

parque arauco

ANNUAL REPORT 2007





parque arauco

ANNUAL REPORT 2007



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“We have an aggressive growth plan in Latin America to invest US \$1 billion between 2007 and 2009; as of today, 70% of the projects are being implemented. This strategy will double the Company’s leasable surface to 1.2 million square meters of GLA by 2010.”

José Said, Chairman of Parque Arauco.

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what we know how to do

“As a “multi-format” operator Parque Arauco S.A develops commercial spaces that create unique retail experiences tailored to the needs of our tenants and visitors. We consider the best locations, the best partners, the best commercial mix and the best brands with 100% of our efforts focused on strengthening the sales of our clients.”

Gonzalo Quinteros, Chief Commercial Officer Parque Arauco S.A.



1st in building a mall in Chile: the largest and most prestigious
in expanding throughout Latin America

Ownership of **16** malls in Peru, Chile and Argentina

2,200
leasable stores

183 million
visitors per year

Over **577** thousand
square meters of GLA in Latin America

EBITDA increased by **21%**
in 2007

Equity International, one of the most prestigious real estate investors in the world, has taken a **13,5%** ownership stake in Parque Arauco S.A. and, additionally, brings valuable strategic insights to our relationship

Aggressive investment plan of **US\$ 1.0 billion**
70% of which is currently being implemented



chile

2007

Shopping Centers: 5

Parque Arauco Kennedy, Arauco Maipú,
Mall Plaza el Roble, Marina Arauco, Mall Center Curicó

Total sales: US\$1,113 million

GLA: 290,321 m²

Visitors per year: 78 million

perú

2007

Shopping Centers: 1

Mega Plaza Norte

Total sales: US\$262 million

GLA: 63,111 m²

Visitors per year: 33 million



our presence

“Our company offers a diverse array of shopping formats that serve consumers along a range of price points from budget to luxury. We have impressive geographic reach across four Latin American countries and a broad shareholder base that reflects our commitment to creating a transparent company that thrives as a result of the talent and knowledge of many participants.”

Andrés Olivos, Chief Executive Office Parque Arauco S.A.

argentina

2007

Shopping Centers: 10
Abasto, Alto Palermo, Alto Avellaneda, Paseo Alcorta,
Patio Bullrich, Alto Noa, Buenos Aires Design,
Mendoza Plaza, Alto Rosario, Córdoba Shopping

Total sales: US\$918 million

GLA: 224,138 m²

Visitors per year: 72 million

colombia

2007

Entrance and creation of a subsidiary
First stage phase includes a US\$200 million investment



our presence

“We have been able to diversify our portfolio by investing in project developments in different countries, becoming the only shopping center operator with a pan-regional presence.”

Andrés Olivos, Chief Executive Officer Parque Arauco S.A.

m a l l s

| shopping center | country | total GLA (m ²) | ownership interest % | own GLA (m ²) | n° visitors (thousands) |
|-----------------------|-----------|-----------------------------|----------------------|---------------------------|-------------------------|
| Parque Arauco Kennedy | Chile | 107,167 | 100.0% | 107,167 | 27,022 |
| Arauco Maipú | Chile | 54,029 | 100.0% | 54,029 | 14,243 |
| Plaza el Roble | Chile | 26,089 | 100.0% | 26,089 | 12,632 |
| Marina Arauco | Chile | 57,453 | 33.3% | 19,151 | 18,187 |
| Mall Center Curicó | Chile | 45,584 | 33.3% | 15,195 | 6,320 |
| Mega Plaza Norte | Peru | 63,111 | 45.0% | 28,400 | 33,285 |
| Alto Palermo | Argentina | 18,210 | 31.6% | 5,754 | 9,007 |
| Abasto | Argentina | 39,683 | 31.6% | 12,540 | 19,181 |
| Patio Bullrich | Argentina | 10,978 | 31.6% | 3,469 | 4,534 |
| Paseo Alcorta | Argentina | 14,403 | 31.6% | 4,551 | 10,095 |
| Alto Avellaneda | Argentina | 27,336 | 31.6% | 8,638 | 7,805 |
| Buenos Aires Design | Argentina | 13,988 | 17.1% | 2,387 | 3,592 |
| Alto Noa | Argentina | 18,831 | 31.6% | 5,951 | 7,086 |
| Alto Rosario | Argentina | 30,261 | 31.6% | 9,562 | 10,425 |
| Mendoza Plaza | Argentina | 39,392 | 26.9% | 10,581 | - |
| Cordoba | Argentina | 11,056 | 31.6% | 3,494 | - |
| TOTAL | | 577,570 | | 316,957 | 183,417 |





our corporate strategy

Our corporate strategy is to create a regional operational platform in Latin American that will drive the Company's growth. This strategy incorporates 5 focal points of action:

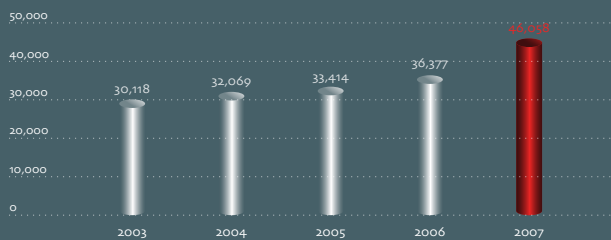
- Intensify **internationalization** throughout Latin America with particular attention on Peru and Colombia.
- Expand the Company's regionalization within **targeted provinces of Chile**.
- Strengthen existing assets with **investments that improve the attractiveness of current shopping centers**.
- Develop **new concepts and formats** such as Strip Centers, Power Centers and Neighborhood Malls that will reach new market segments.
- Create **alliances with key retail and real estate entities** that already have well-positioned real estate assets .



our growth

consolidated Income

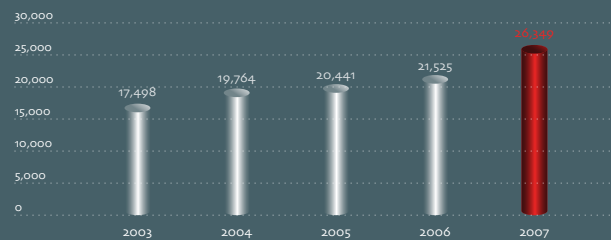
chilean pesos (millions)



source: parque arauco s.a.

consolidated EBITDA

chilean pesos (millions)



source: parque arauco s.a.



“At Parque Arauco we have made a commitment: we will continue to enhance the profitability of our existing operations and we will also continue to grow through new projects. This is how we will increase the value of our Company and deliver attractive returns to our shareholders.”

Juan Pablo Spoerer, Chief Financial Officer Parque Arauco S.A.



source: parque arauco s.a.



source: parque arauco s.a.





letter from the chairman

In 2007 we entered Colombia, began new projects in Peru, grew in Argentina and strengthened our presence in Chile, resulting in an EBITDA increase of 21%.

dear shareholders:

On behalf of the Board of Directors and every person who forms part of our Company, I am pleased to present the 2007 Annual Report for Parque Arauco S.A.

2007 was a year of growth and success for the Company. Our accomplishments laid the foundation for an unparalleled expansion in terms of income, operating results, acquisitions, new formats and new project launches.

We focused our efforts and made a commitment to consolidate our leadership position among retail real estate developers in Chile, Argentina, Peru, and now Colombia. In order to achieve this significant goal and make our processes more efficient we created a corporate structure with a highly professional executive team tasked to leverage our experience and vision in the markets where the company has presence with an aggressive US\$1 billion investment plan for 2007-2009. Approximately 50% of this investment is in Chile, 30% in Colombia and 20% in Peru. Our plan, which is already being implemented, will double our leasable area from almost 600,000 square meters at the end of 2007 to 1.2 million square meters at the beginning of 2010.

During this fiscal period our company increased the productivity of its cash assets in Chile and increased its leasable area (GLA) to 290,000 ms². We inaugurated the new mall Arauco Maipú, increasing its leasable area by 53%. At Parque Arauco Kennedy we created Floor Design, a new concept that reunites the best of design and decoration in a single space, and we began the construction of two office towers that will be operative during the second half of 2008. We also began developing new commercial retail concepts that we will implement in domestic and international markets, including a strip center in Maipú and a local mall in Quilicura.



In order to expand our regional presence within Chile – an important pillar in the Company's growth strategy - we acquired 100% of Mall Plaza el Roble in Chillán, the largest shopping center in the region of Ñuble. In January, we signed a purchase agreement for 83% of Mall Paseo Estación in Santiago, the shopping center that attracts the highest number of visitors in Chile, over 70 million per year.

In order to strengthen our expansion plan in Peru, we joined with our local partners to increase the leasable area of Mega Plaza Norte shopping center by 8,000 square meters. In addition, we began the development of three new shopping centers: two in the city of Lima and one in Arequipa, all located in strategic sectors for retail development. These three projects will require a total investment of approximately US \$135 million and will create more than 110,000 square meters of new leasable surface.

Our investments in Argentina through APSA were also fruitful; Parque Arauco recorded a 37% increase in earnings at this subsidiary compared to last year. During 2007, we increased sales at our shopping centers by 24%, amounting to US\$918 million. Along with our local partners, we acquired a mall in the city of Cordoba and began the construction of two shopping centers, one in Buenos Aires and another in the city of Neuquén.

During this period, we made our entrance in the Colombia market, creating a subsidiary that has been tasked to acquire, develop, and launch several shopping centers. The first will be a 92,000 square meter mall located in a strategic area of the City of Pereira. This section of the coffee country, with a population of over one million, has great potential for real estate development.

Today, Parque Arauco S.A. claims a presence in 16 malls distributed throughout Chile, Peru and Argentina and has initiated its entrance into Colombia. Our properties draw over 183 million visitors per year to more than 2,200 stores offering 577,000 square meters² of GLA. We have consolidated and developed strategic relationships with key retail entities and are focused on operating all of our shopping centers with the highest standards of quality and efficiency.



letter from the chairman

As of January 2008, PARAUCO shares are part of the IPSA (Índice de Precio Selectivo de Acciones-Selective Share Price Index), an index that includes the 40 most traded companies in the Chilean Stock Exchange - Bolsa de Comercio de Chile.

All these important steps are reflected in the results of the Company in all the markets where it participates. Our 2007 achievements placed us in an outstanding position entering 2008. EBITDA grew 21% with respect to the previous year, confirming the strength of the growth path we initiated. Once the projects under development begin commercial operations and generate EBITDA, Parque Arauco and its shareholders will see the fruits of all the work and efforts of our aggressive and profitable investment plan. Net Income for 2007 was affected by the prepayment of bonds made during the year, which allowed us to considerably decrease our financing costs.

As a company, we believe that the retail industry presents great development opportunities to expand our business and our leadership position in Latin America, increasing in the medium and long term the value of the Company.

We appreciate the confidence of our shareholders and the contribution, support, team work and commitment of our board, our executive officers and each one of our employees, clients and suppliers, who, day after day, make great transformations at the core of our company possible. I invite you to continue sharing and contributing to the growth of Parque Arauco S.A. as we take on even greater challenges in 2008.

