SEARS HOLDINGS

Second Quarter 2013

August 22, 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. 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; conditions and 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 have possible strategic alternatives with respect to our businesses and assets that we could choose to pursue, whether we explore or pursue such alternatives, and, if so, our ability to complete any such possible strategic alternatives we are exploring, including with respect to our protection agreement business, 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 Annual Report on Form 10-K and other filings with the Securities and Exchange Commission. 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.

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

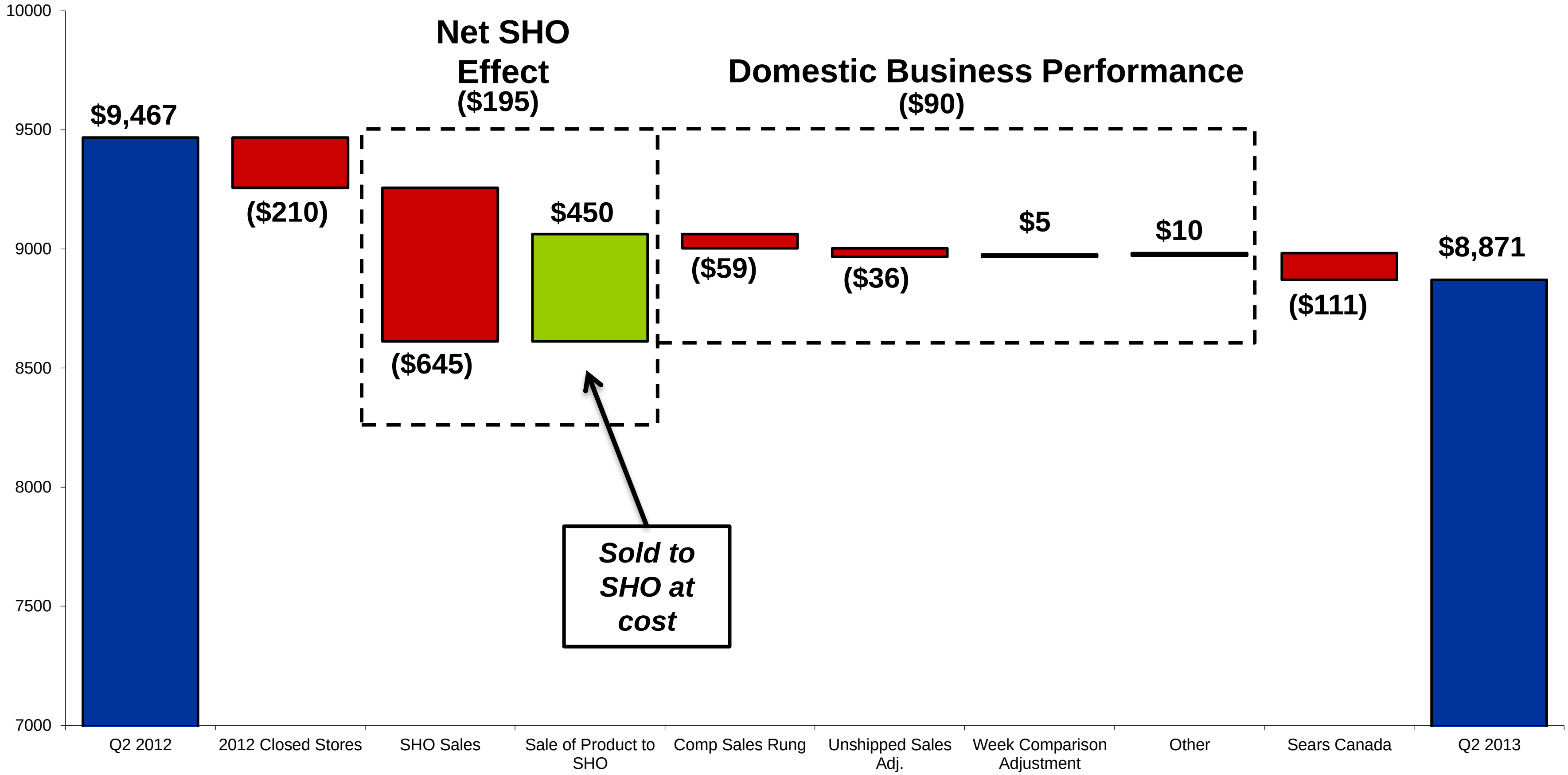
Attributes and Characteristics of:

