SEARS HOLDINGS

Q4 2015

Transformation Update & Financial Results

February 2016

sears kmart SHOP YOUR WAY

Cautionary Statement

Regarding Forward-Looking Information

This presentation contains forward-looking statements, including statements about our transformation through our integrated retail strategy, the opportunities, some of which are quantified, presented by a framework for profit, our plans to redeploy and reconfigure our assets, our liquidity and ability to exercise financial flexibility as we meet our obligations and possible strategic transactions. 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 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 following additional factors, among others, could cause actual results to differ from those set forth in the forward-looking statements: our ability to offer merchandise and services that our customers want, including our proprietary brand products; 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; worldwide economic conditions and business uncertainty, including the availability of consumer and commercial credit, changes in consumer confidence and spending, the impact of changing fuel prices, and changes in vendor relationships; 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; our extensive reliance on computer systems, including legacy systems, to implement our integrated retail strategy, process transactions, summarize results, maintain customer, member, associate and Company data, and otherwise manage our business, which may be subject to disruptions or security breaches; the impact of seasonal buying patterns, including seasonal fluctuations due to weather conditions, which are difficult to forecast with certainty; 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; and the timing and amount of required pension plan funding. 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. The unaudited and estimated financial results for the fourth quarter of 2015 contained in this presentation reflect a number of complex and subjective judgments and estimates about the appropriateness of certain reported amounts and disclosures. Our financial statements for the 2015 fiscal year are not finalized. We are required to consider all available information through the finalization of our financial statements and their possible impact on our financial conditions and results of operations for the period, including the impact of such information on the complex judgments and estimates referred to above. As a result, subsequent information or events may lead to material differences between the information about the results of operations described herein and the results of operations described in our subsequent annual report. You should consider this possibility in reviewing the financial information for the period described above.

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 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

Q4 2015

Domestic Adjusted EBITDA Results

4 of the last 5 Consecutive Quarters produced a positive Year-Over-Year Improvement in Adjusted EBITDA

($'s in millions)	Q4 2014	Q1 2015	Q2 2015(1)	Q3 2015(1)	Q4 2015(1)
Current Year	$125	$(141)	$(200)	$(280)	$(82)
Prior Year	$(92)	$(178)	$(298)	$(296)	$125
Year-Over-Year Change	**$217**	**$37**	**$98**	**$16**	**$(207)**

The operating performance of our apparel business has a substantial impact on our overall profitability, and, in 2016 and future periods, we intend to improve the performance of our apparel business through changes to our sourcing, product assortment, space allocation, pricing and inventory management practices. Excluding the EBITDA decline in our Apparel and softlines businesses, our Adjusted EBITDA would have been relatively unchanged from the fourth quarter of last year.

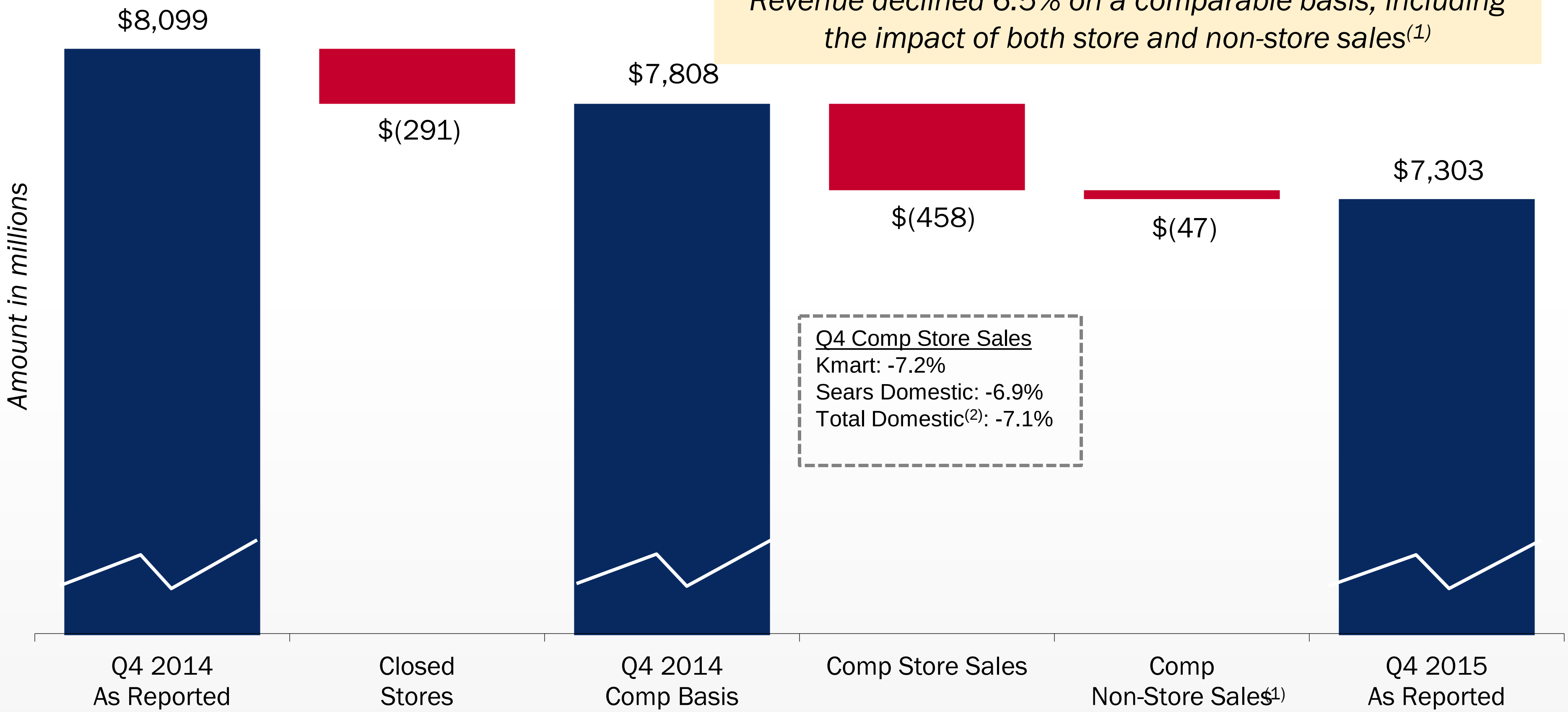
(1) Adjusted Domestic EBITDA of $(82) for Q4 2015, $(280) million for Q3 2015 and $(200) million for Q2 2015 is shown before additional rent expense of $55 million for Q4 2015, $52 million for Q3 2015 and $26 million for Q2 2015 in addition to loss of third party rent income resulting from (i) the recent transaction with Seritage Growth Properties ("Seritage") and (ii) joint ventures entered into with General Growth Properties, Inc., Simon Property Group Inc. 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 is not impacted by the transaction with Seritage Growth Properties ("Seritage") or the joint ventures.

Fourth Quarter

Year-Over-Year Revenue Changes

37% of revenue decline was due to non-comp items related to asset reconfiguration activity

Revenue declined 6.5% on a comparable basis, including the impact of both store and non-store sales[1]



