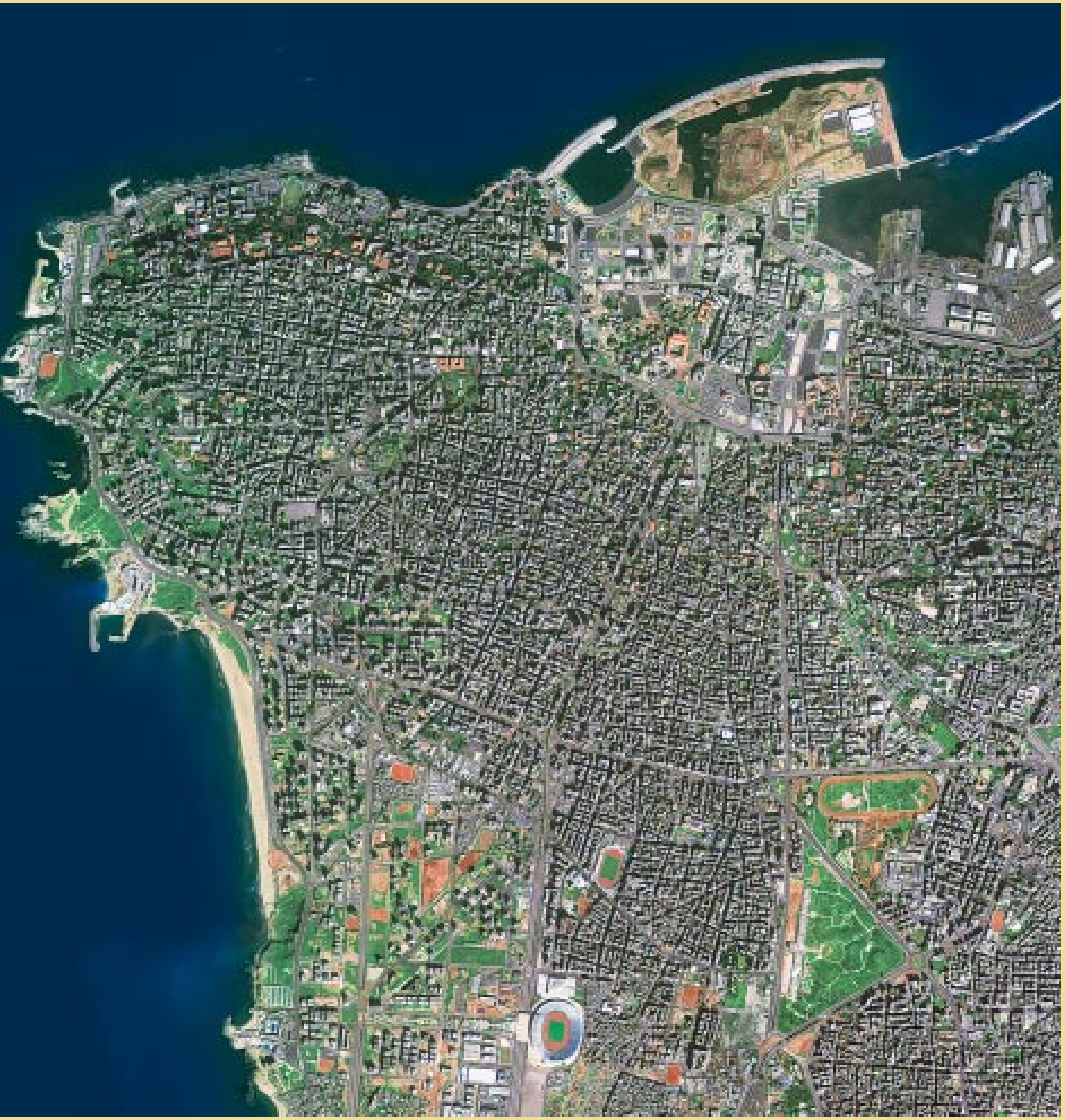
Annual Report 2002

02

SOLIDERE

Satellite picture of Beirut and the city center, March 2002.



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 2002 are summarized in its ninth Annual Report, which also includes financial statements prepared and audited according to international standards.

Financial Highlights

	2002	2001
Summary of Operations (in US$ million)		
Sales of land and real estate properties	128.9	77.5
Gross rental income	14.1	10.6
General and administrative expenses	9.3	8.5
Net income	41.1	1.9
Sales backlog	95.0	30.0
Stock Data per share (in US$)		
Earnings	0.2646	0.0124
Shareholders' equity	10.61	10.36
Stock price range		
A shares	3.875 - 5.25	4.0 - 6.625
B shares	4.0 - 5.5	3.875 - 7.25
Financial Data (in US$ million)		
Cash and cash equivalents	75.6	79.4
Accounts and notes receivable	208.7	189.0
Properties held for development and sale	1654.2	1656.3
Investment properties	150.2	156.2
Total liabilities	479.2	506.4
Retained earnings	22.0	(1.9)
Legal reserves	28.8	24.7
Total shareholders' equity	1649.3	1613.5
Financial Ratios (%)		
Return (interest income) on liquid assets	3.07	5.4
Debt to equity ratio	19.63	21.56

Beirut Central District aerial view, February 2003.

CHAIRMAN'S MESSAGE

The market turnaround experienced by Solidere in the preceding year was consolidated in 2002. Growing interest in Beirut city center property and space on the part of Lebanese and Arab investors was translated into significant sales and increased occupancy, both reflected in the year's results.

Your Company's performance improved accordingly, with the net income of US$41.1 million registered at year end representing a remarkable increase from a mere US$1.9 million in 2001. This result has consecrated Solidere's comeback to its high profitability record.

Gross revenues of US$128.9 million were earned from land and real estate sales, versus US$77.5 million in 2001, while our remaining portfolio of developed properties earned us US$14.1 million in gross rental revenues. The improved expectations encouraged us and other investors to launch a significant number of new real estate projects.

Beirut city center possesses unique natural assets, archeological sites, historic buildings and traditional neighborhoods. Through land development, restoration and new construction, it has become a pleasant and interesting place for living, work, shopping and leisure, where the benefits of the traditional and historical city are reconciled with modern life.

State-of-the-art infrastructure and performing services, cutting-edge office buildings that enjoy flexible space, help it regain its role as the focus of economic and institutional activity.

Yet, far from being just a central business district, it is accommodating a good balance of uses. Residential facilities with a distinguished character provide a high quality of life. Pedestrian-friendly streets, squares and green open spaces, together with a wide variety of trendy shops, restaurants and art galleries, have made it the city's meeting-point as well as the country's main visitor destination.

In paying the high costs of rehabilitation and development, Solidere and other investors were obviously taking a considerable risk. The success of their investment strategy has vindicated all our efforts towards the revival of downtown Beirut; and confirmed our view of its important role, both in enhancing the city's life and in attracting investment and stimulating economic growth.

It is to be hoped that public institutions will increasingly support such private investment through favorable legislative, regulatory, and institutional conditions, including easing administrative procedures for Master Plan updating and building permit issuance.

Our own real estate developments are prime-mover projects that set standards and generate investment by others. They are carefully planned to meet modern requirements and enjoy high standards of design, execution, finishing and management.

The majority of new construction in the existing Beirut city center is in the form of infill development, calling for a contextual urban architecture that re-creates the street and frames public space. With the renewed downtown rapidly coalescing around the historic core and adjacent residential communities, a modern architecture that is also in harmony with its surroundings is visible in our UN House, Saifi Village, embassy compound, blocks 66-70 multiuse development, power substation; and in the Banque Audi, Bankers' Association and Atrium buildings.

The development of the southern Souks of Beirut superstructure is expected to start soon, its permitting and tendering process having achieved significant progress. Also underway are several Solidere residential schemes in Saifi, Wadi Abou Jamil and Zokak El Blatt, inspired by the success of Saifi Village; as well as a large number of other developers' projects spanning such uses as office, hotel, retail, entertainment, and high-value waterfront residential.

On the site of the future waterside park in the New Waterfront District, around 80% of ongoing environmental reclamation works had been completed by end 2002, clearing the view for two residential developments facing the park. The buildings will be completed in 2003 and the reclamation in 2004.

This year will see progress in the Marina Towers and Four Seasons hotel, both endowed with a view of, and access to, the Beirut Marina. They will be followed by other planned towers, such as Platinum Tower and Beirut Tower.

Outstanding opportunities are thus opening up in new development areas, such as the hotel district, the Ghalghoul area and the Martyrs' Square axis, as well as the New Waterfront District. There, the Master Plan identifies key sites, including a series of carefully located high-rise developments, which provide opportunities for landmark architecture. Design concepts for these sites are being obtained from local or international architects, either directly or through design competitions. The emergence of this critical mass of construction will mark the architectural style of Beirut city center and stress its international character.

The portfolio of properties developed by Solidere and held by the Company, with a book value of US$150 million as at end 2002, has a market value of US$170 million, reflecting the value added to property resulting from the Beirut city center development.

At the same time, the Company's indebtedness was reduced to US$320 million, representing a debt-equity ratio of 19.6%, within the stricter 20% limit dictated by our current covenants to lending institutions. The sale of treasury shares generating US$6 million in proceeds, and the discounting of part of the notes receivable from land sales to the amount of US$27 million, contributed to maintain an adequate liquidity level during the year, resulting in a cash position of US$76 million at year end.

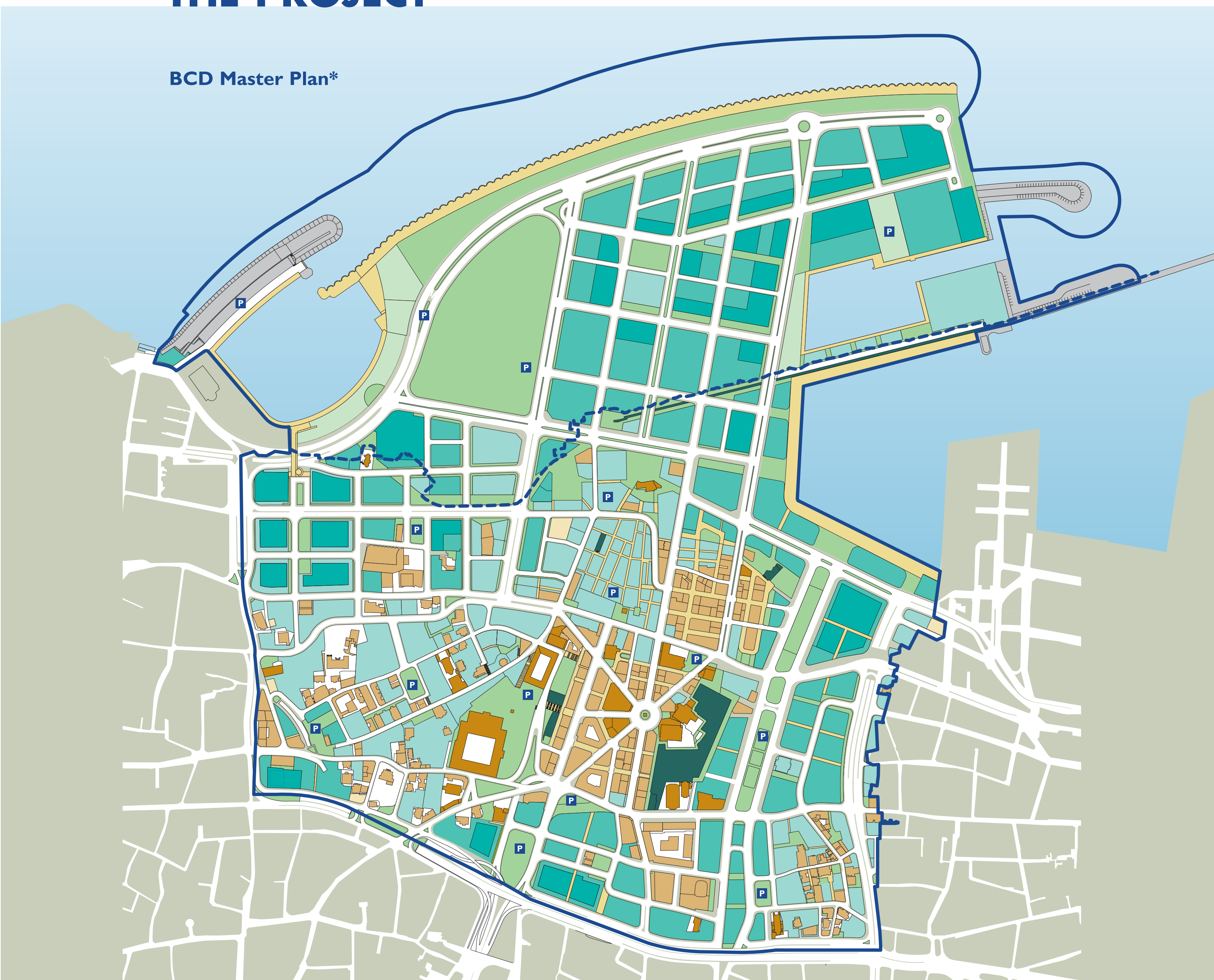
Although trading activity increased in 2002, the poor share performance persisted for the fourth year, with closing prices of US$47/8 for share A, US$43/4 for share B and US$4.93 for the GDRs. The shares remain undervalued despite strong fundamentals and improved operational results. It is hoped that the reestablished Company's performance will be reflected in an increase in its share price.

Based on the land sale deals negotiated in the latest months, which raised the sales backlog to US$103 million, and on the market interest in our real estate products, we are quite confident that sale and rental activities will be further enhanced in the coming years, both accelerating the growth of your Company and contributing to the creation of the finest city center in the Middle East.

