



Santiago, September 23, 2005

Chile – Retail

RIPLEY

BUY

Believe It . . .

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(09/21/05)

CURRENT PRICE: US\$0.95/CH\$507

TARGET PRICE: US\$1.00/CH\$570

Initiation of Coverage

Rating:	Buy
Price Target:	US\$1.00/Ch\$570 for YE2006
Estimates (US\$):	'05 130.5 Mn
EBITDA	'06 153.9 Mn
	'07 187.7 Mn

Company Statistics

Bloomberg	RIPLEY CI
52-Week Range* (US\$)	0.81-0.96
2005E P/E Rel to IPSA (x)	1.56
2005E P/E Rel to Retail (x)	1.63
IPSA	2,162
3-Yr CAGR (04-07E)	20.5%
Market Capitalization (US\$ Mn)	1,706
Float (%)	15.0%
3-Mth Avg Daily Vol (US\$ 000)*	5,000
Shares Outst (Mn)	1,800
Net Debt/Equity (x)	0.71
Book Value per Share (US\$)	0.27

Estimates and Valuation Ratios

	2004	2005E	2006E	2007E
Net Earn (Ch\$)	34,025	26,479	46,491	59,554
Current EPS (Ch\$)	18.9	14.7	25.8	33.1
Net Earn (US\$)	60.4	48.4	86.6	113.1
Current EPS(US\$)	0.034	0.027	0.048	0.063
P/E (x)	28.2	35.2	19.7	15.1
P/Sales (x)	1.4	1.2	1.1	0.9
P/CE (x)	19.7	22.0	14.3	11.2
FV/EBITDA (x)	18.8	15.0	12.9	10.6
FV/Sales (x)	1.70	1.40	1.26	1.06
FCF Yield (%)	13.0%	0.8%	6.1%	10.3%
Div per Share (US\$)	0	0.010	0.008	0.015
Div Yield (%)	0.0%	1.1%	0.8%	1.5%

Sources: Bloomberg, Company Reports, and Santander Investment estimates. *Since IPO.

Investment Thesis: We are initiating coverage of Ripley with a Buy rating and a year-end 2006 target price of Ch\$570 per share (US\$1.00 per share). In our view, Ripley's proven commercial skills in the department store sector are reflected in: (1) its 10-percentage-point market share gain over the past nine years; (2) its well-recognized brand in Chile; and (3) its status as a player with one of the highest sales-per-square-meter indicators in the industry. Looking forward, we believe that Ripley will leverage on its commercial skills to benefit from the ongoing growth in consumption in Chile and expand its operations in the Peruvian market. In addition, while we acknowledge that Ripley's efficiency levels lag those of its peers, we believe that recent measures taken by the company (e.g., staff reduction, the centralization of purchases for store supplies, the construction of new distribution centers in Chile and Peru, and the optimization of credit processes) will allow for EBITDA margin expansion, and, hence, an additional source of EBITDA growth.

We expect 18.0% growth in EBITDA in 2006 on top of the 18.2% expected for 2005. Consumption growth in Chile and the opening of six new stores in Peru will be the main drivers for 13.9% and 13.3% expected sales growth in 2005 and 2006, respectively, in our opinion. Meanwhile, efficiency gains resulting from a 6% reduction in payrolls, the opening of distribution centers, and the consolidation of store supply purchases should allow for a seven-basis-point expansion in EBITDA margin in the 2004-2006 period.

Valuation and Risks to Investment Thesis:

Using a sum-of parts valuation approach in which the Chilean and Peruvian operations were valued based on DCF analyses, we are establishing a year-end 2006 target price of Ch\$570. Our target price implies an upside potential of 12.4%, which, together with a 0.8% dividend yield, leads to an expected return of 13.3% in Chilean peso terms versus the 6.4% return we expect for the Chilean market over the same period. Thus, we have a Buy rating on the shares. Our target valuation on Ripley implies a target 2006 FV/EBITDA multiple of 13.4 times. **The main risks to our investment thesis** include a weaker-than-expected macroeconomic scenario, a more intense competitive environment in the retail sector, potential regulation of Ripley's credit business, and lower-than-expected efficiency gains.

Important disclosures/certifications are in the "Important Disclosures" section of this report.

U.S. investors' inquiries should be directed to Santander Investment Securities Inc. at (212) 407-7809.

Ripley is the second-largest department store operator in Chile, with 29 stores and a selling space area of 179,600 square meters. The company also participates in the financing business through its credit card and Banco Ripley, a bank specialized mainly in the consumer segment. In addition, the company operates seven stores in Peru, with two different formats. Ripley had a market share of 31% and 52% in Chile and Peru, respectively, as of June 2005. The company's IPO took place on July 14, 2005 at a price of Ch\$470 as the controllers of the company, the Calderón family, decided to list 15% of the company through a capital increase.

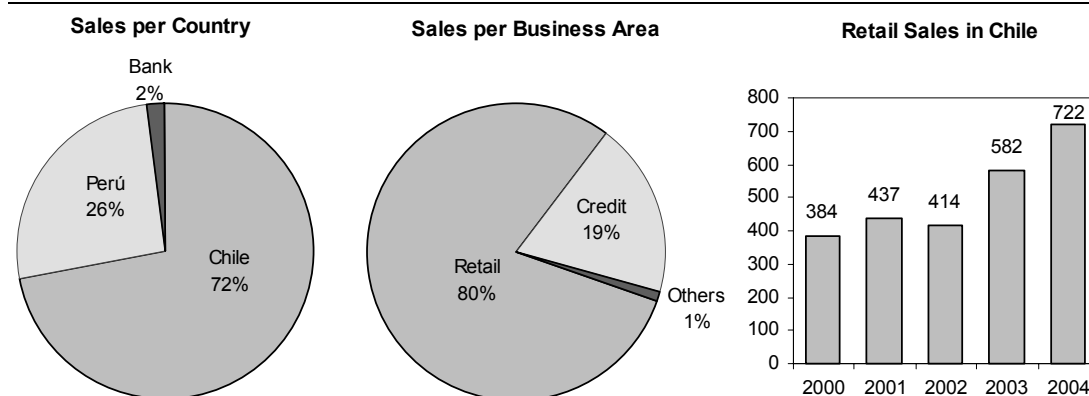
INVESTMENT THESIS

The continuation of strong commercial practices and increases in efficiency should allow Ripley to improve its financial results.

Ripley is the second-largest department store operator in Chile (market share of 31%) and the leading operator in Peru (52% market share as of June 2005). In recent years, the company has shown sales figures that we believe demonstrate its strong commercial abilities. While we expect this advantage to continue paying off, we believe there is upside to unlock, as the company is undertaking measures to reach higher levels of efficiency. In our opinion, the company's efficiency improvements have not kept pace with Ripley's positive sales figures. However, we expect that the company's current focus on attaining higher efficiency levels will lead to improved results in the medium- to long term. In our view, these positive perspectives for Ripley are not priced in at current valuations, and this leads us to initiate coverage of the company with a **Buy** rating on the stock..

Ripley is the second-largest department store chain in Chile. With 29 stores and 179,600 square meters of selling space, the company participates in the retail and the credit businesses in Chile. The credit division operates the company's credit card, "Tarjeta Ripley", which constitutes an important branch of the company, as 62% of retail sales are conducted with the Ripley card. Since 1997, the company has run operations in Peru, with a similar format to its stores in Chile. Moreover, the company has been in the banking business since 2002 (Ripley Bank). Finally, the company participates in the real estate business, through its shopping center division. In terms of the two countries where the company operates, Chile contributes the most to consolidated sales and EBITDA. Although the company does not give the breakdown of its business areas' contributions, we estimate that credit generates a higher portion of consolidated EBITDA based on the higher margins generated by this business versus others, which is the case of most retailers in Chile.

Figure 1. Ripley – EBITDA and Sales Breakdown, Ripley Chile Retail Sales Evolution, 2000-2004 (U.S. Dollars in Millions)



Source: Company reports.

In our opinion, Ripley has demonstrated its commercial strength through several effective sales measures, which we believe will help the company to benefit from increased consumption in Chile and successfully expand its operations. In our view, Ripley's



commercial abilities are reflected in: (1) a market share gain of approximately 900 basis points in the last nine years; (2) a 42% increase in sales per square meter from 2002-2004 (and a sales per square meter figure almost as high as that of the industry leader, Falabella); and (3) improved recognition of its brand among department stores (according to market research institutions such as Adimark) due to the company's investments in building brand equity. We believe that, while keeping this track record, the company should benefit from the positive environment for consumption in Chile and its expansion in Peru.

Although Ripley's operating efficiency has not kept pace with its sales, we believe the company's current plans to reach higher efficiency levels will provide further upside to the company's results. We expect cost savings due to staff reduction, the centralization of purchases for store supplies, the construction of new distribution centers in Chile and Peru, and the optimization of credit processes to boost the company's operating margins. Looking forward, we are forecasting that Ripley will improve its efficiency levels, which, together with the maintenance of its commercial performance, will allow the company to post EBITDA growth of 18.2% and 18.0% in 2005 and 2006, respectively.

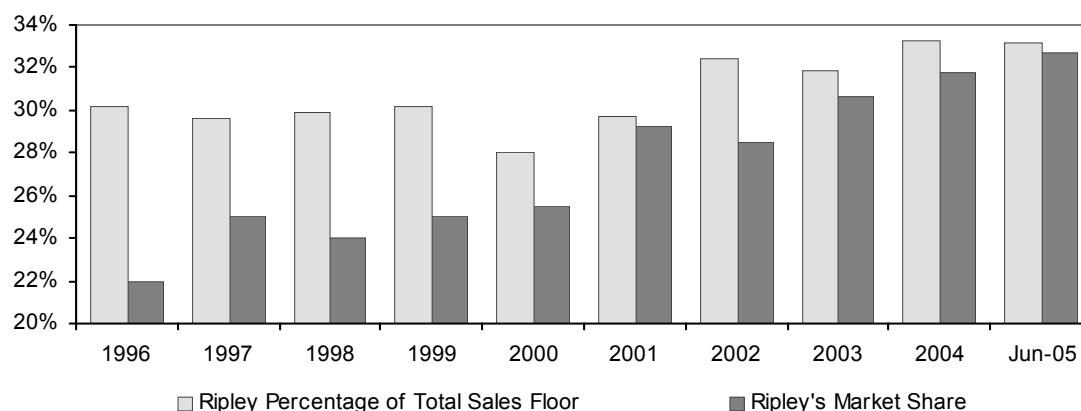
A STRONG SALES CULTURE

Ripley's sales performance should allow it to continue benefiting from the positive consumption environment.

