage and the joint venture partners will decline materially, over time, as space in these stores is recaptured. While the rent paid to Seritage and the joint venture partners is a real cash expense, we exclude it here to provide a more consistent and comparable view of our operating performance. Adjusted EBTIDA in prior quarters are not impacted by the transaction with Seritage Growth Properties ("Seritage") or the joint ventures.

(2) Q32014 Year-Over-Year EBITDA Improvement was $14 million.

Year-Over-Year Revenue Changes

67% of revenue decline was due to non-comp items related to asset reconfiguration activity

Revenue declined 7.8% on a comparable basis, including the impact of both store and non-store sales[1]



(1) Comp Non-Store Sales represents revenue from ongoing business operations not directly associated with a store such as Home Services revenue, as well as revenue from our ongoing relationships with Sears Hometown and Outlet Stores, Inc. and Lands' End.

Comparable Store Sales

Experienced comparable store sales declines as we focus on improving profitability

Format	Q3	Driving Categories	Sales	EBITDA
Kmart	-7.5%	Apparel	↓	↓
		Consumer Electronics	↓	↑
		Grocery & Household	↓	↓
		Drug Store	↓	↓
		Outdoor Living	↓	↑
		Mattresses	↑	↑
		Appliances	↑	↓
Sears Domestic	-9.6%	Apparel	↓	↓
		Consumer Electronics	↓	↑
		Lawn & Garden	↓	↑
		Tools	↓	↑
		Footwear	↓	↓
		Sears Auto Centers	↓	↑
		Mattresses	↑	↑
Total Domestic[(1)]	**-8.6%**			

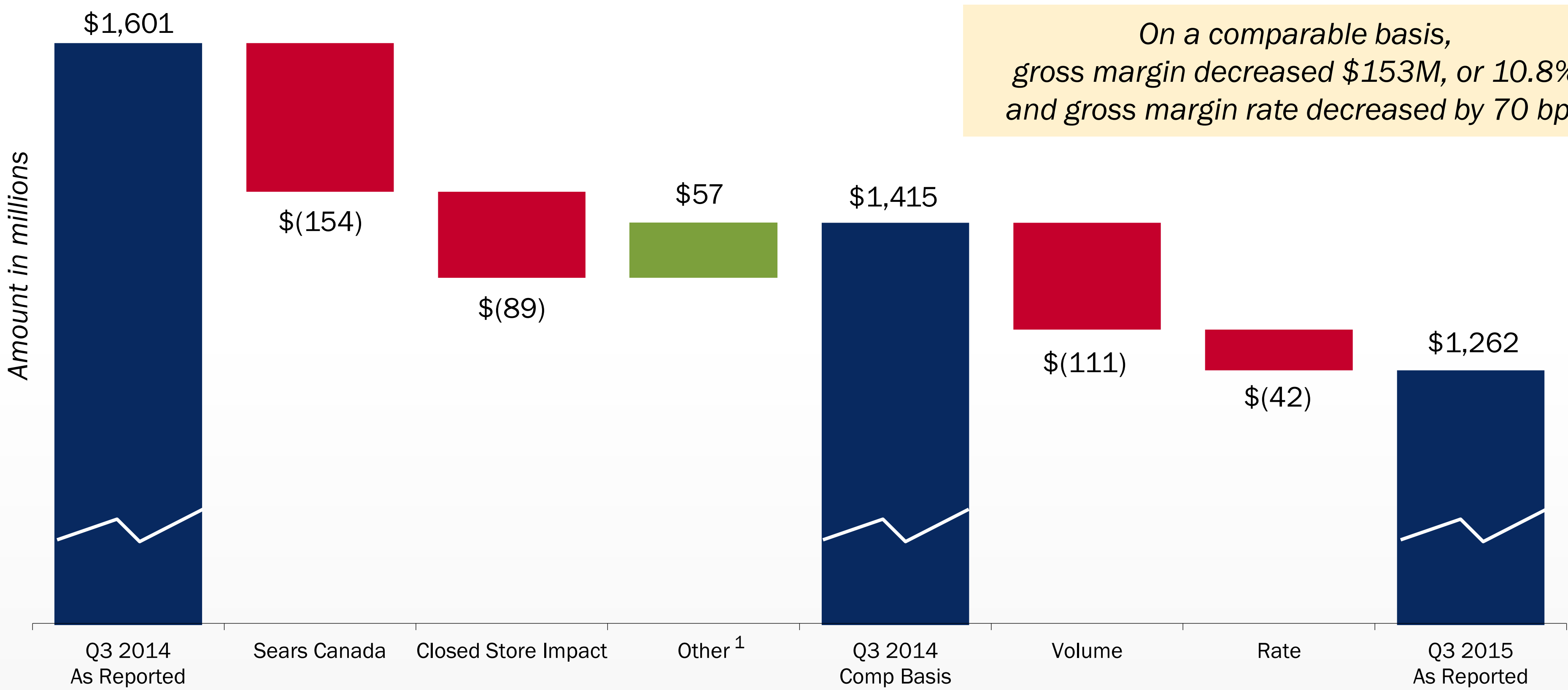
- *Strategic business model changes in Electronics and Sears Auto Centers drove improved EBITDA*
- *Like many of our competitors, the Apparel business experienced lower than expected revenue, in part due to a warmer October which impacted cold weather categories. As the Apparel business represents a significant portion of our total revenue, this negatively impacted both our revenue and margin rate.*
- *Improved promotional design and marketing spend, combined with more productive use of SYW points, expense management, and better inventory position drove EBITDA improvement in several categories*
- *More work to do as we continue our transformation in categories where both comp store sales and EBITDA performance decline*

(1) Comparable store sales amounts include sales for all stores operating for a period of at least 12 full months (including remodeled and expanded stores, but excluding store relocations and stores that have undergone format changes), as well as sales from sears.com and kmart.com shipped directly to customers and have been adjusted for the change in the unshipped sales reserves recorded at the end of each reporting period.