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

Year-Over-Year Change: Revenue

Amounts in millions



[1] As originally reported last year

Revenue: Domestic Business Performance

Q2 Comp Store Sales

Sales as rung:	
Kmart	-2.1%
Sears	0.4%
Subtotal before Unshipped Adj.	**-0.9%**
Unshipped Adj.	-0.6%
Total	-1.5%

Drivers

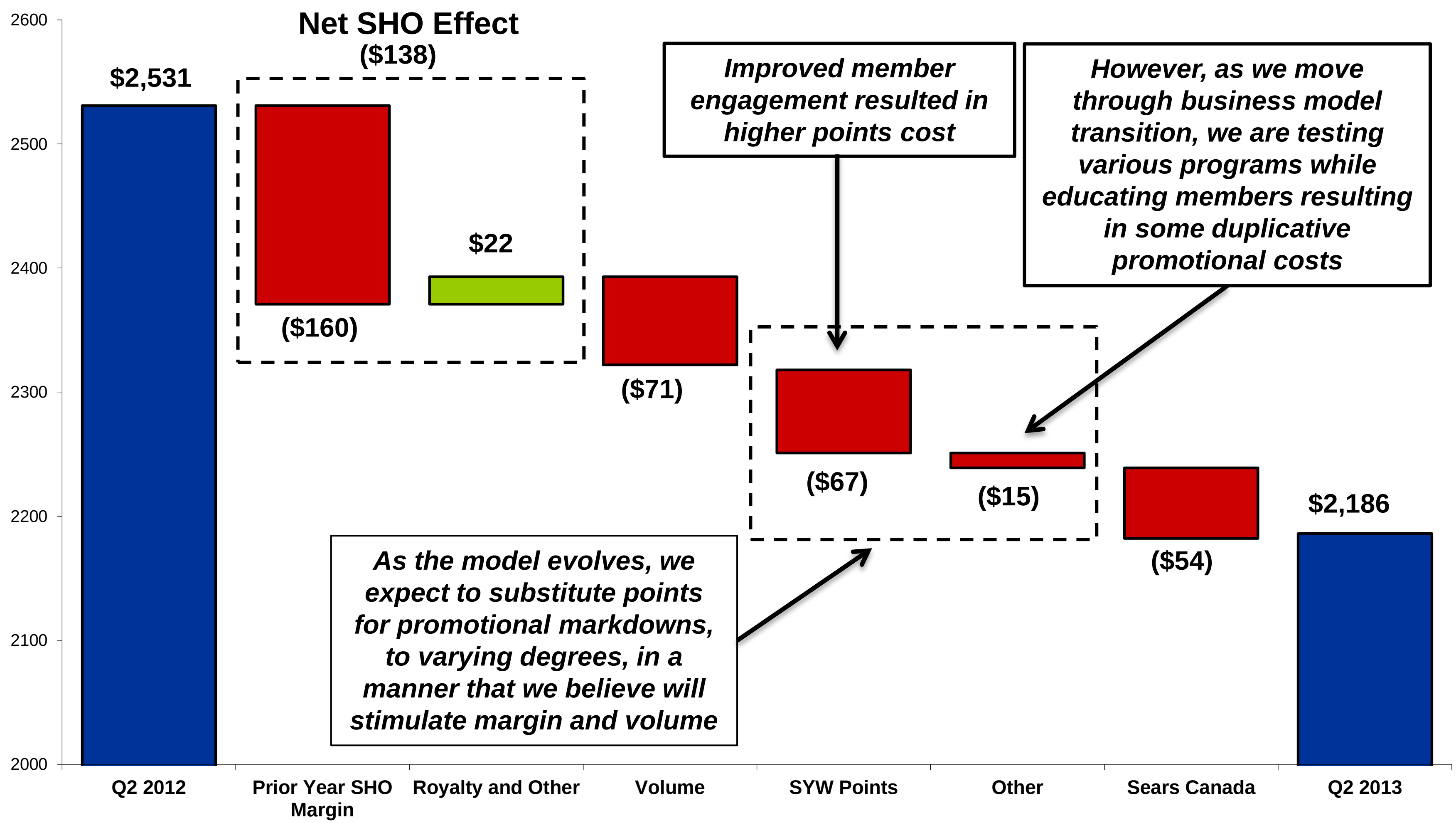
- Transactional businesses (Grocery & Household, Pharmacy and Drugstore) accounted for more than full amount of decline
- Increases in Footwear and Lawn & Garden