NASSER CHAMMAA
Chairman
May 23, 2003

THE PROJECT

BCD Master Plan*



* Includes proposed modifications to the New Waterfront District sector plan.

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

THE PROJECT

The reconstruction of Beirut Central District (BCD) and its development into the finest city center in the Middle East, is one of the most ambitious urban regeneration ventures of our time. Based on a Master Plan which draws on the site's natural assets and rich heritage, the project aims at creating a modern district spreading over 184 hectares of land, one-third reclaimed from the sea, and offering facilities totalling 4.69 million sq m of floor space.

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

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

The site has been continuously inhabited for more than 5,000 years, with civilizations from the Canaanite to the Ottoman contributing to define its identity.

The Phoenicians started Beirut's maritime and trading vocation. Its celebrated Roman law school drew students from various parts of the Empire. The Ottomans developed its architectural style and the French consecrated it as the seat of public institutions.

After gaining independence in 1943, Lebanon grew into a booming service country thanks to its inherent assets, its educated population and its liberal political and economic system. Beirut became a sophisticated, cosmopolitan city and its center in particular became a regional center for commerce, 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 an ambitious national development program. Massive public investment was coupled with macro-economic policies designed to stimulate private local and foreign investment. The BCD reconstruction and development project 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 plus 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 preserved buildings.

Reflecting the site topography and main natural features, the Master Plan maximizes views of the sea and surrounding landscapes including bays, hills and mountains, 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 184.5 ha (455 acres): 120 ha (296 acres) originally constituting the traditional BCD, plus a 64.5 ha (159 acres) extension being reclaimed from the sea. Around 91 ha (225 acres) will consist of public space; 59 ha (146 acres) in roads and 32 ha (79 acres) in public open space. Approximately 93 ha (230 acres) will be allocated for development, including about 8 ha (20 acres) of religious or State 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 civil works for the Beirut Marina; important 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: UN House, Saifi Village, embassy compound, blocks 66-70 multiuse development, Banque Audi, Bankers' Association and Medgulf headquarters, Monroe hotel, Al-Borj and Atrium buildings.

Works in progress

Development of the Beirut Marina facilities, corniche execution and landscaping; completion of land treatment and reclamation; landscaping of the waterside park in the New Waterfront District. Completion of Hadîqat As-Samâh (Garden of Forgiveness); urban design and parceling of the sector constituting the Martyrs' Square axis, commencement of development in this sector. Substantial consolidation of the critical mass of BCD development through the implementation of the Souks of Beirut magnet and the launching of several residential developments by Solidere; completion of a number of residential and hotel towers facing Beirut Marina and the waterside park and launching of several other landmarks.

Phase Two 2005 - 2020

This phase will focus on 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 its infrastructure, 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 the Saifi and Wadi Abou Jamil residential neighborhoods, and establish prime development areas in the Serail corridor, hotel district and the high-density 'gateway' zones surrounding Martyrs' Square and UN House.

Solidere

Solidere was capitalized with US$1.17 billion as contributions in kind of property right holders, and the cash subscriptions of eligible investors, following a highly oversubscribed US$650 million offering. Its capital now stands at US$1.65 billion, after retirement in 1997 of 17,000,129 shares representing recuperated properties.

Solidere is establishing a solid base for BCD prosperity through high value-added land development activities and competitive real estate projects, as well as in its capacity as property owner and manager. Real estate projects are implemented by the Company 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 to itself.

Both 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, selling and marketing land, marketing and servicing rental properties. 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

Based on a robust master plan, which draws on the site's inherent assets, land development has greatly enhanced the value of the city center. Downtown Beirut, functional in its infrastructure and facilities, neat and attractive in its urban design, finishing and landscaping, is a choice location for residents, businesses and institutions, as well as a vibrant cultural, tourist, leisure and shopping destination.

As a land developer, Solidere prepares the land in central Beirut for sale to investors wishing to develop their own real estate properties. Its activities in this domain involve site preparation, including archeology, infrastructure works, hardscaping, urban furniture and landscaping, town planning, parceling and urban management.

New infrastructure was laid 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 New 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 roads. Expansions to the pre-war 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 quick 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. Large 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 created in Wadi Abou Jamil.

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. Public lighting was installed, with low-voltage cabling, lighting fixtures and feeder pillars. Tunnels were equipped with lighting, stand-by generators, control and safety systems.

Solidere continues to install cabling and equipment falling under EDL responsibility, including 20 KV cables and secondary lines connecting delivered buildings to the public network, despite Council of Ministers' instructions to EDL to undertake such installation, directly recouping costs from end users.

Civil works were also implemented for power and secondary 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 without the need for antenna installations. The Company intends to build and operate the system together with a technical partner, using advanced telecom technology, with the first phase to be installed during the coming year.

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. Plaques with newly assigned postal codes were installed in 2002. The Company continues to generate designs and development controls for the public domain.

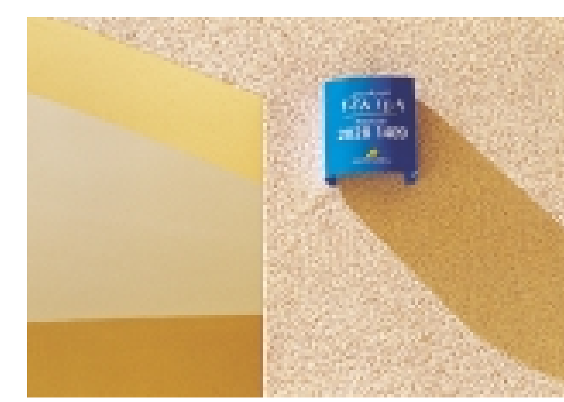
A signage manual has recently been completed and will shortly be submitted to the Beirut Municipality.

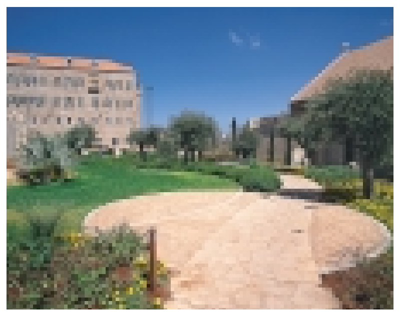
Pending completion of sufficient space underground, 16 vacant lots assigned for surface parking provide 2,500 car spaces servicing 6,000 customers per day. Prior to putting into operation the Souks of Beirut 2,550-space car park, 600 car spaces have been provided in the fourth basement.

A four-level, 108-space public car park in Weygand street is 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.

Decree 5714 of 2001 stipulated the creation of two additional underground car parks in Wadi Abou Jamil and Mina El Hosn.





Landscaping

More than 60 gardens, squares and promenade areas are part of the BCD 'green master plan'. Close to 3,500 trees already adorn the city center, in addition to a large variety of shrubs and flowering plants including traditional, revived local and imported species. The tree nursery produces 25,000 flowering plants per month and is used to tend trees spared by the war, until they are transplanted into a new setting. The streets are lined with more than fifteen species of trees, all fast growing, or fitted with planters or wide medians landscaped with trees, shrubs and colorful plants.

Starting with Nejmeh Square, Solidere landscaped areas adjoining public and religious buildings. An open space over the Weygand street underground car park is providing a visual link with the Municipality building and the Al Omari and Emir Assaf mosques.

The fountain in the cascading open space under the Grand Serail was upgraded in 2002. Another sloping, 2,000-sq m public open space was created near the Serail entrance. Across the street is the garden near the Evangelical church and the National Music Conservatoire.

Other well-maintained and vibrant open spaces include: Gibran Khalil Gibran garden facing UN House; Zokak El Blatt garden overlooking the city; Roman Baths garden and pedestrian area; Riad El Solh Square; Emir Amine Square in Bachoura; Omar Daouk Square and Planet Discovery garden in Mina El Hosn.

Debbas Square is the main garden in the Saifi area. Internal squares and landscaped spaces are helping create a pleasant environment in Saifi Village. Other ongoing works include a square in the Foch area and the upgrading of the CDR stairs, both designed by Vladimir Jurovic; and the upgrading of the Gibran Khalil Gibran garden fountains. Envisaged projects are: planting a median along Trieste street; and developing the designs of the one-kilometer old seashore walk open spaces.

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 the supervision of the Directorate General of Antiquities (DGA); while the Master Plan flexed to preserve important archeological sites identified under UNESCO protocol to be reintegrated in unique ways into the townscape.

In coordination with relevant administrative authorities, 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. Core drilling in a Foch-Allenby site having revealed the location of the ancient harbor, archeologists are participating in the construction project.

The documentation, digitizing and evaluation of the results of these sites are nearing completion. These include the fortifications of the Hellenistic city and the Roman main north-south axis (Cardo Maximus). The Persian-Phoenician site was consolidated and protected to warrant construction around and over the site without endangering the ancient vestiges.

An agreement was signed in January 2002 with the American-British landscape architecture firm Gustafson Porter, winner of the international landscaping competition, for the detailed design of Hadîqat as-Samâh (Garden of Forgiveness). A conservation plan for the archeological remains includes long-term burial of some, with the on-site conservation and integration of representative features from different periods: Roman Cardo Maximus, earlier 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. Implementation will start in 2003 with the construction of the west terrace wall and pedestrian street overlooking the Cardo, and the commencement of the archeological conservation program.

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

The Company claimed US$17 million in compensation for increased infrastructure costs due to delays attributed to DGA. The costs are bound to increase as long as issues remain unresolved.

Infrastructure operation and maintenance

Besides constantly upgrading site logistics services (cleaning, pest control, safety, security and traffic management), the Company continues to operate and maintain the completed infrastructure and reconstituted public domain. These services cover tunnels and underpasses, roads and sidewalks, traffic lights and street lighting, streetscape and furnishings, utility ducts and manholes, sewage and storm water networks and the sewage pumping station; the irrigation station and network, trees and landscaped open spaces. Solidere has raised with State authorities the issue of the costs incurred for these services for which it intends to seek compensation. The costs are compounded by handover delays that persist to this day.

Handover to the State

As per Law 117 of 1991 and the agreement with the State ratified in decree 5665 of 1994, implemented infrastructure and the reconstituted public domain are to be delivered to the State represented by CDR.

Despite the latter taking delivery of the ring road with its bridges, tunnels and underpasses, main and secondary roads and utilities (in December 2001), and the sewage pumping station (in July 2002), the Company continues to operate and maintain them.

Repeated requests having been sent to the Municipality to take over this function, tender documents were prepared by Dar Al Handasah, as consultant to CDR, in order to enable the Municipality to subcontract the operation and maintenance of the received infrastructure. The tender documents are still with CDR.

In order to facilitate the handover of public lighting works, Solidere has agreed to install the necessary meters, deemed by CDR as part of the Company's deliverables to the State.

The determination of the reconstituted public domain, an essential precondition for its delivery, was finalized in decree 5714 of 2001. The additional lots relinquished by Solidere to the public domain as per the decree necessitated some works, mostly public squares and gardens. A mechanism was devised to allow implementing property conveyance to the State with the provision of CDR taking delivery of future works in the released lots.

Master Plan Issues

Technical, architectural and legal issues relating to the proper interpretation of the Master Plan and the clarification of general and special BCD regulations, were the subject of numerous exchanges between Solidere and the Higher Council for Urban Planning. Several meetings were also held to that effect during the year.

A number of amendments to Decree 5714 of 2001 were thus proposed by Solidere in order to deal with the above issues, thus paving the way for the release of building permits relating to several real estate development projects in the city center, including the Souks of Beirut.

Having approved a number of the Solidere proposals, the Higher Council for Urban Planning forwarded its resolutions to the Beirut city Municipal Council, which in turn approved them in May 2003, thus paving the way for the issuing of a Council of Ministers' decree amending Decree 5714 of 2001.

Future Prospects: Martyrs' Square

Solidere will be launching later this year an open international urban design competition for the grand axis of Martyrs' Square. The design comprises the open space corridor and most of Sector H development land, down to the quayside of the first basin of the Beirut port.

The competition will incorporate the integration of important archeological sites to the north, including the ancient Tell area, as well as the museum for which a concept was received from the French architect Michel Macary.

A preferred scheme for the road links connecting Martyrs' Square to Port street across the Tell area was selected, based on a detailed study of the various options by Dar Al Handasah, Macary and transport planners. The selection was based on three criteria: traffic flow, impact on archeology and high quality urban integration. The selected scheme, approved by CDR in April 2003, will be incorporated in the urban design competition for the Martyrs' Square axis.

The competition outcome should greatly contribute to determine the new identity of this important symbolic civic space, the land use activities around it and its new extended axis down to the waterfront, as part of the process of reconnecting and repositioning the city. The design will also involve proposals for a high-rise landmark site at the northeast gateway to the city center. Completion of the urban design competition will mark the start of parceling and development in the Martyrs' Square axis, with proposed land uses as visitors' destination (hotels, active street life, cafés); cultural uses (archeology museum, other); and a high-tech (media and ICT) center at the heart of the city.

NEW WATERFRONT DISTRICT

The New Waterfront District is evolving. The site commands fine views of the Mediterranean, with a picturesque landscape of hills and mountains across the bay. The sector plan and the Beirut Marina design, both involving international architects and planners, are proceeding towards finalization. Environmental works have moved east, clearing the view for new residential developments facing the marina and the future park. Promotional, leisure and cultural activities are held on the eastern edge of the waterfront.

Heavy engineering investment in sea defense, marina construction, environmental cleanup and reclamation have been preparing for the development of the New Waterfront District. Once completed, it will constitute more than one-third of the city center. Forming an uninterrupted 3.5-km extension of the Beirut shoreline, the new corniche promenades, marina and harbor quaysides will provide more than four times the amount of seafront public space currently available in the entire city corniche system. This high-density district, endowed with extensive green areas, will emphasize mixed use. Waterfont leisure, retail and residential developments, allied with prime financial, business, hotel and tourist facilities, will enhance its attractiveness as an international destination.