Year-Over-Year Gross Margin Changes

A majority of the margin decline was due to non-comp items related to asset reconfiguration activity

On a comparable basis, gross margin decreased $153M, or 10.8%, and gross margin rate decreased by 70 bps



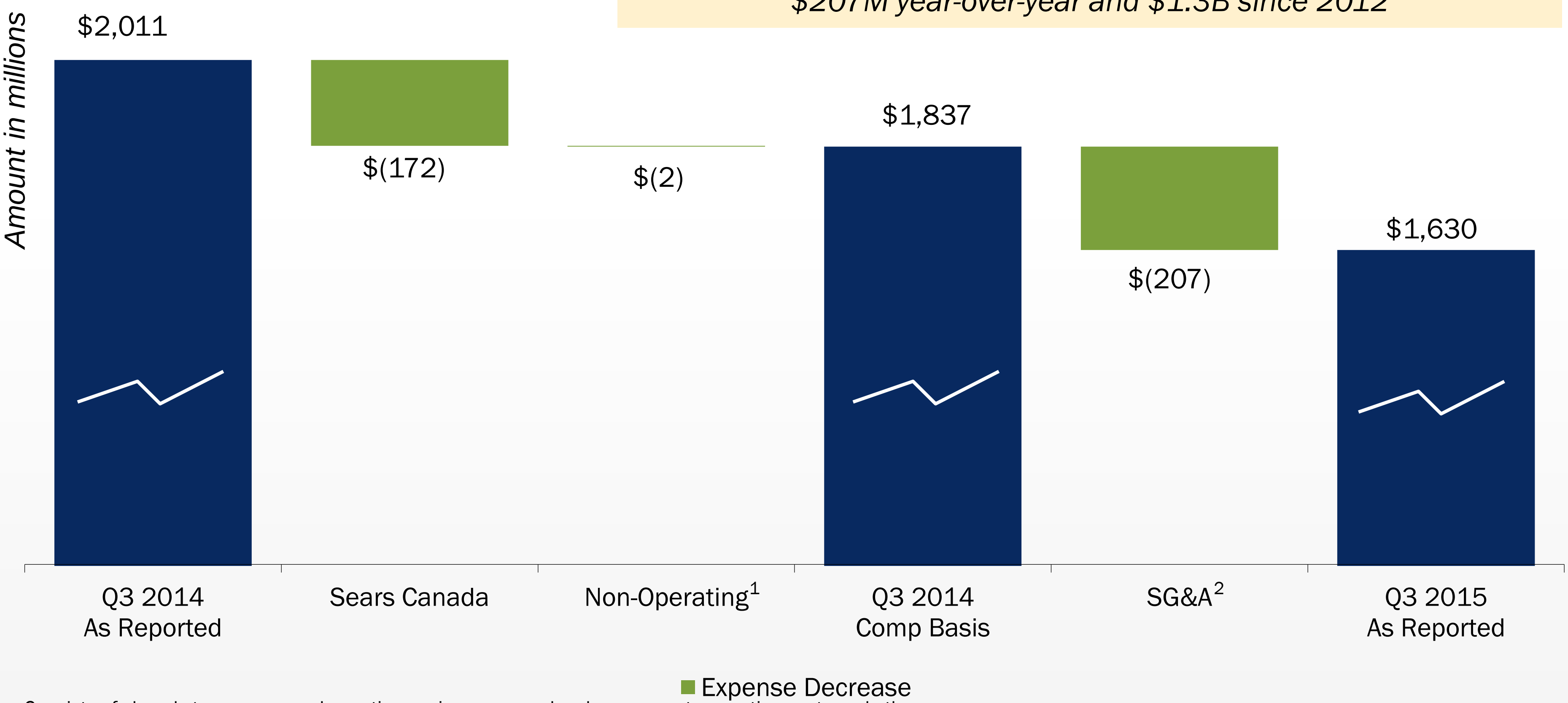
$42M Unfavorable Gross Margin Rate Impact Attributed To a Decrease in Occupancy Leverage

(1) Consists of non-cash reserves

Year-Over-Year Expense Changes

$174M of the expense reduction was due to non-comp items related to asset reconfiguration activity

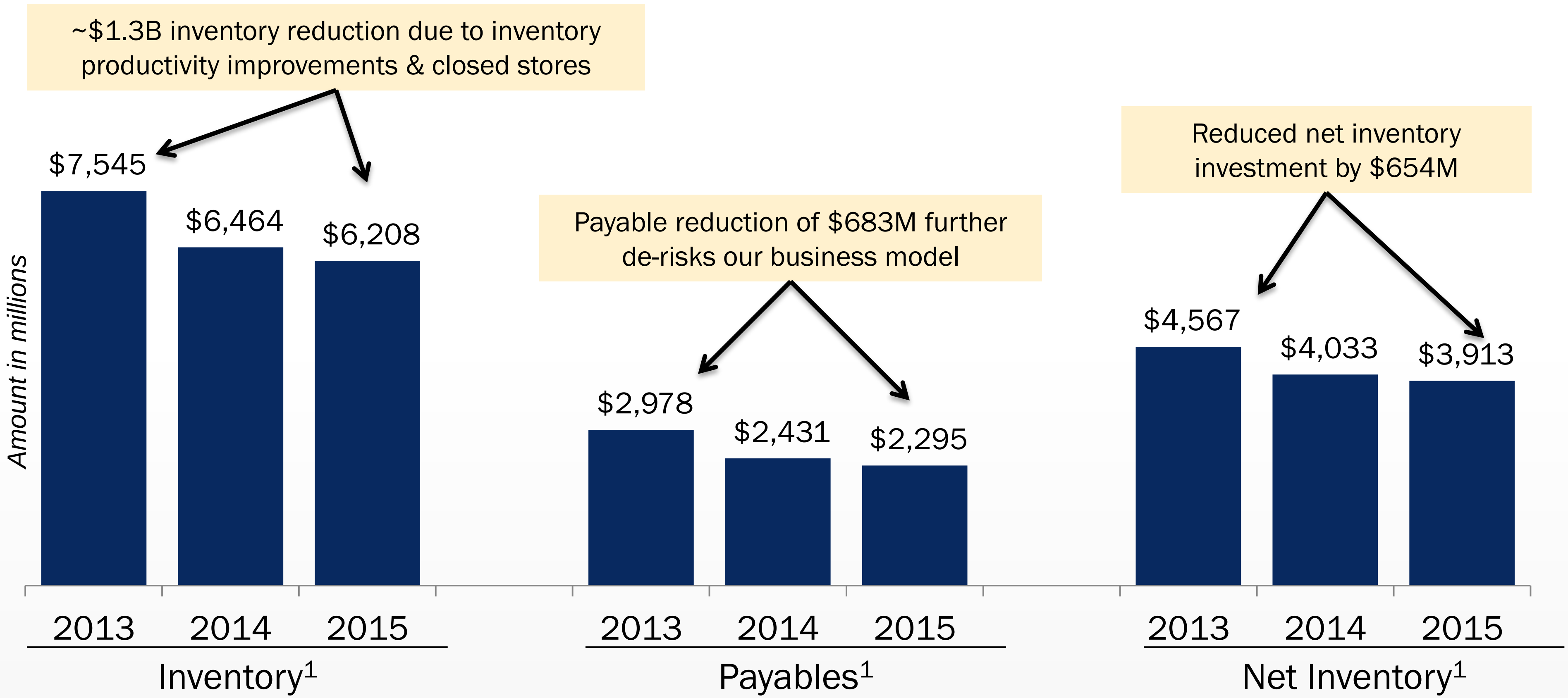
Reduced expenses on a comparable basis by $207M year-over-year and $1.3B since 2012



(1) Consists of closed store reserves, domestic pension expense, legal expenses, transaction costs and other expenses.
(2) Represents Domestic Adjusted Selling and Administrative Expense

Third Quarter Net Inventory

We are running our business more efficiently with less inventory on an absolute and seasonal basis



While we do not expect the same levels of reduction in the future, by reducing our net inventory investment and our payables, we have decreased the level of vendor support needed to run our business, de-risking our business model in a way that benefits us and our vendor-partners

(1) Adjusted for Lands' End.