- Solid increases in Lawn & Garden, Apparel and Home
  - Declines in Appliances
- Sears Apparel generated positive comps for 8th consecutive quarter

- GAAP accounting rules provide that delivered items are not recognized as revenue until customer delivery is made. An Unshipped adjustment is made to reduce revenues for items not yet delivered.
  - Timing effect
  - Unshipped adjustment almost exclusively affects Sears and reduces Sears Domestic reported comp to -0.8% from 0.4%

Year-Over-Year Changes: Margin

Amounts in millions



Q2 SHC Highlights – Shop Your Way

- As noted in our second quarter results announcement, our Shop Your Way membership program is continuing to gain traction with our members as members continue to engage in all aspects of our program, including points and other program benefits
  - Over 65% of sales and transactions now come from members and this trend continues to increase
  - The number of members shopping 4+ times in the past twelve months shows a positive trend

    As members continue to benefit from the Shop Your Way program and our efforts to personalize experiences for members, more members shopping more often
  - Substantial increase in the number of members redeeming points

    In addition to the increase in the number of members redeeming points, sales to members, including through the redemption of points, has increased by appreciably vs. last year

- We are transitioning business models in a thoughtful manner
  - Testing various programs in order to educate our members and influence behaviors
  - Going forward, our focus will be to leverage points as a substitute for traditional promotional programs, to varying degrees, as opposed to an additional layer of discounting

Q2 SHC Highlights – Integrated Retail

- As noted in our first quarter results announcement, SHC is accelerating our **integrated retail focus** to better serve our members and provide them with value and convenience. Highlights of transformation of becoming a leading Integrated Retailer include the following:
  - Online Revenue Grew 20%
    This includes multi-channel transactions like buy online, pick-up in store, or order in store for home delivery
  - Included within Online, Mobile Sales Grew Substantially
    We are committed to leveraging technology to provide our members with a convenient and seamless shopping experience
  - Online Assortment Grew to approximately 90 million items in Q2
    We will continue to provide our members with access to a relevant and broad assortment of products that can be accessed on Sears.com, shopyourway.com, mobile or through our in-store terminals and tablets. Marketplace assortment is expected to continue its growth in second half of 2013
  - Launch of New Pay in Store Program
    This new program provides Members with even more payment options by offering them the ability to shop online and pay in store with cash, check or other preferred method

Adjusted Selling and Administrative Expense

Amounts in millions

	Second Quarter			Year To Date		
	2013	2012	Change	2013	2012	Change
Selling and admin. as reported	$2,291	$2,437	$ (146)	$4,509	$4,882	$ (373)
Adjusted selling and admin.	$2,248	$2,254	$ (6)	$4,420	$4,502	$ (82)

- We expect to reduce domestic expenses by $200 million in 2013 vs. 2012 with bulk of reduction occurring in second half

Liquidity Position

Amounts in millions as of August 3, 2013

Liquidity:			
Cash			**$ 681**
Domestic		$ 383	
Canada		298	
Availability on Facilities			**$1,619**
Domestic		$1,086	
Canada		533 (2)	
Sub-Total - Cash & Availability on Facilities			**$2,300**