We believe that Ripley's top-line performance is one of the company's key advantages and will allow it to benefit from the positive perspectives for consumption and succeed in its expansion plan. Looking at market share figures, sales per square meter or brand equity, the company's sales figures have improved compared with the industry's benchmark. This positive track record leaves us confident in the performance of the company's current and future operations in Chile, Peru, or other countries, as management has stated that it is evaluating the possibility of entering another country.

Ripley's commercial effectiveness has led to strong market share gains. Since 1996, the company has achieved a 10-basis-point increase in market share to 31% as of June 2005, making it the second-largest department store chain in Chile and the leader in Peru. In our opinion, this is explained by the commercial focus of management, as increased sales figures and market share gains were not only driven by increased sales floor, but also by higher sales per square meter. Figure 2 reflects commercial effectiveness, as Ripley's market share grows faster than Ripley's percentage of total sales floor.

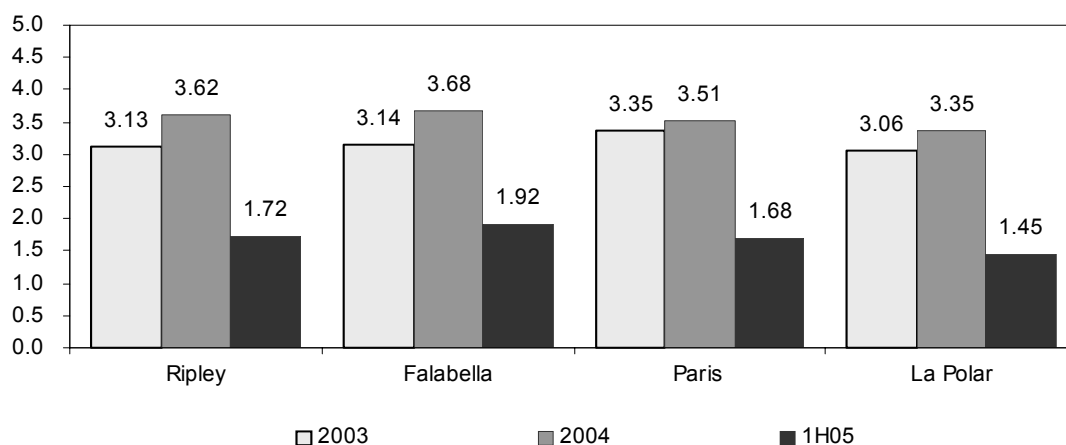
Figure 2. Ripley – Market Share and Percentage of Total Sales Floor, 1996-June 2005



Source: Santander Investment estimates.

Ripley's sales per square meter figure, in our opinion, also reflects the company's ability to improve sales figures by applying commercial skills rather than only through sales floor expansion. According to our estimates, Ripley's sales per square meter increased 42% in the 2002-2004 period, the second-highest among Chilean retailers in recent years, and close to that of industry leader Falabella. In our analysis, we have used an adjusted average sales floor to calculate department store sales per square meter, considering that, in a specific period of time, new stores contribute less to sales than existing stores at the beginning of that period. According to this approach, stores that existed at the beginning of the year had a 100% contribution to sales, while the ones opened during the second, third, and fourth quarters contributed with 75%, 50%, and 25%, respectively.

Figure 3. Chilean Retailers – Sales per Square Meter, 2002-2004 (U.S. Dollars in Thousands)



Sources: Company reports and Santander Investment estimates. The square meter figures of La Polar had to be estimated to make it comparable with the other stores, as the data for other stores was the total built square meters while the data available for La Polar was only the sales floor. To estimate, we applied the current proportion between sales floor and total floor to the historical data.

Building brand equity. In 1993, the company changed its strategy, which meant a repositioning of the company and its brand. The success in this process is supported by studies undertaken by market research institutions. For instance, according to Adimark's study in February 2005, Ripley was noted as the preferred store to go shopping in (together with Falabella), as well as the one with the best customer satisfaction rate.

Looking forward, commercial effectiveness provides growth opportunities in terms of expansion. Considering Ripley's track record, we believe the company's business model will likely continue to be successful in the current and future stores in Chile, Peru and other countries where the company may potentially decide to expand its operations. The company is planning to build 11 stores in the 2005-2007 period in both Chile and Peru, and has stated that it is evaluating the possibility of entering in another market, with similar characteristics as the country where the company holds international operations (Peru). According to local press reports, this country could be Colombia.

We believe Ripley's commercial strength will allow it to benefit from increased consumption. According to our economic forecast, higher employment rates and favorable labor market conditions, together with increased consumer confidence will continue driving consumption growth in 2005 and 2006. The Chilean central bank is forecasting 7.3% and 7.2% consumption growth in 2005 and 2006, respectively. These figures consider both the private and public consumption, as the Central Bank does not release the breakdown of its projections. As public consumption growth is restrained by the fiscal policy rule, and it is estimated to expand no more than 5.5%-6%, we can conclude that the Central Bank expects private consumption to grow at rates higher than 7%.



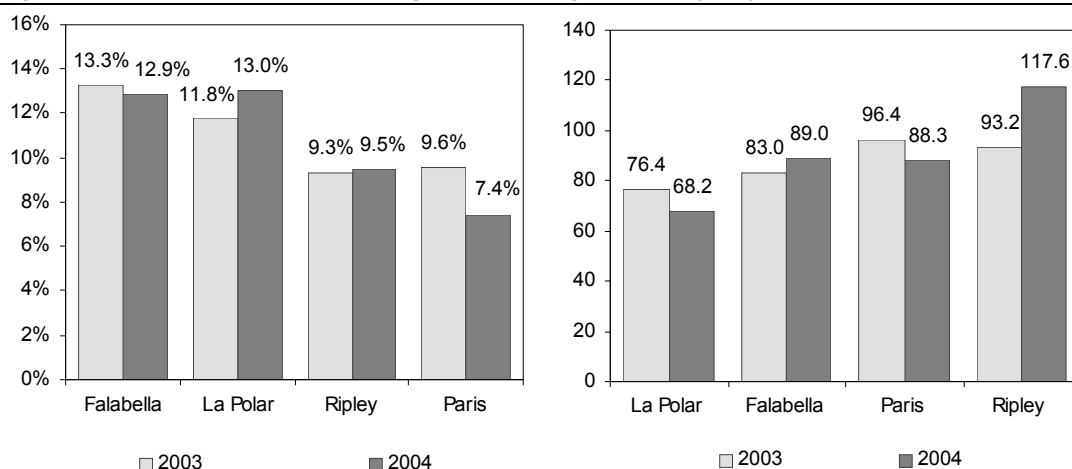
EFFICIENCY PROVIDES UPSIDE POTENTIAL

Current inefficiencies expected to improve, increasing Ripley's margins.

Perhaps because of an excessive commercial focus, Ripley lags its competitors in terms of efficiency, and potential improvements in this aspect could lead to an expansion in the company's margins. In our analysis, we compared efficiency indicators, such as the average days of inventory, to determine the reasons why Ripley posts lower EBITDA margins than its competitors. At the same time, we believe this represents potential upside in Ripley's results, as several programs that are taking place in the company are expected to lead to increased efficiency. Among these, we count positive effects coming from centralized purchases of store supplies, the opening of distribution centers, and savings in terms of payrolls. Ripley is also taking measures to improve its logistic processes and the collection systems of the credit division.

In terms of average inventory days and operating margins, Ripley looks less efficient than the other department stores. This is probably because Ripley has a bigger supply of products, or SKUs, than other retailers. Although this probably helped the company to develop brand recognition and allowed it to post its commercial track record, the high number of SKUs implied higher costs associated with the management of inventories. This should have led to inefficiencies that are reflected in a higher average number of inventory days versus other retailers, as shown in Figure 4. We believe that the lower efficiency of inventory management is one of the reasons Ripley posted lower EBITDA margins than Falabella and La Polar in 2003 and 2004.

Figure 4. Retail Sector – EBITDA Margin and Average Inventory Days, 2003-2004



Sources: Company reports and Santander Investment estimates.

We believe efficiency improvements will enhance Ripley's financial results looking forward.

The company is currently developing some initiatives to increase its level of efficiency. First, Ripley has started to centralize purchases of store supplies, which used to be done separately by store. Second, US\$40 million is to be invested in the construction of distribution centers in Chile and Peru, which should help to optimize the delivery process and inventory controls, thus, decreasing days of inventory. We also expect a positive effect from a reduction in Ripley's staff personnel of around 6%, which should lead to lower payroll expenses in the company's SG&A line of approximately Ch\$1.0 billion (around US\$2.0 million) per year. Finally, the company has made adjustments in its credit division, with a new scoring system that has allowed past-due loans provisions to decrease, while improving collection methods.

	Concerns
<ul style="list-style-type: none"> Commercial skills. Future efficiency increases. Positive perspectives for consumption. 	<ul style="list-style-type: none"> Weaker-than-expected consumption growth. Increased competition in the retail industry. Potential regulation of credit business in Chile.

VALUATION

We are initiating coverage of Ripley with a year-end 2006 target price of Ch\$570 per share (US\$1.00 per share). Our target price implies upside potential of 12.4% from current levels, in Chilean peso terms. Considering an expected dividend yield of 0.8% for the same period, the total expected return for the stock is 13.3%. We have a Buy rating on the shares. Ripley is currently trading at an estimated 2006 FV/EBITDA multiple of 12.9 times, lower than the average estimated multiple for Chilean retailers of 15.8 times, but higher than our estimated multiple of 10.8 times for the IPSA index in 2006.