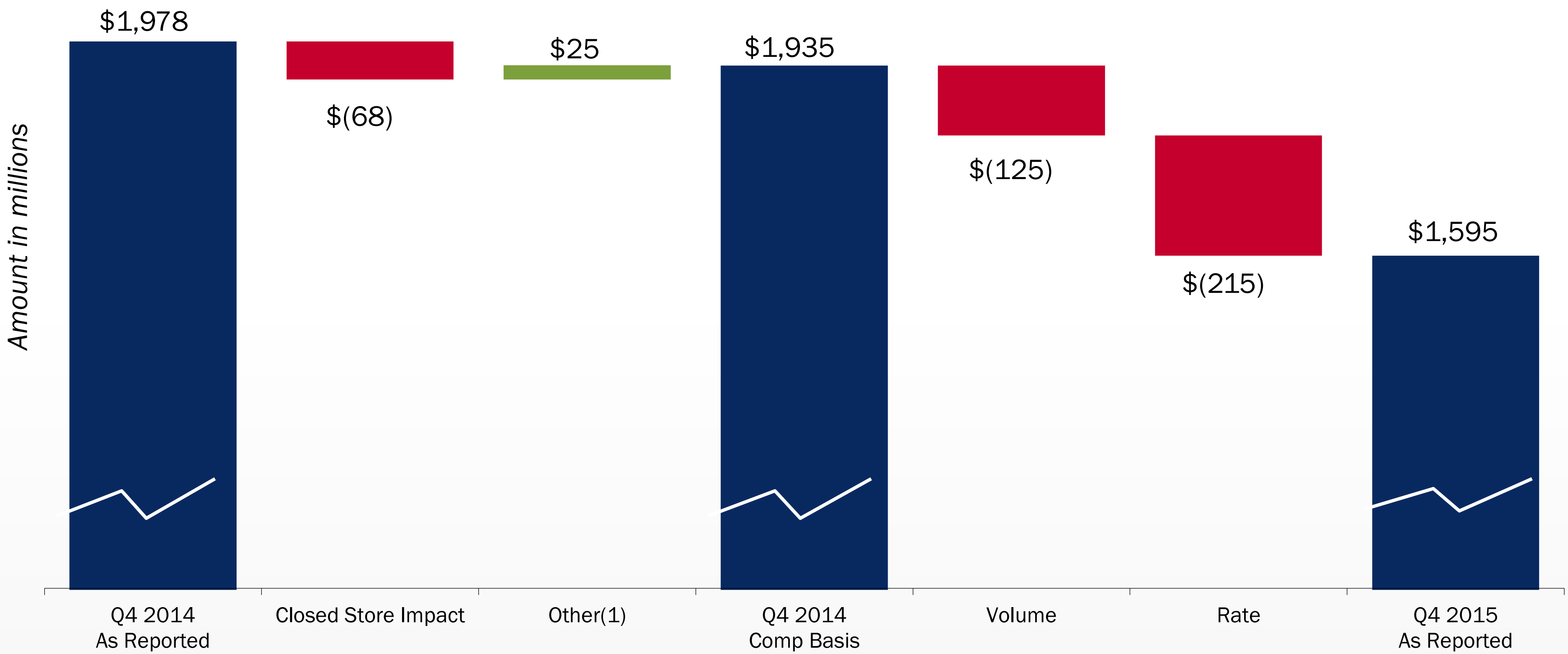
(1) Comp Non-Store Sales represents revenue from ongoing business operations not directly associated with a store such as Home Services revenue, as well as revenue from our ongoing relationships with Sears Hometown and Outlet Stores, Inc. and Lands' End.

(2) 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.

Fourth Quarter

Year-Over-Year Gross Margin Changes

On a comparable basis, gross margin decreased $340M, or 17.6%, and gross margin rate decreased by 290 bps

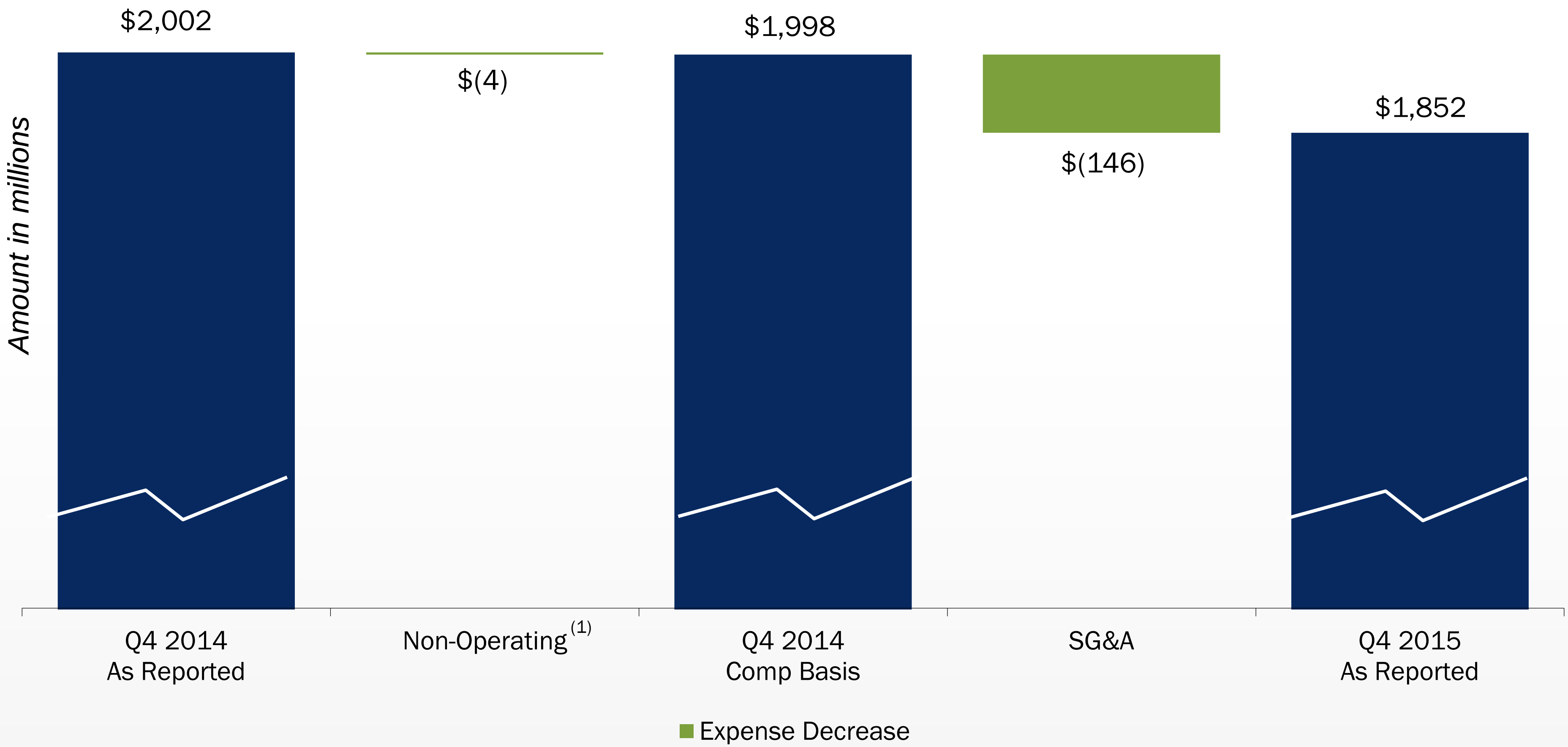


Overall margin decline is due to the sales decline in our Apparel and softlines businesses from an increase in promotional activities, with over 50% of the total decline margin attributed to the Apparel businesses.

(1) Primarily consists of non-cash reserves

Year-Over-Year Expense Changes

Reduced SG&A expenses on a comparable basis by $146M year-over-year and $1.4B since 2012

