



WALMEX

BUY

Aim Higher; Raising Estimates and Target

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(06/02/05)

CURRENT PRICE: US\$4.04/M\$43.68

TARGET PRICE: US\$4.20/M\$48.00

What's Changed

Rating:	Unchanged at Buy
Price Target:	From US\$3.90 to US\$4.20
Estimates (US\$):	'05E EPS From 0.17 to 0.18
	'06E EPS From 0.19 to 0.21
	'07E EPS From 0.23 to 0.24

Company Statistics

Bloomberg	WALMEXV MM
52-Week Range (US\$)	2.83-4.04
2005E P/E Rel to IPC Index (x)	1.6
2005E P/E Rel to Retail Sector (x)	1.0
IPC Index (US\$)	1,230
3-Yr CAGR (04-07E)	14.9%
Market Capitalization (US\$ Mn)	17,876
Float (%)	36
3-Mth Avg Daily Vol (US\$000)	15,942
Shares Outst (ADR 10:1)	4,420
Net Debt/Equity (x)	-0.2
Book Value per Share (US\$)	1.04

Estimates and Valuation Ratios

	2004	2005E	2006E	2007E
Net Earn (<i>Nom M\$</i>)	7,831.3	9,071.9	11,006.8	13,038.1
Current EPS	1.79	2.05	2.49	2.95
Net Earn (<i>US\$</i>)	702.4	795.8	917.2	1,066.7
Current EPS	1.59	1.80	2.08	2.41
P/E (x)	25.4	22.5	19.5	16.8
P/Sales (x)	1.4	1.2	1.1	1.0
P/CE (x)	19.1	16.8	14.7	12.7
FV/EBITDA (x)	15.4	13.0	11.4	9.7
FV/Sales (x)	1.3	1.2	1.1	0.9
FCF Yield (%)	1.6%	1.9%	2.5%	3.4%
Div per Share (US\$)	0.04	0.05	0.06	0.07
Div Yield (%)	1.0%	1.4%	1.5%	1.8%

Sources: Bloomberg, Company Reports, and Santander Investment estimates.

Investment Thesis: We are raising our year-end 2005 target price to US\$4.20 per WalmexV share from US\$3.90 previously (to M\$48.00 per share from M\$46.18 previously) and maintaining our Buy rating on Walmex's shares. Due to liquidity reasons, we are changing our reference target price from the ADR to the local shares.

Reasons for Change to Price Target/Estimates: We are raising our 2005, 2006, and 2007 EBITDA estimates by 5%, 6%, and 6% in U.S. dollar terms, respectively. The upward revision to our forecasts is due to three factors: (1) we are incorporating into our earnings model the better-than-expected sales for April 2005; (2) we raised our EBITDA margin estimate following improved execution and increased operating leverage due to better-than-expected same-store sales (SSS); and (3) our economics team is projecting a stronger Mexican peso, which increases our U.S. dollar estimates by 4%.

The higher target price stems from the upward revision of our estimates as well as from a more aggressive target multiple. We are setting a target 12-month forward FV/EBITDA multiple for year-end 2005 of 11.9x (in line with the average of the last four years) versus 11.6x previously. We now anticipate 17.1% real peso growth for the company's EBITDA in 2005 and a last-12-months return on invested capital (LTM ROIC) of almost 22% for year-end 2005. The EBITDA CAGR for the 2000-2004 period was 16.5% in constant peso terms, while the average LTM ROIC for that period was 16.9%. Considering that we anticipate higher profit growth rates and higher returns in 2005 than the average for the last four years, we believe the stock should trade at least at the average of the last four years. Our target price offers upside potential of 9.9% in local currency for the remainder of 2005, compared with the 0.5% upside we anticipate for the IPC Index over the same period.