Our target price for Ripley was obtained using a sum-of-the-parts approach, as we valued separately each of Ripley's business units in Chile and Peru. Our valuation methodology includes a DCF valuation for both the Chilean and Peruvian operations. Our DCF valuation for Ripley's operations assumes a market risk premium of 5.5%, a risk-free rate of 3.99%, and a country-risk of 72 basis points for Chile and 146 basis points for Peru. As the company's IPO took place on July 14 and there is no historical price data available for Ripley, we estimated a beta by calculating an average beta for the retail sector. On the back of this approach, we reached a beta of 1.02, while we considered a perpetuity growth of 1.0% in the DCF analysis. Our estimated cost of equity is 10.3% in Chile and 11.1% in Peru, while the cost of debt after taxes is 6.6% and 5.6% in Peru. We assumed a long-term capital structure of 60%. These assumptions led us to an estimated WACC of 8.8% for Chile and 8.9% for Peru.

Figure 5. Ripley – Beta Calculation

	Equity Beta	Debt/Equity	Taxes	Unlevered Beta
D & S	1.283	72%	17%	0.803
La Polar	0.851	63%	17%	0.559
Falabella	1.176	66%	17%	0.760
Cencosud	0.92	55%	17%	0.632
Average Unlevered Beta				0.707
Ripley Debt/Equity Ratio				58.0%
Ripley Beta				1.02

Sources: Bloomberg and Santander Investment estimates

**Figure 6. Ripley – WACC Calculation and DCF Assumptions**

	Chile	Peru
Risk-Free Rate	3.99%	3.99%
Beta	1.02	1.02
Equity Risk Premium	5.5%	5.5%
Country Risk	0.72%	1.46%
Perpetuity Growth	1.0%	1.0%
Cost of Equity	10.3%	11.1%
Cost of Debt	8.0%	8.0%
Tax Rate	17%	30%
After-Tax Cost of Debt	6.6%	5.6%
Long-Term Capitalization Structure	60%	60%
WACC	8.8%	8.9%

Sources: Bloomberg and Santander Investment estimates.

Figure 7. Ripley – Sum of the Parts Summary

	Firm Value (US\$ Millions)
Chile	1,467
Peru	511
Equity Income	33
Ripley Bank	50
Consolidated Firm Value	2,061
Net Debt-Minority Interest	277
2006 Target Market Cap	1,784
Shares Outstanding (Millions)	1,800
2006 Target Price Ch\$	570
Current Price Ch\$	507
Premium (Discount)	12.4%
Dividend Yield	0.8%
Total Expected Return	13.9%

Target price and actual share price in Ch\$.

Sources: Santander Investment estimates.

Ripley is trading at an estimated FV/EBITDA multiple of 12.9 times, which implies a 22.0% discount over the average of Chilean retailers of 15.8 times. In our opinion, this discount does not reflect the growth prospects for the company, as we are expecting EBITDA to grow 18.2% and 18% in 2005 and 2006. At the same time, Ripley currently trades at a premium of 5.0% compared with the average multiple for the Latin American retailers under our coverage of 12.2 times. Almost all Chilean retailers have traded with a premium over its Latin American peers over the past years, including Ripley, which we believe can be partly explained by Chile's lower country risk.

Figure 8. Latin American Retail Sector – Comparative Valuation as of September 21, 2005 (in U.S. Dollars), 2004-2006E

Company	Rec	Curr	Target	FV/EBITDA			FV/Sales			P/E		
	Price	Price	Price	04E	05E	06E	04E	05E	06E	04E	05E	06E
Walmex	Hold	4.92	4.95	19.2	15.0	13.5	1.66	1.38	1.28	30.6	25.1	22.5
Pão de Açúcar	Buy	27.07	28.25	10.3	6.9	5.9	0.86	0.58	0.51	24.3	18.2	11.1
Cencosud	Buy	32.51	27.50	19.0	15.9	12.6	1.60	1.38	1.16	30.4	22.2	17.5
Globex	Uperf	4.29	3.95	11.4	8.1	6.5	0.39	0.33	0.30	26.2	19.6	17.5
La Polar	Buy	2.97	3.00	15.4	13.4	11.4	2.01	1.77	1.41	18.6	16.4	13.2
Liverpool	Uperf	2.09	1.60	8.3	9.0	8.0	1.20	1.22	1.12	12.5	13.3	11.9
L. Americanas	Buy	19.81	19.30	16.7	11.7	9.6	2.00	1.40	1.18	50.6	26.5	15.9
Saraiva	Hold	5.01	6.00	7.0	5.0	3.6	0.81	0.64	0.47	18.7	9.5	7.0
D&S	Hold	22.35	20.65	22.3	13.4	12.6	1.10	1.09	1.06	255.0	28.2	25.7
Falabella	Uperf	2.78	2.15	24.1	20.2	17.1	3.01	2.52	2.17	32.4	24.8	20.6
Comerci	Hold	1.53	1.15	8.4	7.3	6.6	0.55	0.51	0.50	10.7	10.1	10.1
Ripley	Buy	0.95	1.00	18.8	15.0	12.9	1.70	1.40	1.26	28.2	35.2	19.7
Gigante	Uperf	0.65	0.70	5.2	4.8	4.1	0.29	0.28	0.25	18.7	15.5	11.3
Soriana	Hold	4.27	4.20	7.3	6.5	5.9	0.62	0.52	0.48	10.9	10.9	10.9
Average – Retail				17.4	13.8	12.1	1.62	1.37	1.19	39.0	23.2	18.8
Avg – Retail w/o Walmex				15.9	12.9	11.1	1.58	1.36	1.12	45.5	21.7	15.9

NA Not available. Companies in bold indicate that the target price shown is for year-end 2006.

Sources: Company reports and Santander Investment estimates.

Figure 9. Chile – Select Economic Projections, 2003-2006F

	2003	2004	2005F	2006F
Real GDP (%)	3.7%	6.1%	5.8%	5.2%
CPI Inflation (%)	1.1%	2.4%	2.8%	3.1%
US\$ Exchange Rate (Year-End)	593.8	557.4	570.0	585.0
US\$ Exchange Rate (Average)	691.4	609.5	577.2	579.3
Interest Rate (Year-End)	2.3%	2.3%	4.3%	5.3%
Interest Rate (Average)	2.7%	1.9%	3.3%	4.8%
Fiscal Balance (% of GDP)	-0.8%	2.2%	2.3%	1.8%
Current Account Balance (% of GDP)	-1.5%	1.6%	0.7%	-1.0%
International Reserves (US\$ Bn)	15.9	16.0	16.0	16.0
Total External Debt (% of GDP)	43.4	43.8	43.8	43.8

Source: Santander Investment historicals and forecasts.

Figure 10. Peru – Select Economic Projections, 2003-2006F

	2003	2004	2005F	2006F
Real GDP (%)	4.0	4.8	4.7	4.0
CPI Inflation (%)	2.5	3.5	2.0	2.5
US\$ Exchange Rate (Year-End)	3.5	3.3	3.3	3.3
US\$ Exchange Rate (Average)	3.5	3.4	3.3	3.3
Interest Rate (Year-End)	9.3	9.2	10.2	10.9
Interest Rate (Average)	9.7	9.1	9.7	10.6
Fiscal Balance (% of GDP)	-1.7	-1.1	-1.1	-1.1
Current Account Balance (% of GDP)	-1.5	0.0	0.3	-0.6
International Reserves (US\$ Bn)	10.2	12.6	14.1	14.7
Total External Debt (% of GDP)	49.0	45.3	39.8	38.0

Source: Santander Investment historicals and forecasts.



RISKS TO INVESTMENT THESIS

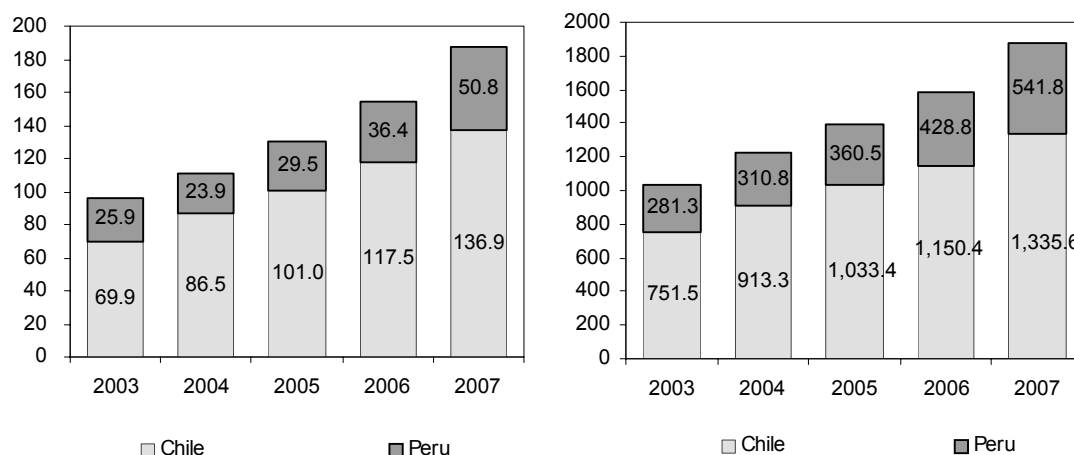
- **Weaker-than-expected economic scenario.** As for most retailers in Chile, Ripley's sales are strongly dependent on consumption trends in Chile, considering that the company's sales in Chile represent approximately 75% of consolidated sales. In addition, the credit business, which we estimate represents a substantial portion of Ripley's consolidated EBITDA, would be significantly affected in the case of a lower-than-expected economic growth, as it would reduce revenues obtained at the credit card, together with an increase in the past-due loans provisions required to maintain a similar coverage ratio as the current one. Taking this into consideration, a different-than-expected macroeconomic environment, together with lower GDP expansion, lower consumption growth rates, and higher interest rates, could have an impact on our valuation of the company.
- **Stronger-than-expected competitive environment.** In our opinion, the Chilean department store market is already quite competitive, which has been reflected by the reduction of the average ticket observed in recent years. Nevertheless, we believe there is still room for growth, as penetration in Chile remains lower than the one observed in developed markets. This, in our opinion, would allow the majority of Chilean retailers to continue their expansion programs to increase their average selling area. Considering this, a potential increase in competition in the sector could come from an increased aggressiveness from the existing larger players in the sector, the entrance of any international player, or the strengthening of some of the small Chilean chains looking for a bigger share of the market. Thus, our investment thesis could be affected.
- **Potential credit card regulation.** Given that 62% of retail sales are made with the Ripley card and because, according to our estimates, a major portion of consolidated EBITDA is generated by the credit division, changes in regulation of this business could affect our valuation of the company. Currently, credit businesses of Chilean retailers are not ruled by the same regulation framework as banks, which have to operate according to the rules of the Superintendence of Banks. Under these norms, banks are restricted in terms of the maximum interest rates and fees they can charge. Regulatory changes to the credit conditions for retailers could affect our outlook for Ripley's credit business, and, therefore, our investment thesis.
- **Lower-than-expected efficiency gains.** Considering that Ripley is taking several measures to reduce costs, (which should allow the company to achieve significant efficiency gains), any delay and/or disappointment in the results, as well as a negative impact on its commercial performance, could be a source of concern.

