Solidere 06 Annual Report

The Master Plan

- Prewar shoreline
- New development - low density
- New development - medium density
- New development - high density
- Development below corniche level
- Restored building
- Public or religious building
- Public open space
- Private open space
- Archeological site
- Pedestrian street / link
- Utilities

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

	2006	2005
Summary of Operations in US$ million		
Gross land sales	**255.2**	252.8
Gross rental income	**20.7**	20.8
General and administrative expenses	**14.3**	11.5
Net income	**132.2**	108.5
Sales backlog	**1,196.0**	1,119.2
Stock Data per Share in US$		
Earnings	**0.8375**	0.6858
Shareholders' equity	**11.37**	11.62
Stock price range		
A shares	**26.01–15.07**	6.87–19.00
B shares	**25.89–15.10**	6.87–19.25
GDRs	**26.30–14.45**	7.63–18.00
Financial Data in US$ million		
Cash and securities	**114.8**	121.1
Accounts and notes receivable	**348.9**	272.8
Properties held for development and sale	**1457.8**	1527.4
Investment properties	**153.8**	160.5
Retained earnings	**221.4**	185.6
Legal reserves	**59.9**	46.7
Treasury stock	**(162.7)**	(38.5)
Total shareholders' equity	**1768.6**	1845.1
Financial Ratios in %		
Gross profit margin	**55.05**	45.80
Return (interest income) on liquid assets	**5.86**	4.68
Debt to equity	**1.57**	7.09

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 cafés, 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.

Then came the tragedy of the July war and its aftermath, with long periods of closure and negative effects on activity, customer demand and public morale. Solidere withstood the shock and stress and showed ability to function under duress. Remaining present throughout the war, we sustained a certain level of operations, preserved and serviced our buildings, and answered queries from our investors, especially international institutional investors seeking reassurance that the Company assets were intact. We also continued to honor our commitments and implemented all the decisions made previously, notably as far as share buyback and dividend distribution.

But as the politico-economic environment weighed heavily on the expectations of investors, end users and developers, Solidere's share performance and sales could not but bear the brunt. Share prices slid from highs of US$26 to lows of US$15, ending the year at US$16. As far as demand, no new land sales were concluded until beginning 2007, when we signed a sale in the waterfront district totaling 32,000 sq m BUA.

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.

NASSER CHAMMAA
Chairman and General Manager
May 11, 2007

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 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 seafront to the north.

Beirut City Center

Continuously 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. In spite of the tragic circumstances, Solidere successfully pursued its efforts to make Beirut city center a sought-after environment of the highest quality.

The Master Plan
Drawing on the site's natural assets and rich heritage, the Master Plan is a carefully formulated, detailed, coordinated and phased action plan for the traditional city center and its modern extension on the waterfront.

The plan subdivides Beirut city center into 10 sectors, each with its own character. Some are previously existing city neighborhoods brought back to life, others are defined by topography or by new boundaries created in the urban fabric. The plan involves the recovery of the public domain, with the installation of a complete infrastructure. It also provides an urban design framework for restoration and new construction.

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 unearths 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.

The project covers some 191 ha (472 acres) of land: 118 ha (292 acres) as the traditional BCD and a 73-ha (180-acre) extension reclaimed from the sea. Close to 98 ha (242 acres) will consist of public space, of which 59 ha (146 acres) in roads and 39 ha (96 acres) in landscaped open spaces.

Allocated for development are 93 ha (230 acres), including 22 ha (54 acres) of retained, public or religious property, with the following built-up area (BUA) guidelines.

Floor Space	sq m	percentage
Offices	1,582,000	33.7
Residential	1,959,000	41.8
Commercial	563,000	12.0
Government / Cultural	386,000	8.2
Hotels	200,000	4.3
Maximum Total	**4,690,000**	**100.0**

Phase One 1994 - 2004 This phase saw the completion of: infrastructure in the traditional city center and the treated part of the original landfill; detailed sector planning of existing and new development areas; landscaping and underground parking design and execution; historic core restoration; renovation of the banking district, Starco and Lazariya centers; northern Wadi Abou Jamil, Zokak El Blatt and Saifi redevelopment; Beirut Souks design and underground construction.

New construction included Solidere's UN House, Saifi Village, embassy compound, Rue de France multiuse complex; Bank Audi, Medgulf and Bankers' Association headquarters, Monroe hotel, Al-Bourj and Atrium office buildings, the Consulting Clinics, Block 24 and Parkview Realty residential buildings.

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.

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.