Financial Position & Liquid Assets

We have substantial resources to fund our transformation while continuing to invest in our best stores, our best members and our best categories

Amounts in millions	Q3 2015
Cash	$ 294
Availability on Credit Facility[1]	963
Total Liquid Availability	$ 1,257
Equity in Inventory	3,913
Total Liquidity & Liquid Assets	$ 5,170

SHC Domestic Credit Facility

- $3.275B revolving credit facility[2] with 1.971B of commitments through July 2020 and the remainder through April 2016, secured by domestic inventory, credit card & pharmacy receivables
- Credit facility provides us with flexibility to raise additional capital with terms including:
  - $1.0B Accordion Feature[3]
  - $500M First-In-Last-Out Feature
  - $750M Short-term Debt Basket[4] – $9M outstanding at the end of Q3

2nd Lien Debt Capacity

- $2.0B 2nd Lien Debt Capacity[3] – $304M outstanding at the end of Q3

SHC Real Estate Portfolio

- Substantial real estate portfolio including 421 owned and 1,266 leased locations at end of Q3

(1) Reflects effect of springing fixed charge coverage ratio covenant and borrowing base requirement.
(2) Availability to borrow subject to the springing fixed charge coverage ratio covenant and borrowing base requirement.
(3) The amount permitted is subject to borrowing base requirements and will vary throughout the year depending on our inventory and associated borrowing base.
(4) Short-term debt basket governs our ability to issue debt maturing before July 2020.

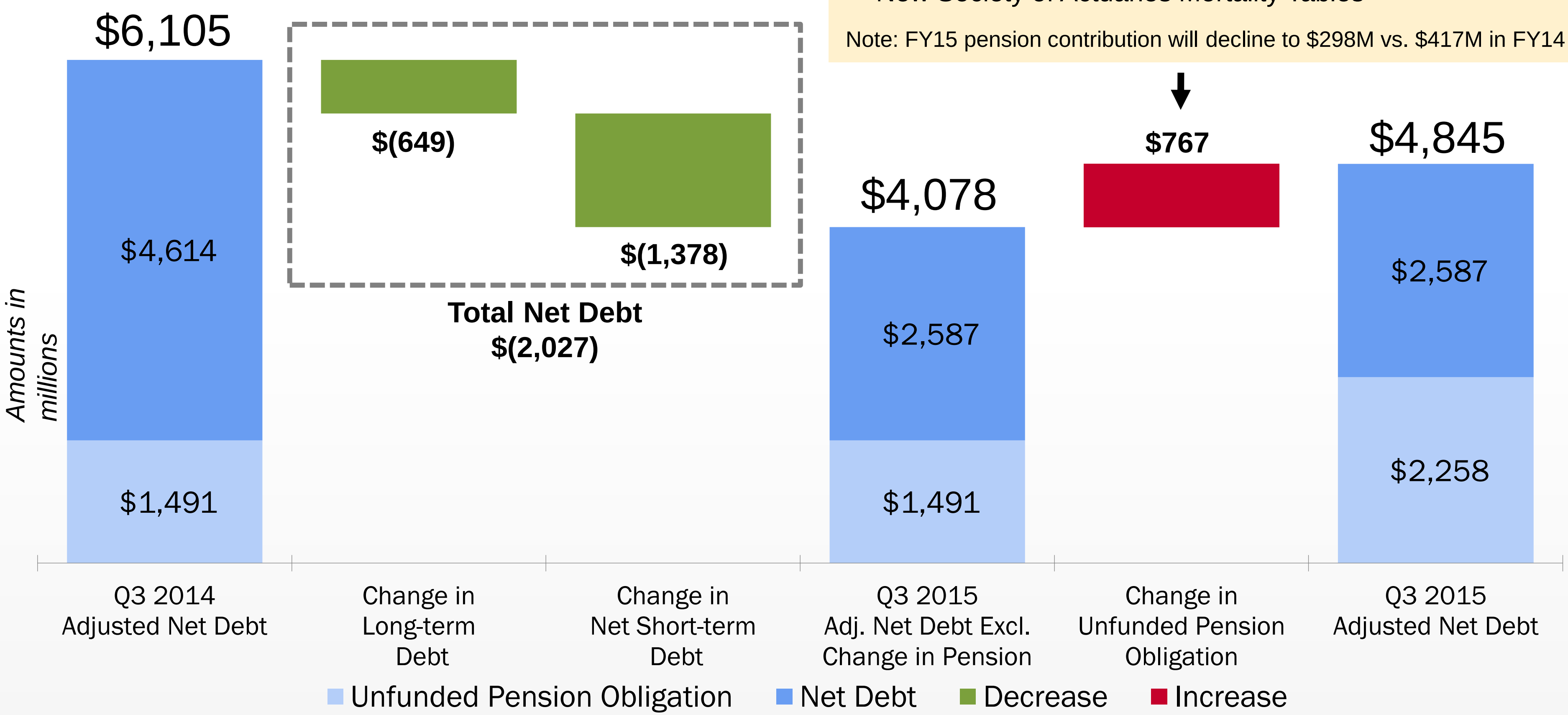
Domestic Adjusted Net Debt Position[1,3]

Reduced Adjusted Net Debt By ~$1.3 Billion in Q3

Increase in Unfunded Pension Obligation Driven By:

- 90 bps Drop in Interest Rates as Required by GAAP[2]
- New Society of Actuaries Mortality Tables

Note: FY15 pension contribution will decline to $298M vs. $417M in FY14



(1) Defined as total net debt plus unfunded pension obligation.
(2) GAAP interest rate required to be used in measuring funding levels.
(3) Represents our unfunded pension obligation measured as of year-end 2014. With the improvement in interest rates experienced in fiscal year 2015, we expect a reduction to our unfunded pension obligation when we remeasure our liability as of year-end 2015.

