

# EARNINGS REPORT 1st Quarter 2007

## S.A.C.I. FALABELLA



April 2007

## Results – First Quarter 2007

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#### Notes:

1. All figures in dollars are calculated using pesos in the Uniform Codified Statistical Record (FECU) as of March 31, 2007 and the observed dollar exchange rate for April 2, 2007 (CH\$539.21 per US\$1).
2. Symbols: 1Q (first quarter), 2Q (second quarter), 3Q (third quarter), and 4Q (fourth quarter).
3. Other symbols for periods in the year: 1S (first semester) and 9M (first nine months of the year).
4. Currency symbols: CH\$: Chilean pesos; US\$: U.S. dollars; MM: millions.

## I. Executive Summary

THE CUMULATIVE CONSOLIDATED PROFIT OF FALABELLA ROSE 20.2% AS OF MARCH 2007, TO MMCH\$51,323 (MMUS\$95.2). THE PROFIT PER SHARE THUS REACHED CH\$21.5 IN 1Q.

- Consolidated revenues totaled MMCH\$638,281 in 1Q 2007 (MMUS\$1,183.7, 19.8% higher than the previous year), driven by the opening of 8 stores in the first quarter of 2007 (4 in Chile, 2 in Peru and 2 in Colombia) and 22 stores during 2006.
- Operating income grew 36.3% as of March 2007, to MMCH\$67,226 (MMUS\$124.7). Of significant impact in this growth was the consolidation of Mall Plaza<sup>1</sup> starting in 1Q 2007. If Mall Plaza is excluded from 1Q 2007, the growth in operating income was 17.3%.
- The 1Q 2007 EBITDA rose 34.4%, to MMCH\$81,811 (MMUS\$151.7). The Adjusted EBITDA<sup>2</sup> was MMCH\$90,519 as of March 31<sup>st</sup> (MMUS\$167.9), which represents 14.2% of consolidated sales.
- There was a cumulative non-operating loss of MMCH\$2,120 (MMUS\$3.9) as of March 31, 2007, which compares to a profit of MMCH\$639 (MMUS\$1.2) in 1Q 2006. The cause was principally an increase in financial expenses and a reduction in the Profit on Investments in Related Companies, both concepts affected by the consolidation of Mall Plaza in 1Q 2007 (see footnote N°1).
- Finally, the Profit before income tax and extraordinary items rose 30.3% during 1Q 2007. The difference versus growth in Net Income is mainly due to an increase in the income tax provision.

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<sup>1</sup> Plaza Oeste S.A., Puente Alto S.A., Plaza La Serena S.A. and Plaza del Trebol S.A. began to be consolidated as of 1Q 2007, which include the Plaza Oeste, Plaza Norte, Plaza Antofagasta, Plaza Tobaraba, Plaza La Serena, Plaza del Trebol and Plaza Los Angeles malls. Mall Plaza Vespucio is excluded.

<sup>2</sup> Adjusted EBITDA = EBITDA + profit/loss on investment in related companies.

## II. Consolidated Income Statement as of March 31, 2007

### Consolidated Earnings January - March 2007 (MMCH\$)

	1Q'07	% Ingresos	1Q'06	% Ingresos	Var. 07/06
Revenues	638,281		532,734		19.8%
COGS (less)	(454,049)	-71.1%	(382,330)	-71.8%	18.8%
<b>GROSS MARGIN</b>	<b>184,232</b>	<b>28.9%</b>	<b>150,404</b>	<b>28.2%</b>	<b>22.5%</b>
SG&A (less)	(117,007)	-18.3%	(101,077)	-19.0%	15.8%
<b>OPERATING INCOME</b>	<b>67,226</b>	<b>10.5%</b>	<b>49,328</b>	<b>9.3%</b>	<b>36.3%</b>
<b>EBITDA</b>	<b>81,811</b>	<b>12.8%</b>	<b>60,854</b>	<b>11.4%</b>	<b>34.4%</b>
Interest Income	1,309		587		122.8%
Profit on investment in related companies	8,717		10,503		-17.0%
Other non-operating income	5,911		1,083		445.7%
Lost on investment in related companies (less)	(9)		(18)		-51.4%
Amortization of goodwill	(3,664)		(3,339)		9.7%
Interest expenses (less)	(10,609)		(7,236)		46.6%
Other non-operating expenses (less)	(2,994)		(1,780)		68.2%
Price-level restatement	(584)		1,308		-144.7%
Exchange differentials	(197)		(469)		-58.0%
<b>NON-OPERATING PROFIT (LOSS)</b>	<b>(2,120)</b>	<b>-0.3%</b>	<b>639</b>	<b>0.1%</b>	<b>-431.6%</b>
<b>PROFIT BEFORE INCOME TAX &amp; EXTRAORD. ITMES</b>	<b>65,106</b>	<b>10.2%</b>	<b>49,967</b>	<b>9.4%</b>	<b>30.3%</b>
INCOME TAX	(10,716)		(6,837)		56.7%
EXTRAORDINARY ITEMS	0		0		
MINORITY INTEREST	(3,068)		(442)		593.4%
<b>NET PROFIT (LOSS)</b>	<b>51,323</b>		<b>42,687</b>		<b>20.2%</b>
Amortization of negative goodwill	1		1		-18.9%
<b>PROFIT (LOSS) IN THE FISCAL YEAR</b>	<b>51,323</b>	<b>8.0%</b>	<b>42,688</b>	<b>8.0%</b>	<b>20.2%</b>
<b>Adjusted EBITDA<sup>3</sup></b>	<b>90,519</b>	<b>14.2%</b>	<b>71,339</b>	<b>13.4%</b>	<b>26.9%</b>

<sup>3</sup> Adjusted EBITDA = EBITDA + profit/loss on investment in related companies

### III. Consolidated Earnings Analysis

#### Operating Income

The consolidated operating income rose 36.3% in 1Q 2007, reaching 10.5% of revenues, or 127 basis points above the previous year. Of this 36.3% growth, 19% came from the consolidation of Mall Plaza (see footnote 1) and 17.3% from the good performance in virtually all of the group's subsidiaries, particularly Peru, Sodimac Chile, Sociedad de Rentas, Financial Retail in Chile and, to a lesser extent, Falabella Chile.

#### *Sales Revenue*

Cumulative revenues as of March 31, 2007 totaled MMCH\$638,281 (MMUS\$1,183.7), meaning a growth of 19.8% above the previous year. This growth was due in part to the consolidation of Mall Plaza and principally to the good performance in all the business units, particularly Supermercados San Francisco (+37.7%), Peru (+36.7%), Argentina (+19.0%), and Falabella Colombia. The revenues of Falabella Retail Chile rose 7.9% in 1Q and those of Sodimac Chile 12.9%.

#### *Gross Margin*

The cumulative gross margin for the year rose 63 basis points on revenues, as compared to the previous year, totaling 28.9% on sales or MMCH\$184,232 (MMUS\$341.7). This increase of 63 basis points came from an improvement in gross margins in practically all business units, and especially from the consolidation of Mall Plaza, which has a higher gross margin than the rest of Falabella, seen as a percentage of revenues.

#### *Selling, General and Administrative Expenses (SGA)*

SGA dropped 64 basis points as a percentage of sales in 1Q 2007, to 18.3% on revenues, or MMCH\$ 117,007 (MMUS\$ 217.0). This 64 basis point improvement was mainly the result of a mix effect by consolidating Mall Plaza, which has less SGA than the rest of Falabella, taken as a percentage of sales. Moreover, except for Financial Retail and Sociedad de Rentas, the remaining business units increased their SGA as a percentage of revenues, basically because they are in the process of opening a significant number of stores.