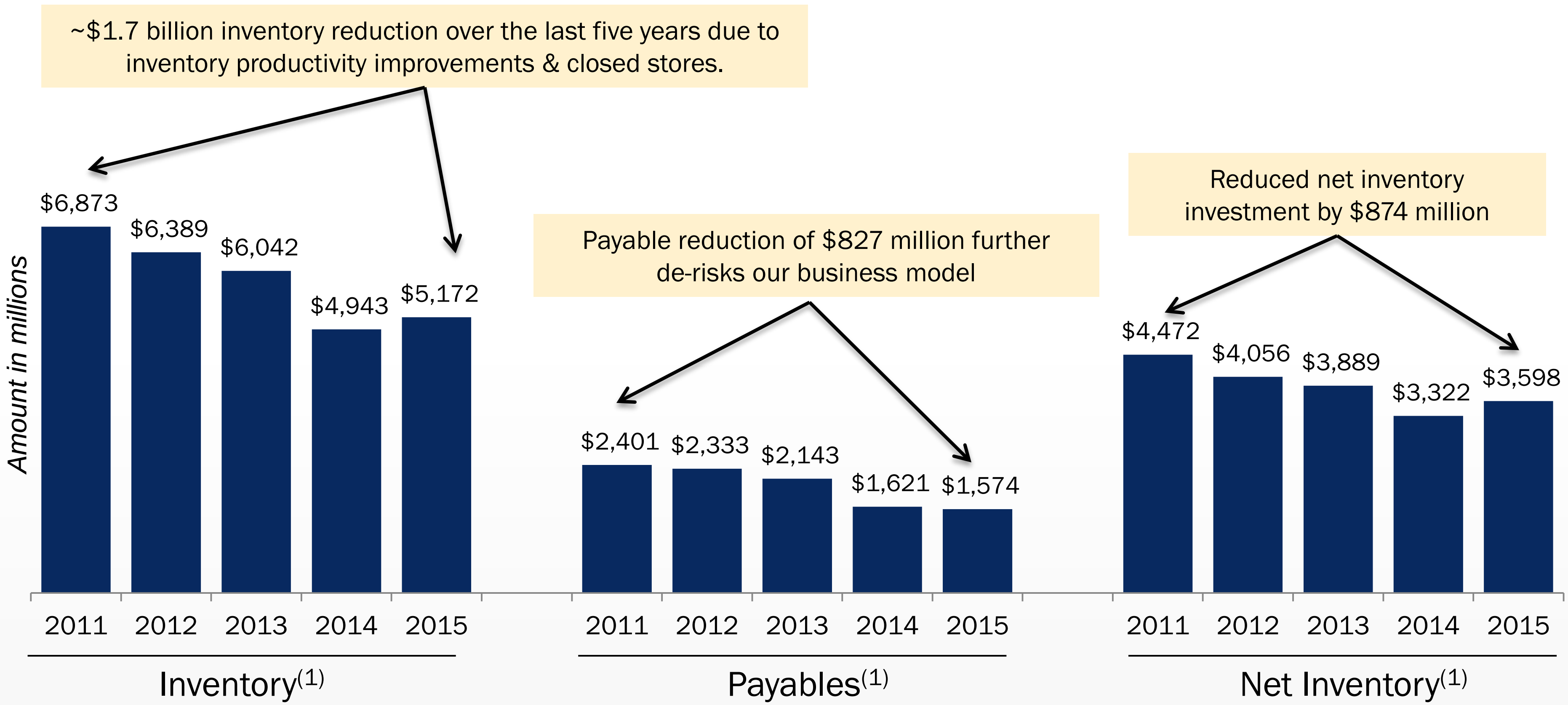


(1) Consists of closed store reserves, domestic pension expense, legal expenses, transaction costs and other expenses.

De-risking the Business Model

Fourth 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 and Sears Hometown and Outlet.

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	Q4 2015
Cash	$ 238
Availability on Credit Facility[1]	316
Total Liquid Availability[4]	$ 554
Equity in Inventory	3,598
Total Liquidity & Liquid Assets	$ 4,152

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]

2nd Lien Debt Capacity

- $2.0B 2nd Lien Debt Capacity[3] – $304M outstanding at the end of Q4

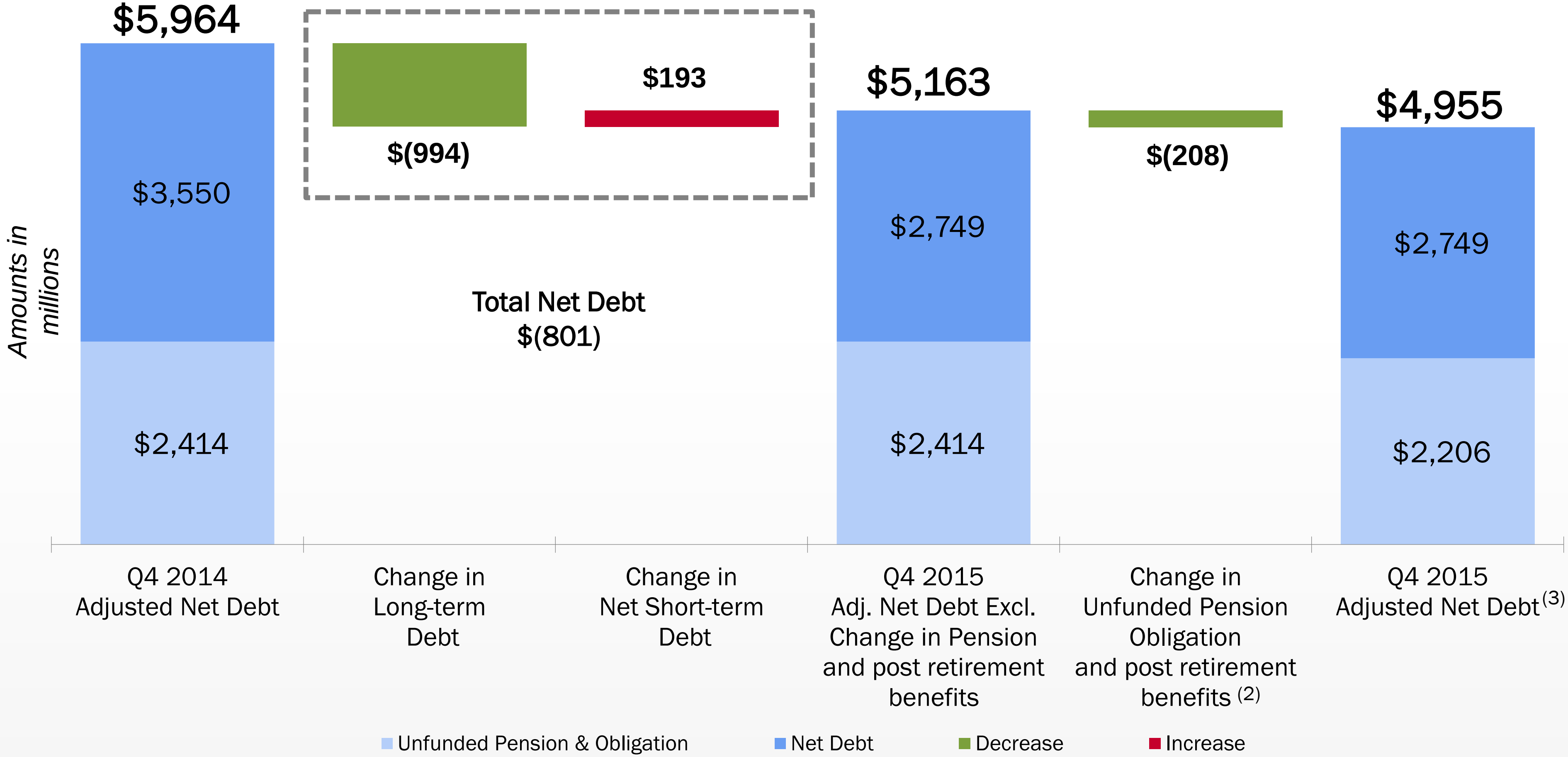
SHC Real Estate Portfolio

- Substantial real estate portfolio including 419 owned, inclusive of 125 REMIC stores, and 1,253 leased locations at end of Q4

(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. This uncommitted short term debt capacity which has been used in the past year for a variety of purposes including real estate and commercial paper.

Domestic Adjusted Net Debt Position[1,3]

Reduced Adjusted Net Debt By ~$1 Billion since prior year



(1) Defined as total net debt plus unfunded pension and post retirement benefits obligation.
(2) Represents our unfunded pension obligation measured as of year-end 2015.
(3) Adjusted net debt represents total debt, including pension and postretirement benefits, net of cash on hand.

Funding Our Transformation

Proven Ability to Generate Liquidity

FY 2015

- **Jul 2015:** $1,971 million ABL Revolving Credit Facility Extension
- **Jul 2015:** $2.7 billion Real Estate Investment Trust Transaction
- **Apr 2015:** $429 million Real Estate Transactions (GGP, Simon and Macerich)

FY 2014

- **FY 2014:** $358 million Domestic Real Estate Transactions
- **Nov 2014:** $625 million Unsecured Notes with Warrants
- **Nov 2014:** $380 million Sears Canada Rights Offering
- **Sep 2014:** $400 million Secured Short Term Loan [(1)]
- **Mar 2014:** $500 million Lands' End Exit Dividend

FY 2013

- **FY 2013:** $155 million Domestic Real Estate Transactions
- **Dec 2013:** $243 million Sears Canada Dividend
- **Sep 2013:** $1 billion ABL Term Loan

FY 2012

- **FY 2012:** $354 million Real Estate Transactions
- **Jan 2013:** $52 million Sears Canada Dividend
- **Oct 2012:** $447 million Sears Hometown Exit Dividend

Real Estate Transactions: $3.9 billion	Sears Canada Dividends: $0.3 billion
Spin-Offs & Rights Offerings: $1.3 billion	Financings: $4.0 billion

As outlined in the chart to the left, the Company has a strong track record of executing asset monetizations and other financings to support its liquidity needs.

From 2012 through FYE 2015, Holdings raised approximately $7.5 billion in liquidity and extended the ABL Revolving credit facility by $1.971 billion.

(1) Secured by certain real properties representing 2% of our total properties.