Valuation and Risks to Investment Thesis: Our year-end target price is based on a 12-month forward FV/EBITDA multiple of 11.9x, in line with the average of the last four years and slightly below its current level of 12.1x. Risks to our investment thesis include poorer-than-expected SSS performance, unexpected pressures on gross margin, and potential fiscal changes.

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.

With total sales of US\$12.6 billion, an EBITDA of US\$1.1 billion, and a net income of US\$702 million in 2004, Walmex is the largest Mexican food retailer. At year-end 2004, the company operated 361 self-service stores, 50 department stores, and 284 restaurants for a total selling space of 2,361,000 square meters and 63,000 seats. According to our estimates, Walmex had a market share of 43% within the formal food retail sector in 2004. Wal-Mart owns 64% of the total outstanding shares, while the remaining 36% could be considered as free float.

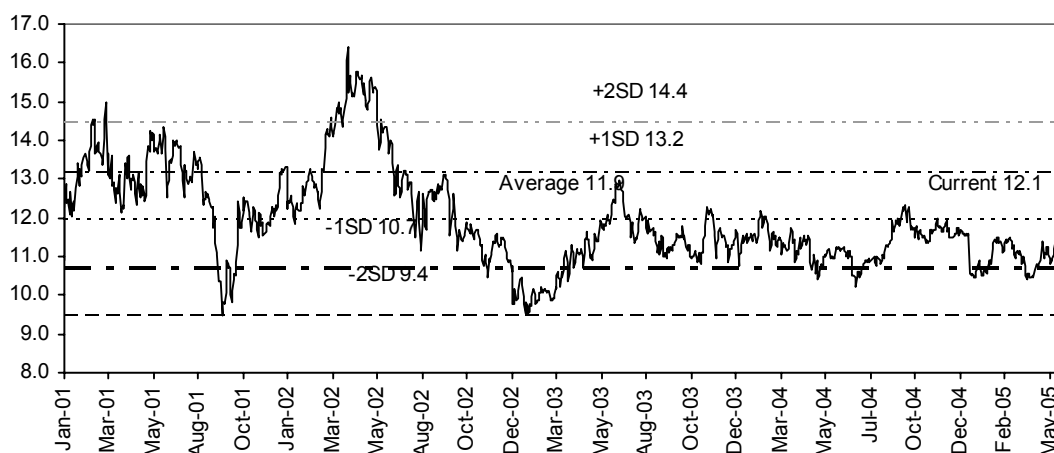
VALUATION

We are increasing our target price for year-end 2005 to US\$4.20 per local share from US\$3.90 previously, following an upward revision of our estimates as well as setting of a more aggressive target multiple. Our target 12-month forward FV/EBITDA multiple for year-end 2005 is now 11.9x, compared with 11.6x previously. Our target multiple is now in line with the last four years' average.

The reasons for setting a more aggressive target multiple are as follows. (1) After raising our earnings estimates for 2005, 2006, and 2007, we now forecast real peso EBITDA growth of 17.1% for 2005. (The EBITDA CAGR in real peso terms for the last four years was 16.5%). (2) Because of growing EBIT and our expectations for an improved working capital structure, we forecast a LTM ROIC of 21.9% for year-end 2005, which compares with a WACC of 11.3%. The average LTM ROIC for the last four years was 16.9%.

Therefore, considering that we expect higher profit growth and higher returns on investment for 2005 than was the case on average for the last four years, we believe Walmex's 12-month forward FV/EBITDA multiple should be trading at least in line with its last four years' average. Our target multiple is slightly below its current level of 12.1x.

Figure 1. Walmex – 12-Month Forward FV/EBITDA Multiple January 2001 to Date



Sources: Company reports and Santander Investment.