#### Non-Operating Income Analysis

Non-operating income fell significantly in 1Q 2007, resulting in a loss of MMCH\$2,120 (MMUS\$3.9) as compared to a profit of MMCH\$639 (MMUS\$1.2) in the same period in 2006.

This decrease of MMCH\$2,759 came mainly from the following (in order of magnitude):

- Financial expenses: an increase of MMCH\$3,373, 46.6% higher than the previous year. 60% of this increase is due to the consolidation of Mall Plaza. The remaining 40% is explained by a higher average debt in 1Q 2007 as compared to the same period in 2006, mainly due to the placement of two bonds in Chile for a total of UF 8,500,000 (approximately MMUS\$290).

- Profit/loss on investments in related companies: there was a net reduction of MMCH\$1,777 in profits recognized by Falabella, or -16.9% in comparison to the previous year, principally in the following related companies:
  - Mall Plazas that consolidate:<sup>4</sup> the recognized profit is no longer recorded in this line and was therefore reduced in full (reduction of MMCH\$2,407).
  - Mall Plaza Vespucio: the recognized profit rose by MMCH\$178, a 16.2% higher than the previous year.
  - Banco Falabella: grew 7.4% to MMCH\$5,718, which means an increase of MMCH\$396.
  - Farmacias Ahumada: grew 49.5% to a recognized profit of MMCH\$419, which is equal to an increase of MMCH\$139.
  - Sodimac Colombia: the recognized profit fell MMCH\$77, or -7.0%, to MMCH\$1,032.
- Price-Level Restatement plus Exchange Differential: a drop of MMCH\$1,620, resulting in a loss of MMCH\$781.
- Other Non-Operating Expenses: an increase of MMCH\$1,214 in disbursements, or +68.2%, mainly due to an extraordinary provision in other investments.

The above was partially offset by the changes in:

- Other Non-Operating Income: an increase of MMCH\$4,828, 445.7% higher than the previous year, mainly due to an extraordinary income related to the Falabella store in Mall La Dehesa.
- Interest Income: an increase of MMCH\$721, or a growth of 122.8%.

### Main Events in 1Q 2007

- In Chile, 1 Falabella store was opened in downtown Santiago, 1 Homecenter Sodimac in Iquique, and 2 Tottus stores in Santiago. On the date of this report (April), a Homecenter Sodimac was inaugurated in the Mall Plaza Antofagasta.
- In Peru, 1 Falabella store was opened in Cajamarca and 1 Homecenter Sodimac in Lima.
- In Colombia, 2 Homecenter Sodimac stores were opened: one in Bogota and another in Cali. On the date of this report (April), a Falabella store had been inaugurated in the Suba Shopping Center in Bogota. This latter corresponded to the second Falabella store opened in Colombia.
- Falabella TV was launched in Peru.
- On January 8, 2007, the shares that Cencosud held in Mall Plaza were purchased. Falabella thus came to hold a 64.5% interest in Plaza Oeste S.A., Puente Alto S.A., Plaza La Serena S.A. and Plaza del Trebol S.A. and as of 1Q 2007, their financial statements are

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<sup>4</sup> Refers to Plaza Oeste S.A., Puente Alto S.A., Plaza La Serena S.A. and Plaza del Trebol S.A. Only Plaza Vespucio S.A. is excluded.

- being consolidated. These companies include Malls Plaza Oeste, Plaza Norte, Plaza Antofagasta, Plaza Tobalaba, Plaza La Serena, Plaza del Trebol and Plaza Los Angeles. Mall Plaza Vespucio is not included, which continues to be an Investment in Related Companies.
- On March 28, 2007, through a material event notified to the Superintendency of Securities and Insurance (SVS), Falabella reported that it would propose a capital increase of 250 million shares, equal to approximately US\$1,070 million (using the per-share price at the close of March 29, 2007). On April 24, 2007, a Special Shareholders Meeting was held that approved that capital increase.  
The principal objective of authorizing the capital increase was to give Falabella's management flexibility of resources to expand and/or accelerate the investment plan and have alternatives available for potential growth opportunities in new businesses and markets.
  - Also on March 28, 2007, notified as a material event to the SVS, Falabella reported that it would propose a capital increase of 20,236,133 shares, equal to approximately US\$87 million (using the per-share price at the close of March 29, 2007). On April 24, 2007, a Special Shareholders Meeting was held that approved that capital increase.  
The objective of this capital increase is to continue with the stock option compensation plan for Falabella executives, begun in 2005.

## IV. Retail Indicators

### 1. Revenues from Retail Businesses

**Retail Revenue (MUS\$)<sup>5</sup>**  
(Adjusted Chilean pesos converted to USD at the observed e/r for April 2, 2007)

	1Q 2007	1Q 2006	Var. 07/06
Department Stores - Chile	290,308	269,176	7.9%
Home Improvement - Chile	416,657	368,890	12.9%
Supermarkets - Chile	98,684	71,670	37.7%
Retail - Peru (Saga, Sodimac & Tottus)	140,173	107,195	30.8%
Department Stores - Argentina	46,157	39,477	16.9%
Retail - Colombia (Falabella & Sodimac)	110,859	73,871	50.1%

**Same Store Sales (SSS) Growth<sup>6</sup>**  
(all growth is real and was calculated in the local currency of each country)

	1Q 2006	1S 2006	9M 2006	2006	1Q 2007
Department Stores - Chile	3.9%	2.0%	-1.1%	2.2%	7.6%
Home Improvement - Chile	9.7%	10.4%	10.4%	8.9%	7.9%
Supermarkets - Chile	1.0%	1.6%	0.6%	1.7%	2.2%
Retail - Peru (Saga, Sodimac y Tottus)	5.2%	2.5%	1.1%	2.2%	4.9%
Department Stores - Argentina	-2.5%	6.6%	3.3%	4.5%	17.8%

#### *Chile Department Stores*

Revenues rose 7.9% during 1Q 2007, driven mainly by the same store sales growth (7.6%) and a 6.3% increase in square meters of selling space in the last 12 months.

#### *Chile Home Improvement*

The growth in revenues in 1Q 2007 (12.9%) was due mainly to the 7.9% same store sales growth, plus the increase of 7.3% in square meters of selling space thanks to the opening of 7 stores and the enlargement of another.

#### *Chile Supermarkets*

Revenues rose 37.7% during 1Q 2007. This rise stemmed fundamentally from the opening of 6 stores in the last 12 months that resulted in an increase of 70% in selling space.

#### *Peru*

The rise in the revenues from the retail business in Peru during 1Q 2007 (encompassing SagaFalabella, Sodimac and Tottus) was 30.8%. The increase was driven mainly by the opening of 5 stores, which resulted in a 34% climb in selling space.

#### *Argentina*

Revenues grew 16.9% in 1Q 2007. The 17.8% same store sales growth was fundamental in this sales growth.

<sup>5</sup> Excludes revenue from the credit business.

<sup>6</sup> All new stores and those that are enlarged by more than 10% in terms of square meters are excluded in the calculation of same store sales growth.



### Colombia

The revenues of Sodimac and Falabella Colombia rose 50.1% in the aggregate. This growth came from the opening of 3 Sodimac stores, resulting in an increase of 36% in selling space in the last twelve months, and from the opening of the first Falabella department store.