Financial Capacity

SHC has significant financial-flexibility

($'s in millions)		Old Facility		New Facility
ABL Commitments	$	3,275	$	1,971
FILO Capacity (1)		-		500
Accordion Capacity (1)		-		1,000
2L Note Capacity (1,2)		760		1,696
Sub-Total Inventory Based Financing Capacity	$	4,035	$	5,167
Sub-Total Short Term Debt Basket(3)	$	500	$	750
Total Inventory and ST Financing Capacity	$	4,535	$	5,917

SHC Financial Capacity

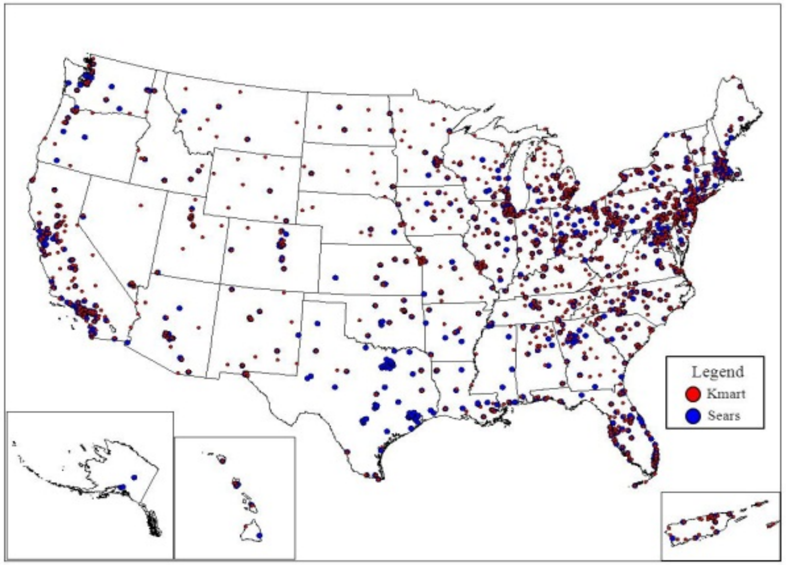
- The ABL extension, completed in July 2015 increased the ABL capacity by $196 million and the overall financing capacity increased by $1.3 billion, inclusive of the Accordion and 2L notes.
- The uncommitted capacity can be deployed across short-term (up to $750 million) or long-term financial strategies.
- After giving effect to the Seritage transaction, SHC owns 419 stores, including 125 that are part of the REMIC. 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) Short-term debt basket governs our ability to issue debt maturing before July 2020. This uncommitted short-term debt capacity which has been used in the past year for a variety of purposes including real estate and commercial paper.

Vast Real Estate Portfolio

Substantial amount of owned real estate with a significant U.S. presence in top locations

Summary of Stores	Sears	Kmart	Total
Total Owned	**322**	**97**	**419**
Leased - Non-Seritage REIT	238	760	998
Leased - Seritage REIT[1]	171	84	255
Total Leased	**409**	**844**	**1,253**
	731	**941**	**1,672**

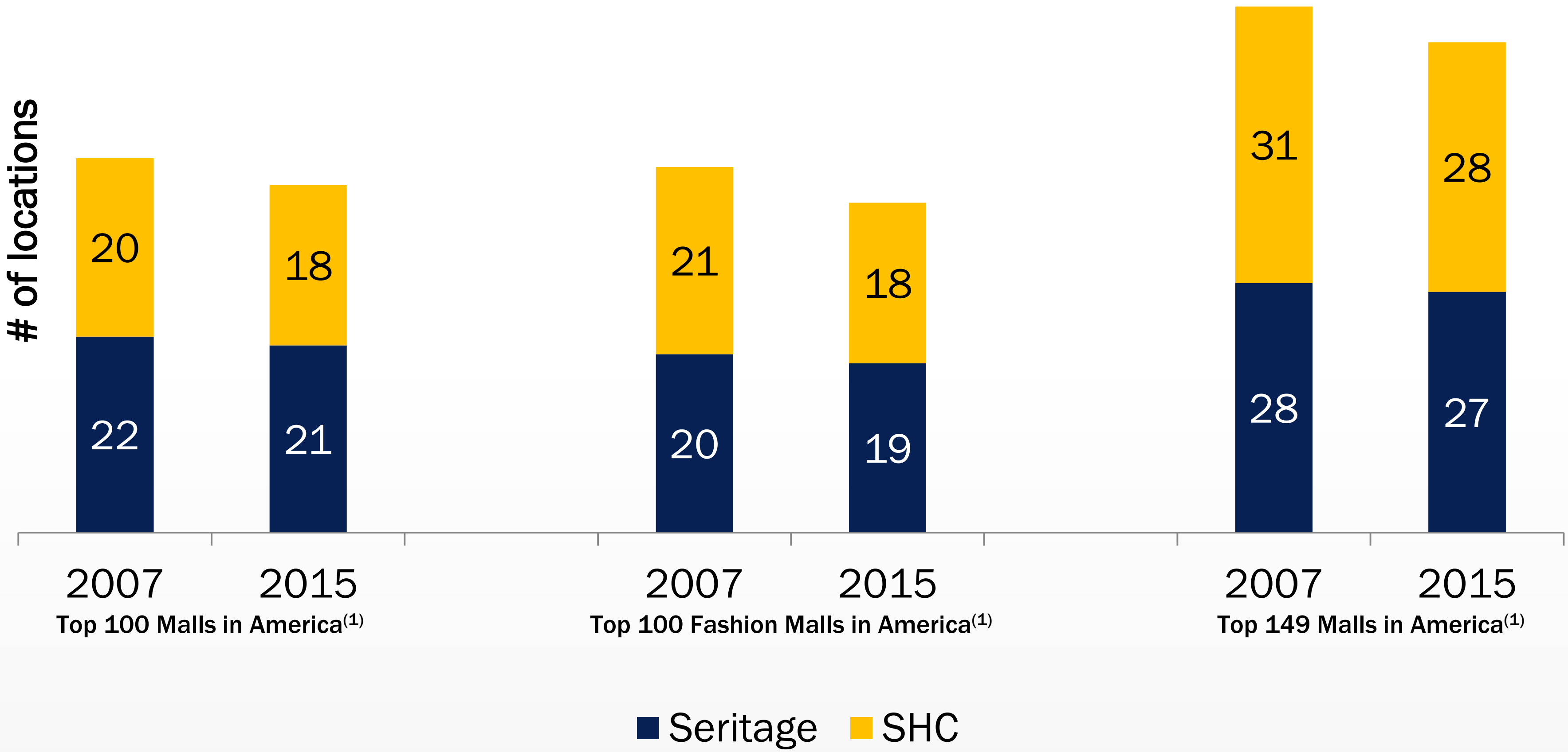


In addition, SHC owns 28 distribution centers and a 200 acre Home Office

Of properties that are leased, many are under long-term leases below market rental rates

(1) Current summary of stores as of Q4 2015, and includes the 255 stores that were part of the REIT transaction completed in Q2 2015. Note: Total stores in the REIT transaction was 266; however, 11 of the properties were closed stores that SHC did not lease back.

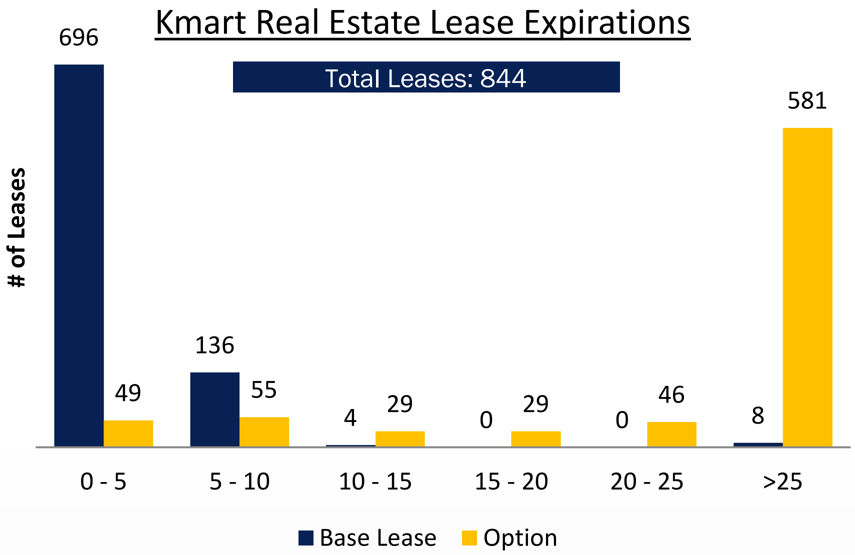
Retail Presence in Top Malls Remains Strong

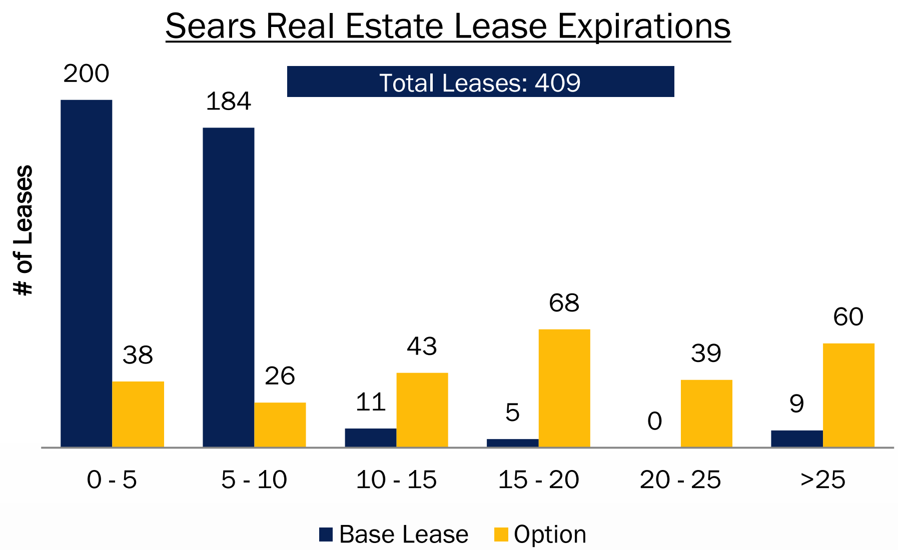


(1) Source: Goldman Sachs and Morgan Stanley October 23, 2015 report of top 100 Malls.