Land Treatment and Reclamation

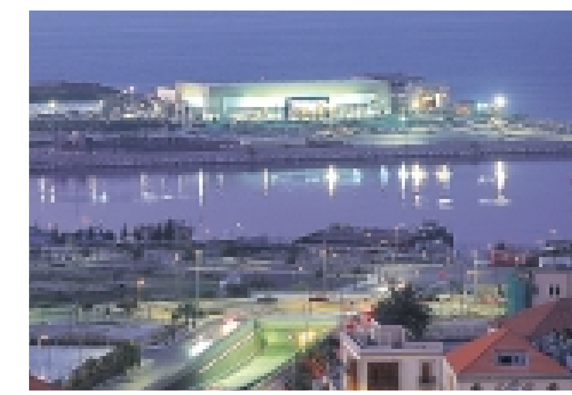
An example of changing disaster into opportunity, the New Waterfront District is an expansion of an original landfill enclosing a dumpsite that had scarred the city center foreshore since the Lebanon war. Phase Two of environmental reclamation, resulting in land cleaned to seabed and down to 23 meters below the water surface, had reached two-third completion by end 2002. The works have now moved east, clearing the view to new residential developments south of the New Waterfront District. Landfilling stands at 55 hectares, with the shortfall from the final 60-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, started in April 1999 and scheduled for conclusion by mid-2004, are supervised by Fairhurst International (UK), controlled by Bureau Veritas (France).

The US$56-million project is partly financed for its local content by a six-year, locally syndicated US$22 million loan concluded in March 2000. Drawdowns until end 2002 amounted to US$20.2 million. Repayments started in June 2002, with US$16.2 million still outstanding at year end. 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. Drawdowns of US$18.2 million on both parts of financing had been effected by 2002.

At the end of reclamation, backfilling the clean material delivers sites for infrastructure, parks and high-density structures. 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 eastern part of the new land, not requiring treatment, was leveled and equipped with 7,500 sq m of temporary roads and a 25,000-sq m surface parking area. Leased to Beirut International Exhibition and Leisure Center (BIEL), it is hosting activities in temporary structures totalling 17,500 sq m of floor space, which include a 10,000-sq m exhibition hall, 2,000 sq m of conference areas, and a 3,000-sq m Royal Pavilion with supporting facilities, serviced by a 1,200-car park.



Beirut Marina

The Beirut Marina construction was part of completed marine works, also comprising a breakwater and a two-line defense structure protecting the marina and waterfront. The project cost totaled US$298 million. Solidere continued in 2002 the repayment of the 10-year, US$107.3 million loan from BNP Paribas and Banque Indo-Suez with COFACE guarantee, with US$15.3 million paid during the year and US$76.6 million outstanding at year end.

These major deliverables of the 1994 agreement with the State were handed over to CDR in February 2002 for the sea defense structure; and in April 2002 for the Beirut Marina civil works, including quays and breakwater. In the same month, CDR put the marina at the disposal of Solidere as per the agreement signed with the State in 1997 for the operation of the two BCD marinas.

A committee comprising the directors general of the Finance, Transport and Tourism ministries and a representative of CDR, was appointed by the Council of Ministers to put into effect the agreement as far as the Beirut Marina and to follow up on its implementation by the Company.

The agreement grants Solidere the right to exploit for a 50-year period the marina water surface, together with the Corniche underground car park provided for in the BCD Master Plan. The Company is to construct at its own expense and with official approval the installations needed for the marina operation. Works include access and circulation roads, breakwater surface parking, underground car park, pontoons, harbor master building and utilities for boats. The marina by-laws address such issues as administration and operation of the marina general services, boat traffic, public safety, environmental protection, vehicular and pedestrian circulation.

Groupe Camille Rayon (France), nominated in March 2002 as consultant to Solidere, completed in February 2003 the design of the Beirut Marina equipment: pontoons, utilities (water, power, telecom), ducting of networks, mooring bollards and service bollards. To avoid any odors in the marina, a flushing system was devised for the enhancement of current through the injection of fresh water and air. Finally, an intelligent system will cover the functional aspects of the harbor master building, linking to it all activities to allow for automatic billing.

The Beirut Marina started receiving boats as of July 1, 2002. Though not yet equipped with all planned facilities to meet a full tourist season, it is accommodating permanent berths and numerous visiting boats from neighboring marinas, especially in the summer and during week-ends throughout the year. Construction works achieved in 2002 include the timber deck, with a life expectancy of 25 years, completed end October.

A limited design competition for the Beirut Marina was launched among selected architects in April 2002. The concepts presented contained many interesting ideas, however none was accepted as a whole by the jury.

In November 2002, Solidere signed an agreement with Steven Holl architects, a leading US design firm. The architect's concept involves the design of a town quay of waterside restaurants on the southeastern curved edge of the Beirut Marina; a yacht club, summer apartments, leisure and marina-related shopping facilities on the eastern edge of the marina; and a harbor master, customs and immigration building. A belvedere overlooking the marina from the Corniche, a footbridge, underpasses, stairs and ramps are to provide pedestrian links between the marina and its surroundings. Following approval of the concept design, Holl, teaming up with architect Nabil Gholam and landscape architects Iliya-Stevenson, is to be entrusted with detailed design and supervision. The project will be implemented in phases with the first stage, comprising harbor master's building and part of the town quay development targeted for the summer of 2004.

An agreement was signed by Solidere with Dar Al Handasah for the design of the Corniche underground parking. Submitted in December 2002, the preliminary design is being reviewed to achieve the necessary coordination with the design of the Beirut Marina. This will be followed by detailed design, construction permit procedure, and execution.

Master Plan Issues

The Higher Council for Urban Planning and the Beirut city 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.It is expected that the necessary measures will be taken towards its official ratification by Council of Ministers' decree.

REAL ESTATE DEVELOPMENT

Modern architecture that is harmonious with its surroundings characterizes UN House, the embassy compound and the recently delivered multiuse complex near the Serail hill, offering office and residential facilities together with a health club. Following the success scored by Saifi Village, new residential developments are underway in Saifi and Wadi Abou Jamil. The Souks of Beirut are an important magnet still going through the final stages of the building permit and tendering processes.

Solidere's real estate strategy reflects an accurate assessment of the pent-up demand for quality residential, institutional and commercial space and a painstaking ability to meet the requirements and standards specific to each niche market.

The Company has also proven its capacity to adapt to unexpected market and institutional circumstances, changing the nature of some of its real estate schemes and postponing others to better times.

This applies particularly to projects that were part of a 1997 property agreement with the State. The agreement involved 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.

The Company engaged in substantial works at the time, adapting building designs to the end-users' needs. Following a 1999 Council of Ministers' notice canceling 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.

The Company 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.

On the other hand, two developments near the Serail hill, initially destined for agencies affiliated to the Prime Minister's office, were pursued on the basis of new land use, design and identified end-users' specifications.

Embassy Compound

One of the two planned developments near the Serail hill is block 58-27 (lot 89 Zokak El Blatt, currently under parceling and regrouping).

Located in Rue de l'Armée, west of the Serail, it was redesigned by Idepconsult - Mounir Saroufim into a 9,300-sq m embassy compound. Its construction was completed in 2001, with infrastructure and landscaping works around the compound implemented in 2002.

After the Japanese Embassy, the British Embassy started moving into its new premises early in 2002. The final handover took place in March, the particularly stringent post-September 11 security requirements having caused the delay.

Works were completed in the remaining space, except for internal partitioning and fittings, which are designed and implemented in conformity with prospective users' demands. Of this remaining space, one section is already reserved by a third embassy, with final agreement pending the fulfillment of some additional requirements. The last section is the object of interest on the part of some other embassies.

Blocks 66-70 Multiuse Complex

The other development initially destined for agencies affiliated to the Prime Minister's office is on blocks 66-70, located in Rue de France on the lower part of the Serail hill.

It was redesigned by Fouad Menem Consultants as a multiuse complex comprising an office building, three residential buildings and a health club. The project was executed by Bureau d'Etudes et Travaux Hydrauliques et Electriques - Elie Selwan.

An agreement was signed with the Council of Development and Reconstruction for the entire 2,900-sq m floor space of the block 70-1 (Lot 1 Zokak El Blatt) office building.

Block 66-1 (Lot 1131 Zokak El Blatt) is a nine-flat residential complex with a 3,200-sq m total floor space. Halim Harmouch was the internal decorator. The entire space has been let or sold.

Designed by FM Consultants with Dada & Associates as internal decorator, the 3,400-sq m health club, operated by Nautilus (US), started operating in April 2003.

Saifi Village

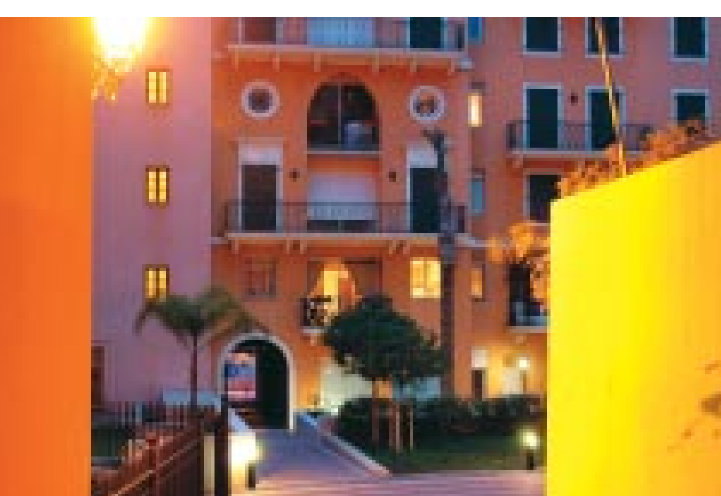
A traditional neighborhood with a preserved urban fabric has emerged at the southeastern periphery of the city center. A success story, Saifi Village offers 34,000 sq m of floor space in 16 low-rise new buildings forming four clusters over 7,400 sq m of land and along six streets.

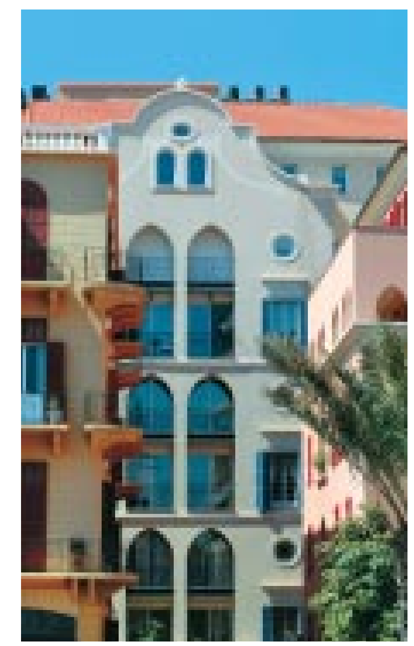
Designed according to Lebanese tradition, the new buildings blend with existing buildings restored to their original glory.

The residential ambience is enhanced by a quiet environment and a carefully designed and landscaped public realm. Brick paving, fountains, seasonal shrubs and flowers, wooden benches and children's playgrounds convey an appealing and communal character.

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





Block 93 Car Park

An underground car park is jointly developed by Solidere and owners of six surrounding properties in blocks 93 and 87. It will provide 700 car spaces distributed over four underground levels totalling 31,200 sq m in built-up area, with two main access ramps on Foch and Allenby streets. A landscaped open space will be created atop the car park section owned by Solidere and providing 280 car spaces.

Construction resumed on May 5, 2002, with piling and excavation works underway. Despite efforts to secure building permits for all involved parties, the permits for blocks 93-3, 87-08, 87-27 and 87-28 are still awaiting the finalization by administrative authorities of related parcel subdivision and regrouping procedures.

Tendering is in progress for structural works, with execution expected to start by July 2003 and to be completed in eight months.

The Souks of Beirut

Replacing the traditional markets, the Souks of Beirut are a modern shopping district offering some 100,000 sq m of floor area which are destined to bring to critical mass the supply of retail space in the city center.

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 and moat, together with other artifacts and mosaics found on the site. The new Souks will also incorporate the Mamluk Zawiyat Ibn Iraq shrine and the Ottoman Majidiya mosque.

The gold souk or jewelers' market represents one of the high value-added industries in the country. Expected to create a major focus of attraction successfully adapting a modern shopping concept to local tradition, it is already entirely pre-sold.

The department store is inspired by the architecture of the Khan Antoun Bey Ottoman caravanserai previously on its site. A landscaped square featuring a fountain will face the store and the restored Majidiya mosque. The khan's courtyard has been turned into a central atrium with a glazed roof, another successful adaptation of traditional building form to modern retailing function.

Design contributors include prestigious names: for the Souks proper, which include around 200 shops, Rafael Moneo (Spain) and Samir Khairallah & Partners; for the gold souk, Kevin Dash (UK) and Rafik El Khoury & Partners; for the entertainment complex, Valode & Pistre (France) and Annabel Karim Kassar; for the department store and multi-use building, Nabil Tabbarah; for space planning and landscaping, Olivier Vidal (France); and for car park design and management systems consultancy, Dimitri Alatzas Asociados (Spain).

Solidere finalized the project detailed design and constructed the 2550-space underground car park. The development of the superstructure was delayed as the Company went through various stages of the regulatory permission process. These included Council of Ministers' decree 4246 of 2000, sanctioning the project master plan and approving its impact on Sector E of the master plan; and decree 5714 of 2001.