## 2. Number of Stores and Floor Space<sup>7</sup>

Sales Area	March 2007		March 2006	
	Area (m <sup>2</sup> )	Stores	Area (m <sup>2</sup> )	Stores
Department Stores - Chile	187,977	35	176,834	34
Home Improvement - Chile	421,995	56	393,262	55
Supermarkets - Chile	68,069	18	40,087	12
Department Stores - Peru	67,278	12	57,027	10
Hypermarkets - Peru	30,335	4	23,104	3
Home Improvement - Peru	38,757	4	21,704	2
Department Stores - Argentina	39,817	7	39,817	7
Department Stores - Colombia	10,268	1	0	0
Home Improvement - Colombia	126,207	12	93,129	9
<b>Total</b>	<b>989,589</b>	<b>149</b>	<b>844,965</b>	<b>132</b>

### Chile Department Stores

3 new stores were opened in Chile in the 12 months since March 31, 2006 and approximately 11,100 square meters of selling space were added. This came from the opening of the stores in Mall Plaza Antofagasta (9,164 m<sup>2</sup>, Oct-2006), La Calera (4,994 m<sup>2</sup>, Nov-2006) as well as Ahumada 346 (1,864 m<sup>2</sup>, Jan-2007, in replacement of the store at Ahumada 218 that had 754 m<sup>2</sup>). In addition, the Plaza Oeste store was enlarged in December 2006 to add 4,215 m<sup>2</sup> of selling space while the store in downtown Antofagasta was closed (8,344 m<sup>2</sup>, December 31, 2006).

### Chile Home Improvement

7 Home Improvement stores were opened in the 12 months since March 31, 2006 while the net selling space rose by approximately 28,700 m<sup>2</sup>. Stores were opened in Plaza Oeste (14,400 m<sup>2</sup>, May-2006, in replacement of the old store of 10,132 m<sup>2</sup>), La Calera (7,905 m<sup>2</sup>, Jul-2006), Puerto Montt (9,465 m<sup>2</sup>, Aug-2006, in replacement of the old store of 7,839 m<sup>2</sup>), Constructor Fontova (7,351 m<sup>2</sup>, Sep-2006, in replacement of the old store of 5,691 m<sup>2</sup>), San Felipe (9,453 m<sup>2</sup>, Nov-2006, in replacement of the old store of 3,818 m<sup>2</sup>), Arica (6,267 m<sup>2</sup>, Dec-2006, in replacement of the old store of 5,501 m<sup>2</sup>), and Iquique (9,955 m<sup>2</sup>, Feb-2007, in replacement of the old store of 4,722 m<sup>2</sup>). The La Florida Homecenter was also enlarged (+1,640 m<sup>2</sup>, Sep-2006).

### Chile Supermarkets

6 new San Francisco supermarkets were opened in the 12 months since March 31, 2006 and the selling space rose by approximately 27,600 m<sup>2</sup>: Tottus La Calera (3,511 m<sup>2</sup>, Jul-2006), Tottus Fontova (4,591 m<sup>2</sup>, Sep-2006), Tottus Mall Plaza Antofagasta (5,180 m<sup>2</sup>, Sep-2006), Tottus Mall Plaza Oeste (5,149 m<sup>2</sup>, Dec-2006), Tottus Puente Alto II (4,580 m<sup>2</sup>, Jan-07) and Tottus La Florida (4,971 m<sup>2</sup>, Mar-07).

<sup>7</sup> The six Ahumada stores are counted separately among the Chile Department Stores. Stores are described more thoroughly in the appendices.

### Peru

5 new stores were opened in Peru in the last 12 months while selling space rose by approximately 34,500 m<sup>2</sup>. The stores opened were: Tottus Atocongo (7,231 m<sup>2</sup>, 2Q-2006), Homecenter Sodimac Atocongo (8,440 m<sup>2</sup>, 2Q-2006), Homecenter Sodimac Javier Prado (8,613 m<sup>2</sup>, 1Q-2007), Falabella Megaplaza (9,096 m<sup>2</sup>, 4Q-2006) and Falabella Cajamarca (1,155 m<sup>2</sup>, 1Q-2007).

### Colombia

Finally, in Colombia, 4 new stores were opened in the last 12 months and selling space rose by approximately 43,300 m<sup>2</sup>. The new stores were: Homecenter Medellin San Juan (13,406 m<sup>2</sup>, 3Q-2006), HC Cali Norte (13,500 m<sup>2</sup>, 1Q-2007), Homecenter Suba (6,172 m<sup>2</sup>, 1Q-2007) and the first Falabella department store in Colombia, in Mall Santa Fe (10,268 m<sup>2</sup>, Nov-2006).

## 3. Inventories<sup>8</sup>

### Days in Inventory

	1Q 2006	1S 2006	9M 2006	2006	1Q 2007
Department Stores - Chile	94	86	88	81	86
Home Improvement - Chile	64	70	77	78	65
Supermarkets - Chile	23	23	26	34	35
Department Stores - Peru	112	104	100	93	107
Home Improvement - Peru	102	113	125	144	151
Hypermarkets - Peru	38	38	38	40	35
Department Stores - Argentina	101	95	90	82	109

There was an increase in inventory days in department stores in general related to seasonality. This should tend to drop in the second quarter. There was an increase in days in inventory in Sodimac Peru because of the opening of the Javier Prado store at the end of 1Q 2007.

<sup>8</sup> Days in Inventory = Inventories at the end of the period divided by the cumulative sales cost, using in 30-day months.

## V. Operating Income of Business Units

### 1. Chile Department Stores – Retail Only (Individual FECU for SACI Falabella)

Department store operating income rose 0.3% in 1Q 2007, to MMUS\$4.1. Also notable is the 12.4% increase in the EBITDA, that reached MMUS\$10.1. This was the result of an increase of 7.9% in revenues, accompanied by a gross margin of 27.1%, or 50 basis points higher than 1Q 2006. The rise of 30 basis points in SGA w/o depreciation is due mainly to an increase in corporate expenses (those of the holding company are recorded in the Individual Fecu of Falabella), leases, advertising and other expenses.

#### Chile Department Stores (MMUS\$ and percentage of sales)

	1Q 2007	1Q 2006	Var. (pts.)
Revenues	290.3	269.2	7.9%
Costs	-72.9%	-73.3%	-0.5
Gross Margin	27.1%	26.7%	0.5
SGA w/o depreciation	-23.7%	-23.3%	0.3
EBITDA	3.5%	3.3%	0.1
Depreciation + Amortization	-2.0%	-1.8%	0.2
Operating Profit (Loss)	1.4%	1.5%	-0.1

### 2. Chile Home Improvement Chile –Retail Only

Sodimac Chile's operating income was MMUS\$ 26.8 as of March 31, 2007, growing 18.7% compared to 1Q 2006. The rise in operating income exceeded revenues, mainly because of the increase of 140 basis points in the gross margin. This was due in particular to the optimization in the mix of imported product and a greater efficiency in inventory shrinkage. Moreover, SGA w/o depreciation rose 100 basis points because of the opening of 7 stores in the last 12 months as well as an increase in pre-opening expenses.

#### Sodimac Chile (MMUS\$ and percentage of sales)

	1Q 2007	1Q 2006	Var. (pts.)
Revenues	416.7	368.9	12.9%
Costs	-73.6%	-75.0%	-1.4
Gross Margin	26.4%	25.0%	1.4
SGA w/o depreciation	-19.0%	-18.0%	1.0
EBITDA	7.3%	7.0%	0.3
Depreciation + Amortization	-0.9%	-0.9%	0.0
Operating Profit (Loss)	6.4%	6.1%	0.3

### 3. Chile Supermarkets

The operating income of San Francisco Supermarkets fell 75.2% in 1Q 2007 to MMUS\$0.8. This drop was mainly the result of an increase of 320 basis points in SGA expenses because of the start-up of 6 new stores in the last 12 months (i.e., an increase of 50% in the number of stores) that are currently in the process of SGA w/o depreciation maturing.