Leases Represent a Significant Corporate Asset

Lease expiration terms provide SHC with significant real estate option value with minimal commitment





Sears' leased Real Estate portfolio contains 1,253 leases (1)

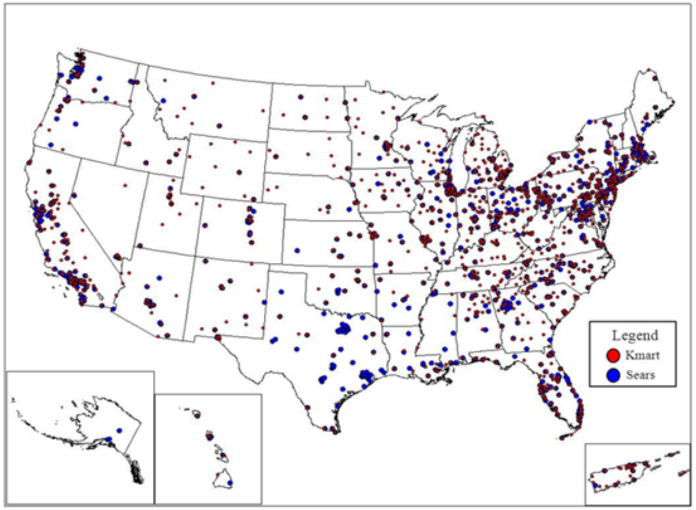
- Majority of leased stores have expirations of less than five years
  - Kmart: 82%
  - Sears Full-line stores: 49%
- SHC has options to renew leases on many stores for more than 25 years
  - Kmart: 69%
  - Sears Full-line stores: 15%

(1) The 1,253 site leased real estate portfolio includes the 255 properties that are leased from Seritage. Total stores in the REIT transaction was 266; however, 11 of the properties were closed stores that SHC did not lease back.

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

- Increasing Engagement
- Strengthening Relationships
- Growth Through Retention
- Approximately 50% of Our Marketing Communications are Personalized

Our Best Stores

- Optimizing Store Network
- Integrated Retail Investments
- Continues Productivity Improvement

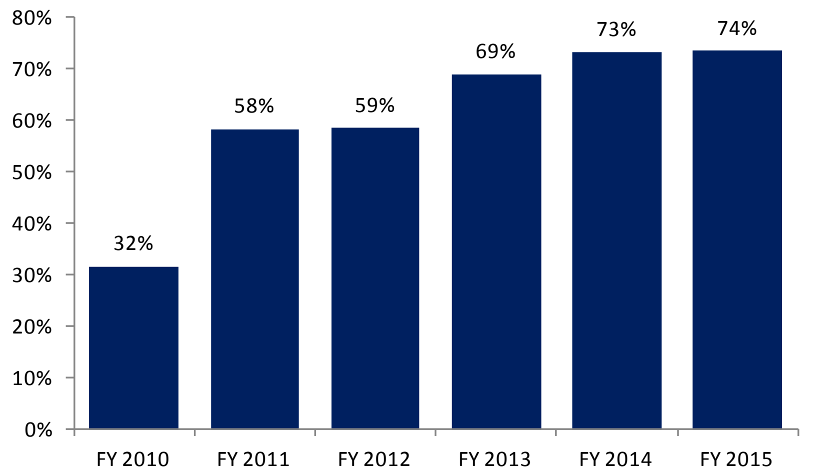
Our Best Categories

- Focus on Leading Categories
- Continued Focus on Proprietary Brands
- Transforming Important but Underperforming Categories

Shop Your Way Member Engagement

Shop Your Way Is Integral To Member Engagement And Growth

Substantial Growth in Member Sales Penetration



✓ **As we reach these levels of member engagement, our primary focus is on increasing frequency of usage vs. further increasing member sales penetration**

Shop Your Way YOY Revenue & Margin Growth Drivers

✓ **Critical engagement metrics showing continued growth:**

- Redemption sales as a % of Member Sales: 9% increase vs. LY
- Active e-mail population has increased 9% vs. LY
- Points Issued and Points Redeemed are both up YOY 11% and 3% respectively
- SYW MAX online orders up over 45% (includes in-store pickup and shipped)

✓ **Transitioning to personalized member-based marketing from mass marketing**

- Variations of a member's promotional e-mail
- Variations of a member's Sears.com homepage
- Automated e-mail programs triggered by member behaviors

Optimizing Store Network and Space

As we leverage Shop Your Way and Integrated Retail, we will continue to right-size, redeploy and highlight the value of our assets, including our substantial real estate portfolio

Sears & Forever 21 on Shared Footprint in Costa Mesa, California(1)

Sears & Whole Foods on Shared Footprint in Clearwater, Florida

- We are transforming our asset base to better serve our members
- In many cases, our stores are larger than needed for today's technology-equipped consumer
- Partnering with other retailers allows us to improve productivity and profitability by:
  - Rationalizing our retail store footprint
  - Generating substantial leasing income
- On October 20, 2014, we announced lease agreements with Primark, a leading fashion retailer in Europe
  - Sears will continue to have a significant presence in 6 locations with a streamlined store format of up to 100,000 selling square feet
- In July of 2015, we formed a newly independent publicly traded REIT, Seritage Growth Properties:
  - $2.7B of gross cash proceeds
  - Sale of 266 Properties
  - Lease terms enable great flexibility in managing SHC real estate productivity

(1) The Costa Mesa store was not included in the Seritage REIT transaction.

Seritage REIT Enhanced SHC Liquidity & Strategic Flexibility

The gross cash proceeds of $2.7 billion from the REIT transaction provided SHC with liquidity and flexibility consistent with its transformation strategy

Unlocking a portion of the Real Estate Portfolio enabled SHC to accelerate investment in its transformation

- Transformation to an asset light, member centric retailer
- Additional capital to invest in the future of our membership and integrated retail platforms
- Operate in smaller more productive stores
- Continue to manage the day-to-day operations of the stores without affecting the shopping member experience

REIT structure has unique flexibility for SHC as a tenant

- **Recapture Right**
  - REIT may recapture up to 50% of the space in up to 50 stores annually
- **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 (*greater of* Amount specified in Master lease & 10x EBITDA attributable to this space)
- **SHC Exit Right**
  - After the first year, SHC may exit unprofitable leases, up to 20% of the total rent obligations per year, in exchange for 1 year's rent payment

Focus on Leading Categories

Sears Holdings is focused on growing our best & most important categories to meet members' needs

Home Appliances

- Reinforcing our position as #1 appliance retailer in the U.S.
- Continue to launch innovative products with exclusive features under Kenmore
- Continued optimization of product assortment to fulfill all member needs
- Optimize marketing spend to drive increased channel efficiency

Home Services

- Reinforcing our position as #1 national service provider
- Focused on improving service levels and response times
- Increased capacity of tech network to meet seasonal needs
- Profitable Protection Agreement warranty business

Apparel

- Increased focus on building deeper relationships with our best members in order to drive increased profitability for SHC
- Simplified product strategy with increased focus on basic categories
- Continued focus on bringing product design in-house to elevate style and quality
- Expanded direct global sourcing capabilities to increase profits and shorten lead times

Closing Remarks

Operational Initiatives for 2016 will be focused on generating Positive Adjusted EBITDA

- Accelerate the closing of unprofitable stores, including the roughly 50 stores announced to be closing in the next few months
- Continue to evaluate and optimize cost structure, focusing on:
  - Optimizing store-level marketing expenditures and overall staffing levels
  - Taking action to reduce fixed costs and improve inventory management and gross margin realization
- Continue aggressive expense reductions by taking actions to further reduce costs by between $550 million and $650 million in 2016
- Targeting at least $300 million of other asset sales during the first half of fiscal year 2016
- Continue to consider overall capital structure and liquidity position with the goal of creating long-term value and funding transformation
- Intend not to borrow money to fund continued operating losses, but instead to provide us flexibility as we transition from a traditional network based model to a more asset light member-centric integrated retailer leveraging our Shop Your Way program. As part of this transformation we intend to optimize the value of our assets and to take actions that will generate positive Adjusted EBITDA in the near future.

