The Master Plan includes proposed modifications to the New Waterfront District sector plan.
Introduction

At the heart of Lebanon’s capital, Beirut city center is an urban area thousands of years old, traditionally a focus of business, finance, government, culture and leisure. Its reconstruction constitutes one of the most ambitious urban revitalization projects of our times.

The Lebanese Company for the Development and Reconstruction of the Beirut Central District s.a.l. (Solidere) is a joint-stock company established 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 Beirut’s central district and hopes to turn it into the finest city center in the Middle East.

The Company issues annual and semi-annual reports to its shareholders. Solidere’s activities through the end of 2006 are also summarized in its thirteenth Annual Report.

This Annual Report includes consolidated financial statements, which consolidate the accounts of Solidere’s subsidiaries depending on its shareholdings: Beirut Waterfront Development s.a.l. (50% shareholding), Beirut Real Estate Management and Services s.a.l. (45%), Solidere Management Services s.a.l. (100%) and Beirut Real Estate Management and Services (Offshore) s.a.l. (50%). The consolidated financial statements are prepared and audited in accordance with international standards.

consolidated financial highlights

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary of Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross land sales</td>
<td>255.2</td>
<td>252.8</td>
</tr>
<tr>
<td>Gross rental income</td>
<td>20.7</td>
<td>20.8</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>14.3</td>
<td>11.5</td>
</tr>
<tr>
<td>Net income</td>
<td>132.2</td>
<td>108.5</td>
</tr>
<tr>
<td>Sales backlog</td>
<td>1,166.0</td>
<td>1,119.2</td>
</tr>
<tr>
<td><strong>Stock Data per Share in US$</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings</td>
<td>0.8375</td>
<td>0.6858</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>11.37</td>
<td>11.62</td>
</tr>
<tr>
<td>Stock price range</td>
<td></td>
<td></td>
</tr>
<tr>
<td>A shares</td>
<td>26.01–15.07</td>
<td>6.87–19.00</td>
</tr>
<tr>
<td>B shares</td>
<td>25.89–15.10</td>
<td>6.87–19.25</td>
</tr>
<tr>
<td>GDRs</td>
<td>26.30–14.45</td>
<td>7.63–18.00</td>
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<tr>
<td><strong>Financial Data in US$ million</strong></td>
<td></td>
<td></td>
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<tr>
<td>Cash and securities</td>
<td>114.8</td>
<td>121.1</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>348.9</td>
<td>272.8</td>
</tr>
<tr>
<td>Properties held for development and sale</td>
<td>1457.6</td>
<td>1527.4</td>
</tr>
<tr>
<td>Investment properties</td>
<td>153.8</td>
<td>160.5</td>
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<tr>
<td>Retained earnings</td>
<td>221.4</td>
<td>185.6</td>
</tr>
<tr>
<td>Legal reserves</td>
<td>59.9</td>
<td>46.7</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(162.7)</td>
<td>(38.5)</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>1768.6</td>
<td>1845.1</td>
</tr>
<tr>
<td><strong>Financial Ratios in %</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>55.05</td>
<td>45.30</td>
</tr>
<tr>
<td>Return (interest income) on liquid assets</td>
<td>5.98</td>
<td>4.68</td>
</tr>
<tr>
<td>Debt to equity</td>
<td>1.57</td>
<td>7.09</td>
</tr>
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</table>
This has been a crucial year, with times of high and low tide. But we have stood the test and shown our mettle, as performance and resilience are the two mottos of Solidere.

Chairman’s Message

The first half of 2006 was very bullish. Beirut city center, reinvigorated as the focus of government, business and banking, also provided marvelous living and fostered culture, heritage and civic values. A main tourist, shopping, leisure and art destination, it was vibrant with shops and cafes, yachts and boats, people and events. Brisk sales and intense development activity were fueled by a growing interest on the part of a large and diversified network of investors, including some key business figures and institutions in the Arab world. Solidere achieved excellent midyear results thanks to substantial sales, including some undelivered sites in the new waterfront district.

However, we believe that this lull in demand is temporary, as the city center continues to elicit interest from Gulf or regional investors. They maintain and increase their investments here in the face of adversity, both as a gesture of political support and as a sign of confidence in the future of this country, where real estate investments have had a good track performance, even through wars and crises.

Beirut city center presents a special investment opportunity as prime land, limited in amount and due to be scarcer and more valuable as its development proceeds. Existing developers and prospective buyers, who have been achieving excellent returns on their investments, thus continue to realize the advantage of preceding the market, but may have become cautious as to the timing. A revealing indicator is that owners of prime land are holding on to it, with prices remaining resilient.

The July war and subsequent events may have frozen the emergence of new real estate projects, but it did not stop the course of existing projects. Despite delays, most development projects are proceeding. Out of a 4.69 million sq m target floor area for the city center, including the waterfront district, 2.66 million sq m have been so far the subject of development: 824,300 sq m have been completed, 664,800 sq m are under construction, and the balance is in various stages of planning and design.

We are advancing in the marketing of the South Souks, as we forge ahead for their delivery in the first half of 2008, with the North Souks entertainment center to follow later. Other real estate projects include facilities in the Saifi Village, Wadi Abou Jamil and Zokak El Blatt residential neighborhoods; around Beirut Souks and Beirut Marina; and in high-density zones in the hotel district, on the Martyrs’ Square axis and on the south and north edges of the city center. We continue to stimulate real estate projects, helping investors with concept designs and managing their development projects.
A number of government decrees issued in 2006 ratified BCD Master Plan amendments to reflect the new sector plans for the Martyrs’ Square axis, Ghalghoul, Souks, hotel and waterfront districts. Additional amendments proposed by Solidere for the new waterfront district in 2006, and still awaiting official approval, involve the creation of two high-rise building clusters, one of which constitutes a special business district, while maintaining in the district a majority of low-rise residential and office buildings, in continuity with the traditional city center.

Having sold some lots in the new waterfront district, we are committed to deliver the sites for development within the next three years. We have expedited reclamation works for completion by end 2007, after termination of the Radian contract in February 2006, and are starting the process for infrastructure and public domain design. In 2009, we expect to start installing the infrastructure integrating Formula One capability and comprising an upgraded range of utility networks. A landscape competition will be launched for the waterside park and corniche promenades.

Financially, the year registered a net profit of US$132.2 million, US$153.2 million before income tax. This represents a 22% increase over 2005 profits. Recognized sales contracts reached US$253.3 million, the highest level since inception. In addition, sales backlog at year end amounted to US$1.2 billion, not far from the US$1.37 billion cumulative recognized sales since inception. We have stopped selling finished products in order to build a portfolio of income-generating properties. Rental revenues amounted to US$20.7 million, and are expected to grow around threefold from 2009 due to rental revenues from the Beirut Souks. Revenues from project management and consulting amounted to US$2.1 million and are likely to expand in the future. For the first time in the last six years, net interest income shifted from negative to a positive of US$19.5 million, due to the increase in sales receivables and cash, and the significant debt reduction.

The liquidity derived from these activities was used in part to reduce bank indebtedness to US$27.1 million at end 2006. Cashflows in 2007 and thereafter will be used to complete Beirut Souks and renovation projects; implement land development of the new waterfront district; and develop some selected real estate projects. We also intend to honor our commitment to distribute dividends regularly. This, we believe, will have a positive impact on the share value and will be to the advantage of shareholders.

Finally, we have decided to go abroad, following your approval of the Board of Directors’ resolution to that effect in your extraordinary general meeting of November 2006. With a more than 78% quorum, the meeting almost unanimously voted for the Company to export its expertise outside Beirut city center and to leverage its brand name. We will apply our know-how in urban regeneration and city making within the Middle East and around the Mediterranean basin, teaming up with our network of consultants, investors and operators. External projects will offer a new source of revenue in the form of fee income as well as equity and/or profit participations, while avoiding to invest any of your cash abroad.

To conclude, as it drew on its internal strength elements, its fundamentals and above all its human resources, your Company adapted its policies in a dynamic and efficient way to market conditions, diversifying its activities and growing both in depth and globally.
A fine city center has emerged in Beirut, the fruit of an ambitious urban regeneration venture and waterfront development, due to accommodate a broad, sustainable mix of facilities with 4.69 million sq m of floor space.

Beirut City Center

Continuous inhabited for more than 5,000 years, the site bears the marks of eleven civilizations, ranging from the Canaanite to the Ottoman. Beirut's maritime and trading legacy dates back to the Phoenicians. Its Roman law school was the most prominent in the Empire. Its urban character and architectural style were formed during the Ottoman period and the French mandate, when it became the seat of public institutions.

Independent Lebanon grew into a booming service economy, thanks to its inherent assets, educated population and liberal political and economic system. Beirut was a lively, modern, cosmopolitan city, its city center a focus for regional trade, business, finance and tourism. Growth was thwarted at the onset of hostilities in 1975. With the return to peace and stability, Lebanon's economy re-emerged in the 1990's, sustained by a national recovery and development program. Massive public investment was coupled with macro-economic policies designed to stimulate private local and foreign investment. While Beirut city center benefited from this favorable environment, its entire regeneration is being achieved without recourse to public funds. In 2005, the country suffered a great loss with the assassination of former prime minister Rafic Hariri. Mr. Hariri was the godfather of national recovery. To him were owed the vision and inspiration for the rebirth of Beirut.

Beirut city center enjoys a prime location at the heart of Lebanon's capital. Sloping down towards the waterfront, the site commands fine views of the sea with a surrounding landscape of mountains and hills. It is easily accessible from all parts of Beirut, including port and airport. Major roads converge on it from its east, south and west, and line its 1.5 km seawall to the north.

The Master Plan

The plan reflects the site topography and natural features, protects views of the sea and mountains and creates public spaces, including gardens, squares, belvederes, promenades and trails. Recognizing the city's heritage, it also uncovers layers of its history. It preserves surviving buildings and townscape features and re-establishes the urban fabric and neighborhood structures. It ensures the harmonious integration of old and new, combining tradition with innovation, control with creativity in architectural expression. With the prime objective of creating a vibrant city center, it accommodates a broad mix of land uses, including business, public, residential, hotel, leisure and cultural facilities.

Still ongoing real estate projects involved predominantly residential clusters in Saifi and Wadi Abou Jamil; Beirut Marina facilities; residential and hotel towers facing Beirut Marina and waterside city park; and inception of other landmarks. Completed on the waterfront are: Marine works, defense structure, sea promenades and Beirut Marina; major advances in land treatment and reclamation.

### Consolidated Financial Highlights

<table>
<thead>
<tr>
<th>Floor Space</th>
<th>sq m</th>
<th>percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offices</td>
<td>1,592,000</td>
<td>33.7</td>
</tr>
<tr>
<td>Residential</td>
<td>1,559,000</td>
<td>41.8</td>
</tr>
<tr>
<td>Commercial</td>
<td>563,000</td>
<td>12.0</td>
</tr>
<tr>
<td>Government / Cultural</td>
<td>386,000</td>
<td>8.2</td>
</tr>
<tr>
<td>Hotels</td>
<td>200,000</td>
<td>4.3</td>
</tr>
<tr>
<td>Maximum Total</td>
<td>4,690,000</td>
<td>100.0</td>
</tr>
</tbody>
</table>
Phase Two 2005 - 2024: This phase, which started with the launching of the Beirut Souks above ground structures, will finalize the traditional city center by redeveloping the Saifi and Wadi Abou Jamil urban villages and establishing prime new areas in the Serail corridor, hotel district and Ghalghoul sector. Its focus on the Martyrs’ Square axis and the New Waterfront District will intensify the thrust towards making Beirut city center a favored location to global businesses, financial and other specialized services and institutions, a prime residential area, tourist destination and cultural hub.

Real estate development includes facilities around Beirut Marina and on the Martyrs’ Square axis; high-density zones comprising the Beirut Trade Center, The Landmark and other gateway towers on the southern edge of the city center; and northeast gateway towers marking the point where the coastal highway terminates in the city center.

In the new waterfront district, this phase involves finalizing master planning; completing land reclamation; infrastructure and landscaping design and implementation; developing the eastern marina; coordinating with the port authority over the development of the first basin; and launching real estate developments with a distinct architectural style.

Solidere was initially capitalized with US$1.82 billion: US$1.17 billion as contributions in kind of property right holders, and US$650 million as cash subscriptions following an oversubscribed initial offering. After the retirement in 1997 of 17,000,129 shares, representing recuperated properties, its capital now stands at US$1.65 billion. The Company is implementing a share buyback program targeting 10% of its capital.

Solidere’s duration was extended by decree 13909 of 2005 from 25 years to 35 years, starting from May 10, 1994, the date of its registration at the Commercial Register.

The Company has established a solid base for BCD prosperity through high value-added land development action, competitive real estate projects and property management services. Real estate projects are implemented directly, in joint venture with partners, and through or in liaison with other developers. Solidere offers developers services ranging from real estate and architectural concepts to complete development packages.

As lead developer and supervisory body, the Company controls the pace, components and quality of BCD development. Solidere outsources construction to focus on its core competencies: managing real estate project development, marketing development land, marketing and servicing rental properties. The Company provides management and operation services to public utilities, infrastructure, marinas, car parks and landscaped open areas.

Solidere recently expanded the scope of its activities beyond Beirut city center, to cover several urban and waterfront projects in the MENA region and Europe. Services provided to such projects include: master planning, urban design, infrastructure, landscaping and real estate design; project development; legal and corporate structuring; financial engineering; implementation; marketing and sales.
Solidere prepares development sites for investors wishing to develop real estate properties in central Beirut. Its activities in this respect involve town planning, parceling and urban management, site preparation, archeological investigation, the laying of infrastructure, landscaping, hardscaping and street furniture. The reconstitution of the public domain and the laying of infrastructure, completed in the existing city center, will extend to the new waterfront district. As per its 1994 agreement with the Council for Development and Reconstruction (CDR), Solidere implements these works on behalf of the State in return for an allocation of 29 ha of development land in the new district.

Existing City Center

Beirut city center offers an illustration of a successful Public-Private Partnership. Far from looking at the project as a mere reconstruction or rehabilitation of a war-torn, derelict urban district, Solidere has built on the qualities of this exceptional geographic and historic site. It has greatly enhanced its value through sound urban planning and design, new infrastructure and fine landscaped public space, making it a choice location for living and working, as well as a cultural, tourist, leisure and shopping destination.

The other is an improvement of the George Haddad - Fouad Chehab junction, creating grade separation at the intersection. The project, including the tunnel design, awaits CDR committing funds for the project and entrusting Solidere with its implementation.

In Bechara Al Mouhandess pedestrian street east of Maarad, overlooking Hadiqat As-Samah, Solidere had completed in 2005 the part along the restaurants and cafés, where half of the six-meter space is used as terraces. The year 2006 saw the continuation of the passageway until Amir Assaf mosque, with the retaining wall until the St George Greek-Orthodox and St Elie Greek-Catholic cathedrals to be completed by end May 2007.

The city center water supply network consists of 30 km for drinking water and 38 km for irrigation. The water disposal system comprises a sewage pumping station, 28-km sewage piping and 26-km storm water drainage. Solidere implemented civil works, including culverts, relating to power supply and installed the 66 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 into medium voltage; local transformers in turn convert it to low voltage electricity for domestic use. Most areas of the existing city center were equipped with duct banks for its medium voltage cables, with Bachoura and north Saifi still to follow.

Public lighting was installed everywhere, with necessary meters, low-voltage cabling, lighting fixtures and feeder pillars. Tunnels were equipped with lighting, stand-by generators, control and safety systems. Civil works were also implemented for telecommunications networks, with duct banks for low current networks, cable TV and telephone services.

Solidere implements civil works, including culverts, relating to power supply and installed the 66 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 into medium voltage; local transformers in turn convert it to low voltage electricity for domestic use. Most areas of the existing city center were equipped with duct banks for its medium voltage cables, with Bachoura and north Saifi still to follow.
Solidere obtained in 1998 a build-and-operate license for broadband distribution of a wide range of services including high-speed internet, Internet Protocol TV (IPTV), video on demand, video conferencing, data center facilities and virtual private networking for corporate clients. The company signed in 2006 an agreement with Orange, a member of the France Télécom group, for the building and operation of a fully IP network, using advanced telecom technology based on a fiber-optic backbone with dual connection to each building in Beirut city center.

Deployment was planned for completion by early December 2006, with pilot testing to follow and delivery of services to start by January 2007. The summer war and the embargo caused a two-month slowdown, with further delay caused by political events. The installation of the backbone and branches was completed end March 2007, allowing the provision of services to start almost everywhere by May, after completion of the testing and pilot project, with the Riad El Solh, UN House and south Martyrs’ Square areas to follow.

Solidere, under its unified communication single network, will then be able to provide data (internet) and video (TV), operated and monitored from the network operation center (NOC) that is hosting its data center, call center (IPCOC) and other equipment and servers for the different services. Beirut city center will thus be transformed into a 24 hour IT zone which will attract multinational companies and other residents who will benefit from the provision of multimedia and broadband communication services.

Hardscaping and Street Furniture

Hardscaping and street furniture were upgraded at Solidere’s expense beyond the agreement with the State. Street and sidewalk paving, as well as streetlights, were designed to complement the character of each sector. Sidewalks were upgraded from concrete to granite tiles and kerbs.

Solidere undertook the integrated design of street furniture, signage and public area lighting, and commissioned public art for the city center. Plaques with new postal codes were installed on completed buildings. Development controls were generated in a public domain master plan established with the help of Jean-Michel Wilmotte (France) and Ziad Akl. Street furniture being installed based on the new designs includes street name signage in stainless steel, benches, telephone booths, street kiosks, bus shelters, street balustrades destined to contain sidewalk cafes, and advertising billboards. The signage manual prepared by Solidere received Municipality of Beirut approval. Street and sidewalk paving, as well as streetlights, were designed with the State. Street and sidewalk paving, as well as streetlights, were designed to complement the character of each sector. Sidewalks were upgraded from concrete to granite tiles and kerbs.