Equity in Inventory (1) **$4,805**

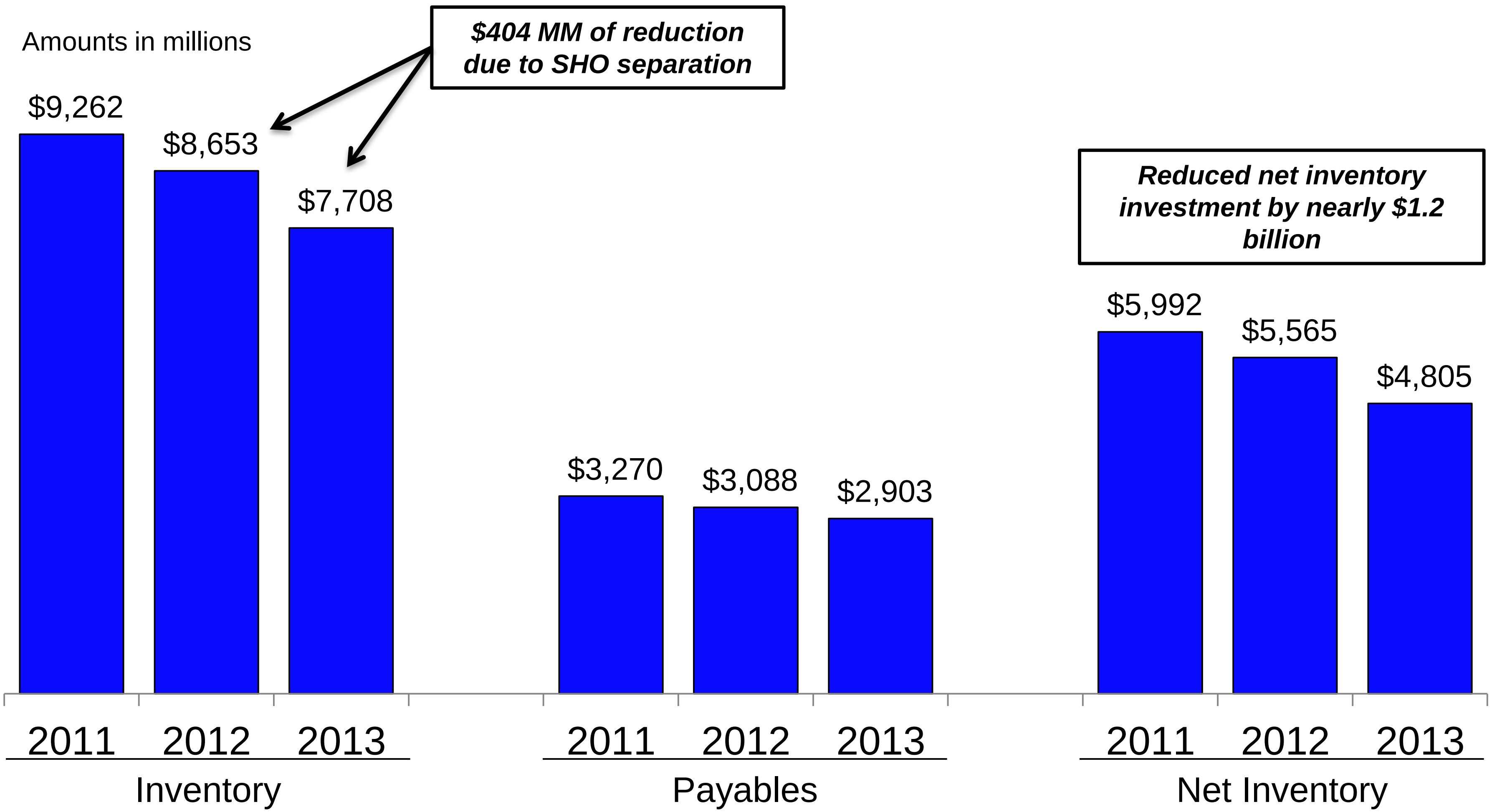
	Inventory	A/P	Net
Domestic	$6,910	$2,543	$4,367
Canada	798	360	438
	$7,708	$2,903	$4,805

Total **$7,105**

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

Net Inventory: Second Quarter

Through business model changes, we have reduced the net inventory investment required



