annual report 2003

SOLIDERE

At the heart of Lebanon's capital, Beirut Central District (BCD) is an urban area thousands of years old, traditionally a focus of business, finance, culture and leisure. Its reconstruction constitutes one of the most ambitious contemporary urban developments.

The Lebanese Company for the Development and Reconstruction of the Beirut Central District s.a.l. (Solidere) is a joint-stock company incorporated on May 5, 1994. It is based on Law 117 of 1991 which regulates Lebanese real estate companies aiming at the reconstruction of war-damaged areas, in accordance with an officially approved master plan. Its share capital is US$1.65 billion.

As it spearheads and oversees this project, Solidere is bringing life to the BCD and turning it into the finest city center in the Middle East.

Solidere issues annual and semi-annual reports to its shareholders. The Company's activities through the end of 2003 are summarized in its tenth Annual Report, which also includes financial statements prepared and audited according to international standards.

Financial Highlights

	2003	2002
Summary of Operations (in US$ million)		
Sales of land and real estate properties	87.0	128.9
Gross rental income	15.4	14.1
General and administrative expenses	9.2	9.3
Net income	16.4	41.1
Sales backlog	67.0	95.0
Stock Data per share (in US$)		
Earnings	0.1042	0.2646
Shareholders' equity	10.44	10.61
Stock price range		
A shares	4.05 - 5.5	3.875 - 5.25
B shares	4.22 - 5.5	4.0 - 5.5
GDRs	4.425 - 5.5	3.9 - 5.2
Financial Data (in US$ million)		
Cash and cash equivalents	89.7	75.6
Accounts and notes receivable	190.9	214.3
Properties held for development and sale	1633.2	1654.2
Investment properties	167.0	150.2
Total liabilities	451.0	479.2
Retained earnings	17.0	22.0
Legal reserves	30.4	28.8
Total shareholders' equity	1662.6	1649.3
Financial Ratios (%)		
Return (interest income) on liquid assets	2.25	3.07
Debt to equity ratio	19.48	19.63

chairman's message

Solidere was created ten years ago. At that time, in Beirut, a derelict, war-damaged inner city provided a haunting image for citizens and photographers. Things have definitely evolved since.

Fulfilling the terms of our agreement with the State, we have installed new infrastructure and utilities and reconstituted the public domain, and are now closely cooperating with relevant authorities for their protection and maintenance, and for preserving security and ensuring compliance with traffic regulations.

Beirut city center has received wide praise for the quality of its urban planning, infrastructure, public domain, restoration and development. Numerous financial and business activities, international and local institutions have settled there. An interesting range of residential and leisure facilities, including the Beirut Marina, are contributing to the recovery of Beirut as a favored location for living and tourist destination, especially among Arabs and Lebanese expatriates. Above all, we have succeeded in re-creating life in the heart of Beirut, making it once more the vibrant place where young and old from various countries and walks of life come together.

Inspired by a Master Plan that makes a judicious use of the site's natural assets, its archeology, urban and architectural heritage, we have adopted effective preservation policies. Beirut city center bears testimony to the continuity of urban settlement over more than five millennia, its long history vividly illustrated by the archeological riches unearthed during the last ten years, its reconstituted urban fabric, and the restoration of its fine historic streetscape and buildings from many periods.

We have reconciled preservation with the realities of modern life, making Beirut city center an ideal environment for living, conducting business and enjoying oneself. The result is clear in several sectors of the city center. The restored city core areas, Serail hill, Riad El Solh, Nejmeh-Maarad and Foch-Allenby, are bustling with activity. In the residential periphery, Saifi and Zokak El Blatt have re-emerged as urban villages.

The properties developed by Solidere, UN House, Saifi Village, embassy compound, Rue de France multiuse complex, while in tune with the site identity and architectural context, are geared to the requirements of a sophisticated clientele. Together with the restored properties, they meet modern requirements of safety, security and comfort and enjoy high standards of design, execution, finishing and management. The Souks of Beirut will provide 100,000 sq m of predominantly shopping floor area. Inspired by the success of Saifi Village, several residential schemes are under way in the traditional neighborhoods. They will give back to Wadi Abou Jamil its distinctive character, and will complete the development of Saifi and Zokak El Blatt.

With the successful completion of Phase One of the Master Plan, important projects, involving a mix of land uses and a variety of developers, have seen the light in the newly planned sectors of the city center: Serail corridor, hotel district and Ghalghoul gateway. While the real estate development process continues there, it is about to start in the Souks of Beirut, and will extend to other gateway districts around the Beirut Marina and the Martyrs' Square axis. It will eventually evolve further to encompass the New Waterfront District, once we receive official approval for our detailed sector plan, and upon completion of our ongoing reclamation works.

The completion of all these projects, leading to the creation of the finest city center in the Middle East, will take several more years. But already, the growing interest on the part of Lebanese and Arab investors and end-users is being translated into significant construction and space occupancy.

In the year under review, a positive factor on the official level was the issuance in October of a Council of Ministers' decree removing some misinterpretations of the BCD Master Plan and Regulations that had delayed the release of building permits for a number of large-scale real estate projects undertaken by Solidere as well as other developers, including the Souks of Beirut. This development, combined with other positive demand factors, will no doubt have a favorable impact on the performance of your Company in 2004. Unfortunately, it came too late in the year under review to be reflected in recognized sales.

This explains the lower performance achieved by Solidere in 2003, as compared to 2002. The results for the year show a net income of US$16.4 million, mostly caused by the lower level of recognized sales due to buyers - developers' delays in fulfilling technical and financial conditions for their projects. Gross revenues of US$87.2 million were earned from land and real estate sales, while our remaining portfolio of developed properties earned us US$15.4 million in gross rental revenues.

Our funding program aims at progressively reducing the Company's medium- and long-term borrowing which resulted from the heavy investment expenditures involved in Phase One of the BCD development. The outstanding debt of US$319.6 million at end 2003 represents a debt-equity ratio of 19.5%, lower than our 20% self-imposed limit, also dictated by our current covenants to lending institutions. A substantial reduction in our borrowing level to US$295 million followed in the first quarter of 2004. The significant drop in the total liabilities since end 2002 confirms our determination to reduce the level of overall debt. Short-term funding arrangements to cover temporary cash needs contributed to maintain an adequate liquidity level during the year, resulting in a cash position of US$89.7 million at year end. General Company overheads and administrative expenses remained at the same level of US$9 million as in 2002, despite revived development activity, demonstrating sustained control over expenditure.

The poor share performance persisted during 2003, with closing prices of US$4.72 for share A, US$5 for share B and US$4.95 for the GDRs. Significant improvement was registered in the first part of this year, with share prices reaching a high of US$7 in May. The shares remain undervalued despite strong financial and operational fundamentals.

Starting June 2004, a new, favorable scheme will be offered to buyers of development land in Beirut city center, allowing them to benefit from a discount of up to 15% on the land sale price, provided 30% to 40% of the reduced price is settled by ceding an equivalent amount of Solidere shares, with the possiblility of settling 10% in cash, upon signature of the sale agreement. Ceded shares will be progressively cancelled, reducing the Company's capital. The remaining 60% will be settled over a maximum period of three years in equal annual installments, with interest at rates currently applied by the Company.

The program is adopted with the objective of activating share trading to enhance Solidere share values on the stock exchange, and maximize shareholders' equity, while at the same time boosting land sales, improving liquidity through cash payments and shorter financing periods, to allow a faster reduction of the Company's indebtedness.

It is our belief that the results of the above program, added to the important real estate projects currently undertaken by Solidere and other developers, based on renewed market interest, will enhance the value of property in Beirut city center in the coming years, and will generate positive impact on its final results and its share performance.

NASSER CHAMMAA
Chairman
May 31, 2004

the project

Includes proposed modifications to the Waterfront District Sector Plan, sectors A & D, and to roads north of Martyrs' Square.

- BCD boundary
- Traditional BCD boundary (old seashore line)
- Streets & sidewalks
- P Underground parking
- New development density Low / Medium / High
- Retained / Public & religious buildings
- Construction permitted below corniche level
- Major utilities
- Green open space
- Special landscaping
- Archeological sites
- Pedestrian streets & links

the project

The postwar reconstruction of Beirut Central District (BCD) is one of the most ambitious urban regeneration ventures of our time. The project Master Plan draws on the site's natural assets and rich heritage to create a fine city center over 191 hectares of land including a new district reclaimed from the sea, with facilities totaling 4.69 million sq m of floor space.

The BCD enjoys a prime location at the heart of Lebanon's capital. As it slopes down towards the sea, it commands fine views of the Mediterranean with a surrounding landscape of hills and mountains.

It is easily accessible from all parts of the city, including the port and airport. Major roads converge on it, form its boundaries to the east, south and west, and line its 1.5 km (0.93 mile) seafront to the north.

Continuously inhabited for more than 5,000 years, the site bears the marks of important civilizations ranging from the Canaanite to the Ottoman. Beirut's maritime and trading vocation started with the Phoenicians. Its celebrated Roman law school drew students from various parts of the Empire. The Ottomans developed its urban character and architectural style and the French consecrated it as the seat of public institutions.

Independent Lebanon grew into a booming service economy thanks to its inherent assets, its educated population and its liberal political and economic system. Beirut was a modern, cosmopolitan city, its center a focus for regional trade, business, finance and tourism.

At the onset of hostilities in 1975, growth was replaced by widespread destruction. With the return to peace and stability, Lebanon's economy re-emerged in the 1990's, sustained by the national development program. Massive public investment was coupled with macro-economic policies designed to stimulate private local and foreign investment. The BCD reconstruction benefited from this favorable environment.

the master plan

The war ravages provided both the need and the opportunity for comprehensive urban planning. A carefully drawn, detailed, phased and coordinated plan of action for the BCD, comprising the traditional city center and its modern extension on the waterfront, the Master Plan involves the installation of a completely modern infrastructure and provides an urban design framework for new construction and for the preservation of retained buildings.

Reflecting the site topography and main natural features, the Master Plan maximizes views of the sea and surrounding landscapes, dwells on the formation of public spaces and creates belvederes, promenades and trails.

Recognizing the city's heritage, it unearths the many layers of its history, preserves its surviving buildings and townscape features, reestablishes its fabric and neighborhood structures.

Combining tradition and innovation, control and creativity, it ensures the harmonious integration of traditional and modern architecture. It accommodates a broad mix of land uses including business, government, residential, as well as cultural and recreational facilities.

The project covers approximately 191 ha (472 acres): 118 ha (292 acres) originally constituting the traditional BCD, plus a 73 ha (180 acres) extension being reclaimed from the sea. Around 98 ha (242 acres) will consist of public space: 59 ha (146 acres) in roads and 39 ha (96 acres) in public open space. Approximately 93 ha (230 acres) will be allocated for development, including about 22 ha (54 acres) of retained, public or religious property, with the following development guidelines provided in the Master Plan:

Floor Space

	thousand sq m	thousand sq ft
Offices	1,582	17,030
Residential	1,959	21,089
Commercial	563	6,061
Cultural facilities/government offices	386	4,155
Hotels	200	2,153
Maximum Total	4,690	50,488

project phasing

phase one 1994 - 2004

completed works

Infrastructure in the traditional BCD and treated part of the original landfill; marine works: defense structure, sea promenades and Beirut Marina; major advances in land treatment and reclamation; sector plan for the New Waterfront District. Restoration of the historic core; renovation of the banking district, Starco and Lazarieh office buildings; redevelopment of the Saifi, Zokak El Blatt and northern Wadi Abou Jamil residential areas. Major new projects: Solidere's UN House, Saifi Village, embassy compound, Rue de France multiuse complex; Banque Audi, Medgulf and Bankers' Association headquarters, Monroe hotel, Al-Borj and Atrium office buildings, Block 24 and Parkview Realty residential buildings.

works in progress

Development of Beirut Marina facilities and Corniche car park; completion of land treatment and reclamation. Hadiqat As-Samah and hotel district landscaping. Launching of international urban design competition for the Martyrs' Square axis sector. Starting by Solidere of Souks of Beirut above-ground structures and of residential projects in Saifi and Wadi Abou Jamil; construction of a number of residential and hotel towers facing Beirut Marina and the waterside park and inception of other landmarks.

phase two 2005 - 2020

This phase will focus on the development of the Martyrs' Square axis and the New Waterfront District and will mark the internationalization of the project and re-launching of Beirut as a world city of the region.

It involves completing the infrastructure in these areas, landscaping the waterside park and Corniche promenades, developing the eastern marina and launching high-rise developments with a distinct architectural style that will bring a new identity to the city. This will intensify the thrust towards making Beirut city center a favored location for international businesses, financial and other specialized services and institutions, as well as a tourism destination and a prime residential area. Other real estate projects will finalize the redevelopment of the traditional city center, including Saifi and Wadi Abou Jamil, and establish prime development areas in the Serail corridor and the hotel district. High-density zones will also be developed comprising the Beirut Trade Center, the gateway towers on either side of Gibran Khalil Gibran garden, The Landmark development near UN House, and the northeast gateway towers marking the point where the coastal highway terminates in the city center.

solidere

Solidere was capitalized with US$1.82 billion: US$1.17 billion as contributions in kind of property right holders, and US$650 million as cash subscriptions following an oversubscribed initial offering. After the retirement in 1997 of 17,000,129 shares, representing recuperated properties, its capital now stands at US$1.65 billion.

The Company is establishing a solid base for BCD prosperity, through high value-added land development activities, competitive real estate projects, as well as in its capacity as property owner and manager.

Real estate projects are being implemented either directly or in joint venture with partners, or through and in liaison with other developers. By encouraging the return of previous owners and tenants and supporting third-party developers, Solidere accelerates the pace of construction while reducing the development risk.

As lead developer and supervisory body, the Company controls the pace, components and quality of development. Solidere outsources construction to focus on its core competencies: managing real estate project development, marketing development land, marketing and servicing rental properties.

Such management services can be extended to all BCD property owners. The Company is also equipped to provide management and operation services to BCD infrastructure, marinas, public utilities, car parks and landscaped open areas.

land development existing

city center

Southern view of the city center, with Fouad Chehab Avenue and the Martyrs' Square axis.

Downtown Beirut is breaking new ground in city center regeneration. Purposely envisioned in planning and urban design, functional in its infrastructure and facilities, and endowed with quality finishes and landscaping, it has become a choice location for residents, businesses and institutions, as well as a vibrant cultural, tourist, leisure and shopping destination.

As land developer, Solidere prepares development sites in central Beirut for investors wishing to develop real estate properties. Its activities in this domain involve town planning, parceling and urban management, site preparation, including archeological investigation, infrastructure, street furniture and landscaping.

New infrastructure has been completed in the traditional city center and the treated part of the landfill, and will later extend to the New Waterfront District. As per the 1994 agreement with the Council of Development and Reconstruction (CDR), Solidere implements these works on behalf of the State in return for an allocation of 291,800 sq m of development land in the waterfront district.

infrastructure

Beirut city center is equipped with a 3.6-km ring road, 8.4 km of primary roads and 16.6 km of secondary, tertiary and pedestrian streets. Expansions to the prewar grid accommodate traffic and facilitate land parceling for real estate development. Three major axes form the ring: the new George Haddad to the east; the widened Fakhreddine to the west; and to the south, Fouad Chehab bridge, doubled in capacity, with an interchange and underpasses providing fast access to the airport, the port, East and West Beirut, and main central areas. Functional in its western section, the BCD Corniche is to skirt the waterfront district. Broad avenues cut across the city center north-south: the Martyrs' Square axis extending Damascus road to the port; the new Park Avenue linking the traditional city center to the hotel and waterfront districts. Weygand, Zeitouneh and Port streets, the latter widened and extended towards Trieste street, form major east-west boulevards. New roads were implemented in Wadi Abou Jamil.

Ring road interchanges.

The construction of a pedestrian street to the east of Maarad street, overlooking the Hadiqat As-Samah garden, is nearing completion.

The designs for two major road improvements, proposed by Solidere in 2003, have received CDR approval. Their finalization requires a Master Plan amendment, to be issued in a Council of Ministers' decree.

The first is a detailed design for the road junction linking the north of Martyrs' Square to Trieste street, while fully accommodating important archeological sites in the ancient Tell area.

The second is a conceptual design aimed at substantially improving the George Haddad - Fouad Chehab junction, assuming grade separation at the intersection.

The water supply system comprises 30 km for drinking water and 38 km for landscaping and irrigation. The water disposal system consists of 26-km storm water drainage, a sewage pumping station and 28-km sewage piping.

Solidere implemented all civil works, including culverts, relating to power supply and installed 66 KV and 220 KV power cables, a 220 KV link between the Beirut pine forest station and the BCD, and a 240 MW substation transforming high-tension power transmitted by Electricité du Liban (EDL) into medium voltage; local transformers in turn convert it to low voltage electricity for domestic use. Following other areas of the existing city center, Mina El Hosn is currently being equipped with duct banks for its medium voltage cables, with the Bachoura and north Saifi sectors to follow. Public lighting was installed everywhere, with low-voltage cabling, lighting fixtures and feeder pillars. Tunnels were equipped with lighting, stand-by generators, control and safety systems.

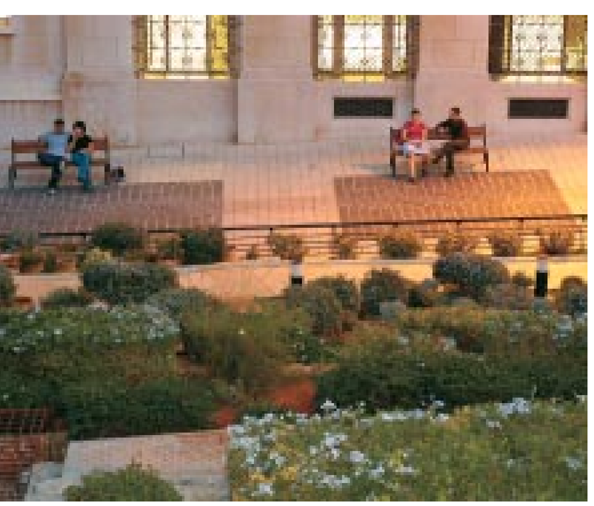
Civil works were also implemented for telecommunications networks, including duct banks for medium and low voltage networks, cable TV and telephone services. Solidere was granted in 1998 a build-and-operate license for teleport / broadband distribution and cable TV networks allowing direct connection of any BCD building to high speed broadband services, as well as a wide range of television services through cable TV. The Company intends to build and operate the system[together with a technical partner], using advanced telecom technology, with the first phase planned for installation by end 2004. The project received the support of the ITV (International Telecommunications Vision), following its presentation at the World Summit on Information Society, held in Geneva in December 2003 and attended by a high-level Lebanese delegation.

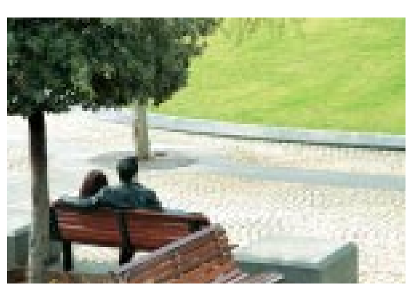
land development existing **city center**

Hardscaping and street furniture, upgraded at Solidere's expense beyond the agreement with the State, provide high-quality public space. While street and sidewalk paving and streetlights were designed to complement the characteristics of each sector, a unified modern design characterizes other street furniture and public signage. Sidewalks in Mina El Hosn are currently being upgraded from concrete to granite, the same progressively applying in all areas where new sidewalks and curbs are installed. Plaques with newly assigned postal codes were installed. The Company continues to generate designs and development controls for the public domain. The public domain master plan is now in process with the consultant team of Jean-Michel Wilmotte (France) and Ziad Akl. A signage manual, prepared by Solidere and amended in accordance with Municipality of Beirut comments, is awaiting final approval.