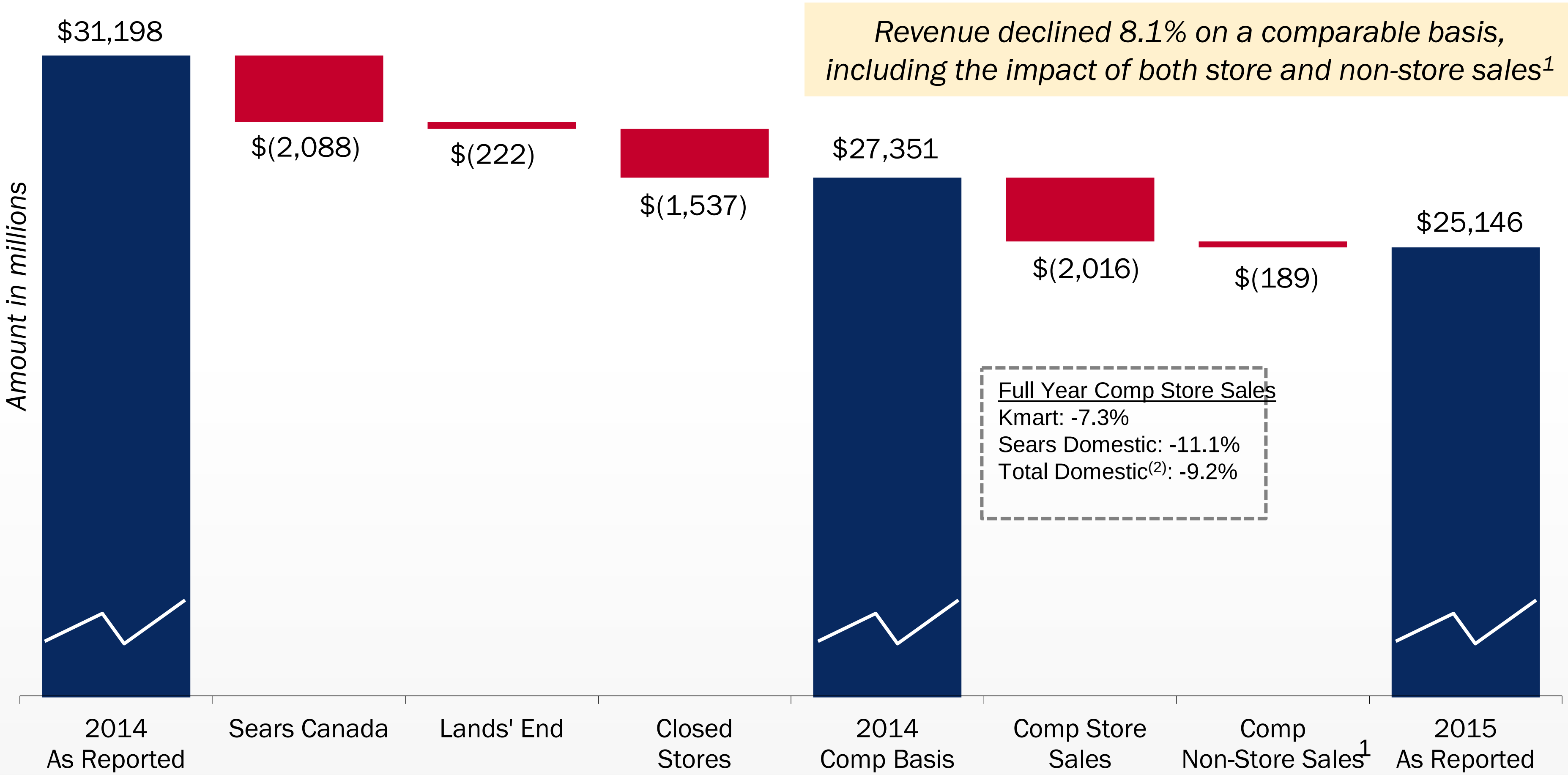
Appendix



Full Year 2015

Year-Over-Year Revenue Changes

64% of revenue decline was due to non-comp items related to asset reconfiguration activity



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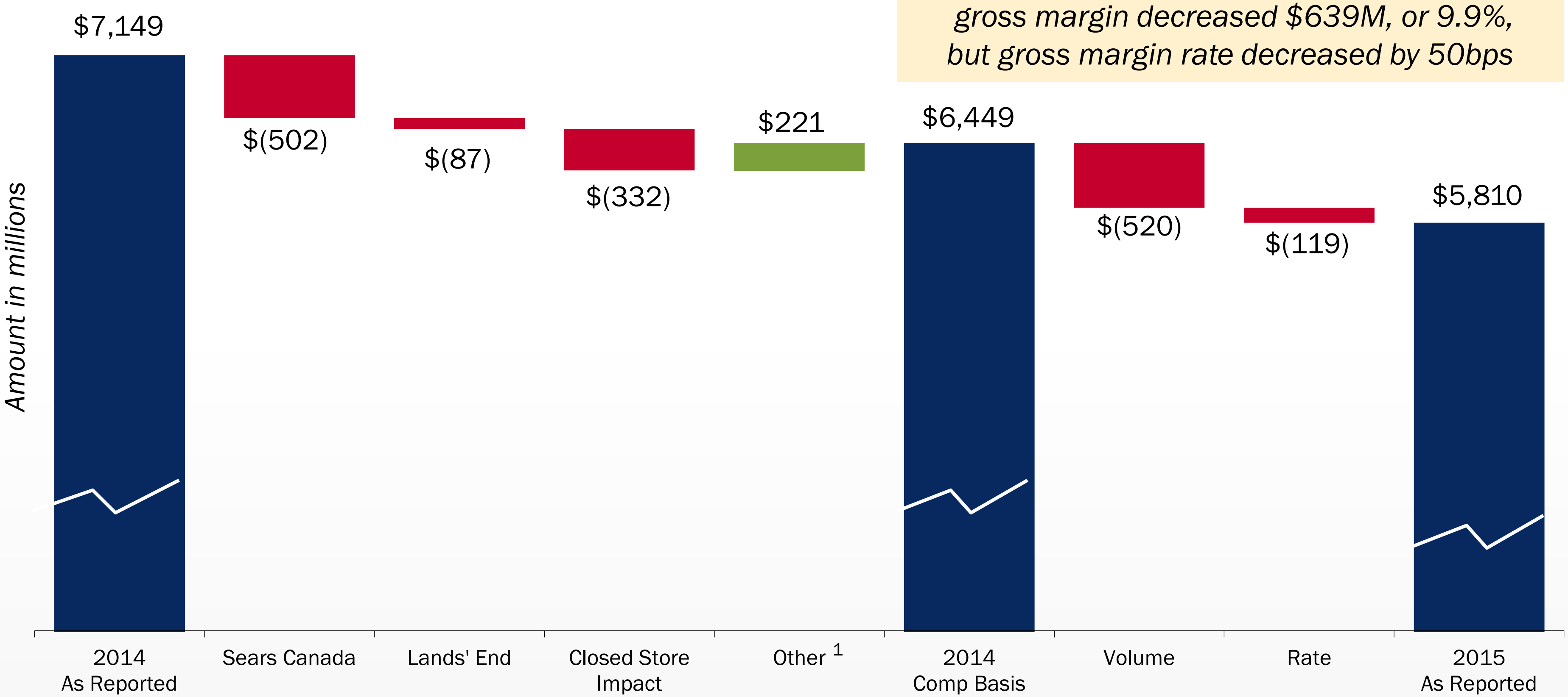
Year-Over-Year Gross Margin Changes

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

On a comparable basis, gross margin decreased $639M, or 9.9%, but gross margin rate decreased by 50bps