José Said Saffie
Chairman of the Board of Directors



José Said Saffie · Chairman

TAX ID. N°: 2.305.902-9

Law Degree, Universidad de Chile. Chairman of BBVA, Chile, Chairman of Parque Arauco S.A., Director of Asociación de Bancos e Instituciones Financieras A.G. Counselor of Universidad Jesuita Alberto Hurtado. Honorary Counsel of the Centro de Estudios Públicos – CEP. Chairman of Fundación Palestina Belén 2000 Chile. Chairman of Consejo Interempresarial Chileno-Arab (*Chilean-Arab Intercompany Council*)

Rodrigo Abumohor Carniglia · Director

TAX ID. N°: 6.978.209-4

Commercial Engineer, Universidad Católica de Chile, MBA in Finance Strategy, Anderson School, UCLA. General Manager of Manufacturas Interamericanas S.A., head professor of Strategy at the Pontificia Universidad Católica de Chile.

Rafael Aldunate Valdés · Director

TAX ID. N°: 5.193.449-0

Commercial Engineer, Universidad Católica, Harvard University: AMP Degree. Director of GTD Manquehue, Viña San Pedro, Corredora MCC, Moneda-Asset, Parque Arauco S.A. and Instituto Libertad.

Patricio Claro Grez · Director

TAX ID. N°: 5.206.994-7

Civil Industrial Engineer, Universidad de Chile. Director of Industrias Forestales S.A., Cia. de Seguros BiceVida, Parque Arauco S.A., Enerisis S.A., Banco Bice and Cámara de Compensación de Pagos de Alto Valor Combanc S.A.

Thomas M^c Donald · Director

PASSPORT: 028553698

Bachelor of Arts International Relations and Spanish, University of Norte Dame. Partner and Chief Strategic Officer of Equity International. Director of Gafisa, BR Malls and Parque Arauco S.A.



board of directors

Timothy Purcell · Director

TAX ID. Nº: 14.577.313-K

B.A., Cornell University, Master in International Affairs and MBA, Wharton School, University of Pennsylvania. Mr. Purcell has been a Director of Nortel Inversora, Patagon.com, Almacenes Exito, Banco Mercantil, Celulosa Arauco, Cruz del Sur Vida S.A. and Parque Arauco S.A., among others.

Salvador Said Somavía · Director

TAX ID. Nº: 6.379.626-3

Commercial Engineer, Universidad Gabriela Mistral. Executive Director of the Said Holding Group. Directorships Parque Arauco S.A., Envases del Pacífico S.A., The Endeavor Initiative Inc. Chairman of the Board of Directors of Isapre Cruz Blanca S.A. and Vice Chairman of the Board of Directors of Embotelladora Andina S.A., BBVA Chile: Subsidiarias de Leasing, Fondos Mutuos y Consultorías Financieras. Counselor of Generación Empresarial and Telmex Chile.

Guillermo Said Yarur · Director

TAX ID. Nº: 6.191.544-3

Civil Industrial Engineer, Universidad de Chile. Postgraduate Degree in Finance, Universidad Adolfo Ibáñez. Director of Parque Arauco S.A. and Commercial Café Mokka.

Raimundo Valenzuela Lang · Director

TAX ID. Nº: 7.836.580-3

Commercial Engineer, Universidad Católica de Chile. Master in Business Administration, Wharton School, University of Pennsylvania. Partner at R&R Wine Ltda. and Inmobiliaria Estrella del Sur Ltda. Director of Parque Arauco S.A.



JORGE MONTERO

FRANCISCO JAVIER
ARRIETA

JUAN PABLO SPOERER

GONZALO QUINTEROS

ANDRÉS OLIVOS

SOLANGE IBARBOURE

Andrés Olivos Bambach · Chief Executive Officer

TAX ID. N°: 7.013.115-3

Commercial Engineer, Universidad de Chile. Chairman of Inmuebles Comerciales del Peru S.A.C. and Parque Arauco Argentina. Director of Alto Palermo S.A. and Construmart S.A., among others. Mr. Olivos Bambach's career has focused on the management of commercial and mass consumption companies with operations in Chile, Argentina and Brazil, he has participated directly in setting and executing the strategies for development, negotiation and management systems. He has participated in the valuation and acquisition of companies, leading financial operations in international capital (ADRs) and debt markets (United States, Europe and Chile) in excess of US\$1.5 billion between 1994 and 2007.

Juan Pablo Spoerer Hurtado · Chief Financial Officer

TAX ID. N°: 10.877.023-6

Commercial Engineer, Universidad Católica de Chile. MBA, Duke University. For over fourteen years he was part of the management team at companies of the Enersis Group. Between 2005 and 2007 he was the Finance and Strategic Planning Officer at Chilectra, and has vast experience in regional M&A execution. He was a Director at Codensa and Ampla, electricity distributing companies in Bogotá and Rio de Janeiro, respectively. In 2006, while at Chilectra he received an award for excellence in strategic execution from professors at Harvard University. In 2007 he was elected by his peers as "Best CFO in the Industry", an award given by Capital magazine and Seminarium Penrhyn.

Francisco Javier Arrieta Larraín Division Manager, Chile

TAX ID. N°: 6.866.049-1

Commercial Engineering Degree from Universidad de Chile. Mr. Larraín brings 23 years of experience in domestic and international financial markets (Peru, Argentina and Venezuela) and five years in the retail market. He was an Executive Vice President of subsidiaries and of People's Bank at CorpBanca in Venezuela, General Manager at Financiera de Consumo, a branch of Banco Interbank in Peru, Representative of the Banco Transandino in Argentina and Branch Manager at Banco Osorno for seven years. He was also the Commercial Manager of the Shopping Centers Division at Cencosud, where he contributed with his vast experience in the real estate industry

José Luis Acuña Velasco Chief Controlling Officer

TAX ID. N°: 13.039.425-6

Commercial Engineer, Universidad Católica de Chile and MBA, Universidad Adolfo Ibáñez. Mr. Velasco has developed his professional career mainly at Chilectra S.A., where he specialized in corporate finance, with primary responsibility for investor relations in investments that the company had in Latin America, and later as Planning and Control Deputy Manager, in charge of the strategic planning and supervision of the distribution business, primarily in Chile, Brazil, Peru and Colombia



JOSÉ LUIS ACUÑA

BLAS BELLOLIO

FRANCISCO AZCONA

JORGE CASTRO

management

Blas Bellolio Roth · Chief Legal Officer

TAX ID. N°: 12.404.377-8

Law Degree, Universidad Católica de Chile. Master in Laws (LL.M.), London School of Economics. Postgraduate Diplomat in Economy and Finance for Lawyers of the Commercial Engineer Faculty of the Universidad de Chile. Mr. Roth has experience in the fields of corporate law, judicial and industrial property. He has also worked at the law firms of Portaluppi, Guzmán y Bezanilla, Alvarez y Cía, and Federico Villaseca y Cía.

Francisco Azcona Virrueta Chief New Business Officer

TAX ID. N°: 6.289.488-1

Commercial Engineer, Universidad Adolfo Ibáñez. Mr. Virrueta has worked in several areas –commercial, marketing, real estate and general management- within the retail and agro-industrial fields at companies such as D&S, Santa Isabel, Empresaslansa and MTS. He has also participated in M&A's in Chile and Brazil.

Gonzalo Quinteros Anwandter Chief Commercial Officer

TAX ID. N°: 5.894.656-7

Civil Engineering Studies. At Parque Arauco Mr. Anwandter has conducted commercial and marketing development for 14 years. He is a member of the ICSC-International Council of Shopping Centers.

Jorge Castro Orrego · Controller and Audit Committee

TAX ID. N°: 9.768.458-8

Certified Public Accountant, Universidad de Santiago, concentration in US GAAP, IFRS and Chilean regulations. As part of his duties at Langton Clarke y Cía. (today Ernst & Young Chile) Mr. Orrego prepared the financial audits and reports for Banchile S.A., Citibank S.A., Wella Chile, BellSouth Chile, and Embotelladora Andina S.A. Later, at Embotelladora Andina S.A., he supervised the corporate management control and budgeting systems and the consolidation at the corporate office of Andina of reports from the company's subsidiaries.

Solange Ibarboure Barnetche Chief People and Organization Officer

TAX ID. N°: 6.521.170-K

Anthropology and Business Administration, Universidad Austral de Valdivia. Master in Marketing and Business, ESEM. Ms. Barnetche has led and managed human resources projects for local and multinational companies for 16 years.

Jorge Montero Urbinas · Division Manager, Peru

TAX ID. N°: 6.674.612

Civil Engineer, Universidad Nacional de Ingeniería. Master in Administration, ESAN. For over 20 years Mr. Urbinas has worked in real estate development, leading residential and office developments in Peru, among others. He also has experience in managing organizations that promote exports and in the education sector.

parque arauco: we are an animal in motion

“We have been leaders of the rapid evolution of retail properties in Chile, able to visualize new trends, adapt them to local and regional realities and offer a mix that unites the best market operators, services and alternatives.”

Francisco Azcona, Chief New Business Officer Parque Arauco S.A.

Due to our capacity for constant reinvention and the uniqueness of the business we are involved in; we define ourselves as a **Pure Animal**.

- We are a **constantly moving**, living entity: We have the **flexibility and capability** to adapt to ongoing transformations in the retail market.
- Our **pureness lies** in our unique line of business: We are focused on developing new commercial and entertainment venues available for lease to targeted commercial operators.
- We are **always alert** to new business opportunities: We have developed our instinct for identifying the needs of various users, we create original proposals that synthesize a diverse array of options and solutions, and, we pride ourselves on always being the forerunner and setting new trends.
- **Evolution** revitalizes us: we constantly update our projects and replicate the most successful innovative concepts in the industry.





We are also an animal with solid core values:

- TEAM WORK
We value the contribution of our employees and business partners.
- HONESTY
We encourage the search for truth and freedom of expression.
- RESPONSIBILITY
We fulfill our commitments and thereby create trustworthiness.
- RESPECT
We value the dignity of each person and the diversity of our team.
- SOLIDARITY
We gain more by sharing our achievements and success.
- PROFESSIONALISM
We are committed to operating at the highest standards.

always innovating

Our 25 years can be summarized on two great axes: at the surface level, we consolidated projects, fulfilled alliances and entered new markets that have enabled us to considerably increase the size our company; and, in a deeper sense, our history has been built based on the introduction of attractive formats and concepts at our shopping centers which have become innovative landmarks that have strengthened our business vision and positioned the Parque Arauco brand as an industry benchmark.

1989

FOODCOURT

We are the first to include a food court in a shopping center, gathering a variety of restaurant and fast food alternatives in one venue, adding value to the shopping experience of our clients.

1997

MEDICAL TOWER

We inaugurated the first MEDICAL TOWER that is integrated with a shopping center in Chile, offering our visitors a modern health system with cutting-edge technology and a top-of-the-line medical team.