Pending completion of sufficient space underground, 21 vacant lots assigned for surface parking provide 2,500 car spaces daily servicing 8,000 customers. Some surface parking is moving to new locations to make room for real estate development. Lot 1520 Bachoura, site of The Landmark development, will be replaced by lot 1519 Bachoura, site of the interrupted development formerly destined for the Ministry of Interior; lot 1488, site of the Bab El Saray development, by neighboring lot 1076 Saifi, across Martyrs' Square.

Prior to being put into final operation, the Souks of Beirut 2,550-space underground car park is providing parking facilities for the Foch-Allenby and Maarad sectors. Also open to the public is a four-level, 108-space public underground car park in Weygand street, topped by a garden. A private 280-space underground car park is under implementation by Solidere in the northern part of the Foch-Allenby area. Tendered out by CDR as BOT projects, two car parks under public property in Martyrs' Square and near the Grand Serail, remain unexecuted.





landscaping

More than 60 gardens, squares and promenade areas are part of the BCD. The streets are lined with trees, or fitted with planters or wide medians landscaped with trees, shrubs and colorful plants.

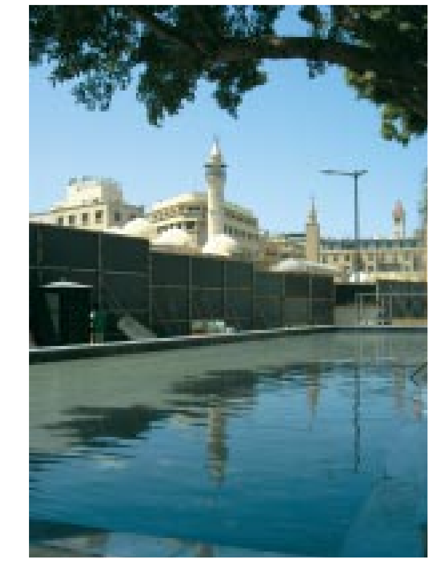
Major open spaces presently include Gibran Khalil Gibran garden facing UN House; Roman Baths gardens and pedestrian area; Zokak El Blatt garden overlooking the city from the ring road; Riad El Solh Square; Debbas Square garden.

Adjoining public and religious buildings are the landscaped areas created in Nejmeh Square, facing the Municipality, under the Grand Serail, near the Serail entrance, and between the Evangelical church and National Music Conservatoire. The CDR stairs, Emir Amine Square in Bachoura, Omar Daouk Square in Wadi Abou Jamil, Planet Discovery garden in Mina El Hosn, provide other landscaped spaces.

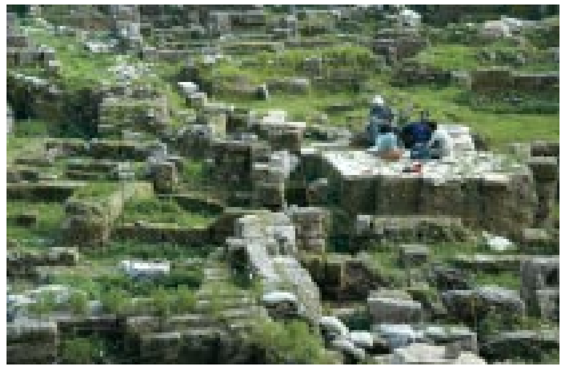
Ongoing works include a square in the Foch area, designed by Vladimir Djurovic, and a private open space in Zokak El Blatt, designed by Mohamad Halawi, both expected to be completed by mid-2004. Design work continues on the Wadi Abou Jamil open spaces.

Hadiqat As-Samah, designed by the US-British landscape architectural firm Gustafson Porter, is to be constructed on a 2.3-hectare (5.7-acre) site, committed by Solidere through relinquishing development rights there. The garden's location among several places of worship, its design reflecting Lebanon's varied landscape and numerous historical layers, destine it to be a place of calm reflection.

Work started on the Heritage Trail pedestrian circuit, with information panels under preparation, together with a tourist map of archeological sites and historic buildings.



Gustafson Porter are designing the hardscaping and landscaping of the hotel district and Shoreline Walk open spaces. These include the Zeytouneh, Santiyeh, All Saints and Mina El Hosn squares, the latter with a 'naturally sloping' corridor. A footbridge leading to the Beirut Marina is under design by Nadim Karam, working with Arups structural engineers (UK).



archeology

Archeological excavations and research yielded evidence on civilizations which span over 5,000 years and contribute to defining Beirut's identity. Solidere supported the rescuing and preservation of this heritage and financed the teams working under Directorate General of Antiquities (DGA) supervision. The Master Plan flexed to preserve important archeological sites identified under UNESCO protocol and to reintegrate them in unique ways into the townscape.

In coordination with relevant administrations, the Company is supporting site excavation, research and conservation, and integrating findings into development projects. Archeological research proceeded during the year on seven sites falling on public space, in buildings under restoration or on development lots. The location of the Roman harbor has been established in the Foch-Allenby block 93 site. A landscaped area to be called Old Harbor Square will feature in its design the reconstituted harbor remains. Archeologists now assume that the harbor of the previous period is located north of the ancient Tell area, hidden below the Ottoman landfill.

The documentation, digitizing and evaluation of results are nearing completion. Several articles on the trade relations of Beirut in the past were published in scientific journals by archeologists of the fourteen teams that worked in the BCD. The articles also provide general maps of Beirut's urban layout in various periods of its history. These include fortifications stretching over 3,000 years and the major axis of the Roman city. Major discoveries on the Roman colonnaded streets led to a reconsidering of the Roman built up south of Emir Bechir street.

In 2003, the design of the Hadiqat As-Samah garden was completed by Gustafson Porter and the construction of the west terrace wall was started.

The design for archeological conservation was finalized, with implementation starting in 2004. It includes long-term burial of some finds and on-site integration of features representing various periods: Roman Cardo Maximus, Hellenistic remains, Decumanus with houses and workshops, evidence of the conjunction of Hellenistic and Roman urban grids, Byzantine baths, walls associated with the 17th century Fakhreddine palace, and later Ottoman foundation arches and walls.

Decree 5714 of 2001 amended the Cadmos street alignment and specified the site for road bridge links north of Martyrs' Square, across the ancient Tell, to preserve the archeological remains underneath. Dar Al-Handasah undertook the study for CDR. Solidere coordinated the urban design through its consultant, French architect Michel Macary, responsible for the conceptual design of the Tell Site Museum and of the Heritage Trail.

issues with the state

archeology

Solidere claimed US$17.7 million in compensation for increased infrastructure costs resulting from delays due to the DGA. The costs are bound to increase as long as the issues remain unresolved.

operation and maintenance

Infrastructure and the reconstituted public domain are operated and maintained by Solidere until their delivery to the State.

These services cover: tunnels and underpasses, roads and sidewalks; street furniture, traffic lights and street lighting; utility ducts and manholes, storm water networks, sewage pumping station and network; irrigation station and network, trees and landscaped open spaces.

The Company does not receive any payment in consideration for these services, and has raised with State authorities the issue of the costs incurred for which it intends to seek compensation. The costs are compounded by handover delays that persist to this day.

Solidere continually upgrades its site logistics services: cleaning, pest control, safety, security and traffic management. The latest progress involves waste collection, street, sidewalk and street furniture cleaning. Door-to-door waste collection from restaurants and other retail outlets started in February 2004, with office and residential units to follow in the next phase.

handover to the state

As per Law 117 of 1991 and the agreement with the State, ratified in decree 5665 of 1994, infrastructure and the public domain are to be delivered upon completion to CDR, representing the State.

Primary infrastructure and utilities, including the ring road with its bridges and overpasses, main and secondary roads, and the sewage pumping station, were delivered to the State in earlier years. Solidere installed the necessary meters of public lighting, deemed by CDR as part of its deliverables, to facilitate its handover. Utility networks in Riad El Solh, Maarad, Foch-Allenby, Saifi, Zokak El Blatt were delivered to the State in 2003. Wadi Abou Jamil networks, completed in 2003, is to be delivered in 2004.

Decree 5714 of 2001 finalized the determination of the reconstituted public domain, an essential part of its delivery. Some works, mostly public squares and gardens, were needed on the additional lots relinquished by Solidere to the public domain. A legal mechanism is allowing property conveyance to the State with the provision of CDR taking delivery of the works.

Despite their delivery to the State, the implemented infrastructure and reconstituted public domain continue to be operated and maintained by Solidere. No action was taken by CDR regarding a tendering procedure prepared by Dar Al-Handasah for subcontracting the works once the Municipality takes over this function.

master plan issues

The Council of Ministers' decree 11259 dated October 25, 2003, amending the BCD Master Plan and Regulations, resolved a number of technical and architectural issues that had delayed the release of building permits for several real estate projects in the city center, including the Souks of Beirut.

future prospects

martyrs' square

Conforming with the International Union of Architects' regulations, an open international urban design competition for the Martyrs' Square axis will be launched by Solidere in the current year.

The design comprises the open space corridor and most of the Sector H development land, down to quayside development on the Beirut port first basin, and including the road links connecting Martyrs' Square to Trieste street across the ancient Tell area.

The competition will incorporate the integration of the Tell area and important archeological sites to the north, including the site museum, for which the concept design was received in 1998 (see p. 18).

The intention is that the winning design be extended into a detailed sector plan for Sector H.

A vibrant waterfront is emerging around Beirut Marina, now in operation and accommodating a large number of yachts and sail boats. Steven Holl's design of marina-related facilities: quayside restaurants, yachtclub, hotel / apartments, is in its final stages, and a footbridge is planned to link the hotel district to the marina. Environmental works and a comprehensive sector plan are laying the ground for the development of the New Waterfront District. Leisure, cultural and promotional activities are held in temporary structures on the eastern edge of the waterfront.

Commanding fine views of the sea, with a picturesque landscape of hills and mountains across the bay, the New Waterfront District is planned as a prime, relatively high-density, mixed-use district, endowed with extensive green areas.

Heavy engineering investment in sea defense, marina construction and environmental reclamation have prepared for its development. Providing an uninterrupted 3.5-km extension of the Beirut shoreline, the corniche promenades, marina and harbor quaysides will represent more than four times the area of seafront public space currently available in the city corniche system around the Beirut peninsula.

beirut marina

The Beirut Marina was constructed as part of important marine works which also comprised a breakwater and a two-line defense structure protecting the marina and the new waterfront. They were all delivered in 2002 as per the 1994 agreement with the State. The project cost, totaling US$298 million, was partly financed with a US$107.3 million, 10-year loan, concluded in 1996 with COFACE guarantee. Solidere continued in 2003 its repayment of the loan, with US$15.3 million paid during the year and US$61.3 million outstanding at year end.

In 2002, the marina was put at the disposal of Solidere, in accordance with the 1997 agreement with the State, which grants the Company the right to operate the marina and below-Corniche car park for a 50-year period.

Solidere is constructing at its own expense and with official approval the necessary installations: access and circulation roads, surface parking on the breakwater and underground car park below the Corniche and on-site development, pontoons, harbor master building, customs and immigration facilities, and utilities for the boats.

The Company has issued Beirut Marina by-laws addressing general services administration, operation, boat traffic, pedestrian and vehicular circulation, public safety and environmental protection.

Implementation is overseen by a high-level committee appointed by the Council of Ministers.

View of the Beirut Marina and the hotel district.

In February 2003, Groupe Camille Rayon (France) completed the design of the marina equipment: pontoons, utilities, network ducting, mooring and service bollards. A flushing system is designed to avoid stagnation and siltation in the marina.

The building permit for the marina and surrounding quays, pontoons, mooring and service bollards, was issued by the Ministry of Transport in July 2003.

Connections are being installed for all utilities: water, electricity, fire line, telecom / internet, cable TV. Medium voltage power requested from Electricité du Liban is to be distributed throughout the marina via five transformers, with a 3,500-KVA generator providing 100% backup power. The works are in progress and expected to be completed in July 2004. An additional quay providing boat users with extra comfort at times of northerly winds is scheduled for completion by mid-year.

Still outstanding are construction permits for structural works in water tank, sewage tank, sewage station, and harbor master, customs and immigration buildings.

An intelligent system will cover functional aspects of the harbor master building, linking to it all activities to allow for automatic billing.

marina development

In November 2002, the design of developments around Beirut Marina was commissioned to Steven Holl architects (US). These include a town quay of waterside restaurants, hotel / apartments, leisure and shopping facilities, yacht club, harbor master, customs and immigration buildings. In February 2004, Solidere signed a joint venture agreement with Stow Waterfront Development s.a.l. (Stow) for the development of these facilities.

Beirut Waterfront Development s.a.l. was incorporated in April 2004, with 50% shareholding for each of the two partners: Solidere contributing in kind 22,351 sq m of land with about 20,000 sq m in built up area, and Stow contributing US$31.6 million.

By mid-2004, the design file is expected to the Municipality, thus initiating the project building permit procedure. Holl, teaming up with Nabil Gholam, will later proceed with the detailed design and construction documents, expected to be completed at year end. In April 2004, High-Point Rendell (UK) were appointed construction managers for the project.

Corniche Car Park

The detailed design of the Corniche underground car park, was started by Dar Al-Handasah in the fall of 2003. Subject to the building permit procedure, its implementation is planned for completion by summer 2005. The 400-space car park falls within the 50-year operation agreement, whereby Solidere has the right to build and operate the car park with the State taking a share of the revenue.

Other works

A belvedere overlooking Beirut Marina from the Corniche, as well as a footbridge, underpasses, stairs and ramps providing pedestrian links, are part of the overall plan that will connect the marina to the surrounding area and provide public access to the town quay.

Renderings from Steven Holl's concept for the Beirut Marina development.

land development **waterfront district**

Progress in land reclamation.

land reclamation

The New Waterfront District is an expansion of an original landfill, enclosing a dumpsite that had scarred the city center foreshore since the Lebanon war.

Phase Two of the environmental reclamation works, resulting in land cleaned to bedrock and down to 23 meters below sea level, had reached three-quarter completion by end 2003.

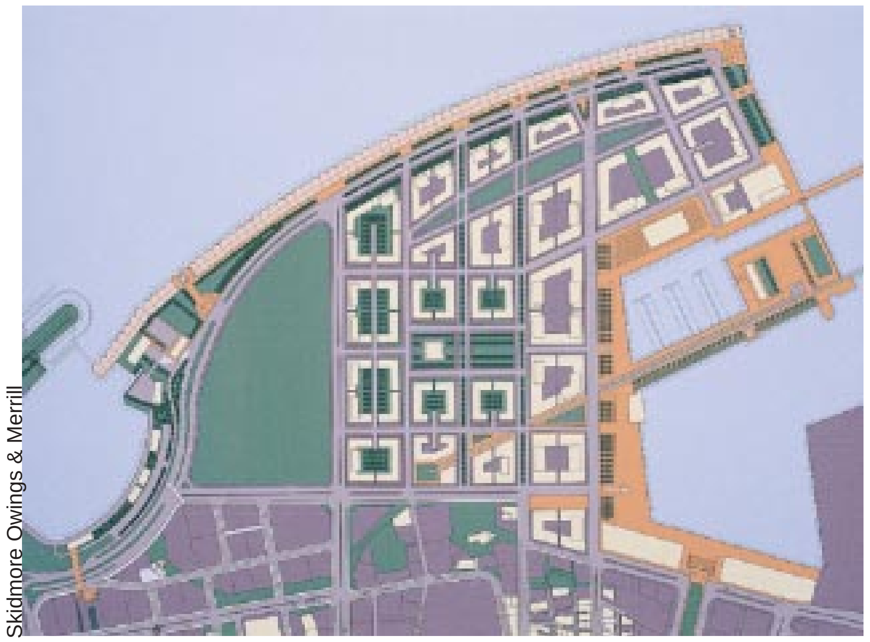
Landfilling stands at 55 hectares, with the shortfall from the final 73-hectare target representing marine service access and work areas for the contractor Radian International (US).

The contract, covering 18 hectares not counting extensions below sea level, involves the excavation, sorting and treatment of 5 million cubic meters of debris and waste materials. The works, supervised by Fairhurst International (UK) and controlled by Bureau Veritas (France), started in April 1999 and were scheduled for completion by mid-2004. The contract is the subject of a dispute which went before an arbitration tribunal in Paris in December 2003.

The judgment, to be issued by the International Chamber of Commerce in Paris by mid-2004, could have a considerable effect on the completion of the works, which in any event is not expected to occur before late 2005. The agreement may also involve a four-year period of post-works environmental monitoring by the contractor.

The US$56-million project is financed by means of three bank loans, with a consolidated repayment schedule. A six-year, locally syndicated, US$22 million loan, concluded in March 2000, finances its local content. This loan was fully drawn, and, with repayments having started, the amount of US$11.6 million was still outstanding at end 2003.

Skidmore Owings & Merrill



Initial New Waterfront District planning study: massing plan.

The US content of the project, in engineering and construction services and equipment, benefits from US$14.7 million in export credit financing, and US$10 million in additional local financing, concluded in 2001. Drawings of US$20.5 million had been effected on both parts of financing by end 2003.

The backfilling and consolidation of clean material at the end of the reclamation process will allow the delivery of sites for infrastructure, development and public space.

Studies for the development of infrastructure, parks and high-density structures are starting with a feasibility study by Paul Rizzo Associates (US), financed by a US$450,000 grant from the US Department of Trade. The one-year study, started in January 2004, relates to the eastern section of the waterfront district and will provide a development basis for partnership with private investors.

This section, leveled, equipped with temporary roads and surface parking areas, and leased to Beirut International Exhibition and Leisure Center, is hosting activities in temporary structures which include exhibition halls, conference areas, a banquet pavilion and a seaside restaurant.

future prospects

sector plan

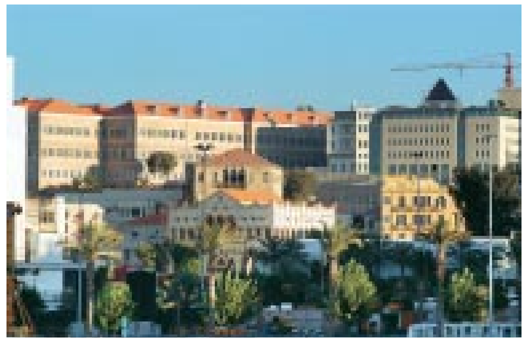
The Higher Council for Urban Planning and the Beirut Municipal Council approved in 2002 the proposed sector plan for the New Waterfront District, its park and waterside (Sectors A and D of the BCD), together with the general and special regulations relating to these sectors. This sector plan is a development and refinement of the initial planning study for the area.

The issuing of a Council of Ministers' decree officially ratifying the sector plan is a precondition for initiating the detailed design for infrastructure and landscaping in the waterfront district.

real estate development

Offering quality institutional residential and commercial space, a number of developments including UN House, the embassy compound, the Rue de France multiuse complex and Saifi Village, are characterized by modern architecture that is harmonious with its surroundings. Saifi Village is being extended and Wadi Abou Jamil developed along similar lines. The important Souks of Beirut magnet is still going through the final stages of the building permit and tendering processes.