Figure 2. Walmex – LTM ROIC and EVA, 2000-2007E (Constant Pesos in Millions as of Dec 2005)

	2000	2001	2002	2003	2004	2005E	2006E	2007E
+ Average ST Assets Ex-Cash	10,111	11,076	12,345	12,932	14,047	14,690	16,120	18,111
+Average Net Fixed Assets	34,666	36,969	40,590	43,283	46,213	47,936	53,055	58,232
+Average Deferred Assets	0	0	0	0	0	0	0	0
-Average ST Liabilities Ex-Debt	12,700	14,225	16,130	15,934	18,068	19,791	21,851	24,551
- Average Deferred Liabilities	5,230	5,768	5,917	5,882	5,566	4,557	3,606	2,832
= Average Invested Capital	26,848	28,052	30,887	34,398	36,625	38,278	43,719	48,961
EBIT	4,905	6,139	7,170	8,056	9,895	11,726	13,706	15,722
Cash Tax Rate	27.2%	27.1%	26.8%	35.8%	26.6%	28.5%	27.6%	26.6%
NOPLAT	3,569	4,473	5,246	5,168	7,261	8,384	9,930	11,540
ROIC	13.3%	15.9%	17.0%	15.0%	19.8%	21.9%	22.7%	23.6%
WACC	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
EVA	1.8%	4.2%	5.1%	3.3%	7.7%	9.5%	10.3%	11.0%

Sources: Company reports and Santander Investment. Note that the WACC calculated at year-end 2005 is considered as a constant.

Figure 3. Latin American Retailers – Valuation Table, Closing Prices as of June 2, 2005

	Country	Rating	Current Price	Target Price	Market Cap	EV/EBITDA			P/E		
						04	05E	06E	04	05E	06E
Comerci	Mex	Hold	1.09	1.10	1,186	5.9	5.3	4.9	7.8	7.6	7.6
Cencosud	Chi	Buy	22.99	27.50	2,345	17.2	11.0	8.9	29.9	19.1	13.1
D&S	Chi	Hold	19.04	20.65	2,069	16.4	11.8	11.2	174.8	24.0	21.9
Falabella	Chi	Uperf	2.13	2.15	5,081	19.8	16.2	13.7	25.7	18.9	15.7
Gigante	Mex	Uperf	0.68	0.70	663	5.7	5.0	4.3	20.1	15.7	11.6
Globex	Bra	Uperf	4.49	3.95	405	9.8	8.6	7.0	22.0	20.5	18.3
Liverpool	Mex	Uperf	2.04	1.60	2,735	7.0	8.5	7.6	10.2	13.0	11.7
L. Americanas	Bra	Buy	19.77	19.30	1,343	12.3	11.7	9.5	48.5	25.5	15.0
Natura	Bra	Buy	33.58	28.80	2,869	27.1	14.7	12.4	39.3	29.9	25.0
Pão de Açúcar	Bra	Buy	21.85	28.25	2,480	12.6	8.4	6.6	22.9	14.7	9.0
Saraiva	Bra	Hold	5.58	5.00	131	6.3	6.8	8.3	17.0	12.4	16.9
Soriana	Mex	Hold	3.97	3.85	2,385	6.0	6.0	5.4	9.1	10.2	9.1
Walmex	Mex	Buy	4.04	4.20	17,876	15.4	13.0	11.4	25.4	22.5	19.5
Average						16.1	12.8	11.0	34.3	21.6	18.0

Sources: Company reports and Santander Investment estimates.

MACROECONOMIC ASSUMPTIONS

Figure 4. Mexico – Select Economic Projections, 2003-2006F

	2003	2004	2005F	2006F
Real GDP (%)	1.4%	4.4%	4.0%	4.0%
CPI Inflation (%)	4.0%	5.2%	3.8%	4.0%
US\$ Exchange Rate (Year-End)	11.24	11.15	11.40	12.00
US\$ Exchange Rate (Average)	10.79	11.29	11.22	11.94
Interest Rate (Year-End)	6.0%	8.5%	10.0%	8.8%
Interest Rate (Average)	6.2%	6.8%	9.7%	8.9%
Fiscal Balance (% of GDP)	-0.6%	-0.3%	-0.2%	-0.2%
Current Account Balance (% of GDP)	-1.4%	-1.3%	-1.7%	-2.0%
International Reserves (US\$ Bn)	56.1	61.5	63.9	65.2
Total External Debt (% of GDP)	22.2%	21.2%	20.0%	19.7%

Source: Santander Investment historicals and forecasts.