Funding Our Transformation

Financing & Asset Reconfiguration Activities

We have taken significant actions over the past two years to enhance liquidity, reduce our dependence on inventory as collateral and increase our long term financial flexibility

Fiscal 2014

- Lands' End Spin-Off
  - *$500M in cash proceeds*
- Secured Short-Term Loan
  - *$400M in cash proceeds*
- Rights Offering for 40M Common Shares in Sears Canada
  - *$380M in cash proceeds*
- Rights Offering for Senior Unsecured Notes with Warrants
  - *$625M in cash proceeds*
- Real Estate Transactions
  - *$358M in cash proceeds*

Fiscal 2015

- Secured Short-Term Loan
  - *Repaid loan on June 1, 2015*
- JV with General Growth Properties
  - *$165M in cash proceeds[1]*
- JV with Simon Properties
  - *$114M in cash proceeds[1]*
- JV with The Macerich Company
  - *$150M in cash proceeds[1]*
- Seritage Transaction
  - *$2.7B in aggregate gross cash proceeds*
- Credit Agreement Amend & Extend
  - *$2.0B of commitments extended to 2020*
- Tender Offer for 6 5/8% Notes
  - *$936M tendered*

(1) Before closing costs.

Financial Capacity

SHC has significant and increased inventory-based financing capacity

Significant Financing Capacity and Flexibility

	Old Facility	New Facility
ABL Commitments	$ 3,275	$ 1,971
FILO Capacity[1]	-	500
Accordion Capacity[1]	-	1,000
Total ABL Capacity	**3,275**	**3,471**
Short Term Debt Basket	**500**	**750**
2L Note Capacity[1, 2]	**760**	**1,696**
Owned Stores[3]		**421**

SHC Financial Capacity

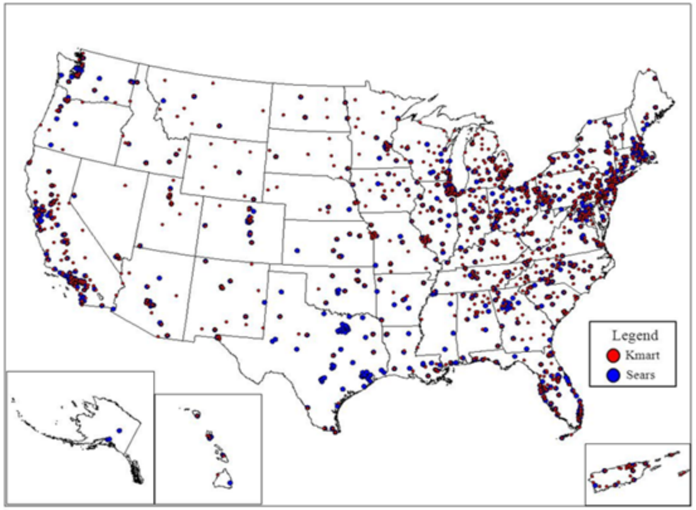
- The ABL extension, completed in July 2015 increased the ABL capacity by $196 million and the overall financing capacity increased by $1.3 billion, inclusive of the Accordion and 2L notes
- The capacity can be deployed across short term (up to $750 million) or long term financial strategies
- After giving effect to the Seritage transaction, SHC owns 421 stores, including 125 that are part of the REMIC transaction. There are no restrictions on real estate financing in the Company's credit agreement

(1) Subject to Borrowing Base requirements.
(2) After giving effect to the 2L Notes tender offer.
(3) Includes [125] stores in the REMIC. No credit agreement limits exist on real estate financing or non-remic properties.

Progress On Our Transformation

Our Transformation Is Underway

Traditional Store Network Model



- Product Centric
- Transactions with Customers
- Store Focus
- Mass Marketing
- Uniform Pricing
- High Fixed Cost Infrastructure
- Asset Intensive

Member-Centric Integrated Retail Model

- Member Centric
- Relationships with Members
- Integrated Retail Alternatives
- Personalization
- Dynamic Pricing
- Greater Proportion of Costs Variable
- Less Asset Intensive

We Are Focused On The Future

As we transform our business we are focused on three areas:

Our Best
Members

Our Best
Stores

Our Best
Categories

Closing Remarks

1

Restoring Profitability To Our Company

- 5 Consecutive Quarters of Improved Year-Over-Year EBITDA Performance

2

Funding Our Transformation

- $1.3B in Cash and Availability on Our Credit Facility at End of Q3 2015

3

Transforming Into A Member Focused Company

- Leveraging Shop Your Way Platform and Integrated Retail Initiatives

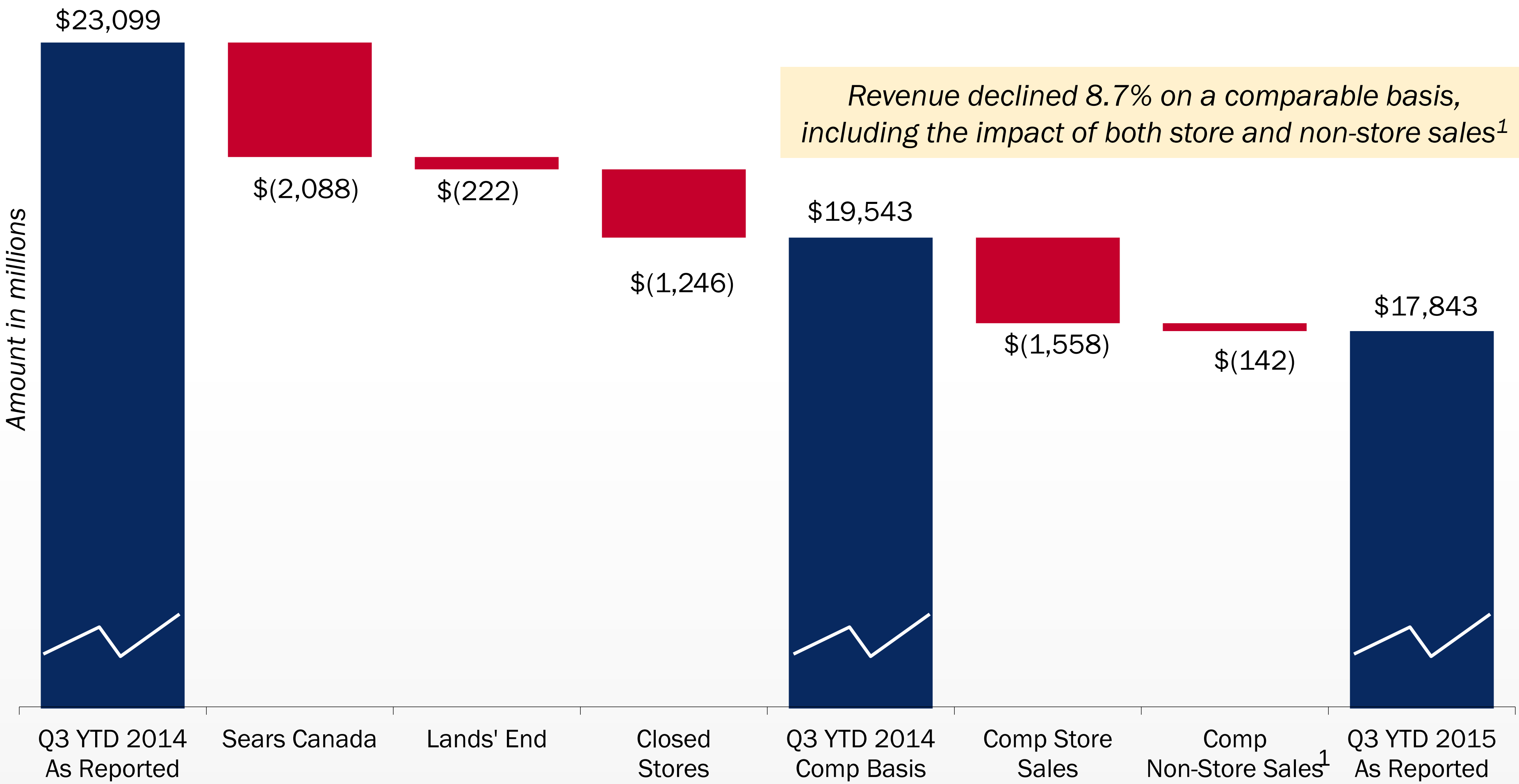
Appendix



Year-Over-Year Revenue Changes

68% of revenue decline was due to non-comp items related to asset reconfiguration activity

Revenue declined 8.7% on a comparable basis, including the impact of both store and non-store sales[1]



(1) Comp Non-Store Sales represents revenue from ongoing business operations not directly associated with a store such as Home Services revenue, as well as revenue from our ongoing relationships with Sears Hometown and Outlet Stores, Inc. and Lands' End.

Comparable Store Sales

Experienced comparable store sales declines as we focus on improving profitability

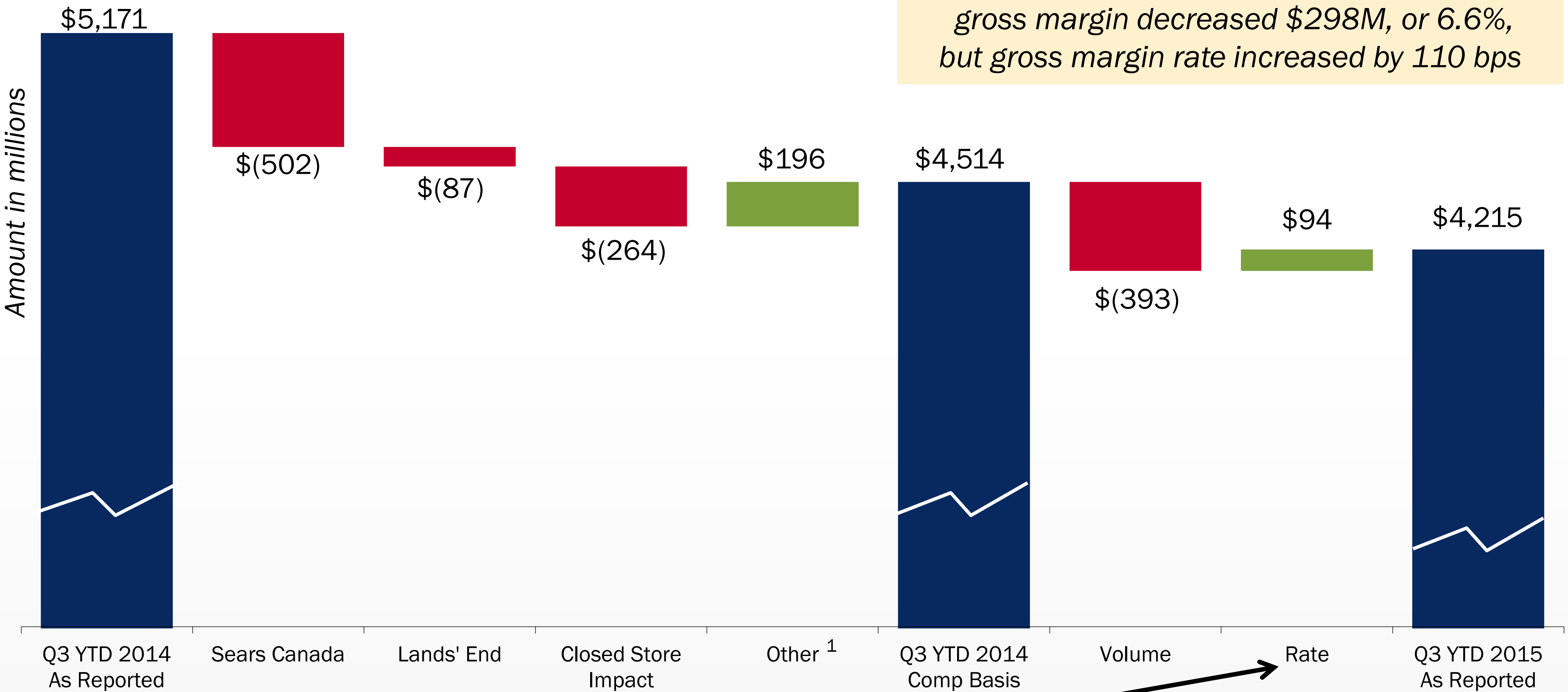
Format	YTD	Driving Categories	Sales	EBITDA
Kmart	-7.3%	Electronics	↓	↑
		Apparel	↓	↓
		Grocery & Household	↓	↑
		Drug Store	↓	↓
		Outdoor Living	↓	↑
		Pharmacy	↓	↓
		Footwear	↓	↑
Sears Domestic	-12.8%	Apparel	↓	↓
		Appliances	↓	↑
		Electronics	↓	↑
		Lawn & Garden	↓	↑
		Tools	↓	↑
		Mattresses	↑	↓
		Sears Auto Centers	↓	↑
Total Domestic (1)	**-10.1%**			

(1) Comparable store sales amounts include sales for all stores operating for a period of at least 12 full months (including remodeled and expanded stores, but excluding store relocations and stores that have undergone format changes), as well as sales from sears.com and kmart.com shipped directly to customers and have been adjusted for the change in the unshipped sales reserves recorded at the end of each reporting period.