Solidere's real estate strategy reflects an accurate assessment of demand, meeting the requirements and standards specific to each niche market. The Company has also shown its ability to respond to market and institutional circumstances, changing the nature of some projects or postponing them to better times. This applies particularly to projects stated within a 1997 property agreement with the State, involving the development of 70,000 sq m of floor space pre-leased as administrative buildings for seven years with an option to buy at an agreed price.



Embassy compound near the Grand Serail.

rue de france complex

The Rue de France development at the foot of the Serail hill was redesigned as a multiuse complex, comprising an office building, three residential buildings and a health club. The Council of Development and Reconstruction is occupying the office building on lot 1 Zokak El Blatt, totaling 2,900 sq m of floor space. Also entirely occupied are 3,200 sq m of floor space in the nine-flat residential complex on lot 1131 Zokak El Blatt. The 3,400-sq m Nautilus health club started operating in April 2003.

The Company had engaged in substantial works, adapting building designs to the end-users' needs.

Following a 1999 Council of Ministers' resolution to cancel the agreement, Solidere filed an action to reverse this unilateral decision. In addition to contractors' claims, the Company's damages include US$25 million paid to the State in exchange for various lots as part of a property swap falling within the agreement. The litigation and its arbitration are still pending.

Solidere stopped implementation of the buildings dedicated to the ministries of Finance and Internal Affairs, completing in the latter case the skeleton for the substructure in order to stabilize the surrounds. Two developments destined for agencies affiliated to the Prime Minister's office were pursued on the basis of new land use, design and end-users. One is the embassy compound and the other the Rue de France multiuse complex.

embassy compound

Lot 89 Zokak El Blatt, under parceling and regrouping in Rue de l'Armée, was redesigned into a 9,300-sq m embassy compound. The Japanese moved their embassy there in 2001, the British in 2002. In 2004, 2,600 sq m of floor space were leased to the Australian embassy. The Australians are expected to move into their new premises in June 2004, after completion of requested internal fitting-out works. The remaining space is the object of interest on the part of a fourth embassy.

Rue de France complex.

the souks of beirut

The Souks of Beirut are a predominantly shopping district offering some 100,000 sq m of floor area. While being innovative in meeting contemporary shopping and entertainment needs, the project draws on the site's heritage. Several unearthed archeological finds are integrated within the project design. They include the late Phoenician-Persian harborside settlement and remnants of the medieval city wall, together with other artifacts and mosaics found on the site. The Souks will also incorporate the Mamluk Zawiyat Ibn Iraq shrine and Ottoman Majidiya mosque.

Design is by: Rafael Moneo (Spain) and Samir Khairallah & Partners for the Souks core, comprising around 200 retail units and an office building with a supermarket on the lower floors; Kevin Dash (UK - Australia) and Rafik El Khoury & Partners for the gold souk; Valode & Pistre (France) and Annabel Karim Kassar for the entertainment complex; Nabil Tabbarah for the department store and multiuse building; Olivier Vidal (France) for space planning and landscaping; Dimitri Alatzas Asociados (Spain) for parking structure design and management systems consultancy.

Solidere finalized the project detailed design and constructed the 2550-space underground car park. Complications raised by the authorities prior to releasing the building permit have delayed the development of the superstructure.

The development of the south Souks, covering the gold souks and the souks core, will start upon release of the related building permit, expected to occur by mid-2004, following the issuing on October 25, 2003 of Council of Ministers' decree 11259. Implementation should start upon the awarding of work contracts, based on the finalization of the earlier tendering process. Construction is expected to be finalized by early 2006, allowing the realization of pre-sales in the gold souk or jewelers' market and of leasing agreements for the souks core units. Fit-out works are expected to be finalized by mid 2006, with units reserved by end-users to be possibly delivered earlier. The medium-term funding needed for the project is facilitated by the inherent revenue elements involved: receivables against promissory notes from the gold souk, plus expected rental revenues.

Phase Two of the Souks development will cover the north Souks, consisting of the entertainment complex, the department store and the multi-use building comprising offices, restaurants and a commercial gallery. Expected to start upon completion of the related building permit approval process, this phase may proceed in parallel with the first. The facilities should be completed within 18 to 24 months from the permit approval date, allowing the finalization of leasing and management agreements with anchor tenants and international operators.

Souks of Beirut: south Souks site along Weygand street.

block 93

A car park in the northern part of Foch-Allenby is jointly developed by Solidere and owners of six properties in blocks 93 and 87. It will provide 700 car spaces over four underground levels totaling 31,200 sq m of built-up area, with two main access ramps on Foch and Allenby streets. Construction, awarded to Geneco, is to be completed in August 2004 for all but two properties, for which building permits are awaiting parcel subdivision and regrouping.

A landscaped Old Harbor Square will be created on top of the 280-car park section owned by Solidere. A destination on the Heritage Trail, it will contain a water feature and sections of the ancient harbor wall excavated on the site.

real estate **development**

saifi village

Saifi Village houses and walkway.

A success story, Saifi Village offers residential facilities totaling 34,000 sq m of floor space, including 4,102 sq m of retail at street level, in 16 low-rise new buildings forming four clusters over 7,400 sq m of land and along six streets.

Designed in the Lebanese vernacular tradition, the infill development blends with existing buildings restored to their original glory. The apartments offer comfort and security, elegant interiors and quality finishes. They are equipped with underground parking facilities and are serviced by a nursery school and local shops.

The public realm design and landscaping enhance the neighborhood's character and convey an appealing and communal ambience of gardens, courts and walkways.

A Quartier des Arts is evolving, with a cluster of designers' and art galleries, antiques and artisans' shops, delicatessen stores, decorative art and beauty specialist boutiques attracted by Solidere's favorable rental policy and pro-active promotional campaign.

The very favorable market response to Saifi Village gave Solidere the impetus to invest in new projects expanding the Village and to apply similar 'urban village' principles to other residential neighborhoods.

View from Saifi Village terrace.

saifi village extension

The architect Nabil Gholam was commissioned to design two residential developments providing an extension to the Saifi neighborhood.

178 saifi village

178 Saifi Village offers around 10,100 sq m of residential and 670 sq m of commercial floor space on 2,937 sq m of land. The new development comprises five separate new buildings, three with façades along Charles Debbas street, the rest along the other streets bordering the site. In the middle is a garden, constituting 30% of the site area and surrounding a restored building.

The five- or six-floor buildings, inspired by the Beirut architecture of the fifties, use materials and pastel colors similar to those of the neighborhood. They are organized in a traditional way around the garden courtyard, providing private terrace gardens. Taking into account the Mediterranean climate, they draw on the best features of the central hall plan to create a well-balanced, well-oriented, well-lit space, ensuring optimum efficiency and minimum energy costs. The 45 units, ranging from one to three bedrooms, benefit from modern amenities, ample storage and parking space.

The building permit file is in progress with the Beirut Municipality. The permit for excavation works was obtained on April 22, 2004.

146 saifi village

146 Saifi Village, addressing the corner of Martyrs' Square, offers around 22,100 sq m of residential and 2,150 sq m of commercial floor space on 3,153 sq m of land.

While overlooking the tiled roofs of Saifi Village, the new buildings differ from it in vocabulary and scale, their modern architecture and 40-meter height relating more to the planned scale and character of the Martyrs' Square axis. The scale of the development is broken down horizontally through the use of upper-level setbacks, and vertically by its subdivision into four separate buildings of different materials and colors.

178 Saifi Village: interior façade rendering; restored existing building.

real estate development

wadi abou jamil

Giancarlo de Carlo & Associates

Residential complex in Wadi Abou Jamil.

Solidere has initiated the design and implementation of clustered developments in Wadi Abou Jamil, involving infill construction together with restoration. The development briefs, while adapted to the project site, aim at creating a unified urban and architecture approach, with a predominantly residential use.

The Company commissioned the concept designs to international and local architects, selected for their experience in Mediterranean and Middle Eastern countries, and the responsiveness of their design approaches to local context, culture and climate.

Once a scheme is reviewed and adjusted to meet the specifications of assessed demand, Solidere ensures its implementation. This will be achieved through direct investment in the development, or through the sale of the land to interested investors / developers, along with the concept design, and possibly a construction package.

Significant progess was registered in three residential schemes being developed by Solidere facing the planned Wadi Abou Jamil public garden.

Designed by Giancarlo De Carlo & Associates (Italy), an important new development extends on two neighboring lots 1379 and 1370 Mina El Hosn, where it respectively offers 12,400 sq m of floor space, distributed over four buildings of six floors each; and 12,000 sq m of floor space, distributed over three buildings of six floors each. Lot 1371 Mina El Hosn, designed by Maha Nasrallah, offers 5,000 sq m of floor space distributed over three apartment buildings, consisting of seven floors, including penthouse duplexes. Building permit files for these two projects have been submitted to the Municipality.

Solidere is currently reviewing the design by Dar al Omran (Rassem Badran, Jordan), of another important development on lot 1392 Mina El Hosn, offering 20,300 sq m of floor space in six apartment buildings of seven floors, built around an internal garden, with a one-floor flat in the middle.

The concepts developed for these residential clusters define the future urban and architectural character of Wadi Abou Jamil. The architects are sensitive to the continuity and mix of successive architectural styles in Beirut. In each case, construction is planned around an internal garden courtyard, an area accessible to pedestrians' viewing through the entrance or other voids in the building façades, allowing transparency. Layering creates a gradual passage between the public and private domains.

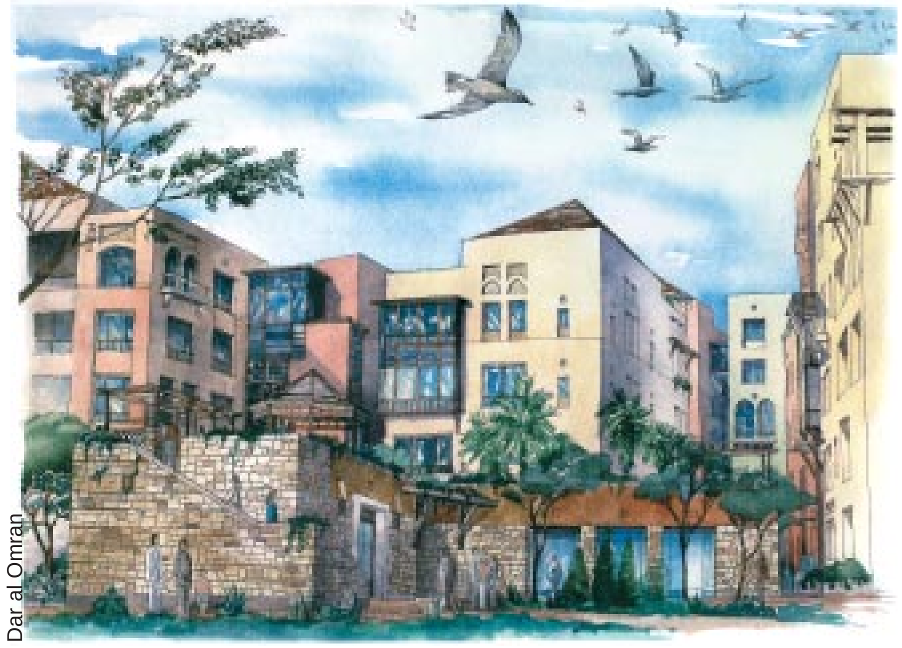
The architects draw inspiration from the traditional central hall model and enhance it by using more articulate forms and modern features. The façades are designed as a mirror effect of multiplicity in architectural style. Windows, balustrades, crowning, balconies, loggias and pergolas are important features in the façades' esthetic texture to express the richness and grace of a diverse tradition and language. Local materials are used: yellow stone and wood, determined by the existing street and building alignments; white or colored plaster finish and metal, inspired by the modern building under restoration in the area.

The apartments, with their private gardens and their interiors of grand standing, offer exclusive residential accommodation combining luxury, modernity and privacy.

Among other new Solidere residential projects now under design are .block 52-51, by Abdel Wahed El-Wakil (UK - Egypt), offering 21,800 sq m of residential floor area; block 50-06, a 18,000-sq m mixed-use development, and block 51-04, a 7,770-sq m residential development, both to be designed by Demetri Porphyrios (Greece).

Giancarlo de Carlo & Associates

Internal façades of two Wadi Abou Jamil residential complexes, designed by Giancarlo De Carlo & Associates and Dar Al Omran.



Dar al Omran

restoration

Reconstructed part of Banque Audi headquarters.

The restoration and revitalization of the Conservation Area and traditional neighborhoods of the city center are widely recognized as a major achievement in urban rejuvenation. Their buildings have recovered their beautiful exteriors, and are enhanced by a landscaped environment, modern interiors and facilities. A vibrant *vieille ville* with pedestrian streets, squares, cafés and shops, the historic core is a meeting place at all times. Urban villages are popular living areas.

The historic core has a rich architectural heritage of monuments, religious, public and private institutional buildings and commercial landmarks. Its recovery has led to a phenomenal market demand for space to accommodate a broad range of office, retail, recreational and cultural uses.

Following Saifi, Wadi Abou Jamil is re-emerging as an urban village.

Fakhry Bey and Allenby streets after restoration.

restoration process

The BCD Master Plan retained for preservation 265 buildings and 27 public and religious buildings.
The buildings were the subject of careful restoration, according to a set of rules established by Solidere in cooperation with urban planning authorities. These involve detailed sector plans and restoration guidelines.

Restoration briefs were established for the retained buildings, based on architectural and photogrammetric surveys, damage assessment and historical research on the original designs and materials. The briefs provided guidelines for articulating the design and restoration strategy to be adopted in each individual case, and were necessarily stricter for buildings classified as of heritage or architectural value.

The projects go through phases of preliminary design approval, restoration permit issuance, mobilization of site works, façade and material sample approvals, site inspection, and, finally, occupancy permit procedure. A dedicated Solidere team monitoring implementation ensures efficient work progress. Restored buildings have to be maintained on a regular basis, and to that effect, owners provide the Municipality of Beirut with a signed commitment to undertake general cleaning and façade maintenance every five years.

Stone repair was an important element of the restoration process, particularly in the Foch-Allenby and Nejmeh-Maarad area, notable for its faithful reconstitution of elaborate façades and its high quality stonemasonry.

The city center restoration combines authenticity with a progressive outlook. The buildings are rejuvenated through the use of skylight atria, roof gardens, glazed roofs and other features. Interiors are modernized and fitted with modern equipment for functionality, comfort and efficiency.

In residential neighborhoods, this is allied with a high sensitivity to the Mediterranean typology. In office buildings, open plans allow optimal and flexible use of floor area.

The final product of restoration is quality space with a special character. Its success has confirmed that heritage buildings can survive and even create substantial value, provided they are adapted to the needs of contemporary life and business.

Restored buildings on Fakhry Bey street, facing the Souks of Beirut.

restoration

Recuperated properties: residential building and Starco commercial center.

Recuperated Zokak El Blatt residential building.

recuperated and sold buildings

Solidere efficiently managed the recuperation process, giving former owners and tenants the opportunity to regain their rights in the buildings retained for preservation.

In addition to fulfilling the requirements applying to all other restoration projects, recuperation contracts outlined the financial rights and responsibilities of involved parties, be they returnee owners or tenants.

With the conclusion of the recuperation process, a total of 146 complete built lots have been recuperated. Of those, 127 buildings have been fully restored, five are currently under restoration, and 14 are under study.

Of the retained built lots whose ownership devolved to Solidere, 37, regrouped into 31 lots, had been sold as is by the end of the year 2003, while one had been leased as is to be restored by its user.

Their restoration is proceeding on the part of their buyers/user, with 26 built lots ready, four under renovation and one under study.

solidere buildings

Solidere took the lead in restoration, undertaking showcase work on its own properties and closely monitoring other parties' projects.

The 48 built lots remaining with Solidere were regrouped into 42 lots, including five co-owned buildings. Of these, 38 lots were the object of restoration by the Company; the other two are under restoration by third parties, respectively the co-owners and the leaseholder. In addition, Solidere undertook the restoration of two lots on behalf of the Islamic Wakfs, with one completed and another under study.

As at end 2003, six buildings had been sold after restoration, of which one residential and five commercial buildings. Solidere still held by year end 22 restored buildings: 11 destined for office use in the Maarad and Foch-Allenby area, with retail at street level; and 11 destined for residential use in the Saifi, Wadi Abou Jamil and Zokak El Blatt neighborhoods. Of these, five built lots designating six buildings, plus sections in a co-owned building, serve as Company premises.

Solidere leases space in its restored buildings. By end 2003, 12 agreements relating to commercial buildings or sections thereof, and 10 agreements relating to residential properties, had been signed. This resulted in the occupation of around 12,891 sq m of commercial space and 14,475 sq m of residential space. The decrease in the latter figure compared to 2002 is due to the exercise by some previous tenants of their options to buy.

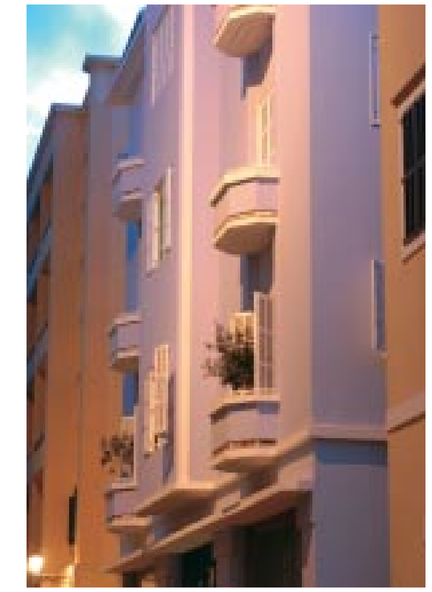
The implementation of restoration concepts in the 18 other Solidere built lots is proceeding, with eight at the construction stage and 10 under study.

grand theatre

The Grand Theatre block is being developed by Solidere as an integrated project consolidating the historic building on lot 891, the lot 870 building and the vacant lot 1521. The concept design by Architecture Studio (France) will be submitted to the Directorate General for Urbanism in Summer 2004. The works undertaken on the existing buildings involve strengthening their structure and making stone repairs on their façades.

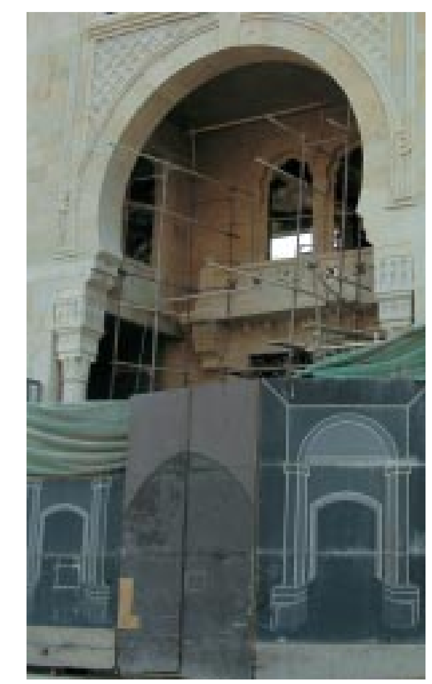
saifi

Two restoration projects are under way in Saifi. Lot 332 is a building of five stories, two of which have already been sold. Lot 741 consists of three restored buildings, already occupied, and a four-story infill building. The project is developed around an internal garden designed by Ilya - Stevenson. Parking facilities accommodating more than 50 cars are provided under the garden and in the new building's three basement floors.



Saifi restored residential building.