RISKS TO INVESTMENT THESIS

Lower-than-expected SSS would negatively impact EBITDA.

A poorer-than-expected SSS performance would have a negative impact on our top-line growth estimate in addition to likely eroding the EBITDA margin following a decrease in the company's operating leverage. This would lower our estimate of EBITDA growth and therefore, could negatively impact our target price.

A worse-than-expected working capital would damage FCF.

An unexpected worsening of the company's working capital structure could affect both target price and rating negatively. If inventory turns perform worse than expected and/or payables deteriorate following a potentially more aggressive strategy with suppliers, it would likely hurt the whole working capital structure, thus having a negative impact on free cash flow generation.

Unexpected pressures on gross margin might threaten Buy rating.

We expect the gross margin to remain fairly stable going forward, as any cost benefit would likely be translated into lower prices for consumers. However, if a massive opening of low-gross-margin formats (bodegas, clubs) and/or there was stepped-up competition, and/or deteriorated macroeconomic conditions put pressure on the gross margin, negatively affecting EBITDA, returns on investment, and cash flow generation, that could threaten our target price and Buy rating.

A slowdown in expansion would hurt our estimates.

An unexpected slow down of the company's expansion plan also could have a negative effect on our estimates. A significant portion of the future EBITDA growth we forecast should come from sales-floor expansion. If that expansion were to be moderated, our estimates could be negatively affected.

EARNINGS REVISIONS

Figure 5. Walmex— Estimate Revisions, 2005E-2007E (U.S. Dollars in Millions^a)

	2005E			2006E			2007E		
	Previous	Current	Change	Previous	Current	Change	Previous	Current	Change
Revenue	13,773	14,332	4%	15,352	15,935	4%	17,602	18,278	4%
EBITDA	1,232	1,296	5%	1,399	1,488	6%	1,634	1,737	6%
Op. Profit	975	1,029	6%	1,110	1,188	7%	1,302	1,391	7%
Op. Margin	7.1%	7.2%	1%	7.2%	7.5%	3%	7.4%	7.6%	3%
Net Income	745	796	7%	849	917	8%	989	1,067	8%
EPS	0.17	0.18	5%	0.19	0.21	7%	0.23	0.24	7%

^aExcept per share data. Sources: Company reports and Santander Investment estimates.

We are raising our 2005, 2006, and 2007 estimates for three reasons. (1) better than expected SSS performance year to date; (2) increased expectations for the EBITDA margin following improved execution and a higher operating leverage; and (3) expectations of a stronger FX rate. The fact that we now expect 4% higher sales for the three estimated years is mostly due to the stronger expected FX and, to a lesser extent, increased expectations for SSS for 2005 (we now anticipate 4.5% real peso growth versus 4.0% previously). The increase in our EBITDA estimates is the result of higher expected sales, as well as a slightly wider gross margin following improved execution and increased operating leverage that should help to further dilute expenses thanks to faster-than-expected SSS growth. The improvement in our forecast for net income is based on higher EBIT expectations, as well as increased estimates for interest gains, owing to a higher average cash position and higher interest rates.