Solidere continues to operate the control room in tunnels, and remains in charge of the irrigation network, streets and open spaces. Solidere documents damages occurring in Beirut city center, including those due to car accidents or to vandalism acts. The Company sends reports to the Municipality to that effect, with lists of repairs that need to be done, and mentions whether the damages result from accidents or from wear and tear.

In 2006, the Municipality started subcontracting the operation and maintenance of handed over works, under Solidere’s supervision. The storm water network is maintained by the Municipality, with Solidere doing quality control on the work done by the contractors and subcontractors. Solidere is still maintaining the sewage pumping station, Beirut Administration (the Mohafazat) having been unable to operate it since its delivery in 2002. However, the amount of US$100,000 incurred by the Company for the sewage pumping station repair in 2006, is to be refunded by the Mohafazat.

Solidere continually upgrades its site logistics services: cleaning, pest control, safety, security, and traffic management. In a city center image improvement program, undertaken in collaboration with participating property owners and users, Solidere is implementing the following services, to supplement those provided by the Municipality: surveillance security; door-to-door waste collection; street and sidewalk washing and street furniture cleaning; pest control and underground utilities; maintenance of open spaces, trees and planters; and street decorations during holidays.

Solidere is installing a CCTV security surveillance system to cover all sectors in the BCD. The first phase of the system covering the Foch-Allenby and Safi sectors became operational in 2006. The Zokak El Blatt, Bachoura, Wadi Abou Jamil, Souks and Beirut Marina areas are targeted for completion by end April 2007. The installation of CCTV in the Nejmeh, Maaraad, Riad El Solh and Lazanyia areas, initially scheduled for end May 2007, may be delayed in view of the political situation.
Archeology

Extensive archeological excavations and research has yielded evidence on civilizations spanning 5,000 years. Solidere supported the rescuing and preservation of this heritage and financed the teams working under the supervision of the Directorate General of Antiquities.

Research proceeded in 2006 in four archeological sites on public space, development lots, or built lots under restoration. The documentation, digitizing and evaluation of the results provide data for a new synthesis of Beirut’s urban history.

New discoveries have confirmed the location of Roman Beirut’s major porticoed streets. Excavations in the Wadi Abou Jamil area yielded vestiges relating to the ancient horse race track (the Hippodrome) and to the large club buildings used by participants in the races. The club buildings were situated north of the track, while the seats were situated to the south, cut out of the Serail hill rock. Part of the racetrack’s median, together with several apiniae (small columns that stood on the median), were unearthed during construction work excavations on lot 1371 Mina El Hosn. Subject to agreement with the Directorate General of Antiquities, these artifacts are to be incorporated within the Wadi Abou Jamil Square landscaping.

Articles by archeologists of the fourteen teams that worked in the BCD continue to be published in scientific journals, and a number of young Lebanese and foreign archeologists have completed their dissertations attempting to synthesize part of Beirut’s history.

Solidere continues the integration of archeological sites within the city fabric. The landscaping of Citadel Square on block 94 has started with the conservation of ruins containing major elements of the local geological and urban memories. The main focus remains Hadiqat As-Samah and the Heritage Trail. A city history museum near the ancient Tell, to be the starting and ending point of the trail, will celebrate major Beirut finds.

Landscaping

With green public space covering 39 ha of land, the city center, representing 10% of municipal Beirut, will contain half its green area. Solidere has been vindicated in its quest for quality and a unique integration of public domain design accompanied by public art.

Fine public spaces have exerted a significant impact on development land sales. Encouraged by the Mediterranean climate and lifestyle, the social promenading use of public spaces has also made the city center a most active destination for Beirutis, as well as for visitors from the rest of the country and from Arab and overseas countries.

The public domain is designed to comprise 60 parks, gardens, squares, historical trails and sea promenades, the most important of which is the waterfront city park; as well as pedestrianized areas and streets lined with trees or incorporating planters or wide medians landscaped with trees, shrubs and colorful plants.

Among completed spaces: Gibran Khalil Gibran garden facing UN House; Roman Baths garden and public space; Fouad Chehab gardens overlooking the city; Riad El Solh Square; and Debbas Square. Adjoining public and religious buildings are landscaped spaces in Nejmeh Square, facing the Municipality, cascading under the Grand Serail with Omar Onsi garden at street level, along the CDR stairs, between the Evangelical church and National Music Conservatoire. Saffi Square and Omar Daouk Square in Wadi Abou Jamil provide other landscaped areas, to which are added private spaces in Saffi, Zokak El Blatt and Mina El Hosn near Planet Discovery.

In Wadi Abou Jamil, the year 2006 saw the completion of Wadi Abou Jamil Square and of the space near St Elie church and awarding the construction contract for the block 63 landscaping. The design for block 66 was completed, with a redesign option under way by the Royal Hotel and Resorts.
Works in other areas involved: upgrading Amir Amin Square in Bachoura by adding a water feature, as per a Vladimir Djurovic Landscape Architecture design; providing Samir Kassir Square on Weygand street with a sculpture by Louis Derbré (France); commissioning two artists for a concept for the sculpture in the RpSc Hariri garden designed by Djurovic. Its construction, by the contractor, Target, was interrupted by inaccessibility to the site due to the political situation. The upgrading of Nejmeh Square and of the CDR open space on the Serail hill, for which concept designs were respectively submitted by Djurovic and by Frederic Francis, were delayed for similar considerations. Gebran Tuéni memorial garden along Weygand street is under design by Djurovic.

The pedestrian bridge leading to Beirut Marina is under design by Atelier Hapitus (Nadim Karam). An agreement was signed with Stow Waterfront Development regarding the incidence of the bridge on the Beirut Marina development. The project is to be presented to the Municipality and CDR for approval. Platinum paid their US$0.5 million share of the cost, estimated at US$0.6 million for design and US$2 million for construction.

Designed by Gustafson-Porter (US-UK), Hadiqat As-Sarah (Garden of Forgiveness) is to be constructed in a 2.3-ha site on which Solidere has relinquished its development rights. The garden, overlooked by several places of worship and with a design reflecting Lebanon’s varied landscape and numerous historical layers, will be a place of calm reflection. The building permit is about to be issued.

Solidere is carrying out all the works that are part of the public domain. The western terrace wall was completed. Continuation of the pedestrian street, including the belvedere to the south of St George cathedral and the passages leading to Amir Assaf mosque, as well as the street between Al Amin mosque and St George cathedral, will be completed by end May 2007. Gustafson-Porter also completed the concept design of the garden on municipal land adjoining St Elle Greek-Catholic cathedral. The project is to be presented for Municipality approval before proceeding further with the design.

The Greek team that won the Martyrs’ Square axis competition presented a concept design for its landscaping. The design will evolve in coordination with Solidere and Beirut Gate, developer of eight lots on the southern section of the axis. The consultant completed the preliminary design of the square itself, together with the concept design of the underlaying car park, and is about to proceed with the detailed design of the square. With a view to improve the initial design, Solidere approached the Spanish sculptor Ana Corbero to propose, in coordination with the Greek team, an artistic treatment of the ventilation shafts for the car park, comprising a high sculpture south of the square and a number of small sculptures along the Martyrs’ Square axis.

Gustafson-Porter designed the Old Shoreline Walk, a sequence of connected spaces representing the submerged old shoreline. All Saints’ Square, Shoreline gardens (blocks 11 and 25), Zeitounneh Square and Santiyeh gardens, in Sectors B, C and E (hotel district, Serail corridor and Souks district), are the main components of the first phase of this project. A later phase, starting with Jean-Paul II Square, will prolong this walk into the Ottoman Wall walk in Sector D (Waterfront District). Progress was achieved on the project detailed design. The bid for Zeitounneh Square was launched, with the participation of four contractors: Marsus Ali Ghanem, PEG, Target and Sabeco. Tender packages for All Saints’ Square, Shoreline gardens and Santiyeh garden are to be received by mid May 2007. The new concept presented for the Santiyeh upper and lower gardens is currently under study by Solidere.

Gustafson-Porter also worked on the concept design for the hotel district corridor landscaping, the culmination of a series of south-to-north open spaces serving as view corridors, including the elevated Mina El Hosn Square. The part of the square falling between the block 17 eastern and western plots, is undergoing detailed design by Djurovic.

Machado and Silvetti Associates (US) finalized in 2005 the design of Citadel Square on block 94. The design integrates a promonitory wall at the citadel level, with pedestrian passages offering fine views of the square and of the port first basin. Solidere completed in 2006 the consolidation and restoration of the citadel. The bid, launched with the participation of: Target Engineering, AG Contracting, Nassar Trading & Contracting Company, Khoury Contracting Company & PEG, had resulted in PEG winning the construction contract.

Detailed design is proceeding for the adjacent belvederes, which overlooks the ancient Tell and includes a garden with historic remains, following approval of its concept design by the Directorate General of Archeology in 2006.

Harbor Square, located on block 93 over part of the ancient harbor, is currently under preliminary design by Gustafson-Porter, to be completed by mid 2007.

Work started on the Heritage Trail pedestrian circuit, with information panels under preparation, together with a tourist map of archeological sites and historic buildings.
The master planning effort exerted by Solidere in 2006 was successful in eliciting investors’ interest and led to the sale of exceptionally large land areas in the new development sectors of the city center.

**Existing City Center**

Existing City Center master planning

The sector is treated as a sequence of four clearly differentiated sections, each attuned to its context. The north-south highways through the corridor that were part of the initial Master Plan were removed, with a view to make the Martyrs’ Square axis a destination, not a transit area. This measure will shift traffic at the ancient Tell level to the eastern side only. Through traffic is discouraged by addressing accesses to and from Fouad Chehab and George Haddad streets. Other ideas include extending the scope of Saifi Village to some sections of the Martyrs’ Square axis, improving pedestrian links between Monot and Maarad streets, and strengthening the east façade of Martyrs’ Square. The land use strategy study for this sector, aiming at preserving Beirut’s character, was commissioned to Ian Hogan, urban planner, Ken Conway, urban development economist, and Gaia-Heritage, cultural advisor.

**Southern section: the Threshold**

The southern section, constituting the threshold to the Martyrs’ Square axis, can also be thought of as forming an east-west continuity with Saifi Village. An important feature of the plan involves creating, in the development block at its southwestern end, a new gateway tower with 120 m maximum height along Bechara El Khoury street, the rest of the block along Syria street retaining its 40 m height.

To its north, lot 987 Marfaa, former site of the City Center Dome, is planned as a mixed-use development with retail, entertainment, residential, hotel and serviced apartment use, containing a pedestrian public passage opened to the sky and a terrace garden, like a flying carpet, separating the residential upper floors from the retail area under the terrace garden. Open space is created to enhance each building, and to create links between Debbas Square garden, the buildings in the eastern part of the mid section, and the City Center Dome site. A pedestrian connection to Monot street is established, and a diagonal movement is created through development blocks to reach the Maarad area, also going into the Martyrs’ Square corridor.

In Solidere’s strategy, the former City Center Dome site should be connected to the rest of Beirut city center, and used as the first major focus of the Company’s cultural strategy, through creating a center of contemporary art. It would have connections with Saifi Village Quartier des Arts and with smaller cultural activities in private developments distributed along the Martyrs’ Square axis.

**Mid section: the Memorial Site**

The Martyrs’ Square axis mid section covers in its western part the sites of the Garden of Forgiveness, Mohamad Al Amin mosque and PM Rafic Hariri gravesite, along with the development blocks west of Bechara El Khoury street.

The sector plan presented by Solidere, with resulting amendments of the BCD Master Plan, were ratified in Council of Ministers’ decree 16163 of January 19, 2006. The plan was based on the 2005 international urban design competition winning scheme, together with important ideas contributed by Solidere on the basis of other studies commissioned by the Company, followed by a workshop held with consultants’ team contributing to the project.

**Sector H - Martyrs’ Square Axis**

Sector H follows the south-to-north axis formed by Bechara El Khoury and Damascus streets, to reach Trieste street bordering the first basin of the Beirut port. It includes important symbolic sites: Garden of Forgiveness, Mohamad Al Amin mosque, St George Maronite cathedral, PM Rafic Hariri gravesite, Martyrs’ Square itself, as well as the archeological area around the ancient Tell. Development blocks are defined by Fouad Chehab avenue to the south, George Haddad street and sector I (Saifi) to the east and south, Syria street and sector G (conservation area) to the west, Trieste and Port streets to the north and northeast.

Following is a description of all the Master Plan amendments that were officially approved in the last year. For more details on the real-estate developments, see Developers’ Projects.

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For the blocks forming the immediate eastern edge of Martyrs’ Square, the concept is to have a continuous colonnade facing the square. The purpose is to create a strong urban statement representing the 21st century expression of the 1920’s Maarrad street colonnade, the signature feature of Beirut’s historic core. The colonnade will be a two- to three-story stone arcade, 15-m high. The development blocks height was increased to a 52 m maximum, with a mandated setback at maximum cornice height of 36 m. The spines of tall buildings, with 52 m maximum height, on this edge, is to continue into the southern section (the Threshold), as well as extend to the northern section of the Martyrs’ Square corridor.

The southeastern corner of the Martyrs’ Square axis, lot 1074 Saffi on the intersection with Gouraud street is known as the galleria site, to be developed as an active, public retail and/or entertainment use around a central atrium, with offices or apartments above.

Further north, amendments to the Master Plan include the removal of the police station initially planned on lot 1085 Saffi, site of the former Ottoman police station. Its ownership, devolving to Solidere as a result of a property swap with the State, is to be transferred through sale to house the Rafic Hariri library. Solidere’s recommendation, that this important project warrants a limited international design competition, has been accepted by the Hariri family. Following CDR’s request, Solidere is preparing a design competition brief and has submitted a shortlist of selected eminent international architects for the competition. The Hariri family is to commission the design once the property transfer is effected.

For the blocks behind the above frontage, maximum building height is reduced to 32 m (instead of the 40 m formerly allowed in the Master Plan), with a 16 m setback at the 24 m height. Two residential blocks, planned to feature typical Saffi: Village courtyards and pedestrian streets, may be the subject of a design competition.

The northeastern part of lot 1076 Saffi will house the Ministry of Foreign Affairs, to be designed in the form of a reconstruction of the former Petli Serail palace. As per Council of Ministers’ resolution 27 of May 18, 2006, Solidere is to make a property swap with the State, whereby the Company will relinquish its ownership of the lot in favor of the State, in exchange for the above lot 1085 Saffi, former site of the police headquarters. Solidere prepared the design brief, building massing and façade guidelines for the project, based on the ministry’s requirements and research on the Petli Serail. Upon Solidere’s recommendation, Abdel Wahed El-Wakil has been commissioned by CDR to undertake the design, now in progress.

Northern section: the Trench An important amendment, based on highway design by Dar Al-Handasah following urban design studies carried out for Solidere by Michel Macary (France), relates to grade separation and creates a new road system involving a two-way road link (Byblos street) east of Martyrs’ Square axis, and no link on the west. In the original Master Plan, access in and out of Martyrs’ Square was through a continuation of Bechara El-Khoury street across the square and down to Trieeste street. Decree 16163 of January 25, 2006 amended the Master Plan by canceling the section between Weygand and Trieste streets, leaving a shorter, tertiary road, which goes behind Al-Bourj building to reach Hassan Al Kadi and Fouch streets. The canceled road would have cut the ancient Tell in two.

This solution provides a larger area around the ancient Tell and the Citadel, both among the important archeological remains which Solidere is striving to integrate into the urban fabric. The traffic of the canceled road is directed to Byblos street, turning the latter into a two-way traffic street. The change also affects accesses and footprints of adjacent lots, especially lots 1474 and 1475 Marfaa, which are separated by a well showing important archeological finds.

Solidere has incorporated in its cultural strategy the Beirut city museum, to be created on the public domain facing Al-Bourj building, with a link between the museum and the Tell. Michel Macary (France), who prepared an early concept design for the museum, also contributed to the design and finishes of the related new road scheme, included in the sector plan.

In the eastern part of the Martyrs’ Square axis northern section (sub-sector Hc), the urban design is based on a planning study by Kostetter Kinn (US). Solidere has taken some losses in BUAs in sector H, due to the conservation of archeology, and the reduction of building heights near Saffi Village and for the Ministry of Foreign Affairs building to 32 and 24 m respectively, (instead of the maximum 40 m formerly allowed). In order to compensate for those BUAs losses, a main change in Master Plan involves an increase in tower height in sub-sector Hc to a 160 m maximum, from the former 120 m maximum.

Solidere further wants to encourage linking the sub-sector to the Beirut port first basin quayside, through two pedestrian bridges across Trieeste street; one linking sub-sector Hc to sub-sector Dc on the Beirut port first basin, another linking the archeological area of the ancient Tell to the same sub-sector. In addition to designing Martyrs’ Square with its underground parking, the Greek team has been commissioned to work on the archeological park to the north, while Machado and Silvetti Associates (US) undertake the belvedere garden overlooking it.

The Sea Gate The Sea Gate envisioned in the Martyrs’ Square axis urban design study is not part of sector H, but of sub-sector Dc north of sector H. The Company’s proposals for changes in sub-sector Dc, as part of amendments to decree 15803 of 2006 relating to sectors A and D of the Master Plan, were approved by the Directorate General for Urbanism, and sent to Beirut Municipality and to CDR prior to their forwarding to the Council of Ministers. Following government approval, the amendments will be issued by decree.

The Cultural Corridor Solidere’s concept for a Martyrs’ Square cultural corridor was developed in detail by Gaia-Heritage. The strategy envisages twinning projects with similar cultural projects in other Mediterranean cities, with funding potentially sourced from the European Union. The center of contemporary art, where artists can be promoted locally and internationally, will stimulate the Lebanese public’s exposure to contemporary art. Together with Quartier des Arts and a proposed art auction house in Saifi, it will create a strong artistic magnet, positioning Beirut as the place for arts in the Middle East and on the international art market. The museum of the Mediterranean Sea will provide a large exhibition space and an aquarium related to Lebanon and the Mediterranean basin. It is planned to be twinned with a similar museum in Valencia, Spain, and will host a research center with a specialized library and major international thematic exhibitions.