Stone repairs on the Grand Theatre façades.



restoration

Zokak El Blatt residential neighborhood.

zokak el blatt

Lot 670 Zokak El Blatt is restored as per Fouad Menem's design into a two-story building. Solidere has applied for a building permit for an additional floor. The parking spaces required for the building permit are to be provided in the adjacent lot 1144 Zokak El Blatt, a six-story infill building with 128 car spaces on six basement floors.

Lot 1015 Mina El Hosn restored building.

wadi abou jamil

In Wadi Abou Jamil, lot 799 Mina El Hosn, under restoration as per Fouad Menem's design, is a seven-story building including one- to three-room flats and two duplex apartments with roof gardens.

Three projects are under restoration as per Ayman Sanioura design. Lots 800 and 802 Mina El Hosn consist of two Levantine houses with four floors each, two above and two below the Rue de France street level, separated by an empty lot. The two houses, almost completed, will remain unoccupied until completion of an infill building in similar style on the empty lot.

Lots 1133, 1134, 1135 and 1136 Mina El Hosn are a group of four Levantine houses, structurally comprising two buildings with a common circulation. The buildings comprise three stories each, two above and one below the Rue de France street level. Solidere is currently regrouping these lots and the recently purchased lot 1135, into one building lot. The project is under re-design to provide four apartments, consisting of two apartments on the first floor, and two duplex apartments with reception areas at Rue de France level and bedrooms and family area below, overlooking Wadi Abou Jamil Square, currently under design.

Lot 797 Mina El Hosn consists of two buildings of seven and five stories.

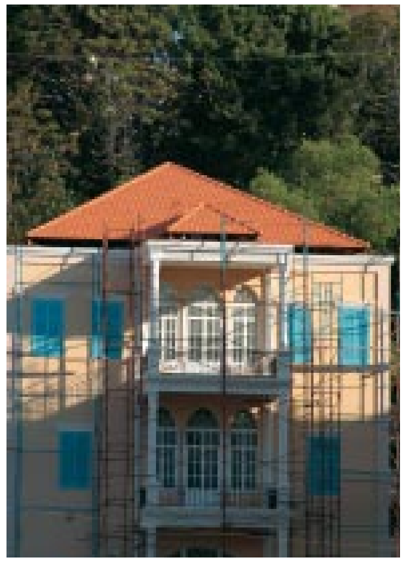
Lot 1015 Mina El Hosn is a five-story building restored following Ziad Akl's design. While the apartments are all occupied, the shops on the north side have not yet been marketed. Under construction in the southern edge of the building is an underground car park serving the building, to be covered by a private garden.

public and religious buildings

Al Omari mosque after restoration.

Nineteen religious buildings located in the BCD attest to the spiritual value of central Beirut. Solidere has assisted in their restoration, and 12 places of worship are now in use and drawing increasing numbers of people.

Lots 800 and 802 under restoration.



sale and rental **strategy**

Its inherent assets enhanced with the unfolding of the Master Plan, Beirut city center offers many interesting investment opportunities. Major development projects are under way, spearheaded by land sales. Delays in fulfilling their technical and financial requirements have impacted sales revenues. Rental activity is growing, with further delivery of real estate products offering quality design, execution and services.

Block 24 residential development.

Building sites along Park Avenue.

As a land bank with an important property portfolio, Solidere puts on the market a wide range of built or un-built lots for residential, office, hotel, retail and other specialized uses. In the early years after inception, its sales activities mainly involved un-built lots, or existing buildings sold as is for renovation or further development. The delivery of its own real estate projects was to lead to a growing volume of sales and leasing operations involving finished products. These may be new or preserved buildings or parts thereof. Solidere has constructed buildings destined for specific long-term tenants. Finally, vacant lots or space therein may be leased to third parties on a short-term basis, pending their development.

A marketing policy, flexible enough to allow for adjustment and revision according to market demand and other circumstances, is reflected in a healthy mix of sales and rental operations.

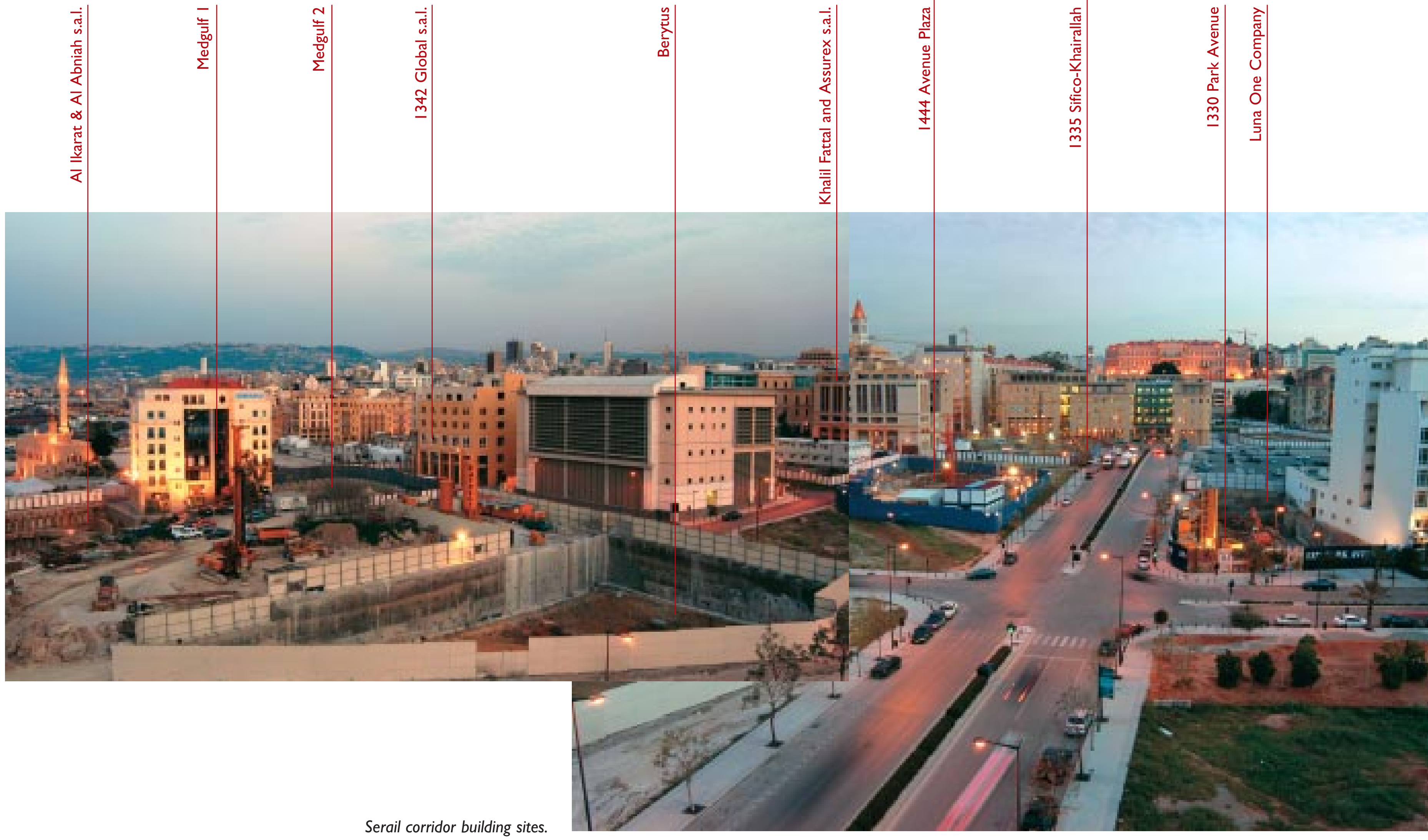
This strategy has ensured the speedy restoration, reconstruction and occupation of the historic core and residential neighborhoods, and an early launching of developments in new sectors of the city center.

Solidere's clientele includes Lebanese and foreign banks, corporations and businesses; individual clients, public or private local institutions; international organizations and foreign embassies.

In addition to encouraging the return of previous property owners or tenants, Solidere has attracted magnets and has been instrumental in relocating expatriates and foreign companies into Beirut.

The Company follows up closely on the sales and leasing of finished products marketed by buyers - developers, in addition to its own, as part of its careful monitoring of the demand and supply of real estate in the city center.

Marina Towers building site.



Serail corridor building sites.

sale and rental strategy

sales

sales record
The aggregate sales realized since the Company's inception amount to US$715 million, representing around 620,000 sq m of floor space. Yearly sales revenues rose from US$22.5 million in 1995 to US$92.4 million in 1996 and US$144 million in 1997. The fall to US$117.9 million in 1998 due to recession was further aggravated in the two following years by Master Plan issues which delayed construction permits. Sales fell to US$37.5 million in 1999 and plummeted to US$6.3 million in the year 2000. This downward trend was reversed in 2001 and 2002, with sales successively jumping to US$77.5 million and US$128.9 million. However, sales fell in 2003.

sales results
Gross recognized sales during the year 2003 amount to US$87.2 million. Of this total, US$67.2 million are land sales and US$20 million are real estate sales. The fall in land sales is largely due to delays in some major projects. Cancelled sales, settlement costs and provisions for settlement costs and doubtful sales receivables, are netted from gross recognized sales.

The sales backlog totaling US$67 million at year end includes US$58 million of land sales and US$9 million of residential real estate sales. The downpayments received on signed deals as at December 31, 2003 amount to a net value of US$22 million, of which US$1.6 million relate to the sale of units in the gold and jewelers' market which is part of the Souks of Beirut project. Downpayments are treated as deferred revenues and will only be recognized as part of revenues upon sales realization.

land sales
Land sales contracts recognized in 2003 amount to US$67.2 million representing 56,860 sq m of floor area. By comparison, in 2002, recognized sales amounted to US$122 million.

The delay in some projects strongly impacted recognized land sales, with such deals remaining part of the sales backlog. The land sales backlog as at end 2003 was US$58 million, representing 56,000 sq m of floor area, with the sale of 50,000 sq m of floor area for The Landmark development as a major component. The deal was not recognized in 2003 since the design process was still ongoing at year end, while the second payment, necessary for finalizing the sale agreement, is linked to the developers obtaining the building permit, which has a fair chance of materializing in 2005.

The decrease in land sale results also reflects the reversal of profits on some transactions recognized in previous years, following the Company's decision to cancel those agreements in view of the developers' failure to implement their projects. A net amount of US$7.5 million was reversed in the income statement of 2003. On the other hand, a windfall profit of US$1.5 million was recorded, representing a forfeit on a cancelled deal.

real estate sales
In 2003, real estate sales amounted to US$20 million (US$14.6 million in 2002), representing 8,565 sq m of floor space (6,173 sq m in 2002). This total includes a building dedicated for a bank headquarters in Foch-Allenby and a private villa in Saifi, both sold after their redevelopment by Solidere; and a number of Saifi Village apartments, some of which had been sold in 2002 with their sale recognition delayed, pending completion of related parcel subdivisions and property transfers, or the exercise of options in contracts involving a lease with option to buy.

Alternative schemes are offered for the residential space delivered by Solidere in new or restored apartment buildings, allowing a simple lease, a lease with option to buy or an outright sale. Buyers can benefit from payment facilities.

2003 Saifi Village sales amounted to US$4.9 million, representing the recognition of 12 options to buy with a total floor area of 2,932 sq m. Seven options to buy, amounting to US$3.4 million (1,967 sq m of floor area), were exercised in the first three months of 2004.

real estate leasing

Solidere has been regularly increasing its portfolio of income-generating properties. The Company has leased some buildings to a single institutional tenant, such as UN House and Lot 1 Zokak El Blatt, and has dedicated a complex for embassy use. It also leases units in its buildings, as well as car-spaces in parking lots, and vacant lots for strategic short-term activities held in temporary structures.

As at end 2003, property rented out by Solidere had a gross value of US$176.8 million (US$165.8 million after depreciation), consisting of US$124.7 million in buildings, US$44.7 million in land and US$7.4 million in other assets.

Gross rental income recognized in 2003 amounts to US$15.4 million, against US$7.5 million in 2000, US$10.2 million in 2001 and US$14.1 million in 2002. Downpayments received on lease agreements and reservation deposits, amounting to US$5.3 million, are treated as deferred revenues and not recognized as part of income. The 2003 rental revenues were distributed as follows: US$3 million from residential space; US$11.6 million from commercial (office and retail) space; and US$0.8 million from parking space, mooring space and vacant lots.

Residential leases relate to new and restored flats in Saifi Village, Zokak El Blatt and Wadi Abou Jamil, some of which delivered in 2003. Among new or renovated office space leases, the Company perceived in 2003 the full annual rental income from lot 1 Zokak El Blatt, leased to CDR in 2003. Projected rental income for 2004 is US$16.5 million, including the Australian Embassy lease signed in January, with the embassy moving into the premises by mid-year, following completion of related upgrading and internal fitting-out works.

Saifi Village 1064, 735 and 741.

Lot 1015 in Wadi Abou Jamil.

sale and rental **strategy**

sale procedure

Regarding the sale of property for development, an agreement, which includes all pre-development and construction timetables together with payment conditions, is signed upfront. The sale is expressed in terms of floor space ('built up area' or 'net development rights').

The property transfer registration before the Real Estate Registrar takes place on signature or shortly thereafter in case some technical conditions remain to be fulfilled, such as parcel subdivision and regrouping needed to create the sold lot.

Solidere pursued in the year 2002 its policy of offering buyers the possibility to defer part of the sale price payment, thus enabling them to better plan the financing of their investments. Concomitant with the property transfer registration, the buyer-developer provides Solidere with a first-degree mortgage on the property as a guarantee against outstanding payments, and submits a bank guarantee as security for the proper and timely execution of all construction-related works.

Kevin Dash - Hani Murad

Bab El Saray.

developers' concepts

Progress in the design and building permit procedures for a number of large projects was registered in 2003.

At the edge of the historic core, the Bank of Kuwait and the Arab World on lot 1470 Marfaa offers 8,300 sq m of floor area over 1,400 sq m of land, at the intersection of Weygand and Foch streets. It was designed by ARC Group (Ali Saad) in association with Abdel Wahed El Wakil (UK - Egypt) in the Lebanese vernacular tradition and responds to the context of the neighboring Municipality and Foch street buildings.

Bab El Saray development, named after the medieval city gate that once stood nearby, is on lot 1488 B Marfaa at the intersection of the Martyrs' Square axis and Weygand street, between the restored Emir Assaf mosque and UFA Insurance building. The site faces Hadiqat As-Samah and the new garden along Weygand street. The project covers a land area of 2,570 sq m and offers 17,500 sq m of floor space. It is designed by Kevin Dash (UK-Australia) and Hani Murad as a hotel on the upper five floors, with retail and commercial use of the ground floor, served by underground parking.

Nabil Gholam

Al Awqaf commercial building on Foch street.

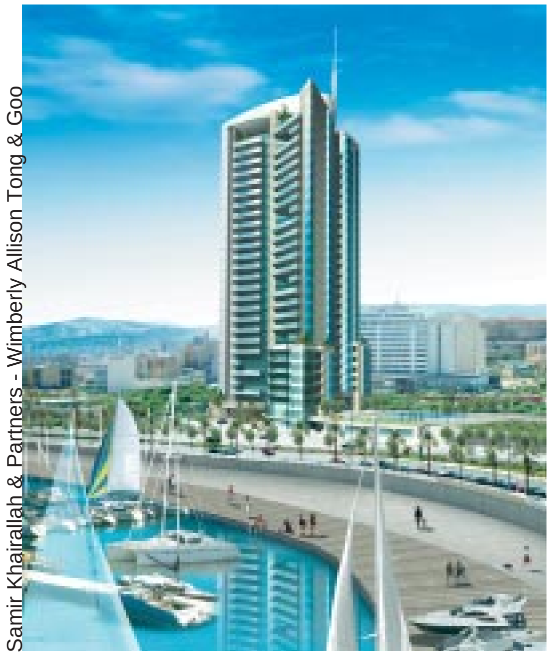
Bank of Kuwait and the Arab World in Foch street.

ARC Group - Abdel Wahed El Wakil

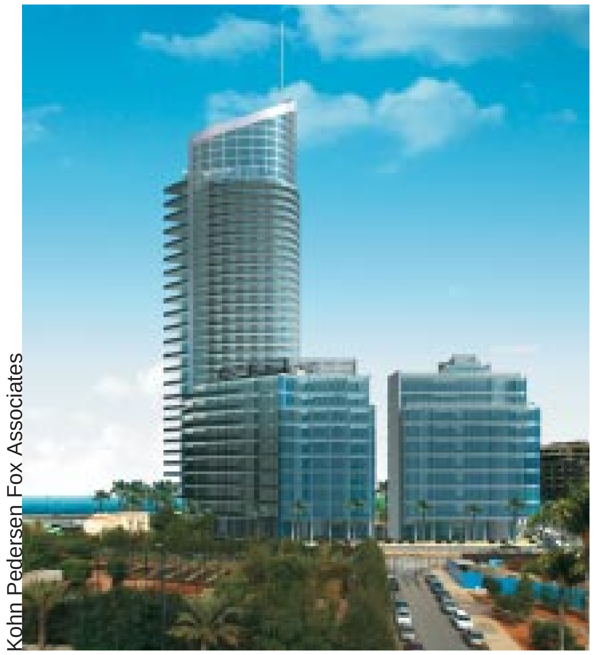
sale and rental **strategy**


Nabil Gholam in association with Ricardo Bofill

Platinum Tower.


Samir Khairallah & Partners - Wimberly Allison Tong & Goo

Beirut Tower.


Kohn Pedersen Fox Associates

Marina Towers.


Dar Al-Handasah Shair & Partners

Four Seasons Hotel.


Jean Nouvel

The Landmark.

At Beirut city center's southern gateway, a limited architectural design competition was organized by the owners of lot 1520 Bachoura for the development of The Landmark mixed-use project. The winning design by Jean Nouvel (France) focuses on a small floorplate landmark tower, referred to by the architect as 'the campanile'. The project, covering a land area of 7,700 sq m, offers 70,000 sq m of floor space distributed into a thirty-seven floor hotel and apartment tower overlooking Riad El Solh Square, and two supporting ten- and eleven-story buildings containing office, retail and a cinema entertainment complex.

At the northwest gateway, four high-rise luxury developments will have direct views on and access to the Beirut Marina.

The developments of Platinum Tower, designed by Nabil Gholam in association with Ricardo Bofill (Spain), and Beirut Tower, designed by Samir Khairallah & Partners in association with Wimberly Allison Tong & Goo (US), respectively offer 53,887 sq m and 35,000 sq m of floor space. A footbridge across the Corniche will link them and Mina El Hosn Square to the marina.

The Marina Towers luxury residential complex and the Four Seasons hotel, both with access to the Beirut Marina through a pedestrian underpass, are under construction.

In Wadi Abou Jamil, a new residential project, the Pavilion, is under design by R&K Consultants (Rachid Karam) on lot 1128-A Zokak El Blatt. The project covers a land area of 3,414 sq m and offers a total built-up area of 9,500 sq m of floor space. Situated on steep terrain, it incorporates low-rise traditionalist housing on the Rue de France frontage, including a three-story private villa, and a nine-story modern infill building facing Rue de l'Armée.

Lot 1128-B Zokak El Blatt, situated at a prime location in the heart of Wadi Abou Jamil, was designed by Farouk El-Sheikh as a private residence encompassing three buildings of heritage value, to be restored or rebuilt, and two new buildings designed in the same architectural style. The development over 4,570 sq m of land includes a private residence annexed by a guesthouse, a secluded office, recreation facilities and an underground parking with a total floor area of 4,700 sq m.