FINANCIAL STATEMENTS

Figure 6. Wal-Mart— Income Statement, Balance Sheet, and CF Statement, 2004-2007E (U.S. Dollars in Millions)

Income Statement	2004	%	2005E	%	2006E	%	2007E	%
Sales	12,597.9	100.0	14,331.6	100.0	15,935.1	100.0	18,277.6	100.0
Cost of Sales	-9,948.8	-79.0	-11,291.1	-78.8	-12,539.6	-78.7	-14,384.8	-78.7
Gross Profit	2,649.1	21.0	3,040.5	21.2	3,395.5	21.3	3,892.8	21.3
Oper. and Adm. Expenses	-1,794.1	-14.2	-2,011.9	-14.0	-2,207.7	-13.9	-2,501.6	-13.7
Operating Profit	855.0	6.8	1,028.6	7.2	1,187.8	7.5	1,391.2	7.6
Depreciation	234.7	1.9	267.1	1.9	299.9	1.9	345.6	1.9
EBITDA	1,089.7	8.6	1,295.6	9.0	1,487.7	9.3	1,736.7	9.5
Financing Costs	91.6	0.7	104.5	0.7	104.2	0.7	117.4	0.6
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Earned	68.9	0.5	82.3	0.6	74.6	0.5	77.9	0.4
Monetary Gain/Loss	22.5	0.2	23.0	0.2	32.9	0.2	41.1	0.2
FX Gain/Loss	0.3	0.0	-0.8	0.0	-3.2	0.0	-1.5	0.0
Other Financial Operations	-18.7	-0.1	-21.3	-0.1	-23.6	-0.1	-27.1	-0.1
Profit before Taxes	927.9	7.4	1,111.8	7.8	1,268.4	8.0	1,481.5	8.1
Tax Provision	-225.5	-1.8	-316.0	-2.2	-351.2	-2.2	-414.8	-2.3
Profit after Taxes	702.4	5.6	795.8	5.6	917.2	5.8	1,066.7	5.8
Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	702.4	5.6	795.8	5.6	917.2	5.8	1,066.7	5.8
Balance Sheet	2004	%	2005E	%	2006E	%	2007E	%
Assets	6,446.1	100.0	6,975.4	100.0	7,443.5	100.0	8,367.5	100.0
Short-Term Assets	2,341.8	36.3	2,339.7	33.5	2,404.7	32.3	2,739.7	32.7
Cash and Equivalents	1,062.5	16.5	972.9	13.9	920.9	12.4	1,037.6	12.4
Accounts Receivable	174.1	2.7	158.7	2.3	176.5	2.4	202.5	2.4
Inventories	1,073.7	16.7	1,172.1	16.8	1,267.4	17.0	1,453.9	17.4
Other Short-Term Assets	31.5	0.5	35.9	0.5	39.9	0.5	45.7	0.5
Long-Term Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Assets	4,104.4	63.7	4,635.7	66.5	5,038.8	67.7	5,627.8	67.3
Deferred Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	2,235.4	34.7	2,362.5	33.9	2,462.9	33.1	2,730.1	32.6
Short-T. Liabilities	1,775.4	27.5	1,984.0	28.4	2,169.0	29.1	2,488.2	29.7
Suppliers	1,436.6	22.3	1,599.5	22.9	1,742.0	23.4	1,998.3	23.9
Short-Term Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other ST Liabilities	338.8	5.3	384.5	5.5	427.0	5.7	489.9	5.9
Long-Term Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Liabilities	445.5	6.9	363.8	5.2	279.3	3.8	227.0	2.7
Other Liabilities	14.5	0.2	14.7	0.2	14.6	0.2	14.9	0.2
Majority Net Worth	4,210.7	65.3	4,612.9	66.1	4,980.6	66.9	5,637.4	67.4
Net Worth	4,210.7	65.3	4,612.9	66.1	4,980.6	66.9	5,637.4	67.4
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow	2004		2005E		2006E		2007E	
Net Majority Earnings	702.4		795.8		917.2		1,066.7	
Non-Cash Items	206.9		177.7		206.5		260.8	
Changes in Working Capital	-76.5		132.0		98.9		113.4	
Capital Increases/Dividends	-393.4		-451.8		-485.3		-498.8	
Change in Debt	0.0		0.0		0.0		0.0	
Capital Expenditures	-486.8		-720.0		-740.7		-808.5	
Net Cash Flow	-47.4		-66.2		-3.4		133.5	
Beginning Treasury	1,109.8		1,039.1		924.3		904.1	
Ending Treasury	1,062.4		972.9		920.9		1,037.6	

Sources: Company reports and Santander Investment estimates.