#### Chile Supermarkets (MMUS\$ and percentage of sales)

	1Q 2007	1Q 2006	Var. (pts.)
Revenues	98.7	71.7	37.7%
Costs	-79.4%	-79.7%	-0.3
Gross Margin	20.6%	20.3%	0.3
SGA w/o depreciation	-17.5%	-14.3%	3.2
EBITDA	3.1%	6.0%	-2.9
Depreciation + Amortization	-2.3%	-1.7%	0.7
Operating Profit (Loss)	0.8%	4.3%	-3.5

### 4. International Operations - Retail and Credit

During 1Q 2007, operating income of the international businesses that are consolidated (Argentina, Peru and Colombia)<sup>9</sup> totaled MMUS\$13.1, which meant a growth of 36.5% compared to the previous year. International businesses that are consolidated thus accounted for 10.5% of the consolidated operating income of Falabella (12.4% when Colombia is excluded). Revenues amounted to MMUS\$245.6 and EBITDA to MMUS\$19.0, which represent 20.7% and 12.5% relative to the consolidated total respectively.

#### Peru

Operating income from Peru was MMUS\$16.0 in 1Q 2007, a growth of 32.9%. This growth was based on the opening of 5 new stores in the last 12 months, which drove revenues up 36.7%. The 30 basis point drop in operating income was due mainly to an increase in provisions and write-offs in the credit business.

#### Peru (MMUS\$ and percentage of income)

	1Q 2007	1Q 2006	Var. (pts.)
Revenues	184.1	134.7	36.7%
Costs	-65.3%	-64.8%	0.6
Gross Margin	34.7%	35.2%	-0.6
SGA w/o depreciation	-23.4%	-23.1%	0.3
EBITDA	11.3%	12.1%	-0.9
Depreciation + Amortization	-2.6%	-3.2%	-0.6
Operating Profit (Loss)	8.7%	9.0%	-0.3

<sup>9</sup> Excluding Sodimac Colombia.

## Argentina

There was a cumulative operating loss of MMUS\$0.3 as of March 31, 2007, compared to a loss of MMUS\$0.8 the previous year. Of note is the 86.3% rise in EBITDA, to MMUS\$1.0. The EBITDA margin rose 70 basis points in 1Q, which was due mainly to the increase in the gross margin, partially offset by a smaller increase in SGA.

### Argentina (MMUS\$ and percentage of income)

	1Q 2007	1Q 2006	Var. (pts.)
Revenues	49.9	41.9	19.0%
Costs	-68.2%	-71.0%	-2.8
Gross Margin	31.8%	29.0%	2.8
SGA w/o depreciation	-29.7%	-27.7%	2.0
EBITDA	2.0%	1.3%	0.7
Depreciation + Amortization	-2.5%	-3.3%	-0.8
Operating Profit (Loss)	-0.5%	-2.0%	1.5

## 5. Mall Plaza (refers to malls that consolidate)

On January 8, 2007, the shares that Cencosud held in Mall Plaza were purchased. Falabella thus came to hold a 64.5% interest in Plaza Oeste S.A., Puente Alto S.A., Plaza La Serena S.A. and Plaza del Trebol S.A. and as of 1Q 2007, their financial statements are being consolidated. These companies included Malls Plaza Oeste, Plaza Norte, Plaza Antofagasta, Plaza Tobalaba, Plaza La Serena, Plaza del Trebol and Plaza Los Angeles. Mall Plaza Vespucio is not included, which continues to be an Investment in Related Companies.

Below is the consolidated income statement of the Mall Plaza companies consolidated with Falabella.

### Consolidated Mall Plaza Companies (MMUS\$ and percentage of income)

	1Q 2007	1Q 2006	Var. (pts.)
Revenues	31.5	22.1	42.4%
Costs	-30.2%	-30.3%	-0.1
Gross Margin	69.8%	69.7%	0.1
SGA	-14.5%	-15.1%	-0.6
Operating Profit (Loss)	55.3%	54.6%	0.7
EBITDA	61.2%	61.8%	-0.6

Note: Depreciation is recorded in the cost line.

## 6. Sociedad de Rentas Falabella (SRF)

As of March 31, 2007, the operating profit of SRF rose 44.4%, to MMUS\$ 6.6.

## VI. Credit Indicators

### 1. CMR Card Sales

	Cumulative Percentage of Sales using CMR <sup>10</sup>				
	1Q 2006	1S 2006	9M 2006	2006	1Q 2007
Department Stores - Chile	63.4%	65.1%	65.5%	65.3%	63.0%
Home Improvement - Chile	31.5%	30.9%	31.2%	31.0%	29.8%
Supermarkets - Chile	10.2%	11.1%	11.8%	12.8%	14.7%
Department Stores - Peru	66.5%	67.3%	67.9%	68.1%	67.1%
Hypermarkets - Peru	53.3%	52.0%	52.6%	52.7%	54.0%
Home Improvement - Peru	39.8%	40.1%	40.9%	41.4%	41.3%
Department Stores - Argentina	37.3%	37.7%	38.6%	38.2%	40.9%

The calculation for Sodimac Chile includes retail sales and wholesales. If we look at just retail sales, the cumulative penetration is 34.9%.

The CMR card began operations in Colombia in October 2005. As of March 31, 2007, there were 236,354 active CMR cards in Colombia. The percentage of card sales in the Sodimac stores totaled 9.8% and it is already 30.3% in the first Falabella store inaugurated in November 2006.

### 2. CMR Chile

a. Total Gross Loans (Nominal MMCH\$)				
	1Q	2Q	3Q	4Q
2005	439,790	477,509	498,856	550,209
2006	551,211	553,908	549,624	608,236
2007	627,290			

b. Total Loan Provisions (Nominal MMCH\$)				
	1Q	2Q	3Q	4Q
2005	-15,445	-16,877	-15,397	-17,975
2006	-21,266	-22,943	-22,081	-23,104
2007	-23,885			

c. Provisions/Loans				
	1Q	2Q	3Q	4Q
2005	3.51%	3.53%	3.09%	3.27%
2006	3.86%	4.14%	4.02%	3.80%
2007	3.81%			

d. Cumulative Net Write-offs (Nominal MMCH\$)				
	1Q	2Q	3Q	4Q
2005	5,188	7,864	12,725	16,546
2006	4,616	9,457	16,485	22,514
2007	7,034			

Note: Write-offs are net of recoveries

<sup>10</sup> The percentage of sales using CMR refers to the cumulative sales using the card as compared to total cumulative sales by each chain.

### 3. Banco Falabella Chile

#### a. Total Gross Loans (Nominal MMCH\$)

	1Q	2Q	3Q	4Q
2005	279,663	294,864	324,756	351,472
2006	381,344	403,665	430,883	444,159
2007	465,000			

#### b. Total Loan Provisions (Nominal MMCH\$)

	1Q	2Q	3Q	4Q
2005	-9,680	-9,664	-9,946	-11,081
2006	-11,742	-12,495	-13,307	-14,050
2007	-14,842			

#### c. Provisions/Loans

	1Q	2Q	3Q	4Q
2005	3.46%	3.28%	3.06%	3.15%
2006	3.08%	3.10%	3.09%	3.16%
2007	3.19%			

#### d. Cummulative Net Write-offs (Nominal MMCH\$)

	1Q	2Q	3Q	4Q
2005	1,482	3,256	5,295	7,512
2006	2,434	4,682	7,437	11,036
2007	3,585			

Note: Write-offs are net of recoveries

### 4. CMR Peru

Note: CMR Peru uses the provisions schedule indicated by the Peruvian Superintendency of Banking and Insurance, which is characterized by more exigent provision standards than in Chile and portfolio write-offs that start at 120 days. Based on Chilean standards, the total Loan Provisions in Peru would be approximately 2.5%.