Revolver Borrowings

- SHC has a $3.275 billion revolving credit facility through 2016 secured by domestic inventory and credit card and pharmacy receivables

Amounts in millions	Aug. 3, 2013	July 28, 2012
Capacity	$3,275	$3,275
Borrowings	1,509	941
Letters of Credit	680	744
	2,189	1,685
Availability	$1,086	$1,590

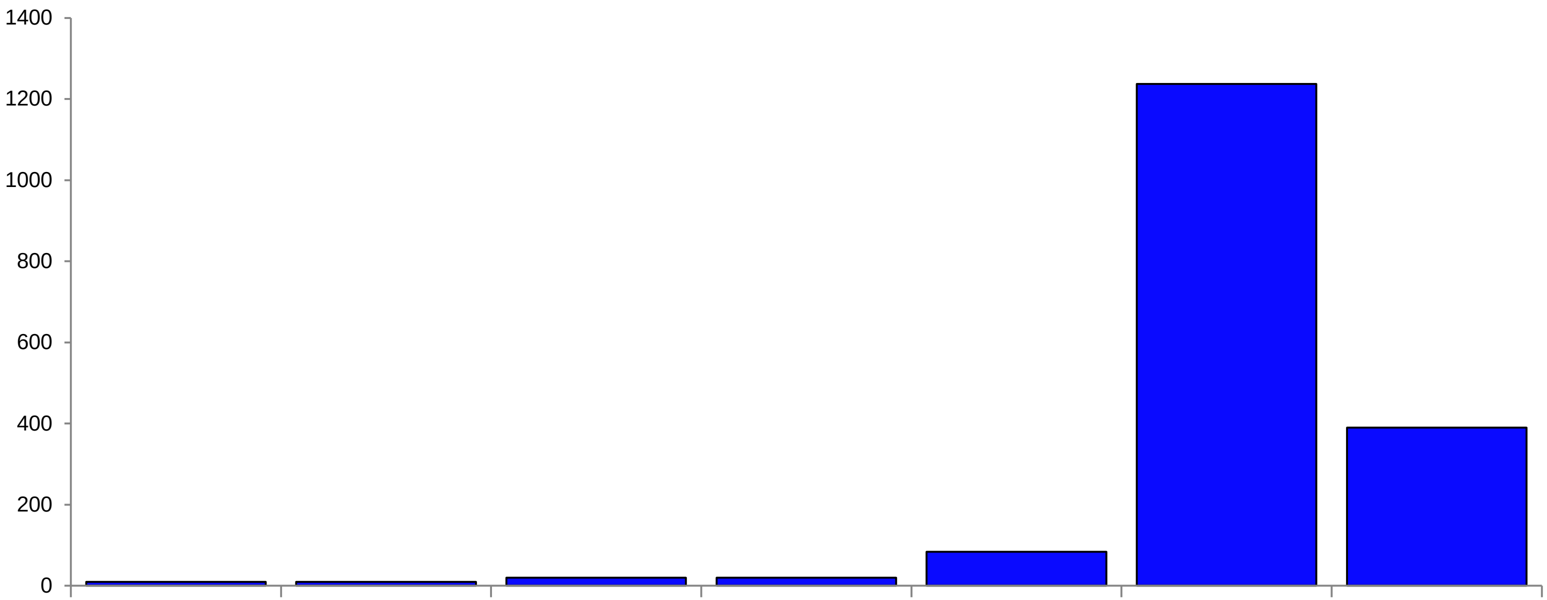
- SCC has a CAD$800 million revolving credit facility similar to our domestic revolver
  - At the end of Q2, SCC had $533[1] million of availability according to their borrowing base
  - Currently no borrowings, $9 million in letters of credit issued under facility
- Combined capacity under SHC revolving credit facilities is $1.6 billion in addition to $0.7 billion of cash on hand [1]
- Additional capital resources potentially available through $1 billion accordion feature as well as $760 million of second lien capacity on our domestic revolving credit facility

[1] Prior to taking into consideration possible reserves

Long-term Debt Maturities

As of August 3, 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

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

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

Debt & Pension Obligation: Despite reduced EBITDA, SHC has managed its obligations