1998

CINEMAS

We pioneer the incorporation of MULTIPLEX CINEMAs into shopping malls, creating full-service entertainment with a complex of 14 next-generation movie theaters.



a quarter of a century

1982

PARQUE ARAUCO KENNEDY

On April 2, 1982 at the property of Fundo San Luis, Parque Arauco opens its doors to the public and radically changes the shopping philosophy of Chileans with unique social and entertainment spaces that did not exist before in this country. Over time, Parque Arauco Kennedy becomes an icon of the innovation and modernity of Chilean culture.

1993

MALL ARAUCO MAIPÚ

The strong performance at Parque Arauco Kennedy encourages the creation of a second new shopping center – Mall Arauco Maipu - in another strategic section of the Metropolitan Region.

1994

ARGENTINA

Internationalization of Parque Arauco begins. Our first step is to enter into a partnership with the best retail representative in Argentina -Alto Palermo S.A. - under which we make a 31.6% investment in 10 shopping centers.

2003

BOULEVARD

We inaugurate BOULEVARD DEL PARQUE with the goal of delivering more entertainment, cuisine and artistic and cultural offerings to our visitors in an environment that is ideal for families and young adults.



2007

SREP

We implement the first Electronic Recognition of License Plates System (*Sistema de Reconocimiento Electrónico de Patentes -SREP*), which allows us to control all automobiles that access Parque Arauco's parking lot. Security and availability are the two main drivers of this plan, which has been successfully implemented, and for which we invested in cutting-edge technology that will ensure the highest quality service and protection.

PISO DISEÑO

Parque Arauco S.A. creates the first destination in Chile dedicated to gathering the best brands in Chilean design and decoration in a single venue. PISO DISEÑO is a landmark property that showcases leading design talents in a world-class setting.

PisoDiseño®



our history

1997

INMOBILIARIA MALL VIÑA DEL MAR

Our Company's regionalization plans became a reality through partnerships with Almacenes Paris and Ripley, where Parque Arauco owns a 33.3% share of Inmobiliaria Viña del Mar with two shopping center properties: Mall Marin Arauco in Viña del Mar and Mall Center in Curicó.

2006

MALL CENTER CURICÓ

We inaugurated the Mall Center in Curicó, contributing to a regionalization process that will position the Parque Arauco brand in new areas of the country.

EQUITY INTERNATIONAL

One of the most prestigious international private investment real estate firms, Equity International, acquires 13.5% of Parque Arauco S.A. for a US\$50 million investment. The integration of this firm introduces a different business view to Parque Arauco S.A. as well as unique real estate expertise.

PERÚ

Parque Arauco S.A., sees Peru as a key market with great development possibilities and, in a strategic association with the renowned local partner Grupo Weisse, acquires 45% of Shopping Mega Plaza.

2007

JUNE - COLOMBIA

In order to consolidate our growth strategy and address an investment plan, we establish a subsidiary of Parque Arauco S.A. in Colombia where we are developing several real estate projects.

DECEMBER - MALL PLAZA EL ROBLE

To strengthen our regional presence and establish Parque Arauco in the southern part of the country we take control of Mall Plaza el Roble through a US\$35 million investment.

Mall Plaza el Roble is a strategic asset for our company; it is the main shopping center in the Ñuble province in terms of sales and size with a monthly target audience of one million people.





2007: expanding services

“At Parque Arauco S.A. we achieved excellent balance in 2007. It was a year of growth and expansion, in Chile as well as in the international market, that transformed us into one of the leading developers and operators of shopping centers in Latin America. This leadership enabled us to maintain strong performance in the stock market, reflected in the 52% increase in the value of our shares.”

Andrés Olivos, Chief Executive Officer Parque Arauco S.A.

why grow abroad?

1. We believe there are still many markets in Latin America that need attention and where consumers are demanding more and better products and services every day.
2. Peru and Colombia –our priority markets- show the highest consumer spending growth in the region as well as sustained increases in per capita income in recent years.
3. The political and social stability of both countries gives them a comparative advantage. They offer markets with clear rules and profitable projects, qualities that make them safe and attractive to foreign investors.
4. In Peru and Colombia, we want to apply our experience, knowledge and deep understanding of a market that we have developed through successful projects in Chile. We want to seize the opportunity to introduce brands that have no presence today in those markets, increasing consumers' choices.



chilean market

Our growth has gone hand in hand with the Chilean consumer's increasing buying power. In the 90's retail emerged along with Parque Arauco which is today the most dynamic sector in the national economy. According to research by the *Consejo Asesor Presidencial* (Presidential Advisement Council): "Work and Equality", Ch\$1 of each Ch\$4 earned by Chileans is spent at a retail store.



chile

parque arauco kennedy · santiago

The first, largest and most innovative mall in Chile has the highest sales per square meter, total sales amounting to US\$661 million and 27 million visitors per year.

Parque Arauco is and will continue to be the benchmark for shopping centers in our country. It pioneered the introduction of international brands and led the development of new concepts that later become industry standards, including the integration of entertainment spaces that add value to the shopping experience of visitors.

The attractiveness and varied commercial mix of the stores, products and services of Parque Arauco Kennedy, make it an example of an optimal business mix for the Company's investments, delivering an important level of diversification of its income and maintaining high profitability and efficiency levels.



During 2007 we integrated the most modern security system in South America (SREP) and we created PISO DISEÑO, a new concept that gathers design and decoration brands in an exclusive environment within a shopping center. We also began building TORRES DEL PARQUE, two modern office towers that will be inaugurated during 2008.

arauco maipú · santiago

A symbol of evolution, Arauco Maipú features a renovated brand mix, entertainment and services that have transformed it into a top-tier shopping center with the most varied offerings in the south-west area of the metropolitan region.

Inserted in one of Santiago's fastest growing municipalities – in terms of population as well as income– Mall Arauco Maipú attracts over 1,200,000 visitors per month from Maipú, Cerrillos, Downtown Santiago, Pudahuel, Lo Prado and Estación Central among others.

During 2007 we invested over US\$38 million to renovate the mall, increasing its GLA by more than 50% and adding a Ripley store, a Paris store and a renovated La Polar store. It still has significant development potential that we intend to tap with additional architectural modernization and expansion.

Our next challenge is to position this mall as the premier shopping destination in the area and one of the most comprehensive lifestyle destinations in the country by building a medical tower and a Boulevard.



2007: expanding services

plaza el roble · chillán

Located a few meters from the main park and a few steps away from the main commercial and financial streets of Chillán, the Plaza El Roble shopping center has a target market of over 500,000 monthly visitors. It is the main shopping center of the Ñuble province and its excellent location makes it a strategic asset for Parque Arauco S.A.

During 2007, we acquired Plaza El Roble for US\$32.7 million. Our challenge is to integrate the markers of innovation and quality that are traits of Parque Arauco S.A.. Delivering a better quality of life to the population of Chillán and its surroundings is key to achieving our regionalization goal.

marina arauco · viña del mar

Through Inmobiliaria Mall de Viña del Mar, Parque Arauco S.A. participates in the ownership of Mall Marina Arauco-in equal parts along with its partners Ripley and Cencosud- contributing expertise and solid knowledge in the development of top tier shopping centers.

Since the beginning of its operations in 1999, sales and customers have progressively increased. It currently attracts over 1.6 million monthly visitors.

mall center · curicó

Parque Arauco S.A. also participates in the ownership of Mall Center Curicó through Inmobiliaria Mall de Viña del Mar. Located in downtown Curicó, it offers a wide array of products and services to the area population. During 2007, Mall Center Curicó was visited by over 6 million people and tenants' sales amounted to approximately US\$80 million.

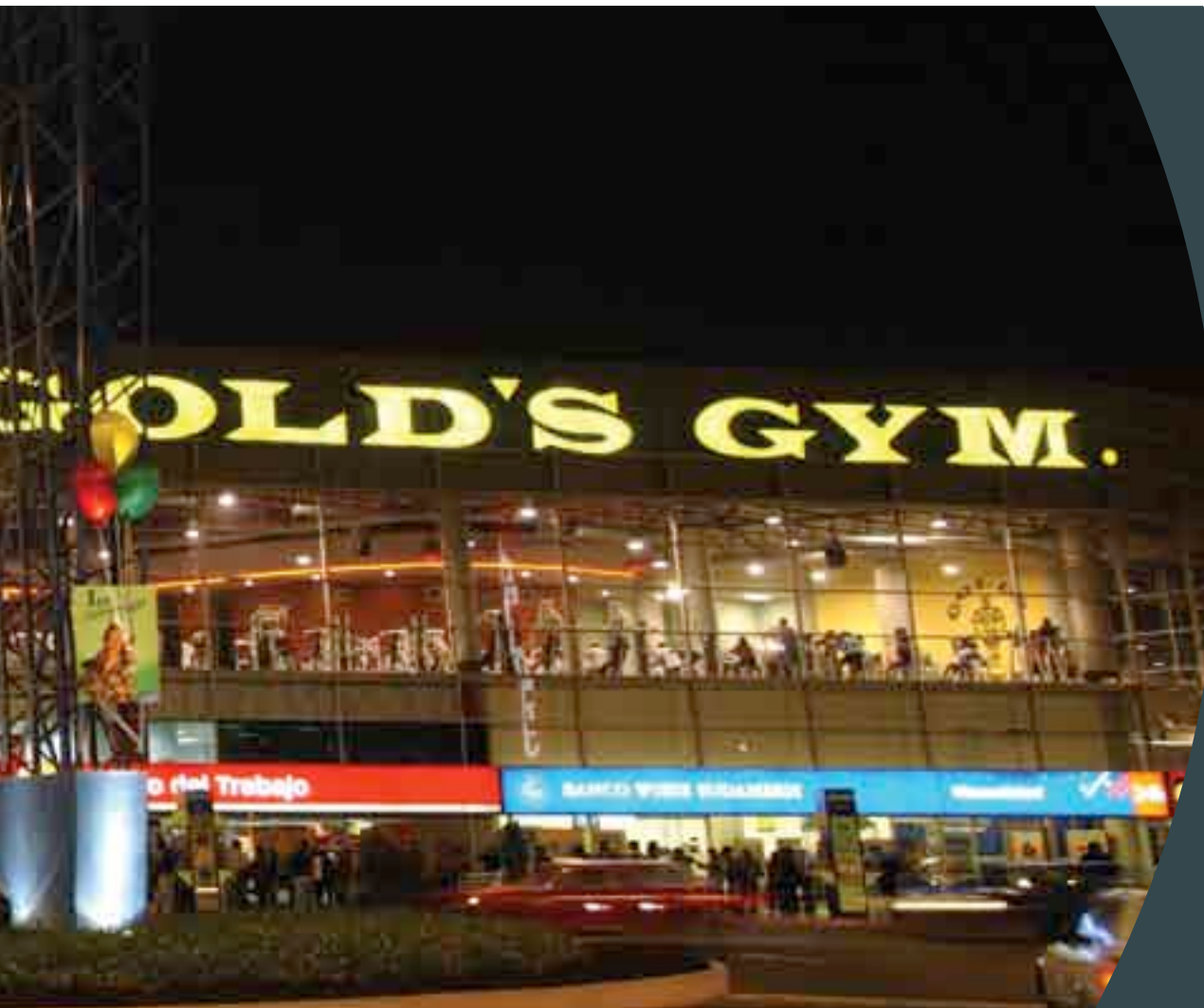
Marina Arauco and Mall Center Curicó represent the best commercial alternatives in their respective cities and have contributed to the regionalization of Parque Arauco S.A. in Chile.



peruvian market

With a national population of 27 million and only six shopping centers in Lima (where the population reaches seven million), Peru is a key market in the expansion plans of Parque Arauco S.A. A solid economy, high profitability and clear laws make it an attractive investment location for our company.