Al Mawared Real Estate s.a.l., owner of lot 1383 Mina El Hosn, will soon put under design a building with 7,580 sq m over five floors, to be used as Al Mawared Bank headquarters.The Royal Hotels and Resorts boutique hotel on lots 834, 1457, 1430 Mina El Hosn offers 14,650 sq m of floor area combining restoration and new construction. It is designed by Ziad Akl and Philippe Starck and integrates new infill buildings together with four restored Levantine houses. The project was extended in 2003 by the purchase of lot 1410 Mina El Hosn for the development of an extra area of 2,950 sq m for serviced apartments.

The Pavilion.


R&K Consultants

sale and rental **strategy**

property marketing

Lot 142 office building on Foch street.

The Company has been successful in the marketing of delivered residential space, new or restored.

As at end 2003, of the 136 Saifi Village apartments totaling 30,700 sq m of floor area, 33 (with a 6,583-sq m area) were leased; 50 (10,730 sq m) were leased with an option to buy; and 53 (13,346 sq m) had been sold, of which 19 as a result of exercising options to buy. Lease agreements had also been signed for a nursery (240 sq m), and 12 shops (1,211 sq m) as part of the Quartier des Arts being created by Solidere to enhance the vibrant environment of Saifi Village. Concurrently, 36 agreements, totaling 8,830 sq m of floor space, had been signed for restored houses or flats. They represent 2,691 sq m of leases, 3,384 sq m of leases with option to buy, and 2,754 sq m of sales, of which 890 sq m as a result of exercising the option of sale.

In Zokak El Blatt, 67 apartments were the object of agreements, totaling 12,419 sq m of floor space. They represent 9,563 sq m of leases, 978 sq m of leases with option to buy, and 1,874 sq m of sales. In Wadi Abou Jamil, nine agreements totaling 3,432 sq m of floor space had been signed, representing 1,971 sq m of leases with option to buy, and 1,461 sq m of sales.

On the other hand, the Company had signed five lease agreements totaling around 33,630 sq m of floor space in institutional office buildings: the entire UN House, lot 1 Zokak El Blatt, and part of the embassy complex.

As at the same date, 22 agreements relating to office space in restored buildings in the Maarad area had also been signed, representing 6,321 sq m of leases and 3,268 sq m of sales.

property management services

Solidere provides complete full-time operation and maintenance for all its delivered buildings. These include new and restored buildings, the Souks car park and the Weygand street car park facing the Municipality. The Company has an operation agreement with ESCWA for electro-mechanical and civil works in UN House.

Extending its services to other property owners, Solidere signed several agreements for the marketing of third-party properties, prior to undertaking their management and maintenance.

It is currently offering such buildings the following services: technical maintenance, cleaning, safety, security and the maintenance of landscaped areas; marketing, lease management, including drawing up budgets, arranging insurance, collecting rents, preparing assets inventories, subscribing to utilities, tackling co-ownership issues and paying real estate and municipal taxes. The Company expects to derive increasing revenues from property management services in the coming years.

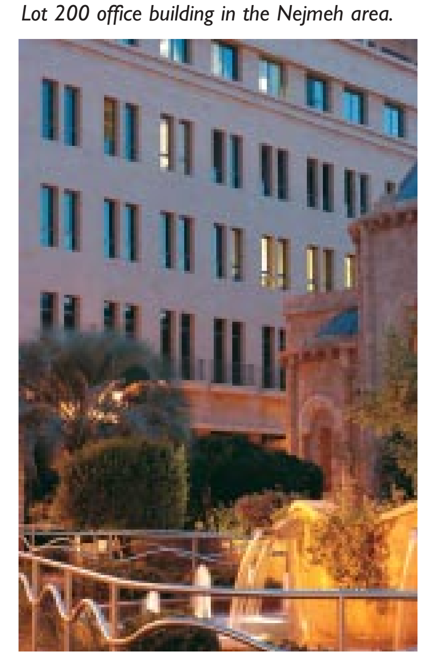
Solidere also provides BCD properties with site logistics services, including cleaning, safety and security (see page 19).

future prospects

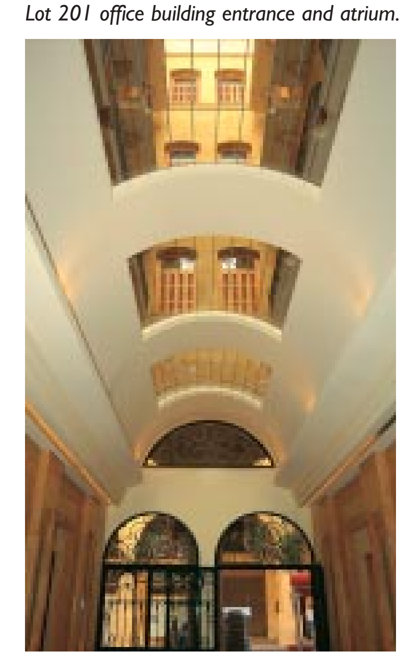
The Company is firmly relying on growth in its rental income as it steps up the delivery of new and restored buildings. Based on lease agreements signed to date or expected to be signed before the end of the current year, Solidere expects its rental revenues to reach US$16.5 million in 2004.

Both sale and rental revenues are expected to be strongly boosted upon delivery of the Souks of Beirut, by far the most important real estate Solidere project providing 100,000 sq m of floor space. Assuming a delivery by early 2006, rentals in that year are expected to approximately double from their present level.

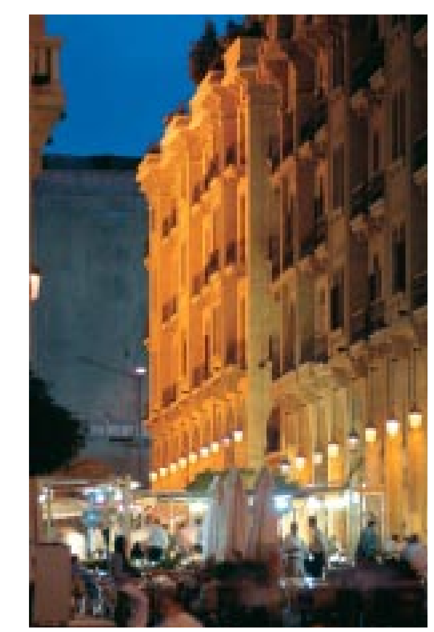
Lot 200 office building in the Nejmeh area.



Lot 201 office building entrance and atrium.



Lots 201 and 820 on Maarad street.

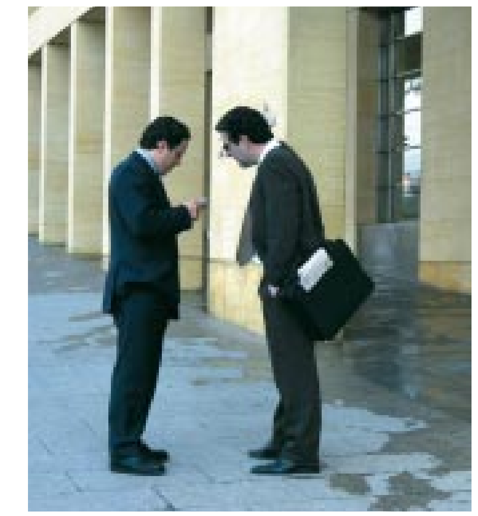


cafés and people

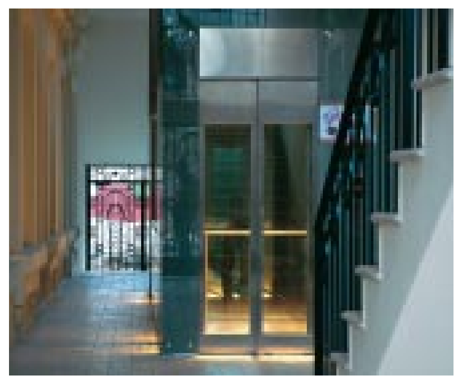


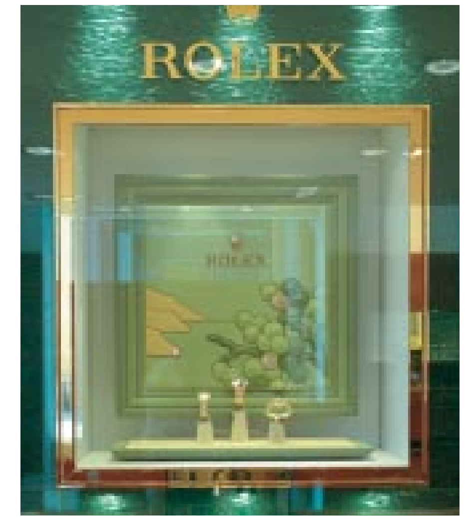


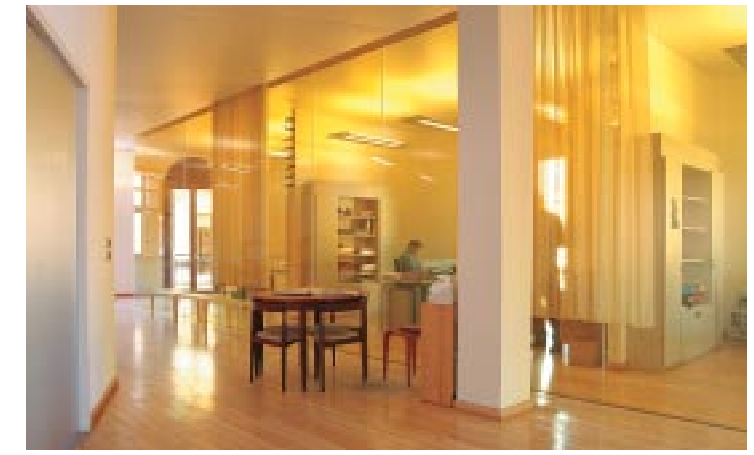


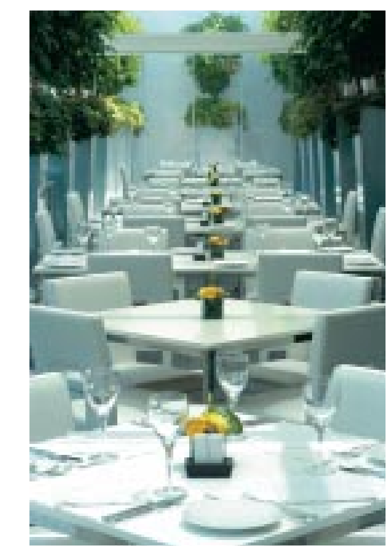


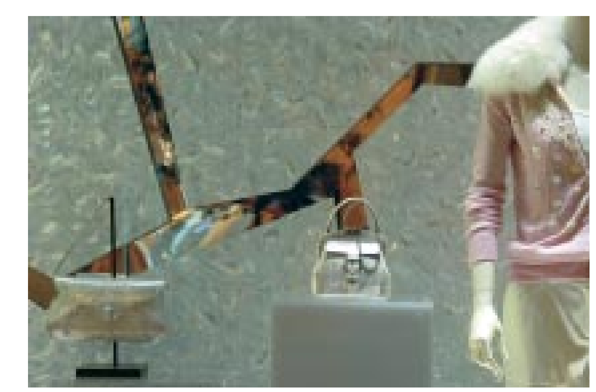

interiors and design











corporate funding and treasury

corporate treasury

The balance sheet at year end shows a cash position of US$89.7 million.

The Company continued to invest its liquid funds in assets presenting minimum risk and with top-ranking deposit banking institutions in the domestic and international markets.

During the year 2003, 126 cash investments totaling US$878 million were made. These figures include investments made in 2003 which matured in the same year or will mature in the year 2004 or later.

A strategy of short-term cash investments was pursued again during the year. The weighted average holding period of these investments was about 36 days.

On average, Solidere secured around 97 basis points over the median three-month LIBOR rate prevailing in 2003. The interest income earned on the cash investments during the year was equivalent to an annualized interest rate of about 2.19%.

funding program

The Company had contracted a number of loans to finance infrastructure and real estate activities within Phase One of the BCD reconstruction. Stemming from the Board of Directors' resolution to progressively reduce borrowing, the funding program implemented in 2003, to be pursued in 2004, follows two lines of action: to lower the borrowing level, thus reducing debt service and improving profitability; and to resort to funding arrangements that help bridge some gaps and cover some temporary deficits in the cash flow at low cost.

Repayment continued on the US$107.3 million, ten-year marine works loan concluded in 1996 with BNP Paribas and Banque Indo-Suez, with US$7.3 million representing the COFACE guarantee premium. The half-yearly payments, started in 2001, comprise US$7.7 million in principal repayment and interest at 7.39% per annum. The outstanding balance amounted to US$61.3 million at end 2003, and US$53.6 million by end February 2004. Having reached a debt-equity ratio of 20%, Solidere reduced the loan collateral in 2003 from US$37 million to US$30 million, with a further reduction being currently negotiated.

Consolidated repayment continues on the three loans financing the waterfront environmental cleanup:

- A US$22 million locally syndicated loan concluded in 2000, with Citibank N.A. - Beirut Branch as lender, arranger and agent; Banque Libano-Française s.a.l. and Byblos Bank s.a.l. as co-lenders. The loan has a tenor of 6 years with repayments ending in June 2006. It is subject to an interest rate of one-year LIBOR plus 4%.
- Two parallel facilities totaling US$24.7 million concluded with Citibank N.A. - Beirut Branch in 2001: US$14.7 million in export credit financing with guarantee from the US Export-Import Bank, repaid in 10 semi-annual installments, at an interest rate of LIBOR plus 0.25%; and a US$10 million local facility with a matching tenor.

A four-year, US$10 million non-recourse financing facility concluded in 1999 with Standard Bank London was fully repaid in April 2003. Of three loans totaling US$250 million concluded with local banks in 1998 and maturing in 2003, the US$50 million loan was fully repaid in June 2003, while the two syndicated bullet loans of US$100 million each, were refinanced locally.

The first, maturing in April 2003, was refinanced for a three-year period, through a new syndication led by Banque du Liban et d'Outre-Mer s.a.l. (BLOM) in which BLOM participated at 60% and Byblos Bank s.a.l. at 40%, at a floating interest rate of three-month LIBOR plus 4.25%, with a floor of 7.5% per annum. The second, maturing in December 2003, was refinanced in 2003 for a three-year period, through a new syndication led by Banque de la Méditerranée s.a.l. through a different bank syndication, at exactly the same terms and conditions.

With a view to buy the floor and hedge against possible future LIBOR rate increases, Solidere entered towards end 2001 into a five-year interest swap agreement with Citibank on a notional amount of US$100 million. The interest rate to be paid in the first year was fixed at 4.39%, compared to a 5% rate to be received from Citibank. In the second year the interest rate was fixed at 3.58% compared to 4.94% to be received.

Apart from the refinancing of the two US$100 million loans, no further long-term borrowing was concluded in 2003.

Solidere has resorted to short-term financial arrangements at a lower cost than those concluded on a longer-term basis. Some are linked to the maturity of its sales receivables without the use of note discounting, thereby reducing the cost of finance. In discounting without recourse all the notes of a given sales mortgage loan over the loan duration, the bank fully takes over the financial risk. This practice entails a higher cost to Solidere because of the duration and risk factor.

In the new practice, however, the Company presents to the bank a number of receivables from different sale mortgage loans, with maturities of less than one year. It obtains facility periods of up to twelve months, depending on the maturity dates of the receivables. Amounts drawn are matched with the receivables without having to pledge the corresponding notes. The discount rate incurred is lower as the bank is taking a short-term risk. One of these facilities was the one arranged with Byblos Bank s.a.l. to borrow up to US$20 million over a maximum period of one year, which expired and was fully repaid in February 2004.

Several banks, including Lebanon Invest as arranger, were approached for the creation of a certificate of deposit which could be rolled over, renewed or repeated. In 2003, a US$15 million transaction of this type was concluded with Lebanon Invest, with US$10 million outstanding at year end and maturing in July 2004.

The Company's indebtedness to banks at end 2003 amounted to US$319.6 million, close to the 2002 level. This included US$293 million in long-term loans and US$26 million in short-term facilities. By end February, the debt fell to US$295 million, of which US$285 million in long-term loans and US$10 million in short-term facilities. All short-term facilities bear lower interest rates.

Solidere maintains a debt-equity ratio of less than 20%, both as a self-imposed limitation decided by the Board of Directors and to fulfill a covenant of the COFACE guaranteed loan.

The progressive reduction in the Company's debt since 2001 was reflected in the income statement, with interest charges falling from US$33 million in 2001 to US$24.9 million in 2002 and US$23.7 million in 2003.

At the beginning of 2003, Solidere had 9.6 million treasury shares outstanding, of which 4 million shares previously sold to various individual investors with a put back option; upon the investors exercising the option, these shares were bought back by the Company, with the settlement of US$34.6 million made in April 2003. In February 2003, 600,000 shares were sold to an individual investor with a three-year option maturing on February 24, 2006. The selling price is US$6.5 per share, generating US$3.9 million. The strike price which includes interest is US$7.61. In addition, 4 million shares were sold on June 27, 2003 to a financial institution with an option period ending on December 14, 2005. The selling price is US$6.5 per share, generating US$26 million. The strike price which includes interest is US$7.63.

Following the annual general meeting's decision, in June 2003, to make a one to 40 stock dividend distribution for a value of US$19.6 million, the corresponding 3.9 million distributed shares were taken from the Company's treasury share portfolio. This brings to 5.8 million the total number of treasury shares held by Solidere at year end.

solidere shares and GDRs

exchange listings & ticker symbols

Beirut Stock Exchange:	A shares
Beirut Stock Exchange:	B shares
London Stock Exchange:	GDRs (SOLAq.L)

beirut exchange trading system

The Beirut Stock Exchange (BSE) uses an Outcry system which allows traders to match buy or sell orders posted on the floor, thus improving visibility of the trading.

dividend distribution

In June 2003, the annual general meeting approved, on the basis of 2002 profits and accumulated retained earnings, the distribution of a stock dividend of one share for every 40 shares held. Accordingly, the Company distributed 3.9 million shares from its treasury stock portfolio for a total value of US$19.6 million. The Company's strategy is to distribute dividends in coming years, taking into consideration the amount of future profits and available liquidity.

analysis of share prices

Solidere shares traded sideways during 2003, as regional tensions that affected the first part of the year kept most traders in a wait-and-see mood. Share prices were on average at higher levels than the previous year, but remained subdued as uncertainty held most investors on the side lines.

Around the middle of the year, Solidere shares witnessed a major jump in price and activity, after the Company published its 2002 financial results showing a net income of US$41.1 million, a major improvement compared to the previous year. During the last part of the year, share trading declined and prices stabilized until the end of the year, when most market participants returned to the market with prices and volume increasing significantly. During the first part of 2004, Solidere shares witnessed a major move to the upside, reaching the US$7 level early in May, as optimism regarding the Company's activities overshadowed regional tensions.

Share A closed the year at US$4.72, a 3.18% decrease compared to the previous year closing. Share B closed the year at US$5, a 5.26% increase over the previous year closing. During the year, share A traded between a high of US$5.50 and a low of US$4.05; share B between a high of US$5.50 and a low of US$4.22. The GDRs traded slightly higher in the London Stock Exchange, progressing by about 0.41% during the year to close at US$4.95.