EARNINGS OUTLOOK

Sales growth and margin improvement should boost EBITDA growth.

As we believe Ripley's commercial track record and increased efficiencies will allow the company to benefit from increased consumption in 2005 and 2006, we are estimating that the company's EBITDA will grow 18.2% and 18.0% in these two years, respectively. We are estimating that Ripley will generate EBITDA of US\$130.5 million in 2005 and US\$153.9 million in 2006. According to our estimates, the Chilean operations will continue to be the main contributor to Ripley's consolidated EBITDA, with approximately 78% of consolidated EBITDA in 2005.

Figure 11. Ripley – Revenue and EBITDA Breakdown, 2003-2007E (U.S. Dollars in Millions)



Source: Santander Investment estimates

We expect increases in sales and margins to drive EBITDA growth figures in 2005 and 2006. According to our estimates, consolidated revenues will grow 13.9% and 13.3% in 2005 and 2006, respectively, considering Ripley's sales performance in the past. The company should continue to benefit from the positive consumption environment in Chile and Peru due to strong sales and the opening of six stores in both countries in the 2005-2006 period. We expect Ripley's consolidated EBITDA margin to reach 9.4% in 2005 and 9.7% in 2006, compared with 9.0% in 2004, reflecting efficiency improvements.

CHILE

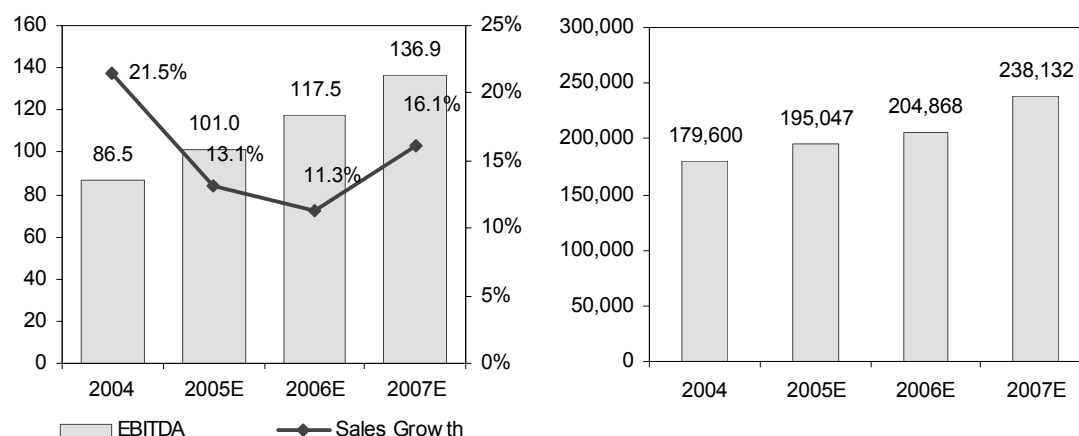
According to our estimates, EBITDA generation in Chile will reach US\$101.0 million in 2005 and US\$117.5 million in 2006 compared with US\$86.5 million in 2004. Our EBITDA projection implies growth rates of 16.7% and 16.4% in 2005 and 2006, respectively. We expect EBITDA generation to be driven by increased revenues in Chile, together with higher efficiencies, which we expect to lead to a 30-basis-point increase in EBITDA margin in 2005 to 9.5% and 40 basis points in 2006 to 10.2%.

We expect Ripley to continue capturing increased consumption in Chile, considering its commercial capabilities and increased sales floor. In our opinion, estimated consumption growth of more than 7% in 2005 and 2006, respectively, will benefit Ripley's sales. In addition, Ripley's capex plan in Chile should lead to sales floor expansion of 8.0% and 5.0% in 2005 and 2006, respectively, and the company will open two stores in 2005 and one store in 2006. This should lead to total sales growth in Chile of 13.1% in 2005 and 11.3% in 2006.



We expect revenues in the credit division to grow in line with retail sales, with estimated growth rates of 12.6% and 9.6% in 2005 and 2006, respectively. On the back of this, we are estimating Ripley's loan portfolio to expand by 19.5% and 9.9% in 2005 and 2006, respectively.

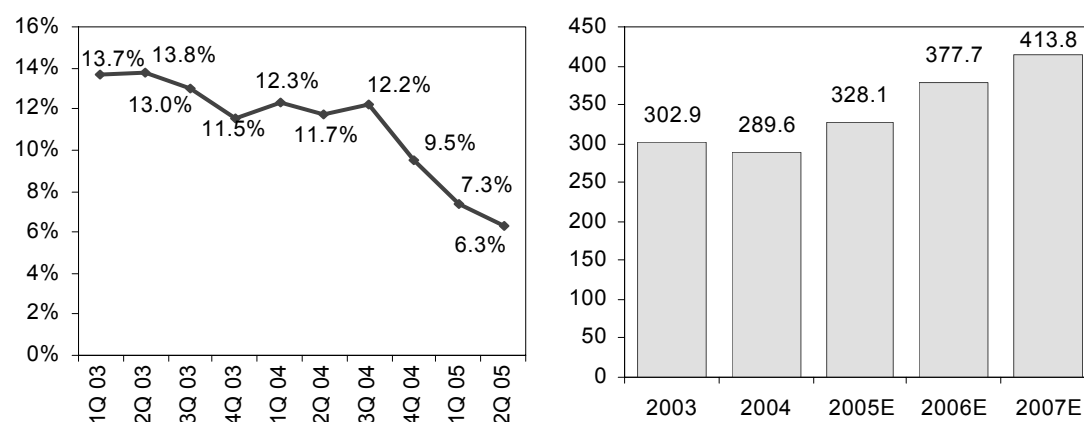
Figure 12. Ripley Chile– EBITDA (US\$ Mn) and Sales Growth; Sales-Floor Expansion, 2004-07E



Source: Company reports and Santander Investment estimates

We expect efficiency improvements to contribute to EBITDA growth in 2005 and 2006, with EBITDA margin forecasts of 9.8% and 10.2% in 2005 and 2006, respectively. These figures are higher than the EBITDA margin of 9.5% posted by operations in Chile in 2004. Considering Ripley's plan to increase efficiency at the operating level, we are estimating SG&A savings in 2005 and 2006. Ripley's restructuring plan includes a 6% decrease in the company's work force, which would imply savings of approximately US\$2.0 million (Ch\$1.0 billion) per year. We also expect the unification of store-supply purchases to contribute positively to SG&A savings. On the back of this, we are expecting SG&A expenses to reach 30.5% of sales in 2005 and 30.1% in 2006. Meanwhile, provisions for loan losses, which are also accounted as SG&A expenses, have continued to decrease in the past quarters, reflecting an improved management of credit risk at the credit card business, while contributing positively to improved efficiency. Nevertheless, looking forward, we do not see further improvements on this front.

Figure 13. Ripley Chile – Provisions/Loans and Loans, 2004-2007E (U.S. Dollars in Millions)

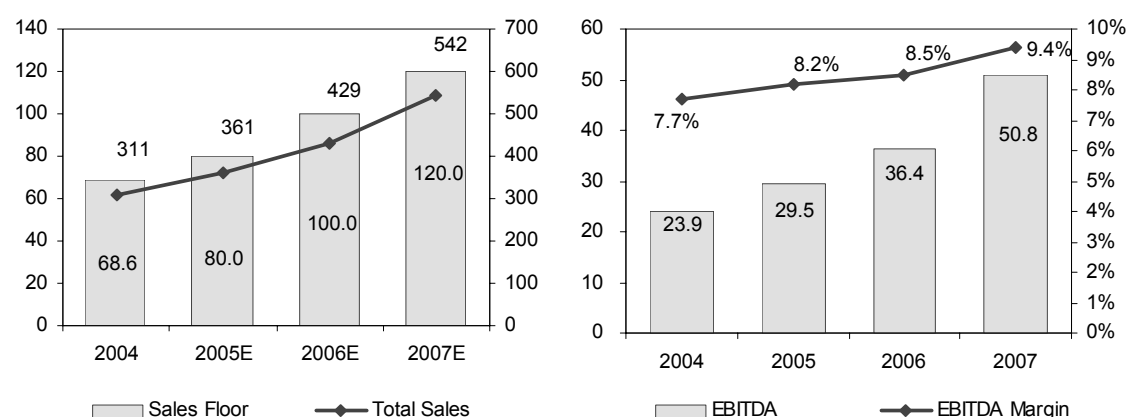


Sources: Company reports and Santander Investment estimates.

PERU

We expect Ripley's operations in Peru to post EBITDA growth of 23.5% and 23.4% in 2005 and 2006, respectively. In our opinion, EBITDA growth in Peru likely will be driven by increased sales and efficiency, similar to the stores in Chile, although with a higher effect coming from revenues than from efficiency gains. We expect total sales in Peru to grow 16.0% and 18.9% in 2005 and 2006, respectively, supported by the company's expansion plan, which we expect to lead to 16.6% and 25.0% expansion rates in sales floor in 2005 and 2006, respectively. In our view, this should be the main driver for EBITDA growth in Peru, while we expect EBITDA margin to show increases in 2005 and 2006.

Figure 14. Ripley Peru – Sales Floor, Total Sales, EBITDA (U.S. Dollars in Millions), and EBITDA Margin, 2004-2007E



Sources: Company reports and Santander Investment estimates.