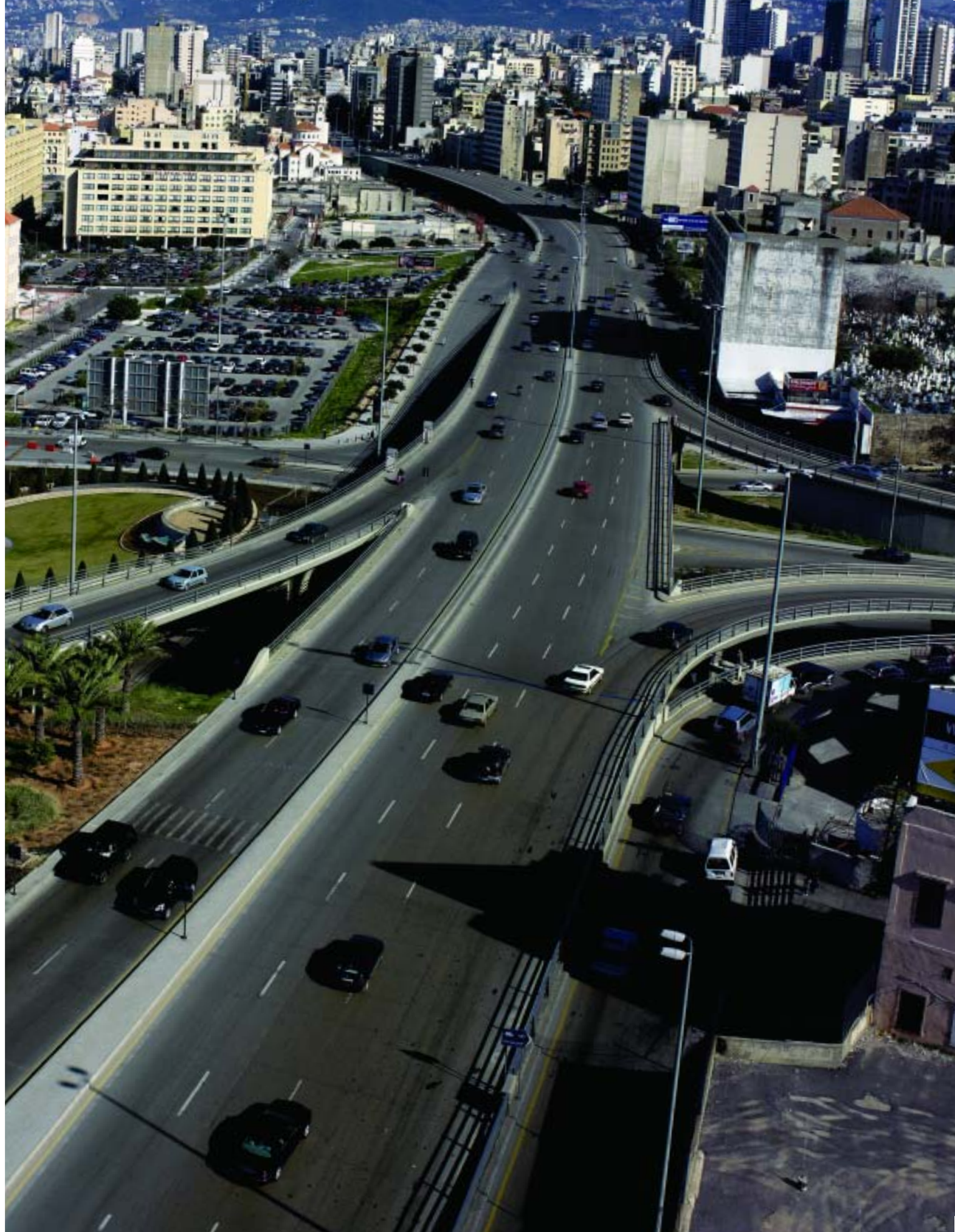
Solidere was initially capitalized with US$1.82 billion: US$1.17 billion as contributions in kind of property right holders, and US$650 million as cash subscriptions following an oversubscribed initial offering. After the retirement in 1997 of 17,000,129 shares, representing recuperated properties, its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

Solidere
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.



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

02

site development **existing city center**
waterfront district
real estate strategy
restoration
sale and rental strategy
developers' projects
corporate funding, treasury and treasury stock
solidere shares and GDRs
management systems and studies

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

site development

Infrastructure

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

Among Master Plan amendments ratified in Council of Ministers' decree 16163 of 2006 are two major road improvements. One is the road linking the north of Martyrs' Square to Trieste street while accommodating important archeological sites in the ancient Tell area. Michel Macary (France), in coordination with Dar Al-Handasah and Solidere, completed the concept design for the crossing from Byblos street, with the overfly above the Tell area destined to preserve archeology. Solidere is envisaging commissioning Macary for the detailed design.

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.

Broadband Network 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 (IPCC) 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 cafés, and advertising billboards. The signage manual prepared by Solidere received Municipality of Beirut approval. Street names were laid in the conservation area and Saifi. Pedestrian way-finding signage, 65 panels in total, was installed in all areas. Beyhum street was equipped with new benches, bollards and trash bins. Renovation of the existing street furniture will gradually be implemented according to the new designs, to be adopted everywhere else. Small advertising billboards for the public domain were delivered to the Municipality, which leased them out for operation. Large advertising billboards for the private domain operated by Solidere were installed on Company property.