The incipient Peruvian market presents countless investment possibilities. We want to be pioneers in this development and strengthen the international position of the Company.



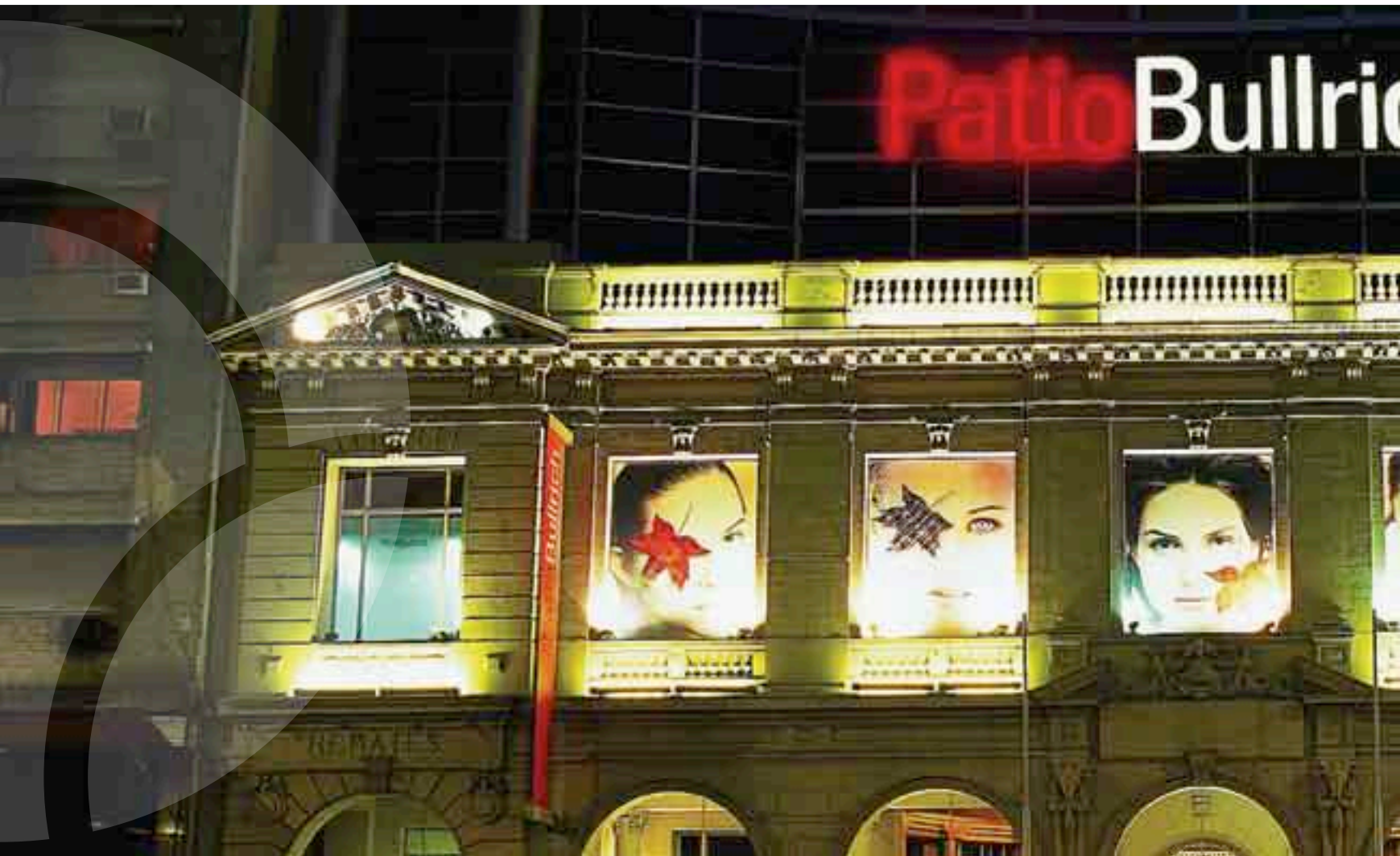
peru

PARQUE ARAUCO IN PERÚ

mega plaza norte · lima

Parque Arauco has a 45% ownership interest in Mall Mega Plaza Norte, a key shopping center for our Latin American expansion. Since our arrival in 2006, sales have increased by 31% amounting to US\$262 million per year.

Mega Plaza Norte is located in the northern part of Lima. It currently has a leasable surface area of 63,111 square meters which, after the expansion projects in 2008, is expected to reach 80,000 square meters. Mega Plaza Norte is the only shopping center in Lima that targets the C socio-economic segment.



argentine market

During the last 13 years, through our partnership with Alto Palermo S.A., we have participated in this large regional market. Entering this market was quite challenging, and we are pleased to report that we have contributed to the development of the retail industry in every aspect. We currently control a significant amount of the shopping center market in Argentina, that has resulted in sales of approximately US\$918 million on leasable surface of 224,138 square meters.

During 2007, sales at our shopping centers increased by 27% reaching US\$720 million and GLA increased by 32%.



argentina

B U E N O S A I R E S

alto palermo shopping · buenos aires

In Argentina, Alto Palermo is a synonym for “shopping center.” Located at the intersection of the two main avenues in Buenos Aires, the vanguard design of Alto Palermo has received an award from the International Council of Shopping Centers. It has the highest sales per square meter in the country at US\$204 million per year, a figure that exceeds the average for shopping centers in the United States.

abasto de buenos aires · buenos aires

Abasto de Buenos Aires , originally built in 1889 offers the elegant antique details of its original architectural style along with cutting edge features that today’s consumers expect in a shopping center. It is the largest and most complete mall in the capital of Argentina, with the most diverse array of brands, entertainment and culture, in a comfortable, secure environment appealing to families. Annual sales exceed US\$234 million.



alto avellaneda · buenos aires

Located in the southern section of the capital, in a neighborhood known for its economic vitality, the arrival of immigrants, the first trains and the most diverse cultural expressions, Alto Avellaneda has become one of the most important meeting points in the city, it offers top tier brands at competitive prices and reports US\$173 million in annual sales.

paseo alcorta · buenos aires

Paseo Alcorta, located in one of the most beautiful neighborhoods of Buenos Aires, reports total sales of US\$129 million. This mall offers a unique architectural concept, high-end retailers and international cuisine options. The most exclusive Argentinian brands and designers choose this mall to introduce their collections.

patio bullrich · buenos aires

Patio Bullrich, located in Recoleta, one of the nicest areas of downtown Buenos Aires, is a neoclassical building that houses both traditional and innovative local and international fashion retailers. Its prime location attracts local residents as well as tourists. Annual sales exceed US\$ 90 million.

buenos aires design · buenos aires

Buenos Aires Design, located in the Recoleta neighborhood, offers the best brands serving the fields of architecture and interior design. It draws design professionals as well as retail consumers and reports annual sales of US\$45 million.



2007: expanding services

R E G I O N S

alto rosario · rosario

Alto Rosario is a renovation of the Scalabrini Ortiz property that integrated the antique original structures of the Central Railroad Station of Argentina with the modern architecture of Alto Rosario. The commercial and cultural project has total annual sales of US\$86 million.

alto noa · salta

Alto Noa is located in the city of Salta, the capital of one of the most important provinces in north-west Argentina due to its natural resources and the favorable socio-economic profile of its population. It offers a diverse array of the best brands at competitive prices, fine food and family entertainment in a setting with uniquely beautiful views of the surrounding landscape. Total annual sales amount to US\$ 45 million.

cordoba shopping · córdoba

The first shopping enter in the center of the country features trend setting fashion and design goods. Cordoba reports the fourth strongest purchasing power and sales statistics in the country at US\$ 39 million.

mendoza plaza · mendoza

Mendoza Plaza, located in Guaymallén, is the most important mall in the Cuyo region. It was created to respond to the unmet needs of the local population which did not have access to a shopping center that was modern, spacious and comfortable. Mendoza Plaza offers a broad variety of services that make it attractive regionally, resulting in annual sales of US\$ 125 million.



colombian market

Colombia is the third most populated country in Latin America with 41 million inhabitants. It is an attractive market due to its economic growth, juridical stability and undersupply of shopping centers. Parque Arauco S.A. is exploring several possibilities to establish new business models with “active” management new concepts, services and formats.



colombia

PARQUE ARAUCO IN COLOMBIA

during 2007

We created a subsidiary in the coffee country of Columbia for the purpose of acquiring, developing managing and operating alone or with third party parents, shopping centers and investments. The Company plans to form strategic alliances with local partners to expand into different zones across the country.

Currently we are investigating and developing projects in different cities; the first project slated to open in Pereira.





our future: forthcoming challenges

We are developing a large portfolio of projects: 50% of our investments are in Chile, 30% in Colombia and 20% in Peru. We anticipate growth that will result in doubling our GLA by 2010.

SANTIAGO

arauco maipú · stage II

With the intention of converting Mall Arauco Maipú into one of the most modern shopping centers in the country, the second stage of development includes plans for a second floor where there will be more stores and a new foodcourt. Additionally, the construction of an office tower, a medical center, a boulevard and a fitness center is contemplated with completion dates in three consecutive stages between 2008 and 2010.

paseo estación

With annual visits exceeding 70 million, Mall Paseo Estación –located at the San Borja Bus Station and acquired at the beginning of 2008- is one of the most active shopping centers in Chile. The plans for this recent acquisition (currently in the due diligence process) consist of incorporating the best practices of Parque Arauco S.A.'s business model with the intention of improving the shopping experience for consumers. An



expansion plan is currently underway that will add two anchor stores representing an additional 29,000 square meters of GLA.

NEW FORMATS

strip center pajaritos

Its excellent location between Americo Vesputio and Pajaritos makes this shopping center a highly convenient resource for the residents of Maipú. The Strip Center format provides a large variety of products and services through smaller stores and a supermarket.

neighborhood mall quilicura

Less travel time is the main value-add that this shopping center will provide to central Quilicura. Local residents will have access to products and services of two anchor stores, smaller stores, one supermarket, a medical tower, a fitness center and cinemas.

office towers · kennedy

Once again we will pioneer the development of a new format; this time it will be two office towers located in the midst of Las Condes and at the Parque Arauco Kennedy shopping center. These towers will comprise approximately 28,000 square meters of GLA and require total investments of US\$35 million.