Ripley's plans for expansion in Peru are more aggressive than in Chile, which should lead to higher growth figures in sales, in our view. We are forecasting retail sales to grow 10.8% and 20.5% in 2005 and 2006, in real soles, respectively. We believe this growth will be driven by an expansion of 16.6% and 25.0% in square meters in 2005 and 2006, respectively. Our forecast for Ripley's operations in Peru consider our positive assumptions for the Peruvian economy, with GDP growth projections of 4.7% and 4.0% for 2005 and 2006, respectively, and private consumption growth of 3.5% and 3.6% for the same years.

As Ripley's measures to improve efficiency are going to be applied in Peru as well, we look for margin improvements. Based on our estimates, EBITDA margin should rise from 7.7% in 2004 to 8.2% in 2005 and 8.5% in 2006. We estimate gains in efficiency to come from the company's new distribution center, which should optimize the inventory management, and the decline in its personnel expenses, on the back of a reduction on its employee's staff. Considering this, we are forecasting decreases in SG&A expenses as a percentage of sales, from 34.7% in 2004 to 34.2% in 2005 and 33.9% in 2006.

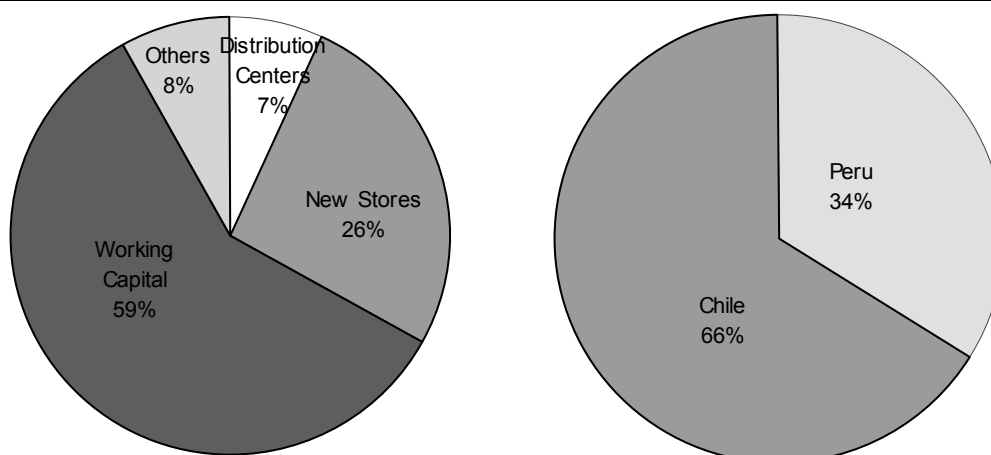
We expect Ripley to increase the usage of its credit card (from the current level of 63% of retail sales), as the company plans to open more Max stores, the new format it started to develop in Peru. These are self-service stores with convenient prices, in which sales with credit cards have proven be higher than in traditional department stores. Currently, approximately 70% of sales at the Max format are made with the Ripley card. On the back of this, we are forecasting credit sales to grow 12.6% and 21.2% in 2005 and 2006, respectively, while we expect loans to grow 23.4% and 18.7% in the same period.



CAPEX

The company's capex plans involve the investment of US\$563 million in new stores, distribution centers, and working capital in Chile and Peru for the 2005-2007 period. The main investment will be in working capital to finance the expected loans growth, due to an increase in penetration of its credit card and retail sales growth. In terms of new stores, the company is planning to open six stores in Chile and five in Peru for the 2005-2007 period. We believe this would lead to a CAGR in sales floor of around 13% for the same period.

Figure 15. Ripley – Capex Plans Breakdown, 2005-2007E



Source: Company reports.

Figure 16. Ripley – Store Openings, 2005-2007E

Store	Date
Crillon – Chile	2005
Portal Temuco – Chile	2005
Chorrillos – Peru	2005
La Dehesa-Santiago – Chile	2006
Ripley – Peru	2006
Max Minka – Peru	2006
Costanera Center – Chile	2007
Concepción – Chile	2007
Ripley Store – Chile	2007
Ripley – Peru	2007
Max – Peru	2007

Source: Company Reports.

FINANCIAL STATEMENTS

Figure 17. Ripley – Income Statement, Balance Sheet, and CF Statement, 2004-2007E (U.S. Dollars in Millions)

Income Statement	2004	%	2005E	%	2006E	%	2007E	%
Sales	1,224.1	100.0%	1,393.9	100.0%	1,579.2	100.0%	1,877.4	100.0%
Cost of Sales	-725.3	-59.3%	-830.6	-59.6%	-940.0	-59.5%	-1,116.9	-59.5%
Gross Profit	498.8	40.7%	563.3	40.4%	639.2	40.5%	760.5	40.5%
Oper. and Adm. Expenses	-414.4	-33.9%	-462.0	-33.1%	-518.2	-32.8%	-611.7	-32.6%
Operating Profit	84.4	6.9%	101.3	7.3%	121.0	7.7%	148.9	7.9%
Depreciation	-26.0	-2.1%	-29.2	-2.1%	-32.9	-2.1%	-38.9	-2.1%
EBITDA	110.4	9.0%	130.5	9.4%	153.9	9.7%	187.7	10.0%
Financing Costs	-21.8	-1.8%	-30.1	-2.2%	-27.0	-1.7%	-24.2	-1.3%
Interest Paid	-26.2	-2.1%	-37.5	-2.7%	-30.6	-1.9%	-26.1	-1.4%
Interest Earned	5.8	0.5%	9.2	0.7%	3.6	0.2%	1.9	0.1%
Monetary Gain/Loss	-5.9	-0.5%	-3.0	-0.2%	0	0.0%	0	0.0%
FX Gain/Loss	4.4	0.4%	1.1	0.1%	0	0.0%	0	0.0%
Other Financial Operations	3.9	0.3%	-20.6	-1.5%	4.0	0.3%	4.1	0.2%
Profits Related Companies	3.4	0.3%	5.5	0.4%	6.6	0.4%	7.5	0.4%
Profit before Taxes	69.3	5.7%	55.9	4.0%	104.2	6.6%	136.3	7.3%
Tax Provision	-6.1	-0.5%	-13.7	-1.0%	-17.7	-1.1%	-23.2	-1.2%
Profit after Taxes	60.5	4.9%	48.4	3.5%	86.5	5.5%	113.1	6.0%
Extraordinary Items	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Minority Interest	-0.1	0.0%	0.0	0.0%	0.1	0.0%	0.0	0.0%
Net Profit	60.4	4.9%	48.4	3.5%	86.6	5.5%	113.1	6.0%
Balance Sheet	2004	%	2005E	%	2006E	%	2007E	%
Assets	1,244.9	100.0%	1,610.1	100.0%	1,619.7	100.0%	1,779.3	100.0%
Short-Term Assets	716.3	57.5%	992.4	61.6%	943.6	58.3%	1,032.5	58.0%
Cash and Equivalents	74.6	6.0%	207.5	12.9%	60.7	3.7%	61.9	3.5%
Accounts Receivable	350.6	28.2%	456.8	28.4%	521.9	32.2%	577.1	32.4%
Inventories	243.0	19.5%	284.4	17.7%	316.4	19.5%	348.0	19.6%
Other Short-Term Assets	48.0	3.9%	43.8	2.7%	44.6	2.8%	45.5	2.6%
Long-Term Assets	528.6	42.5%	617.7	38.4%	676.1	41.7%	746.8	42.0%
Fixed Assets	279.3	22.4%	337.1	20.9%	375.3	23.2%	427.9	24.0%
Other Assets	249.3	20.0%	280.6	17.4%	300.8	18.6%	318.9	17.9%
Liabilities	1,244.9	100.0%	1,610.1	100.0%	1,619.7	100.0%	1,779.3	100.0%
Short-T. Liabilities	464.1	37.3%	531.6	33.0%	449.8	27.8%	499.7	28.1%
Suppliers	249.1	20.0%	294.0	18.3%	333.5	20.6%	388.1	21.8%
Short-Term Loans	188.8	15.2%	212.4	13.2%	90.7	5.6%	85.5	4.8%
Other ST Liabilities	26.2	2.1%	25.2	1.6%	25.6	1.6%	26.1	1.5%
Long-Term Loans	255.1	20.5%	243.0	15.1%	247.4	15.3%	252.3	14.2%
Other Liabilities	32.0	2.6%	31.3	1.9%	31.9	2.0%	32.5	1.8%
Equity	492.4	39.6%	803.9	49.9%	890.3	55.0%	994.5	55.9%
Minority Interest	1.4	0.1%	0.3	0.0%	0.3	0.0%	0.3	0.0%
Cash Flow	2004		2005E		2006E		2007E	
Net Income	60.4		48.4		86.6		113.1	
Depreciation	26.0		29.2		32.9		38.9	
Changes in Working Capital	-37.6		-92.2		-49.6		-22.3	
Non-Cash Items	235.7		-28.9		0.3		0	
Cash Flow from Operations	284.4		-43.5		70.1		129.7	
Capex	-33.2		-78.0		-65.0		-84.0	
Cash Flow	251.2		-121.5		5.1		45.7	

Sources: Company reports and Santander Investment estimates.