Beirut city history museum, located on the Tell archeological site, will use classical conservation methods and the latest audiovisual technologies to present the history of the city from the first human settlements.

The museum of the Mediterranean Sea will provide a large exhibition space and an aquarium related to Lebanon and the Mediterranean basin. It is planned to be twinned with a similar museum in Valencia, Spain, and will host a research center with a specialized library and major international thematic exhibitions.

The congress hall and center of performing arts will have a dual function, as a venue for international conventions, and as a national center for opera, music, dance and theater.
Sector I - Saifi
Council of Minister’s decree 16163 of January 19, 2006 also approved Master Plan amendments relating to sector I, which involve a new grade separation scheme at the already congested junction of Fouad Chehab and George Haddad streets. Vehicles travelling from west to north will use a free-flow tunnel, while those travelling from west to east will have the benefit of a new overpass. These improvements will reduce traffic within the city center.

Sector J and The Landmark
Council of Ministers’ decree 16184, dated January 25, 2006, ratified amendments of the Master Plan as far as sector J. The main changes were eliminating the tower on the site south of Amir Amin garden, featured in the original Master Plan, transposing it to the Landmark site north of the garden. The decree approved The Landmark scheme as designed by Jean Nouvel on lot 1520 Bachoura, and granted it specific exemptions from BCD and Lebanon construction law regulations.

The Landmark exemptions involve canceling streetwall controls, modifying pedestrian passages by removing part of the north-south passage and adding an east-west passage, and exemption from providing landscaping on 50% of un-built areas. The former Master Plan maximum height of the tower was increased from 40 m to 164 m with a 55 m-high podium. Other exemptions relate to technical issues: location of the technical floor, direct sunlight, ventilation, claustra (musharabiya); and to the BUA calculation for cinemas’ halls and double volumes (more than 5.50 m of height).

Sector J amendments also include an increase in the heights of the two gateway buildings framing Gibran Khalil Gibran garden at the southern edge of the city center. To the west of the garden, the tower height on lot 1132 Zekak El Blatt was increased from 90 m to 130 m. To the east of the garden, the tower on the western part of lot 739 Bachoura was increased in height from 120 m to 150 m along the two roads framing the development block, Fouad Chehab avenue and Ghalghoul street; while the part of the block behind the tower, facing Amir Amin garden, was decreased in height to 40 m.

Block 128-4, part of lot 739 Bachoura, is to be the object of a property swap agreement with the State for the construction of an arts center or multiuse cultural building, subject to the issuance of a Council of Ministers’ decree approving the terms of such agreement. The project funding is a grant by the Sultanate of Oman to the Ministry of Culture. Solidere gave the ministry a development brief for the project, with the suggestion to organize a national architectural competition.

Sector E - Souks District
Solidere’s proposed changes to the Master Plan, as far as sector E, basically include a pedestrian bridge linking Majidiya Square through the department store to Jean-Paul II Square across Park boulevard. The Directorate General of Urbanism approved the changes and forwarded the proposal in June 2006 to the Council of Ministers for approval. The Master Plan amendment is to be issued by decree.
The New Waterfront District, planned as a prime, active, multiuse district with extensive green areas and bold architecture, commands fine views of the sea, with hills and mountains across the bay to the northeast. As an urban destination, the district comprises the termination and climax of Beirut’s citywide seaside drive, the corniche. When completed, it will contain a city waterside park, two marinas, quayside promenades and 29 ha of development land.

Altogether some 73 ha of reclaimed land are now enclosed within a terraced sea defense system designed to withstand centennial storms. Its unique caisson structure is limited in height to 5.5 m above sea level so as to protect sea views from deep within the city’s historic core. The sea defenses provide harbor enclosures for the two marinas. Beirut Marina is edged by a public town quay, designed to house waterside restaurants and shops, alongside a yacht club and apartments. An iconic pedestrian bridge will link it to the hotel district. Providing an uninterrupted 3.5-km extension of the Beirut shoreline, the corniche promenades, marina and harbor quaysides will provide more than four times the area of seafront public space currently available on and around the Beirut peninsula.

Beirut Marina

Beirut Marina hosted 128 boats in the last year, having entered its fifth season in April 2006. Its capacity stands at 186 boats, ranging from 5 m to 65 m, with 75% of the mooring area accommodating boats of more than 25 m length.

By end 2006, Solidere had signed medium- or long-term leases (three, five or ten years) for 35 boats, and one-year leases for 120 boats. Temporary quayside offices have been provided for harbormaster and public authority activities, pending completion of the marina development based on Steven Holl’s design. Civil works for the marina were part of important marine works delivered in 2002, as per the 1994 agreement with the State, and also comprising a breakwater and a two-line defense structure protecting the marina and the waterfront. The US$298 million project cost was partly financed with a 10-year US$107.3 million loan concluded in 1996 with BNP Paribas and Banque Indosuez, with US$7.3 million COFACE guarantee. Repayment of the loan continued in 2006, with US$15.3 million outstanding at year end.

Beirut Marina was put at the disposal of Solidere in 2002, as per a 1997 agreement with the State granting the Company the right to operate the marina and below-corniche car park for a 50-year period. Solidere undertook at its own expense, and with the relevant public authorities’ supervision, the construction of necessary installations, including access and circulation roads, surface parking on the breakwater, below corniche car park, and on-site development: pontoons, utilities for the boats, harbor master, customs and immigration facilities. It also issued marina by-laws addressing such matters as general services administration, operation, boat traffic, pedestrian and vehicular circulation, environmental protection and public safety.

Works completed by 2004 included pontoons, mooring and service bollards, utilities and network ducting, designed by Groupe Camille Rayon (France) together with an additional quay providing improved shelter in times of northerly winds. The connecting of utilities: water, electricity, fire line, telecom/internet, cable TV, was delayed by the closure of the north quay access after the explosion of February 2005, which also caused damage to the electrical room and water tank. Only in December 2005 was Solidere allowed to withdraw the damaged standby generator and electric switches for repair. Repair was completed at end 2006; however the road access is still closed.

While important construction works proceed in the traditional city center and facing Beirut Marina, Solidere is forging ahead with the planning and development of the waterfront district, which has already elicited interest on the part of investors.
Marina Development

In November 2002, Solidere commissioned Steven Holl Architects (US), in joint venture with Nabil Gholam, to design public space together with real estate facilities totaling 20,000 sq m of mixed-use floor area around Beirut Marina. The facilities include a town quay of waterside restaurants, cafés and shops, and a yacht club with apartments on upper floors. In addition, a harbormaster, customs and immigration building will be erected on public domain.

The project is undertaken by Beirut Waterfront Development s.a.l. (BWD), established in 2004 as a 50-50 joint venture between Solidere and Stow Waterfront Development s.a.l. (Stow). BWD was capitalized with Solidere contributing in kind 20,000 sq m BUA on 22,341 sq m of land, and Stow contributing in cash US$31.6 million.

The design submitted by Holl in August 2004 was gradually amended following BWD and Solidere comments. The project is integrated into the city center through direct access to the corniche promenade to the north, waterside city park to the east, and a pedestrian bridge over the corniche to the south providing access to the town quay restaurants and shops, designed by architect-sculptor Nadim Karam.

Landscape designs were developed for the entry plaza, the quayside and the extension of the corniche sidewalk above, creating open-air terraces in the form of a ‘stone beach’ over the restaurants and shops. BWD commissioned restaurant consultant Ulysses (France) to conduct a market study for selecting an optimal type and size mix, as well as establishing a typical rental agreement for the quayside restaurants.

The project involves some exemptions from the BCD regulations, mainly a 2 m height increase for the yacht club building to 13 m above the reference point. The exemptions were approved and ratified in Council of Ministers’ decree 16546 of March 9, 2006. The building permit file is under study at Beirut Municipality. Once issued, it will allow Holl, teaming up with Nabil Gholam, to complete the detailed design, launching the tendering process and starting construction works.

BWD meanwhile launched a design-and-build tender for underground structural work and construction of three basement floors. In May 2006, the contractor, Hourie - Profond joint venture, started enabling works for the yacht club building and three level basements, based on the design endorsed by Solétanche Bachy group (France). High-Point Rendel (UK) are the engineers. The building diaphragm wall was completed in March 2007. A fast track approach will use up down construction, based on a technology specific to underground construction below sea level, which may be applied throughout the waterfront district. The project target completion date is summer 2009.

Corniche car park Solidere is awaiting the building permit for the 400-space below-corniche car park designed by Dar Al-Handasah. Submitted on March 14, 2006, the permit file was delayed by the Municipality’s allegation that Solidere should be charged a rent for the use of this underground municipal public space. The issuing of the building permit will allow completing the detailed design, launching the tendering process and starting construction works.

Net bridge Designed by Nadim Karam, working with Arup structural engineers (UK), the 4-strand pedestrian ‘net bridge’ overlooking Beirut Marina is part of the overall plan to connect the marina to surrounding areas and give public access to the town quay.
Land Reclamation

The ongoing Phase Two of land reclamation covers 18 ha of land, plus extensions below sea level, involves the excavation, sorting and treatment of 5 million cubic meters of debris and waste materials. The design-build contract was awarded to Radian International (US). The works, started in April 1999, were supervised by Fairhurst International (UK) until October 2005, and controlled by Bureau Veritas (France).

The US$56 million project is financed by means of three bank loans, with a consolidated repayment schedule. A six-year, locally syndicated loan of US$22 million, concluded in March 2000, finances its local content. The loan was fully drawn, and was totally repaid by end 2006. On its US content in equipment, engineering and construction services, the project benefits from US$14.7 million in export credit financing and US$10 million in additional local financing, concluded in 2001. These amounts were fully drawn, and the amount of US$11.7 million was outstanding by end 2006.

The project was scheduled for completion in April 2004. However, the Radian contract was the subject of a dispute, which went in 2003 before an international arbitration tribunal under the rules of the International Chamber of Commerce (ICC). The tribunal award, issued in July 2004, required Radian to remedy the defects in the works at no cost to Solidere; to cover all arbitration legal costs; and to provide Solidere with a plan showing how Radian proposed to continue the works to comply with the contract. The failure of negotiations was coupled with the contractor’s suspending works on February 14, 2005, ignoring all instructions to return to work, and refusing to reimburse Solidere’s legal costs.

Solidere thus terminated the Radian contract on February 10, 2006. The two parties submitted further requests for arbitration to ICC. The ICC arbitration is still going on for damages. Radian is fully owned by URS Corporation (US), following the latter’s acquisition of Dame & Moore in June 1999. Solidere sued the mother company for the liability of Radian, since the latter is a shell company possessing no assets. But URS refused to be sued in France, insisting that the court case should be conducted in the Delaware (US) jurisdiction. Their argument to that effect is invalid, since Solidere neither is part of Government, nor entertains important relations with US companies.

Meanwhile, Solidere took measures on the ground to expedite completion of the project and intends to inform investors about the planned timing of delivery of development land. With Hornagold & Hills International - H2i (UK) as construction manager, a fast track approach was adopted to complete reclamation by end 2007. The project was split into four operations packages, to be executed by separate contractors. These include Société Contemporaine de Développement, Assaf & Cox, Affrarah Co, and Lechber (Germany), which is helping to sort the stockpile of left over material (plastics etc.) The summer war 2006, added to the legal issues, delayed operations. However, all excavations and the processing of the materials have been completed, with backfilling started and expected to finish by year end.

The backfilling and consolidation of clean material at the end of the reclamation process will allow the delivery of sites for infrastructure, development and public space. Pending such delivery, an area in the eastern part of the district was leveled, equipped with temporary roads and parking areas, and leased to Beirut International Exhibition and Leisure Center (Biel) until 2010. Activities hosted in temporary structures currently include exhibition halls, conference areas, a banquet pavilion and a seaside restaurant.

Infrastructre and Public Space

The ratification in November 2005 of the sector plan for the New Waterfront District, with related changes in the BCD Master Plan, paved the way for starting the detailed design for infrastructure, hardcapping and landscaping, preceding real estate development in the district. Solidere started in 2006 the process for infrastructure and public domain design in the waterfront district.

Laceco has been selected as the lead designer, with Wilmotte for street furniture and others for specific tasks. Arup (UK) will be commissioned to undertake a strategic audit of infrastructure requirements and to establish guidelines for the contents of infrastructure design, including the potential application of some district utility services, as well as public transport facilities and parking requirements. This includes providing for bus-based public transport as well as a tramway or light rail reservation linking with that of the Martyrs’ Square axis, and revisiting the location of the power plant for the district, initially planned in the waterside park.

Based on the scope of work under preparation, infrastructure design is expected to take at least a year, ending early 2008, after which Solidere can start installing infrastructure during the second half of the year.

When completed, the waterside city park and corniche promenades will constitute the city center’s major contribution to Beirut’s public domain. During 2008, a limited international competition will be launched, engaging the talents of some of the world’s leading landscape designers to address this unique challenge.
The Waterfront District elicited early indications of interest on the part of developers, well preceding the delivery of the site. These culminated in the conclusion of major land sales in 2006, totaling 170,000 sq m of BUA. In response to investors’ demands, Solidere has engaged since 2001 in a serious planning exercise for sectors A and D, continually improving it and seeking approval from the public authorities for its proposals regarding the district, together with related general and special regulations of the BCD Master Plan.

Until the recent work relating to further amendments, the New Waterfront District master plan, as ratified in Council of Ministers’ decree 15803 of November 24, 2005, had been a development of the 2001 planning study by a consortium of US firms: Skidmore Owings & Merrill (SOM) for urban design, Sasaki for landscaping and Parsons Brinckerhoff for transport planning.

The plan aims at turning the new waterfront into the destination and climax of Beirut’s citywide corniche. Upon completion of the Beirut Marina town quays, corniche promenade, eastern marina quayside and Beirut port first basin promenade, the city center will provide an uninterrupted extension of the Beirut shoreline. The terraced corniche promenade, over 1.3 km (0.8-mile) long, with a width varying between 45 and 110 m, will be a socially active pedestrian arena, with views to the sea, Journieh bay and Mount Sannine.

The street network was also designed to accommodate an urban Formula One Grand Prix circuit. This received FIA’s preliminary technical approval in 2002. The track is to run clockwise along 4.8 km with the starting grid on the coastal corniche. Where necessary, particularly at bends and chicanes and over-runs, construction works are to dismantle sidewalks, widen carriageways and install safety barriers and debris fences prior to the race event. On the 40-m wide upper corniche, temporary stands are to be installed to accommodate spectators.

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Sector A comprises the waterside park, corniche, land, quays and breakwater around Beirut Marina. Leisure, sporting and tourist activities are the dominant ones. Decree 15803 lists an outdoor amphitheatre in the waterside park; infrastructure and developments for Formula One racing; development for the yacht club and related services, hotels, tourism, exhibition centers, sports courts, restaurants and cafés. The Beirut Marina yacht club building is subject to a maximum height of 11 m above corniche level. This stipulation was amended in Council of Minister’s decree 16548 of March 9, 2006, which increased the yacht club maximum height to 13 m. No permanent construction is allowed on the marina quays and breakwater, apart from infrastructure or buildings relating to port management, such as customs, immigration, petrol station or car parks. Restaurants and shops built as temporary structures along the town quay are not to exceed the height of the finished corniche promenade above.

Sector D comprises the development blocks and public domain extending north of Sector E (Souks district) to reach the corniche promenade, and east of the waterside park to reach the Beirut port first basin and the eastern marina. Planned as an exemplar of modern development, it is a multiuse district with a wide range of commerce and retail services, office, tourist and hotel space, convention centers, exhibition and cultural facilities, together with extensive residential development. It also includes a part of the Formula One track. The provisions relating to developments on the Beirut Marina are also applicable on the eastern marina.

Development lots should have the following specified minimum areas: 750 sq m subject to encompassing a 18 x 18 m square, in sub-sectors Da, Dc and Dd; 1500 sq m subject to encompassing a 25 x 25 m square, in sub-sectors Db and Ds. Two streetwall controls are applied and view corridors are created to preserve sea and mountain views. SWS requires a 3 m setback at the 36 m height. SW6 is similar to SWS with the additional requirement of a 5.5-m high arcade on the street frontage. Building heights and envelope controls ensure a careful distribution of floor space. The majority of development is at medium density (40 or 52 m height), with a limited number of high-rise sites (90, 120 and 160 m height) planned in distinctive locations and landmark buildings framing spectacular views to the sea and mountains. The road widening and addition of new roads in the sector plan result in larger areas dedicated to public domain. The total built-up area remains unchanged, with no increase in development areas allocated to Solidere.
In 2006, Solidere commissioned Ian Hogan, urban design consultant, to undertake a master plan amendment exercise for the New Waterfront District. An intense interest was perceived on the part of investors, who were pressing the Company to buy lots in the district. A particular rush was experienced on the land next to the sea (which is not yet reclaimed and consolidated).

The Solidere proposals resulting from this planning exercise address its concern about Beirut being turned exclusively into a resort and residential center, with the disadvantages of extensive absentee homeownership. Solidere is keen to counteract this trend by encouraging the development of a comprehensive mixed-use waterfront district. This also falls within the Company’s strategy to market and promote Beirut as a corporate international business center, based on the city’s lifestyle assets and skilled human resources. Beirut’s competitive edge lies in the qualities of its people and services. Discussion is proceeding with the government on providing business incentives within a defined area of the waterfront district. Consistent with Solidere’s mixed-use philosophy, the incentives are planned to apply not only to offices, but also to all supporting uses, including hotels, serviced apartments, retail and other services. Employment generation and other effects are expected to have a big impact on the Beirut economy. At full build-out, the special business district is planned to create some 40,000 new jobs.