Year-Over-Year Gross Margin Changes

A majority of the margin decline was due to non-comp items related to asset reconfiguration activity

On a comparable basis, gross margin decreased $298M, or 6.6%, but gross margin rate increased by 110 bps



<u>$94M Favorable Gross Margin Rate Impact Driven By Product Margin Rate Increase:</u>

- Decreased overall promotional depth
- Reduced Shop Your Way points expense by $47M through more efficient use of Points as a promotional vehicle

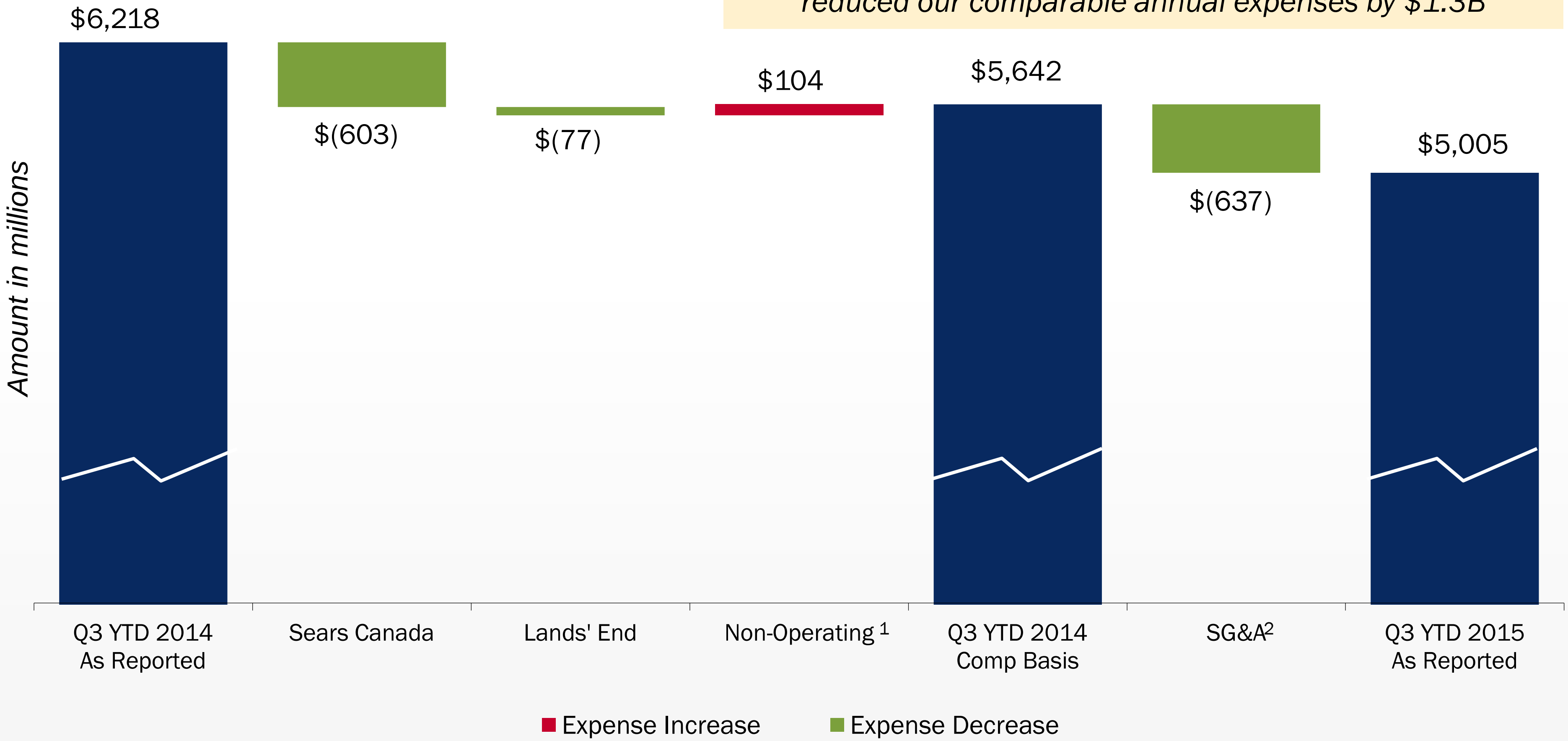
(1) Consists of non-cash reserves and one-time credits from vendors in Q3 YTD 2015.

Third Quarter Year-to-Date 2015

Year-Over-Year Expense Changes

$576M of the expense reduction was due to non-comp items related to asset reconfiguration activity

On a comparable basis, we reduced expenses by $637M – since 2012 we have reduced our comparable annual expenses by $1.3B



(1) Consists of closed store reserves, domestic pension expense, legal expenses, transaction costs and other expenses.
(2) Represents Domestic Adjusted Selling and Administrative Expense

Legacy Pension Obligation History

We continue to honor our legacy pension obligations while de-risking this liability

Sears Holdings has a frozen pension plan which provides benefits for past services

The pension obligation increased in 2014 due to a decrease in the discount rate and new mortality rates used to compute the liability

Amounts in millions	Year-End Balances					
	2014[2]	2013	2012[1]	2011	2010	2009
Assets	$3,616	$3,490	$3,221	$4,051	$4,054	$3,633
Liability	5,874	4,981	5,311	6,109	5,623	5,435
Unfunded	($2,258)	($1,491)	($2,090)	($2,058)	($1,569)	($1,802)
Discount Rate	*3.70%*	*4.60%*	*4.25%*	*4.90%*	*5.75%*	*6.00%*

- Note: A 100 bps increase in the discount rate would reduce the pension liability by approximately $600 million

(1) In 2012, the Company offered a voluntary lump sum to certain plan participants and paid $1.5 billion in settlements thereby reducing pension risk.
(2) Represents our unfunded pension obligation measured as of year-end 2014. With the improvement in interest rates experienced in fiscal year 2015, we expect a reduction to our unfunded pension obligation when we remeasure our liability as of year-end 2015.

REIT Transaction Structured to Accelerate Our Transformation

Lease terms designed to provide catalyst for right-sizing Sears & Kmart store space

Sears & Forever 21 on Shared Footprint
Costa Mesa, California

Sears & Whole Foods on Shared Footprint
Clearwater, Florida

Seritage Recapture Right

- Seritage may recapture up to 50% of the SHC space in up to 50 stores per year

Seritage Buyout Right

- Seritage may acquire the remaining 50% of the space not already entitled to be recaptured in 21 stores by making a lease termination payment

Sears Holdings Consolidated Results

Amounts in millions, except per share amounts

	Third Quarter		Year-to-Date	
	2015	2014	2015	2014
Revenues	$ 5,750	$ 7,207	$ 17,843	$ 23,099
Net loss attributable to Holdings' shareholders	$ (454)	$ (548)	$ (549)	$ (1,523)
EPS	*$ (4.26)*	*$ (5.15)*	*$ (5.15)*	*$ (14.33)*
Adjusted net loss [1]	$ (305)	$ (288)	$ (773)	$ (794)
Adjusted EPS [1]	*$ (2.86)*	*$ (2.71)*	*$ (7.26)*	*$ (7.47)*

[1] Adjusted for the results of the Lands' End and Sears Canada businesses that were included in our results of operations prior to the separation/disposition.