Figure 18. Ripley – Income Statement, Balance Sheet, and CF Statement, 2004-2007E (Millions of Chilean Pesos as of June 2005)

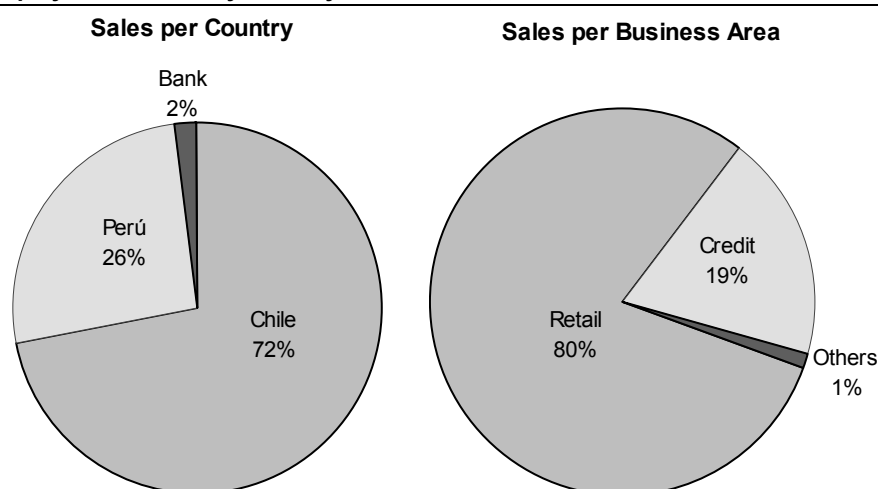
Income Statement	2004	%	2005E	%	2006E	%	2007E	%
Sales	689,224	100.0%	761,782	100.0%	847,772	100.0%	988,315	100.0%
Cost of Sales	-408,370	-59.3%	-453,928	-59.6%	-504,634	-59.5%	-587,955	-59.5%
Gross Profit	280,854	40.7%	307,854	40.4%	343,139	40.5%	400,360	40.5%
Oper. and Adm. Expenses	-233,304	-33.9%	-252,483	-33.1%	-278,167	-32.8%	-321,985	-32.6%
Operating Profit	47,550	6.9%	55,371	7.3%	64,972	7.7%	78,376	7.9%
Depreciation	-14,619	-2.1%	-15,938	-2.1%	-17,647	-2.1%	-20,453	-2.1%
EBITDA	62,169	9.0%	71,309	9.4%	82,618	9.7%	98,829	10.0%
Financing Costs	-12,298	-1.8%	-16,455	-2.2%	-14,514	-1.7%	-12,718	-1.3%
Interest Paid	-14,736	-2.1%	-20,474	-2.7%	-16,432	-1.9%	-13,720	-1.4%
Interest Earned	3,284	0.5%	5,041	0.7%	1,918	0.2%	1,001	0.1%
Monetary Gain/Loss	-3,311	-0.5%	-1,631	-0.2%	0	0.0%	0	0.0%
FX Gain/Loss	2,465	0.4%	609	0.1%	0	0.0%	0	0.0%
Other Financial Operations	2,210	0.3%	-11,234	-1.5%	2,139	0.3%	2,139	0.2%
Profits Related Companies	1,892	0.3%	3,005	0.4%	3,523	0.4%	3,948	0.4%
Profit before Taxes	39,031	5.7%	30,525	4.0%	55,958	6.6%	71,745	7.3%
Tax Provision	-3,451	-0.5%	-7,510	-1.0%	-9,513	-1.1%	-12,197	-1.2%
Profit after Taxes	34,089	4.9%	26,467	3.5%	46,445	5.5%	59,548	6.0%
Extraordinary Items	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Minority Interest	-64	0.0%	11	0.0%	45	0.0%	5	0.0%
Net Profit	34,025	4.9%	26,479	3.5%	46,491	5.5%	59,554	6.0%
Balance Sheet	2004	%	2005E	%	2006E	%	2007E	%
Assets	700,942	100.0%	879,983	100.0%	869,510	100.0%	936,664	100.0%
Short-Term Assets	403,298	57.5%	542,393	61.6%	506,545	58.3%	543,525	58.0%
Cash and Equivalents	42,025	6.0%	113,393	12.9%	32,564	3.7%	32,564	3.5%
Accounts Receivable	197,423	28.2%	249,668	28.4%	280,181	32.2%	303,817	32.4%
Inventories	136,827	19.5%	155,405	17.7%	169,872	19.5%	183,217	19.6%
Other Short-Term Assets	27,024	3.9%	23,927	2.7%	23,927	2.8%	23,927	2.6%
Long-Term Assets	297,644	42.5%	337,590	38.4%	362,965	41.7%	393,139	42.0%
Fixed Assets	157,265	22.4%	184,241	20.9%	201,488	23.2%	225,254	24.0%
Other Assets	140,379	20.0%	153,349	17.4%	161,476	18.6%	167,885	17.9%
Liabilities	700,942	100.0%	879,983	100.0%	869,510	100.0%	936,664	100.0%
Short-T. Liabilities	261,302	37.3%	290,516	33.0%	241,496	27.8%	263,044	28.1%
Suppliers	140,265	20.0%	160,698	18.3%	179,035	20.6%	204,277	21.8%
Short-Term Loans	106,284	15.2%	116,071	13.2%	48,714	5.6%	45,019	4.8%
Other ST Liabilities	14,753	2.1%	13,748	1.6%	13,748	1.6%	13,748	1.5%
Long-Term Loans	143,615	20.5%	132,814	15.1%	132,814	15.3%	132,814	14.2%
Other Liabilities	18,032	2.6%	17,125	1.9%	17,125	2.0%	17,125	1.8%
Equity	277,231	39.6%	439,381	49.9%	477,927	55.0%	523,534	55.9%
Minority Interest	762	0.1%	148	0.0%	148	0.0%	148	0.0%
Cash Flow	2004		2005E		2006E		2007E	
Net Income	34,025.1		26,478.7		46,490.6		59,553.5	
Depreciation	14,619.4		15,937.8		17,646.7		20,453.1	
Changes in Working Capital	-21,193.7		-50,390.1		-26,643.8		15,884.7	
Non-Cash Items	132,690.2		-15,821.6		161.9		0	
Cash Flow from Operations	160,141.0		-23,795.2		37,655.3		95,891.3	
Capex	-18,696.2		-42,629.2		-34,894.5		-44,367.5	
Cash Flow	141,445		-66,424.4		2,760.8		51,523.9	

Sources: Company reports and Santander Investment estimates.

APPENDIX: COMPANY DESCRIPTION

Since the company's IPO in July 2005, Ripley has become a new name for investors in the Chilean retail sector. The company was founded in 1956 by the Calderon family, its current controllers, and it is currently the second-largest department store operator in Chile. With 29 stores and 179,600 square meters of selling space, the company's main business is retail in Chile, which is supported by an important credit division. The company also holds operations in Peru, with similar characteristics to those in Chile. In Peru, the company has also launched a self-service format store, Ripley Max, which has not been developed in Chile. In addition, Ripley has been in the bank business since 2002 (Ripley Bank). Finally, the company participates in the real estate business through its shopping center division.

Figure 19. Ripley – Revenues by Country and Division, 2004



Sources: Company reports and Santander Investment estimates.

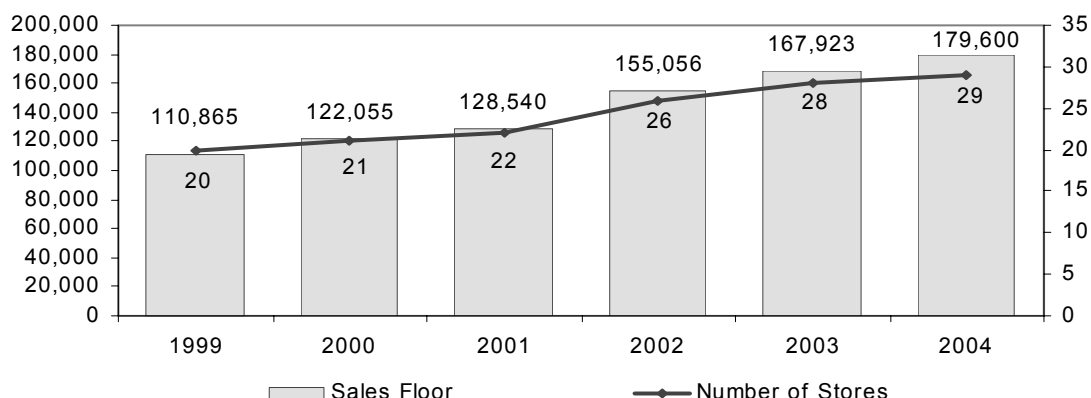
RETAIL CHILE

Ripley has become the company it is known as today after a major change in its strategy in 1993. In the early nineties, the Calderon family decided to undertake an expansion of its operations after opening its tenth store in the Parque Arauco shopping mall, which implied expanding its target market to the higher income segments of the population. This step was accompanied by a restructuring of its operations and repositioning of its brand. Several store openings continued in the following years. As of June 2005, the company had 29 stores in Chile and a total selling space of 179,600 square meters.

Ripley's main product lines are: Clothing (for women, men, children, shoes, and sportswear) and electro-home (including electronics, computers, and home equipment). The company has long-term contracts with international brands such as GAP, Tommy Hilfiger, and Ralph Lauren to provide an adequate product mix, as these agreements help complement Ripley's private labels. Around 70% of total sales in Chile are sales of "soft" products, which are mainly clothes and accessories.



Figure 20. Ripley – Number of Stores and Selling Area (Square Meters in Thousands)

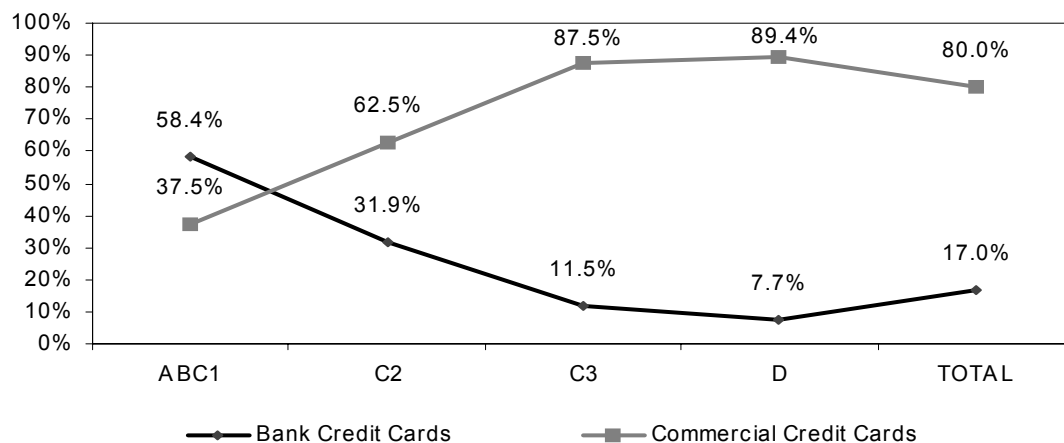


Sources: Company reports and Santander Investment estimates.