The Company gave the priority to the building permit for the south Souks, which the board of directors resolved to develop in a first phase, without recourse to investors. This should allow Solidere to keep control of commercial areas and their management, and to secure good revenues. The north Souks, to be implemented in a second phase, may start before completion of the first. The building permit for the south Souks is still not finalized despite approval of the file by the Directorate General of Urbanism and several meetings with the Beirut Mohafez (administrator).

The first phase tendering was organized in two packages: one for the Souk core, including the supermarket; and one for the gold souk. Bids were submitted on October 21 by seven of the 10 contractors invited. The tendering of the second package followed the finalization of drawings reflecting changes in the gold souk design destined to accommodate the requirements of pre-sold units' users. The building permit application took into account these design changes.

The facilities should be completed within 18 to 24 months from the permit approval date. This will allow finalizing the gold souks pre-sales, the leasing of the Souk core retail units, as well as the leasing and management agreements with anchor tenants and international operators. The medium-term funding needed for the project is facilitated by the inherent revenue elements involved receivables against promissory notes from the gold Souks, plus expected rental revenues.

The North Souks permit is still under review in the Municipality.

New Residential Schemes

Saifi

Following the success of Saifi Village, the architect Nabil Gholam was commissioned to design two new projects providing extensions to the Saifi neighborhood. The preliminary design on both has been completed; tenders for excavations have been received and are under review by Solidere.

The extension on lot 146 Saifi addressing the corner of Martyrs' Square covers 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.

The second extension on lot 178 Saifi covers a 2,427-sq m land area next to the St Elie Armenian-Catholic church. Since the project integrates a Solidere restored building together with five new buildings, a parcel regrouping procedure was necessary. The scheme also involves slightly cutting back and reconstructing the northern projecting bay of the restored building in order to better accommodate it within the overall design. The amendment was approved by the relevant authorities, as part of the building permit procedure for the superstructure.

Above: 146 Saifi; below: 178 Saifi.

Right and below: Maha Nasrallah design for block 57-34.

Wadi Abou Jamil

Solidere has initiated the design of several residential schemes in the Wadi Abou Jamil neighborhood.

Winner of a competition among new generation Lebanese architects, Maha Nasrallah, presented a conceptual design for a 5,000-sq m floor area development on block 57-34, comprising three apartment blocks with a garden.

On block 65, plots 22 and 23, a development with 3,600-sq m floor area is under design by Ziad Akl. Combining modern luxury with traditional architectural features, it will offer exclusive residential accommodation with private gardens.

The project continues the vernacular architectural expression of the adjacent scheme, also by Ziad Akl, for a boutique hotel grouping a new infill with restored and reconstructed buildings.

Five international architects were commissioned for the preparation of concept designs for block 52-51, with a 21,835-sq m floor area; block 52-52, with a 20,240-sq m floor area; block 53-5, with a 14,000-sq m floor area; and block 57-54, with a 13,304-sq m floor area.

They were carefully selected for their design approaches, which are in particular responsive to local context, culture and climate. All have worked successfully in Mediterranean and in Middle Eastern countries.

The architects are:

- Abdel Wahed el-Wakeel (Egypt)
- Demetri Porphyrios (Greece)
- Rassem Badran (Jordan)
- Giancarlo de Carlo (Italy)
- Oktay Nayman (Turkey).

RESTORATION

Restoration has set the tone for the entire Beirut city center development. Both the Conservation Area and the traditional neighborhoods have been restored to their former beauty. Enhanced by modern interiors and facilities, the historic core is a vibrant "vieille ville" housing important institutions, while its pedestrian streets, squares and cafés make it a popular destination. The friendly residential environment created in Saifi is being emulated in Wadi Abou Jamil.

In Beirut city center, heart of the country and of its capital, street façades and arcades, squares, cafés and other meeting places, traditional markets and residential clusters, are part of the city memory.

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. Saifi, Wadi Abou Jamil and Zokak El Blatt are re-emerging as urban villages.

The Restoration Process

The Master Plan retained for preservation 265 buildings and 27 public and religious buildings.

The buildings have been 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 based on architectural and photogrammetric surveys, damage assessment and historical research on the buildings original designs and materials. They were established as guidelines for articulating the design and restoration strategy to be adopted by architects in each restoration case, and are relatively 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 sample approval, site inspection, and finally occupancy permit procedure.

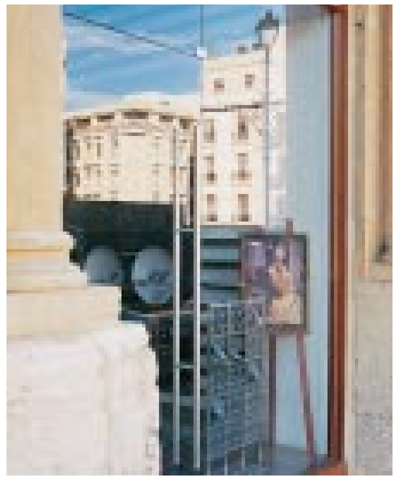
A dedicated Solidere team monitoring implementation ensures efficient work progress. Restored buildings have to be maintained on a regular basis, and to that effect, owners provide the Municipality of Beirut with a signed commitment to undertake general cleaning and façade maintenance every five years.

The areas of Foch-Allenby and Nejmeh-Maarad are particularly notable for their faithful façade restoration, preserving surviving elements - old stone, wood and wrought iron - and completing them where needed with new elements likewise crafted; and for their 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, glass roofs and other features.

Behind elaborately restored external façades are completely modernized interiors. All restored buildings are fitted with modern equipment for functionality, comfort and efficiency. In residential buildings, modernity 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.



Recuperated and Sold Buildings

At the inception of Solidere, the heavily damaged buildings of the city center had been deserted by their former occupants, with small pockets of residents remaining at the periphery. The Company efficiently managed the recuperation process, whereby former owners and tenants were given the opportunity to regain their rights in the buildings retained for preservation. In addition to the requirements applying to all 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, 124 buildings have been fully restored, 14 are currently under restoration, and eight are pending various legal issues.

Of the retained built lots whose ownership devolved to Solidere, 37 were regrouped into 31 lots and had been sold as is by the end of the year 2002, 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 20 built lots (21 before regrouping) ready and the rest under renovation.

Solidere Buildings

Solidere took the lead in restoration, undertaking showcase work on its own properties and closely monitoring other parties' projects. 51 built lots were the object of restoration by the Company. These include two co-owned buildings and two lots leased from the Islamic Wakfs.

Restoration was completed in 24 built lots: 17 destined for office use in the Maarad and Foch-Allenby area, with retail at street level; and seven destined for residential use in the Saifi, Wadi Abou Jamil and Zokak El Blatt neighborhoods. Work is underway in the other 27 built lots, with 12 at the construction stage and 15 under study.

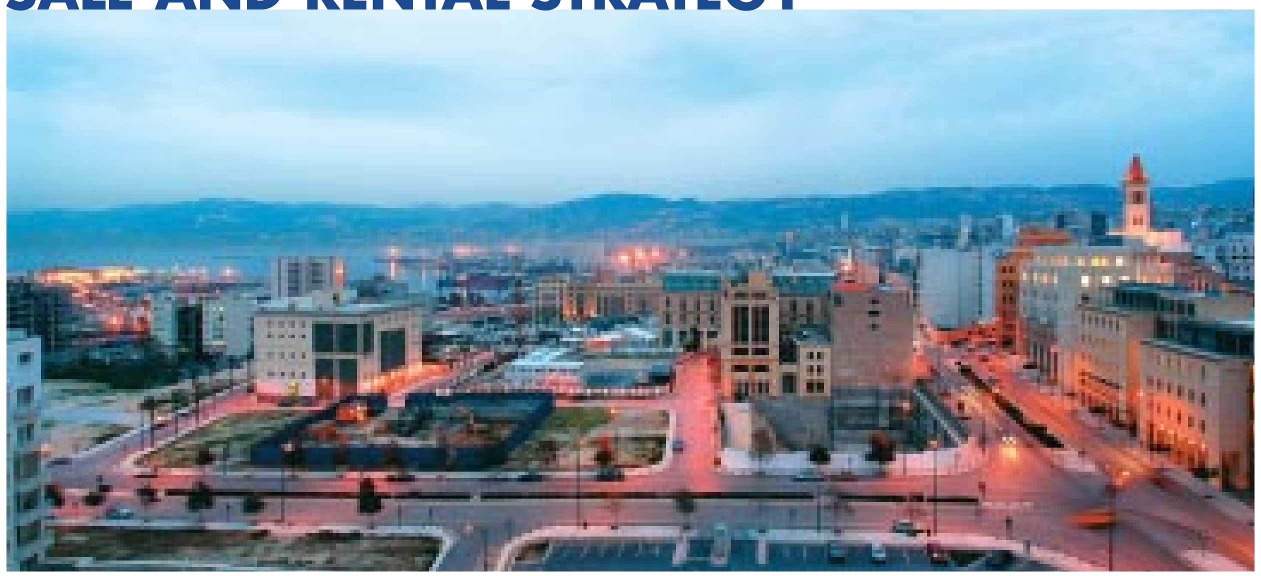
Four restored buildings, plus sections in a co-owned building, serve as Company premises. Three built lots, designating five restored buildings initially occupied by Solidere, were later successfully put on the market.

Having in some cases sold complete commercial buildings after restoration, the Company also leases office and retail space in other buildings. By end 2002, 15 sale agreements, relating to 11 restored buildings or sections thereof, had been signed. Another 109 signed tenancy agreements, relating to units in restored properties, resulted in the occupation of around 16,300 sq m of residential space, 4,600 sq m of office space and 6,800 sq m of retail space.

Public and Religious Buildings

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

SALE AND RENTAL STRATEGY



Investment in Beirut city center gained momentum as renewed demand for real estate property and development land was translated into effective sales with an important impact on the 2002 results, and new deals expected to secure similar revenues for 2003.

The Company focused on new sales, with major deals negotiated during the year. Rental activity concurrently pursued its ascent.

As early as 1995, the city center started eliciting investors' interest with a variety of properties offered there. As a land bank with a large property portfolio, Solidere sells lots for residential and office projects, hotel, retail and specialized uses. During the early years after Solidere's inception, the operations consisted only in the sale of property for development, be it unbuilt lots, or existing buildings sold as is for development or renovation.

The delivery of the Company's real estate projects was accompanied by a growing importance of sale and leasing operations involving finished products. These could be new or preserved buildings, or parts thereof. Solidere has constructed buildings destined for specific long-term tenants. Finally, vacant lots may be leased for temporary activities.

A marketing policy, flexible enough to allow for adjustment and revision according to market developments and other changes, is reflected in a healthy mix of sale and rental operations. The objective from both is not only to obtain cash, but also to infuse dynamism into the BCD. Solidere's strategy has thus ensured the speedy restoration, reconstruction and occupation of the historic core and residential neighborhoods, as well as an early launching of developments in the new sectors of the city center.

Solidere's clientele include local and foreign banks and corporations; individual clients, national and foreign executives; international organizations and foreign embassies; local official or private institutions. 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 sale and leasing of finished products by buyers-developers in addition to its own, as part of its careful monitoring of the demand and supply of real estate in the BCD.

Sales Record

The aggregate sales realized since the Company's inception amount to US$627 million representing around 561,000 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 2000. This downward trend was reversed since, with sales jumping to US$77.5 million in 2001 and US$128.9 million in 2002.

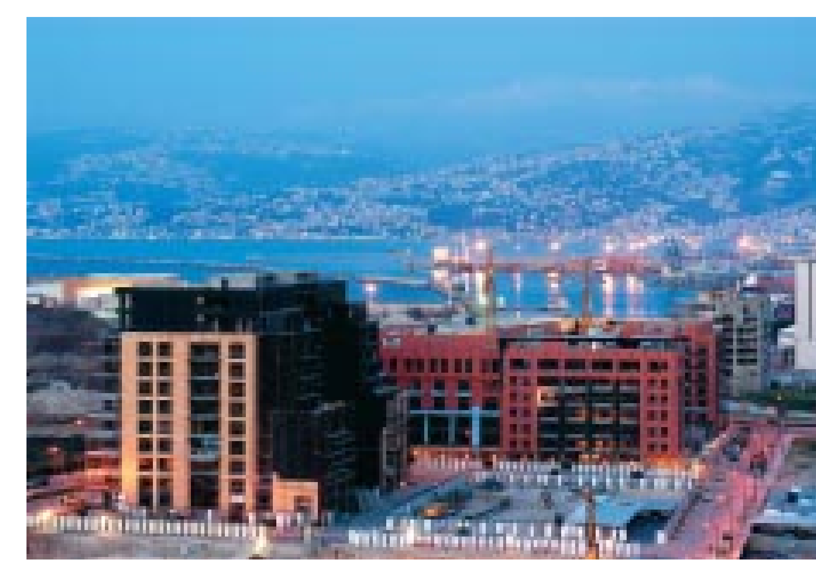
Sales Results

The sales realized during the year under review amounted to US$128.9 million representing 126,843 sq m of floor space. Of this total, US$122.1 million are land sales and US$6.8 million are residential real estate sales.

Recognized sales revenues are net of cancelled sales, settlement costs and provisions for settlement costs and doubtful sales receivables. Compared to the two previous years, 2002 saw a faster collection of notes receivables. Outstanding receivables amounting to US$6.4 million were overdue at year end. The Company has taken all necessary legal measures to protect its rights and to enforce the collection of its receivables. The resolution of issues relating to some previous sale agreements allowed a reversal of provisions relating to these contracts. The amount of US$2.9 million was thus written back into the income statement in 2002.

The sales backlog totalling US$95 million at year end includes US$80 million of land sales and US$15 million of real estate sales, of which US$7.4 million are residential sales.