Significant Items

Amounts in millions

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Net loss as reported	$ (454)	$ (548)	$ (549)	$ (1,523)
Domestic pension expense	36	14	107	42
Domestic closed store/store impairments/severance	10	46	68	80
Domestic gain on sales of assets	(52)	(26)	(429)	(40)
Mark-to-market adjustments	(11)	—	16	—
Amortization of deferred Seritage gain	(14)	—	(19)	—
Other[1]	1	4	(54)	4
Gain on Sears Canada disposition	—	(44)	—	(44)
Domestic tax matters	179	180	87	554
Sears Canada segment	—	86	—	137
Lands' End separation	—	—	—	(4)
Adjusted net loss[2]	$ (305)	$ (288)	$ (773)	$ (794)

(1) Includes one-time credits from vendors, expenses associated with legal matters, transaction costs related to strategic initiatives and other expenses.
(2) Adjusted for the results of the Lands' End and Sears Canada businesses that were included in our results of operations prior to the separation/disposition.

Consolidated Adjusted EBITDA

Amounts in millions

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Net loss attributable to SHC per statement of operations	$ (454)	$ (548)	$ (549)	$ (1,523)
Income (loss) attributable to noncontrolling interests	1	(80)	1	(128)
Income tax expense (benefit)	14	159	(189)	188
Interest expense	74	78	249	221
Interest and investment (income) loss	(17)	(97)	27	(133)
Other income	—	(2)	—	(4)
Operating loss	(382)	(490)	(461)	(1,379)
Depreciation and amortization	94	148	330	455
Gain on sales of assets	(97)	(68)	(730)	(148)
Before excluded items	(385)	(410)	(861)	(1,072)
Domestic pension expense	58	22	172	67
Closed store reserve and severance	(1)	70	36	138
Other[1]	2	9	(87)	9
Amortization of deferred Seritage gain	(23)	—	(30)	—
Impairment charges	17	—	71	25
Adjusted EBITDA	(332)	(309)	(699)	(833)
Lands' End separation	—	—	—	(10)
Adjusted EBITDA as defined[2]	$ (332)	$ (309)	$ (699)	$ (843)
Sears Canada segment	—	13	—	71
Domestic Adjusted EBITDA as defined [2]	$ (332)	$ (296)	$ (699)	$ (772)
Seritage/JV Rent	52	—	78	—
Domestic Adjusted EBITDA as defined [2] excluding Seritage/JV rent	$ (280)	$ (296)	$ (621)	$ (772)

Adjusted EBITDA Results

Amounts in millions

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Revenues	$ 5,750	$ 7,207	$ 17,843	$ 22,877
Margin	1,245	1,642	4,076	5,143
Margin rate	*21.7%*	*22.8%*	*22.8%*	*22.5%*
Expenses	1,577	1,951	4,775	5,986
Adjusted EBITDA [1]	$ (332)	$ (309)	$ (699)	$ (843)
By Segment:				
Kmart	$ (115)	$ (97)	$ (257)	$ (304)
Sears Domestic	(217)	(199)	(442)	(468)
Sears Canada	—	(13)	—	(71)
	$ (332)	$ (309)	$ (699)	$ (843)

[1] Adjusted for the results of the Lands' End business that were included in our results of operations prior to the separation.

Third Quarter 2015

Adjusted Segment Results

millions	Kmart		Sears Domestic		Sears Canada		Sears Holdings	
	Quarter Ended							
	2015	2014	2015	2014	2015	2014	2015	2014
Revenue	$ 2,247	$ 2,707	$ 3,503	$ 3,889	$ -	$ 611	$ 5,750	$ 7,207
Gross margin dollars	473	591	772	897	-	154	1,245	1,642
Gross margin rate	*21.1%*	*21.8%*	*22.0%*	*23.1%*	-	*25.2%*	*21.7%*	*22.8%*
Selling and administrative	588	688	989	1,096	-	167	1,577	1,951
Selling and administrative expense as a percentage of total revenues	*26.2%*	*25.4%*	*28.2%*	*28.2%*	-	*27.3%*	*27.4%*	*27.1%*
Adjusted EBITDA as defined	(115)	(97)	(217)	(199)	-	(13)	(332)	(309)
Depreciation and amortization	(17)	(25)	(77)	(110)	-	(13)	(94)	(148)
Gain on sales of assets	12	24	85	44	-	-	97	68
Special items:								
Domestic pension expense	-	-	(58)	(22)	-	-	(58)	(22)
Closed store reserve and severance	(1)	(48)	2	(20)	-	(2)	1	(70)
Other[1]	(1)	(3)	(1)	(3)	-	(3)	(2)	(9)
Amortization of deferred Seritage gain	5	-	18	-	-	-	23	-
Impairment charges	(10)	-	(7)	-	-	-	(17)	-
Operating loss	$ (127)	$ (149)	$ (255)	$ (310)	$ -	$ (31)	$ (382)	$ (490)

[1] Consists of expenses associated with legal matters, transaction costs related to strategic initiatives and other expenses.

Third Quarter Year-to-Date 2015

Adjusted Segment Results

millions	Q3 YTD Kmart 2015	Kmart 2014	Sears Domestic 2015	Sears Domestic 2014	Sears Canada 2015	Sears Canada 2014	Sears Holdings 2015	Sears Holdings 2014
Revenue	$ 7,062	$ 8,527	$ 10,781	$ 12,262	$ -	$ 2,088	$ 17,843	$ 22,877
Gross margin dollars	1,508	1,783	2,568	2,857	-	503	4,076	5,143
Gross margin rate	*21.4%*	*20.9%*	*23.8%*	*23.3%*	-	*24.1%*	*22.8%*	*22.5%*
Selling and administrative	1,765	2,087	3,010	3,325	-	574	4,775	5,986
Selling and administrative expense as a percentage of total revenues	*25.0%*	*24.5%*	*27.9%*	*27.1%*	-	*27.5%*	*26.8%*	*26.2%*
Adjusted EBITDA as defined[1]	(257)	(304)	(442)	(468)	-	(71)	(699)	(843)
Depreciation and amortization	(56)	(72)	(274)	(334)	-	(49)	(330)	(455)
Gain on sales of assets	173	76	557	73	-	(1)	730	148
Special items:								
Domestic pension expense	-	-	(172)	(67)	-	-	(172)	(67)
Closed store reserve and severance	(42)	(84)	6	(27)	-	(27)	(36)	(138)
Other[2]	(9)	(3)	96	(3)	-	(3)	87	-
Amortization of deferred Seritage gain	6	-	24	-	-	-	30	-
Impairment charges	(12)	(2)	(59)	(8)	-	(15)	(71)	(25)
Lands' End separation	-	-	-	10	-	-	-	10
Operating loss	$ (197)	$ (389)	$ (264)	$ (824)	$ -	$ (166)	$ (461)	$ (1,370)

[1] Adjusted for the results of the Lands' End business which were included in our results of operations prior to the separation.