Amounts in millions

	August 3, 2013	July 28, 2012	July 30, 2011	July 31, 2010
Commercial paper	$247	$235	$388	$396
Revolver borrowings	1,509	941	539	822
Total Short-Term borrowings	**1,756**	**1,176**	**927**	**1,218**
SHC Term borrowings	1,582	1,668	1,897	1,255 (1)
Capital lease obligations	332	349	364	487 (1)
Total Domestic Term Debt	**1,914**	**2,017**	**2,261**	**1,742**
Sears Canada	72	106	129	226
Total Debt	**$3,742**	**$3,300**	**$3,317**	**$3,186**
Estimated Pension Obligation at Q2	1,605	2,297	1,794	2,075
Discount Rate	*4.75%*	*4.35%*	*5.36%*	*5.50%*
Total Debt & Pension Obligation	**$ 5,347**	**$ 5,597**	**$5,111**	**$ 5,261**

(1) Includes $295 million AND $67 million of Orchard Supply Hardware Stores debt and capital lease obligation, respectively

Domestic Pension History

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

The company has made significant contributions to the pension plan in recent years as follows:

(Amounts in millions)

2012	$ 516
2011	352
2010	277
2009	173
2008	259

$ 1.6B

Despite these contributions, the pension plan remains underfunded because interest rates have declined, thereby increasing the pension liability as follows:

Amounts in million	Year End Balances				
	2012	2011	2010	2009	2008
Assets	$3,221(1)	$4,051	$4,054	$3,633	$3,215
Liability	5,311(1)	6,109	5,623	5,435	4,920
Unfunded	($2,090)	($2,058)	($1,569)	($1,802)	($1,705)
Discount Rate	*4.25%*	*4.90%*	*5.75%*	*6.00%*	*7.00%*

- Note that a 1 percentage point increase in the discount rate would reduce the pension liability by approximately $600 million

- Through the first half of 2013, interest rates have increased thereby reducing the pension obligation

Amounts in million	Q2 Balances			
	2013	2012	2011	2010
Assets	$3,285	$4,102	$4,060	$3,713
Liability	4,890	6,399	5,854	5,788
Unfunded	($1,605)	($2,297)	($1,794)	($2,075)
Discount Rate	*4.75%*	*4.35%*	*5.36%*	*5.50%*

(1) In 2012, the company offered a voluntary lump sum to certain plan participants and paid $1.4 billion in settlements thereby reducing pension risk

2013 Actions Underway

- **$200 million year-over-year expense reductions**
  - On track and the bulk of the reduction will occur in second half of 2013

- **$500 million reduction in inventory at peak**
  - On track

- **$500 million of additional liquidity**
  - To date have generated $287 million in real estate sales proceeds
    - Expect to generate another $45 million over next six weeks with expected transactions leaving a remaining balance of roughly $170 million
  - We remain committed to generating at least the full $500 million

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.

Sears Holdings Consolidated Results

Amounts in millions, except per share amounts

	Second Quarter		Year to Date	
	2013[a]	2012[b]	2013[a]	2012[b]
Revenues	$8,871	$9,467	$17,323	$18,737
Net (loss) income	($194)	($132)	($473)	$57
Earnings (loss) per share	*($1.83)*	*($1.25)*	*($4.46)*	*$0.54*
Adjusted net loss	($155)	($112)	($291)	($167)
Adjusted EPS	*($1.46)*	*($1.06)*	*($2.74)*	*($1.58)*

(a) Period ending August 3, 2013
(b) Period ending July 28, 2012

Significant Items

Amounts in millions

	Second Quarter		Year to Date	
	2013	2012	2013	2012
Net income (loss) as reported	($194)	($132)	($473)	$57
Gain on asset sales	(58)	--	(58)	(233)
Domestic pension expense	25	26	51	51
Closed store/severance	7	16	19	37
Tax matters and other	65	(1)	170	(37)
SHO Separation	--	(21)	--	(42)
Adjusted Net loss	($155)	($112)	($291)	($167)