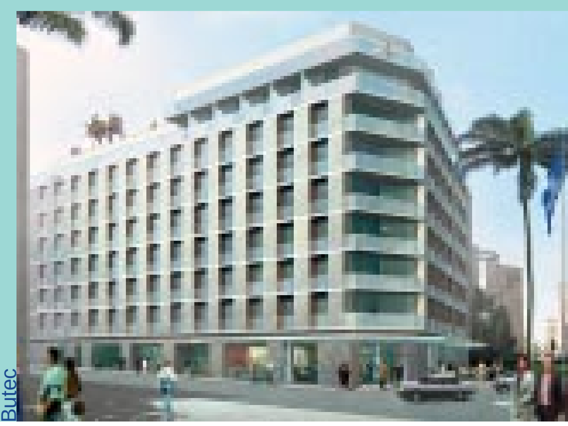
The downpayments received on signed deals as at December 31, 2002 amount to a net value of US$29.2 million, of which US$1.6 million relate to the sale of units in the gold and jewelers' market which is part of the Souks of Beirut project. Downpayments are treated as deferred revenues and will only be recognized as part of revenues upon sales realization.



SALE AND RENTAL STRATEGY

Developers' schemes


Nabil Gholam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Above, left to right: Garden Square, furnished apartments and retail, 1369 Mina El Hosn, proposal submitted to Directorate General for Urbanism (DGU) for approval; Hilton on the Park, 129 Mina El Hosn.


Dolly Braidy


Rachid Karam

Left to right, above: Taha Koleilat, hotel and retail, 1338 Mina El Hosn; Radium, offices and retail, 114 Marfaa (lot under subdivision and regrouping); below: Avenue Plaza, residential and retail, 1444 Mina El Hosn; Global Rayess, offices and retail, 1342 Mina El Hosn; 1330 Park Avenue, residential and retail, 1330 Mina El Hosn.


Nabil Azar


Said Jazairi


Abdallah Hajj Ali


Elie-Pierre Sabbagh

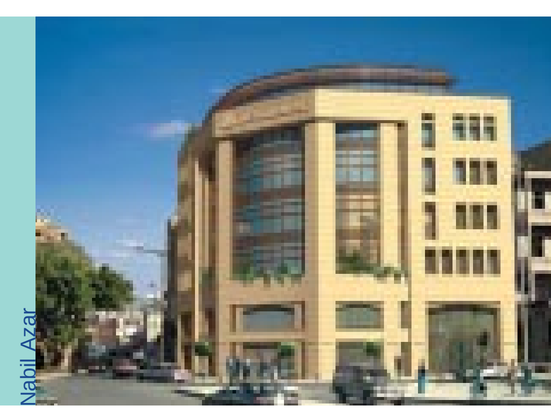

Divar Consultants

Above, left to right: Périmètre Immobilier, offices and retail, 1459 Marfaa; 1331 Park Avenue, offices and retail, 1331 Mina El Hosn.


Kevin Dash

Left to right, above: Bab el Seray, mixed-use development, 1489 Marfaa (lot under subdivision and regrouping), proposal submitted to DGU for approval; below: Mira residential building, lot 1394 Mina El Hosn (lot under subdivision and regrouping); Al Mashrek insurance headquarters and retail, lot 1080 Saifi.


Erga


Nabil Azar

SALE AND RENTAL STRATEGY

Mina El Hosn residential and hotel towers with a view

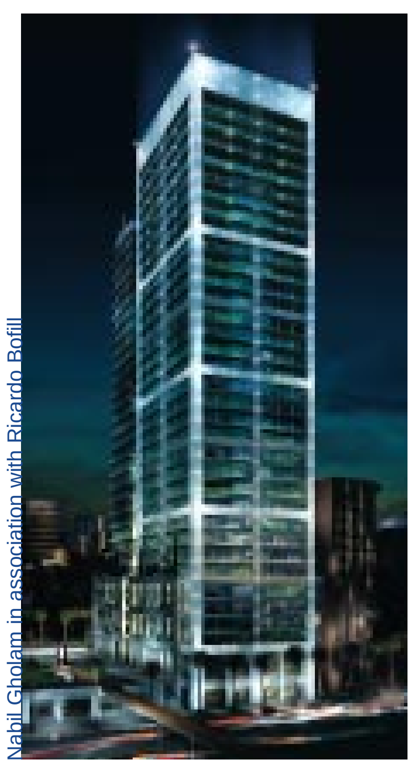
The view from Platinum Tower.


Nabil Gholam in association with Ricardo Bofill

Four Seasons Marina Towers Beirut Tower Platinum Tower

Proposals submitted to DGU for approval. Left to right: Beirut Tower on lot 1401, with pedestrian bridge leading to the Beirut Marina; Platinum Tower on lot 1421.


Samir Khairallah & Partners - Wimberly Allison Tong & Goo


Nabil Gholam in association with Ricardo Bofill

Four Seasons Hotel.


Dar Al Handasah Shair & Partners

Marina Towers.


Kohn Pedersen Fox Associates

Real Estate Sales and Leases

In addition to a privileged location, the finished real estate products offered by Solidere enjoy quality design, construction and property management services.

A pleasant living milieu is provided by the functional and elegant flats delivered by Solidere in new or restored, low-rise, apartment buildings. Alternative schemes are offered, allowing a simple lease, a lease with option to buy or an outright sale. Buyers can benefit from payment facilities.

Retail space, already popular in the restored commercial buildings of the Conservation Area, is also offered in Saifi Village, where a number of convenience stores are needed.

This is encouraged by the pedestrian-friendly environment, the presence of a growing resident and working population, and an increasing flow of clients from other parts of the city and country as well as visitors from Arab and other countries. By far the most important retail space will be provided in the Beirut Souks' 100,000 sq m floor area.

Commercial space made available by Solidere offers several advantages: location among financial headquarters and official institutions, easy access by car or public transport from the rest of the city and country with a ten-minute drive from the airport, modern infrastructure, services and car park facilities, sound structural specifications and intelligent building features. A quality public domain and a vibrant restaurant and shopping environment brings a relief to the busy population of the city center offices. Currently on offer for rental are offices in new or renovated buildings.

Sale Procedure

Regarding the sale of property for development, an agreement including 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 property transfer registration, the buyer has to provide Solidere with a first-degree mortgage on the property as a guarantee against outstanding payments, and to submit a bank guarantee as security for the proper and timely execution of all construction-related works.

Solidere's supervisory role continues throughout the development period, with Company engineers coordinating with the developers' architects.

Leasing

Aside from the sale of restored buildings, or units in new or restored buildings, Solidere has been increasing its portfolio of income-generating developed properties, new or restored. The Company has dedicated some buildings to a single institutional tenant, such as UN House and Block 70. 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.

The Company's gross rental revenues rose from US$7.4 million in 2000 to US$10.2 million in 2001 and US$14.1 million in 2002.

As at end 2002, property rented out by Solidere had a gross value of US$158.5 million (US$150.2 million after depreciation), consisting of US$111.9 million in buildings, US$43.50 million in land and US$3.1 million in other assets.

The 2002 rental revenues were as follows: US$2.9 million from residential space in Saifi Village and in restored buildings; US$10.2 million from commercial (office and retail) space; and US$0.5 million from parking space or vacant lots.

Downpayments received on lease agreements and reservation deposits, amounting to US$5.1 million, are treated as deferred revenues and not recognized as part of revenues.

Property Marketing

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

As at end 2002, of the 136 Saifi Village apartments totalling around 30,700 sq m of floor space, 35 had been leased; 52 were leased with an option to buy; and 49 were sold, with 14 sold as a result of exercising options to buy. Lease agreements were also signed for seven shops.

Similarly, 84 agreements relating to restored houses or flats had been signed, totalling 18,400 sq m of floor space. They represent around 10,400 sq m of leases; 5,000 sq m of leases with an option to buy; and 3000 sq m of sales.

At the same date, the Company had signed 47 other agreements.

Of these, three agreements total around 27,700 sq m of floor space in institutional office buildings: the entire UN House and part of the embassy compound. Agreements expected to be concluded before the end of this year should ensure full occupancy of the embassy compound.

16 agreements relating to space in restored commercial buildings were also signed, of which 4,600 sq m of office space, and 18 retail units with a 6,800-sq m floor area.

Property Services Management

The Company undertakes the management, operation and maintenance of its delivered buildings. These include 20 new buildings, 24 restored buildings, the Souks car park and the Weygand street car park facing the Municipality.

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 six 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 currently provides site logistics services, including cleaning, safety, security; the operation and maintenance of completed infrastructure, electro-mechanical systems and temporary parking pending the completion of the car park projects; as well as the operation and maintenance of completed landscaped open spaces, streets and medians.

The Company is also geared to provide management and operation services to infrastructure, marinas, public utilities, car parks and landscaped open areas, following their handing over to the public authorities.

Prospects for the Future

At least 16 signed sales deals, amounting to approximately US$95 million are expected to be finalized in the current year and recognized in the 2003 income statement.

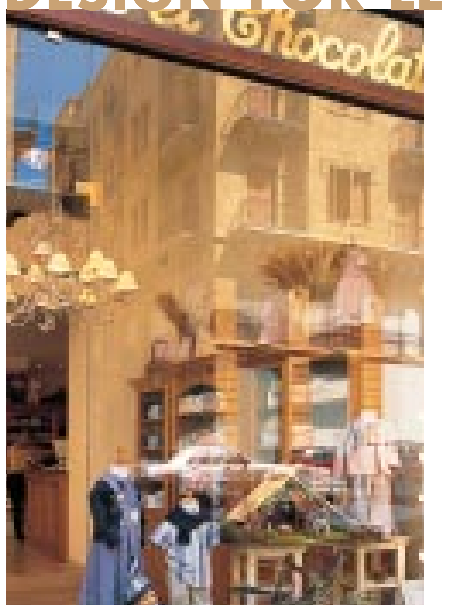
The Company is firmly relying on growth in its rental income as it steps up the delivery of new and restored buildings. Based on lease agreements signed to date or expected to be signed before the end of the current year, Solidere expects its rental revenues to reach US$16 million in 2003.

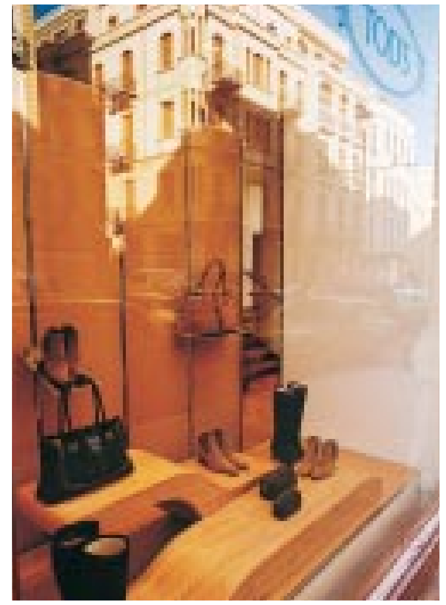
Both sale and rental revenues are expected to be strongly boosted upon delivery of the Souks of Beirut. Assuming a delivery by early 2005, rentals in that year are expected to reach US$30 million.

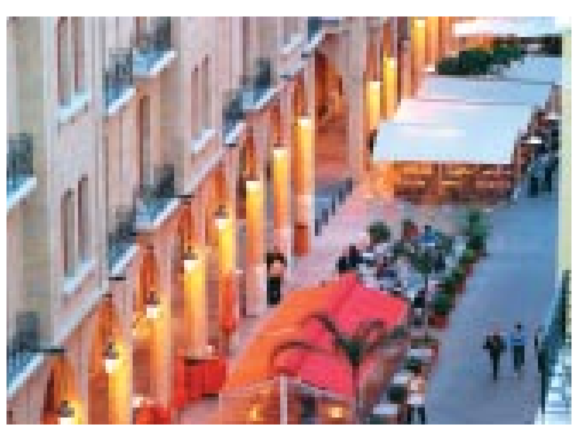
Solidere has launched concept designs for new projects on some lots, with a view to either developing them itself or selling the lot with the concept design to third-party developers. On lot 1059 Saifi, which devolved back to Solidere following the settlement of the dispute regarding its past sale, a residential project is envisaged as a continuation of the Saifi neighborhood.

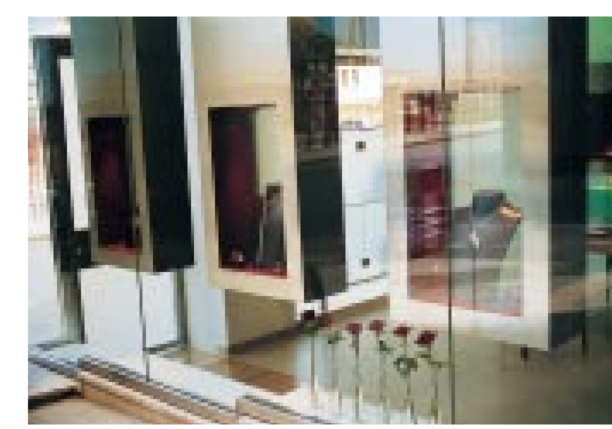
The Company commissioned the French firm Architecture Studio to design the Grand Theatre block as an integrated project consolidating two historic buildings and a vacant parcel.