CREDIT CHILE

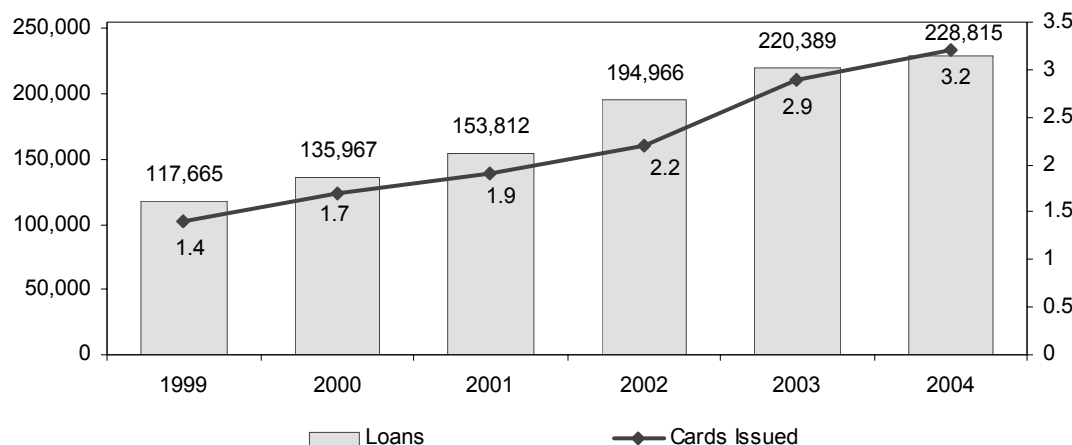
Like the majority of Chilean retailers, Ripley offers credit to its clients through its own credit card, Tarjeta Ripley. In Chile, retailers have taken advantage of an underserved market, as the level of penetration of banking credit cards remains low compared with developed countries especially in the lower income segments. In addition, the positive contribution of the financing business to Ripley's profitability (due to its higher margins), together with a high level of synergies among the two businesses, has led retailers to focus strongly on this activity. Consequently, these units have posted strong growth rates in recent years.

Figure 21. Chilean Retailers' and Banks' Credit Card Penetration by Segment



Source: Santiago Chamber of Commerce.

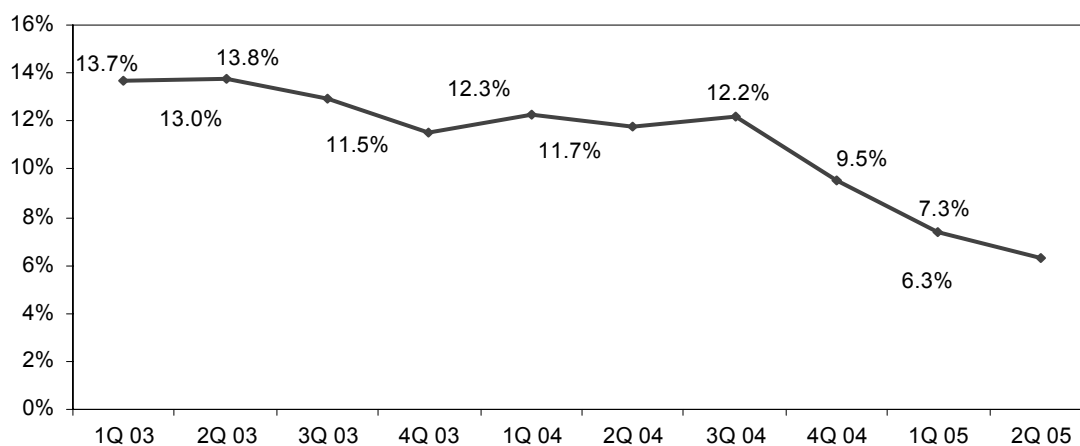
Ripley is currently one of the largest credit card issuers among Chilean retailers with total loans reaching more than US\$450 million, as of June 2005. Currently, the number of credit cards issued by the company is approximately 3.5 million, while around 1.5 million cards represent active clients' accounts. According to the company, 63% of client purchases are made with the Ripley card. The company's loan portfolio grew from US\$211 million in 1999 to US\$411 million in 2004 at a CAGR of 14%.

Figure 22. Ripley – Credit Cards and Total Loans, 1999-2004

Source: Company reports.

To increase the value added to its credit card, the company participates in more than 125 alliances with other companies. Considering that credit cards of retailers constitute an important tool to increase client loyalty, Ripley has formed several alliances with other companies. These agreements currently represent more than 3,000 sales points. At the same time, Ripley offers its clients the availability cash advances at any of the more than 900 ATM's of Banco de Chile. In 2004, brokering insurance policies was added as a complementary service in addition to a travel agency as part of a strategic alliance with Lan Airlines.

Ripley changed its past-due loan provisions policy to resemble the parameters set by the Superintendence of Banks and Financial Institutions to clarify its provisioning policy and to achieve an adequate level of credit risk. This implied a one-time charge of around Ch\$11,000 million (US\$20 million) in March 2005 and should be the only major adjustment to its loan portfolio in terms of provisions.

Figure 23. Ripley – Loan Loss Provisions / Total Loans, 2003 – 2Q05

Sources: Company reports and Santander Investment estimates.

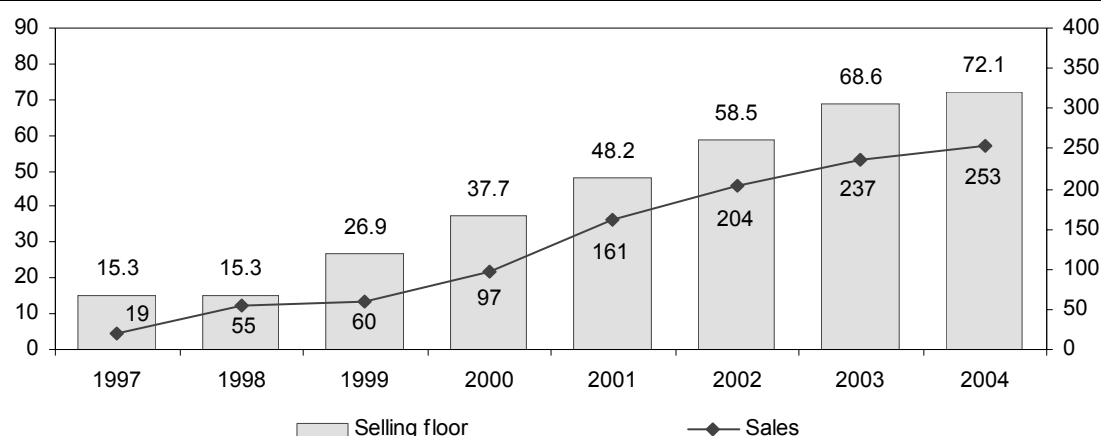


RETAIL PERU

The company exported its business model to Peru in 1997, developing a similar strategy as the one in Chile. In 1997, Ripley's management decided to target the Peruvian market to develop operations similar to the ones it had in Chile. In fact, Peru has become one of the most important markets outside of Chile for Chilean retailers.

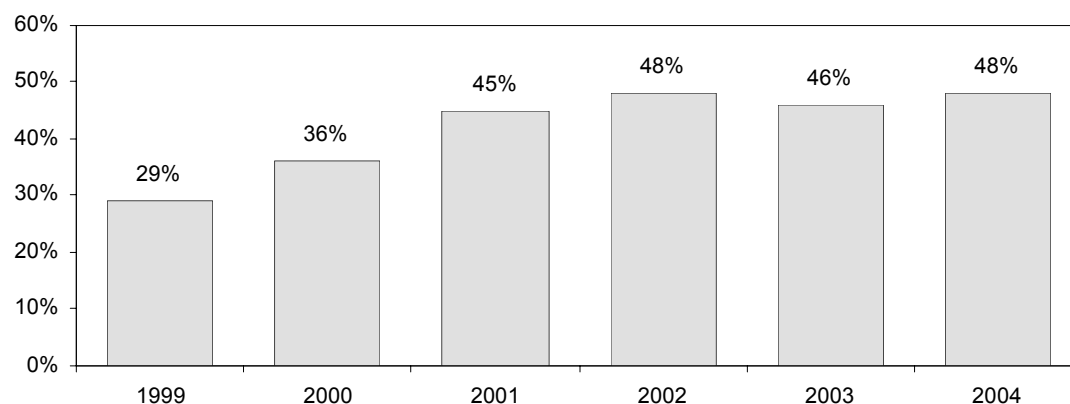
As of June 2005, the company was operating seven stores in Peru, reaching a total selling space of 69,000 square meters. In terms of sales, the company has achieved a high growth rate in the last eight years, for a CAGR of 44%. On the back of this, Ripley has become the leader in this market, with a market share of 52% as of June 2005, followed by its main competitor, Saga Falabella. It is important to recall that this comparison does not consider Falabella's supermarkets and home improvement formats.

Figure 24. Ripley Peru – Selling Floor (Square Meters in Thousands) and Retail Sales, 1999-2004 (U.S. Dollars in Millions)



Source: Company reports.

Figure 25. Ripley Peru – Evolution of Market Share, 1999-2004



Source: Company reports.