PROYECTO SAN ISIDRO, LIMA

our future: forthcoming challenges

REGIONALIZATION

plaza el roble · chillán

Plaza El Roble, acquired in December of 2007, is the main shopping center in the Ñuble province, located at a strategic point close to the central park next to the market and neighboring financial and commercial districts of Chillán; it receives more than one million visitors a year. Plans are underway to introduce Parque Arauco S.A.'s value-added improvements, including stores that offer prestigious brands and entertainment options that will be attractive in this region.

INTERNACIONALIZATION

el golf · san isidro · lima · peru

Excellence, quality, elegance and exclusivity are a few of the traits that define this first class shopping center. It will include a "fashion mall" with the best international brands, restaurants, two office towers and a luxury hotel.

This project, scheduled to open in January of 2010, will attract the growing market in and around Lima.

mega plaza arequipa · arequipa · peru

To decentralize operations in Peru, we will build – together with our local partners - a spacious and modern shopping center that resonates with the traditions of Arequipa, one of the main cities in Peru.



strip center chorrillos · peru

Seizing the development potential of the Peruvian market and the diversity of the segment to be satisfied, we decided to export a new format to this strategic and exclusive residential area of Lima; we are in the process of developing a modern strip center that will open its doors at the beginning of 2009.

mall alameda · pereira · colombia

For our debut in Colombia we have chosen the city of Pereira, where, during 2009, we expect to open the doors to a mall with GLA of approximately 40,000 square meters. This shopping center is located in a strategic section of the city with great potential for real estate development.

other Projects · colombia

As announced, we have a US\$200 million investment plan for Colombia that includes shopping centers in the main cities of Colombia. A project in the city of Pereira is already under development.


our future: forthcoming challenges

projects 2008 · 2010

| project | leasable surface (m ²) | total investment US\$ (millions) | Opening date |
|--------------------------------|---------------------------------------|-------------------------------------|------------------------------|
| · Arauco Maipú, Stage II | 12,348 | 53 | 4 th quarter 2008 |
| · Cerro Colorado Office Towers | 27,842 | 35 | August, 2008 |
| · Quilicura | 24,629 | 42 | May, 2009 |
| · Pajaritos | 5,274 | 9 | May, 2008 |
| · Plaza El Roble | 27,484 | 61 | Operating |
| · Paseo Estación | 58,982 | 98 | Operating |
| CHILE | 156,559 | 299 | |
| · San Isidro | 57,224 | 84 | January, 2010 |
| · Arequipa | 48,33 | 40 | January, 2009 |
| · Chorrillos | 5,501 | 4 | January, 2009 |
| PERÚ | 111,055 | 129 | |
| · Pereira | 40,201 | 70 | 4 th quarter 2009 |
| COLOMBIA ^(*) | 40,201 | 70 | |

(*) The projects in Colombia comprise a US\$200 million investment. However, the only project currently in development is in the city of Pereira.





our contribution to the community: much more than shopping

“Our commitment to the community is a responsibility that we undertake through different initiatives that benefit the wellbeing of all the people related to Parque Arauco S.A.: our employees, clients, neighbors and other organizations that support the Company.”

Solange Ibarboure, People and Organization Corporate Manager Parque Arauco S.A.

our people

Team work, creativity, innovation and experience in the retail field are some of the qualities that best represent the team at Parque Arauco S.A. We understand that the growth of our company is sustained by the qualities contributed by each of its members, in a space conceived to enhance personal development and company growth.

In this sense, and with the purpose of strengthening our growth strategy, during 2007 we redesigned the organizational structure of our company, creating new corporate divisions and operating divisions in the countries where we have a presence. This profound change responds to the need to more efficiently address the demands of international consolidation and the expansion in Chile of Parque Arauco S.A.

Thanks to the talent of our team and their capacity to carry out audacious and pioneering projects, we have been able to position our Company as a leader in the Latin American market for shopping centers, based on a deep vision and knowledge of the real estate and retail industries.



At Parque Arauco S.A. every employee is committed to the Company's expansion plan and every day we work to create an environment that constantly motivates the development of our people. The contribution of each one of them is critical to our ability to fulfill the highest expectations of our clients. This is the spirit of the Parque Arauco S.A. brand promise: always do things right.

Along with the Human Resources team of Parque Arauco S.A., the Welfare Department constantly evaluates employee benefits:

- Annual training programs and leadership workshops and team work
- Scholarships for the children of our employees who have achieved academic excellence.
- Financial aid for pre- and post-graduate degree studies for our employees
- Vacation programs for the children of our partners
- Recreational activities for the employees of Parque Arauco

The low employee turnover rate of 1% for Parque Arauco S.A. during 2007 makes us proud.

corporate social responsibility

We believe it is possible to develop beneficial social activities at our shopping centers, given the enormous potential generated by foot traffic and diverse and abundant space.

We have given free display space to people and organizations for that offer socially beneficial information, goods and services.



Our contribution to the community: more than shopping

For 10 years, Parque Arauco Kennedy, has hired children with Down syndrome from the Paul Harris Rotary School to perform janitorial services at the Food Court.

In 2007, Parque Arauco S.A. sponsored of the "Papelucho" day care center, contributing school utensils during the month of March and toys during Christmas time, this group activity replaced the traditional "secret friend gift" among co-workers.

As a way to help the people of Peru, after the tragedy suffered during the earthquake that affected the Valle de Ica area during the month of August, we contributed resources to assist with the building of houses for the affected families. This type of aid supports our policy of taking social responsibility for the communities where our projects are located.

our clients

Twenty-five years of experience has taught us that to achieve success we must know and understand the needs of our clients in order to satisfy them. This concept has been the hallmark of our work and drives our approach to business. Following this guideline, we develop projects that adapt to the needs, interests and realities of areas in which they are located. Our idea is to create commercial spaces that not only solve the retail needs of consumers, but that also provide unique cultural, entertainment and dining experiences. Our shopping centers aim to integrate and develop different experiences in a single space that offers luxury, comfort, security and variety, in modern structures that have been designed and constructed for that purpose.



company information

company information

BASIC INFORMATION AND ADDRESS

- Corporate Name Parque Arauco S.A.
- Type of Entity Open Stock Corporation
- Ticker Stock Exchange PARAUCO
- Legal Address Avenida Presidente Kennedy 5413, Las Condes, Santiago
- Address Avenida Presidente Kennedy 5413, Las Condes, Santiago
- Telephone: (562) 299 - 0500
- Fax: (562) 211 - 4077 · 211 - 4131
- Website: www.parquearauco.cl
- Tax Identification N°: 94.627.000-8
- Duration of the Company: Indefinite
- Inscription Number Securities Registrar: 0403

CONSTITUTION DOCUMENTS

Parque Arauco S.A. was incorporated by means of a public deed dated November 30, 1979 before the Notary Public of Santiago, Mr. Andrés Rubio Flores, and amended by a public deed dated February 23, 1981 before the same Notary Public. Company Bylaws and the authorization to exist were approved on June 22, 1981 by resolution 363-S of the Chilean Superintendence of Securities and Insurance.

An abstract of the authorization of existence and approval of the Bylaws was inscribed in the Registry of Commerce of the Real Estate Custodian of Santiago on page 11,408 N° 6,349 of the year 1981 and published in the Official Daily Newspaper N° 31,003 dated June 30, 1981.

Company Bylaws have been consecutively amended on several occasions, and the latest amendments are recorded on a public deed dated June 1, 1992, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 20,648 N° 10,800 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 1992 and published in the Official Daily Newspaper N° 34,308 dated July 6, 1992; public deed dated July 20, 1992, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 23,842 N° 12,725 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 1992 and published on Official Daily Newspaper N° 34,333 dated August 4, 1992; public deed dated April 7, 1994, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 8,620 N° 6,805 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 1994 and published on Official Daily Newspaper N° 34,852 dated



April 29, 1994; public deed dated October 21, 1994, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 25,747 N° 20,928 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 1994 and published on Official Daily Newspaper N° 35,024 dated November 24, 1994; public deed dated May 14, 1997, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 12,154 N° 9,722 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 1997 and published on Official Daily Newspaper N° 35,773 dated May 24, 1997; public deed dated October 13, 2005, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 38,425 N° 27,337 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 2005 and published on Official Daily Newspaper N° 38,291 dated October 20, 2005; public deed dated October 3, 2006, before the Notary Public of Santiago, Mr. Andrés Rubio Flores, an abstract of which was inscribed on Page 40,703 N° 28,935 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 2006 and published on Official Daily Newspaper N° 38,583 dated October 7, 2006; and public deed dated May 11, 2007, before the Notary Public of Santiago, Mr. Luis Poza Maldonado, an abstract of which was inscribed on Page 20,217 N° 14,744 of the Registry of Commerce of the Real Estate Custodian of Santiago of the year 2006 and published on Official Daily Newspaper N° 38,771 dated May 25, 2007.

COMPANY OWNERSHIP

Capital of the Company is divided in 615,000,000 shares without nominal value of a same and unique series. As of December 31, 2007, shares subscribed amounted to 607,250,000.

12 main shareholders · december 2007

| name or corporate entity | tax id. n° | shares | ownership interest |
|---|--------------|------------|--------------------|
| EI FUND II CHILE LLC | 59.124.410-8 | 81,754,887 | 13.46% |
| INVERSIONES RANCO LTDA. | 77.133.070-3 | 57,066,174 | 9.40% |
| INVERSIONES CABURGA S.A. | 96.854.480-2 | 51,572,490 | 8.49% |
| BANCHILE CORREDORES DE BOLSA S.A. | 96.571.220-8 | 37,227,692 | 6.13% |
| CITIBANK CHILE THIRD PARTY ACCOUNT CHAPTER XIV | 97.008.000-7 | 36,818,883 | 6.06% |
| AFP PROVIDA S.A. PARA FDO. PENSION C | 98.000.400-7 | 18,111,746 | 2.98% |
| INVERSIONES DEL PACIFICO S.A. | 78.031.260-2 | 17,901,448 | 2.95% |
| SOCIEDAD CONSTRUCTORA JARDINES DEL BOSQUE LTDA. | 88.036.500-2 | 17,569,334 | 2.89% |
| INVERSIONES GUADALMINA S.A. | 96.532.940-4 | 17,530,000 | 2.89% |
| INVERSIONES LAS NIEVES S.A. | 76.681.360-7 | 14,782,026 | 2.43% |
| JOSE DOMINGO ELUCHANS ASESORIAS LTDA. | 77.406.660-8 | 14,179,944 | 2.34% |
| LEGG MASON FONDO DE INVERSION | 96.613.580-8 | 10,250,500 | 1.69% |

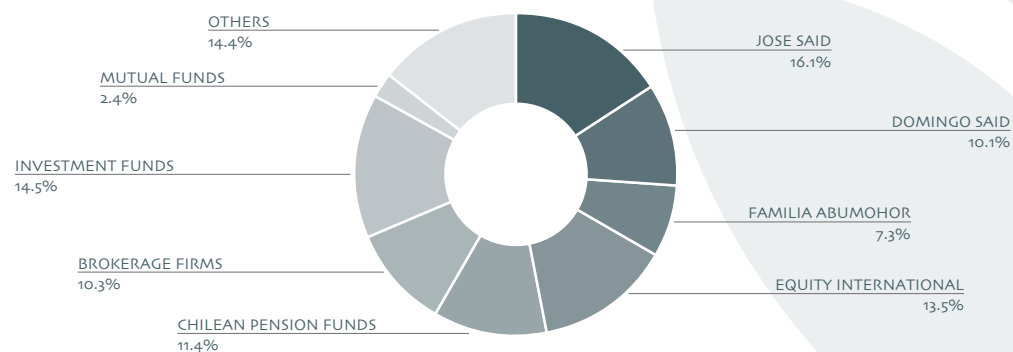
The Company does not have a Controlling Shareholder as defined by Title XV of Law N° 18,045.