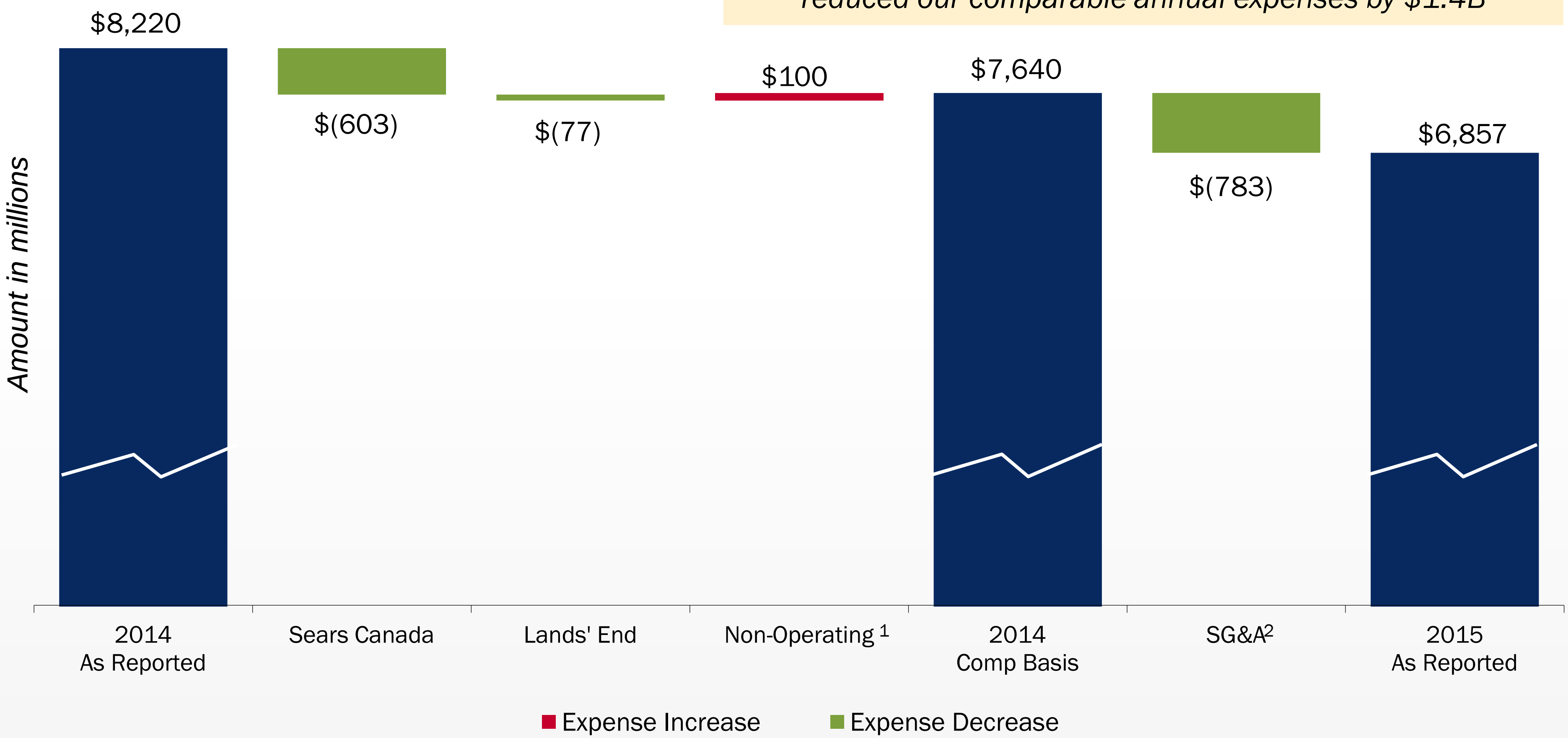


(1) Consists of non-cash reserves and one-time credits from vendors in Q3 YTD 2015.

Year-Over-Year Expense Changes

$580M of the expense reduction was due to non-comp items related to asset reconfiguration activity

On a comparable basis, we reduced expenses by $783M – since 2012 we have reduced our comparable annual expenses by $1.4B



(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 <u>past</u> services

The pension obligation decreased in 2015 due to a increase in the discount rate used to compute the liability

	2015	2014	2013	2012	2011	2010
Assets	$3,189	$3,616	$3,490[1]	$3,221	$4,051	$4,054
Liability	5,265	5,874	4,981	5,311	6,109	5,623
Unfunded	($2,076)	($2,258)	($1,491)	($2,090)	($2,058)	($1,569)
Discount Rate	*4.50%*	*3.70%*	*4.60%*	*4.25%*	*4.90%*	*5.75%*

(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.

Sears Holdings Consolidated Results

Amounts in millions, except per share amounts

	Fourth Quarter		Full Year	
	2015	2014	2015	2014
Revenues	$ 7,303	$ 8,099	$ 25,146	$ 31,198
Net loss attributable to Holdings' shareholders	$ (580)	$ (159)	$ (1,129)	$ (1,682)
EPS	*$ (5.44)*	*$ (1.50)*	*$ (10.59)*	*$ (15.82)*
Adjusted net loss [1]	$ (181)	$ (36)	$ (953)	$ (830)
Adjusted EPS [1]	*$ (1.70)*	*$ (0.34)*	*$ (8.94)*	*$ (7.81)*

[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

	Fourth Quarter		Full Year	
	2015	2014	2015	2014
Net loss as reported	$ (580)	$ (159)	$ (1,129)	$ (1,682)
Domestic pension expense	36	14	143	56
Domestic closed store/store impairments/severance	54	78	122	158
Tradename Impairments	112	-	112	-
Domestic gain on sales of assets	-	(14)	(429)	(54)
Mark-to-market adjustments	21	-	37	-
Amortization of deferred Seritage gain	(14)	-	(32)	-
Other[(1)]	14	26	(40)	29
Gain on Sears Canada disposition	-	-	-	(44)
Domestic tax matters	176	19	263	574
Sears Canada segment	-	-	-	137
Lands' End separation	-	-	-	(4)
Adjusted net loss[(2)]	$ (181)	$ (36)	$ (953)	$ (830)

(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

	Fourth Quarter 2015	Fourth Quarter 2014	Full Year 2015	Full Year 2014
Net loss attributable to SHC per statement of operations	$ (580)	$ (159)	$ (1,129)	$ (1,682)
Income (loss) attributable to noncontrolling interests	—	—	1	(128)
Income tax expense (benefit)	(68)	(63)	(257)	125
Interest expense	74	92	323	313
Interest and investment (income) loss	35	1	62	(132)
Other income	—	—	—	(4)
Operating loss	(539)	(129)	(1,000)	(1,508)
Depreciation and amortization	92	126	422	581
Gain on sales of assets	(13)	(59)	(743)	(207)
Before excluded items	(460)	(62)	(1,321)	(1,134)
Domestic pension expense	57	22	229	89
Closed store reserve and severance	62	86	98	224
Other(1)	23	41	(64)	50
Amortization of deferred Seritage gain	(22)	—	(52)	—
Impairment charges	203	38	274	63
Adjusted EBITDA	(137)	125	(836)	(708)
Lands' End separation	—	—	—	(10)
Adjusted EBITDA as defined(2)	$ (137)	$ 125	$ (836)	$ (718)
Sears Canada segment	—	—	—	71
Domestic Adjusted EBITDA as defined (2)	$ (137)	$ 125	$ (836)	$ (647)
Seritage/JV Rent	55	—	133	—
Domestic Adjusted EBITDA as defined (2) excluding Seritage/JV rent	$ (82)	$ 125	$ (703)	$ (647)

(1) Consists of one-time credits from vendors, expenses associated with legal matters, transaction costs associated with strategic initiatives and other expenses.

(2) Adjusted to reflect the results of the Lands' End and Sears Canada businesses that were included in our results of operations prior to the separation/disposition.