#### a. Total Gross Loans (Nominal MMUS\$)

	1Q	2Q	3Q	4Q
2005	175,674	194,320	224,967	240,607
2006	253,955	259,930	267,741	304,219
2007	294,472			

#### b. Total Loan Provisions (Nominal MMUS\$)

	1Q	2Q	3Q	4Q
2005	-8,599	-8,448	-9,394	-9,752
2006	-11,158	-14,505	-15,826	-17,282
2007	-18,151			

#### c. Provisions/Loans Peru

	1Q	2Q	3Q	4Q
2005	4.89%	4.35%	4.18%	4.05%
2006	4.39%	5.58%	5.91%	5.68%
2007	6.16%			

#### d. Cummulative Net Write-offs (Nominal MMUS\$)

	1Q	2Q	3Q	4Q
2005	1,059	2,184	2,944	3,793
2006	1,141	2,607	4,187	5,746
2007	1,841			

Note: Write-offs are net of recoveries

## 5. CMR Argentina

Note: As of 4Q 2004, additional voluntary charges are being debited against income of CMR Argentina in order to maintain a total provision on loans of at least 3.0%. If we exclude the voluntary charges from the calculation, loan provisions would total only 1.75%.

<b>a. Total Gross Loans (Nominal MMUS\$)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005	30,683	34,887	35,740	37,729
2006	37,997	42,920	43,946	53,983
2007	51,760			

<b>b. Total Loan Provisions (Nominal MMUS\$)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005	-767	-977	-1,072	-1,132
2006	-1,148	-1,309	-1,322	-1,621
2007	-1,597			

<b>c. Provisions/Loans Argentina</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005	2.50%	2.80%	3.00%	3.00%
2006	3.02%	3.05%	3.01%	3.00%
2006	3.09%			

<b>d. Cummulative Net Write-offs (Nominal MMUS\$)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005	-65	-167	-260	-319
2006	-32	-116	-193	-290
2007	-49			

Note: Write-offs are net of recoveries

## 6. CMR Colombia

Note: CMR Colombia began operation in October 2005.

<b>a. Total Gross Loans (Nominal MMUS\$)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005				3,434
2006	12,347	18,420	27,111	37,651
2007	43,386			

<b>b. Total Loan Provisions (Nominal MMUS\$)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005				-29
2006	-164	-465	-972	-1,232
2007	-1,402			

<b>c. Provisions/Loans Colombia</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005				0.84%
2006	1.33%	2.52%	3.59%	3.27%
2007	3.23%			

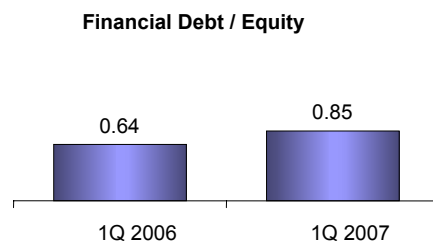
<b>d. Cummulative Net Write-offs (Nominal MMUS\$)</b>				
	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>
2005				0
2006	0	0	94	603
2007	506			

Note: Write-offs are net of recoveries



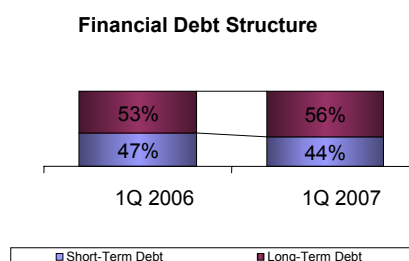
## VII. Financial Structure

### 1. Financial Debt-to-Equity Ratio as of March 31, 2007

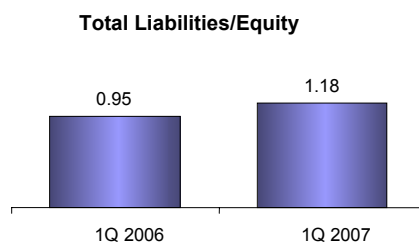


Note: Total Financial Debt as of March 31, 2007 = MMUS\$1,160,528 (MMUS\$ 2,152.3). It includes the credit business debt. As of 1Q 2007, it also included the financial debt of the Malls Plaza that are consolidated with Falabella.

### 2. Financial Debt Structure as of March 31, 2007

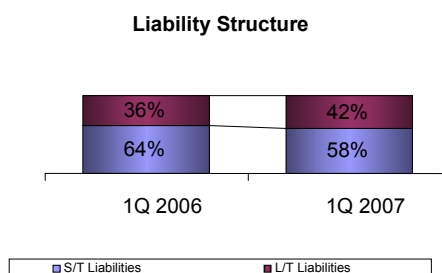


### 3. Liabilities/Equity Ratio as of March 31, 2007



Note: Liabilities totaled MMCH\$1,616,479 as of March 31, 2007 and they included the credit business debt. As of 1Q 2007, it also included the liabilities of the Malls Plaza that are consolidated with Falabella.

### 4. Liability Structure as of March 31, 2007



## VIII. Stores and Selling Space

### 1. Chile Department Stores (m<sup>2</sup> of sales space)

N°	Store	Selling Space	Opening
1-6	Paseo Ahumada	7,929	Oct-1889
7	Barros Arana	6,010	may-62
8	Parque Arauco	12,030	oct-83
9	Temuco	5,827	may-86
10	Viña del Mar	5,091	sep-87
11	Plaza Vespucio	9,048	ago-90
12	Lyon	7,856	feb-92
13	Rancagua	5,647	feb-92
14	Calama	5,554	may-93
15	Alto Las Condes	9,470	oct-93
16	Plaza Oeste	11,109	nov-94
17	Plaza del Trébol	6,296	abr-95
18	Valdivia	2,817	abr-95
19	Osorno	3,425	oct-95
20	Chillán	4,796	sep-96
21	Talca	5,132	may-97
22	Copiapó	3,349	mar-98
23	Plaza Tobalaba	7,085	nov-98
24	La Serena	4,998	nov-98
25	Valparaíso	5,701	feb-99
26	Curicó	4,097	sep-00
27	Iquique	5,129	sep-00
28	Puerto Montt	4,550	jul-01
29	Quilpué	4,398	sep-01
30	Plaza Los Angeles	5,155	mar-03
31	Plaza Norte	5,677	nov-03
32	Paseo Puente	7,739	oct-05
33	La Dehesa	7,904	nov-05
34	Antofagasta Mall	9,164	oct-06
35	La Calera	4,994	nov-06
<b>TOTAL</b>		<b>187,977</b>	

Note: The Antofagasta store measuring 8,344 m<sup>2</sup> was closed on December 31, 2006.