As of December 31, 2007, shareholders who directly or through other natural or juridical persons who owned shares of the Company representing 10% or more of the Company's capital, were as follows:

- (i) Mr. José Joaquín Said Saffie, Tax Identification N° N° 2.305.902-9, indirectly participates of 16.08% of the ownership of Parque Arauco S.A.,
- (ii) Equity International Management, LLC, private investment real estate fund, participates of a 13.46% of the ownership of Parque Arauco S.A., through El Fund II Chile LLC (Tax Identification N° N° 59.124.410-8), and
- (iii) Arturo, Jorge, María Inés and Guillermo, all of them of the Said Yarur family, have a 10.08% direct and indirect of the ownership of Parque Arauco S.A., through Inversiones Ranco Limitada (Tax Identification N° N° 77.133.070-3), Sociedad Inversora Rautén Limitada (Tax Identification N° N° 77.092.640-8), and also those shares personally held by each one of them.

shareholding structure · december 31, 2007



description of the organization

BOARD OF DIRECTORS

Parque Arauco is an open stock corporation managed by a Board of Directors composed of nine members who are elected for a three-year period during the Regular Shareholders' Meeting. The Board is chaired by the Chairman and there is also a Vice-Chairman who replaces the Chairman when he is absent. During the Regular Shareholders' Meeting on April 26, 2007, the members of the Board were elected, and their information is included in this document.



DIRECTORS' COMMITTEE

- Mr. Guillermo Said Yarur
Tax Identification N°: 6.191.544-3, Civil Industrial Engineer undergraduate
- Mr. Patricio Claro Grez
Tax Identification N°: 5.206.994-7, Commercial Engineer
- Mr. Rafael Aldunate Valdés
Tax Identification N°: 5.193.449-0, Commercial Engineer

SHAREHOLDERS' EQUITY

The following table presents shareholders' equity as of December 31, 2007

| shareholders' equity | | |
|-------------------------------------|---------------|--------------------|
| Paid in capital | ThCh\$ | 139,832,568 |
| Over payment for sale of own shares | ThCh\$ | 9,193,570 |
| Other reserves | ThCh\$ | (18,817,199) |
| Future dividends reserve | ThCh\$ | 71,895,445 |
| Income (loss) for the period | ThCh\$ | 5,758,883 |
| TOTAL SHAREHOLDERS' EQUITY | ThCh\$ | 207,863,267 |

BANKS

BBVA, B.I.C.E., Chile, Citibank, CorpBanca, B.C.I., SantanderSantiago, Security, Sociotabank and BancoEstado.

EXTERNAL AUDITORS

Ernst & Young.

JURIDICAL ADVISORS

Corporate Legal Department of Parque Arauco S.A. Third party legal services are hired as the need arises.

RISK RATING AGENCIES

Fitch Ratings and Feller Rate.

TRADEMARKS AND PERMITS

The Company has registered the trademark Parque Arauco as well as other like names before the Department of Industrial Property of the Ministry of Economy. Inscriptions are in full force and effect for a ten year period and are renewable upon expiration.



CLIENTS

Direct clients of Parque Arauco S.A. are the tenants of the stores and professional office space. However, the indirect client is the consumer public that visits the Shopping Centers and is also the foundation of the Company's activity.

SUPPLIERS

Given the business features of Parque Arauco S.A., the main suppliers are general utilities companies, such as Chilectra Metropolitana and Aguas Cordillera; contractors and advertising and marketing companies such as SB&Partners and other general service companies, security, maintenance, cleaning, etc., mass media, such as newspapers, magazines, radios, and television channels among others.

PROPERTIES

Parque Arauco Kennedy is located in the county of Las Condes and its facilities are built on 86,787 square meters of land. The referenced property is conformed by the four lots of Portion C corresponding to the property of ex Fundo San Luis of Las Condes County, and which are duly inscribed in the Registry of Real Estate Property of the Real Estate Custodian of Santiago on page 32,018 N° 36,740 of 1982, page 13,872 N° 9,264 of 1992, page 33,996 N° 24,697 of 1992, that conform the merged lot C-5A and on page 1,700 N° 1,609 of 1993 which corresponds to lot C-6.

Parque Arauco Maipú shopping center is located on 165,516 square meters of land, in the county of Maipú. The referenced property is conformed by lots One-A and B and lot Two, conformed by the real estate property inscribed in the Registry of Real Estate Property of the Real Estate Custodian of Santiago, on page 47,433 numbers 37,090 – 37,091 and on page 47,434, numbers 37,092 – 37,093 all corresponding to the year 1993.

Commercial Plaza el Roble shopping center is located in the city of Chillán and is located on a property of 5,440 square meters of land. The referenced property is conformed by two lots duly inscribed in the Registry of Real Estate Property of the Real Estate Custodian of Chillán on page 7,269 N° 4,392 of 2001 and Page 7,525 N° 5,976 of 2007.

In the property located in the municipality of QUILICIURA, CURRENTLY UNDER CONSTRUCTION IS THE Arauco Quilicura Shopping Center on 40,000 square meters of land. The referenced property is located on the corner of O'Higgins and Arturo Prat, conformed by the property inscribed in the Registry of Real Estate Property of the Real Estate Custodian of Santiago on page 12,008 N° 19,113 of the year 2007.

The Pajaritos Strip Center is currently under construction in the municipality of Maipú on a property of 14,428 square meters of land. The referenced property is conformed by lots One, Two, Three and Four conformed by the real estate property duly



inscribed in the Registry of Real Estate Property of the Real Estate Custodian of Santiago on page 57,477 N° 93,894, on Page 54,477 N° 93,895, on Page 54,478 N° 93,896 and on Page 57,479 N° 93,897 all corresponding to the year 2006.

EQUIPMENT: MAIN MACHINERY AND EQUIPMENT OWNED BY THE COMPANY

The Company owns the necessary machinery and equipment for its operating requirements, maintenance and replacement of these are carried out in accordance with an investment program that is yearly approved by senior management of the Company. Following is a detail of the Company's main machinery and equipment:

1. Drinking Water Systems
2. Electric Systems
3. Emergency Fire Hose Systems
4. Climate Control Systems
5. Closed Circuit TV Systems
6. Generator Emergency Equipment
7. Audio Systems
8. Internal Communication Systems
9. Smoke Detection Systems
10. Escalators
11. Elevators
12. Sprinkler Systems
13. Sewage Systems
14. Gas Systems
15. Fiber Optics Net
16. Air Extraction Systems
17. Centralized Climate Control
18. Gas Leakage Detection Systems
19. Sewage Water Extraction Systems
20. Visitor Public Counting System
21. Evacuation Audio System
22. Telephone Switchboard
23. Parking Collection System

INSURANCE

The Company's assets are insured against all risks with Royal & SunAlliance Seguros (Chile) S.A. Following is a list of the assets and amounts involved:

| i n s u r a n c e · a m o u n t c o v e r e d i n U F | | | |
|---|--------------------------|------------------------|---------------------------|
| detail | parque arauco kennedy | parque arauco maipú | plaza el roble chillán |
| Commercial Miscellaneous (against terrorism and sabotage) | 6,312,618 | 1,308,535 | 1,206,250 |
| Commercial Miscellaneous (General conditions: fire, earthquakes, property and contents, Loss of Profits due to stoppage) | 6,352,618 | 2,685,785 | 1,246,250 |
| General civil responsibility | 40,000 | 40,000 | 30,000 |
| Personal accidents | 550 | 550 | 550 |
| Glass Windows | 5,000 | 2,000 | 2,000 |
| Fidelity | 2,000 | 1,000 | 1,000 |
| Theft (vehicles located inside the mall's parking lot with parking ticket) | 15,000 | 0 | 0 |

FINANCIAL ACTIVITIES

The Company is focused on investing free cash flow in financial instruments such as, pacts, mutual funds, investment funds, time deposits, etc., whichever is more convenient in terms of risk-return relation as well as liquidity. The investments are done after rigorously comparing alternatives each time the capital market presents an offer.

Regarding financing policies, these consist of obtaining resources from the capital markets for the purpose of financing projects that will allow for growth opportunities, fulfilling the covenants stipulated in the obligations that remain in full force and effect at the time.

Regarding financial liabilities, these are mainly represented by bonds and bank loans with a long term structure, so as to guarantee a maturity match between generation of resources and payment of the debt.

The main "financial covenants" are represented by the following indexes:

- **Indebtedness Ratio:** 1.4 times.
- **Financial Expense Coverage Ratio:** 2.0 times for the year 2008, with a straight-line yearly increase up to 2.5 times as of the year 2012.
- **Transitory Increase of Indebtedness:** The Company may increase indebtedness level above the permanent covenants, up to 1.7 only once until 2015, and for a maximum period of 12 months.

On June 25, 2007 the Board of Directors agreed to the prepayment of the totality of the series D and E bonds issued by Parque Arauco S.A., and which were paid on August 1st that same year.



STOCK OPTIONS

The Company has a system of incentives for the Company's main officers, consisting of a Stock Option Plan under the terms of article 24, paragraph three, of the Chilean Companies' Law. To this end, 5% of the capital increase, representing 7,750,000 shares, and approved by the Extraordinary Shareholders' Meetings on October 13, 2005 and October 2, 2006 will be offered within a maximum term of 5 years from the first date, in accordance with the methods and amounts approved by the Board of Directors of the Company.