The master plan amendment creates two poles, focused on two groups of towers that constitute very dramatic landmarks, within a perimeter of buildings conforming to the previous master plan’s streetwall vocabulary as well as new skywall controls that will condition the profiles of towers within the clusters.

The pedestrian connectivity within the master plan amendment forms a branching spine, which starts from the Souks through a footbridge and continues north towards the sea. A special business district, planned to comprise a group of towers with heights ranging from 140 to 220 m, is created on either side of this central boulevard and around the new square to its east. Within the spine, the street is to be widened to accommodate a light rail train. The detailed alignments of the LRT are under study by the Greek team, winners of the Martyrs’ Square competition. A new avenue, parallel to the central boulevard and to its east, features arcades providing an architectural link with the existing Maarad-Alfienby axis.

A second, easterly cluster of (higher) towers, centered on an axis aligned on the view of Mount Sannine, is expected to be mainly residential, with hotel, serviced apartments, supporting retail, and also possibly some office use. This cluster is carefully controlled to feature in the offshore view terminating the Martyrs’ Square axis, with towers leaving space between them giving glimpses of the sea.

Solidere’s proposals for sectors A and D were approved by the Directorate General for Urbanism and sent to the Municipality and the Council for Development.

The proposed amendment involves a transfer to the New Waterfront District of some 100,000-110,000 sq m of BUA, equivalent to the areas lost on the Martyrs’ Square axis, in sector H, as well as in Wadi Abo Jamil developments and in 178 Saifi Village, where one floor had to be removed to compensate for higher ceilings destined to improve the residential environment. The principle of BUA transfer between the various sectors is recognized in the BCD Master Plan and detailed regulations.
Beirut Souks are re-emerging as a lively shopping and entertainment center, a regional retail destination and a magnet both for local residents and visitors. Located at the heart of Beirut, they are integrated within the city's historic core, close to the hotel district and new waterfront. With direct links to the airport and metropolitan transport network, they enjoy easy car and pedestrian access from up-market hotel, residential and office areas.

Real Estate Strategy

Beirut Souks are re-emerging as a lively shopping and entertainment center, a regional retail destination and a magnet both for local residents and visitors. Located at the heart of Beirut, they are integrated within the city's historic core, close to the hotel district and new waterfront. With direct links to the airport and metropolitan transport network, they enjoy easy car and pedestrian access from up-market hotel, residential and office areas.

Designed in five separate commissions by international and Lebanese architects, the 110,000 sq m of floor space are interspersed among 60,000 sq m of landscaped pedestrian areas. As they follow the ancient street grid implanted since pre-Roman times and integrate archeological features and gardens, the Souks consecrate the historic value of the place while using the state-of-the-art technology of modern commercial centers. Visitors can stroll along the souks, some covered with skylights and a natural aeration system, such as Tawila, Jamil and Arwam, others open to the sky, such as Ayyas, Bustros and Sayyour, and enjoy shopping and entertainment in a wide variety of shops, restaurants and cafés.

In addition, they are evolving in a significant way. The new Souks will offer a modern leisure experience that preserves the intricate spatial relationships of an urban market that preserves the intricate spatial relationships of an urban market.
Solidere launched in 2005 the South Souks, first phase of the Beirut Souks superstructures, having previously completed the now operational southern part of the 2500-space underground car park, as well as the design, building permit and tendering process.

The project involves the Souks core, designed by Rafael Moneo (Spain) and Samir Khairallah and Partners; the jewelers’ area, designed by Kevin Dash (UK) and Rafik Khoury; and the underlying streets and other public spaces, for which Olivier Vidal (France) is landscape architect. Dimitri Alatzas Asociados (Spain) was management system consultant for the car park.

The South Souks site incorporate the Mamluk shrine Zawiyat Ibn Iraq. Remains of the medieval city wall, Byzantine shops and late Phoenico-Persian harborside settlement were unearthed.

Works on the US$50.6 million contract awarded to Société d’Entreprises A.R. Hourié, started in July 2005, stopped in July 2006 but were soon resumed and are scheduled for completion in the first half of 2008. Internal partitioning and fit-out works tailored to specific units will gradually be delivered to users.
Around 200 retail units of various sizes and volumes are aligned along streets and around squares, with shops, cafés or restaurants on one ground floor, one ground floor with a mezzanine, or two full floors. The site topography, with streets situated at different levels, has been exploited advantageously. Thus, Souks Jamil, Arwam and Tawila start practically on the same street level. But Arwam, falling in between the other two souks, rises above them by midway, becoming an upper-level souk. Consequently, ground floor shops on the west side of Souk Tawila can also have frontage on Souk Jamil; while from Arwam shops, one can have views of either Tawila or Jamil.

Souk Ayyas is a narrower souk, fully open to the sky. At its crossing with Souk Bustros is Intabli Square, featuring a water fountain. The east side shops on Ayyas have views on the beautiful, restored Art Deco building in Fakhry Bey street.

Block M accommodates a food hall at a lower level, accessed from Tawila and Sayyour souks; fine retail outlets at street level in Weygand with outside restaurants seating on Bab Idriss Square, and at the main entrances to Jamil and Arwam souks. Four upper floors of intelligent offices integrate a new prayer hall covered by a small dome, a modern counterpoint to the Ibn Iqra shrine with which it creates a virtual portal to the Souks.

This main pedestrian entrance to the Souks is on Weygand street, a few meters east of its crossing with Riad El Solh street, leading to Ibn Iqra Square. To the left is block M, part of the Souks core; to the right is the jewelers’ area.

The atrium at the intersection of Arwam, Tawila and Sayyour streets is a sunken, landscaped courtyard, providing light and ventilation to the underground parking levels; architecturally exposing the modern construction method used, and at the same time providing a symbol to the historical city layering also revealed in the Souks’ archeological garden.
Ajami Square, at the convergence of the north-south souks, is a grand plaza with sidewalk cafes, designed to house large events and concerts.

The covered plaza has an 18 m high ceiling with massive drop beams, equipped with roof vents and skylights, to protect from direct sunlight, heat and rain. The walls and large opening on Trablous street form a huge northern portal to the South Souks.

Jewelers’ area The jewelers’ area comprises four blocks, with around 80 shops on the ground floors. Block W has three floors, D and E four, with offices for jewelers on the upper floors. Their facade along Allenby and Weygand streets suggests a medieval city wall (continued in the Souks’ core block M). Block W has a partially restored facade. Block F, with facades on Tawila and Sayyour streets, has a ground floor for jewelry shops and one upper floor dedicated for a large restaurant. The walkways are covered with wood and stainless steel.

Facilities Beirut Souks are equipped with ATM machines, public phones, broadband internet provisions, information screens and desks and a CCTV system for security.
North Souks: The next phase of the Beirut Souks development covers the North Souks, consisting of a department store and a multiuse building (blocks S and T), designed by Nabil Tabbarah; an entertainment complex and another multiuse building (blocks V and U), designed by Valode et Pistre (France) and Annabel Karim Kassar. This phase will allow leasing and management agreements with anchor tenants and operators.

The building permit for block S and T was issued in November 2006. A landscaped square with a fountain faces the department store and the restored Majidiya mosque. The multiuse building (block T) comprises offices, restaurants and a commercial gallery.

The entertainment complex (block V) comprises 14 modern cinemas above ground with generous lounges and concession areas, a retail/entertainment magnet, restaurants, a multimedia store, games arcades and retail extending to Khan Antoun Bey Square. The project was redesigned by Valode et Pistre in line with up-to-date norms and standards, featuring a little more commercial space and introducing a pedestrian link between Allenby and Trablous streets. The architects designed the project as a mega entertainment destination, architecturally an avant-garde structure. The final design was delivered in March 2007, and Solidere expects the building permit to be issued by midyear. Construction would then start in September, allowing for the tendering process.

Work on the concept design for the cinemas internal circulation and interior decoration is proceeding under Solidere’s supervision, in coordination between the architects, Valode et Pistre, the decorator, Nabil Dada, and the cinema consultants, Hamad Atassi. The multiuse building (block U) comprises a food court with garden and retail at ground level, retail or offices on the first and media-related offices on the second floor.

Management and Services: Beirut Real Estate Management and Services (BREMS) was established by Solidere and Aswaq Management and Services s.a.l., subsidiary of Société des Centres Commerciaux (France), a leader in shopping mall management in Europe.

Its object is to implement the tenant mix strategy designed by a number of consultants, leasing activities, shop fitting, property and facility management, rental management and marketing management. An assistance agreement was signed with BREMS for the Beirut Souks.
Other Real Estate Projects
Lot 1144 Zokak El Blatt The lot 1144 Zokak El Blatt residential building, designed by Fouad Menem, has been completed. It offers 2,158 sq m of floor space on five floors with access to an inner garden, and six basements providing 128 parking spaces for the neighborhood, of which 14 dedicated to the building users.

Grand Theatre Solidere is developing around the Grand Theatre an integrated project on the 2,370-sq m lot 891 Bachoura, which regrouped the former lot 891 historic building, lot 870 building and vacant lot 1521. The concept design by Architecture Studio (France) obtained approval from the Directorate General of Urbanism in April 2005. The project offers a total floor area of 11,850 sq m over four floors and five basements. The main use is a boutique hotel enjoying a roof swimming pool, restaurants and bars offering artistic performances. Shops are located at street level below the arcades. All the restoration work was done and the theater is to be preserved. The building permit file is under study at the Municipality of Beirut and at the Ministry of Tourism.

Block 93 Implemented by Solidere, the car park jointly developed with owners of blocks 93 and 87 properties, provides 700 spaces on four underground levels totaling 31,200 sq m of floor area, with two main access ramps on Foch and Allenby streets. Underground construction was completed for all projects. One of the buildings is almost completed, four others are under construction and one is still under study at the Municipality of Beirut. Now operational, the 280-space section owned by Solidere will be topped by the landscaped Harbor Square.

Solidere Development Concepts
Solidere’s strategy is to stimulate high quality real estate development in the city center. Its support to investors has expanded in the last two years to cover project design and development. In addition to the development briefs, based on sector plans and adapted to project sites, the Company engaged in consultancy with Lebanese and international architects to prepare concept designs for a number of lots, with obvious benefits for prospective buyers, to whom Solidere sometimes sells land with a real estate program, architectural design and even a development package.
**Le Passage de Hoyek**

This multiuse complex on lot 1338 Mina El Hosn, located on a 3,740-sq m island plot near Beirut Souks, combines commercial space, entertainment activities and a 100-room luxury hotel with a total floor area of 21,400 sq m, together with basement parking levels. Solidere commissioned the Jerde Partnership (US) teamed with market consultants Thomas Consultants (Canada) to formulate a viable development concept for the project as a ‘fifth magnet’ for the Beirut Souks. On completion of the initial concept design, the project was handed on to Bernard Khoury.

The project, as conceived by Bernard Khoury, presents itself as a crystalline organic mass, an urban event that does not comply with surrounding streetwall controls. The commercial base aligns with the plot perimeter, forming a pedestal to the body of the building above. Pedestrian entrances, the culmination of existing pedestrian flows, connect in all directions to the various levels of surrounding streets, while leading to a central internal piazza, a circular void, 32 m in diameter, 30 m in height, open to skylight. On top of the base is the ‘sky lobby’, a suspended, 9-m high internal garden with a peripheral terrace. It is conceived as an exceptional entertainment destination, where leisure activities intersect to create a programmatic synergy.

This is where the hotel reception, restaurants, cafés, terraces and bars are located. The hotel is built above the sky lobby, on a succession of five floor plates that recess at the higher levels, mutating in plan from a circular base to become an ovoid. Vertical glass louvers / sun breakers, placed at varying distances, create a pattern across the hotel floors, in an arrangement that blurs the reading of the consecutive levels and renders it as one. On the roof, a panoramic terrace with an open-air restaurant and bar enjoys 360 degrees views over the Mediterranean Sea and Mount Lebanon in the background.

**178 Saifi Village**

The success of Saifi Village led Solidere to initiate concepts for its extension. 178 Saifi Village is a residential cluster, designed by Nabil Gholam on 2,937 sq m of land to offer about 9,500 sq m of residential and 750 sq m of commercial floor space. The cluster is formed by five elegant buildings with clean modern façades along surrounding streets, set around a landscaped courtyard. The design offers a range of spacious apartments to include lofts with five and half meter ceilings, mini lofts with work live space, ground floor maisonnettes with private gardens, central hall apartments and a variety of penthouses with generous terraces. The scheme focuses on a contemporary lifestyle, bringing a blend of services, convenience and a discreet sense of luxury. Space, light, calm and comfort characterise the townhouse-like residential units, combining the advantage of a great urban location with the pleasure of a quiet green haven in the heart of Beirut.

**Lot 800 Mina El Hosn**

In Wadi Abou Jamil, Solidere initiated the design and implementation of predominantly residential clusters of various sizes, involving restoration and infill construction. The use of this typology on the city scale, in combination with detailed and individual residential buildings, is meant to reinforce urban integration. International and Lebanese architects, with experience in Mediterranean and Middle Eastern countries, contributed design concepts reflecting responsiveness to local context, culture and climate, and the market interest led to the sale of practically all the properties with cluster concepts.

Still held by Solidere, lot 800 Mina El Hosn is a triplet designed by Ayman Sanioura, combining restoration and new construction. The 4,234 sq m floor area comprises two twin restored Levantine houses plus an infill building, with four floors each, located between two streets, a lower entrance street and Rue de France. The infill building, designed in a similar style but with two basement floors linking the three buildings and providing parking space to serve the entire triplet, has obtained a building permit.

**Office buildings**

Solidere commissioned Vincent Van Duysen (Belgium) to present a concept for an office building on lot 1493 Mina El Hosn. The design is an architecturally strong sculpture with a light colored appearance, addressing the landscaped hotel district corridor overlooking Beirut Marina. The provision of a mixed-use program with public, semi-public and private functions, allows for a very vivid and diverse character.
Stone repair was important in the Foch-Allenby and Nejmeh-Maarad areas, notable for their faithful reconstitution of elaborate façades and high quality stone masonry. City center restoration combines authenticity with a progressive outlook. Buildings are rejuvenated through the use of skylight atria, roof gardens or glazed roofs. Interiors are modern and fitted with equipment for functionality, comfort and efficiency. In residential neighborhoods, this is allied with a sensitivity to the Mediterranean typology. In office buildings, open plan design allows optimal and flexible use of floor area. Restored buildings are maintained on a regular basis. To that effect, owners provide the Beirut Municipality with a signed commitment to undertake general cleaning and façade maintenance every five years.

Recuperated and Sold Buildings
Solidere successfully completed the recuperation process, giving former owners and tenants the opportunity to regain their rights in the buildings retained for preservation. Besides fulfilling the requirements that apply to all restoration projects, recuperation contracts outlined the financial rights and responsibilities of involved parties, be they returnee owners or tenants.

At the end of the recuperation process, 146 built lots had been recuperated. Of this total, 126 buildings are now fully restored and five are under restoration or construction, of which one after sale to a third party. Within the Souks area is lot 16 Marfaa, an office building with retail on the ground floor, designed by Pierre Neema with 415 sq m of floor area. In the Foch-Allenby area are El Patio hotel on lot 1144 Marfaa, designed by Joe Chehwan with a floor area of 2,958 sq m; and the Municipality Annex on lot 243 Marfaa, designed by Nabil Azar as an office building with retail at ground floor, offering 5,179 sq m of floor area. In Mina El Hosn, lot 702 was designed by Jean Harfouche as a residential building with retail at ground floor, covering 3,032 sq m of floor space; Star Tower on lot 121 was designed as a hotel by Natcon, with 4,762 sq m of floor space. One building is under tendering: 771 Mina El Hosn, a private residence designed by Pierre El Khoury Architect and covering 2,054 sq m of floor area. Finally, 12 lots are under study or permitting, of which three after sale to a third party.

Of retained built lots whose ownership devolved to Solidere, 37 original lots, regrouped into 31 lots, had been sold ‘as is’ by end 2006, while one had been leased ‘as is’ to be restored by its user. Restoration is proceeding on the part of buyers / users, with 28 built lots ready, two under renovation and one under permitting at Beirut Municipality.
The implementation of restoration concepts is proceeding in 13 Solidere built lots, with four at the construction stage, one under tendering, two under permitting at Beirut Municipality, one under study and five demolished for structural reasons. Solidere leases space in its restored buildings: 72 agreements relating to commercial buildings or sections thereof, and 129 agreements relating to residential properties, had been signed by end 2006. This had resulted in the occupation of around 19,266 sq m of commercial space and 23,751 sq m of residential space.

**Solidere Buildings**

Solidere took the lead in the restoration process, undertaking showcase work in its properties and closely monitoring other parties’ projects.

The 44 Solidere built lots were regrouped into 41 lots, including five co-owned buildings. Of these, 37 lots were the object of restoration by the Company. The other four are being restored by third parties, respectively the co-owners and the leaseholder, with lot 164 Saifi completed, lot 1042 Mina El Hosn under restoration, lot 1261 Mina el Hosn under permitting at Beirut Municipality and lot 996 Mina El Hosn under study. In addition, Solidere undertook the restoration of two lots on behalf of the Islamic Wakfs, with lot 141 Marfaa completed and lot 1353 Marfaa under implementation.

By year end, 24 buildings had been restored by Solidere: 13 residential buildings in Saifi, Wadi Abou Jamil and Zokak El Blatt; and 11 for office use with retail at street level in the Maarad and Foch-Allenby areas, which include five built lots (six buildings) serving as Company premises.

**Saifi Village**

Two projects designed by Erga Group have been completed: a building of four floors with one apartment each, all leased, on lot 332, with ground floor retail units leased as part of Quartier des Arts; and four buildings on lot 741 around an internal garden over a 50-space car park, with three restored buildings plus a four-story infill building completed and occupied.
Zokak El Blatt Lot 670, designed by Fouad Menem, is under construction, having obtained building permit for its four floors. Parking spaces for the building are provided in adjacent lot 1144, a six-story infill building with 128 car spaces on six basement levels.