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Figure 7. Walmex— Income Statement, Balance Sheet, and CF Statement, 2004-2007E (Millions of Constant Pesos as of December 2005, CF Statement in Nominal Pesos)

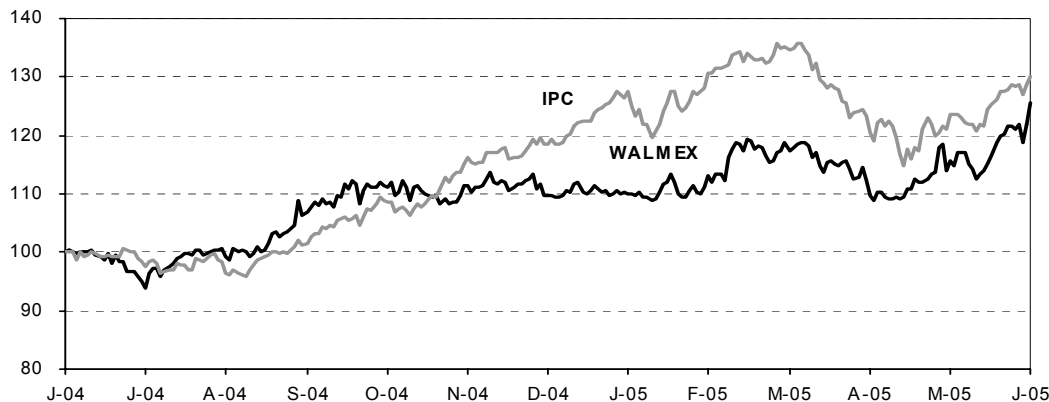
Income Statement	2004	%	2005E	%	2006E	%	2007E	%
Sales	145,798.9	100.0	163,380.0	100.0	183,874.2	100.0	206,566.2	100.0
Cost of Sales	-115,140.6	-79.0	-128,718.3	-78.8	-144,693.5	-78.7	-162,571.3	-78.7
Gross Profit	30,658.3	21.0	34,661.7	21.2	39,180.7	21.3	43,994.9	21.3
Oper. and Adm. Expenses	-20,763.2	-14.2	-22,936.0	-14.0	-25,474.6	-13.9	-28,272.6	-13.7
Operating Profit	9,895.1	6.8	11,725.7	7.2	13,706.2	7.5	15,722.3	7.6
Depreciation	2,716.2	1.9	3,044.7	1.9	3,460.8	1.9	3,905.6	1.9
EBITDA	12,611.3	8.6	14,770.3	9.0	17,167.0	9.3	19,628.0	9.5
Financing Costs	1,059.7	0.7	1,190.9	0.7	1,202.6	0.7	1,327.1	0.6
Interest Paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest Earned	796.9	0.5	937.9	0.6	860.3	0.5	880.4	0.4
Monetary Gain/Loss	259.8	0.2	262.1	0.2	379.4	0.2	464.0	0.2
FX Gain/Loss	3.0	0.0	-9.2	0.0	-37.0	0.0	-17.4	0.0
Other Financial Operations	-216.3	-0.1	-242.4	-0.1	-272.8	-0.1	-306.4	-0.1
Profit before Taxes	10,738.4	7.4	12,674.2	7.8	14,636.0	8.0	16,742.9	8.1
Tax Provision	-2,609.5	-1.8	-3,602.2	-2.2	-4,052.1	-2.2	-4,688.0	-2.3
Profit after Taxes	8,129.0	5.6	9,071.9	5.6	10,583.9	5.8	12,054.9	5.8
Subsidiaries	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	8,129.0	5.6	9,071.9	5.6	10,583.9	5.8	12,054.9	5.8
Balance Sheet	2004	%	2005E	%	2006E	%	2007E	%
Assets	74,602.7	100.0	79,519.4	100.0	85,890.2	100.0	94,566.0	100.0
Short-Term Assets	27,101.8	36.3	26,672.1	33.5	27,747.4	32.3	30,962.5	32.7