Parking Facilities

Among underground public parking facilities provided by Solidere, the Beirut Souks car park, with a total final capacity of 2,500 spaces, is currently providing 1,500 spaces to Foch-Allenby users, with the four-level Weygand street car park topped by a garden providing another 108 spaces. The block 93 private car park jointly developed by Solidere and owners of neighboring properties, has become operational in the 280-space section owned by Solidere. Due to serve the north Foch-Allenby area, the car park will be topped by the landscaped Harbor Square.

Two car parks under public property in Martyrs' Square and near the Grand Serail, initially tendered out as BOT projects by the Council for Development and Reconstruction (CDR), were not implemented. The winning team of the Martyrs' Square axis international urban design competition submitted for the underground parking structure a concept design integrated with the landscape scheme for the square and destined to re-launch the project on a BOT basis. The Council of Ministers had instructed CDR in 2005 to proceed with the design and construction of the Riad El Solh underground car park, also under public property, in coordination with Solidere. However, the Municipality took the resolution not to execute the project.

Pending completion of sufficient space underground, 20 vacant lots assigned for surface parking provide 3,500 car spaces servicing up to 10,000 customers per day. They include a car park in the eastern section of the waterfront district with a free shuttle service to the existing city center. Surface parking moves to new locations to make room for development.

Operation and Maintenance

Solidere operates and maintains infrastructure and the reconstituted public domain until their delivery to the State. These services cover: tunnels and underpasses, roads and sidewalks; street furniture, traffic lights and street lighting; utility ducts and manholes, sewage pumping station and network, storm water networks; irrigation station and network, trees and landscaped open spaces.

As per Law 117 of 1991 and the agreement with the State, ratified in decree 5665 of 1994, infrastructure and the public domain are to be delivered upon completion to CDR, representing the State. All the works above ground have been delivered to the public authorities. They include roads, tunnels, sidewalks, street furniture, signage and lighting. Electricity networks were delivered everywhere except for north Saifi, Bachoura and Trablous street. However, 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 a mention 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 Saifi 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, Maarad, Riad El Solh and Lazariya 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 *spinae* (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.

1 Garden of Forgiveness site 2 Solidere private garden in Zokak El Blatt 3 Wadi Abou Jamil public garden

Landscaping

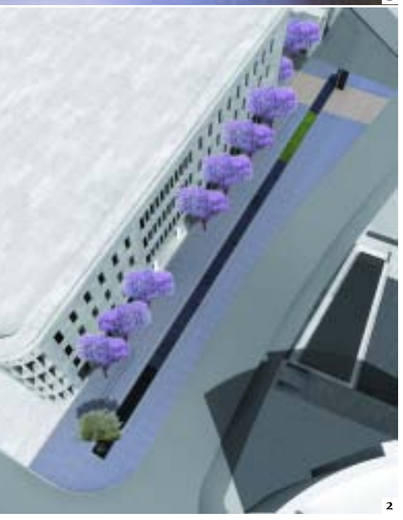
With green public space covering 39 ha of land, the city center, representing 10% of municipal Beirut, will contain half its green area. Solidere has been vindicated in its quest for quality and a unique integration of public domain design accompanied by public art.

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 waterside 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. Saifi Square and Omar Daouk Square in Wadi Abou Jamil provide other landscaped areas, to which are added private spaces in Saifi, 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 65 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 Rafic 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 Frédéric 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 Hapsitus (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-Samah (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 Elie 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 underlying 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.

Vladimir Djurovic Landscape Architecture
1,2 Gebran Tu ni memorial garden **3,4** Amir Amin garden

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), Zeitouneh 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 Zeitouneh Square was launched, with the participation of four contractors: Maroun Abi 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 promontory 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 belvedere, 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

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.

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 northwest.

Existing City Center
master planning

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.

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.

Master Plan amendments introduced in order to accommodate the Garden of Forgiveness involve property swaps and allow the creation of a footbridge, pergolas and enclosing garden walls. The gravesite of Mr. Hariri and his companions will take the form of a memorial garden, and no building will be erected at this site.

Lots 1524 and 1489 Marfaa comprise the mid-rise Beirut Gardens residential building, and Bab El Saray hotel, designed as a low-rise building symbolizing the gateway into the historic core.

At the center of the section is Martyrs' Square. The concept design for the square proposed by the Greek team that won the international urban design competition, integrates to the landscape scheme for the square a design for the underground car park, destined to re-launch the project on a BOT basis.

In the eastern part of the mid section, a main amendment to the Master Plan introduced by the sector plan is the creation of new streetwall controls that will incorporate a two- to three-story arcade. Because of gardens, low-rise buildings and archeological penetrations in the northern section, the strong edge west of Martyrs' Square was lost, leaving a single streetwall edge on its east side. Solidere aims to emphasize this edge with increased height, to establish façade guidelines for the elevation facing Martyrs' Square, and to commission the design of one building in the elevation.