AGREEMENTS

The most relevant agreements and characteristics are the following:

| a g r e e m e n t s | | |
|-----------------------------------|--------|--|
| company | term | type of service rendered |
| Eulen Seguridad S.A. | Yearly | Indoor security at Parque Arauco Kennedy. |
| Preservi S.A. | Yearly | Outdoor security at Parque Arauco Kennedy and outdoor and indoor security at Mall Arauco Maipú. |
| Seguricorp S.A. | | Outdoor and indoor security at Mall Arauco Maipú. |
| Control Integral de Plagas Ltda. | Yearly | Environmental hygiene, fumigation, extermination of rats and insects as well as sanitary hygiene at Parque Arauco Kennedy and Mall Arauco Maipú. |
| Trane de Chile S.A. | Yearly | Preventive maintenance of air conditioning of Parque Arauco Kennedy and Mall Arauco Maipú |
| The Synergy Group S.A. | Yearly | Environment deodorization and grease control at Parque Arauco Kennedy and Mall Arauco Maipú |
| Ascensores Schindler (Chile) S.A. | Yearly | Maintenance of escalators and elevators at Parque Arauco Kennedy. |
| Ascensores Otis Chile Ltda. | Yearly | Maintenance of escalators and elevators at Parque Arauco Kennedy and Mall Arauco Maipú. |
| Thyssenkrupp Elevadores S.A. | Yearly | Maintenance of escalators and elevators at Parque Arauco Kennedy. |
| Eulen S.A. | Yearly | General cleaning of Parque Arauco Kennedy. |
| ISS Servicios Generales Ltda. | | General cleaning of Mall Arauco Maipú. |
| Caneclin Ltda. | Yearly | Mechanized sweeping and street washing of parking spaces at Parque Arauco. |
| Ecoclean S.A. | Yearly | Extraction of debris, rubble and waste at Parque Arauco Kennedy and Mall Arauco Maipú. |
| Siemens S.A. | Yearly | Fire detection and extinguishing at Parque Arauco Kennedy. |
| Tyco S.A. | Yearly | Fire detection and extinguishing at Mall Arauco Maipú. |
| Burson-Marsteller | Yearly | Communications Agency. |
| SB & Partners | Yearly | Creative Agency. |
| Mindshare | Yearly | Advertising Agency. |
| Digitaria | Yearly | Development and Maintenance of Website. |
| MAC Editores | Yearly | Editorial <i>Detalle</i> Magazine. |
| TMS Chile | Yearly | Service of Outsourced HHRR. |
| IIA | Yearly | Engineering and Information (Web Server). |
| El Mercurio | Yearly | Press. |
| La Tercera | Yearly | Press. |



RESEARCH AND DEVELOPMENT

A fundamental goal of the company is to satisfy the necessities of our visitors, forcing us to permanently evaluate our performance, new market tendencies and changes of habits and preferences of the consumer. This can only be achieved by constant process of market research, analysis of internal information and evolution of this industry in more developed markets. On the other hand, the increasing demands of our clients have forced us to maintain a permanent innovation at our shopping centers, enabling us to constantly renew our offer and thus continue being the undisputed leaders in the industry.

RISK FACTORS

The main risk factors for the company are general and prolonged deterioration of the economic activity along with a more intense competition within the industry.

INVESTMENT AND FINANCING POLICIES

The Company privileges investment in high quality projects that are efficient and satisfy the high profitability levels required by the Board of Directors for each new project. From a financial point of view, the Company privileges long term indebtedness, match of currencies between income and expenses and strict fulfillment of financial covenants established in the debt agreements. The Company does not hold open positions in the derivative markets, and the use of these instruments is generally restricted for hedging and risk control purposes.

relationship with subsidiaries and related companies

| parent company · parque arauco s.a. | | | | | |
|--|--------------------------------|---|---|-------------------------|------------------------------|
| subsidiaries | Shareholders' Equity ThCh\$ | corporate purpose | direct management | direct ownership (%) | Ownership over assets (%) |
| Sociedad de Inversiones Internacionales Parque Arauco S.A. | 17,151,487 | Investment Company | Chairman: Andrés Olivos Bambach Manager: Juan Carlos Molina S. | 99.99 | 5.07 |
| Constructora y Administradora Uno S.A. | 24,636,415 | Construction and Leasing of Commercial Spaces | Chairman: Andrés Olivos Bambach Manager: Gonzalo Quinteros A. | 99.99 | 7.28 |
| Todo Arauco S.A. | 40,606 | Organization of advertising events and promotions | Chairman: Andrés Olivos Bambach Manager: Juan Carlos Molina S | 99.99 | 0.012 |
| Comercial Arauco Ltda. | 1,327 | Construction and Leasing of Commercial Spaces | Manager: Andrés Olivos Bambach | 95.00 | 0.0004 |



related company · parque arauco s.a.

| subsidiaries | Shareholders' Equity ThCh\$ | corporate purpose | board of directors and direct management | direct ownership (%) | Ownership over assets (%) |
|--|--------------------------------|--|--|-------------------------|------------------------------|
| Alto Palermo S.A. | 207,503,846 | Construction and Leasing of Commercial Spaces | Directors: Eduardo Elsztain Abraham Perelman Daniel Elsztain Ira Chaplik Alejandro Elsztain Fernando Elsztain Gabriel Reznik José Said S. Andrés Olivos B. Saúl Zang General Manager: Alejandro Elsztain Finance Manager: Gabriel Blasi | 27.68 | 16.08 |
| Inmobiliaria Mall Viña del Mar S.A. | 35,764,931 | Construction and Leasing of Commercial Spaces | Directors: Lázaro Calderón Lawrence Golborne Andrés Olivos General Manager: Rodrigo De Diego Administration and Finance Deputy Manager: Jaime González Mallea | 33.33 | 3.33 |
| Inmuebles Panamericana S.A. | 11,685,174 | Construction and Leasing of Commercial Spaces | Directors: Augusto Wiese Ismael Noya Gonzalo de la Puente José Said S. Mauricio Olaya Marco Aveggio Andrés Olivos B. General Manager: Carlos Neuhaus Finance Manager: Guillermo Boitano | 45.00 | 14.69 |

DIVIDEND POLICY

The dividend policy consists on distributing at least 30% of net earnings of each period.

dividends paid per share · last 7 years

| dividend nº | Date of dividend distribution | Ch\$ per share in currency of each date | Ch\$ per share restated value | Charged to fiscal year |
|-------------|----------------------------------|--|----------------------------------|---------------------------|
| 11 | 03.05.01 | 17.8500 | 20.5382 | 2000 |
| 12 | 09.05.02 | 4.3000 | 4.8269 | 2001 |
| 13 | 08.05.03 | 10.0000 | 10.7932 | 2002 |
| 14 | 05.05.04 | 5.0000 | 5.4121 | 2003 |
| 15 | 09.05.05 | 9.0000 | 9.4631 | 2004 |
| 16 | 08.05.06 | 10.0000 | 10.1330 | 2005 |
| 17 | 08.05.07 | 10.0000 | 10.6606 | 2006 |



EMPLOYEES PARQUE ARAUCO S.A.

| number of employees | | | |
|-------------------------------|----------------|--------------|------------|
| | parent company | subsidiaries | total |
| Managers and Officers | 28 | 5 | 33 |
| Professionals and Technicians | 59 | 26 | 85 |
| Workers | 22 | 9 | 31 |
| TOTAL | 109 | 40 | 149 |

| list of main officers | | | |
|------------------------------|-----------------------|---------------------------------------|-----------------------------------|
| name | tax identification nº | position | profession |
| José Luis Acuña Velasco | 13.039.425-6 | Chief Business Controller | Commercial Engineer |
| Augusto Aninat De La Maza | 10.552.618-0 | Commercial Development Manager | Commercial Engineer |
| Francisco J. Arrieta Larrain | 6.866.049-1 | Division Manager Chile | Studies of Commercial Engineer |
| Francisco Azcona Virrueta | 6.289.488-1 | Chief New Business Officer | Commercial Engineer |
| Blas Bellolio Roth | 12.404.377-8 | Chief Legal Officer | Lawyer |
| Jorge Castro Orrego | 9.768.458-8 | Controller | Accountant Auditor |
| Felipe Guzmán Honorato | 10.655.726-8 | Business Development Manager | Civil Engineer |
| Solange Ibarboure Barnetche | 6.521.170-K | Chief People and Organization Officer | Anthropologist |
| Rodrigo Infante Ureta | 9.267.610-2 | Service and Infrastructure Manager | Civil Engineer |
| Francisco Magini Hayes | 3.550.627-6 | Engineering Manager | Electric Engineer |
| M. Francisca Merino Reed | 9.977.418-5 | Marketing Manager | Commercial Engineer |
| Juan Carlos Molina Silva | 9.085.644-8 | Business Development Manager | Commercial Engineer |
| Miguel Mujica Arriagada | 10.795.415-5 | Projects Manager | Civil Constructor |
| Andrés Olivos Bambach | 7.013.115-3 | Chief Executive Officer | Commercial Engineer |
| Gonzalo Quinteros Anwandter | 5.894.656-7 | Chief Commercial Officer | Studies of Commercial Engineering |
| Gerardo Riquelme Cortés | 9.329.062-3 | Finance Manager | Commercial Engineer |
| Hermann Schacht Rotter | 8.813.993-3 | Commercial Manager PAM | Naval Engineer |
| Juan Pablo Spoerer Hurtado | 10.877.023-6 | Chief Financial Officer | Commercial Engineer |
| Andrés Torrealba Ruiz-Tagle | 7.622.704-7 | Commercial Manager PAK | Commercial Engineer |
| Jorge Montero Urbina | (ID) 6.674.612 | Manager ICP (Perú) | Civil Engineer |



DIRECTORS' COMPENSATION

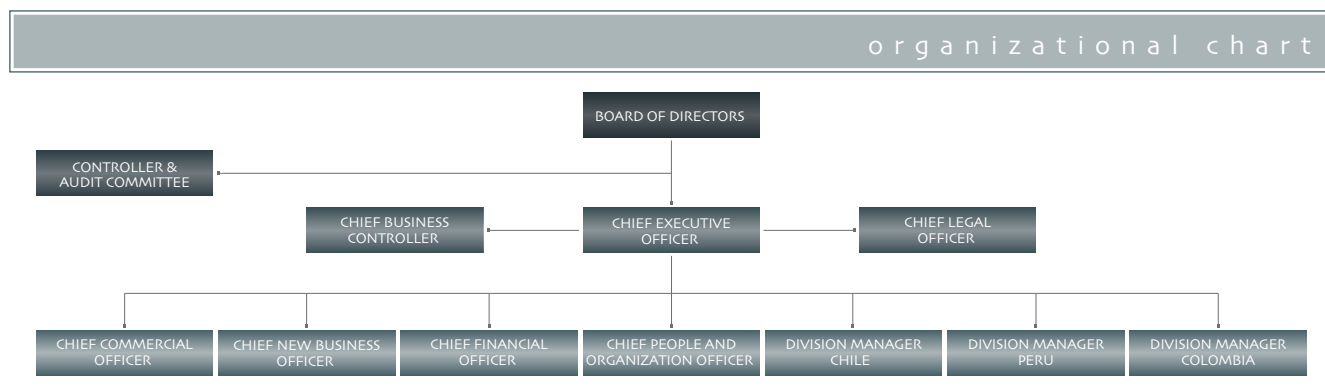
| directors' compensation 2007 and 2006 | | | |
|---------------------------------------|-----------------------|----------------|----------------|
| director | tax identification n° | 2007 ThCh\$ | 2006 ThCh\$ |
| Mr. José Said Saffie | 2.305.902-9 | 36,151 | 37,472 |
| Mr. Rodrigo Abumohor Carniglia | 6.978.209-4 | 18,076 | 18,736 |
| Mr. Rafael Aldunate Valdés | 5.193.449-0 | 14,515 | - |
| Mr. Patricio Claro Grez | 5.206.994-7 | 22,31 | 23,447 |
| Mr. Timothy Purcell | 14.577.313-K | 18,076 | 12,572 |
| Mr. Salvador Said Somavia | 6.379.626-3 | 18,076 | 18,736 |
| Mr. Guillermo Said Yarur | 6.191.544-3 | 22,497 | 23,463 |
| Mr. Raimundo Valenzuela Lang | 7.836.580-3 | 16,597 | 23,463 |
| TOTAL | | 166,298 | 157,889 |

SALARIES PRINCIPAL OFFICERS

For the year 2007, the main officers of the Company received salaries amounting to a total of Ch\$1,233,376,874.

