SEARS HOLDINGS

First Quarter 2013

May 23, 2013

Cautionary Statement Regarding Forward Looking Information

This presentation contains forward-looking statements about our expectations for the implementation of our integrated retail strategy and various other initiatives. Statements preceded or followed by, or that otherwise include, the words “believes,” “expects,” “anticipates,” “intends,” “estimates,” “plans,” “forecast,” “is likely to” and similar expressions or future or conditional verbs such as “will,” “may” and “could” are generally forward-looking in nature and not historical facts. Forward-looking statements are subject to risks 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. Such statements are based upon the current beliefs and expectations of our management and are subject to significant risks and uncertainties. The following 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; our ability to successfully implement 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 rising fuel prices, and changes in vendor relationships; possible limits on our access to capital markets and other financing sources, including incremental financings under the accordion feature of our domestic credit agreement and additional second lien financings, with respect to which we do not have commitments from our lenders; our ability to successfully achieve our plans to generate liquidity, reduce inventory and reduce fixed costs; whether we choose to pursue, and, if so, our ability to complete, possible strategic alternatives we are exploring, including with respect to our protection agreement business, and possible real estate related transactions such as sales or financings, on terms that are favorable to us, on intended timetables or at all; vendors’ lack of willingness to provide acceptable payment terms or otherwise restricting financing to purchase inventory or services; 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 extensive reliance on computer systems, including legacy systems, to implement our integrated retail strategy, process transactions, summarize results and manage our business, which may be subject to disruptions or security breaches; 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 of 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 claims and proceedings with respect to which the parties have reached a preliminary settlement; and the timing and amount of required pension plan funding; and other risks, uncertainties and factors discussed in our most recent Form 10-K and other filings with the Securities and Exchange Commission. In addition, the descriptions of our credit facilities are qualified in their entirety by reference to the actual terms of the credit facilities. 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.

SEARS HOLDINGS

First Quarter 2013

Eddie Lampert

Chairman of the Board & Chief Executive Officer

SEARS HOLDINGS

sears kmart CRAFTSMAN Kenmore DieHard SHOP YOUR WAY LANDS' END

First Quarter 2013

Robert Schriesheim

Chief Financial Officer

Sears Holdings Consolidated Results

Amounts in millions, except per share amounts

	First Quarter	
	2013 (a)	2012 (b)
Revenues	$8,452	$9,270
Net (loss) income	($279)	$189
EPS	*($2.63)*	*$1.78*
Adjusted net loss	($137)	($54)
Adjusted EPS	*($1.29)*	*($0.51)*

Includes $233 gain from sale of Real Estate

a) 13 week period ending May 4, 2013
b) 13 week period ending April 28, 2012

Significant Items

Amounts in millions

	First Quarter	
	2013	2012
Net income (loss) as reported	($279)	$189
Gain on asset sales	--	(233)
Domestic pension expense	26	26
Closed store/severance	12	21
Tax matters and other	104	(36)
SHO Separation	--	(21)
Adjusted Net loss	($137)	($54)