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 Maarad 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 spine 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 Saifi 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 Saifi, 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 Saifi Village courtyards and pedestrian streets, may be the subject of a design competition.

The northeastern part of lot 1076 Saifi will house the Ministry of Foreign Affairs, to be designed in the form of a reconstruction of the former Petit Serail palace. As per Council of Ministers' resolution 27 of May 18, 2005, 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 Saifi, 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 Petit 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 Trieste 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 Foch 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 Koetter Kim (US). Solidere has taken some losses in BUA in sector H, due to the conservation of archeology, and the reduction of building heights near Saifi 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 BUA 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 Trieste 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 2005 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.

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.

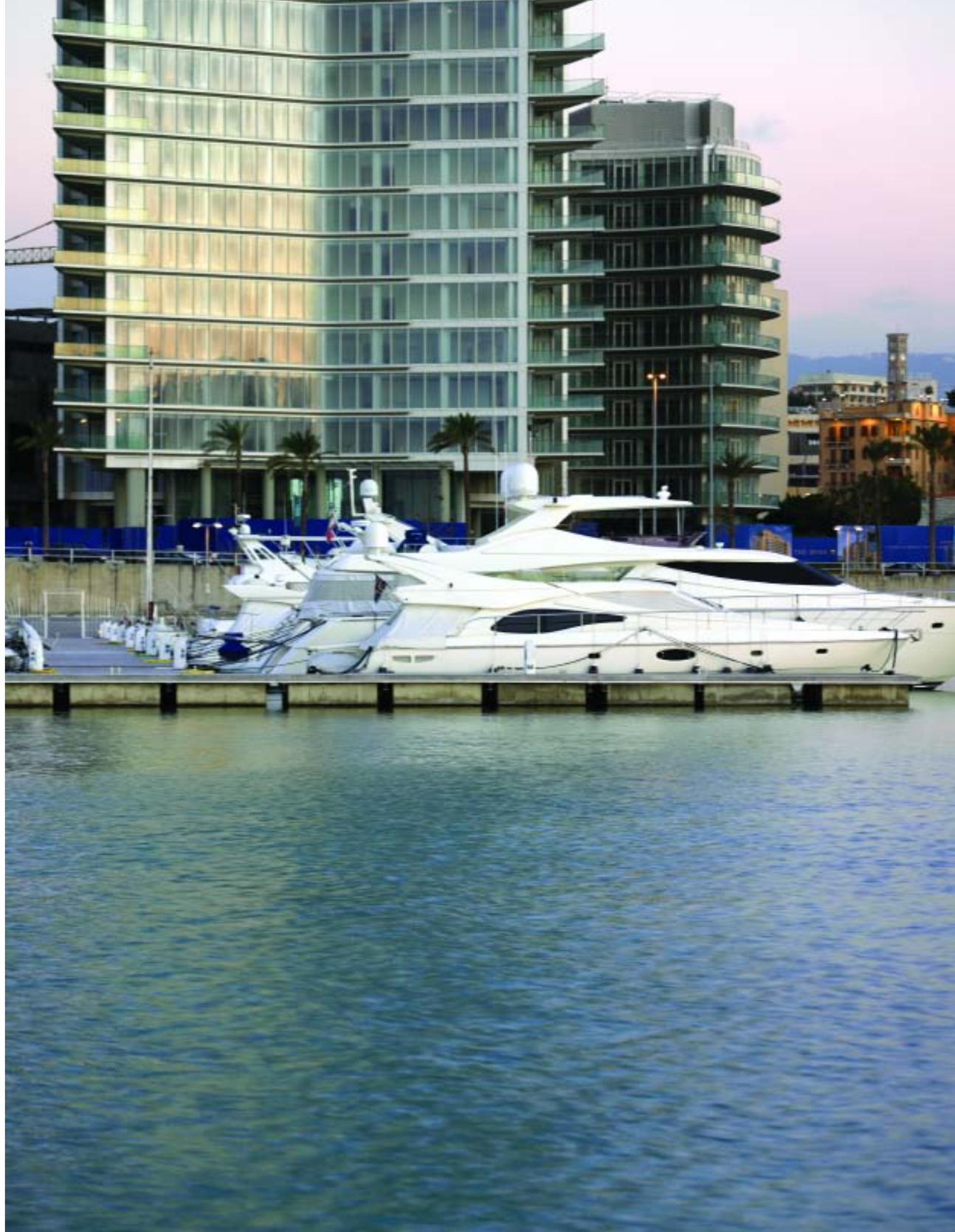
The Landmark exemptions involve canceling streetwall controls, modifying pedestrian passages by removing part of the north-south passage and adding an east-west passage, and exemption from providing landscaping on 50% of un-built areas. The former Master Plan maximum height of the tower was increased 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 (musharrabiya); 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 Zokak 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.