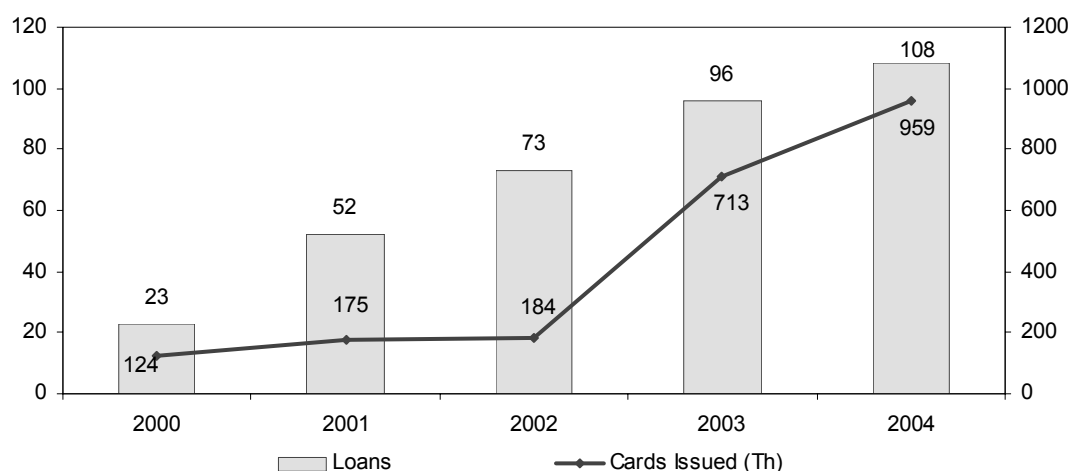
Ripley has started to develop a new format in Peru, the “Max” stores. In contrast to its traditional department stores, the new Max format consists of self-service stores located in lower income areas, while offering a price-convenient alternative to its customers. The company is planning to continue developing this new division, with one store opening per year.

CREDIT PERU

Ripley Card can be used in both the Ripley and Max formats. The Ripley card in Peru has similar characteristics to the Ripley card in Chile, providing its clients the same services: credit, additional services and benefits at other companies, cash advances, insurance policies and a travel agency. Meanwhile, the penetration level of credit cards in Peru is similar to the one in Chile, close to 63%. The only difference from the Chilean Ripley card is related to the regulatory context, as the Peruvian Ripley card works like an open card and is regulated by the same rules as bank credit cards.

Due to the penetration of Ripley's credit card, the company has become an important player in the consumer credit business. As of December 2004, the company held 958,872 issued credit cards, with an 11.4% market share in the credit card market and a 6.83% market share in the consumer loans market. Meanwhile, Ripley's loan portfolio in Peru grew from US\$23 million in 2000 to US\$108 million in 2004, posting a CAGR of 48% for the period.

Figure 26. Ripley Card Peru – Total Loans (U.S. Dollars in Millions) and Credit Cards (in Thousands), 2000-2004



Source: Company reports.

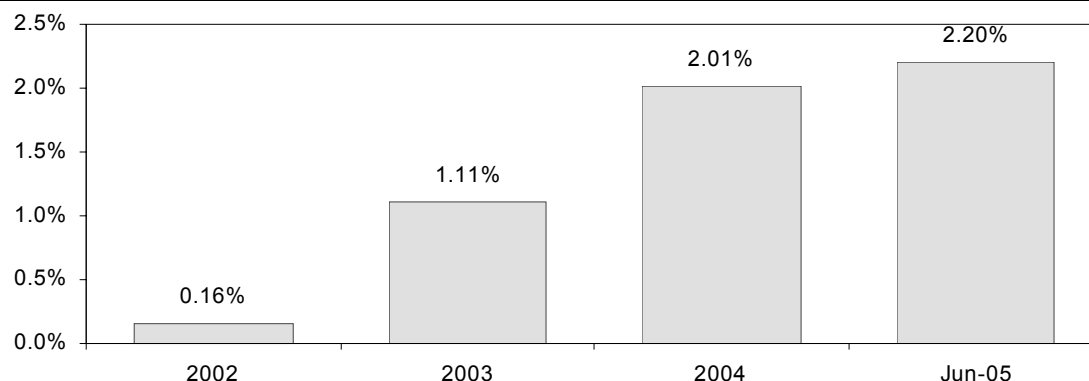
RIPLEY BANK

Banco Ripley was founded in 2002 to continue expanding Ripley's financing business. The bank is a niche bank focused on middle-income individuals. It was created as a way to take advantage of the synergies between the retail and banking businesses, like the extended base of clients of the Ripley card and the brand. In addition, Ripley has placed its bank branches inside or nearby most of its department stores. This has led to the fast growth of its branch network, as it already covers the most important shopping points in the country. According to the company, the number of branches of Banco Ripley is expected to reach 36 in 2005. As of June 2005, the number of branches was 30.

Although the bank offers different financial products to its clients, approximately 80% of its assets consist of consumer loans. As of July 2005, Banco Ripley's loan portfolio reached US\$224 million, representing a 0.32% market share of the entire bank universe in Chile. In the consumer segment, Banco Ripley holds a market share of 2.1%, showing a significant growth in the last three years, as Banco Ripley held only a 0.2% of total bank consumer loans in 2002.



Figure 27. Ripley Bank – Market Share in Consumer Loans, 2002-June 2005



Source: Company reports.

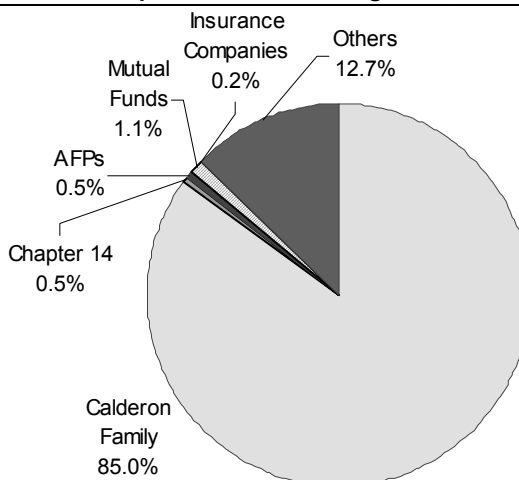
REAL ESTATE BUSINESS

Ripley participates in the shopping center business, with some fully owned malls and some in alliance with other retailers. Currently, Ripley owns 100% of three shopping centers and lower stakes in two others, in which it shares property with partners like D&S, Almacenes Paris, Sodimac, and Parque Arauco. In four of these five shopping malls, Ripley's stores are anchor stores. In addition, Ripley has land in some strategic points that might be developed in the future.

OWNERSHIP STRUCTURE

After the company's IPO, the Calderon family currently controls Ripley with 85% of the company. Ripley was founded in 1956 by the Calderon family, its current controllers. The company's IPO, in which controllers decided to undertake a capital increase and list 15% of the company, took place on July 14, 2005, with strong demand from different types of investors. In this transaction, the book had orders for more than US\$6 billion, leading to a pro rata factor of 5.9% and a price of Ch\$470. Considering that there was no segmentation of investors in this issuance, Ripley's resulting free float included an atomized base of minority shareholders, including Chilean pension funds, insurance companies, mutual funds, international funds, and retail investors.

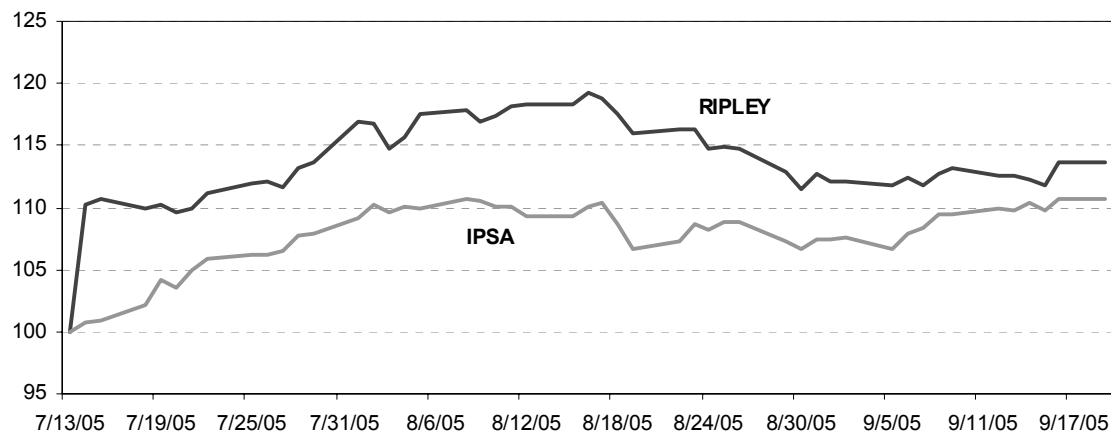
Figure 28. Ripley Corp – Ownership Structure as of August 19, 2005



Source: Company reports.

IMPORTANT DISCLOSURES

Ripley – Relative Performance Since IPO (in U.S. Dollars)



Sources: Bloomberg and Santander Investment.

IMPORTANT DISCLOSURES (CONTINUED)

Key to Investment Codes

Rating	Definition	% of Companies Covered with This Rating	% of Companies Provided Investment Banking Services in the Past 12 Months
Strong Buy	Expected to outperform the local market more than 15%.	54.78%	66.67%
Buy	Expected to outperform the local market 5%-15%.		
Hold	Expected to perform within a range of 5% above or below the local market.	29.57%	28.57%
Underperform	Expected to underperform the local market 5%-15%.	14.78%	4.76%
Sell	Expected to underperform the local market more than 15%.		
Under Review		0.87%	--

The numbers above reflect our Latin American universe.

For a discussion, if applicable, of the valuation methods used to determine the price targets included in this report and the risks to achieving these targets, please refer to the latest published research on these stocks. Research is available through your sales representative and other electronic systems.

Target prices are 2005 year-end unless otherwise specified. Recommendations are based on a total return basis (expected share price appreciation + prospective dividend yield) unless otherwise specified.

Stock price charts and rating histories for companies discussed in this report are also available by written request to Santander Investment Securities Inc., 45 East 53rd Street, 17th Floor (Attn: Research Disclosures), New York, NY 10022 USA.

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The benchmark used for establishing Argentina recommendations is our forecast of the year-end Argentina IFCI index.

For the Andean countries, our benchmark is the simple average of the country risk of each country plus the 10 year U.S. T-Bond yield plus 5.5% of equity risk premium. For additional information about our rating methodology, please call (212) 350-3974.

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Within the past 12 months, Grupo Santander has managed or co-managed a public offering of securities of Ripley.

In the next three months, Grupo Santander expects to receive or intends to seek compensation for investment banking services from Ripley.

The information contained herein has been compiled from sources believed to be reliable, but, although all reasonable care has been taken to ensure that the information contained herein is not untrue or misleading, we make no representation that it is accurate or complete and it should not be relied upon as such. All opinions and estimates included herein constitute our judgment as at the date of this report and are subject to change without notice.

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