Adjusted EBITDA

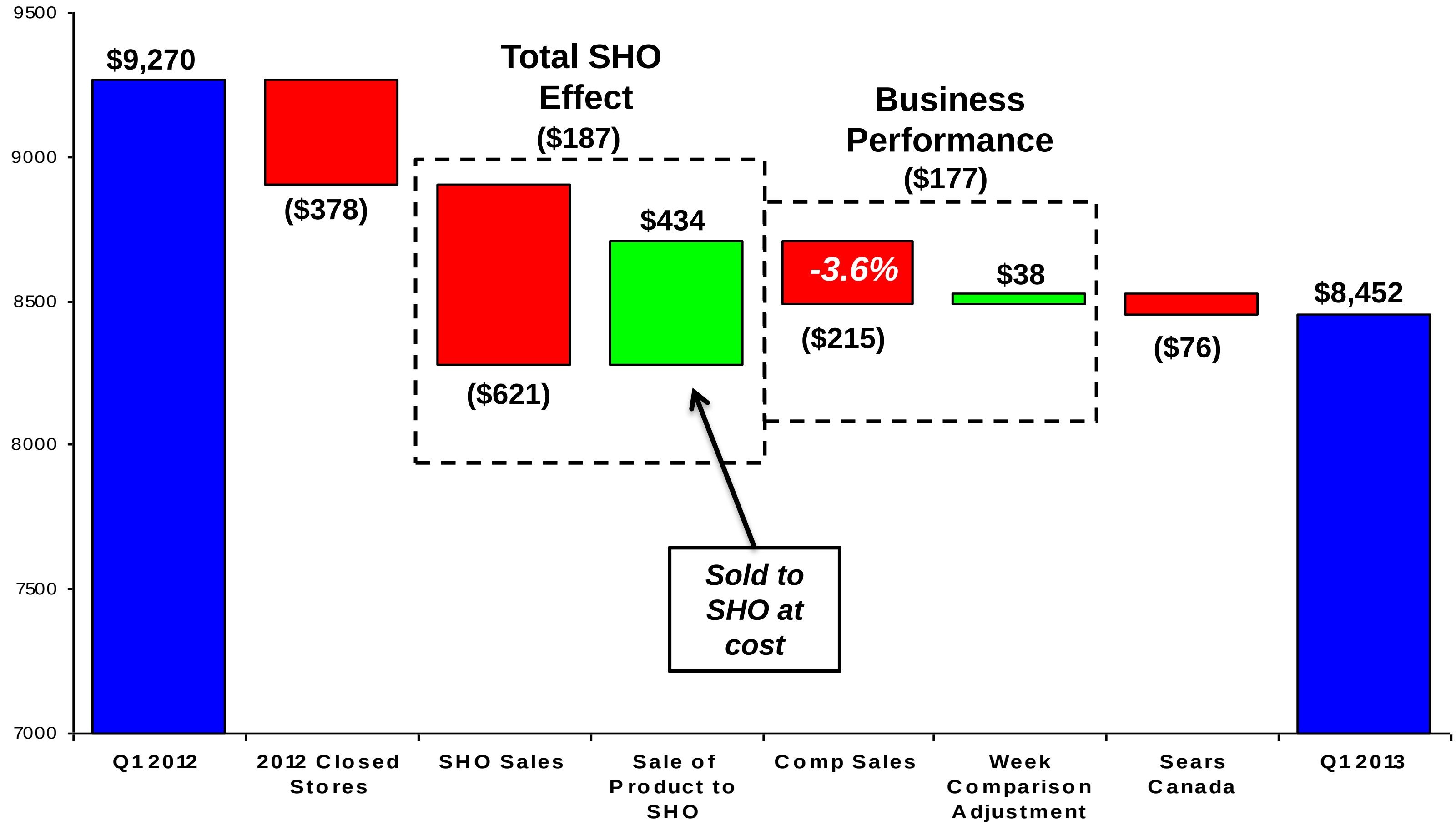
Amounts in millions

	First Quarter	
	2013	2012
Revenues	$8,452	$8,649
Margin	2,164	2,408
Margin rate	*25.6%*	*27.8%*
Expenses	2,172	2,248
Adjusted EBITDA	($8)	$160
By Segment:		
Sears	$3	$71
Kmart	--	101
Sears Canada	(11)	(12)
	($8)	$160

$172 Domestic

Year-Over-Year Changes: Revenue and Estimated EBITDA

Amounts in millions



Adj. EBITDA	**$197[1]**	**($70)**	**($37)**	**($99)**	**$1**	**($8)**

[1] *As originally reported last year.*

Revenue: Domestic Business Performance

Comp Store Sales		Drivers
Sears	-2.4%	• Lawn & Garden accounted for the full amount of decline – Excluding Lawn & Garden, Sears would have been +0.3% • Sears Apparel positive comps for 7th consecutive quarter
Kmart	-4.6%	• Transactional businesses (Grocery, Pharmacy and Drug) drove 75% of decline • Approximately 20% of decline in weather related categories (Lawn & Garden, Outdoor Living and Sporting Goods)
Total	-3.6%	