Adjusted EBITDA Results

Amounts in millions

	Fourth Quarter		Full Year	
	2015	2014	2015	2014
Revenues	$ 7,303	$ 8,099	$ 25,146	$ 30,976
Margin	1,580	1,988	5,656	7,131
Margin rate	*21.6%*	*24.5%*	*22.5%*	*23.0%*
Expenses	1,717	1,863	6,492	7,849
Adjusted EBITDA [1]	$ (137)	$ 125	$ (836)	$ (718)
By Segment:				
Kmart	$ (16)	$ 88	$ (273)	$ (216)
Sears Domestic	(121)	37	(563)	(431)
Sears Canada	—	-	—	(71)
	$ (137)	$ 125	$ (836)	$ (718)

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

Fourth Quarter 2015

Adjusted Segment Results

millions	Kmart 2015	Kmart 2014	Sears Domestic 2015	Sears Domestic 2014	Sears Holdings 2015	Sears Holdings 2014
	Quarter Ended					
Revenue	$ 3,126	$ 3,547	$ 4,177	$ 4,552	$ 7,303	$ 8,099
Gross margin dollars	666	832	914	1,156	1,580	1,988
Gross margin rate	*21.3%*	*23.5%*	*21.9%*	*25.4%*	*21.6%*	*24.5%*
Selling and administrative	682	744	1,035	1,119	1,717	1,863
Selling and administrative expense as a percentage of total revenues	*21.8%*	*21.0%*	*24.8%*	*24.6%*	*23.5%*	*23.0%*
Adjusted EBITDA as defined	(16)	88	(121)	37	(137)	125
Depreciation and amortization	(16)	(23)	(76)	(103)	(92)	(126)
Gain on sales of assets	12	27	1	32	13	59
Special items:						
Closed store reserve and severance	(44)	-	(18)	(22)	(62)	(22)
Domestic pension expense	-	(58)	(57)	(28)	(57)	(86)
Other[1]	(34)	(40)	11	(1)	(23)	(41)
Amortization of deferred Seritage gain	5	-	17	-	22	-
Impairment charges	(2)	(27)	(201)	(11)	(203)	(38)
Operating loss	$ (95)	$ (33)	$ (444)	$ (96)	$ (539)	$ (129)

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

Full Year 2015

Adjusted Segment Results

millions	Full Year Kmart 2015	Kmart 2014	Sears Domestic 2015	Sears Domestic 2014	Sears Canada 2015	Sears Canada 2014	Sears Holdings 2015	Sears Holdings 2014
Revenue	$ 10,188	$ 12,074	$ 14,958	$ 16,814	$ -	$ 2,088	$ 25,146	$ 30,976
Gross margin dollars	2,174	2,615	3,482	4,013	-	503	5,656	7,131
Gross margin rate	*21.3%*	*21.7%*	*23.3%*	*23.9%*	-	*24.1%*	*22.5%*	*23.0%*
Selling and administrative	2,447	2,831	4,045	4,444	-	574	6,492	7,849
Selling and administrative expense as a percentage of total revenues	*24.0%*	*23.4%*	*27.0%*	*26.4%*	-	*27.5%*	*25.8%*	*25.3%*
Adjusted EBITDA as defined[1]	(273)	(216)	(563)	(431)	-	(71)	(836)	(718)
Depreciation and amortization	(72)	(95)	(350)	(437)	-	(49)	(422)	(581)
Gain on sales of assets	185	103	558	105	-	(1)	743	207
Special items:								
Closed store reserve and severance	(86)	-	(12)	(89)	-	-	(98)	(89)
Domestic pension expense	-	(142)	(229)	(55)	-	(27)	(229)	(224)
Other[2]	(43)	(43)	107	(4)	-	(3)	64	(50)
Amortization of deferred Seritage gain	11	-	41	-	-	-	52	-
Impairment charges	(14)	(29)	(260)	(19)	-	(15)	(274)	(63)
Lands' End separation	-	-	-	10	-	-	-	10
Operating loss	$ (292)	$ (422)	$ (708)	$ (920)	$ -	$ (166)	$ (1,000)	$ (1,508)

(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

Sears Holdings Corporation
Adjusted Earnings per Share

Amounts are Preliminary and Subject to Change

13 Weeks Ended January 30, 2016

millions, except per share data	GAAP	Adjustments: Domestic Pension Expense	Adjustments: Domestic Closed Store Reserve, Store Impairments and Severance	Adjustments: Tradename Impairment	Adjustments: Mark-to-Market Adjustments	Adjustments: Amortization of Deferred Seritage Gain	Adjustments: Other [(1)]	Adjustments: Domestic Tax Matters	As Adjusted
Gross margin impact	$ 1,595	$ —	$ 27	$ —	$ —	$ (22)	$ (20)	$ —	$ 1,580
Selling and administrative impact	1,852	(57)	(35)	—	—	—	(43)	—	1,717
Depreciation and amortization impact	92	—	(1)	—	—	—	—	—	91
Impairment charges impact	203	—	(23)	(180)	—	—	—	—	—
Gain on sales of assets impact	(13)	—	—	—	—	—	—	—	(13)
Operating loss impact	(539)	57	86	180	—	(22)	23	—	(215)
Interest and investment income impact	(35)	—	—	—	34	—	—	—	(1)
Income tax expense impact	68	(21)	(32)	(68)	(13)	8	(9)	176	109
After tax and noncontrolling interests impact	(580)	36	54	112	21	(14)	14	176	(181)
Diluted loss per share impact	$ (5.44)	$ 0.34	$ 0.50	$ 1.05	$ 0.20	$ (0.13)	$ 0.13	$ 1.65	$ (1.70)

13 Weeks Ended January 31, 2015

millions, except per share data	GAAP	Adjustments: Domestic Pension Expense	Adjustments: Domestic Closed Store Reserve and Severance	Adjustments: Domestic Gain on Sales of Assets	Adjustments: Other Expenses	Adjustments: Domestic Tax Matters	As Adjusted
Gross margin impact	$ 1,978	$ —	$ 10	$ —	$ —	$ —	$ 1,988
Selling and administrative impact	2,002	(22)	(76)	—	(41)	—	1,863
Depreciation and amortization impact	126	—	(1)	—	—	—	125
Impairment charges impact	38	—	(38)		—	—	—
Gain on sales of assets impact	(59)	—	—	22	—	—	(37)
Operating loss impact	(129)	22	125	(22)	41	—	37
Income tax expense impact	63	(8)	(47)	8	(15)	19	20
After tax and noncontrolling interests impact	(159)	14	78	(14)	26	19	(36)
Diluted loss per share impact	$ (1.50)	$ 0.13	$ 0.73	$ (0.13)	$ 0.25	$ 0.18	$ (0.34)

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

Reconciliation to GAAP

Sears Holdings Corporation
Adjusted Earnings per Share

Amounts are Preliminary and Subject to Change

millions, except per share data	GAAP	Domestic Pension Expense	Domestic Closed Store Reserve, Store Impairments and Severance	Tradename Impairment	Domestic Gain on Sales of Assets	Mark-to-Market Adjustments	Amortization of Deferred Seritage Gain	Other [1]	Domestic Tax Matters	As Adjusted
	Year Ended January 30, 2016									
		Adjustments								
Gross margin impact	$ 5,810	$ —	$ 44	$ —	$ —	$ —	$ (52)	$ (146)	$ —	$ 5,656
Selling and administrative impact	6,857	(229)	(54)	—	—	—	—	(82)	—	6,492
Depreciation and amortization impact	422	—	(3)	—	—	—	—	—	—	419
Impairment charges	274	—	(94)	(180)	—	—	—	—	—	—
Gain on sales of assets impact	(743)	—	—	—	687	—	—	—	—	(56)
Operating loss impact	(1,000)	229	195	180	(687)	—	(52)	(64)	—	(1,199)
Interest and investment loss impact	(62)	—	—	—	—	59	—	—	—	(3)
Income tax benefit impact	257	(86)	(73)	(68)	258	(22)	20	24	263	573
After tax and noncontrolling interests impact	(1,129)	143	122	112	(429)	37	(32)	(40)	263	(953)
Diluted loss per share impact	$ (10.59)	$ 1.34	$ 1.14	$ 1.05	$ (4.02)	$ 0.35	$ (0.30)	$ (0.38)	$ 2.47	$ (8.94)

millions, except per share data	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]
	Year Ended January 31, 2015									
		Adjustments								
Gross margin impact	$ 7,149	$ —	$ 68	$ —	$ —	$ —	$ —	$ (502)	$ (87)	$ 6,628
Selling and administrative impact	8,220	(89)	(129)	—	(47)	—	—	(603)	(77)	7,275
Depreciation and amortization impact	581	—	(8)	—	—	—	—	(49)	(3)	521
Impairment charges impact	63	—	(48)	—	—	—	—	(15)	—	—
Gain on sales of assets impact	(207)	—	—	87	—	—	—	(1)	—	(121)
Operating loss impact	(1,508)	89	253	(87)	47	—	—	166	(7)	(1,047)
Interest expense impact	(313)	—	—	—	—	—	—	5	—	(308)
Interest and investment income impact	132	—	—	—	—	(70)	—	(38)	—	24
Other income impact	4	—	—	—	—	—	—	(4)	—	—
Income tax expense impact	(125)	(33)	(95)	33	(18)	26	574	136	3	501
Loss attributable to noncontrolling interest impact	128	—	—	—	—	—	—	(128)	—	—
After tax and noncontrolling interest impact	(1,682)	56	158	(54)	29	(44)	574	137	(4)	(830)
Diluted loss per share impact	$ (15.82)	$ 0.53	$ 1.48	$ (0.51)	$ 0.27	$ (0.41)	$ 5.40	$ 1.29	$ (0.04)	$ (7.81)

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

SEARS HOLDINGS

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