Wadi Abou Jamil In Wadi Abou Jamil, Mina El Hosn cadastral zone, two residential buildings are under restoration. Designed by Fouad Menem, lot 799 is a seven-story building including one- to three-bedroom flats and two duplex apartments with roof gardens; while lot 995 is a seven-story building with two apartments per floor.

Religious Buildings
Nineteen places of worship attest to the spiritual value of central Beirut. Solidere has assisted in the gradual restoration of 18 of them, with 13 now in use and drawing increasing numbers of people. The new Mohamad Al Amin mosque took on a profound meaning when the late PM Rafic Hariri was laid to rest near it.
As land bank with a considerable property portfolio, Solidere markets a wide range of un-built lots for residential, office, hotel, retail and other specialized uses. In the early years, sales mainly involved un-built lots and existing buildings sold ‘as is’ for renovation or development. The delivery of Solidere real estate projects led to a growing volume of sale and leasing operations involving finished products, new or preserved buildings or parts thereof.

Since 2005, the Company has been holding on to its portfolio of finished products, leasing it to generate income flows. Solidere actively supports developers and monitors the demand and supply of real estate in the city center, to the benefit of all.

In any given year, the sales recognized in the income statement consist of closed deals negotiated in that year and in preceding ones. On the other hand, the deals negotiated up to that year and not closed during the year, make up the sales backlog at year end. Aggregate sales of US$1.37 billion have been recognized from inception to end 2006 (1,228,113 sq m of floor space), of which US$255.2 million (225,113 sq m) in 2006.

Dramatic land sales during the first half of the year were followed by a lull in demand during the succeeding months, in the wake of the summer war and later political events. Sales revenues were above the preceding year level, and a substantial sales backlog will help sustain sales revenues levels. Many projects, some of important proportions, were pursued and regional investors continued to give strong indications of interest in Beirut city center. Real estate rental activity maintained its healthy pace, sustained by demand for quality space and services.

Sales Results

Gross land sales of US$255.2 million were recognized during the year 2006, (US$235.3 million in 2005). Solidere has stopped selling finished products in order to build a portfolio of income-generating properties. However, Saifi Village deals closed in previous years and recognized in 2006 amount to US$860.446 sq m representing 499 sq m of floor area (US$1.1 million, 568 sq m in 2005).

At end 2006, the backlog of negotiated sales not closed during the year amounted to US$1.2 billion. Also in the backlog are US$8.5 million (5,406 sq m BUA) of finished apartments for which title transfer is awaiting occupancy permits as the lots need final parceling, plus commitments of US$1.67 million relating to the pre-sales of units in the Beirut Souks jewelers’ block, concluded a number of years ago.

Downpayments received on signed deals as at end 2006 amount to US$154.7 million: US$154 million from land sales and US$0.7 million from the sale of residential space. Downpayments are treated as deferred revenues, to be recognized as part of revenues only upon sales realization.

Real Estate Leasing

Solidere’s portfolio of income-generating properties includes UN House and Lot 1 Zokak El Blatt, each leased to a single institutional tenant, and a compound dedicated for embassy use. The Company also leases space in its buildings, in car parks and mooring spaces in Beirut Marina. At end 2006, the cost of leased properties was US$169.2 million (US$150.7 million after depreciation): US$122.7 million in buildings, US$42 million in land and US$4.5 million in other assets.

Gross rental income from leased space, including parking spaces and marina berths, was US$20.7 million, against US$17.5 million in 2000, US$10.2 million, US$14.1 million and US$15.4 million in 2001 to 2003, US$18.6 million in 2004 and US$20.8 million in 2005. Downpayments received on lease agreements are treated as deferred revenues and not recognized as income. Residential leases relate to new and restored flats in Saifi, Zokak El Blatt and Wadi Abou Jamil. Leased office space relates to UN House, lot 1 Zokak El Blatt and the embassy compound. Other commercial space relates to offices and shops in restored buildings, as well as shops in Saifi Village.
Sales Procedure / Payment Schemes
A sale agreement which includes pre-development and construction standards and timetables, as well as payment conditions, is signed upfront. Sales are expressed in terms of floor or built-up area (net development rights).

Property transfer is registered before the Real Estate Registrar upon signing the final sale deed, following fulfillment of technical and legal conditions, together with the mortgage contract in case of finance. Solidere pursued in 2006 its policy of offering buyers the possibility to either pay cash or defer part of the sale price payment, thus enabling them to better plan the financing of their investments.

Concomitant with the property transfer registration, the buyer / developer provides Solidere with a first-degree mortgage on the sold property, as a guarantee against any outstanding payments. A bank guarantee also provides security for proper and timely execution of all construction works.

Property Marketing
The Company has been successful in marketing its residential, commercial and institutional space, new and restored. As alternatives to a simple lease, schemes such as lease with option to buy or outright sale were offered for residential space until 2002 and 2004 respectively. Buyers could also benefit from payment facilities. From 2005, property sales or options to buy were discontinued, with only leases continuing to generate income flows.

The 136 Saifi Village apartments, totaling 30,660 sq m of floor area, had all been marketed by end 2006: 40 (7,770 sq m) leased; four (826 sq m) leased with an option to buy; 32 (22,064 sq m) sold, 57 (12,825 sq m) after exercising options to buy. Concurrently, 40 agreements totaling 9,934 sq m in floor space had been signed for restored houses or flats in Saifi. They represent 4,526 sq m of leases; 1,430 sq m of leases with options to buy and 3,979 sq m of sales, of which 2,593 sq m as a result of exercising options to buy. Lease agreements had been signed for a nursery (240 sq m) and for 31 shops (3,500 sq m), as part of Quartier des Arts.

In Zokak El Blatt, 73 apartments, with 13,937 sq m of floor space, had been the subject of agreements. They represent 11,084 sq m of leases and 2,853 sq m of sales, of which 579 sq m as a result of exercising options to buy. In Mina El Hosan, nine agreements for 3,432 sq m of residential floor space had been signed: 372 sq m as leases; 1,562 sq m as leases with options to buy; 1,498 sq m as sales, of which 409 sq m as a result of exercising options to buy.

Also at year end, the Company had five lease agreements totaling 33,630 sq m of floor space in new office buildings: UN House, lot 1 Zokak El Blatt and most of the embassy compound. In the Maarad and Foch-Allenby restored office buildings, 22 lease agreements for 11,720 sq m, as well as 19 lease agreements relating to 4,046 sq m of retail space, had been signed.

Property Management
Solidere provides complete full-time operation and maintenance for all its properties. These include the new and restored buildings, the Souks and Weygand street car parks. In UN House, electro-mechanical and civil works are provided as per an operation agreement with ESCWA. Extending its services to other property owners, Solidere signed agreements for the marketing of several third-party properties, prior to undertaking their management and maintenance.

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

Future Prospects
Solidere is firmly relying on growth in its rental income as it steps up the delivery of new and restored buildings. Rental revenues are expected to be strongly boosted, upon delivery of the Beirut Souks, by far the most important Solidere real estate project and its flagship commercial development. Rentals are then expected to reach close to US$65 million from 2009.
Still under design are a bank and three residential developments. Al Mawared
Bank headquarters, designed by Zaha Hadid (UK-Iraq) on lot 1371, offers 7,580
sq m of floor space. Wadi Hills on lot 1388, designed by Agence d’Architecture
Antoine Bechu (France) and Nabil Sinno, offers 22,000 sq m of floor
space; Mira
Immobilière on lot 1478, designed by Erga Group offers 3,528 sq m of floor
space; and 1442 Mina Company on lot 1442, designed by Porphyrios Associates,
offers 3,800 sq m of floor space.

In Zokak El Blatt,
a private residence on lot 77, designed by Farouk El Sheikh
with 5,711 sq m of floor space, was completed. Under construction on lot 1128,
The Pavilions residential complex, designed by R & K Consultants, offers 10,312
sq m of floor space. The concept is a three-story private villa on Rue de France
and a nine-story modern infill on Rue de l’Armée, with 16 apartments, five
duplexes and two triplexes, 23 units in total. Under restoration is the Doghmosh
private residence, designed by Zahi Cardahi on lot 122 with 1,321 sq m of floor
space. Under study at Beirut Municipality is Les Gradins private residence,
designed by Ziad Akl on lot 73 with 758 sq m of floor space. Périmètre Rue de
France, a residential complex on lot 1459, is under design by Elie-Pierre Sabbagh
with a total built-up area of 4,200 sq m.

Developers’ Projects

Three residential developments, two private residences and a hotel with serviced apartments are under study at Beirut Municipality. Wadi Gardens,
designed by Dar al Omran (Jordan) on lot 1392, has 26,000 sq m of floor space distributed around an internal garden over six buildings of
eight floors each, 68 flats in total; the underground permit was granted and basement floors are under construction. Stow Wadi, designed
by Porphyrios Associates (UK-Greece) on lot 1407, has seven apartments and two duplexes totaling 3,741 sq m of floor space over seven
floors. Med Invest, designed by Porphyrios Associates on lot 1440, has 4,118 sq m of floor space over seven floors, six apartments and one
duplex. The private residences are lot 771, designed and restored by Pierre El Khoury Architect, with 1,883 sq m of floor space; and lot 1375,
designed by Charles Hadid with 1,278 sq m of floor space. Designed by Ziad Akl in collaboration with Philippe Starck (France) on lots 834,
1430 and1457, the Royal Hotel and Resorts boutique hotel with 100 keys has a floor space of 13,000 sq m. Complementing it, serviced
apartments designed by Ziad Akl on lot 1410 offer 2,950 sq m of floor space over five floors, 23 flats in total. In Wadi Abou Jamil, cadastral zone Minia El Hoan, two residential developments are under
construction. The Courtyard, designed by Maha Nasrallah on lot 1371, offers 5,096 sq m of
floor space distributed around an internal courtyard over three buildings of seven floors each, 19 flats in total. Minia El Hoan 1466, designed by Fouad Menemer on lot 1466, offers 1,788 sq m of
floor space over five floors, two duplexes and one flat. Also under construction are three
private residences and one mixed-use building. Cedar House and Pine House on lot 1133 were
redeigned by Yousef Haidar as one private residence with 2,000 sq m of floor space. Lot 865
was designed by Nabil Ghalem with 1,983 sq m of floor space. Lot 911 was designed by Abdel
Wahed Al Wakeel (UK-Egypt) and ARC Group with 1,500 sq m of floor space. Greenline Real
Estate building, designed by Batimat on lot 1393, has 2,750 sq m of floor space over seven floors: two for retail, three for offices
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and a duplex on the top two floors. In Wadi Abou Jamil, cadastral zone Minia El Hoan, two residential developments are under
construction. The Courtyard, designed by Maha Nasrallah on lot 1371, offers 5,096 sq m of
floor space distributed around an internal courtyard over three buildings of seven floors each, 19 flats in total. Minia El Hoan 1466, designed by Fouad Menemer on lot 1466, offers 1,788 sq m of
floor space over five floors, two duplexes and one flat. Also under construction are three
private residences and one mixed-use building. Cedar House and Pine House on lot 1133 were
redeigned by Yousef Haidar as one private residence with 2,000 sq m of floor space. Lot 865
was designed by Nabil Ghalem with 1,983 sq m of floor space. Lot 911 was designed by Abdel
Wahed Al Wakeel (UK-Egypt) and ARC Group with 1,500 sq m of floor space. Greenline Real
Estate building, designed by Batimat on lot 1393, has 2,750 sq m of floor space over seven floors: two for retail, three for offices
and a duplex on the top two floors.
In Saifi, three residential developments are under construction. Saifi Village Two, designed by Nabil Gholam on lot 146 Saifi, offers 22,316 sq m of floor space distributed over four buildings of 11 floors each, 74 flats in total. Al Dalal residential building, designed by Ateliers des Architectes Associés (AAA) on lot 1077, offers 4,688 sq m of floor space over six floors, six flats and a duplex. Saifi Khan, being restored as per Elias Issa’s design on lot 752, offers 3,467 sq m of floor space over five floors with retail on ground floor. The Saifi Khan private residence, designed for restoration by Elias Issa on lot 749 with 719 sq m of floor space over three floors with retail on ground floor, is under study at Beirut Municipality. Still under design are three residential developments. Saifi Square and Al Mada, designed by Nabil Gholam on lots 1059 and 1069, offer respectively 5,095 sq m and 6,350 sq m of floor space. The Selwan residential building, designed by Nabil Azar on lot 1056, offers 2,350 sq m of floor space.
On the Martyrs’ Square axis, under construction is Bab El Saray hotel, designed by Kevin Dash (UK-Australia) and Hani Murad on lot 1489 Marfaa and offering 17,655 sq m of floor space over eight floors, 85 suites in total with retail on ground floor.

In the northeast section of the Martyrs’ Square axis, the Merit Corporation headquarters office building, designed by Nabil Gholam on lot 1526 Marfaa with 5,166 sq m of floor space over six floors, is under construction.

In the mid section, the Beirut Gardens residential development, designed by Arata Isozaki (Japan) and Erga Group on lot 1524 Marfaa, is under study at Beirut Municipality. It offers 17,710 sq m of floor space over 12 floors, consisting of 59 flats and six duplexes, 65 units in total. The façades overlooking the Garden of Forgiveness and Martyrs’ Square are covered by a white marble skin treated as a screen with a computer-generated geometric pattern, giving a three-dimensional impression.

In the southern section is the Beirut Gate landmark development covering 21,448 sq m of land area and spreading over lots 1523, 1525, 1542, 1544, 987, 1526, 1477 Bachoura and lot 901 Saifi. Several world-class architects worked in tandem to design the project components for ADIH, Abu Dhabi Investment House, as development manager. Out of a 178,506 sq m total floor space, the residential use represents 78%, offices 6%, retail and cultural activities 16%. The expected delivery date of Beirut Gate is end 2009.

Under study at Beirut Municipality, lot 1523 Bachoura, designed by Nabil Gholam, offers 37,000 sq m of floor space over 13 floors, 153 flats in total. Still under study are lots 987, 1526 and 1477 Bachoura, designed by Christian de Portzamparc (France). Lot 987, former Dome City Center development covering 21,448 sq m of land area and 39,000 sq m of floor space over three towers, consisting of 59 flats and six duplexes, 65 units in total. The façades overlooking the Garden of Forgiveness and Martyrs’ Square are covered by a white marble skin treated as a screen with a computer-generated geometric pattern, giving a three-dimensional impression.

In the southern section is the Beirut Gate landmark development covering 21,448 sq m of land area and spreading over lots 1523, 1525, 1542, 1544, 987, 1526, 1477 Bachoura and lot 901 Saifi. Several world-class architects worked in tandem to design the project components for ADIH, Abu Dhabi Investment House, as development manager. Out of a 178,506 sq m total floor space, the residential use represents 78%, offices 6%, retail and cultural activities 16%. The expected delivery date of Beirut Gate is end 2009.

Under study at Beirut Municipality, lot 1523 Bachoura, designed by Nabil Gholam, offers 37,000 sq m of floor space over 13 floors, 153 flats in total. Still under study are lots 987, 1526 and 1477 Bachoura, designed by Christian de Portzamparc (France). Lot 987, former Dome City Center site, offers 35,000 sq m of floor space over three towers with up to 21 floors, and is planned to incorporate a contemporary cultural use within the partly preserved Dome. Lot 1526 offers 22,406 sq m of floor space over 10 floors. Lot 1477 offers 26,100 sq m of floor space over 25 floors. Lots 1525, 1542 and 1544 Bachoura are designed by Architectonica (US). Lot 1525, sold by Beirut Gate to Star Property and Tourism Development, offers a floor space of 13,608 sq m over 13 floors with retail on street level. Lot 1542 offers 14,200 sq m of floor space over 12 floors. Lot 1544 offers 15,000 sq m of floor space over 13 floors. Also under study is lot 901 Saifi, designed by Erga Group with 11,200 sq m of floor area over 13 floors.

The Greek partnership Agorastidou, Babalou-Noukakis, Ioannidou & Noukakis, winners of the Martyrs’ Square axis urban design competition, are the Beirut Gate landscape architects.

Two other developments are under design. Immediately north of Beirut Gate, the Canadian Bank headquarters, designed by Axel Schultes (Germany) on lot 1524 Bachoura, has 6,300 sq m of floor space over eight floors, with retail on the ground floor.

In the Martyrs’ Square axis northeastern section, the Phoenician Village is a landmark high-density, mixed-use project under development by the Kuwaiti Investors Group, led by Al Sayer Group and Al Dhow Investment Company. Spread over lots 1501, 1502, 1503 and 1081 Marfaa, it offers 266,000 sq m of floor area, thus constituting the city center’s largest real estate development to date. The urban design for the site, as adopted in the Beirut city center Master Plan, is based on the Koetter Kim (US) planning study, updated according to new envelope controls incorporated in the Master Plan amendment for Sector H. The development contains four towers, stepping in height to a 160 m maximum, and comprises visitor attractions and cultural facilities, upscale residential, hotel and major corporate office opportunities around a central active plaza, with retail on ground floors. A pedestrian bridge across Rue de Trieste will connect the towers to the waterfront component of the project on the Beirut port first basin quayside. The development is planned to create an important visitor destination.

In the Martyrs’ Square northwestern section, two residential developments overlooking the Tell archeological site are under study. Marfaa 94, designed by Machado and Silvetti Associates (US) and Charles Hadid on lot 1538, covers 10,700 sq m of floor area. Marfaa 1474, designed by Axel Schultes (Germany) and Kamal Homsi Architects, offers 8,270 sq m of floor area.
Near the Beirut Souks, Mina El Hosn cadastral zone, three office buildings were completed. Berytus Parks on lot 1344, designed by Pierre El Khoury Architect, offers 11,627 sq m of floor space over nine floors. Two Park Avenue, designed by Samir Khairallah on lot 1334, offers 10,050 sq m of floor space over eight floors. The second Medgulf office building, designed by Nachaat Owaida on lot 1348, has 2,874 sq m of floor area over seven floors. Also completed is The Capital Garden residential development on lot 1327, designed by Erga Group and offering 5,659 sq m of floor space over eight floors, 24 flats in total.