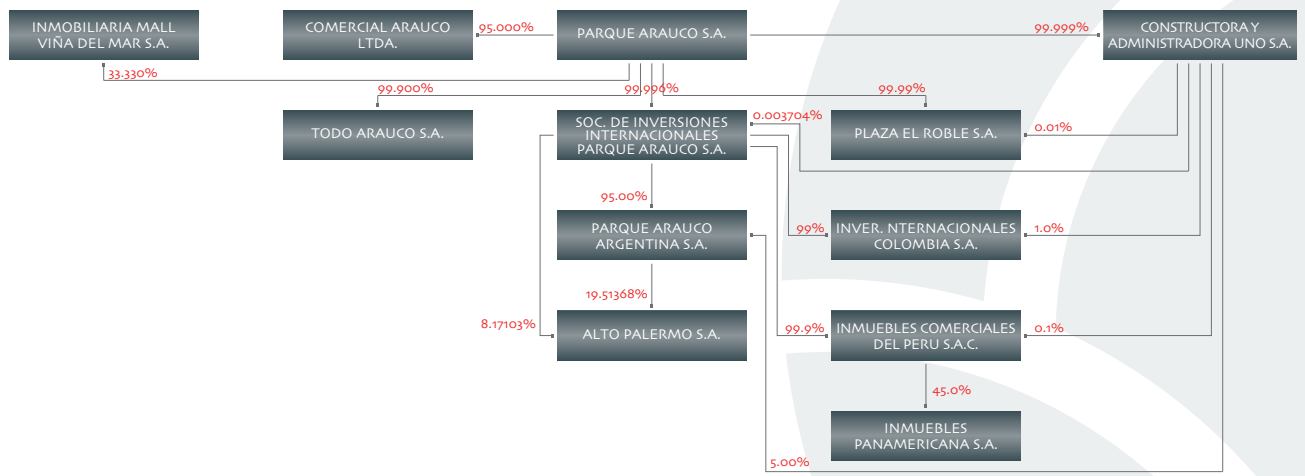
INCENTIVE PLANS

Some of the Company's officers have incentive plans based on goal achievements. These goals are set individually, depending on the scope of duties.





juridical structure parque arauco s.a., subsidiaries and related companies



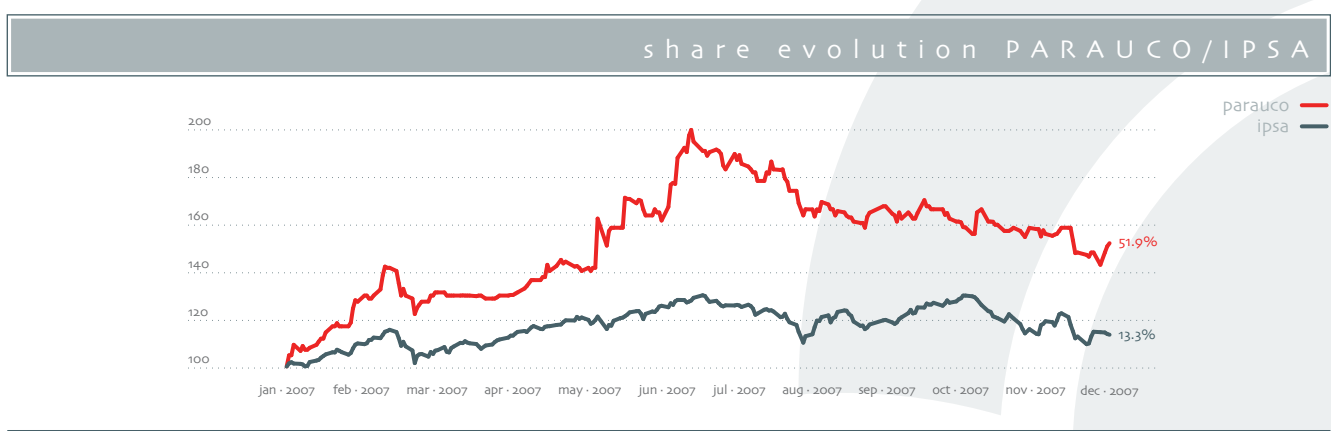
Statistics PARAUCO share

| | N° of shares transacted | Total amount transacted (MChs) | Average price (Ch\$) |
|------------------------------|-------------------------|--------------------------------|----------------------|
| 1 st quarter 2005 | 13,345,480 | 4,280 | 321 |
| 2 nd quarter 2005 | 30,990,867 | 10,985 | 355 |
| 3 rd quarter 2005 | 19,036,135 | 7,615 | 400 |
| 4 th quarter 2005 | 14,506,980 | 4,750 | 327 |
| 1 st quarter 2006 | 11,953,384 | 4,077 | 341 |
| 2 nd quarter 2006 | 36,477,538 | 12,728 | 349 |
| 3 rd quarter 2006 | 17,979,945 | 6,008 | 334 |
| 4 th quarter 2006 | 35,539,742 | 13,545 | 381 |
| 1 st quarter 2007 | 39,475,707 | 18,294 | 463 |
| 2 nd quarter 2007 | 44,003,764 | 26,803 | 598 |
| 3 rd quarter 2007 | 21,270,775 | 13,967 | 657 |
| 4 th quarter 2007 | 45,017,517 | 27,994 | 608 |



transaction of shares · related parties

| date of transaction | seller/relationship with the company | seller's tax id. n° | buyer/relationship with the company | buyer's tax id. n° | n° of shares transacted | series | subscribed capital % | unit price of transaction | transaction paid cash down | stock exchange closing price for the period | transaction on the stock market | Seller's ownership interest | Buyer's ownership interest |
|---------------------|--|---------------------|--|--------------------|-------------------------|--------|----------------------|---------------------------|----------------------------|---|---------------------------------|-----------------------------|----------------------------|
| 1/11/2007 | QUINTEROS ANWANDTER GONZALO ALEJADRO MANAGER | 5.894.656-7 | LARRAÍN VIAL S.A. CORREDORA DE BOLSA NONE | 80.537.000-9 | 350,000 | UNIQUE | 0.05789553 | 384.000000 | SI | 412.000000 | YES | 0.000000 | 0.76571137 |
| 3/2/2007 | MAGINI HAYES FRANCISCO MANAGER | 3.550.627-6 | SANTANDER INVESTMENT S.A. CORREDORES DE BOLSA NONE | 96.638.200-2 | 40,015 | UNIQUE | 0.00790696 | 480.000000 | SI | 490.000000 | YES | 0.024702 | 0.25449172 |
| 3/27/2007 | INVERSIONES SAN CARLOS S.A. DIRECTOR RELATED | 95.676.000-3 | INVERSIONES LOS NAVEGANTES S.A. NONE | 78.267.570-2 | 3,751,348 | UNIQUE | 0.61776007 | - | SI | 500.100000 | NO | 1.853280 | 0.61776007 |
| 3/27/2007 | INVERSIONES SAN CARLOS S.A. RELACIONADO CON DIRECTOR | 95.676.000-3 | INVERSIONES HYERA LIMITADA NONE | 76.265.250-8 | 3,751,348 | UNIQUE | 0.61776007 | - | SI | 500.100000 | NO | 1.235520 | 0.61776007 |
| 3/30/2007 | INVERSIONES SAN CARLOS S.A. DIRECTOR RELATED | 95.676.000-3 | INVERSIONES SAN SERGIO LIMITADA NONE | 78.265.280-K | 3,751,348 | UNIQUE | 0.61776007 | 385.000000 | SI | 495.000000 | NO | 0.61776007 | 0.61776007 |
| 3/30/2007 | INVERSIONES SAN CARLOS S.A. DIRECTOR RELATED | 95.676.000-3 | INVERSIONES LA VILLA LIMITADA NONE | 76.265.260-5 | 3,751,348 | UNIQUE | 0.61776007 | 385.000000 | SI | 495.000000 | YES | 0.000000 | 0.61776007 |
| 5/18/2007 | SAID SAFFIE MARIA TERESA DIRECTOR RELATED | 2.631.271-K | UGARTE Y CIA. CORREDORES DE BOLSA S.A. NONE | 85.544.000-8 | 195,080 | UNIQUE | 0.03212515 | 545.000000 | SI | 624.970000 | YES | 0.000000 | 0.04140601 |
| 5/23/2007 | INVERSIONES VIA ROJA S.A. DIRECTOR RELATED | 95.677.000-9 | CONSORCIO CORREDORES DE BOLSA S.A. NONE | 96.772.490-4 | 14,782,026 | UNIQUE | 2.43425706 | 545.000000 | SI | 604.740000 | YES | 0.000000 | 2.64434582 |
| 6/5/2007 | SN HOLDING S.A./ DIRECTOR RELATED | 95.678.000-4 | CONSORCIO CORREDORES DE BOLSA S.A. NONE | 96.772.490-4 | 7,000,000 | UNIQUE | 1.15273775 | 545.000000 | SI | 655.340000 | YES | 1.281519 | 1.36572203 |
| 11/14/2007 | SAID YARUR ARTURO PATRICIO DIRECTOR RELATED | 4.106.958-9 | CORP CAPITAL CORREDORES DE BOLSA S.A. NONE | 96.665.450-3 | 463,546 | UNIQUE | 0.07633528 | 605.000000 | SI | 605.000000 | YES | 0.000000 | 0.10730951 |



subscription of the annual report

In accordance with General Rule N° 30 of the Chilean Superintendence of Securities and Insurance, this Annual Report has been signed by the absolute majority of the Directors of the Company

MR. RODRIGO ABUMOHOR CARNIGLIA
Director

MR. PATRICIO CLARO GREZ
Director

MR. TIMOTHY PURCELL
Director

MR. GUILLERMO SAID YARUR
Director

MR. JOSÉ SAID SAFFIE
Chairman

MR. RAFAEL ALDUNATE VALDÉS
Director

MR. THOMAS M^cDONALD
Director

MR. SALVADOR SAID SOMAVÍA
Director

MR. RAIMUNDO VALENZUELA LANG
Director