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

Waterfront District
site development

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.

A comprehensive sector plan has laid the ground for the waterfront district development, and the early purchasing of sites is brisk, for delivery to investors on completion of reclamation.

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 Indo-Suez, 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.

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. Beginning 2007, Nabil Dada was commissioned to undertake the interior design of the project.

BWD meanwhile launched a design-and-build tender for underground structural work and construction of three basement floors. In May 2006, the contractor, Hourié - 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.

Steven Holl Architects / Nabil Gholam
Beirut Waterfront Development
Yacht club with apartments, town quay with restaurants and shops

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-and-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 & Coex, Alfarah 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.

Infrastructure 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, hardscaping 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 2009, 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.

Waterfront District
master 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, Jounieh 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 promenade, temporary stands are to be installed to accommodate spectators.

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 16546 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 an 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 De. Two streetwall controls are applied and view corridors are created to preserve sea and mountain views. SW5 requires a 3 m setback at the 36 m height. SW6 is similar to SW5 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.

New Waterfront District

proposed master plan

sectors A and D

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-Allenby 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 Abou 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, a consecration of the city center's character as a global retail district and a major step towards completing a critical mass there, are evolving in a significant way. The new Souks will offer a modern shopping and leisure experience that preserves the intricate spatial relationships of an urban market

02

existing city center
waterfront district
real estate strategy
restoration
sale and rental strategy
developers' projects
corporate funding, treasury and treasury stock
solidere shares and GDRs
management systems and studies

Real Estate Strategy

The range of quality space earlier put on the market by Solidere spans such new construction as UN House, Saifi Village, the embassy compound and the Rue de France complex. Alongside its own projects, the Company continues to develop and share with interested investors real estate and architectural concepts for residential clusters in Saifi and Wadi Abou Jamil, and commercial, tourist, entertainment or multiuse projects elsewhere.

Beirut Souks

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.

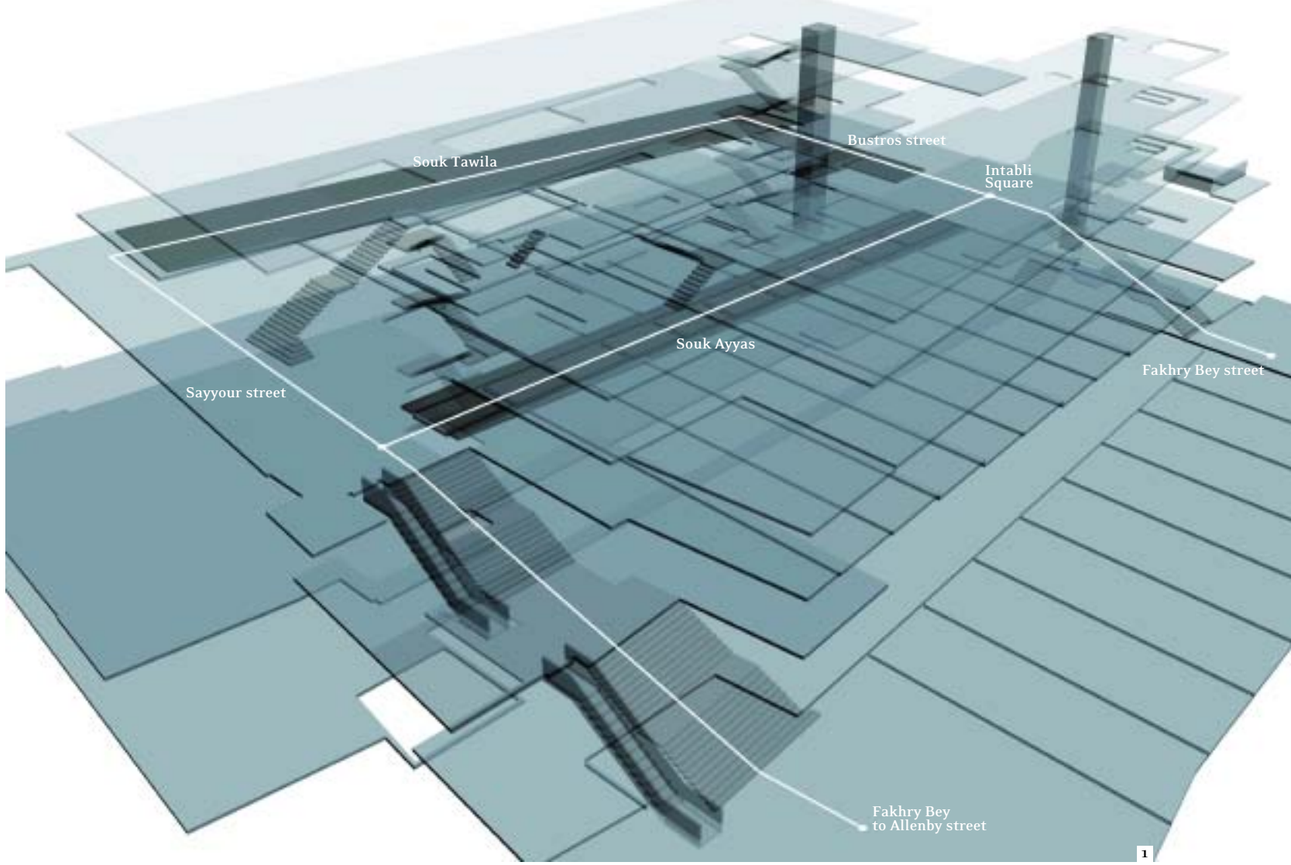
South Souks Solidere launched in 2005 the South Souks, first phase of the Beirut Souks superstructures, having previously completed the now operational southern part of the 2500-space underground car park, as well as the design, building permit and tendering process.