Trading remained active during the year, but was lower than the previous year, with a total of 15 million shares changing hands, for a cumulative value of about US$80 million. This represents around 9.1% of the Company's capital changing hands. The average daily volume was about 64,000 shares worth around US$320,000. The average price for the year consequently was about US$4.96, a 7.35% increase compared to the previous year.

research and investor relations

During 2003, a number of financial institutions and realtors initiated or updated coverage of Solidere.

Local Arab Finance Corporation (AFC) updated its previous research, confirming its positive outlook on the Company.

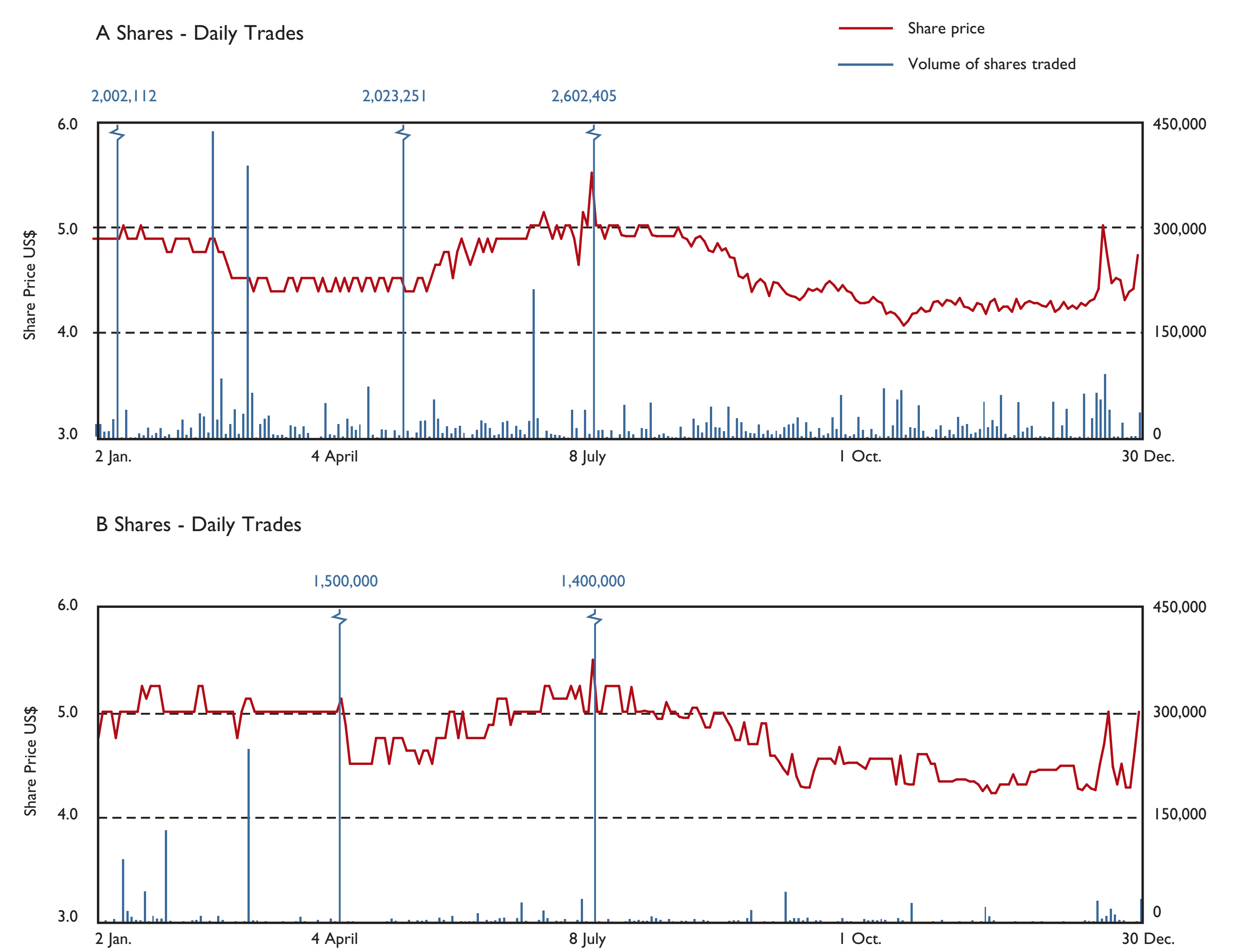
EFG-Hermes, Egyptian-based asset manager and financial research institution, initiated its coverage of the Company, giving a neutral recommendation for the acquisition of Solidere's shares when the share was still trading in the range of US$4.25 per share.

RAMCO, local real estate advisors and realtors, initiated a special survey titled "Solidere is winning", explaining how the Company is currently "reaping the fruits of a consistent urban vision and long-term investment strategy". They expected a turnaround in the market perception of the Company, which would start affecting positively its share price.

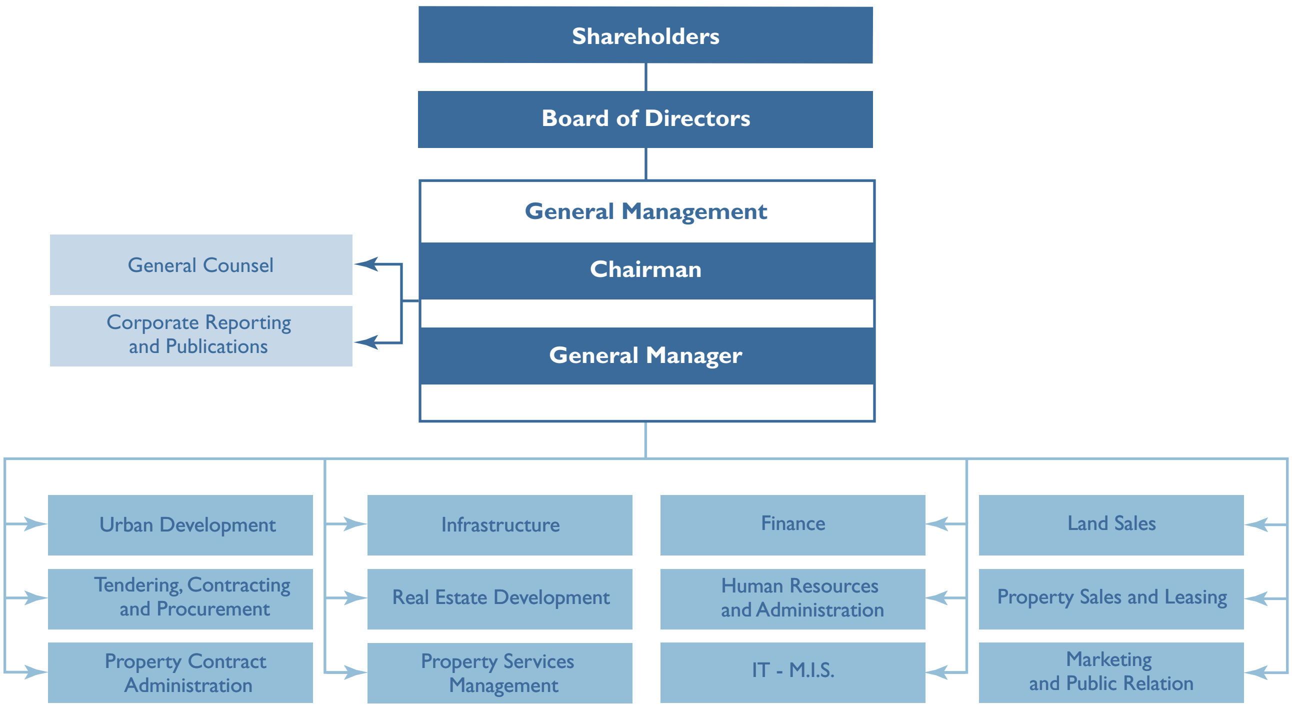
Investor relation efforts by the Company continued. Increased contact with shareholders and investors focused on highlighting the progress achieved in sales and development work and on the Company's strong financial fundamentals.

The Company continued to receive at its premises numerous visitors with diverse profiles. It participated in several local and regional real-estate-related conferences, as well as international promotional exhibitions, such as MIPIM 2003, held in France.

Solidere Shares: Volume and Price Movements 2003



management systems and **studies**



information technology

JDEdwards' One World system was installed on Solidere's new AS/400 server with a V5R2 client access.

The system includes accounting, equipment, procurement, budgeting and property management modules.

A total review of the network architecture was conducted. New infrastructure replaced the old hubs and switches, reducing network traffic and maximizing access speed.

A project was started for a unified database with multiple interfaces for the divisions and departments. Opera plus and land sales module, to be rewritten in 2004, will be integrated within the project.

The Company constantly upgrades its hardware, including computers, printers, storage extensions and other accessories.

studies

A number of completed, ongoing and future urban and strategic planning studies are to be added to those described elsewhere in the Annual Report.

- A five-year parking strategy by SITRAM is to be completed by mid-2004.
- A traffic modelling study is planned for the city, with a focus on the BCD.
- Among traffic impact studies relating to large developments, four studies were completed in 2003 for Saifi Village, lot 129 Marfaa, St-Anne Besançon school and the Beirut Port, with a study for the Souks of Beirut to be completed by mid-2004.
- A 3-D urban computer model will be undertaken for the entire BCD, creating a valuable planning and marketing tool for the Company.
- Work will be completed during 2004 on the public domain master plan and accompanying manuals and decrees on signage and regulatory controls relating to the private use of the public domain.
- Work will start on a public area lighting master plan and accompanying guidelines for the lighting of public spaces, buildings, historic monuments and festival events.
- An urban design study will be carried out for the area at the western end of Wadi Abou Jamil, around the future market square.
- A planning study will be carried out for the first basin of the port of Beirut and the development land around it.

Independent Auditors' Report

Deloitte.

ERNST & YOUNG

To the shareholders
The Lebanese Company for the Development
and Reconstruction of Beirut Central District S.A.L.
Beirut - Lebanon

We have audited the accompanying balance sheet of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. known as SOLIDERE (a Lebanese joint stock company), as of December 31, 2003 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Accounts receivable include an amount of US$12million representing a problematic receivable which may result in an impairment loss of approximately US$6million. Had this impairment in accounts receivable been properly provided for in accordance with International Financial Reporting Standards (IFRS), net income and shareholders' equity would have decreased by US$6million.

In our opinion, except for the effect of the matter mentioned above, the financial statements present fairly, in all material respects, the financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. as of December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
April 27, 2004

Deloitte & Touche

Ernst & Young

Balance Sheet

December 31,	*Notes*	2003 US$	2002 US$
Assets			
Cash and bank balances	3	89,700,337	75,609,160
Prepayments and other debit balances	4	12,629,518	13,022,751
Accounts and notes receivable, net	5	190,852,815	214,275,079
Properties held for development and sale, net	6	1,633,167,383	1,654,214,354
Investment properties, net	7	166,951,014	150,207,571
Fixed assets, net	8	20,283,276	21,228,558
Total Assets		2,113,584,343	2,128,557,473
Liabilities			
Accounts payable and other liabilities	9	64,300,720	106,560,350
Dividends payable	10	12,166,888	12,285,665
Deferred revenues and other credit balances	11	19,066,509	34,303,783
Deferred credits	12	35,911,930	6,012,000
Loans from banks and financial institutions	13	319,567,995	320,078,186
Total Liabilities		**451,014,042**	**479,239,984**
Shareholders' Equity			
Capital	14		
Issued capital at par value US$10 per share:			
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	15	30,454,144	28,810,948
Retained earnings		16,972,617	22,039,557
Change in fair value of interest rate swap agreement		(6,452,074)	(3,902,520)
Less: Treasury shares	10 & 16	(28,404,386)	(47,630,496)
Total Shareholders' Equity		**1,662,570,301**	**1,649,317,489**
Total Liabilities and Shareholders' Equity		**2,113,584,343**	**2,128,557,473**

the accompanying notes form an integral part of this balance sheet

Statement of Income

December 31,	*Notes*	2003 US$	2002 US$
Net revenues from land and real estate sales	17	35,209,434	59,068,222
Net revenues from rented properties	18	9,620,108	8,336,716
Gain on sale of investment properties	7 & 17	749,394	-
Revenues from operations		**45,578,936**	**67,404,938**
General and administrative expenses	19	(9,237,392)	(9,287,770)
Depreciation	8	(1,101,733)	(1,065,570)
Total operating expenses		**(10,339,125)**	**(10,353,340)**
Net income from operations		35,239,811	57,051,598
Interest income		5,672,856	8,534,855
Interest expense	12 & 13	(23,675,550)	(24,920,498)
Cost of discounting notes receivable	5	(805,161)	(2,462,787)
Write back of provision for contingencies	9	-	2,937,000
Net income for the year		**16,431,956**	**41,140,168**
Basic earnings per share	20	**0.1042**	**0.2646**

the accompanying notes form an integral part of these statements

Statement of Cash Flows

December 31,	*Notes*	**2003** **US$**	2002 US$
Cash Flows From Operating Activities			
Net income for the year		16,431,956	41,140,168
Adjustments to reconcile net income to net cash (used in)/provided by operating activities:			
Depreciation	21	3,983,489	3,544,540
Gain on sale of investment properties		(749,394)	-
Cost of discounting notes receivables		805,161	2,462,787
Non cash sale transaction	21	-	(1,647,092)
Write back of provision for contingencies		-	(2,937,000)
Changes in assets and liabilities:			
Prepayments and other debit balances		393,233	(1,386,965)
Accounts and notes receivable	21	6,662,408	(45,384,572)
Properties held for development and sale	21	3,126,689	7,413,138
Accounts payable and other liabilities		(44,809,184)	16,174,078
Deferred revenues and other credit balances	21	(15,237,274)	22,705,771
Net cash (used in)/provided by operating activities		(29,392,916)	42,084,853
Cash Flows From Investing Activities			
Bank term deposits		(9,157,107)	8,780,208
Receivable from recuperated properties		163,577	(582,126)
Cash proceeds from recuperation of properties	21	-	387,006
Proceeds from sale of investment properties		4,775,018	-
Acquisition of fixed assets		(915,526)	(451,054)
Investment properties	21	(711,791)	(1,984,338)
Net cash (used in)/provided by investing activities		(5,845,829)	6,149,696
Cash Flows From Financing Activities			
Bank loans (settlements)		(510,191)	(23,386,534)
Dividends paid	10	(385,042)	(634,807)
Proceeds from discounting notes receivable	5	11,501,966	23,382,153
Deferred credits	12	29,899,930	(42,638,000)
Net settlements from treasury shares	21	(333,848)	(11,896)
Net cash provided by/(used in) financing activities		40,172,815	(43,289,084)
Net increase in cash and cash equivalents		4,934,070	4,945,465
Cash and cash equivalents—Beginning of the year		16,414,267	11,468,802
Cash and cash equivalents—End of the year	3	**21,348,337**	**16,414,267**

the accompanying notes form an integral part of these statements

Statement of Changes in Shareholders' Equity

	Share Capital US$	**Legal Reserve** US$	**Treasury Shares** US$	**Retained Earnings/ (Accumulated Losses)** US$	**Change in Fair Value of Interest Rate Swap Agreement** US$	**Total** US$
Balance at December 31, 2001	1,650,000,000	24,696,931	(59,346,898)	(1,874,622)	-	1,613,475,411
Effect of mark down of treasury shares - Note 16	-	-	13,111,972	(13,111,972)	-	-
Net income for the year	-	-	-	41,140,168	-	41,140,168
Allocation to legal reserve	-	4,114,017	-	(4,114,017)	-	-
Treasury shares activity	-	-	(1,395,570)	-	-	(1,395,570)
Change in fair value of interest rate swap agreement - Note 9	-	-	-	-	(3,902,520)	(3,902,520)
Balance at December 31, 2002	**1,650,000,000**	**28,810,948**	**(47,630,496)**	**22,039,557**	**(3,902,520)**	**1,649,317,489**
Effect of mark down of treasury shares - Note 16	-	-	230,150	(230,150)	-	-
Net income for the year	-	-	-	16,431,956	-	16,431,956
Allocation to legal reserve	-	1,643,196	-	(1,643,196)	-	-
Dividends - Note 10	-	-	19,359,285	(19,625,550)	-	(266,265)
Treasury shares activity	-	-	(363,325)	-	-	(363,325)
Change in fair value of interest rate swap agreement - Note 9	-	-	-	-	(2,549,554)	(2,549,554)
Balance at December 31, 2003	**1,650,000,000**	**30,454,144**	**(28,404,386)**	**16,972,617**	**(6,452,074)**	**1,662,570,301**

the accompanying notes form an integral part of these statements

Notes to the Financial Statements *for the year ended December 31, 2003*

1. Formation and Object of the Company

The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. (SOLIDERE) was established as a Lebanese joint stock company on May 5, 1994 based on Law No 117/91, and was registered on May 10, 1994 under Commercial Registration No. 67000. The articles of incorporation of the Company were approved by Decree No. 2537 dated July 22, 1992.

The objective of the Company, is to acquire real estate properties, to finance and ensure the execution of all infrastructure works in the Beirut Central District (BCD) area, to prepare and reconstruct the BCD area, to reconstruct or restore the existing buildings, to erect buildings and sell, lease or exploit such buildings and lots and to develop the landfill on the seaside.

The duration of the Company is 25 years, beginning from the date of establishment. An extraordinary general assembly dated June 29, 1998 resolved to amend the duration of the Company to be 75 years beginning from the date of establishment. This resolution becomes effective upon obtaining the approval of the Council of Ministers which is not yet issued.

In accordance to Law No. 117/91, the Company is exempted from corporate income tax on profit for a period of 10 years from the date of establishment. Accordingly starting May 2004, the Company will be subject to corporate income tax.

The Company's shares are listed on the Beirut Stock exchange.

2. Summary of Signficant Accounting Policies

The financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee.
The financial statments are prepared under the historical cost convention as modified for the measurment at fair value of derivatives.

The significant accounting policies are set herebelow:

a. Basis of Presentation:

In view of the long term nature and particulars of the Company's operations, the financial statements are presented on the basis that the operations have realization and liquidation periods spread over the duration of the Company and which are subject to market conditions and other factors commonly associated with development projects, as such, the balance sheet is shown as "unclassified" without distinction between current and long-term components.

b. Foreign Currencies:

The accounting records are maintained in U.S. Dollars, in accordance with the applicable law, which reflects the economic substance of the underlying events and circumstances of the Company. Transactions denominated in other currencies are translated into U.S. Dollars at the exchange rates prevailing at the dates of the transactions. Assets and Liabilities stated in currencies other than the U.S. Dollar are translated at the rates of exchange prevailing at the end of the year. The resulting exchange gain or loss which is not material is reflected in the statement of income.

c. Accounts and Notes Receivable:

Accounts and notes receivable which are originated by the Company are stated at amortized cost less any amount written off and provisions for impairment. An assessment is made at each balance sheet date to determine whether there is objective evidence that accounts or notes receivable may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is included in the statement of income. The carrying amount of the asset is adjusted through the use of an allowance account.

d. Properties Held for Development and Sale:

Properties held for development and sale are stated at the lower of cost and estimated net realizable value. Costs include appraisal values of real estate plots constituting the contributions in kind to capital (A shares), in addition to capitalized costs. Capitalized costs comprise the following:

- Project direct costs and overheads related to the properties development, construction and project management as a whole, as well as acquisition, zoning, and eviction costs.
- Indirect costs, such as overheads and general and administrative expenses, which were partially allocated to properties held for development and sale.

e. Investment Properties:

Investment properties which represent rented and vacant available for rent properties are stated at cost less any impairment and accumulated depreciation.
Depreciation is computed using the straight-line method over the estimated useful lives of the properties, excluding the cost of land, based on the following annual rates:

Buildings	2%
Furniture, fixtures, equipment and other assets	9%-15%
Marina	2%

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and the carrying value exceeds the estimated recoverable amount, the investment properties are written down to their recoverable amount.

f. Fixed Assets:

Fixed assets are stated at cost net of accumulated depreciation and any impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:

Buildings	2%
Furniture and fixtures	9%
Freehold improvements	9%
Plant	10%
Machines and equipment	15%-20%

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and the carrying value exceeds the estimated recoverable amount, the fixed assets are written down to their recoverable amount.

g. Treasury Shares:

According to its articles of incorporation, the Company may purchase up to 10% of its share capital without the appropriation of reserves, provided that it shall resell these shares within a period not exceeding eighteen months. Treasury shares are stated at the lower of weighted average cost, and year-end share market price in case market is below par value. Any gains on sales are reflected as an adjustment to the carrying value, whereas losses in excess of the cumulative gains are charged to retained earnings.

h. Revenue Recognition:

Revenue on real estate sales transactions is recognized on the basis of the full accrual method as and when the following conditions are met:

- A sale is consummated and contracts are signed.
- The buyer's initial (in principle over 25% of sales price) and continuing investments are adequate to demonstrate a commitment to pay for the property.