DESIGN FOR LEISURE





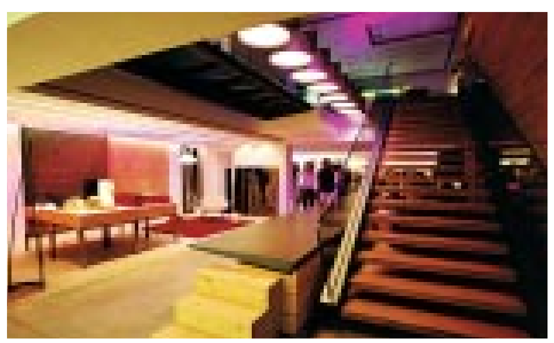




MODERN INTERIORS








CORPORATE FUNDING AND TREASURY

Corporate Treasury

The balance sheet at year end shows a cash position of US$75.6 million.

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

During the year 2002, 87 cash investments totalling US$520 million were made. These figures include investments made in 2002 which matured in the same year or will mature in the year 2003 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 57 days.

On average, Solidere secured around 113 basis points over the median three-month LIBOR rate prevailing in 2002. The interest income earned on the cash investments during the year was equivalent to an annualized interest rate of about 2.92%.

Funding Program

The Company contracted a number of loans to finance infrastructure and real estate activities that are part of Phase One of the BCD reconstruction.

A US$107.3 million ten-year loan, signed in 1996 with COFACE guarantee to provide partial financing to the marine works project, had been drawn up by end 2000, with US$7.3 million representing the guarantee premium. The loan is being repaid in fourteen half-yearly payments which started in February 2001, comprising US$7.5 million in principal repayment, together with interest at a rate of 7.39% per annum.

Three five-year loans, totalling US$250 million, were concluded with local banks in 1998. A US$50 million loan subject to an interest rate of six-month LIBOR plus 2%, is being repaid in 10 semi-annual installments which started end 1998. This loan will be fully repaid by June 2003. To this were added two syndicated loans of US$100 million each, repayable in 2003.

The first loan, maturing in April 2003, was refinanced locally for a period of three years through a different bank syndication, at an interest rate of 3-month LIBOR plus 4.25%, with a floor of 7.5%. The Company also intends to refinance the second loan maturing in December 2003, on which interest is paid quarterly, at a rate starting at the 12-month LIBOR plus 2.35% and escalating yearly to reach LIBOR plus 2.65% in the fifth year, with a floor of 7.65% and a cap at 10.9%.

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.

These loans were complemented in 1999 by a four-year US$10 million non-recourse financing facility concluded with Standard Bank London at an interest rate of LIBOR plus 2.25%. This facility was fully repaid in April 2003.

To finance the waterfront environmental cleanup, a US$22 million locally syndicated loan was concluded in March 2000, with Citibank N.A. - Beirut Branch as lender, arranger and agent, and with 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%.

In 2001, approval for an additional US$24.7 million was given by Citibank N.A. - Beirut Branch, and the US Export-Import Bank, for the portion to be arranged using export credit financing. This loan includes two parallel facilities: a US$14.7 million loan with Eximbank guarantee, to be repaid over five years 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. Repayments on the three loans are consolidated and coordinated, with the maturity dates aligned.

Continuing to honor its bank debt servicing and repayment obligations, Solidere reduced its indebtedness from a 2001 level of US$343.5 million, to US$320 million at end 2002. As a result, the Company's debt-equity ratio dropped to 19.63%, below the 20% level required by COFACE, the latter having come down from the 25% previously authorized.

Apart from the refinancing of the two US$100 million loans, no further long-term borrowing is anticipated in 2003. Alternatively, certain limited short-term banking facilities for operational purposes, not exceeding one year in duration, are envisaged during 2003.

Proceeds from the sale of one million shares from the Company's treasury stock portfolio at US$6 each with a three-year put option, amounted to US$6 million in 2002. Simultaneously, from the 7 million shares with put option sold in the year 2000, put options respectively relating to 2.95 million and 4 million shares were exercised in April 2002 and April 2003, both settled by the Company. This brings to 9.58 million the total number of shares held by Solidere at year end.

Finally, the Company was able to discount with a local bank some of its notes receivable from land sales, for a total face value of US$27 million.

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.

Analysis of Share Prices

Solidere shares turned slightly higher during the year 2002, with the easing of the local economic slowdown which had started in 1999. The success of the Paris II conference provided some positive signals to the business community and consumers alike.

This positive outlook increased interest of most traders in the Beirut Stock Exchange in general, as most listed companies were trading at a substantial discount to their intrinsic values.

Solidere stood to benefit from traders' interest due to the notable increase witnessed in its land sales during the year. This was reflected in higher share prices and a threefold increase in its trading activity compared to the previous year.

Share A closed the year at US$4 7/8 and share B at US$4 3/4, respectively 5.5% and 2.7% above their 2001 closing prices.

During the year, share A traded between a high of US$5 1/4 and a low of US$3 7/8, while share B traded between a high of US$5 1/2 and a low of US$4.

The GDRs also traded upbeat in the London Stock Exchange, progressing by about 15% during the year to close at US$4.93.

Trading activity turned higher in 2002 with a total of 20,678,852 shares changing hands, for a cumulative value of about US$95.6 million. This represents around 12.5% of the Company's capital changing hands. The average daily volume amounted to 84,403 shares worth around US$390,204. The average price for the year was consequently about US$4.62, a 12.8% decrease compared to the previous year.

Research and Investor Relations

During 2002, certain financial institutions revived their coverage of Solidere.

Merrill Lynch issued on December 2002 a "Company update and opinion change" indicating a turnaround in challenging times for the Company, but referred to a downgrade from buy to neutral due to regional risks.

The local Arab Finance Corporation (AFC) gave in August 2002 a buy recommendation with a valuation/target price of US$6.85 per share.

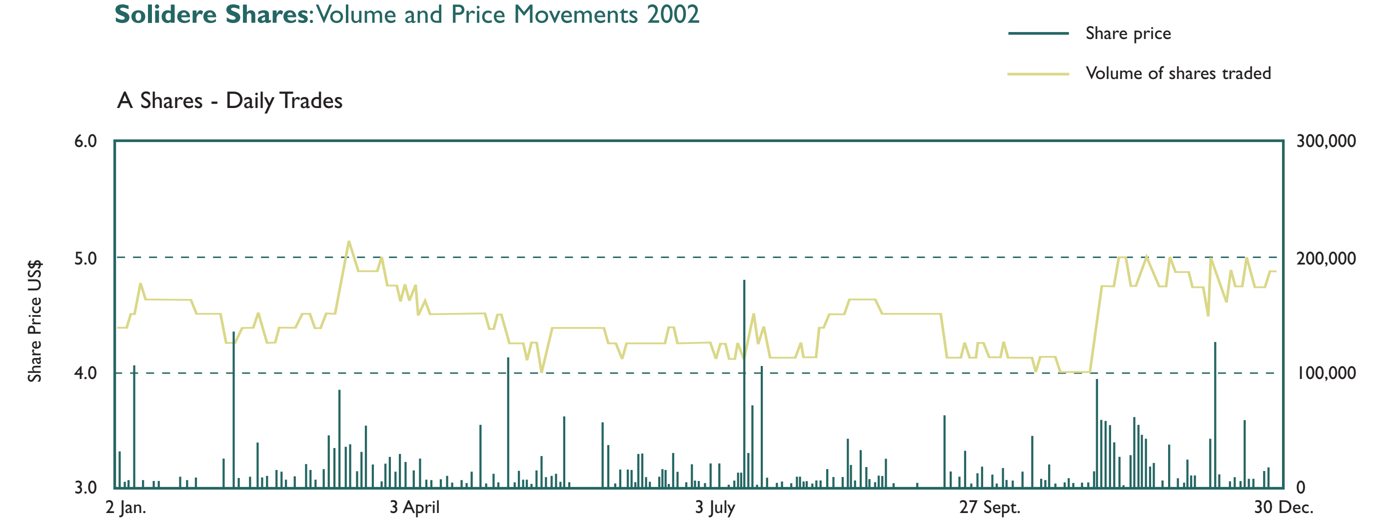
Investor relations efforts by the Company continued to be focused on maintaining contact with shareholders and to explain the progress achieved during 2002 in sales and development work, and the Company's strong financial fundamentals.

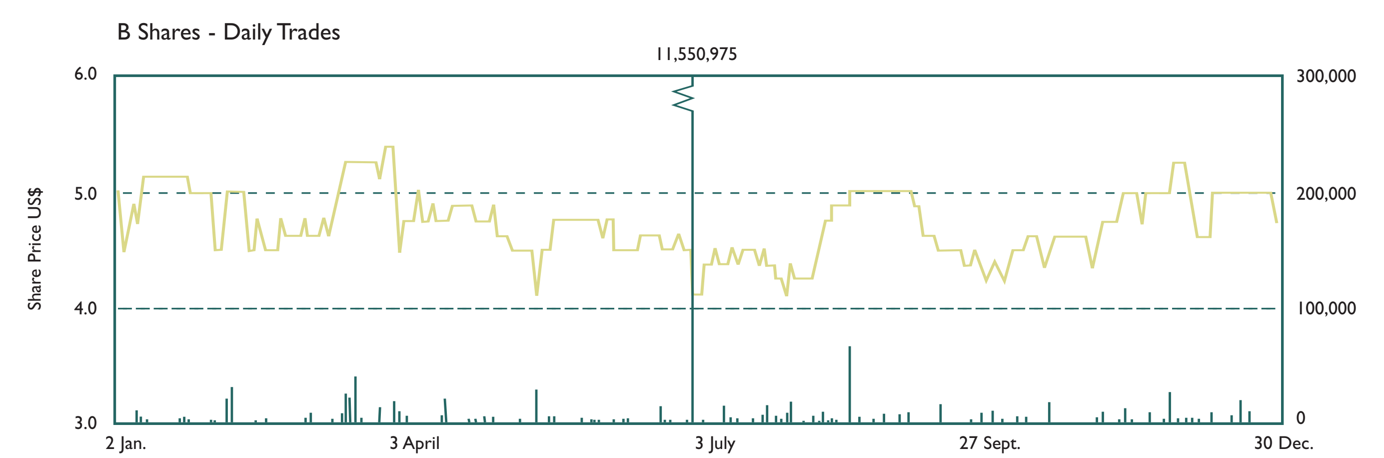
The Company continued to receive at its premises an increasing number of visitors and personalities with diverse profiles, with a bigger percentage of prospective interested investors, particularly from Gulf countries.

Treasury Share Transactions

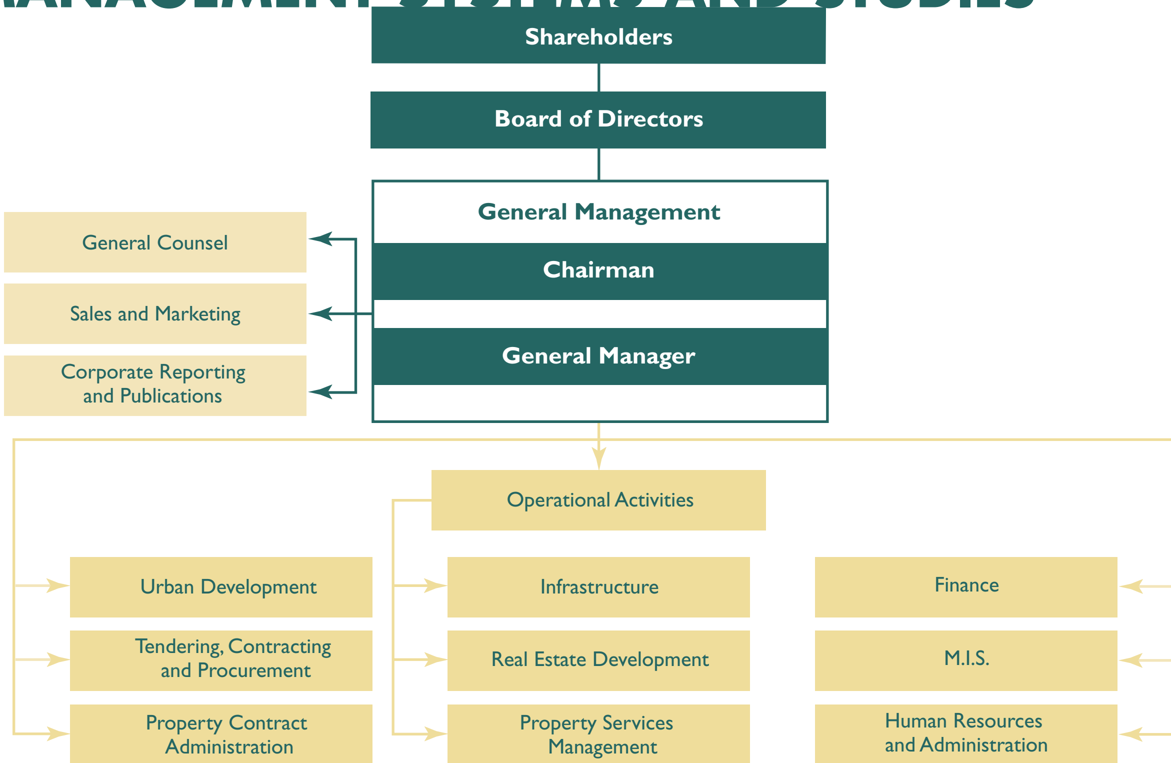
During 2002 Solidere sold 1,004,000 treasury shares at US$6.5 per share, with a three-year put option at a strike price of US$7.51 per share. The transaction was arranged by BEMO, to realize the first securitization deal in the Middle East.

Solidere Shares: Volume and Price Movements 2002





MANAGEMENT SYSTEMS AND STUDIES



Information Systems

Implementation of the 'One World' system, the latest version of JD Edwards, is being pursued in 2003.

Having laid the infrastructure for the Windows 2000 environment, the Company updated in 2002 its messaging system, using Microsoft Exchange Server 2000 for enhanced cooperation and interoperability. Solidere is expanding its network availability to accommodate site and property services.