Adjusted Margin Rate

Drivers of decline:

Sears Domestic:

- Selling $434 million of product to Sears Hometown and Outlet Stores (“SHO”) at cost
- Lower margin rate on tires at Sears Auto

Kmart:

- Higher clearance markdowns in apparel
- Timing of vendor allowances in Grocery and Household category

Sears Canada:

- Increases in U.S. GAAP valuation reserves

Adjusted Selling and Administrative Expense

Amounts in millions

	2013	2012	Change
Selling and admin. as reported	$ 2,218	$ 2,445	$ (227)
Adjusted selling and admin.	$ 2,172	$ 2,248	$ (76)

- We expect to reduce domestic expenses by $200 million in 2013 vs. 2012

Business Model Evolution

An integrated retailer that leverages information and technology to ***anticipate*** and provide our ***individual*** members with the products/services they want in the most convenient manner for them.

Attributes and Characteristics of:

Traditional Model	*Transforms to* →	**Future State Model**
Format centric	→	Member centric
Customers and Transactions	→	Members and relationships
Store focus	→	Integrated retail alternatives, reliance on 3rd-parties
Mass marketing	→	Personalization
Uniform pricing	→	Dynamic pricing
High fixed cost infrastructure	→	Greater proportion of cost variable
Asset intensive	→	Less reliant on traditional inventory and store assets, driven by data and technology platforms
Brands	→	Brands

This is a member-centric model where we seek on-going relationships with members, using personalized marketing and pricing.

Financial Position and Liquid Assets

Amounts in millions as of May 4, 2013

Cash				**$ 481**
Domestic			$ 378	
Canada			103	
Availability on Facilities				**$1,750**
Domestic			$1,150	
Canada			600 [2]	
Equity in Inventory [1]				**$5,038**
	Inventory	A/P	Net	
Domestic	$7,077	$2,529	$4,548	
Canada	823	333	490	
	$7,900	$2,862	$5,038	
Liquid Assets				**$7,269**

(1) Available as cash or convertible into cash within 90 days
(2) Prior to taking into consideration possible reserves

Debt Summary

Amounts in millions

	2013	2012
Commercial paper	$377	$302
Revolver borrowings	1,377	801
Total Short-Term borrowings	**1,754**	**1,103**
SHC Term borrowings	1,582	1,669
Capital lease obligations	322	345
Total Domestic Long-Term Debt	**1,904**	**2,014**
Sears Canada	97	112
Total Debt	**$3,755**	**$3,229**

Revolver Borrowings

Amounts in millions

	2013	2012	
	May 4, 2013	Q1 as Reported April 28, 2012	Comp Period May 5, 2012
Previous year end balance	$749	$838	$838
Quarter end balance	1,378	801	983
Change in quarter	$629	($37)	$145

Drivers - increase (decrease) in borrowings:

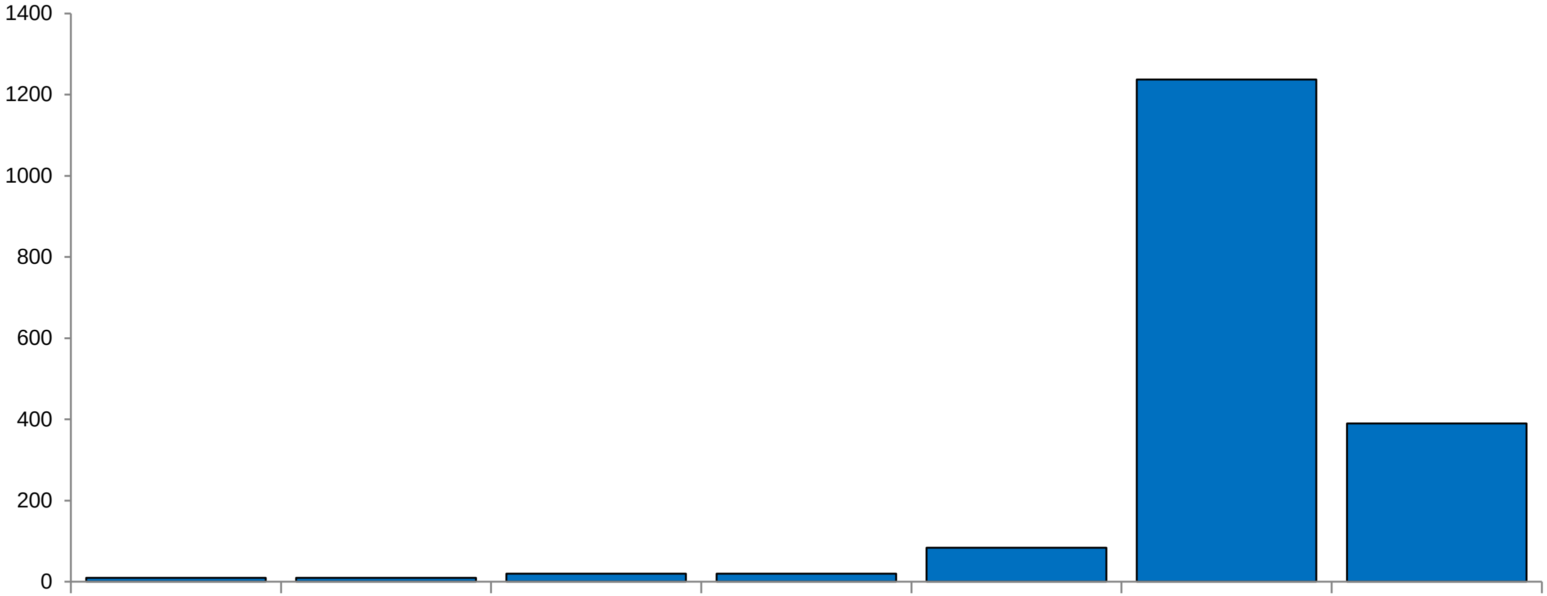
	2013	2012 Comp Period
Seasonal build	$651	$495
Real Estate proceeds	--	(270)
Domestic EBITDA	(3)	(209)[1]
Change in CP	(31)	35
Term debt repayments	12	94
Change	$629	$145

(1) Domestic EBITDA as originally reported last year which includes $37M from SHO ($172M without SHO)

Long-term Debt Maturities

As of May 4, 2013

Amounts in millions



	2013	2014	2015	2016	2017	2018	Thereafter	Total
SHC	***$2***	***$2***	***$3***	***$3***	***$44***	***$1,237***	***$291***	***$1,582***

2013 Fixed Payment Obligation

In 2013 fixed payment obligations are significantly lower than recent years.

Amounts in millions

	2010	2011	2012	2013 Est.
Domestic debt maturities (1)	$54	$484	$217	$50
Pension contributions	277	352	515 (2)	350
Discretionary share repurchases	394	183	--	--
Cash out flows	**$725**	**$1,019**	**$732**	**$400**

(1) Includes capital leases and mortgage repayments
(2) Includes $203 million voluntary additional contribution

2013 Actions Underway

- $200 million year-over-year expense reductions
- $500 million reduction in inventory at peak
- $500 million of asset monetization
  - Exploring strategic alternatives with regards to our Protection Agreement business

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Eddie Lampert

Chairman of the Board & Chief Executive Officer

Appendix

Non-GAAP Financial Measures

For purposes of evaluating operating performance, the Company uses an Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") measurement computed as net income/(loss) appearing on the statements of income excluding depreciation and amortization and gains/(losses) on sales of assets. In addition, it is adjusted to exclude certain significant gains/(losses). Adjusted EBITDA is used by management to evaluate the operating performance of the Company's businesses for comparable periods. Adjusted EBITDA should not be used by prospective investors as the sole basis for formulating investment decisions as it excludes a number of important cash and non-cash recurring items.

While Adjusted EBITDA is a non-GAAP measurement, management believes that it is an important indicator of operating performance because:

- EBITDA excludes 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 the Company's results, may vary significantly from period to period and have a disproportionate effect in a given period, which affects the comparability of results

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.