## 2. Tiendas Sodimac Chile (m2 of selling space)

N°	Store	Selling Space	Opening
1	HC Valdivia	5,186	ene-82
2	HC Temuco	8,656	ene-82
3	HC Talca	7,891	ene-82
4	HC Pto.Montt	9,465	ene-82
5	HC Los Angeles	4,627	ene-82
6	HC La Serena	13,118	ene-82
7	HC Copiapó	5,491	ene-82
8	HC Calama	6,703	ene-82
9	HC Arica	6,267	ene-82
10	HC Antofagasta	5,951	ene-82
11	Co Viña del Mar	5,241	ene-82
12	Co Valparaíso	670	ene-82
13	Co Vallenar	3,594	ene-82
14	Co Talcahuano	1,799	ene-82
15	Co Rancagua	1,752	ene-82
16	HC Pta. Arenas	3,293	ene-82
17	Co Maipú	4,240	ene-82
18	Co Castro	326	ene-82
19	HC Concepción	4,629	jun-87
20	HC Las Condes	8,778	mar-88
21	Co Vic. Mackenna	2,990	ene-92
22	Co Antofagasta	6,323	ene-92
23	HC Viña del Mar	6,330	oct-92
24	Co Cantagallo	5,868	ene-93
25	HC La Florida	6,666	jul-93
26	HC Ñuñoa (Castillo Velasco)	4,837	sep-93
27	HC Rancagua	10,724	nov-95
28	HC SS Puente Alto	9,079	oct-96
29	Co SS Puente Alto	7,793	oct-96
30	HC Quilpue	8,123	nov-96
31	Co La Florida	6,934	mar-97
32	HC Maipu	13,980	jul-98
33	HC La Florida (ex HomeStore)	11,402	ago-98
34	HC El Trebol	14,440	nov-98
35	HC Cerrillos (ex HomeStore)	14,400	dic-98
36	Co Reñaca Alto	7,015	dic-98
37	HC Parque Arauco (ex HomeStore)	9,292	oct-99
38	So Concepción (ex HomeStore)	8,757	dic-99
39	HC La Reina (ex HomeStore)	12,172	abr-02
40	HC Ñuble (ex HomeStore)	9,873	jun-02
41	HC San Miguel	13,020	jun-02
42	HC SS Nueva La Florida	12,233	nov-02
43	Co SS Nueva La Florida	6,219	nov-02
44	HC SS Temuco	13,336	abr-03
45	HC Huechuraba	11,327	nov-03
46	Co Villarrica	5,554	feb-04
47	HC Osorno	8,524	jul-05
48	HC Angol	4,214	sep-05
49	HC Chillan	8,781	dic-05
50	HC Coyhaique	5,941	ene-06
51	HC Curico	7,733	mar-06
52	HC Coquimbo	5,774	mar-06
53	HC La Calera	7,905	jul-06
54	Co Fontova	7,351	sep-06
55	HC San Felipe	9,453	nov-06
56	HC Iquique	9,955	feb-07
TOTAL		421,995	

### 3. San Francisco Supermarkets - Chile (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	Talagante Plaza	3,145	1998
2	San Bernardo Plaza	6,290	1999
3	El Monte	962	1998
4	Buín	4,025	1999
5	San Bernardo Estación	3,161	1999
6	Peñaflor	2,850	2002
7	Rengo	2,014	2002
8	Melipilla	2,462	2002
9	San Antonio	2,827	oct-04
10	Talagante Cordillera	3,000	feb-05
11	Tottus Puente Alto	5,055	dic-05
12	Tottus Nataniel	4,296	mar-06
13	Tottus La Calera	3,511	jul-06
14	Tottus Fontova	4,591	sep-06
15	Tottus Mall Antofagasta	5,180	sep-06
16	Tottus Plaza Oeste	5,149	dic-06
17	Tottus Puente Alto II	4,580	ene-07
18	Tottus La Florida	4,971	mar-07
<b>TOTAL</b>		<b>68,069</b>	

#### 4. Peru<sup>11</sup>

##### Department Stores (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	San Isidro	11,848	1995
2	San Miguel	10,767	1995
3	Jockey Plaza	10,739	1997
4	Lima Centro	4,565	1998
5	Trujillo	569	2001
6	Chiclayo	356	2001
7	Piura	2,485	2001
8	Arequipa	4,915	2002
9	Miraflores	7,074	oct-05
10	Chiclayo Mall	3,709	oct-05
11	Megaplaza	9,096	oct-06
12	Cajamarca	1,155	mar-07
<b>TOTAL</b>		<b>67,278</b>	

##### Home Improvement (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	Sodimac San Miguel	11,715	2004
2	Sodimac Megaplaza	9,989	May-05
3	Sodimac Atocongo	8,440	Abr-06
4	Sodimac Javier Prado	8,613	Mar-07
<b>TOTAL</b>		<b>38,757</b>	

##### Supermarkets (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	Tottus Megaplaza	8,391	2002
2	Tottus San Isidro	5,616	2003
3	Tottus San Miguel	9,097	2004
4	Tottus Atocongo	7,231	Abr-06
<b>TOTAL</b>		<b>30,335</b>	

<sup>11</sup> The downtown Lima store includes the La Merced Lima Store (Electro only).

## 5. Argentina Department Stores (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	Mendoza	5,456	mar-93
2	Rosario	5,905	dic-94
3	Córdoba	6,219	may-97
4	San Juan	2,640	oct-97
5	Buenos Aires (Unicenter)	10,597	mar-99
6 - 7	Buenos Aires (Florida)	9,000	dic-05
TOTAL		39,817	

## 6. Colombia

### Department Stores (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	Santa Fe	10,268	Nov-06
TOTAL		10,268	

### Home Improvement (m<sup>2</sup> of selling space)

N°	Store	Selling Space	Opening
1	HC Las Américas	2,047	1994
2	HC Calle 80	12,500	1997
3	HC Sur	10,188	1998
4	HC Norte	12,396	1999
5	HC Medellín	7,351	2002
6	HC Cali Sur	12,500	2003
7	HC Barranquilla	12,500	2004
8	HC Pereira	12,376	Jul-05
9	HC El Dorado	11,271	Nov-05
10	HC Medellín San Juan	13,406	Jul-06
11	HC Cali Norte	13,500	Feb-07
12	HC Suba	6,172	Mar-07
TOTAL		126,207	



**IX. Financial Statements of S.A.C.I. Falabella - FECU**

**S.A.C.I. FALABELLA**  
**CONSOLIDATED BALANCE SHEETS**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>Current Assets</b>	<b>1.310.089</b>	<b>1.111.879</b>
Cash	47.089	26.961
Time deposits	1.020	4.655
Marketeable securities	18.627	31.265
Trade receivables	759.647	645.965
Notes receivables	29.163	19.346
Other receivables	33.261	26.811
Notes and accounts receivable from related parties	2.249	2.131
Inventories	342.750	296.308
Recoverable taxes	38.152	23.365
Prepaid expenses	17.122	8.222
Deferred income taxes	10.039	10.677
Other current assets	10.972	16.173
Leasing agreements	0	0
Leasing assets	0	0
<b>Property, Plant and Equipment</b>	<b>1.024.821</b>	<b>584.252</b>
Land	243.722	154.275
Buildings and infrastructure	498.495	250.159
Machinery and equipment	143.278	119.492
Other property, plant and equipment	464.589	322.365
Technical reappraisal of property, plant and equipment	1.740	1.739
Accumulated depreciation	(327.003)	(263.778)
Other Assets	649.376	618.189
Investments in related companies	125.412	146.435
Investments in other societies	2.705	3.398
Goodwill	244.767	220.245
Negative goodwill	(7)	(10)
Long Term receivables	118.611	90.492
Notes and accounts receivable from relates parties	1.488	2.129
Deferred income taxes	0	2.674
Intangibles assets	153.234	150.579
Amortization	(15.084)	(10.666)
Other long-term assets	18.251	12.913
Long-term leasing	0	0
<b>Total Assets</b>	<b>2.984.286</b>	<b>2.314.319</b>



**S.A.C.I. FALABELLA**  
**CONSOLIDATED BALANCE SHEETS**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

<b>LIABILITIES</b>	<b>2007</b>	<b>2006</b>
<b>Current Liabilities</b>	<b>939.639</b>	<b>719.642</b>
Short-term bank borrowings	404.989	298.725
Current portion of long-term bank borrowings	47.421	26.353
Obligations with the public (promissory notes)	30.969	27.456
Current portion of bonds payable	23.936	7.949
Current portion of long-term borrowings	0	0
Dividends to be paid	215	170
Trade account payables	303.200	257.727
Documents payable	49.531	34.537
Sundry creditors	16.610	10.862
Notes and accounts payable to related companies	11.904	12.669
Accruals	27.907	24.109
Withholdings	14.381	12.072
Income tax	2.793	2.874
Unearned income	5.738	4.139
Deferred taxes	0	0
Other short-term liabilities	44	0
<b>Total long-term liabilities</b>	<b>676.840</b>	<b>408.822</b>
Long-term bank borrowings	234.993	149.855
Bonds payable	418.219	251.467
Documents payable - long-term	3.256	3.438
Sundry creditors	258	0
Notes and accounts payable to related companies	0	2.364
Accruals	1.704	1.486
Deferred taxes	10.909	0
Other long-term liabilities	7.500	211
Minority interest	65.180	17.615
<b>Shareholder's Equity</b>	<b>1.302.627</b>	<b>1.168.241</b>
Paid-in capital	453.151	455.814
Capital revaluation reserve	906	(1.367)
Additional paid-in capital	1.800	1.801
Other reserves	(11.736)	(12.796)
Retained earnings	858.507	724.790
Reserve for future dividends	0	0
Accumulated profits	835.789	706.587
Accumulated loss	0	0
Net income (loss)	51.323	42.688
Interim dividends	(28.616)	(24.466)
Deficit from development period	10	(20)
<b>Total Liabilities</b>	<b>2.984.286</b>	<b>2.314.319</b>