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.

1 Circulation trajectories around Intabli Square **2** Transversal section Patriarch Hoyek street to Allenby street



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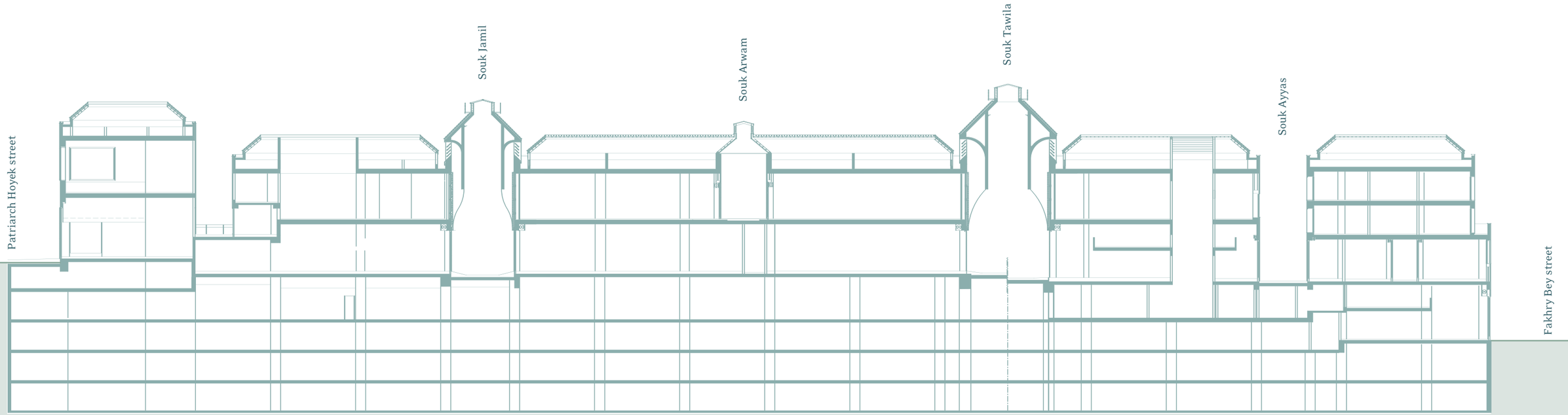

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Souks core A main pedestrian entrance to the Souks is on Weygand street, a few meters east of its crossing with Riad El Solh street, leading to Ibn Iraq Square. To the left is block M, part of the Souks core; to the right is the jewelers' area.

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 Iraq shrine with which it creates a virtual portal to the Souks.

This portal leads to the major north-south Souks axis: Tawila, the longest of the Souks, with Ayyas to its east, Jamil and Arwam to its west. They converge north in Ajami Square, off Trablous street. The main east-west axis is Sayyour street, with Bustros and Arwad as secondary streets. The street patterns are inspired by medieval city planning, as a clear reference to the old tradition of the bazaar: street alignment is indented in Arwam, Bustros and Arwad, and squares and plazas are not centered.

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.

1 Panoramic view of the Beirut Souks from Weygand street **2** Ajami Square covered plaza
3 Corbels in Souk Jamil

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.

Ajami Square, at the convergence of the north-south souks, is a grand plaza with sidewalk cafés, designed to house large events and concerts.

The covered plaza has an 18 m high ceiling with massive drop beams, equiped 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 frontage along Allenby and Weygand streets suggests a medieval city wall (continued in the Souks' core block M). Block W has a partially restored façade. Block F, with façades 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.

1 The atrium at the intersection of Arwam, Tawila and Sayyour streets **2** The archeological garden **3** Souk Tawila entrance **4** Souk Ayyas **5** Corbels in Souk Tawila


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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.