SHC Adjusted Segment Results – First Quarter

millions	13 Weeks Ended							
	Kmart		**Sears Domestic**		**Sears Canada**		**Sears Holdings**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue	$ 3,103	$ 3,415	$ 4,507	$ 4,317	$ 842	$ 917	$ 8,452	$ 8,649
Gross margin dollars	710	850	1,217	1,292	237	266	2,164	2,408
Gross margin rate	*22.9%*	*24.9%*	*27.0%*	*29.9%*	*28.1%*	*29.0%*	*25.6%*	*27.8%*
Selling and administrative	710	749	1,214	1,221	248	278	2,172	2,248
Selling and administrative expense as a percentage of total revenues	*22.9%*	*21.9%*	*26.9%*	*28.3%*	*29.5%*	*30.3%*	*25.7%*	*26.0%*
Adjusted EBITDA	-	101	3	71	(11)	(12)	(8)	160
Depreciation and amortization	(33)	(33)	(133)	(141)	(25)	(26)	(191)	(200)
Gain on sales of assets	13	5	1	228	-	162	14	395
Special items:								
Closed store reserve and severance	(8)	(3)	(3)	(31)	(2)	-	(13)	(34)
Domestic pension expense	-	-	(41)	(41)	-	-	(41)	(41)
Impairment charges	-	-	(8)	-	-	-	(8)	-
Operating income (loss)	$ (28)	$ 70	$ (181)	$ 86	$ (38)	$ 124	$ (247)	$ 280

Reconciliation to GAAP Net Income

Amounts are Preliminary and Subject to Change

	13 Weeks Ended May 4, 2013				
		Adjustments			
millions, except per share data	GAAP	Domestic Pension Expense	Closed Store Reserve, Store Impairments and Severance	Tax Matters	As Adjusted
Gross margin impact	$ 2,156	$ —	$ 8	$ —	$ 2,164
Selling and administrative impact	2,218	(41)	(5)	—	2,172
Depreciation and amortization impact	191	—	(1)	—	190
Impairment charges impact	8	—	(8)	—	—
Operating loss impact	(247)	41	22	—	(184)
Income tax benefit impact	9	(15)	(9)	104	89
Loss attributable to noncontrolling interest impact	13	—	(1)	—	12
After tax and noncontrolling interest impact	(279)	26	12	104	(137)
Diluted loss per share impact	$ (2.63)	$ 0.25	$ 0.11	$ 0.98	$ (1.29)

	13 Weeks Ended April 28, 2012								
		Adjustments							
millions, except per share data	GAAP	Domestic Pension Expense	Closed Store Reserve and Severance	Gain on Sales of Assets	Mark-to-Market Gains	Tax Matters	As Adjusted - Reported	SHO Separation	As Adjusted[(1)]
Gross margin impact	$ 2,567	$ —	$ —	$ —	$ —	$ —	$ 2,567	$ (159)	$ 2,408
Selling and administrative impact	2,445	(41)	(34)	—	—	—	2,370	(122)	2,248
Depreciation and amortization impact	202	—	—	—	—	—	202	(2)	200
Gain on sales of assets impact	(395)	—	—	386	—	—	(9)	—	(9)
Operating income impact	315	41	34	(386)	—	—	4	(35)	(31)
Interest expense impact	(66)	—	—	—	—	—	(66)	1	(65)
Other income impact	—	—	—	—	1	—	1	—	1
Income tax expense impact	(67)	(15)	(13)	145	—	(37)	13	13	26
Income attributable to noncontrolling interest impact	(5)	—	—	8	—	—	3	—	3
After tax and noncontrolling interest impact	189	26	21	(233)	1	(37)	(33)	(21)	(54)
Diluted earnings per share impact	$ 1.78	$ 0.25	$ 0.20	$ (2.20)	$ 0.01	$ (0.35)	$ (0.31)	$ (0.20)	$ (0.51)

(1) Adjusted to reflect the results of the Sears Hometown and Outlet businesses that were included in our results of operations prior to the separation.

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