**S.A.C.I. FALABELLA**  
**CONSOLIDATED INCOME STATEMENT**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>Operating Income</b>	<b>67.226</b>	<b>49.328</b>
Gross Margin	184.232	150.404
Revenues	638.281	532.734
Cost of sales	(454.049)	(382.330)
Selling , general and administrative expenses	(117.007)	(101.077)
<b>Non-operating Income</b>	<b>(2.120)</b>	<b>639</b>
Financial income	1.309	587
Profit on investments in related companies	8.717	10.503
Other non-operating income	5.911	1.083
Loss on investment in related companies	(9)	(18)
Amortization of goodwill	(3.664)	(3.339)
Financial expenses	(10.609)	(7.236)
Other non-operating expenses	(2.994)	(1.780)
Price-level restatement	(584)	1.308
Exchange differentials	(197)	(469)
Profit Before Income Tax & Extraordinary Items	65.106	49.967
Income Tax	(10.716)	(6.837)
Extraordinary Items	0	0
Profit (loss) before minority interest	54.390	43.130
<b>Minority interest</b>	<b>(3.068)</b>	<b>(442)</b>
<b>Net profit (loss)</b>	<b>51.323</b>	<b>42.687</b>
Amortization of negative goodwill	1	1
<b>Profit (loss) in the fiscal year</b>	<b>51.323</b>	<b>42.688</b>

**S.A.C.I. FALABELLA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>Cash Flows From Operating Activities</b>	<b>53.065</b>	<b>36.102</b>
Collection of trade receivables	788.028	640.058
Financial income received	1.854	0
Dividends received	492	923
Other income received	5.369	612
Payments to suppliers and personnel	(698.375)	(566.601)
Interest paid	(14.582)	(7.723)
Income tax payments	(9.485)	(9.869)
Other expenses	(1.184)	(841)
VAT and other taxes paid	(19.051)	(20.456)
<b>Cash Flows From Financing Activities</b>	<b>48.023</b>	<b>(6.846)</b>
Proceeds from issuance of common stock	2.076	0
Borrowings from banks	242.138	160.961
Proceeds from issuance of bonds	361.925	402.552
Borrowings from related companies	0	0
Other borrowings from related companies	2.721	0
Other sources of financing	7.625	0
Payment of dividends	(0)	0
Distribution of capita	(4)	(3)
Payment of loans	(215.292)	(164.394)
Payment of public liabilities incurred	(353.166)	(405.962)
Payment of related companies loans	0	0
Payment of other related companies loans	0	0
Payment of common stock issuance costs	0	0
Payment of bond issuance costs	0	0
Other payments	0	0
<b>Cash Flows From Investing Activities</b>	<b>(98.388)</b>	<b>(21.081)</b>
Proceeds from sales of property, plant and equipment	5	162
Proceeds from sales of long-term investments	0	0
Proceeds from sales of other investments	0	0
Collection of loans to related companies	0	1.518
Collections of other loans to related companies	0	0
Other investment income	86	425
Additions to property, plant and equipment	(47.769)	(19.880)
Payment of interest capitalized	0	0
Purchase of permanent investments	(50.329)	0
Investments in financial instruments	0	(445)
Loans to related companies	0	0
Other payments to related companies	0	0
Other payments of investments	(381)	(2.861)
<b>Net Cash Flow</b>	<b>2.701</b>	<b>8.175</b>
Price-level Restatements of Cash and Cash Equivalents	(568)	(365)
Net Increase (Decrease) in Cash and Cash Equivalents	2.132	7.810
Cash and Cash Equivalents at Beginning of Period	64.603	58.151
Cash and Cash Equivalents at End of Period	66.736	65.961

**S.A.C.I. FALABELLA**  
**CONSOLIDATED RECONCILIATION BETWEEN NET INCOME AND CASH FLOWS**  
Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

	<b>2007</b>	<b>2006</b>
Net Income	51.323	42.688
<b>Income on sale of assets</b>	<b>1</b>	<b>192</b>
Gain on sales of property, plant and equipment	1	192
Gain on sales of investments	0	0
Loss on sales of investments	0	0
Gain (loss) on sales of other assets	0	0
<b>Other Debits (Credits) to income that do not represent cash flows</b>	<b>30.256</b>	<b>16.877</b>
Depreciation	14.297	11.378
Amortization of Intangibles	1.073	1.043
Write-offs and provisions	18.709	15.101
Equity in gains of unconsolidated affiliates	(8.717)	(10.503)
Equity in losses of unconsolidated affiliates	9	18
Amortization of goodwill	3.664	3.339
Amortization of negative goodwill	(1)	(1)
Price-level restatement	584	(1.308)
Exchange differentials	197	469
Other credits to income that do not represent cash flows	(9.119)	(8.290)
Other debits to income that do not represent cash flows	9.561	5.631
<b>Changes in operating assets</b>	<b>15.795</b>	<b>15.205</b>
Receivables	54.917	39.423
Inventories	(32.618)	(16.701)
Other current assets	(6.504)	(7.516)
<b>Changes in operating liabilities</b>	<b>(47.378)</b>	<b>(39.302)</b>
Trade accounts payable and notes payables relating to operating activities	(40.559)	(43.777)
Taxes to be paid	4.561	2.570
Net income tax	(1.348)	948
Other trade accounts payable relating to operating activities	(3.896)	8.030
VAT and other taxes	(6.137)	(7.073)
<b>Income attributable to minority interest</b>	<b>3.068</b>	<b>442</b>
<b>Net cash provided by operating activities</b>	<b>53.065</b>	<b>36.102</b>

**S.A.C.I. FALABELLA**  
**INDIVIDUAL BALANCE SHEETS**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>Current Assets</b>	<b>347.373</b>	<b>223.551</b>
Cash	13.306	7.795
Time deposits	0	2.693
Marketeable securities	0	1.232
Trade receivables	4.450	3.137
Notes receivables	6.068	5.785
Other receivables	4.202	2.169
Notes and accounts receivable from related parties	197.067	78.103
Inventories	110.116	112.912
Recoverable taxes	1.277	2.957
Prepaid expenses	4.997	1.097
Deferred income taxes	1.411	1.634
Other current assets	4.479	4.036
Leasing agreements	0	0
Leasing assets	0	0
<b>Property, Plant and Equipment</b>	<b>74.619</b>	<b>46.751</b>
Land	0	0
Buildings and infrastructure	0	0
Machinery and equipment	14.277	12.503
Other property, plant and equipment	134.498	98.055
Technical reappraisal of property, plant and equipment	0	0
Accumulated depreciation	(74.157)	(63.807)
Other Assets	1.426.692	1.317.950
Investments in related companies	1.399.342	1.287.941
Investments in other societies	0	0
Goodwill	9.510	10.420
Negative goodwill	0	0
Long Term receivables	46	96
Notes and accounts receivable from relates parties	2.750	2.756
Deferred income taxes	0	1.269
Intangibles assets	233	200
Amortization	(79)	(59)
Other long-term assets	14.891	15.327
Long-term leasing	0	0
<b>Total Assets</b>	<b>1.848.684</b>	<b>1.588.252</b>