Adjusted EBITDA

Amounts in millions

	Second Quarter		Year to Date	
	2013	2012	2013	2012
Revenues	$8,871	$8,822	$17,323	$17,472
Margin	2,193	2,371	4,357	4,779
Margin rate	*24.7%*	*26.9%*	*25.2%*	*27.4%*
Expenses	2,248	2,254	4,420	4,502
Adjusted EBITDA	($55)	$116	($63)	$276
By Segment:				
Sears	($20)	$74	($17)	$145
Kmart	(30)	33	(30)	134
Sears Canada	(5)	9	(16)	(3)
	($55)	$116	($63)	$276

SHC Adjusted Segment Results – Second Quarter

millions	Kmart 2013	Kmart 2012	Sears Domestic 2013	Sears Domestic 2012	Sears Canada 2013	Sears Canada 2012	Sears Holdings 2013	Sears Holdings 2012
	13 Weeks Ended							
Revenue	$ 3,168	$ 3,374	$ 4,783	$ 4,417	$ 920	$ 1,031	$ 8,871	$ 8,822
Gross margin dollars	713	788	1,242	1,291	238	292	2,193	2,371
Gross margin rate	*22.5%*	*23.4%*	*26.0%*	*29.2%*	*25.9%*	*28.3%*	*24.7%*	*26.9%*
Selling and administrative	743	755	1,262	1,217	243	283	2,248	2,255
Selling and administrative expense rate	*23.5%*	*22.4%*	*26.4%*	*27.6%*	*26.4%*	*27.4%*	*25.3%*	*25.6%*
Adjusted EBITDA	(30)	33	(20)	74	(5)	9	(55)	116
Depreciation and amortization	(33)	(38)	(129)	(147)	(25)	(25)	(187)	(210)
Gain on sales of assets	15	9	45	5	181	1	241	15
Special items:								
Closed store reserve and severance	(8)	(8)	(2)	(8)	-	(2)	(10)	(18)
Domestic pension expense	-	-	(40)	(41)	-	-	(40)	(41)
Operating income (loss)	$ (56)	$ (4)	$ (146)	$ (117)	$ 151	$ (17)	$ (51)	$ (138)

SHC Adjusted Segment Results – YTD

millions	26 Weeks Ended							
	Kmart		Sears Domestic		Sears Canada		Sears Holdings	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenue	$ 6,271	$ 6,789	$ 9,290	$ 8,735	$ 1,762	$ 1,948	$ 17,323	$ 17,472
Gross margin dollars	1,423	1,638	2,459	2,583	475	558	4,357	4,779
Gross margin rate	*22.7%*	*24.1%*	*26.5%*	*29.6%*	*27.0%*	*28.6%*	*25.2%*	*27.4%*
Selling and administrative	1,453	1,504	2,476	2,438	491	561	4,420	4,503
Selling and administrative expense rate	*23.2%*	*22.2%*	*26.7%*	*27.9%*	*27.9%*	*28.8%*	*25.5%*	*25.8%*
Adjusted EBITDA	(30)	134	(17)	145	(16)	(3)	(63)	276
Depreciation and amortization	(66)	(71)	(262)	(287)	(50)	(51)	(378)	(409)
Gain on sales of assets	28	14	46	233	181	163	255	410
Special items:								
Closed store reserve and severance	(16)	(11)	(5)	(39)	(2)	(2)	(23)	(52)
Domestic pension expense	-	-	(81)	(82)	-	-	(81)	(82)
Impairment charges	-	-	(8)	-	-	-	(8)	-
Operating income (loss)	$ (84)	$ 66	$ (327)	$ (30)	$ 113	$ 107	$ (298)	$ 143