One hotel, one mixed-use and three residential developments are under construction. Hilton Hotel on lot 129, designed by Butec and A et A, has 11,137 sq m of floor space distributed over nine floors, 158 rooms in total. The Semiramis mixed-use development on lot 1458 Marfaa, designed by Robert Adam (UK) and Fouad Hanna / Fadlallah Dagher, offers 7,430 sq m of floor space distributed over eight floors, 11 flats in total. 45 Park Avenue, designed by Laceco on lot 1337, offers 7,121 sq m of floor area distributed over 12 floors, 12 flats in total. 1330 Park Avenue, designed by Abdallah Hajj Ali on lot 1330, has 4,654 sq m of floor space over eight floors, 10 flats in total. Under study at Beirut Municipality is Mokhtar building, designed by Erga Group on lot 1468 with 7,090 sq m of floor space over nine floors, 26 flats in total.

At the city center southern gateway, The Landmark multiuse development, designed by Jean Nouvel (France) on lot 1520 Bachoura, is still under design. After addition in 2006 of 24,000 sq m to the initial BUA, the project offers 74,000 sq m of floor space distributed over a thirty-seven floor hotel and apartment tower overlooking Riad El Solh Square; and two ten- and eleven-floor buildings containing offices, retail, and a cinema entertainment complex at basement levels.

In Foch-Allenby, Marfaa cadastral zone, three office developments are under construction. Bank of Kuwait and the Arab World is designed by Abdel Wahed Al Wakeel (Egypt-UK) and Arc Group on lot 1470, with 8,300 sq m of floor space over eight floors. Foch 126 is designed by Nabil Gholam on lot 126, with 2,190 sq m of floor space over five floors. Radium is designed by R & K Consultants on lot 114, with 2,400 sq m of floor space over five floors.

Five residential developments are also under construction. Foch 94 is designed by Vincent Van Duysen (Belgium) and Nabil Gholam on lot 1498, with 7,320 sq m of floor space over nine floors, 29 flats in total. Foch Residence is designed by Batimat on lot 1446, with 5,012 sq m of floor space over nine floors, 10 flats and two duplexes. Fochville is designed by R & K Consultants on lot 1497, with 5,766 sq m of floor space over nine floors, 12 apartments and one duplex. Starway is designed by Nachaat Owaida on lot 1440, with 3,000 sq m of floor space over six floors, 26 flats in total. Lot 108 is developed by Banque du Crédit Libanais and designed by Erga Group, with 3,005 sq m of floor space over five floors, five flats in total. Under study at Beirut Municipality is Mokhtar building, designed by Erga Group on lot 1468 with 7,090 sq m of floor space over nine floors, 26 flats in total.

Under design are three residential developments: Media Fan, designed by Joe Gaitani on lot 1347, with 5,581 sq m of floor space; Avenue Venture, designed by LAB Architecture Studio (Australia) and Elie-Pierre Sabbagh on lot 1459, with 7,300 sq m of floor space; and Block 42 development, designed by Victor Legorreta (Mexico) and Fadlallah Dagher on lot 1495 Marfaa, with 13,493 sq m of floor space.
In the hotel district, at the city center northwest gateway, Mina El Hosn cadastral zone, an international hotel and eight high-rise luxury residential developments overlook Beirut Marina. Five are under construction.

The Four Seasons Hotel, designed by Dar Al-Handasah on lot 1418, has 27,671 sq m of floor space over 25 floors, 243 rooms and suites in total. On lot 1354, the Marina Towers complex, designed by Kohn Pedersen Fox Associates (US) and Dar Al-Handasah, includes: Marina Tower, offering 27,345 sq m of floor space over 26 floors, with a total of 47 flats ranging in area from 400 to 500 sq m; Marina Gardens, offering 8,428 sq m of floor space over 10 floors, with a total of 26 flats ranging from 300 to 350 sq m; and Marina Courts, offering 9,077 sq m of floor space over 10 floors, with a total of 41 flats ranging from 100 to 250 sq m.

Designed by Ricardo Boffill (Spain) and Nabil Gholam on lot 1421, Platinum Tower offers 53,821 sq m of floor space over 34 floors, 70 flats in total. The Dana of CCC, designed by Kevin Dash and Al Salam on lot 1353, offers 13,753 sq m of floor space over 10 floors, 15 flats in total. Beirut Tower, designed by Wimberley Allison Tong & Goo (US) and Samir Khairallah on lot 1401, offers 36,559 sq m of floor space over 27 floors, 63 apartments, four duplexes and two penthouses.

Under study at Beirut Municipality is Bay Tower on the adjacent lot 1422, with the same developer and designers, offering 26,000 sq m of floor space over 30 floors, 92 flats in total. Three projects are under design: La Residence by Ivana Trump, designed on lot 1396 by Valode et Parle (France) with 26,022 sq m of floor space; DIB Tower and Town Tower on lots 1494 and 1399, both designed by Michael Graves (US) and Ayman Sanioura and offering each 24,300 sq m of floor space.

Four other luxury residential developments, two international hotels and two office buildings are in progress within walking distance from Bay Tower. Under construction is Garden View on lot 1369, designed by Nabil Gholam and offering 13,985 sq m of floor space over 11 floors, 34 flats in total. Under study at Beirut Municipality: Grand Hyatt Hotel on lot 111, designed by Michael Graves and Dar Al-Handasah, with 26,637 sq m of floor space over 17 floors, 286 rooms and suites in total; Capital Plaza residential building on lot 1464, designed by Machado & Silvetti Associates (US) and Nabil Azar, with 14,038 sq m of floor space over 12 floors, 36 flats in total.

Under design: Rotana Hotel, designed by Architecture Studio (France) on lot 1369, with 21,155 sq m of floor space; Stratum residential and furnished apartments building, designed by Kevin Dash and R & K Consultants on lot 1364 with 11,200 sq m of floor space; and Cicbo Engineering residential building, designed by Joe Geitani on lot 1488 with 4,127 sq m of floor space. Architects not assigned yet for the following two developments: Trust Construction residential building on lot 1358, with 17,800 sq m of floor space; and Mika Real Estate office building on lots 1363 and 1487, with 19,697 sq m of floor space.

Solidere Management Services
A number of developers’ residential projects in Wadi Abou Jamil, cadastral zone Mina El Hosn, are managed by Solidere Management Services (SMS), a subsidiary of Solidere. In addition to construction management, SMS provides a broad scope of services associated with real estate development: program definition, marketing, design control, client representation, financial management, sales and post-construction operation and maintenance.

Shoring and excavation works have already started on six projects while they are under study at Beirut Municipality. Beirut Village, designed by Giancarlo De Carlo & Associates (Italy) on lot 1370, offers 12,000 sq m of floor space over three buildings of six floors each, with 38 flats in total, set around a private garden facing the Wadi Abou Jamil public garden.

The DBA 1, DBA 2, DBA 3 cluster on lots 1365, 1439 and 1395, designed by Porphyrios Associates, respectively have floor areas of 4,419 sq m, 4,520 sq m and 3,584 sq m over seven floors, 25 flats in total, with ground floors dedicated for retail use. New Zone Real Estate and The School Real Estate, both designed by Tripod Architecture on lots 1477 and 1380, each offer 3,617 sq m of floor space over nine floors, 13 flats in total, and 2,300 sq m of floor space over five floors, four flats in total.

Still under design: Beirut Village Two, designed by Giancarlo De Carlo & Associates on lot 1379, to offer 15,260 sq m of floor space over four buildings of six floors, 49 flats in total, aligned along the streets and arranged around an interior space divided into one common and several private gardens; Property 709 Mina, designed by Antoine Skaf on lot 709, to offer 1,883 sq m of floor space over seven floors, seven apartments and one duplex in total.

In the Serail corridor, on lot 1333 Mina El Hosn, Park Ventura is under design by Donald Rates from LAB Architecture Studio and Associated Engineers Company s.a.r.l. (AEC), with 6,164 sq m of floor space.
1. Axel Schultes Canadian Bank headquarters, lot 1524 Bachoura Al Mawared Bank headquarters, lot 1383 Mina El Hosn
2. Al Mawared Al Mawared and Saifi Square
3. Architectural Design
4. Marfa 94 residential building, lot 1538 Marfa
5. Cibco and Media Fan residential buildings, lots 1488 and 1347 Mina El Hosn
6. Architectural Design
7. Architectural Design
The School Real Estate and New Zone Real Estate residential buildings, lots 1360 and 1457 Mina El Hosn. 7 Tripled Architecture. The School Real Estate residential buildings, lots 1360 and 1457 Mina El Hosn. 7 Tripled Architecture. The School Real Estate residential buildings, lots 1360 and 1457 Mina El Hosn. 6 Kevin Dash / R + R Consultants. Stratum residential and furnished apartment building and Mina Two mixed use building, lots 1364 and 2 Mina El Hosn. 5 Mobii Aser. Mena residential building, lot 146 Mina El Hosn. 4 Agence d’Architecture Antoine Bechu / Mobii Studio. Wadi Hills residential complex, lot 1380 Mina El Hosn.
Bakır Gate
Architectonica lots 1525, 1542 and 1544
Bachoura & Erga Group lot 901 Bachoura
Nabil Gholam lot 1523 Bachoura
The strategy to reduce borrowing levels by accelerating bank loan repayments was again pursued in the last year, utilizing growing levels of liquidity generated from land sales. Consequently, the bank debt level was substantially reduced, from US$129.4 million in 2005 to US$27.1 million in 2006, representing 1.53% in debt to equity ratio.

In 2006, the Company pursued the practice of resorting to flexible short-term credit arrangements, mainly temporary overdrafts at competitive interest rates.

The two locally syndicated corporate loans, US$100 million each, were fully repaid by end March 2006.

Solidere continued repayment on the US$107.3 million, ten-year marine works COFACE guaranteed loan, concluded in 1996 with BNP Paribas and Banque Indo-Suez. Half-yearly payments of US$7.7 million in principal repayment and interest at 7.39% per annum had started in 2001. The outstanding balance at end 2006 was US$15.3 million with the last repayment due in August 2007. The loan collateral was reduced to US$15.2 million in 2006.

The Company continued repayment in 2006 of the three loans used to finance land reclamation works: the US$22 million locally syndicated loan and the two parallel facilities from Citibank N.A. totaling US$24.7 million (US$14.7 million in export credit financing with guarantee from the US Export-Import Bank, and US$10 million as local facility from Citibank Beirut).

The 2001 five-year interest swap agreement with Citibank on a notional amount of US$100 million, as a hedge against possible LIBOR rate increases, matured in 2006, and all relevant amounts were fully settled.

During 2006, the Company pursued its implementation of the share buyback program, which was launched early in the year, targeting to acquire A and B shares equivalent to up to 10% of the issued capital. These shares were subsequently intended to be retired, thus reducing capital accordingly. At end 2006, the treasury stock portfolio amounted to 9.6 million shares with a total book value of US$162 million.
Shares A and B both closed the year at US$16, representing an 11% decrease from the previous year closing. The GDRs, which are traded in the London Stock Exchange, also moved down, closing the year at US$16.13, a 5.14% decrease from the previous year.

Both shares fluctuated during the year between a high of US$26 and a low of US$15. A total of around 56 million shares changed hands, for a cumulative value of US$1.2 billion. This represents around 34% of the Company capital changing hands. The average daily trade was around 234,000 shares worth US$5 million. The average price for the year was consequently about US$21.47, representing a 45.69% increase from the previous year.

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Analysis of Share Prices
Solidere shares started the year on a positive note. News about major land sales early in 2006 triggered a buying spree that pushed both classes of shares to new highs on heavy volume. A period of relative stability followed, where the shares traded sideways around the low twenties level.

The year looked very promising for the country and the Company. The outbreak of hostilities against Lebanon in July, with resulting casualties and destruction of infrastructure and civilian houses, took everyone by surprise. Listed Lebanese shares were hammered in local and international markets, and local exchange authorities had to take drastic measures to calm the markets, including a full closure of the Beirut Stock Exchange for about two weeks.

The Company was spared the destruction that touched many areas in the country. When the market reopened beginning August, after the cessation of hostilities, Solidere shares found a strong base around the US$15.5 level, then recouped some of their lost territory, pushing up back to the US$19 level by end August. Trading activity remained subdued during the last quarter, as political instability around year end, and the sit-in from mid December in some public spaces of the city center, affected investors’ mood. Trading volumes retreated along with prices, erasing earlier gains in the year. Political turmoil continued to affect the country during the first quarter of 2007. But as far as Solidere, strong fundamentals and international expansion helped appease investor’s fears, and the shares found a strong support around the US$16 level.
Dividend Distribution
The annual general meeting of shareholders held in June 2006 confirmed the recommendation of the Board of Directors to distribute almost all of the 2005 net profits. This was translated into a dividend of US$0.60 (US$0.57 after deducting the compulsory 5% tax on profit distributions) per share held, as per the shareholders’ register at the general meeting date. The total dividends amounted to US$99 million. The distribution to holders of less than 10,000 shares started on August 21, instead of August 15, the delay being due to the war disruption. The distribution to holders of 10,000 shares or more started on September 11. The payment was effected either by check at the Solidere headquarters, or by bank transfer upon request for foreign institutional shareholders or those established abroad. By year end, US$73 million of these dividends had been distributed.

Research and Investor Relations
The Company pursued its investor relations efforts in 2006, participating in several financial, investment, business and real estate conferences.

An investor roadshow organized by EFG Hermes in the US, the UK and the Gulf on January 23-28, had as its purpose a secondary offering of Solidere shares contributed by existing shareholders, to enhance liquidity in the share on the Beirut stock market. Several one-on-one meetings were held to that effect with Arab investors and financial institutions, as well as international fund managers and analysts. The Company’s progress, performance and future plans were presented at the roadshow. The secondary offering of 4,150,000 Solidere shares for a US$94 million value was more than four times oversubscribed.

Solidere was also invited to a series of international investor conferences held in Los Angeles, New York, London and Egypt. Presentations were made to a large number of international investors and investment funds, many of which are already Solidere shareholders.

Solidere also attended the EFG Hermes conference held in Sharm Al Sheikh March 5-8. The conference gathered a large number of regional companies, fund managers, international, regional and Gulf investors. Presentations on Solidere’s fundamentals and strategies that led to the success of Beirut city center, were made at the Arab Economic Forum, held in Muscat May 12; the Business Opportunities conference in Lebanon Year IV, June 22; the Fleming Gulf conference on Real Estate Investments in the Middle East Forum, held in Beirut June 26; and the Lebanon Opportunities conference on Back-in-business, Success under duress, held on November 9.

Financial research in 2006 was maintained by EFG Hermes, Bank Audi and Merrill Lynch. The Company continued to receive at its premises numerous visitors with diverse profiles.
Management Systems and Studies

Solidere has completed a major upgrade on all its servers to adopt Blade Technology. In addition, it has upgraded its operating system, including the addition of new mailing and collaboration features. An Enterprise Agreement with Microsoft was signed with the objective to improve collaboration and control measures, and enhance management. A pilot project has been started, to implement enterprise level project management with extranet capabilities that will ease the management of and control over the external projects, and maximize the collaboration base for Solidere teams.

A new, modern CRM (Customer Relationship Management) system is being introduced, aiming to unify Solidere’s contacts from different perspectives into one repository, allowing the exchange of contacts information across different levels within the Company.

In acknowledgment for its outstanding application of GIS technology, Solidere was awarded the ‘Special Achievement in GIS 2007’ Award by ESRI, world leader in GIS software and applications.

Urban and Strategic Studies

Land use strategy As institutional investors began to make acquisitions in the city center, Solidere took a more proactive role in guiding the land use mix within development projects. A successful example is the high density block 118 at the northeast corner of the Martyrs’ Square axis, where residential, hotel, office and retail will combine to form a mixed-use destination in the Phoenician Village project. Through a series of workshops with real estate consultants RAMCO, Solidere also developed a strategy for promoting Beirut city center and particularly the new waterfront district as an international corporate office location. Work began with the Ministry of Finance on a package of incentives for a ‘special business district’, and an office marketing campaign was launched. Finally, with cultural consultants Gaia Heritage, Solidere developed a cultural strategy focused on the Martyrs’ Square axis.

Transportation strategy A 5-year parking strategy was completed by local transportation consultants SITRAM, to resolve parking shortfalls arising from the sale of land previously allocated to temporary parking. This is now satisfied by new parking provision on the reclaimed area, connected to the historic and business center by shuttle bus service. The study indicated the need for implementation of the Martyrs’ Square car park by 2009. A parking meter study was carried out in coordination with the Municipality, identifying demand and allocating specific streets. Meters have now been installed.

The need for implementing a public transport strategy was brought into focus in the detailed design of the Martyrs’ Square corridor. As required in their project brief, the Greek consultant team included transport planners, and the scheme design features a dedicated public transport right-of-way on the west side of Martyrs’ Square continuing southwards through the Beirut Gate development. Increases in density in the new waterfront district also indicate the necessity for mass transit. In particular, it will not be possible to service the new concentration of employment uses in the ‘special business district’ without tram, light rail or bus rapid transit into the city center. A proposal was received from the Greek consultants to work in association with SITRAM on such a study, long programmed for Beirut city center within its city-wide context.

Land development strategy Having submitted a Master Plan amendment for the new waterfront district, Solidere began preparations for launching infrastructure contracts for the reclaimed area. A proposal was received from ARUP (UK) to undertake an infrastructure audit, designed to modernize infrastructure provisions on the new lands and precede the work of Laceco on their detailed design.

Project definition and development studies An in-house study was carried out to formulate a mixed-use residential, hotel, office and retail destination on block 21 in the hotel district. Following the development of a new office strategy and marketing campaign, architects were selected to undertake the design of three new office buildings: Vincent van Duysen (Belgium), 3XN (Denmark) and Mario Botta (Switzerland). The concept design was completed by Vincent Van Duysen for a building in lot 1493 Mina El Hosn.
The Chairman and General Manager is actively involved in the running of the Company and acts as the CEO.