[2] Consists of one-time credits from vendors, expenses associated with legal matters, transaction costs related to strategic initiatives and other expenses.

Reconciliation to GAAP

Amounts are Preliminary and Subject to Change

millions, except per share data	13 Weeks Ended October 31, 2015								
		Adjustments							
	GAAP	Domestic Pension Expense	Domestic Closed Store Reserve, Store Impairments and Severance	Domestic Gain on Sales of Assets	Mark-to-Market Adjustments	Amortization of Deferred Seritage Gain	Other[1]	Domestic Tax Matters	As Adjusted
Gross margin impact	$ 1,262	$ —	$ 6	$ —	$ —	$ (23)	$ —	$ —	$ 1,245
Selling and administrative impact	1,630	(58)	7	—	—	—	(2)	—	1,577
Depreciation and amortization impact	94	—	—	—	—	—	—	—	94
Impairment charges impact	17	—	(17)	—	—	—	—	—	—
Gain on sales of assets impact	(97)	—	—	83	—	—	—	—	(14)
Operating loss impact	(382)	58	16	(83)	—	(23)	2	—	(412)
Interest and investment income impact	17	—	—	—	(17)	—	—	—	—
Income tax expense impact	(14)	(22)	(6)	31	6	9	(1)	179	182
After tax and noncontrolling interests impact	(454)	36	10	(52)	(11)	(14)	1	179	(305)
Diluted loss per share impact	$ (4.26)	$ 0.34	$ 0.09	$ (0.49)	$ (0.10)	$ (0.13)	$ 0.01	$ 1.68	$ (2.86)

millions, except per share data	13 Weeks Ended November 1, 2014								
		Adjustments							
	GAAP	Domestic Pension Expense	Domestic Closed Store Reserve and Severance	Domestic Gain on Sales of Assets	Other Expenses	Gain on Sears Canada Disposition	Domestic Tax Matters	Sears Canada Segment	As Adjusted[2]
Gross margin impact	$ 1,601	$ —	$ 41	$ —	$ —	$ —	$ —	$ (154)	$ 1,488
Selling and administrative impact	2,011	(22)	(27)	—	(6)	—	—	(172)	1,784
Depreciation and amortization impact	148	—	(6)	—	—	—	—	(13)	129
Gain on sales of assets impact	(68)	—	—	42	—	—	—	—	(26)
Operating loss impact	(490)	22	74	(42)	6	—	—	31	(399)
Interest expense impact	(78)	—	—	—	—	—	—	1	(77)
Interest and investment income impact	97	—	—	—	—	(70)	—	(12)	15
Other income impact	2	—	—	—	—	—	—	(2)	—
Income tax expense impact	(159)	(8)	(28)	16	(2)	26	180	148	173
Loss attributable to noncontrolling interests impact	80	—	—	—	—	—	—	(80)	—
After tax and noncontrolling interests impact	(548)	14	46	(26)	4	(44)	180	86	(288)
Diluted loss per share impact	$ (5.15)	$ 0.13	$ 0.43	$ (0.25)	$ 0.04	$ (0.41)	$ 1.69	$ 0.81	$ (2.71)

[1] Consists of expenses associated with legal matters, transaction costs and other expenses.

[2] Adjusted to reflect the results of the Sears Canada business that were included in our results of operations prior to the disposition.

Third Quarter Year-to-Date 2015

Reconciliation to GAAP

Amounts are Preliminary and Subject to Change

millions, except per share data	39 Weeks Ended October 31, 2015								
		Adjustments							
	GAAP	Domestic Pension Expense	Domestic Closed Store Reserve, Store Impairments and Severance	Domestic Gain on Sales of Assets	Mark-to-Market Adjustments	Amortization of Deferred Seritage Gain	Other [1]	Domestic Tax Matters	As Adjusted
Gross margin impact	$ 4,215	$ —	$ 17	$ —	$ —	$ (30)	$ (126)	$ —	$ 4,076
Selling and administrative impact	5,005	(172)	(19)	—	—	—	(39)	—	4,775
Depreciation and amortization impact	330	—	(2)	—	—	—	—	—	328
Impairment charges	71	—	(71)	—	—	—	—	—	—
Gain on sales of assets impact	(730)	—	—	687	—	—	—	—	(43)
Operating loss impact	(461)	172	109	(687)	—	(30)	(87)	—	(984)
Interest and investment loss impact	(27)	—	—	—	25	—	—	—	(2)
Income tax benefit impact	189	(65)	(41)	258	(9)	11	33	87	463
After tax and noncontrolling interests impact	(549)	107	68	(429)	16	(19)	(54)	87	(773)
Diluted loss per share impact	$ (5.15)	$ 1.00	$ 0.64	$ (4.03)	$ 0.15	$ (0.18)	$ (0.51)	$ 0.82	$ (7.26)

millions, except per share data	39 Weeks Ended November 1, 2014									
		Adjustments								
	GAAP	Domestic Pension Expense	Domestic Closed Store Reserve, Store Impairments and Severance	Domestic Gain on Sales of Assets	Other Expenses	Gain on Sears Canada Disposition	Domestic Tax Matters	Sears Canada Segment	Lands' End Separation	As Adjusted [2]
Gross margin impact	$ 5,171	$ —	$ 58	$ —	$ —	$ —	$ —	$ (502)	$ (87)	$ 4,640
Selling and administrative impact	6,218	(67)	(53)	—	(6)	—	—	(603)	(77)	5,412
Depreciation and amortization impact	455	—	(7)	—	—	—	—	(49)	(3)	396
Impairment charges impact	25	—	(10)	—	—	—	—	(15)	—	—
Gain on sales of assets impact	(148)	—	—	65	—	—	—	(1)	—	(84)
Operating loss impact	(1,379)	67	128	(65)	6	—	—	166	(7)	(1,084)
Interest expense impact	(221)	—	—	—	—	—	—	5	—	(216)
Interest and investment income impact	133	—	—	—	—	(70)	—	(38)	—	25
Other income impact	4	—	—	—	—	—	—	(4)	—	—
Income tax expense impact	(188)	(25)	(48)	25	(2)	26	554	136	3	481
Loss attributable to noncontrolling interest impact	128	—	—	—	—	—	—	(128)	—	—
After tax and noncontrolling interest impact	(1,523)	42	80	(40)	4	(44)	554	137	(4)	(794)
Diluted loss per share impact	$ (14.33)	$ 0.40	$ 0.75	$ (0.38)	$ 0.04	$ (0.41)	$ 5.21	$ 1.29	$ (0.04)	$ (7.47)

[1] Consists of one-time credits from vendors, expenses associated with legal matters, transaction costs related to strategic initiatives and other expenses.
[2] Adjusted to reflect the results of the Sears Canada business that were included in our results of operations prior to the disposition.

SEARS HOLDINGS



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