Reconciliation to GAAP Net Income – Second Quarter

Amounts are Preliminary and Subject to Change

millions, except per share data	GAAP	Adjustments: Domestic Pension Expense	Adjustments: Closed Store Reserve, Store Impairments and Severance	Adjustments: Gain on Sales of Assets	Adjustments: Tax Matters	As Adjusted
	13 Weeks Ended August 3, 2013					
Gross margin impact	$ 2,186	$ —	$ 7	$ —	$ —	$ 2,193
Selling and administrative impact	2,291	(40)	(3)	—	—	2,248
Depreciation and amortization impact	187	—	(1)	—	—	186
Gain on sales of assets impact	(241)	—	—	235	—	(6)
Operating loss impact	(51)	40	11	(235)	—	(235)
Income tax expense impact	(30)	(15)	(4)	89	65	105
Income attributable to noncontrolling interest impact	(67)	—	—	88	—	21
After tax and noncontrolling interest impact	(194)	25	7	(58)	65	(155)
Diluted loss per share impact	$ (1.83)	$ 0.24	$ 0.07	$ (0.55)	$ 0.61	$ (1.46)

millions, except per share data	GAAP	Adjustments: Domestic Pension Expense	Adjustments: Closed Store Reserve and Severance	Adjustments: Mark-to-Market Gains	As Adjusted - Reported	SHO Separation	As Adjusted[1]
	13 Weeks Ended July 28, 2012						
Gross margin impact	$ 2,531	$ —	$ —	$ —	$ 2,531	$ (160)	$ 2,371
Selling and administrative impact	2,437	(41)	(18)	—	2,378	(124)	2,254
Depreciation and amortization impact	212	—	(7)	—	205	(2)	203
Operating loss impact	(103)	41	25	—	(37)	(34)	(71)
Other income impact	1	—	—	(1)	—	(1)	(1)
Income tax benefit impact	25	(15)	(9)	—	1	14	15
After tax and noncontrolling interest impact	(132)	26	16	(1)	(91)	(21)	(112)
Diluted loss per share impact	$ (1.25)	$ 0.25	$ 0.15	$ (0.01)	$ (0.86)	$ (0.20)	$ (1.06)

Reconciliation to GAAP Net Income - YTD

Amounts are Preliminary and Subject to Change

millions, except per share data	GAAP	Domestic Pension Expense	Closed Store Reserve, Store Impairments and Severance	Gain on Sales of Assets	Tax Matters	As Adjusted
	26 Weeks Ended August 3, 2013	Adjustments				
Gross margin impact	$ 4,342	$ —	$ 15	$ —	$ —	$ 4,357
Selling and administrative impact	4,509	(81)	(8)	—	—	4,420
Depreciation and amortization impact	378	—	(2)	—	—	376
Impairment charges impact	8	—	(8)	—	—	—
Gain on sales of assets impact	(255)	—	—	235	—	(20)
Operating loss impact	(298)	81	33	(235)	—	(419)
Income tax expense impact	(21)	(30)	(13)	89	170	195
Income attributable to noncontrolling interest impact	(54)	—	(1)	88	—	33
After tax and noncontrolling interest impact	(473)	51	19	(58)	170	(291)
Diluted loss per share impact	$ (4.46)	$ 0.49	$ 0.18	$ (0.55)	$ 1.60	$ (2.74)

millions, except per share data	GAAP	Domestic Pension Expense	Closed Store Reserve and Severance	Gain on Sales of Assets	Tax Matters	As Adjusted - Reported	SHO Separation	As Adjusted[1]
	26 Weeks Ended July 28, 2012	Adjustments						
Gross margin impact	$ 5,098	$ —	$ —	$ —	$ —	$ 5,098	$ (319)	$ 4,779
Selling and administrative impact	4,882	(82)	(52)	—	—	4,748	(246)	4,502
Depreciation and amortization impact	414	—	(7)	—	—	407	(5)	402
Gain on sales of assets impact	(410)	—	—	386	—	(24)	—	(24)
Operating income impact	212	82	59	(386)	—	(33)	(68)	(101)
Income tax expense impact	(42)	(31)	(22)	145	(37)	13	27	40
Income attributable to noncontrolling interest impact	(4)	—	—	8	—	4	—	4
After tax and noncontrolling interest impact	57	51	37	(233)	(37)	(125)	(42)	(167)
Diluted earnings per share impact	$ 0.54	$ 0.48	$ 0.35	$ (2.20)	$ (0.35)	$ (1.18)	$ (0.40)	$ (1.58)

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