The General Manager coordinates the daily activities of the Company and acts simultaneously as CFO.

The Deputy General Manager for Business Development, Sales and Marketing is the head of the Sales and Marketing Division.

The Deputy General Manager for Operations is the head of the Land, Real Estate Development, Operations & Maintenance Division.

The Head of the Legal Division acts as the General Counsel for General Management.
Independent Auditors’ Report

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 financial statements of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l., which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management and Directors’ Responsibility for the Financial Statements
Management and Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility
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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l. as of December 31, 2006, and of its consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 30, 2007
Deloitte & Touche

Ernst & Young
## Consolidated Balance Sheet

<table>
<thead>
<tr>
<th>Notes</th>
<th>December 31, 2006</th>
<th>US$</th>
<th>December 31, 2005</th>
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<td>Cash and bank balances</td>
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<td>Inventory of land and projects in progress</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdrafts</td>
<td>5</td>
<td>48,362,001</td>
<td>10,020,182</td>
<td></td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>14</td>
<td>83,323,709</td>
<td>73,312,685</td>
<td></td>
</tr>
<tr>
<td>Dividends payable</td>
<td>13</td>
<td>30,877,712</td>
<td>10,266,707</td>
<td></td>
</tr>
<tr>
<td>Deferred revenues and other credit balances</td>
<td>14</td>
<td>168,305,793</td>
<td>55,099,426</td>
<td></td>
</tr>
<tr>
<td>Deferred credits</td>
<td>15</td>
<td>3,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans from banks and financial institutions</td>
<td>16</td>
<td>27,062,700</td>
<td>129,399,059</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>367,931,915</td>
<td>281,998,059</td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital at par value US$10 per share:</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100,000,000 class (A) shares</td>
<td>1,000,000,000</td>
<td>1,000,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>65,000,000 class (B) shares</td>
<td>650,000,000</td>
<td>650,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal reserve</td>
<td>18</td>
<td>59,935,830</td>
<td>46,717,354</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>19</td>
<td>90,736,571</td>
<td>87,892,299</td>
<td></td>
</tr>
<tr>
<td>Cumulative changes in fair value of interest rate swap agreement</td>
<td>12</td>
<td>-</td>
<td>(861,982)</td>
<td></td>
</tr>
<tr>
<td>Cumulative changes in fair value of available-for-sale securities</td>
<td>8</td>
<td>38,760</td>
<td>(233,180)</td>
<td></td>
</tr>
<tr>
<td>Surplus on sale of treasury shares</td>
<td>15</td>
<td>11,653,751</td>
<td>2,526,180</td>
<td></td>
</tr>
<tr>
<td>Income for the year less legal reserve</td>
<td>13 &amp; 19</td>
<td>118,948,473</td>
<td>97,675,378</td>
<td></td>
</tr>
<tr>
<td>Less: Treasury shares</td>
<td>12</td>
<td>(162,663,803)</td>
<td>(38,540,193)</td>
<td></td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td></td>
<td>1,768,649,582</td>
<td>1,845,157,856</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Equity</strong></td>
<td></td>
<td>2,126,581,497</td>
<td>2,127,155,915</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.

## Consolidated Income Statement

<table>
<thead>
<tr>
<th>Notes</th>
<th>December 31, 2006</th>
<th>US$</th>
<th>December 31, 2005</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues from land and real estate sales</strong></td>
<td></td>
<td>253,344,014</td>
<td>235,256,243</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues from rented properties</strong></td>
<td></td>
<td>20,719,461</td>
<td>20,793,378</td>
<td></td>
</tr>
<tr>
<td><strong>Revenues from project management and consulting services</strong></td>
<td></td>
<td>2,066,977</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Cost of land and real estate sales</strong></td>
<td></td>
<td>(107,378,218)</td>
<td>(107,378,218)</td>
<td></td>
</tr>
<tr>
<td><strong>Charges on rented properties</strong></td>
<td>20</td>
<td>(6,457,583)</td>
<td>(6,479,558)</td>
<td></td>
</tr>
<tr>
<td><strong>Cost related to project management and consulting services</strong></td>
<td></td>
<td>(1,831,969)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Gain on sale of investment properties</strong></td>
<td>10</td>
<td>264,974</td>
<td>297,436</td>
<td></td>
</tr>
<tr>
<td><strong>Net revenues from operations</strong></td>
<td></td>
<td>153,521,466</td>
<td>142,489,281</td>
<td></td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>21</td>
<td>(14,304,800)</td>
<td>(11,493,031)</td>
<td></td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>11</td>
<td>(1,699,106)</td>
<td>(1,432,625)</td>
<td></td>
</tr>
<tr>
<td><strong>Provision against land development cost</strong></td>
<td>9</td>
<td>(3,036,061)</td>
<td>(1,685,783)</td>
<td></td>
</tr>
<tr>
<td><strong>Other taxes</strong></td>
<td>12</td>
<td>(1,319,859)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Provision for doubtful receivables and write-offs</strong></td>
<td>6 &amp; 7</td>
<td>-</td>
<td>(298,693)</td>
<td></td>
</tr>
<tr>
<td><strong>Interest income</strong></td>
<td>22</td>
<td>27,211,687</td>
<td>15,614,324</td>
<td></td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td>(7,173,307)</td>
<td>(17,490,405)</td>
<td></td>
</tr>
<tr>
<td><strong>Income for the year before income tax</strong></td>
<td></td>
<td>118,948,473</td>
<td>97,675,378</td>
<td></td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>12</td>
<td>(21,033,071)</td>
<td>(17,174,870)</td>
<td></td>
</tr>
<tr>
<td><strong>Income for the year</strong></td>
<td></td>
<td>118,948,473</td>
<td>97,675,378</td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes form an integral part of these consolidated financial statements.
Consolidated Cash Flow Statement

December 31,

<table>
<thead>
<tr>
<th>Notes</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD</td>
<td>USD</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income for the year before income tax</td>
<td>153,200,020</td>
<td>125,703,068</td>
</tr>
<tr>
<td>Adjustments to reconcile income to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of investment properties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for doubtful receivables and write offs</td>
<td>298,693</td>
<td>297,436</td>
</tr>
<tr>
<td>Sale transactions against acquisition of treasury shares</td>
<td>6,360,898</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in fair value of interest rate swap agreement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepayments and other debit balances</td>
<td>5,660,430</td>
<td>(5,547,336)</td>
</tr>
<tr>
<td>Accounts and notes receivable</td>
<td>(76,482,211)</td>
<td>(62,864,840)</td>
</tr>
<tr>
<td>Inventory of land and projects in progress</td>
<td>70,497,438</td>
<td>74,485,876</td>
</tr>
<tr>
<td>Accounts payable and other liabilities</td>
<td>4,166,342</td>
<td>(27,044,859)</td>
</tr>
<tr>
<td>Deferred revenues and other credit balances</td>
<td>131,206,367</td>
<td>(6,484,555)</td>
</tr>
<tr>
<td>Interest received</td>
<td>18,877,780</td>
<td>9,552,249</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(17,159,028)</td>
<td>(10,122,897)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>259,071,203</td>
<td>112,019,361</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledged term deposits with banks</td>
<td>3,865,440</td>
<td>1,761,710</td>
</tr>
<tr>
<td>Investment securities</td>
<td>2,188,697</td>
<td>(6,202,863)</td>
</tr>
<tr>
<td>Receivable from recuperated properties</td>
<td>413,000</td>
<td>981,303</td>
</tr>
<tr>
<td>Acquisition of investment properties</td>
<td>487,206</td>
<td>(827,750)</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td>960,446</td>
<td>1,098,486</td>
</tr>
<tr>
<td>Proceeds from sale of investment properties</td>
<td>(2,426,067)</td>
<td>(1,757,748)</td>
</tr>
<tr>
<td>Acquisition of fixed assets</td>
<td>861,982</td>
<td>(2,508,180)</td>
</tr>
<tr>
<td>Net cash provided by/(used in) investing activities</td>
<td>3,634,310</td>
<td>4,719,220</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank loans (settlement)</td>
<td>(102,336,359)</td>
<td>(104,651,718)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(74,220,101)</td>
<td>(963,659)</td>
</tr>
<tr>
<td>Deferred credits</td>
<td></td>
<td>(13,000,000)</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(136,234,710)</td>
<td>4,786,651</td>
</tr>
<tr>
<td>Proceeds from sales of treasury shares</td>
<td>17,114,145</td>
<td>20,600,000</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(28,202)</td>
<td>(124,123,610)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(302,514,836)</td>
<td>(109,360,532)</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at December 31, 2004</td>
<td>34,933,962</td>
<td>34,933,962</td>
</tr>
<tr>
<td>Dividends declared and paid</td>
<td>72,029,543</td>
<td>72,029,543</td>
</tr>
</tbody>
</table>

the accompanying notes form an integral part of these consolidated financial statements
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. 2637 dated July 22, 1992.

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

An extraordinary general assembly dated November 13, 2006 resolved to amend the objective of the Company to include providing services and consultancy in real estate development for projects outside the BCD area and all over the world.

The Company, based on law No.117/91 mentioned above, was exempt from income tax for a period of ten years beginning the date of formation. As such beginning May 10, 2004, the Company became subject to income tax.

The Company’s shares are listed on the Beirut stock exchange and Global Depository Receipts (GDR) are listed on the London stock exchange. Furthermore, the Company’s shares were listed on the Kuwait stock exchange during the year 2005.

2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements of Solidere include the financial statements of the Company and related companies that have been consolidated, as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Ownership share</th>
<th>Date of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beirut waterfront development s.a.l. (joint venture)</td>
<td>50</td>
<td>April 2004</td>
</tr>
<tr>
<td>(Proportionate consolidation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beirut real estate management and Services s.a.l. (joint venture)</td>
<td>45</td>
<td>September 2005</td>
</tr>
<tr>
<td>(Proportionate consolidation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solidere management services s.a.l.</td>
<td>100</td>
<td>June 2006</td>
</tr>
<tr>
<td>Beirut real estate management and Services (offshore) s.a.l. (joint venture), (proportionate consolidation)</td>
<td>50</td>
<td>December 2006</td>
</tr>
</tbody>
</table>

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of available-for-sale financial assets and derivatives, as applicable.

The significant accounting policies are set here below:

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 functional and presentation currency is 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. Monetary 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 period. The resulting exchange gain or loss which is not material is reflected in the income statement.

c. Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset and any impairment loss are determined based on the present value of expected future cash flows. Impairment losses are recognized in the income statement.

d. 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 discounted at original effective interest rates, is included in the income statement. The carrying amount of the asset is adjusted through the use of an allowance account.

e. Investment securities

All investment securities are initially recognized and derecognized at a trade date basis, where the sale and purchase of an investment is under a contract whose term require delivery of the investment within the timeframe established by the market concerned.

Investment securities are initially recognized at fair value at acquisition date, net of transaction costs, directly attributable to the purchase.

f. Offsetting

Offsetting refers to legally enforceable right to set-off the recognized amounts and balances 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.

The fair value of transactions that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, discounted cash flow analysis and other pricing models.

f. Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and balances.
Undertake an economic activity that is subject to joint control.

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, which were partially allocated to properties held for development and sales.

Investment properties
Investment properties which represent rented and vacant available for rent properties are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is computed using the straight-line method over the estimated useful lives of the properties, excluding the cost of land, based on the following annual rates:

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

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

Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognized in the income statement as the expense is incurred.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencing of an operating lease to another party or completion of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Interest in a joint venture
The Company has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Company recognizes its share in joint ventures by using the proportionate consolidation method.

The Company consolidates its share in assets, liabilities, revenues and expenses with related captions in the consolidated financial statements. Financial statements of joint ventures are prepared for the same fiscal year, using the same accounting policies.

When the Company contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognized based on the substance of the transaction. When the Company sells assets to the joint venture, the Company does not recognize its share of the profits from the transaction until the joint venture resells the assets to an independent party. The joint venture is proportionately consolidated until the date on which the Company ceases to have joint control over the joint venture.

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

- Buildings: 2%
- Furniture and fixtures: 2%
- Equipment: 9%
- Plant: 10%
- Machinery and equipment: 15%-20%

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

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of fixed assets. All other expenditure is recognized in the income statement as the expense is incurred.

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Expenditure incurred to replace a component of an item of investment properties that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of investment properties. All other expenditure is recognized in the income statement as the expense is incurred.

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

- A sale is consummated and contracts are signed.
- The buyer’s initial (in principle over 25% of sales price) and continuing investments are adequate to demonstrate a commitment to pay for the property.
- The Company’s receivable is not subject to future subordination.
- The Company has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and the Company does not have a substantial continuing involvement with the property.

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

Financial assets (including treasury shares) received in return for the sale of land and real estate are valued at fair market value.

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

Interest income is recognized as interest accrues using the effective interest method, by reference to the principal outstanding and the applicable interest rate.

Revenue from rendering of services is recognized when the outcome of the transaction can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

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.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to substance of the contractual arrangements entered into. Treasury shares sold where the buyer has the option to put back to the Company are treated as deferred credits. The difference between the original sales proceeds and option strike price is treated as interest which is accrued using the effective interest rate method.

Deferred tax
Deferred income tax is provided, using the liability method, on all temporary differences between the carrying amounts of the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the
asset is realized or the liability is settled, based on laws that have been enacted at the balance sheet date.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Taxes payable on unrealized revenues are deferred until the revenue is realized.

Current tax and deferred tax relating to items that are credited or charged directly to equity are recognized directly in equity.

Value added tax (VAT) Revenues, expenses and assets are recognized net of the amount of VAT except:

Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxing authority is included as part of receivables or payables in the balance sheet.

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

e. Employees’ end-of-service benefits
The Company provides end-of-service benefits to its employees. The entitlement to these benefits is based upon the employees’ final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

3. Adoption of new and revised international financial reporting standards
The Company has not adopted the following standards which were either issued but not yet effective or in process of being issued:

IFRS 7, Financial instruments: disclosures
IFRS 7 will become effective from January 1, 2007 and will require additional disclosures with respect to financial instruments and related risks.
enended December 31, 2006, the Company liquidated these subsidiaries.

e. Other debit balances include an amount of US$2,358,000 as of December 31, 2006 (US$2,358,000 as of December 31, 2005) representing a claim receivable in connection with an arbitration regarding a dispute with one of the Company’s contractors as explained under Note 26 (j).

During the year 2006, the Company did not write-off any debit balances (US$159,033 were written off during the year 2005).

7. Accounts and notes receivable, net

Accounts and notes receivable are composed of the following:

<table>
<thead>
<tr>
<th>Date</th>
<th>2006</th>
<th>2005</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes receivable</td>
<td>342,970,140</td>
<td>282,568,976</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>63,709,387</td>
<td>56,745,407</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables from tenants</td>
<td>5,945,936</td>
<td>5,936,288</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest receivable on discounted notes</td>
<td>825,954</td>
<td>883,946</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less: unearned interest</td>
<td>(64,157,547)</td>
<td>(34,963,059)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>351,320</td>
<td>351,320</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Date</th>
<th>2006</th>
<th>2005</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>351,320</td>
<td>351,320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
<td>200,660</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-back of provision</td>
<td>-</td>
<td>(61,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>(10,272)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>351,320</td>
<td>351,320</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company’s credit risk exposure is spread over 107 counter-parties; 6 customers constitute the remaining 50% as of December 31, 2006 (as of December 31, 2005, 109 counterparties; 6 customers constitute 48% of the total exposure and 101 customers constitute the remaining 52%).

Notes receivable, which resulted mainly from sales (and recuperations in previous years), carry the following maturities:

<table>
<thead>
<tr>
<th>Date</th>
<th>2006</th>
<th>2005</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doubtful balances</td>
<td>365,935</td>
<td>365,935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overdue</td>
<td>878,141</td>
<td>4,247,835</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td></td>
<td>-</td>
<td>83,025,595</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>180,001,959</td>
<td>79,029,306</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>60,421,467</td>
<td>16,745,407</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>51,433,966</td>
<td>33,925,664</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>39,026,350</td>
<td>23,299,352</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011 and thereafter</td>
<td>19,910,033</td>
<td>15,423,636</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes receivable</td>
<td>342,970,140</td>
<td>282,568,976</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The average yield on accounts and notes receivable was 7.12% as of December 31, 2006 (5% as of December 31, 2005).

In previous years, provision for problematic receivables has been established to meet probable defaults of certain clients whose notes receivable aggregate to US$365,935 as of December 31, 2006 (US$365,935 as of December 31, 2005).

8. Investment securities

During 2005 and 2006, the Company purchased several investments in capital guaranteed structured products, issued by foreign financial institutions, whereby a considerable part of the price was financed by a loan from the issuing foreign bank. The financial assets and the financial liabilities resulting from these transactions are offset and the net amount is reported in the balance sheet since the Company has a legally enforceable right of set-off and the Company intends to settle them on a net basis at maturity. Coupon rates depend on certain conditions being satisfied which vary depending on the instrument, but mainly are related to the libor rate. The average yield on these investment securities amounted to 6.12% in 2006 (5.5% during year 2005).