Firewall, DMZ and corporate anti-virus solutions enhanced network security in 2002.

The Company is also launching a photo-archiving system. Finally, new software is to replace 'Work Center' for holding and managing electronic drawings and maps.

Studies

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

- Recently completed is a report by Mediatech on Beirut positioning.
- Currently in progress are urban design, building massing and land use option studies for: the hotel district corridor (Koetter Kim), Block 23-04, Sector C, and Block 118, Sector H (Pierre Neema).
- As part of the preparation for the international urban design competition (and website design) for the Martyrs' Square axis, a 3-D model covering most of the BCD was commissioned to the landscape firm Insite Environments (UK).
- Two key landscape corridors are being designed by Gustafson Porter: the hotel district corridor and the old shoreline/Ottoman wall walk.
- A public domain master plan is underway, including the design of the main elements of urban street furniture.
- A new strategy is in preparation for BCD solid waste collection services.
- A parking demand/supply study will serve to determine a 5-year strategy. It will include the provision of parking on the New Waterfront District, to be linked to the rest of the BCD by a shuttle bus service.

Independent Auditors' Report

Deloitte & Touche

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, 2002 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.

In our opinion, the financial statements referred to above 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, 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

As more fully described in note 16 to the accompanying financial statements, 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 18 months. The treasury shares held by the Company for a period exceeding 18 months as of December 31, 2002 amounted to 4,532,060 shares.

Beirut, Lebanon
April 22, 2003

Deloitte & Touche

Ernst & Young

Balance Sheet

December 31,	Notes	2002 US$	2001 US$
Assets			
Cash and bank balances	3	75,609,160	79,443,903
Prepayments and other debit balances	4	18,588,890	21,026,925
Accounts and notes receivable, net	5	208,708,940	189,060,769
Properties held for development and sale, net	6	1,654,214,354	1,656,279,419
Investment properties, net	7	150,207,571	156,155,974
Fixed assets, net	8	21,228,558	17,912,377
Total Assets		**2,128,557,473**	**2,119,879,367**
Liabilities			
Accounts payable and other liabilities	9	106,560,350	87,330,752
Dividends payable	10	12,285,665	12,920,472
Deferred revenues and other credit balances	11	34,303,783	13,688,012
Deferred credits	12	6,012,000	49,000,000
Bank loans	13	320,078,186	343,464,720
Total Liabilities		**479,239,984**	**506,403,956**
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	28,810,948	24,696,931
Retained earnings/accumulated losses		22,039,557	(1,874,622)
Change in fair value of interest rate swap agreement	9	(3,902,520)	-
Less: Treasury shares	16	(47,630,496)	(59,346,898)
Total Shareholders' Equity		**1,649,317,489**	**1,613,475,411**
Total Liabilities and Shareholders' Equity		**2,128,557,473**	**2,119,879,367**

the accompanying notes form an integral part of this balance sheet

Statement of Income

December 31,	Notes	2002 US$	2001 US$
Net revenues from land and real estate sales	17	59,068,222	29,140,046
Net revenues from rented properties	18	8,336,716	6,109,379
Revenues from operations		**67,404,938**	**35,249,425**
General and administrative expenses	19	(9,287,770)	(8,527,941)
Depreciation	8	(1,065,570)	(1,293,855)
Total operating expenses		**(10,353,340)**	**(9,821,796)**
Net income from operations		57,051,598	25,427,629
Interest income		8,534,855	10,505,050
Interest expense	12	(24,920,498)	(33,094,514)
Cost of discounting notes receivable	5	(2,462,787)	(639,169)
Loss on disposal of fixed assets		-	(284,515)
Write back of provision for contingencies	9	2,937,000	-
Net income for the year		41,140,168	1,914,481
Basic earnings per share	20	0.2646	0.0124

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, 2000	1,650,000,000	24,505,483	(69,985,992)	3,314,798	-	1,607,834,289
Effect of mark down of treasury shares - Note 16	-	-	6,912,453	(6,912,453)	-	-
Net income for the year	-	-	-	1,914,481	-	1,914,481
Allocation to legal reserve	-	191,448	-	(191,448)	-	-
Treasury shares activity	-	-	3,726,641	-	-	3,726,641
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	-	-	-	-	(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**

the accompanying notes form an integral part of these statements

Statement of Cash Flows

December 31,	***Notes***	**2002 US$**	2001 US$
Cash Flows From Operating Activities:			
Net income for the year		41,140,168	1,914,481
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	21	3,544,540	3,477,988
Loss on sale of tangible fixed assets		-	284,515
Cost of discounting notes receivables		2,462,787	639,167
Non cash sale transaction	21	(1,647,092)	-
Write back of provision for contingencies		(2,937,000)	-
Changes in assets and liabilities:			
(Increase)/decrease in prepayments and other debit balances		(1,386,965)	5,426,462
(Increase) in accounts and notes receivable	21	(45,384,572)	(21,016,457)
Decrease/(increase) in properties held for development and sale	21	7,413,138	(20,290,124)
Increase/(decrease) in accounts payable and other liabilities		16,174,078	(2,827,672)
Increase/(decrease) in deferred revenues and other credit balances	21	22,705,771	(6,128,473)
Net cash provided by/(used in) operating activities		42,084,853	(38,520,113)
Cash Flows From Investing Activities:			
Bank term deposits		8,780,208	19,511,218
Increase in receivable from recuperated properties		(582,126)	-
Cash proceeds from recuperation of properties	21	387,006	3,659,497
Proceeds from sale of fixed assets		-	1,205,324
Acquisition of fixed assets		(451,054)	(638,536)
(Increase) in investment properties	21	(1,984,338)	(276,799)
Net cash provided by investing activities		6,149,696	23,460,704
Cash Flows From Financing Activities:			
Bank overdrafts		(3,094)	(7,949,812)
Bank loans (settlements)		(23,386,534)	(4,580,835)
Dividends paid	10	(634,807)	(1,665,493)
Proceeds from discounting notes receivable	5	23,382,153	15,183,497
Deferred credits on sale of treasury shares	12	(42,638,000)	-
Net (settlements)/proceeds from treasury shares	21	(11,896)	4,828,501
Net cash (used in)/provided by financing activities		(43,292,178)	5,815,858
Net increase/(decrease) in cash and cash equivalents		4,942,371	(9,243,551)
Cash and cash equivalents—Beginning of the year		11,480,956	20,724,507
Cash and cash equivalents—End of the year	3	**16,423,327**	**11,480,956**

the accompanying notes form an integral part of these statements

Notes to the Financial Statements *for the year ended December 31, 2002*

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 on the basis of the agreement referred to in Note 22(a), 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. The 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.

2. Summary of Signficant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards and interpretations of the standing interpretation committee. 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 an annual rate of 2%.

f. Fixed Assets:

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

Real estate property	2%
Furniture and fixtures	9%
Plant	10%
Machines and equipment	15%-20%
Freehold improvement	9%

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. The carrying book value of treasury shares sold with a sale back option are marked down to the realizable value.

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.

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

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 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 hedging instrument related to hedge of cash flows, 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. However, the rental income is subject to property taxes 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 which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

3. Cash and Bank Balances

Cash and bank balances are composed of the following:

December 31,	**2002 US$**	2001 US$
Cash on hand	80,450	75,485
Current accounts	16,342,877	11,405,471
	16,423,327	11,480,956
Term deposits	59,194,893	67,975,101
	75,618,220	79,456,057
Bank overdrafts	(9,060)	(12,154)
	75,609,160	79,443,903

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

Term deposits include an amount of US$37million as of December 31, 2002 and 2001 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 22 (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,	**2002 US$**	2001 US$
Accrued interest income	5,669,762	8,367,474
Prepaid expenses	751,533	4,648,701
Advance payments to contractors	2,462,236	2,299,543
Other debit balances	9,705,359	5,711,207
	18,588,890	21,026,925

Other debit balances include an amount of US$3,721,435 as of December 31, 2002 due from the Ministry of the Foreign Affairs, relating to the year 2002 rent contract of the ESCWA building.

Other debit balances include also 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 is to acquire, construct, lease and manage real estate properties in the BCD.

During the year ended December 31, 2002, an amount of US$3,825,000 was transferred from prepaid expenses to fixed assets. This amount represents the purchase price of theater equipment bought in previous years relating to a prospective project which the Company intends to develop.

5. Accounts and Notes Receivable, Net

Accounts and notes receivable are composed of the following:

December 31,	**2002 US$**	2001 US$
Notes receivable	149,258,896	131,953,709
Accounts receivable	80,419,435	83,956,391
Interest receivable on discounted notes	3,565,678	3,570,553
Less: Unearned interest	(17,973,959)	(15,402,518)
Less: Provision for problematic receivables	(6,561,110)	(15,017,366)
	208,708,940	189,060,769

Notes receivable, which resulted mainly from sales (and recuperations of previous years), carry the following maturities as of December 31, 2002:

	US$
Overdue	6,389,679
2003	34,143,607
2004	35,553,478
2005	29,171,910
2006	21,827,020
2007 and thereafter	22,173,202
	149,258,896

The Company placed in custody of a lending bank, as comfort collateral with no pledge, notes receivable in the amount of US$15,288,423 as of December 31, 2002 (US$22,265,624 as of December 31, 2001).

Accounts receivable include non-interest earning balances aggregating approximately US$7million as of December 31, 2002 (US$11million as of December 31, 2001) which are stated at face value pending the formulation of maturity schedules. The Company believes that the decrees issued during the year 2001 will facilitate the approval process and thus the finalization of the ultimate interest and maturities.

The provision for problematic receivables has been established to meet probable defaults of certain clients whose notes and accounts receivable aggregate to US$11,440,644 as of December 31, 2002 (US$26,331,326 as of December 31, 2001). During the year 2002, the Company utilized an amount of US$8,456,256 of this provision against certain problematic receivables.

During the year 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 from 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 income statement for the year ended December 31, 2002.

Similarly during the year 2001, the Company signed several agreements to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US$16,979,864. The net proceeds from these transactions amounted to US$15,183,497. Interest on some of these notes which remains due to the company of the pre-determined maturity dates, having a present value of US$1,157,200 at the date of the transaction, is still recognized under accounts and notes receivable. An amount of US$639,167 representing the net cost of discounting was charged to the income statement for the year ended December 31, 2001.

The Company credit risk exposure is spread over 88 counter-parties; 4 customers constitute 39% of the total exposure and 84 customers constitute the remaining 61%.

6. Properties held for Development and Sale, Net

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

December 31,	**2002 US$**	2001 US$
Land and land development works, net (a)	1,517,639,697	1,538,696,734
Real estate development projects, net (b)	136,574,657	117,582,685
	1,654,214,354	1,656,279,419

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

December 31,	**2002 US$**	2001 US$
Acquired properties (a.1)	955,301,133	955,374,742
Pre-acquisition costs (a.2)	9,412,802	9,412,801
Infrastructure costs (a.3)	574,986,518	548,659,334
Eviction costs (a.4)	259,591,080	259,493,329
Capitalized costs (a.5)	59,843,467	56,575,015
Cumulative costs	1,859,135,000	1,829,515,221
Less: Cost of land sold, net	(274,515,686)	(223,838,870)
Less: Cost of land transferred to real estate development projects	(66,979,617)	(66,979,617)
	1,517,639,697	1,538,696,734

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$135million relating to infrastructure works executed in the traditional BCD area, and an amount of US$60million 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$35,341,054 (US$33,712,236 up to December 31, 2001). During the year ended December 31, 2002 borrowing costs of US$1,628,818 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$21,816,442 (US$21,829,193 in 2001) 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, 2002 amounted to US$3,228,897 (US$2,814,727 during the year ended December 31, 2001).

(b) Real estate development projects include the following:

December 31,	**2002** **US$**	2001 US$
Construction and rehabilitation of buildings	264,214,398	245,222,426
Cost of land	66,979,617	66,979,617
Cumulative costs	331,194,015	312,202,043
Less: Cost transferred to investment properties, net	(147,729,923)	(153,183,695)
Cost transferred to fixed assets	(18,102,717)	(18,102,717)
Cost of real estate sold	(28,786,718)	(23,332,946)
	136,574,657	117,582,685

The cost of real estate development projects includes mainly costs incurred in connection with the construction of a shopping mall in the amount of US$56million and an office and residential complex in the amount of US$16million as of December 31, 2002 which are still in progress.

7. Investment Properties, Net

Investment properties are composed of the following:

	Balance at January 1, 2002	**Additions**	**Transfer to properties held for development and sale**	**Balance at December 31 2002**
	US$	US$	US$	US$
Cost:				
Land	45,157,478	-	(1,625,628)	43,531,850
Buildings	113,755,121	1,941,854	(3,828,144)	111,868,831
Other assets	3,040,145	42,484	-	3,082,629
	161,952,744	1,984,338	(5,453,772)	158,483,310
Accumulated Depreciation:				
Buildings	4,796,577	2,179,035	-	6,975,612
Other assets	1,000,193	299,934	-	1,300,127
	5,796,770	2,478,969	-	8,275,739
Net Book Value	156,155,974			150,207,571

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

During the year ended December 31, 2002 the Company transferred part of its investment properties amounting to US$5,453,772 to properties held for development and sales as the Company commenced and finalized their development with the view to sell them.