- The Company's receivable is not subject to future subordination.
- The Company has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and the Company does not have a substantial continuing involvement with the property.

If any of the above conditions is not met, the initial payments received from buyers are recorded under deferred revenues and other credit balances. Amounts are released to revenue as and when the above conditions are fulfilled.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable interest rate.

i. Cost of Sales:
Cost of properties sold is determined on the basis of the built up area (BUA) - permitted right to build in square meters - on the sold plots based on the terms of the sales agreements. The cost of one square meter of BUA is arrived at by dividing, total estimated cost of the land development project over total available BUA after deduction of the BUA relating to recuperated properties and those relating to the religious and public administrations.

j. Financial Liabilities and Equity Instruments:
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Treasury shares sold with sale back option, whereby materialization is dependent on the outcome of uncertain events beyond the control of both the Company and the buyer, are classified as deferred credits except where the possibility of exercise of option is remote, in that case, the instrument is classified as part of treasury shares in equity.

k. Borrowing Costs:
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to be ready for their intended use, are added to the cost of those assets, until such time that the assets are substantially ready for their intended use.

All other borrowing costs are reflected in the statement of income in the period in which they are incurred.

l. Derivative Financial Instruments:
Derivative financial instruments including interest rate swaps are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Fair values are generally obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

The change in the fair value of the cash flow hedging instrument, that is determined to be an effective hedge within the range of 80% to 125%, is recognized directly in equity through the statement of changes in shareholders' equity.

m. Taxation:
In accordance with law No.117/91, the Company is exempted from corporate income tax on profit for a period of 10 years from the date of establishment and ending on May 5, 2004. However, the rental income is subject to property tax in accordance with the Lebanese law.

n. Provisions:
Provisions are recognized when the Company has a present obligation as a result of a past event whereby it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

o. End-of-Service Indemnity:
Staff end-of-service indemnity is computed in accordance with Lebanese laws.

3. Cash and Bank Balances

Cash and bank balances are composed of the following:

December 31,	**2003 US$**	2002 US$
Cash on hand	108,883	80,450
Current accounts	21,239,454	16,333,817
	21,348,337	16,414,267
Term deposits	68,352,000	59,194,893
	89,700,337	75,609,160

Term deposits outstanding as of December 31, 2003 have an average yield of around 2.25% (2002: 1.5%), and mature in January 2004 (2002: mature in January 2003).

Term deposits include an amount of US$30 million as of December 31, 2003 (US$37million as of December 31, 2002) pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 13. It also includes deposits of US$13.7million pledged against a stand-by letter of credit to the extent of about US$3.5million and a local bank loan to the extent of US$10.2million as explained under Note 13 and Note 23 (h).

For the purpose of reporting cash flows, cash and cash equivalents include cash on hand and current accounts.

4. Prepayments and Other Debit Balances

Prepayments and other debit balances are composed of the following:

December 31,	**2003 US$**	2002 US$
Accrued interest income	5,867,842	5,669,762
Prepaid expenses	544,725	751,533
Advance payments to contractors	2,202,365	2,462,236
Employee advances	1,274,960	1,030,713
Other debit balances	2,739,626	3,108,507
	12,629,518	13,022,751

Other debit balances include investments in non-consolidated subsidiaries amounting to US$160,974 which are carried at cost as they are not material and consist of 9 wholly owned inactive subsidiaries. The principal activity of these subsidiaries, which are incorporated in Lebanon, is to acquire, construct, lease and manage real estate properties in the BCD.

5. Accounts and Notes Receivable, Net

Accounts and notes receivable are composed of the following:

December 31,	**2003 US$**	2002 US$
Notes receivable	140,297,350	149,258,896
Accounts receivable	57,926,935	80,419,435
Receivables from tenants	10,917,458	5,566,139
Interest receivable on discounted notes	2,359,854	3,565,678
Less: Unearned interest	(16,312,672)	(17,973,959)
Less: Provision for problematic receivables	(4,336,110)	(6,561,110)
	190,852,815	214,275,079

The Company's credit risk exposure is spread over 73 counter-parties; 7 customers constitute 34% of the total exposure and 66 customers constitute the remaining 66% (2002: 88 counter-parties; 4 customers constitute 39% of the total exposure and 84 customers constitute the remaining 61%).

Notes receivable, which resulted mainly from sales (and recuperations of previous years), carry the following maturities as of December 31, 2003:

	US$
Overdue	9,502,718
2004	45,354,844
2005	30,703,434
2006	27,423,832
2007	19,140,953
2008	7,874,207
2009 and thereafter	297,362
	140,297,350

The Company placed in custody of lending banks against short term facilities, as comfort collateral with no pledge, notes receivable in the amount of US$19.5million as of December 31, 2003 (US$15million as of December 31, 2002).

Receivables from tenants include an amount of US$7,915,417 as of December 31, 2003 (2002: US$3,721,435) due from the Ministry of the Foreign Affairs, relating to the year 2003 rent contract of the ESCWA building.

The provision for problematic receivables has been established to meet probable defaults of certain clients whose notes and accounts receivable aggregate to US$7,878,144 as of December 31, 2003 (US$11,440,644 as of December 31, 2002). During the year ended December 31, 2003, the Company utilized a provision of US$2,225,000 (2002: US$8,456,256) against cancelled sales contracts.

Movement in the provision for problematic receivables during the year was as follows:

	2003	2002
	US$	US$
Balance at the beginning of the year	6,561,110	15,017,366
Write-off of provision	(2,225,000)	(8,456,256)
Balance at the end of the year	4,336,110	6,561,110

During the year ended December 31, 2003, the Company signed an agreement to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US$12,680,730. The net proceeds from these transactions amounted to US$11,501,966. Interest on some of these notes which remains due to the Company on the pre-determined maturity dates, having a present value of US$750,931 at the date of the transactions, is still recognized under accounts and notes receivable. An amount of US$427,833 representing the net cost of discounting was charged to the statment of income for the year ended December 31, 2003.

During the year 2003, the Company recomputed the fair value of the interest receivable balance relating to previously discounted notes and accounts receivables, which resulted in an additional cost of discounting of US$377,328 charged to the statment of income.

During the year ended December 31, 2002, the company signed four agreements to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US$27,363,627. The net proceeds form these transactions amounted to US$23,382,153. Interest on some of these notes which remains due to the Company on the pre-determined maturity dates, having a present value of US$1,518,687 at the date of the transactions, is still recognized under accounts and notes receivable. An amount of US$2,462,787 representing the net cost of discounting was charged to the statment of income for the year ended December 31, 2002.

6. Properties held for Development and Sale, Net

Properties held for development and sale consist of the following captions:

December 31,	**2003** **US$**	2002 US$
Land and land development works, net (a)	1,504,841,907	1,517,639,697
Real estate development projects, net (b)	128,325,476	136,574,657
	1,633,167,383	1,654,214,354

(a) Land and land development works include the following cost items:

December 31,	**2003** **US$**	2002 US$
Acquired properties (a.1)	956,205,579	955,301,133
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	594,430,695	574,986,518
Eviction costs (a.4)	259,913,068	259,591,080
Capitalized costs (a.5)	51,540,645	49,029,956
Cumulative costs	1,871,502,789	1,848,321,489
Less: Cost of land sold, net	(290,483,116)	(263,702,175)
Less: Cost of land transferred to real estate development projects	(71,888,653)	(66,979,617)
Less: Cost of infrastructure transferred to real estate development projects	(4,289,113)	-
	1,504,841,907	1,517,639,697

a.1 Acquired properties consist mainly of the aggregate initial appraised value attributed to the plots included in the BCD area (US$1,170,001,290) net of the recuperated properties. The aggregate appraised value is determined in accordance with Decree No. 2236 dated February 19, 1992 based on the decision of the Higher Appraisal Committee, which was established in accordance with Law No. 117/91. Acquired properties include the value of purchased or exchanged properties as well.

Law No. 117/91 stated the requirements for property recuperation and exemption, in this respect properties appraised at US$255,012,147 were recuperated by original owners and properties appraised at US$133,333,748 were not claimed for recuperation.

a.2 Pre-acquisition costs include technical and master plan studies incurred during the set up period of the Company.

a.3 Infrastructure costs include an amount of US$279million relating to the sea front defense and marina works, an amount of US$137million relating to infrastructure works executed in the traditional BCD area, and an amount of US$69million relating to the cost of land reclamation and treatment. It includes also the cost of an electricity power station in the amount of US$42million, and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$36,650,779 (US$35,341,054 up to December 31, 2002). During the year ended December 31, 2003 borrowing costs of US$1,309,725 were capitalized.

a.4 Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority). This caption is stated net of US$21,798,862 (US$21,816,442 in 2002) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.

a.5 Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended December 31, 2003 amounted to US$4,000,902 (US$3,228,897 during the year ended December 31, 2002). During 2003, an amount of US$1,490,213 (US$86,420 in 2002) was transferred to real estate development projects.

(b) Real estate development projects include the following:

December 31,	**2003 US$**	2002 US$
Construction and rehabilitation of buildings	289,372,750	264,214,398
Cost of land	71,888,653	66,979,617
Cumulative costs	361,261,403	331,194,015
Less: Cost transferred to investment properties, net	(170,668,955)	(147,729,923)
Cost transferred to fixed assets	(18,102,717)	(18,102,717)
Cost of real estate sold	(44,164,255)	(28,786,718)
	128,325,476	136,574,657

The cost of real estate development projects includes costs incurred in connection with the construction of a shopping mall in the amount of US$57.6million and offices and residential complexes as of December 31, 2003.

7. Investment Properties, Net

Investment properties are composed of the following:

	Balance as at December 31 2002	**Additions**	**Transfer From Properties Held for Development and Sale**	**Disposals and Sales**	**Balance as at December 31 2003**
	US$	US$	US$	US$	US$
Cost:					
Land	43,531,850	134,652	3,516,919	(1,373,798)	45,809,623
Buildings	111,868,831	544,403	14,959,359	(2,828,178)	124,544,415
Marina	-	-	4,289,113	-	4,289,113
Furniture, fixtures, equipment and other assets	3,082,629	32,736	173,641	-	3,289,006
	158,483,310	711,791	22,939,032	(4,201,976)	177,932,157
Accumulated Depreciation:					
Buildings	6,975,612	2,480,248	-	(176,352)	9,279,508
Marina	-	84,112	-	-	84,112
Furniture, fixtures, equipment and other assets	1,300,127	317,396	-	-	1,617,523
	8,275,739	2,881,756	-	(176,352)	10,981,143
Net Book Value	150,207,571				166,951,014

Investment properties include rented and available for rent properties. These represent mainly a property leased out to the Ministry of Foreign Affairs and Emigrants, for the use by an international agency, residential complexes, an embassy complex, and other restored buildings.

During the year 2003, the Company sold several properties having an aggregate net book value of US$4,025,624 for total proceeds of US$4,775,018 which resulted in a gain of US$749,394 recorded in the income statement.

The fair value of the investment properties is estimated at around US$189 million based on current market prices (2002: US$170 million).

8. Fixed Assets, Net

Fixed assets are composed of the following:

	Balance as at December 31, 2002	**Additions**	**Balance as at December 31, 2003**
	US$	US$	US$
Cost:			
Land and buildings	13,840,664	505,918	14,346,582
Furniture and fixtures	1,985,221	7,372	1,992,593
Freehold improvements	2,625,350	50,076	2,675,426
Plant	1,853,266	-	1,853,266
Machines and equipment	9,548,162	352,161	9,900,323
	29,852,663	915,527	30,768,190
Accumulated Depreciation:			
Buildings	771,753	188,468	960,221
Furniture and fixtures	1,205,767	178,670	1,384,437
Freehold improvements	1,059,559	236,282	1,295,841
Plant	555,751	185,327	741,078
Machines and equipment	5,031,275	1,072,062	6,103,337
	8,624,105	1,860,809	10,484,914
Net Book Value	21,228,558		20,283,276

The depreciation for the year ended December 31, 2003 was split between an allocation to properties held for development and sale and a charge to the statement of income of US$759,076 and US$1,101,733 respectively.

9. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

December 31,	**2003 US$**	2002 US$
Notes Payable	1,983,859	7,983,859
Accounts payable	41,549,806	81,744,530
Accrued disputed claims	1,000,000	1,000,000
Accrued charges and other credit balances	5,914,788	6,520,449
Accrued interest	5,908,236	4,097,382
Provision for end-of-service indemnity	1,509,263	1,216,610
Liability under interest rate swap agreement	6,434,768	3,997,520
	64,300,720	106,560,350

Notes payable outstanding as of December 31, 2003 are due to a contractor and are payable in the first half of the year 2004. These notes are subject to an interest rate of 6 months Libor plus 3.5% per annum.

Accounts payable as of December 31, 2003 and 2002 include balances in the aggregate amount of US$13.8million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 23(f).

Accrued charges and other credit balances as of December 31, 2003 include an amount of US$2.1million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. As the outcome of the subject arbitration is not yet certain and since the final resolution of the executed performance bond is associated with this arbitration, a liability was recognized against the cash proceeds.

On December 21, 2001, the Company entered into a 5 year interest rate swap agreement on a notional amount of US$100million with a local arranger bank calling for the payment and receipt of interest at predetermined rates which were to be set up at the beginning of each of the 5 years. This instrument was designated to hedge the Libor rate fluctuations on the US$100million term loan. During the first and second periods ending December 21, 2002 and 2003, the interest rate to be paid was Libor + 2% (4.39% and 3.58%, respectively) and interest rate to be received by the Company was 5% and 4.95% respectively. Interest rates to be paid by the Company were 4%, 5% and 6% for the three remaining years while interest rates to be received for the three remaining years were to be determined up-front on December 21 of each year based on the fluctuation of the Libor rate at that time.

On May 14, 2003, to hedge itself against further downward moves in Libor interest rates over the coming 3 years, the Company amended the hedging strategy by purchasing a 3 year interest rate floor for a notional amount of US$42million. The cost to purchase this interest rate floor was US$1.4million deducted from the liability under swap agreement.

On December 1, 2003, the Company restructured the swap agreement whereby it replaced the previous agreement by entering into a 3 year interest rate swap agreement effective December 15, 2003 on a notional amount of US$100million. This agreement calls for the receipt and payment of interest at rates which are to be set up at the beginning and at the end of each of the 3 years, respectively. During the three year period of the agreement, the interest rate to be received is 12-month Libor set up at the beginning of each period (in advance), and the interest rate to be paid is 12-month Libor set up at the end of each period (in arrears) plus 1.4%.

As at December 31, 2003, the valuation of this derivative instrument as provided by the arranger bank on the basis of unwind or cancellation value of the transaction, amounted to negative US$6,452,074 (US$3,902,520 as of December 31, 2002). The change in valuation which amounted to US$2,549,554 was charged to the "Change in fair value of interest rate swap agreement" under shareholders' equity.

10. Dividends Payable

The breakdown of dividends payable is summarized as follows:

December 31,			**2003**		2002
General Assembly Date	Dividend per Share US$	Declared US$	Paid US$	Payable US$	Payable US$
June 29, 1996	0.20	30,918,413	28,396,422	2,521,991	2,610,463
June 30, 1997	0.25	40,367,172	36,236,146	4,131,026	4,272,590
June 29, 1998	0.25	39,351,753	34,093,570	5,258,183	5,402,612
June 23, 2003	stock dividend			255,688	-
				12,166,888	12,285,665

The outstanding balance of unpaid dividends relate mostly to unclaimed dividends and undelivered class (A) shares.

The shareholders' ordinary general assembly held on June 23, 2003 declared a stock dividend of 1 share for each 40 shares to be distributed, to the registered shareholders as at June 23, 2003, from the Company's class (A) treasury shares portfolio. Accordingly, 3,871,857 (A) shares were distributed for a total value of US$19.4million (at market price). Undistributed shares and fraction shares dividends amounted to US$255,688 as of December 31, 2003.

11. Deferred Revenues and Other Credit Balances

Deferred revenues consist of the following:

December 31,	**2003 US$**	2002 US$
Cash down payments on sale contracts	13,485,684	29,220,300
Deferred rental revenue and related deposits	5,580,825	5,083,483
	19,066,509	34,303,783

Cash down payments on sale contracts amounting to approximately US$12million relate to 18 sale contracts with an aggregate potential gross sales value of US$102million. This caption also includes down payments totaling US$1.7million on sale of units in the shopping mall project corresponding to a potential gross sales value of US$33million.

Deferred rental revenue and related deposits represents down payments on lease and rental agreements and reservation deposits for the rental of real estate properties.

12. Deferred Credits

The Company sold on April 3, 2002 to a local financial institution, 1,004,004 shares (607,212 "A" shares and 396,792 "B" shares) from treasury shares with a sale back option for a total consideration of US$6,011,930 at US$6 per share, which includes an option premium of $0.987 per share. The sale back option can be exercised at a strike price of US$7.10 per share after 3 years subject to certain conditions specified in the sale contracts. The strike price represents the selling price plus accumulated interest. Until such time as the Company's commitment to buy back these shares lapse, the proceeds will be reflected as deferred credit.

The Company sold on February 24, 2003, 600,000 shares (360,000 "A" shares and 240,000 "B" shares) from treasury shares with a sale back option for a total consideration of US$3.9million at US$6.50 per share. The sale back option can be exercised at a strike price of US$7.61 per share after 3 years subject to certain conditions specified in the sale contract. The strike price represents the selling price plus accumulated interest. Until such time as the Company's commitment to buy back these shares lapse, the proceeds will be reflected as deferred credit.

The Company sold on June 27, 2003 to a local financial institution, 4,000,000 shares (2,600,000 "A" shares and 1,400,000 "B" shares) from treasury shares with a sale back option for a total consideration of US$26million at US$6.50 per share. The sale back option can be exercised at a strike price of US$7.63 per share in the period starting on January 1, 2005 and ending on December 14, 2005, to be paid after one year from this date, subject to certain conditions specified in the sale contract. The strike price represents the selling price plus accumulated interest. Until such time as the company's commitment to buy back these shares lapse, the proceeds will be reflected as deferred credits.