Cash and Equivalents	12,296.5	16.5	11,091.2	13.9	10,626.3	12.4	11,726.4	12.4
Accounts Receivable	2,014.4	2.7	1,809.7	2.3	2,036.7	2.4	2,288.1	2.4
Inventories	12,426.1	16.7	13,362.4	16.8	14,624.4	17.0	16,431.4	17.4
Other Short-Term Assets	364.7	0.5	408.7	0.5	460.0	0.5	516.7	0.5
Long-Term Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed Assets	47,500.9	63.7	52,847.3	66.5	58,142.8	67.7	63,603.5	67.3
Deferred Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	25,870.7	34.7	26,932.2	33.9	28,419.0	33.1	30,854.1	32.6
Short-T. Liabilities	20,546.9	27.5	22,617.2	28.4	25,027.8	29.1	28,120.2	29.7
Suppliers	16,626.0	22.3	18,233.9	22.9	20,100.5	23.4	22,584.0	23.9
Short-Term Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other ST Liabilities	3,921.0	5.3	4,383.3	5.5	4,927.4	5.7	5,536.2	5.9
Long-Term Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred Liabilities	5,156.2	6.9	4,147.3	5.2	3,223.1	3.8	2,565.5	2.7
Other Liabilities	167.5	0.2	167.6	0.2	168.0	0.2	168.4	0.2
Majority Net Worth	48,732.0	65.3	52,587.3	66.1	57,471.2	66.9	63,711.9	67.4
Net Worth	48,732.0	65.3	52,587.3	66.1	57,471.2	66.9	63,711.9	67.4
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash Flow	2004		2005E		2006E		2007E	
Net Majority Earnings	7,831.3		9,071.9		11,006.8		13,038.1	
Non-Cash Items	2,307.4		2,026.3		2,478.4		3,188.3	
Changes in Working Capital	-853.3		1,504.9		1,186.3		1,385.9	
Capital Increases/Dividends	-4,386.0		-5,150.6		-5,823.1		-6,097.3	
Change in Debt	0.0		0.0		0.0		0.0	
Capital Expenditures	-5,427.4		-8,207.5		-8,888.8		-9,883.1	
Net Cash Flow	-528.0		-755.0		-40.4		1,631.9	
Beginning Treasury	12,374.3		11,846.2		11,091.2		11,050.9	
Ending Treasury	11,846.2		11,091.2		11,050.9		12,682.7	