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

8. Fixed Assets, Net

Fixed assets are composed of the following:

	Balance at January 1, 2002	**Additions**	**Transfers**	**Balance at December 31, 2002**
	US$	US$	US$	US$
Cost:				
Land and buildings	13,522,837	26,804	291,023	13,840,664
Furniture and fixtures	1,925,542	59,679	-	1,985,221
Freehold improvements	2,564,248	61,102	-	2,625,350
Plant	1,853,266	-	-	1,853,266
Machines and equipment	5,419,693	303,469	3,825,000	9,548,162
	25,285,586	451,054	4,116,023	29,852,663
Accumulated Depreciation:				
Buildings	586,195	185,558	-	771,753
Furniture and fixtures	1,031,402	174,365	-	1,205,767
Freehold improvements	827,096	232,463	-	1,059,559
Plant	370,426	185,325	-	555,751
Machines and equipment	4,558,090	473,185	-	5,031,275
	7,373,209	1,250,896	-	8,624,105
Net Book Value	17,912,377			21,228,558

The depreciation for the year ended December 31, 2002 was split between an allocation to properties held for development and sale and a charge to the income statement of US$185,325 and US$1,065,571 respectively.

9. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

December 31,	**2002** **US$**	2001 US$
Notes Payable	7,983,859	13,983,859
Accounts payable	81,744,530	49,807,411
Accrued disputed claims	1,000,000	1,650,000
Accrued charges and other credit balances	6,520,449	4,105,199
Accrued interest	4,097,382	12,424,404
Provision for contingencies	-	4,046,801
Provision for end-of-service indemnity	1,216,610	1,218,078
Liability under swap agreement	3,997,520	95,000
	106,560,350	87,330,752

Notes payable outstanding as of December 31,2002 are due to a contractor and are payable in 2 installments of US$3million each in year 2003 and in a final installment of US$1.9million in 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, 2002 and December 31, 2001 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 22(f).

Accrued charges and other credit balances as of December 31, 2002 includes an amount of US$2,090,000 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.

Provision for contingencies as of December 31, 2001 represents a provision for an arbitration proceeding in addition to associated risks amounting to US$2,000,000 setup as per a board of directors' decision. The US$2,000,000 provision was written back to the statement of income during the year ended December 31, 2002 after the board of directors decided that there is no need for this provision anymore.

Furthermore, during the year ended December 31, 2002 the Company reached a settlement for the arbitration proceeding which resulted in the payment of US$1,109,801 as a full compensation to the concerned party. Accordingly, the remaining additional provision amounting to US$937,000 was written back to the statement of income.

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 are to be set up at the beginning of each of the 5 years 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 is Libor + 2% (4.39% and 3.58%, respectively) and interest rate to be received by the Company is 5% and 4.95% respectively. Interest rates to be paid by the Company are 4%, 5% and 6% for the three remaining years while interest rates to be received for the three remaining years will be determined up-front on December 21 of each year based on the fluctuation of the Libor rate at that time.

As at December 31, 2002, 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$3,997,520 (US$95,000 as of December 31, 2001). The effect of this valuation which amounted to US$3,902,520 for the year ended December 31, 2002 was recorded as a deduction in the shareholders' equity under "Change in fair value of interest rate swap agreement".

10. Dividends Payable

The breakdown of dividends payable is summarized as follows:

December 31,			**2002**		2001
General Assembly Date	Dividend per Share US$	Declared US$	Paid US$	Payable US$	Payable US$
June 29, 1996	0.20	30,918,413	28,307,950	2,610,463	2,766,295
June 30, 1997	0.25	40,367,172	36,094,582	4,272,590	4,498,321
June 29, 1998	0.25	39,351,753	33,949,141	5,402,612	5,655,856
		110,637,338	98,351,673	12,285,665	12,920,472

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

11. Deferred Revenues and Other Credit Balances

Deferred revenues consist of the following:

December 31,	**2002 US$**	2001 US$
Cash down payments on sale contracts	29,220,300	9,256,684
Deferred rental revenue and related deposits	5,083,483	4,431,328
	34,303,783	13,688,012

Cash down payments on land and real estate sale contracts amounting to approximately US$27million relate to 22 sale contracts with an aggregate potential gross sales value of US$153million. 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 board of directors, in their meetings held on October 29, 1999 and December 13, 1999 authorized management to sell part of treasury shares. During 1999, 7 million shares were sold from its portfolio for a total consideration of US$49million, at US$7 per share whereby the buyers were granted a sale back option at an average strike price of US$8.4 per share to be exercised by those buyers within two years and/or three years period, subject to certain conditions specified in the sales contracts. The strike price represents the selling price of US$7 per share plus accumulated interest at Libor (at the date of the deal) + 1/2%. Until such time as the Company's commitment to buy back those shares lapse, the proceeds are reflected as deferred credit.

During the first half of the year 2002, some of the option holders exercised their rights on 2.95million shares which matured in January 2002 and resulted in a payment of US$24million by the Company. However, one option holder did not exercise his rights on 50,000 shares which were instead removed from treasury shares and the accrued interest in the amount of US$55,343 was credited to the income statement.

During the second half of the year 2002, the remaining option holders exercised their rights on 4 million shares which mature in January 2003. This resulted in a commitment on the Company to buy back these shares for an amount of US$34.6 million, including accrued interest in the amount of US$6.6 million, to be paid in April 2003.

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 its portfolio 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.

Interest in the amount of US$2,624,980 has been accrued on the above deferred credits up to December 31, 2002 and was charged to the income statement under interest expense (US$3.9million up to December 31, 2001).

Subsequently, the Company sold on February 24, 2003, 600,000 shares (360,000 “A” shares and 240,000 “B” shares) from its portfolio with a sale back option for a total consideration of US$3,900,000 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 in the year 2003.

13. Bank Loans

Bank loans consists of the following:

December 31,	**2002 US$**	2001 US$
Local bank loan (US$50million)	4,000,000	14,000,000
Two syndicated loans (US$100million each)	200,000,000	200,000,000
Foreign bank loan (US$10million)	5,000,000	10,000,000
“COFACE” guaranteed loan	76,637,142	91,964,571
Syndicated loans (US$22million)	16,203,744	12,026,694
Local bank loan (US$10million)	6,779,298	5,762,623
Loan guaranteed by Export - Import Bank of the United States	11,458,002	9,710,832
	320,078,186	343,464,720

The above loans carry the following maturities as of December 31, 2002:

	US$
2003	228,957,070
2004	21,780,800
2005	23,604,529
2006	21,289,709
2007	18,974,888
2008	3,647,460
2009	1,823,730
	320,078,186

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 (US$22,265,624 as of December 31, 2001).

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 local bank for an amount of US$100 million 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%.

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.

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 the Company settled US$5,000,000 in 2002. This loan is subject to an average interest rate of around 7.5% approximately and is 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 of which US$5,197,455 were outstanding as of December 31 2002.

“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$15.3million were settled in 2002 and two payments in the same amount each were settled in 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 US$75million of cash and cash equivalents.

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 will be reduced to US$30million after that date, when the debt to equity ratio goes 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, 2002 amounted to US$20,260,624 (US$12,026,694 up to December 31, 2001). This loan is paid in 9 equal semi-annual installments. The first installment was due on June 30, 2002; however, it was postponed to December 29, 2002 and settled on that date and thus the balance of the loan amounted to US$16,203,744 as at December 31, 2002. This loan is subject to an interest rate of three month Libor plus 4%. According to the convenants 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 has been drawn up to December 31, 2002 (US$5,762,623 up to December 31, 2001), 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. 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, 2002 and December 31, 2001, 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 commercial law, 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. An amount of US$4,114,017 was transferred to this reserve for 2002 (US$191,448 for 2001).

16. Treasury Shares

Treasury shares represent 9,583,339 class (A) and (B) shares (9,237,167 shares as of December 31, 2001), of which 1,004,004 shares are subject to an option as described in note 12.

The treasury shares outstanding as of December 31, 2002 were marked to market except for the treasury shares sold with a sale back option, which were adjusted to net realizable value. The resulting loss of US$13,111,972 for the year ended December 31, 2002 (US$6,912,453 for the year ended December 31, 2001) was charged to retained earnings. This amount resulted mainly from stating the treasury stock sold with a sale back option, which were exercised in 2002, at year end share market price after being marked down to net realizable value.

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, 2002 amounted to 4,532,060 shares.

The number of treasury shares held by the Company as of December 31, 2002 and 2001 are broken down as follows:

	Shares in thousands	
December 31,	**2002**	2001
Shares acquired through trading activities:		
Shares held for less than 18 months	389	-
Shares held for over 18 months	4,532	43
Shares subject to a sale back option (Note 12)	1,004	7,000
	5,925	7,043
Shares reverting to the Company from		
recuperated properties	3,658	2,194
Total number of treasury shares	9,583	9,237

According to the Company's in-house legal counseler, 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,	**2002 US$**	2001 US$
Sales of land	122,134,524	63,045,093
Sales of real estate properties	6,767,565	14,493,657
Less: Cost of land sales	(62,571,015)	(33,743,992)
Cost of real estate properties sales	(5,482,852)	(11,499,995)
Net result of cancellation of sales	(1,780,000)	(3,154,717)
	59,068,222	29,140,046

The loss on cancellation of sales represent the net profit on previously recognized sale transactions which were cancelled during the years ended December 31, 2002 and 2001, as a result the built up area related to these transactions reverted back to the Company.

18. Net Revenues from Rented Properties
Net revenues from rented properties include the following:

December 31,	**2002 US$**	2001 US$
Rent	14,080,743	10,621,270
Less: Depreciation expense	(2,478,969)	(2,184,133)
Real estate taxes	(2,022,468)	(1,350,000)
Maintenance and other related expenses, net	(1,210,589)	(1,126,461)
	8,368,717	5,960,676
Other related (expense) income, net	(32,001)	148,703
	8,336,716	6,109,379

19. General and Administrative Expenses
General and administrative expenses is composed of the following:

December 31,	**2002 US$**	2001 US$
Salaries, benefits and related charges	5,605,125	4,803,605
Board of directors' remunerations	144,000	144,000
Administrative expenses	3,538,645	3,580,336
	9,287,770	8,527,941

The head-count of the Company as of December 31, 2002 was 275 (263 at the end of 2001).

In addition to the above, salaries, benefits and related charges in the aggregate of US$3.2 million were reallocated to cost during 2002 (US$2.8 million in 2001).

20. Earnings per Share
The computation of earnings per share is based on net income before non-recurring financial income 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 155,452,260 shares in 2002 and 154,904,275 shares in 2001.

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,	**2002 US$**	2001 US$
Non cash trade-in of common shares against recuperated properties	(86,582)	(1,101,860)
Increase in receivables from recuperated properties	582,126	-
Cash proceeds from recuperation	(387,006)	(3,659,497)
Increase/(decrease) in receivables from recuperated properties	108,538	(4,761,357)

During the year ended December 31, 2002 the Company reached an agreement with the owner of one of the previously recuperated properties, whereby the latter agreed to pay the unrecorded interest on his outstanding balance dating back to several years ago. As a result an amount of US$582,126 was recorded as a receivable from recuperated properties against interest income for the year ended December 31, 2002.

b. Depreciation was applied as follows:

December 31,	**2002 US$**	2001 US$
Depreciation of fixed assets - Note 8	1,250,896	1,762,495
Depreciation of investment properties - Note 7	2,478,969	2,184,133
Less: Depreciation allocated to the cost of property held for development and sale	(185,325)	(468,640)
Depreciation expense for the year	3,544,540	3,477,988

c. 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.

d. Non-cash transactions in the investing activities include an amount of US$3,825,000 which was transferred from prepayments and other debit balances to fixed assets.

e. Non-cash transactions in the investing activities include an amount US$291,024 which was transferred from properties held for development and sales to fixed assets.

f. Non-cash transactions in the investment activities include an amount of US$5,453,772 which was transferred from investment properties to properties held for development and sales.

22. 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, 2002 amounted to approximately US$83million.

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 not 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 58,000 sqm and 556,340 Class A shares in exchange for approximately 15,000 sqm 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 receivable in the accompanying financial statements.

h. The Company has as of December 31, 2002 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 4,900 sqm against ceding of owners' shares from both lots. Additionally, a built up area of 5,335 sqm remains as a contingent loss to the Company in case the prelacy decides to build this area within the next 10 years.

23. Related Party Transactions

The Company was engaged in certain transactions with directors on the board, mainly related to the following:

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

b. As outlined in Note 12, management sold during 1999, 7million share at $7 per share with a sale back option at an average strike price of $8.4 per share. The option is to be exercised by the buyers within two to three years period subject to certain conditions. This transaction was partially executed with banks, whose directors are also directors of the Company's board, and with other major shareholders.

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 except for non-interest earning accounts receivable aggregating US$7million (US$11million in 2001) which are stated at face value pending formulation of maturity schedules. Management represents that these balances will be structured as interest earning financial assets in the course of the year 2003 and net fair value presentation will be regularly assessed thereafter.

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 88 counter-parties; 4 customers constitute 39% of the total exposure and 84 customers constitute the remaining 61%.

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 two US$100million bullet loans that mature in April and 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 managed to refinance the US$100million loan which matures on April 3, 2003. The Company continued its negotiations with various financial institutions in order to decide before year end of 2003 on the most advantageous refinancing or rescheduling arrangements for the loan that matures on December of 2003.

25. Reclassifications

Certain 2001 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, 2002 on April 1, 2003.

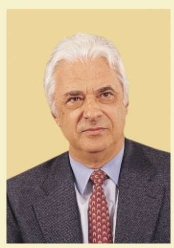
BOARD OF DIRECTORS AND GENERAL MANAGEMENT

Members of the Board





Chairman
Nasser Chammaa

General Manager
Mounir Douaidy

Vice-Chairmen
Nabil Boustani
Maher Beydoun



Raphaël Sabbagha
Fouad Al Khazen
Joseph Asseily

Abdulhafiz Mansour
Maher Daouk
Sarkis Demerdjian

Mosbah Kanafani
Sami Nahas
Basile Yared