Interest in the amount of US$1,760,839 has been accrued on the above deferred credits up to December 31, 2003 (US$276,835million up to December 31, 2002).

13. Bank Loans

Bank loans consists of the following:

December 31,	**2003 US$**	2002 US$
Short term local bank loan (US$20million)	16,000,000	-
Short term local financial institution facility	10,171,250	-
Local bank loan (US$50million)	-	4,000,000
Foreign bank loan (US$10million)	-	5,000,000
Two syndicated loans (US$100million each)	200,000,000	200,000,000
"COFACE" guaranteed loan	61,309,715	76,637,142
Syndicated loan (US$22million)	11,574,103	16,203,744
Local bank loan (US$10million)	7,909,837	6,779,298
Loan guaranteed by Export - Import Bank of the United States	12,603,090	11,458,002
	319,567,995	320,078,186

Maturities of the bank loans during the next six years ending December 31 are as follows:

	US$
First half 2004	25,978,534
Second half 2004	22,201,078
2005	24,059,655
2006	221,744,835
2007	19,430,015
2008	4,102,586
2009	2,051,292
	319,567,995

Short Term Local Bank Loan:

On April 8, 2003 the Company entered into a short term loan agreement with a local bank for an amount of US$20million to be withdrawn in multiples of US$2million between March 31, 2003 and September 30, 2003, and to be repaid in three, six or nine months from withdrawal date. This short term loan is subject to an interest rate of 3 month Libor +3.5% (with a floor of 6.75%). Three amounts of US$6million, US$4million and US$10million were drawn on March 31, 2003, June 30, 2003 and August 14, 2003, respectively. The repayments of drawn amounts are matched with maturities of promissory notes from sale transactions. These notes are placed with the bank as comfort collateral with no pledge. On December 30, 2003, the Company settled US$4million from the withdrawn amounts. Moreover, under the terms of the loan contract, the Company is required to maintain a debt to equity ratio of no more than 25% and to maintain net tangible assets of a minimum of US$1billion.

Short Term Local Financial Institution Facility:

During 2003, the Company signed three promissory notes in the amounts of US$10,201,667, US$5,099,167 and US$10,513,750 which mature on August 14, 2003, September 12, 2003 and July 2, 2004, respectively. These notes bear a weighted average interest rate of 6.34% per annum. The remaining balance as of December 31, 2003 consists of the unmatured note in the amount of US$10,513,750 which reflects net deferred interest in the amount of US$342,500.

Local Bank Loan:

On September 17, 1998, the Company entered into a 5 year loan agreement with a local bank for an amount of US$50million payable in 10 semi-annual installments starting December 31, 1998 (subject to voluntary full prepayment clause) and subject to an interest rate of 6 month Libor + 2% . The Company placed in custody of the bank, as comfort collateral with no pledge, notes receivable in the amount of US$15,288,423 as of December 31, 2002. This loan was fully settled in the first half of year 2003.

Foreign Bank Loan:

On April 15, 1999 the Company entered into a 4 year loan agreement with a foreign bank for an amount of US$10million payable in two equal installments in April 2002 and 2003. Accordingly, this loan was fully settled in the first half of year 2003. This loan was subject to an average interest rate of around 7.5% approximately, paid semi-annually. The Company issued 18 promissory notes in the amount of US$12,774,303 being the value of principal and interest repayment.

Two Syndicated Loans:

On April 2, 1998 the Company entered into a 5 year loan agreement with a syndicate of local banks for an amount of US$100million payable in April 2003 (subject to voluntary full prepayment clause). This loan was subject to an interest rate of 12 month Libor + 2.35% for the first year, to be escalated yearly to reach 12 month Libor + 2.65% in the fifth year, and payable every quarter. To refinance this loan, the Company entered on January 16, 2003 into a three year loan agreement with a syndicate of local banks for an amount of US$100million payable in April 2006. This loan is subject to interest at the rate of 3 month Libor + 4.25% (with floor of 7.5%) payable quarterly.

On December 14, 1998 the Company entered into a 5 year loan agreement with a syndicate of local banks for an amount of US$100million payable in December 2003 (subject to voluntary full prepayment clause). This loan is subject to an interest rate of 12 month Libor + 2.35% for the first year, to be escalated yearly to reach 12 month Libor + 2.65% in the fifth year, and payable every quarter. The loan has an interest rate floor of 7.6% and a cap of 10.9%. To refinance this loan, the Company entered on December 1, 2003 into a three year loan agreement with a syndicate of banks for an amount of US$100 million payable in December 2006. This loan is subject to interest at the rate of 3-month Libor + 4.25% (with floor of 7.5%) payable quarterly.

According to the covenants of the above loan agreements, the Company is required to maintain a debt to equity ratio below 25%, and the Company should maintain ownership of not less than 1million square meter of built-up-area free from any security to third party and to maintain net tangible assets of a minimum of US$1billion.

"COFACE" Guaranteed Loan:

For the purpose of partially financing the sea front defense works, the Company signed in 1996 a 10 year "COFACE" guaranteed loan agreement for an amount of US$107.3million of which US$7.3million represents a guarantee premium. This loan is scheduled for settlement starting February 2001 through 14 semi annual equal payments, and is subject to an interest rate of 7.39% per annum payable semi annually starting August 1998. The loan was fully drawn and two payments in the amount of US$7.66million each were settled in year 2003 and two payments in the amounts of US$15.3million each were settled in years 2002 and 2001. Under the terms of the loan contract, the Company is required to maintain a pledged deposit of US$23.6million with the lending bank starting from the date of the first withdrawal. Moreover, the Company is required to maintain a debt to equity ratio of no more than 20% and to maintain a minimum balance of US$75million of cash and cash equivalents (as defined by the lending bank).

On December 10, 1999, the lending bank agreed to increase the debt to equity ratio to 25% till September 30, 2001 with an increase to US$30million in the pledged deposits as security for the loan. On January 15, 2001, the lending bank agreed also to extend the debt to equity ratio of 25% till January 1, 2003 with an increase in the pledged deposit to US$37million. This pledged deposit was reduced to US$30million after that date, when the debt to equity ratio went back to 20%.

For the purpose of partially financing the waste treatment project which costs approximately US$53million, the following loan agreements were signed by the Company:

Syndicated Loan:
On March 21, 2000 the Company signed a 6 year loan agreement with a syndicate of banks for an amount of US$22million. This loan can be drawn up to June 29, 2002 (extended to December 29, 2002). Total withdrawals up to December 31, 2003 and December 31, 2002 amounted to US$20,260,624. This loan is repaid in 9 equal semi-annual installments. The first installment in the amount of US$4,056,881 was due on June 30, 2002; however, it was postponed to December 29, 2002 and settled on that date. The second and third installments in the amount of US$2,314,820 each were paid in June 30 and December 29, 2003 and thus the balance of the loan amounted to US$11,574,103 as at December 31, 2003. This loan is subject to an interest rate of 3 month Libor plus 4%. According to the covenants of this loan agreement, the Company is required to maintain a debt to equity ratio not greater than 25%, maintain tangible assets of a minimum of US$1billion and maintain accounts and notes receivable of not less than US$75million free from any liens, assignments or similar charges. In addition, the Company should maintain the number of treasury shares below 11,610,000 shares.

Local Bank Loan:
In July 2001, a complementary loan agreement in the amount of US$10million was signed with a resident foreign bank. An amount of US$6,779,298 had been drawn up to December 31, 2002. On July 11, 2003, an additional amount of US$1,130,539 was drawn, thus increasing the total amount drawn to US$7,909,837 as of December 31, 2003. The Company shall repay the aggregate principal in 10 equal semi-annual installments commencing on October 25, 2004 and ending on the final maturity date being April 27, 2009. The loan is subject to an interest rate of 3 month Libor plus 1%. The Company shall maintain a pledged fund not less than 102% of all outstanding principal and interest amounts, and should maintain a debt to equity ratio not exceeding 25% and total tangible net assets should not be less than US$1billion free from any liens including permitted liens.

Loan Guaranteed by Export - Import Bank of the United States:
In July 2001, the Company signed an "Export Financing Credit Agreement" in the amount of US$14,709,252 to support the purchase of engineering and construction services and equipment from the United States for the waste treatment project. This loan is guaranteed by the Export-Import Bank of the United States and financed by a resident foreign bank. An amount of US$11,458,002 had been drawn up to December 31, 2002. On August 11, 2003, an additional amount of US$1,145,089 was drawn, thus increasing the total amount drawn to US$12,603,091 as of December 31, 2003. This loan shall be paid in 10 approximately equal successive semi-annual installments, the first of which shall be due and payable on October 25, 2004. It is subject to an interest rate of 0.25% per annum above Libor. According to the contract terms, an irrevocable stand-by letter of credit in the amount of US$3,566,993 was submitted to the Export - Import Bank. Moreover, the Company is required to maintain a minimum balance of cash and cash equivalents of US$30million and the number of treasury shares should not exceed 10,131,829 shares or US$76million in aggregate.

14. Capital
Capital consists of 165,000,000 shares of US$10 par value, authorized and fully paid and divided in accordance with Law 117/91 into the following:

Class "A", amounting to 100,000,000 shares represent contribution in kind of properties in the BCD, based on the resolutions of the High Appraisal Committee. All Class A shares are deemed to have been issued and outstanding since the formation of the Company.

Class "B", amounting to 65,000,000 shares represent capital subscription in cash and are all issued and fully paid.

As of December 31, 2003 and December 31, 2002, the Company had 8,870,000 "A" shares listed on the London Stock Exchange in the form of Global Depository Shares (GDS).

15. Legal Reserve
In conformity with the Company's articles of incorporation and the Lebanese Code of Commerce, 10 % of annual net income is required to be transferred to legal reserve until this reserve equals one third of capital. This reserve is not available for dividend distribution.

16. Treasury Shares
Treasury shares represent 5,767,727 class (A) and (B) shares (9,583,339 shares as of December 31, 2002), of which 5,604,004 shares are subject to an option as described in note 12.

The treasury shares outstanding as of December 31, 2003 were marked to market. The resulting loss of US$230,150 for the year ended December 31, 2003 was debited to retained earnings (loss of US$13,111,972 for the year ended December 31, 2002).

According to the articles of incorporation, the Company may purchase up to 10% of its share capital without the existence of free reserves, provided that it shall resell these shares within a period not exceeding eighteen months. The treasury shares held by the Company for a period exceeding eighteen months as of December 31, 2003 amounted to 53,818 shares.

The number of treasury shares held by the Company as of December 31, 2003 and 2002 are broken down as follows:

	Shares in thousands	
December 31,	**2003**	2002
Shares acquired through trading activities:		
Shares held for less than 18 months	104	389
Shares held for over 18 months	54	4,532
Shares subject to a sale back option (Note 12)	5,604	1,004
	5,762	5,925
Shares reverting to the Company from recuperated properties	6	3,658
Total number of treasury shares	5,768	9,583

According to the Company's in-house legal counselor, shares reverting to the Company from recuperated properties are not subject to the 18 month limitation imposed by the Company's Articles of Incorporation.

17. Net Revenues from Land and Real Estate Sales
Net revenues from land and real estate sales include the following:

December 31,	**2003 US$**	2002 US$
Sales of land	67,117,187	122,134,524
Sales of real estate properties	15,081,913	6,767,565
Less: Cost of land sales	(30,023,874)	(62,571,015)
Cost of real estate properties sales	(15,437,217)	(5,482,852)
Net result of cancellation of sales	(1,528,575)	(1,780,000)
	35,209,434	59,068,222

The loss on cancellation of sales represent the net profit on previously recognized sale transactions which were cancelled during the years ended December 31, 2003 and 2002, as a result the built up area related to these transactions reverted back to the Company.

During the year 2003, the Company sold several apartments from its investment properties, which resulted in a gain of US$749,394 as disclosed in Note 7.

18. Net Revenues from Rented Properties

Net revenues from rented properties include the following:

December 31,	**2003 US$**	2002 US$
Rent	15,444,652	14,080,743
Less: Depreciation expense	(2,881,756)	(2,478,969)
Real estate taxes	(2,277,406)	(2,022,468)
Maintenance and other related expenses, net	(1,521,477)	(1,210,589)
	8,764,013	8,368,717
Other related income/(expense), net	856,095	(32,001)
	9,620,108	8,336,716

19. General and Administrative Expenses

General and administrative expenses is composed of the following:

December 31,	**2003 US$**	2002 US$
Salaries, benefits and related charges	5,611,159	5,605,125
Board of directors' remunerations	144,000	144,000
Administrative expenses	3,482,233	3,538,645
	9,237,392	9,287,770

The head-count of the Company as of December 31, 2003 was 273 (275 as of December 31, 2002).

In addition to the above, salaries, benefits and related charges in the aggregate of US$3.6 million were reallocated to cost during 2003 (US$3.2 million in 2002).

20. Earnings per Share

The computation of earnings per share is based on net income for the year and the weighted average number of outstanding class (A) and (B) shares during each period net of treasury shares held by the Company.

The weighted average number of shares to compute basic earnings per share is 157,647,122 shares in 2003 and 155,452,260 shares in 2002.

21. Notes to the Statements of Cash Flows

a. Non-cash transactions in the operating and investing activities related to the proceeds from recuperated properties are detailed as follows:

December 31,	**2003 US$**	2002 US$
Non cash trade-in of common shares against recuperated properties	(29,476)	(86,582)
Increase in receivables from recuperated properties	163,577	582,126
Cash proceeds from recuperation	-	(387,006)
Increase in receivables from recuperated properties	134,101	108,538

b. Depreciation was applied as follows:

December 31,	**2003 US$**	2002 US$
Depreciation of fixed assets - Note 8	1,860,809	1,250,896
Depreciation of investment properties - Note 7	2,881,756	2,478,969
Less: Depreciation allocated to the cost of property held for development and sale	(759,076)	(185,325)
Depreciation expense for the year	3,983,489	3,544,540

c. Non-cash transactions include change in fair value of interest rate swap agreement in the amount of US$2,549,554 presented in the shareholders' equity caption and accounts payable and other liabilities caption for the year ended December 31, 2003.

d. Non-cash transactions in the financing activities include dividends distributed from the Company's treasury shares in the amount of US$19,359,285 during the year ended December 31, 2003.

e. Non-cash transactions in the operating and investing activities include a transfer of an amount of US$22,939,032 from properties held for development and sale to investment properties during the year ended December 31, 2003.

f. Non-cash transactions in the operating activities include sales of built up area for an amount of US$1,647,092 against treasury shares during the year ended December 31, 2002.

22. Related Party Transactions

Certain directors are members on the Boards of banks with whom the Company has various banking activities.

23. Commitments and Contingencies

a. An agreement between the Company and the Council for Development and Reconstruction ("CDR") was promulgated through Decree No. 5665 dated September 21, 1994, duly approved by the Council of Ministers. By virtue of this agreement, the Company was granted 291,800 sqm of the reclaimed land surface (totaling 608,000 sqm) against the execution by the Company of the sea landfill and infrastructure works.

b. The total projected cost for completion of the BCD project has been estimated by management to be approximately US$2billion. This amount is used as a base for the determination of cost of sales.

c. Commitments for contracted works not executed as of December 31, 2003 amounted to approximately US$76,646,333million.

d. A lawsuit was raised in 1999 against the Company by the "CDR" claiming reimbursement of an amount of LL.5.4billion (US$3.6million) plus interest. This balance represents payments previously made by the "CDR" in connection with the appraisal of the properties in the BCD area and other tender documents. On the basis of the advice received from the Company's legal advisor, the directors are of the opinion that this claim is not based on sound legal grounds.

On the other hand, the Company had submitted to the "CDR" claims aggregating US$13.6million representing mainly change orders to infrastructure works in the traditional BCD which were incurred by the Company on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying financial statements.

e. The Company is a defendant in various legal proceedings and has litigations pending before the courts and faces several claims raised by contractors. On the basis of advice received from the external legal counsel and the Company's technical department, the directors are of the opinion that any negative outcome thereof, if any, would not have a material adverse effect on the financial condition of the Company.

f. On June 7, 1997, the Company signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Company acquired additional built up area of approximately 58,000m^2 and 556,340 Class A shares in exchange for approximately 15,000m^2 and the payment of US$38million to restore governmental buildings. US$25million has already been paid and the balance of US$13.7million is included under accounts payable. According to the terms of the agreement, the Company undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined.

g. In prior years, the Company submitted to the Ministry of Culture and Higher Education claims totaling US$17.7millions representing compensation for delays that resulted from excavation works. These claims were not yet approved nor confirmed by the concerned authorities nor recorded as receivables in the accompanying financial statements.

h. The Company has as of December 31, 2003 a stand-by letter of credit in the amount of US$3,566,993 to be gradually decreased starting June 2007 to reach US$3,035,622 in June 2011. This instrument is issued in guarantee of the US$14.7million US Export Import Bank of the United States facility. Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral.

i. For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Company signed an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900m^2 against ceding of owners' shares from both lots. Additionally, a built up area of 5,335m^2 remains as a contingent loss to the Company in case the prelacy decides to build this area within the next 10 years.

j. During 2003, the Company entered into a dispute with one of its contractors regarding what the Company considered to be a defect in the land remediation works performed by the contractor. The contractor denied this issue and commenced an arbitration in relation to this matter on May 19, 2003. In his request for arbitration, the contractor sought a non-monetary relief that there is no defect in the works it performed, and made monetary claims against the Company in the total amount of US$1,079,533, in addition to claiming for the payment of its legal and other costs incurred in connection with the arbitration for an amount of US$2,226,569. On the other hand, the Company made counter claims for non-monetary relief that there exists a defect in the works performed by the contractor and claimed for the payment of its legal and other costs incurred in connection with the arbitration for an amount of US$3,004,711. The legal counselors representing the Company in the arbitration believe that the Company has meritorious claims but are unable to ascertain what the eventual outcome of the arbitration will be.

24. Financial Instruments

a. Fair Values of Financial Assets and Liabilities:

The carrying book value of financial assets and liabilities are not materially different from their fair values applicable at the balance sheet date.

b. Credit Risk:

The Company's credit risk is primarily attributable to its liquid funds and receivables. The amounts presented in the balance sheet are stated at net realizable value, estimated by the Company's management based on prior experience and the current economic conditions.

The Company credit risk exposure is spread over 73 counter-parties; 7 customers constitute 34% of the total exposure and 66 customers constitute the remaining 66%.

c. Interest Rate Risk:

The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest bearing liabilities.

d. Liquidity Risk:

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. The Company had started since the end of the year 2000 considering various options to reschedule or refinance the US$100million bullet loans that matured in April of 2003 and the US$100million that matured in December of 2003. The Board had discussed various proposals, which were received from the existing and potential lenders, and made a decision to reschedule and refinance these loans. During the year 2003, the Company refinanced these loans through other loans that mature in April 2006 and December 2006.

25. Reclassifications

Certain 2002 account balances in the corresponding financial statements were reclassified to conform with current period presentation.

26. Approval of Financial Statements

The Board of Directors approved the financial statements for the year ended December 31, 2003 on March 26, 2004.

board of directors and general management

Members of the Board





Chairman
Nasser Chammaa




Vice-Chairmen
Nabil Boustani
Maher Beydoun

General Manager
Mounir Douaidy



Raphaël Sabbagha
Fouad Al Khazen
Joseph Asseily

Abdulhafiz Mansour
Maher Daouk
Sarkis Demerdjian

Mosbah Kanafani
Sami Nahas
Basile Yared