Sources: Company reports and Santander Investment estimates.



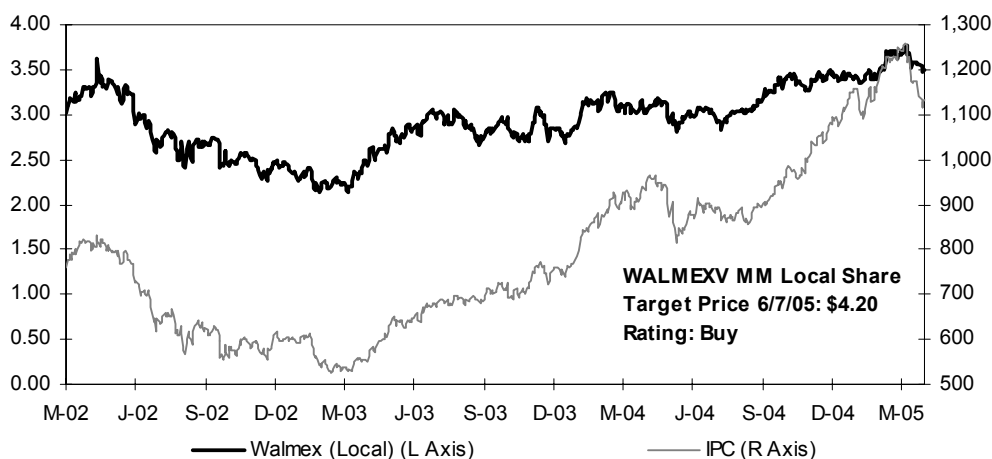
IMPORTANT DISCLOSURES

Walmex – 12-Month Relative Performance (U.S. Dollars)



Sources: Bloomberg and Santander Investment.

Walmex Local Share – Three-Year Stock Performance (U.S. Dollars)

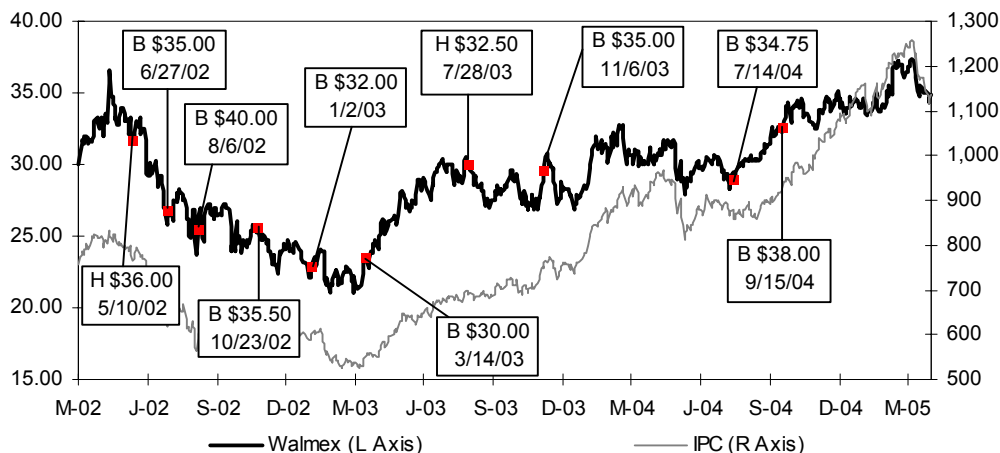


Analyst Recommendations and Price Objectives

- SB: Strong Buy
- B: Buy
- H: Hold
- UP: Underperform
- S: Sell
- UR: Under Review

Due to the decreased liquidity of the Walmex ADR (WMMVY), we have switched our coverage to the local share: (WALMEXV MM) as of June 7, 2005. Our target price has been adjusted accordingly. Source: Santander Investment.

Walmex – Three-Year Stock Performance (U.S. Dollars)



Analyst Recommendations and Price Objectives

- SB: Strong Buy
- B: Buy
- H: Hold
- UP: Underperform
- S: Sell
- UR: Under Review

Source: 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%	73.33%
Buy	Expected to outperform the local market 5%-15%.		
Hold	Expected to perform within a range of 5% above or below the local market.	25.22%	13.33%
Underperform	Expected to underperform the local market 5%-15%.	10.43%	--
Sell	Expected to underperform the local market more than 15%.		
Under Review		9.57%	13.33%

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.

Ratings are established when the firm sets a target price and/or when maintaining or reiterating the rating. Ratings may not coincide with the above methodology due to price volatility. Management reserves the right to maintain or to modify ratings on any specific stock and will disclose this in the report when it occurs. Valuation methodologies vary from stock to stock, analyst to analyst, and country to country. Any investment in Latin American equities is, by its nature, risky. A full discussion of valuation methodology and risks related to achieving the target price of the subject security is included in the body of this report.

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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Grupo Santander receives non-investment banking revenue from the subject company.

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