**S.A.C.I. FALABELLA**  
**INDIVIDUAL BALANCE SHEETS**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

<b>LIABILITIES</b>	<b>2007</b>	<b>2006</b>
<b>Current Liabilities</b>	<b>126.230</b>	<b>107.384</b>
Short-term bank borrowings	10.454	4.966
Current portion of long-term bank borrowings	2.997	2.891
Obligations with the public (promissory notes)	0	0
Current portion of bonds payable	6.559	3.025
Current portion of long-term borrowings	0	0
Dividends to be paid	119	104
Trade account payables	65.713	69.609
Documents payable	967	3.734
Sundry creditors	1.272	1.576
Notes and accounts payable to related companies	32.507	16.532
Accruals	1.601	1.770
Withholdings	418	399
Income tax	0	0
Unearned income	3.622	2.776
Deferred taxes	0	0
Other short-term liabilities	0	0
<b>Total long-term liabilities</b>	<b>419.827</b>	<b>312.627</b>
Long-term bank borrowings	0	2.906
Bonds payable	374.349	220.793
Documents payable - long-term	0	0
Sundry creditors	0	0
Notes and accounts payable to related companies	43.070	88.156
Accruals	711	713
Deferred taxes	1.638	0
Other long-term liabilities	59	59
Minority interest	0	0
<b>Shareholder's Equity</b>	<b>1.302.627</b>	<b>1.168.241</b>
Paid-in capital	453.151	455.814
Capital revaluation reserve	906	(1.367)
Additional paid-in capital	1.800	1.801
Other reserves	(11.736)	(12.796)
Retained earnings	858.507	724.790
Reserve for future dividends	0	0
Accumulated profits	835.789	706.587
Accumulated loss	0	0
Net income (loss)	51.323	42.688
Interim dividends	(28.616)	(24.466)
Deficit from development period	10	(20)
<b>Total Liabilities</b>	<b>1.848.684</b>	<b>1.588.252</b>

**S.A.C.I. FALABELLA**  
**INDIVIDUAL INCOME STATEMENT**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>Operating Income</b>	<b>2.221</b>	<b>2.214</b>
Gross Margin	42.458	38.688
Revenues	156.537	145.142
Cost of sales	(114.079)	(106.454)
Selling , general and administrative expenses	(40.237)	(36.473)
<b>Non-operating Income</b>	<b>49.321</b>	<b>40.475</b>
Financial income	502	76
Profit on investments in related companies	50.324	43.918
Other non-operating income	4.636	464
Loss on investment in related companies	(104)	(74)
Amortization of goodwill	(196)	(221)
Financial expenses	(5.357)	(4.014)
Other non-operating expenses	(369)	(379)
Price-level restatement	(279)	298
Exchange differentials	164	407
Profit Before Income Tax & Extraordinary Items	51.541	42.689
Income Tax	(218)	(1)
Extraordinary Items	0	0
Profit (loss) before minority interest	51.323	42.688
<b>Minority interest</b>	<b>0</b>	<b>0</b>
<b>Net profit (loss)</b>	<b>51.323</b>	<b>42.688</b>
Amortization of negative goodwill	0	0
<b>Profit (loss) in the fiscal year</b>	<b>51.323</b>	<b>42.688</b>

**S.A.C.I. FALABELLA**  
**INDIVIDUAL STATEMENT OF CASH FLOWS**

Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b>Cash Flows From Operating Activities</b>	<b>22.667</b>	<b>21.703</b>
Collection of trade receivables	214.439	199.123
Financial income received	502	76
Dividends received	3.688	3.179
Other income received	4.631	467
Payments to suppliers and personnel	(197.636)	(177.449)
Interest paid	(182)	(183)
Income tax payments	(231)	(206)
Other expenses	(369)	(379)
VAT and other taxes paid	(2.175)	(2.924)
<b>Cash Flows From Financing Activities</b>	<b>(24.894)</b>	<b>(18.789)</b>
Proceeds from issuance of common stock	0	0
Borrowings from banks	5.910	0
Proceeds from issuance of bonds	0	0
Borrowings from related companies	0	0
Other borrowings from related companies	0	0
Other sources of financing	0	0
Payment of dividends	0	0
Distribution of capita	0	0
Payment of loans	0	(5.121)
Payment of public liabilities incurred	0	0
Payment of related companies loans	0	0
Payment of other related companies loans	(30.804)	(13.668)
Payment of common stock issuance costs	0	0
Payment of bond issuance costs	0	0
Other payments	0	0
<b>Cash Flows From Investing Activities</b>	<b>(2.666)</b>	<b>(3.801)</b>
Proceeds from sales of property, plant and equipment	0	0
Proceeds from sales of long-term investments	0	0
Proceeds from sales of other investments	0	0
Collection of loans to related companies	0	0
Collections of other loans to related companies	0	0
Other investment income	0	0
Additions to property, plant and equipment	(2.666)	(3.801)
Payment of interest capitalized	0	0
Purchase of permanent investments	0	0
Investments in financial instruments	0	0
Loans to related companies	0	0
Other payments to related companies	0	0
Other payments of investments	0	0
<b>Net Cash Flow</b>	<b>(4.893)</b>	<b>(888)</b>
Price-level Restatements of Cash and Cash Equivalents	(462)	26
Net Increase (Decrease) in Cash and Cash Equivalents	(5.355)	(862)
Cash and Cash Equivalents at Beginning of Period	18.661	12.582
Cash and Cash Equivalents at End of Period	13.306	11.721



**S.A.C.I. FALABELLA**  
**INDIVIDUAL RECONCILIATION BETWEEN NET INCOME AND CASH FLOWS**  
Expressed in Millions of Historical Chilean Pesos as of March 31 2007 and 2006

	<b>2007</b>	<b>2006</b>
Net Income	51.323	42.688
<b>Income on sale of assets</b>	<b>0</b>	<b>0</b>
Gain on sales of property, plant and equipment	0	0
Gain on sales of investments	0	0
Loss on sales of investments	0	0
Gain (loss) on sales of other assets	0	0
<b>Other Debits (Credits) to income that do not represent cash flows</b>	<b>(42.309)</b>	<b>(38.535)</b>
Depreciation	3.203	2.610
Amortization of Intangibles	4	5
Write-offs and provisions	240	750
Equity in gains of unconsolidated affiliates	(50.324)	(43.918)
Equity in losses of unconsolidated affiliates	104	74
Amortization of goodwill	196	221
Amortization of negative goodwill	0	0
Price-level restatement	279	(298)
Exchange differentials	(164)	(407)
Other credits to income that do not represent cash flows	(1.022)	(1.404)
Other debits to income that do not represent cash flows	5.176	3.832
<b>Changes in operating assets</b>	<b>17.848</b>	<b>20.848</b>
Receivables	26.915	25.766
Inventories	(12.756)	(8.096)
Other current assets	3.688	3.179
<b>Changes in operating liabilities</b>	<b>(4.195)</b>	<b>(3.298)</b>
Trade accounts payable and notes payables relating to operating activities	(7.535)	(3.794)
Taxes to be paid	4.913	3.339
Net income tax	(18)	(211)
Other trade accounts payable relating to operating activities	369	379
VAT and other taxes	(1.924)	(3.012)
<b>Income attributable to minority interest</b>	<b>0</b>	<b>0</b>
<b>Net cash provided by operating activities</b>	<b>22.667</b>	<b>21.703</b>



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