Valode et Pistre / Annabel Karim Kassar
1 Entertainment complex **2** Allenby street elevation

1

2

3

1 Vincent Van Duysen office building, lot 1493 Mina El Hosn **2 Bernard Khoury** Le Passage de Hoyek multiuse complex, lot 1338 Mina El Hosn **3 Nabil Gholam** 178 Saifi Village residential complex

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.

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.

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.


KENZO
KENZO
P
PALAZZI

Restoration in Beirut city center has confirmed the sustainability of traditional districts and heritage buildings and their great potential for creating value, provided they are adapted to the needs of contemporary life and business

Restoration

The historic core has a rich heritage of religious, public, institutional and commercial buildings. Widely recognized as a conservation showpiece, this 'vieille ville', with its modern interiors behind beautifully renovated façades, has witnessed a high demand for a broad range of office, retail, cultural and recreational uses. The peripheral neighborhoods of Saifi, Wadi Abou Jamil and Zokak El Blatt, have re-emerged as urban villages.

Restoration Process

In the Master Plan, 265 buildings and 27 public or religious buildings were retained for preservation. These were carefully restored in accordance with a set of rules established by Solidere in cooperation with urban planning authorities, and involving sector plans and restoration guidelines.

Restoration briefs established for the retained buildings were based on architectural and photogrammetric surveys, damage assessment and historical research on original designs and materials. The briefs provide guidelines for articulating the design and restoration strategy to be adopted in each individual case, and are stricter for those buildings deemed of heritage or architectural value. Projects go through preliminary design approval, restoration permit issuance, mobilization of site works, façade and material sample approval, site inspection and finally occupancy permit procedure. Solidere has a dedicated team to monitor implementation.

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.

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.

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.

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.

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

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.

Sale & Rental Strategy

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.

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$960,446 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$7.5 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; 92 (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 4,525 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 979 sq m as a result of exercising options to buy. In Mina El Hosn, 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.

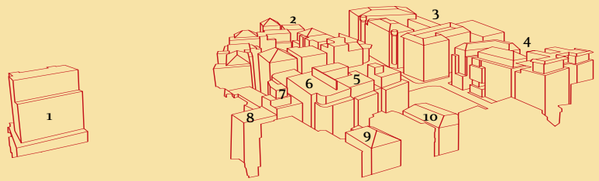
A floor area of 2.66 million sq m has been so far the subject of development in Beirut city center: 824,300 sq m are completed, 664,800 sq m are under construction and the balance is in various stages of development

Photomontage renderings, residential / hotel projects
Wadi Abou Jamil (cadastral zone Mina El Hosn)
1 Lot 995, **2** Wadi Gardens, **3** Beirut Village Two, **4** Beirut Village
5 The Courtyard, **6** Lot 799, **7** Lots 183, **8** Lot 797, **9** Lot 800
10 Mina El Hosn 1466, **11** Private residence, **12** Royal Hotel and Resorts

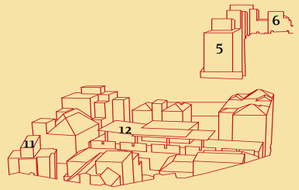
Developers' Projects

In Wadi Abou Jamil, cadastral zone Mina El Hosn, 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. Mina El Hosn 1466, designed by Fouad Menem 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 redesigned by Youssef Haidar as one private residence with 2,000 sq m of floor space. Lot 855 was designed by Nabil Gholam with 1,063 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.

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 24,000 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 Hadifé 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.