The details of the above investments are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>2006</th>
<th>2005</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Investment securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total investments in securities</td>
<td>8,565,073</td>
<td>9,579,440</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add/(less) change in fair value of available-for-sale investments</td>
<td>-992,773</td>
<td>-934,340</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
9. Inventory of land and projects in progress

Inventories of land and projects in progress consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and land development works, net (a)</td>
<td>1,270,422,013</td>
<td>1,361,823,140</td>
</tr>
<tr>
<td>Real estate development projects, net (b)</td>
<td>187,382,964</td>
<td>165,660,984</td>
</tr>
<tr>
<td></td>
<td>1,457,805,977</td>
<td>1,527,484,124</td>
</tr>
</tbody>
</table>

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

- Acquired properties (a.1) 959,007,210
- Pre-acquisition costs (a.2) 9,412,802
- Infrastructure costs (a.3) 628,602,792
- Eviction costs (a.4) 200,668,776
- Capitalized costs (a.5) 52,239,085

b. Real estate development projects include the following:

- Construction and rehabilitation 347,067,525
- Cost of land 77,328,934
- Cumulative costs 424,394,459

10. Investment properties, net

Investment properties are composed of the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>42,265,974</td>
<td>(53,131)</td>
<td></td>
<td>210,917</td>
<td>42,051,922</td>
</tr>
<tr>
<td>Buildings</td>
<td>123,923,863</td>
<td>268,977</td>
<td>53,135</td>
<td>(543,411)</td>
<td>123,702,656</td>
</tr>
<tr>
<td>Other assets</td>
<td>4,308,942</td>
<td>198,229</td>
<td></td>
<td></td>
<td>4,407,171</td>
</tr>
<tr>
<td></td>
<td>169,486,899</td>
<td>467,206</td>
<td></td>
<td>(784,328)</td>
<td>169,211,777</td>
</tr>
</tbody>
</table>

Accumulated Depreciation

- Buildings 13,539,952
- Other assets 2,992,065

Net book value 153,757,585

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

During the year ended December 31, 2006, the Company sold property having an aggregate net book value of USD 955,472 for total proceeds of USD 860,486 which resulted in a gain of USD 264,974 recorded in the income statement (net book value of USD 801,050, total proceeds of USD 1,098,486 and gain of USD 297,436 for the year ended December 31, 2005).

11. Fixed assets, net

Fixed assets are composed of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2005 US$</th>
<th>Additions US$</th>
<th>2006 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>5,085,192</td>
<td>-</td>
<td>5,085,192</td>
</tr>
<tr>
<td>Buildings</td>
<td>11,237,030</td>
<td>270,762</td>
<td>11,507,802</td>
</tr>
<tr>
<td>Marina</td>
<td>6,934,100</td>
<td>-</td>
<td>6,934,100</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>2,299,931</td>
<td>96,671</td>
<td>2,396,602</td>
</tr>
<tr>
<td>Freestall improvements</td>
<td>2,962,826</td>
<td>-</td>
<td>3,330,025</td>
</tr>
<tr>
<td>Plant</td>
<td>1,853,266</td>
<td>-</td>
<td>1,853,266</td>
</tr>
<tr>
<td>Machines and equipment</td>
<td>10,854,957</td>
<td>1,689,415</td>
<td>12,543,972</td>
</tr>
<tr>
<td></td>
<td>41,221,392</td>
<td>4,426,067</td>
<td>45,647,459</td>
</tr>
</tbody>
</table>

Accumulated Depreciation

- Buildings 1,569,910
- Marina 235,428
- Furniture and fixtures 1,739,886
- Freestall improvements 1,797,043
- Plant 1,111,731
- Machines and equipment 8,564,927

Net book value 26,206,813

The net book value of the investment properties is estimated by management at around USD 204,621 million based on current market prices (USD 248 million as of December 31, 2005). There has been no valuation of these properties by an independent valuer.

Depreciation for investment properties in the amount of USD 801,050 for the year 2006 (USD 2,954,447 for year 2005) is recorded under "changes on rentable properties" caption in the income statement.

The fair value of the investment properties is estimated by management at around USD 248 million based on current market prices (USD 248 million as of December 31, 2005).
The depreciation for the year ended December 31, 2006 was split between an allocation to inventory of land and projects in progress and a charge to the income statement of US$818,291 and US$1,699,106, respectively (US$759,076 and US$1,432,625 respectively, for the year ended December 31, 2005).

12. Accounts payable and other liabilities

Accounts payable and other liabilities consist of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>2005</td>
</tr>
<tr>
<td></td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Accounts payable (a)</td>
<td>39,433,181</td>
<td>34,286,962</td>
</tr>
<tr>
<td>Accrued charges and other credit balances (b)</td>
<td>14,332,919</td>
<td>11,509,574</td>
</tr>
<tr>
<td>Taxes payable (c)</td>
<td>24,311,807</td>
<td>20,496,564</td>
</tr>
<tr>
<td>Provision for end-of-service indemnity and other charges (d)</td>
<td>4,465,239</td>
<td>3,658,217</td>
</tr>
<tr>
<td>Liability under interest rate swap agreement (e)</td>
<td>996,790</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liability - note 8</td>
<td>6,840</td>
<td></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>775,703</td>
<td>2,362,556</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,323,769</strong></td>
<td><strong>37,312,685</strong></td>
</tr>
</tbody>
</table>

(a) Accounts payable as of December 31, 2006 and 2005 include balances in the aggregate amount of US$13.8 million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 26(f).

(b) Accrued charges and other credit balances as of December 31, 2006 and 2005 include an amount of US$8.6 million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. The Company recognized a liability against the cash proceeds since the movement of provision for end-of-service indemnity and other charges is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Accrued income tax</td>
<td>21,188,095</td>
<td>17,174,670</td>
</tr>
<tr>
<td>VAT payable</td>
<td>2,872,818</td>
<td></td>
</tr>
<tr>
<td>Taxes withheld</td>
<td>903,182</td>
<td>412,414</td>
</tr>
<tr>
<td>Property tax payable</td>
<td>2,161,570</td>
<td>2,036,462</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>24,311,807</strong></td>
<td><strong>20,496,564</strong></td>
</tr>
</tbody>
</table>

The accrued income tax for year 2006 and 2005 was estimated as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>21,188,095</td>
<td>17,174,670</td>
</tr>
<tr>
<td>2005</td>
<td>14,332,919</td>
<td>11,509,574</td>
</tr>
<tr>
<td>2006</td>
<td>24,311,807</td>
<td>20,496,564</td>
</tr>
</tbody>
</table>

The Company has provided for additional tax related to leases and contracted works under arbitration. The Company provided for additional tax related to year 2006 in the amount of US$31,299,859. The applicable tax rate is 15% according to the Lebanese tax laws. The tax returns for the years 2003, 2004 and 2005 are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

The applicable tax rate is 15% according to the Lebanese tax laws. The tax returns for the years 2003, 2004 and 2005 are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

The General Assembly of Shareholders in its meeting held on June 12, 2006 decided to distribute dividends at an average of 80 US cents for every share. Accordingly dividends payable in the amount of US$50.9 million were recorded after deducting dividends distribution tax in the amount of US$4.74 million. An amount of approximately US$73 million was settled up to December 31, 2006. The outstanding balance of unpaid dividends relates mostly to unclaimed dividends and dividends pertaining to undelivered class (A) shares.

The General Assembly of Shareholders in its meeting held on June 12, 2006 decided to distribute dividends at an average of 80 US cents for every share. Accordingly dividends payable in the amount of US$50.9 million were recorded after deducting dividends distribution tax in the amount of US$4.74 million. An amount of approximately US$73 million was settled up to December 31, 2006. The outstanding balance of unpaid dividends relates mostly to unclaimed dividends and dividends pertaining to undelivered class (A) shares.

The Company has entered into an interest rate swap agreement (e) to provide a cash flow hedge against upward movement of interest rates. The Company has entered into an interest rate swap agreement (e) to provide a cash flow hedge against upward movement of interest rates. The Company entered into an interest rate swap agreement and deferred tax in the amount of US$152,114 as of December 31, 2005.

Deferred credits represent put options on treasury shares which are classified as interest bearing liabilities.

(a) The Company sold on February 24, 2003, 600,000 shares (360,000 “A” shares and 240,000 “B” shares) from treasury shares with a sale back option for a total consideration of US$3.9 million 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.

The buyer did not exercise the option to sell back the shares during the specified period and, accordingly acquired the shares subject to the Company’s commitment to buy back these shares lapsed, the proceeds were reflected as deferred credits.

The company derecognized these treasury shares from its books against deferred credits in the amount of US$81,011,993 previously received, and accrued interest payable in the amount of US$11,164,989.

d. On June 3, 2005, the Company signed a contract with a third party for the manufacture of engineering and construction services for a sale back option, 2,000,000 shares from its portfolio for a total consideration of US$20,600,000 at US$10.3 per share. The sale back option can be exercised at a strike price of US$14.4 per share during the period ending December 14, 2007. The buyer did not abide with the related terms and conditions of the sale back option contract and as a result the Company derecognized both the liability and the treasury shares from its balance sheet. The gain on the sale of the treasury shares in the amount of US$2,886,800 was reflected net of tax in the amount of US$442,620 under “Surplus on sale of treasury shares” under equity.

16. Loans from banks and financial institutions

This caption consists of the following:

<table>
<thead>
<tr>
<th>Date</th>
<th>2006</th>
<th>2005</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Syndicated local bank loans</td>
<td>-</td>
<td>40,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local bank loan</td>
<td>-</td>
<td>40,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“cofax” guaranteed loan</td>
<td>15,537,428</td>
<td>30,854,407</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syndicated loan</td>
<td>-</td>
<td>2,314,821</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local bank loan</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan guaranteed by export - import bank of the united states</td>
<td>6,735,272</td>
<td>9,429,381</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37,062,700</td>
<td>129,399,059</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Maturities of the loans from banks and financial institutions are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>2006</th>
<th>2005</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31</td>
<td>82,336,358</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>20,021,537</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>4,694,109</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>2,347,064</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37,062,700</td>
<td>129,399,059</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Syndicated local bank loans

The Company entered on December 10, 2004 into a 3 year loan agreement with a syndicate of banks for an amount of US$60 million to reschedule an old loan in the amount of US$100 million. The loan is payable by 3 yearly instalments of US$20 million on December 20, of each year. This loan is subject to an annual interest rate of 12 months Libor + 2.75% payable yearly.

The Company settled the above loan on March 31, 2006.

Local bank loan

The Company entered on December 20, 2004 into an 18 months loan agreement with a local bank for an amount of US$60 million payable through 6 quarterly instalments in the amount of US$10 million each, starting July 2, 2005. This loan is subject to an annual interest rate of 3 months Libor + 2.5%, payable quarterly upon the maturity of the installments. The total amount of this loan was withdrawn on April 21, 2005.

The Company settled the above loan on February 28, 2006.

“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$107.3 million of which US$10.7 million was drawn and which, which was fully drawn, is scheduled for settlement starting February 2001 through 14 semi annual payments in the amount of US$7.66 million each. The loan is subject to an interest rate of 7.39% per annum payable semi annually starting August 1998. The Company withdrew the total amount of the loan, and total settlements up to December 31, 2006 amounted to US$91.98 million (US$76.66 million up to December 31, 2005 and US$15.32 million up to December 31, 2006). The loan is guaranteed by the Export-Import Bank of the United States and is scheduled for settlement over a period of 10 years.

The Company is required to maintain a debt to equity ratio of no more than 20% and to maintain a minimum balance of US$35.6 million of cash and cash equivalents (as defined by the lending bank).

The Company is required to maintain a debt to equity ratio of no more than 20% and to maintain a minimum balance of US$35.6 million of cash and cash equivalents (as defined by the lending bank).

For the purpose of partially financing the sea front defense project with a total cost in the amount of approximately US$53 million. 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$100 million. The period in which this loan could be withdrawn ended on December 29, 2002. Total withdrawals up to December 31, 2005 and 2006 amounted to US$4 and US$22 million respectively. This loan was paid by 10 equal semi-annual installments, the first of which shall be due and payable on October 25, 2004. An instalment of US$37.7 million was made during 2006 in addition to installments amounting to US$41.5 million during 2004 and 2005 and thus the balance of the loan decreased to US$73.6 million as of December 31, 2006. This loan is subject to an interest rate of 2.5% per annum above Libor. According to the terms of the loan, the Company is required to maintain a debt to equity ratio not greater than 20% and to maintain a minimum balance of US$35.6 million of cash and cash equivalents (as defined by the lending bank).
18. Legal Reserve
In conformity with the Company’s articles of incorporation and the Lebanese Code of Commerce, 10 % of annual net income is required to be transferred to legal reserve until this reserve equals one third of capital. This reserve is not available for dividend distribution.

19. Treasury Shares
This caption includes 9,533,318 shares class (A) and (B) as of December 31, 2006 (4,342,000 shares as of December 31, 2005, of which 600,000 shares are subject to an option).

The treasury shares outstanding as of December 31, 2006 and December 31, 2005 were stated at the weighted average cost.

According to its 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.

As of December 31, 2006, this caption includes 3,685,000 shares that were acquired from sale of properties (3,685,000 shares as of December 31, 2005). This caption also includes 600,000 shares as of December 31, 2005 that are subject to a sale back option. The buyer did not exercise the option to sell back the shares during the specified period, therefore, the buyer retained the shares during the first quarter of year 2006 (Note 15).

20. Charges on rented properties
Charges on rented properties includes the following:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expenses</td>
<td>2,877,906</td>
<td>2,517,387</td>
</tr>
<tr>
<td>Property taxes</td>
<td>2,165,750</td>
<td>2,038,462</td>
</tr>
<tr>
<td>Maintenance and other related expenses, net</td>
<td>1,413,927</td>
<td>1,496,649</td>
</tr>
<tr>
<td></td>
<td>6,497,583</td>
<td>6,473,558</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation expenses</td>
<td>2,877,906</td>
<td>2,517,387</td>
</tr>
<tr>
<td>Non-cash transfer of shares against recuperated properties</td>
<td>62,701</td>
<td>162,300</td>
</tr>
<tr>
<td>Decrease in receivables from recuperated properties</td>
<td>(300,299)</td>
<td>(816,700)</td>
</tr>
<tr>
<td></td>
<td>(413,000)</td>
<td>(799,003)</td>
</tr>
</tbody>
</table>

b. Depreciation was applied as follows:

<table>
<thead>
<tr>
<th>Year ended December 31,</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of fixed assets - note 10</td>
<td>2,517,387</td>
<td>2,191,756</td>
</tr>
<tr>
<td>Depreciation of investment properties - note 10</td>
<td>2,877,906</td>
<td>2,954,446</td>
</tr>
<tr>
<td>Less:Depreciation allocated to inventory of land and projects in progress - note 9</td>
<td>(816,293)</td>
<td>(759,076)</td>
</tr>
<tr>
<td>Depreciation charge for the year</td>
<td>4,577,012</td>
<td>4,387,126</td>
</tr>
</tbody>
</table>

25. Related party transactions
These represent transactions with related parties, i.e. significant shareholders, directors and senior management of the Company, and companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company’s management.

Cash and bank balances include US$2,025,167 as of December 31, 2006 (US$139,692 as of December 31, 2005) representing current bank accounts with a local bank who is a significant minority shareholder of the Company.

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

Income arising and expenses incurred from the Company’s transactions with other related parties, other than those disclosed in the financial statements, do not form a significant portion of the Company’s operations.

General and administrative expenses include legal fees in the amount of US$150,000 for the year ended December 31, 2006 related to one of the firm’s legal counsels who is also a member in the Company’s board of directors (US$120,000 for the year ended December 31, 2005).

Total benefits paid to executives and members of the Board of Directors (including salary, bonus and other, included within general and administrative expenses, for the year ended December 31, 2006 amounted to US$2,021,521 (US$1,431,500 for the year ended December 31, 2005).

26. 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 291,800m2 of the restrained 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$2 billion. 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, 2006 amounted to approximately US$118.3 million (US$111.4 million as of December 31, 2005).

d. A lawsuit was raised in 1999 against the Company by the “CDR” claiming reimbursement of an amount of LL5.4 billion 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. No provision was set up against this claim since, 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.

The Company has submitted to the “CDR” claims aggregating US$13.6 million representing mainly change orders to the tender documents. No provision was set up against this claim since, on the basis of the advice received from the Company’s technical department, the directors are of the opinion that any negative outcome thereon, if any, would not have a material adverse effect on the financial condition of the Company.

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 thereon, if any, would not have a material adverse effect on the financial condition of the Company.

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 5,335m² (US$2,700,000) in the BCD area and to transfer the recuperated lot to another adjacent lot with minimum building rights of 4,900m². Additionally, a built up area of 5,335m² (US$2,700,000) remains as a contingent loss to the Company in case the prelacy decides to build this area within the next 10 years following this agreement.

During 2005 and early 2006, both the Company and the contractor entered into new arbitrations against each other that are still pending as of December 31, 2006.

27. Financial instruments

a. Fair values of financial assets and liabilities

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

b. Credit risk

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

The Company trades mostly with recognized, credit worthy third parties and in addition receivable balances are monitored on an ongoing basis. It is the Company’s policy to no mortgage sold properties as collateral until the full settlement of receivables.

The Company’s credit risk exposure is spread over 107 counter-parties; 6 customers constitute 48% of the total exposure and 101 customers constitute the remaining 52%.

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 primarily relating to long term debt obligations with a floating interest rate.

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’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

28. Key sources of estimation uncertainty

For the preparation of financial statements in accordance with International Financial Reporting Standards, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities at the balance sheet date and revenues and expenses during the year. The most significant estimate made by the Company is the determination of the aggregate cost of the Beirut Central District project.

Impeachment of accounts and notes receivable

An estimate of the collectible amount of accounts and notes receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts of less than US$25,000 which are not individually significant, but which are past due, are assessed collectively and a provision is set up according to the length of time past due, based on historical recovery rates.

At the balance sheet date, accounts and notes receivable amounted to US$637,037 and US$234,710 respectively, and the provision for doubtful debts amounted to US$31,320 as of the balance sheet date. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the income statement.

29. Approval of financial statements

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2006, on March 29, 2007.
Board of Directors
General Management

Chairman
and General Manager
Nasser Chammaa

General Manager
Mounir Douaidy

Vice-Chairmen
Nabil Boustani
Maher Beydoun

Members of the Board
Raphael Sabbagha
Joseph Assiely
Maher Daouk
Mosbah Kanafani

Foud Al Khazen
Abdulhafiz Mansour
Sarkis Demerdjian
Sami Nahas

Basile Yared