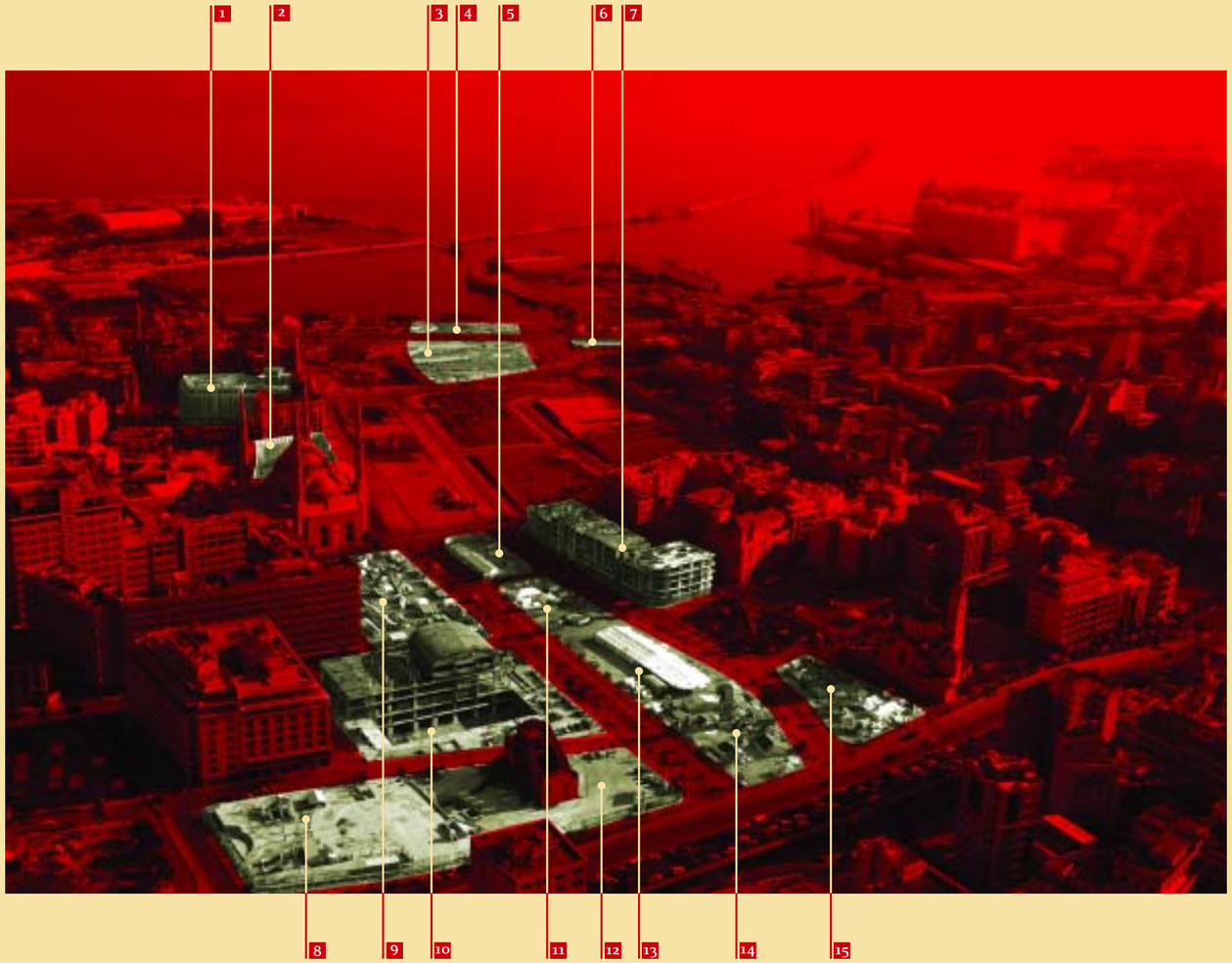


Still under design are a bank and three residential developments. Al Mawared Bank headquarters, designed by Zaha Hadid (UK-Iraq) on lot 1383, has 7,580 sq m of floor space. Wadi Hills on lot 1388, designed by Agence d'Architecture Antoine Bechu (France) and Nabil Sinno, offers 22,000 sq m of floor space; 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.

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.



1 Bab El Saray, lot 1489 Marfaa **2** Beirut Gardens, lot 1524 Marfaa **3,4** Phoenician Village, lots 1501, 1502, 1503, 1081 Marfaa **5** Canadian Bank headquarters, lot 1524 Bachoura
6 Merit Corporation, lot 1536 Marfaa **7** Saifi Village Two, lot 146 Saifi

Beirut Gate: 8 Lot 1477 Bachoura **9** Lot 1523 Bachoura **10** Lot 987 Bachoura **11** Lot 1525 Bachoura **12** Lot 1526 Bachoura **13** Lot 1542 Bachoura **14** Lot 1544 Bachoura **15** Lot 901 Saifi

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 17,635 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 1536 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 17,110 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 site, offers 39,000 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-Noukaki, 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 206,000 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 Hadifé 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.

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 Duyssen (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 1466, 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 Mokhtara residential building, designed by Erga Group on lot 1468 with 7,090 sq m of floor space over nine floors, 26 flats in total.

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, 11 flats in total. Luna One, designed by Diyar Consultants on lot 1331, has 2,695 sq m of floor space over seven floors, 10 flats in total.

Under study at Beirut Municipality are the Mina Two mixed-use building, designed by Kevin Dash and R & K Consultant on lot 2, with 14,000 sq m of floor space over seven floors, 15 flats in total; and the Park Palace residential building, designed by Fouad Menem on lot 1339, with 12,790 sq m of floor space over 10 floors, 24 flats in total.

Under design are three residential developments: Media Fan, designed by Joe Geitani 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 1450, 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.

1 Wimberley Allison Tong & Goo / Samir Khairallah Bay Tower, lot 1422 Mina El Hosn **2 Michael Graves / Ayman Sanioura** DIB and Town Towers, lots 1399 and 1494 Mina El Hosn **3 Kohn Pedersen Fox Associates / Dar Al-Handasah** Marina Towers residential complex, lot 1354 Mina El Hosn and **Dar Al-Handasah** Four Seasons Hotel, lot 1418 Mina El Hosn

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 25 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 Bofill (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 Pistre (France) with 26,000 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 1368, designed by Nabil Gholam and offering 13,095 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 Cibco 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

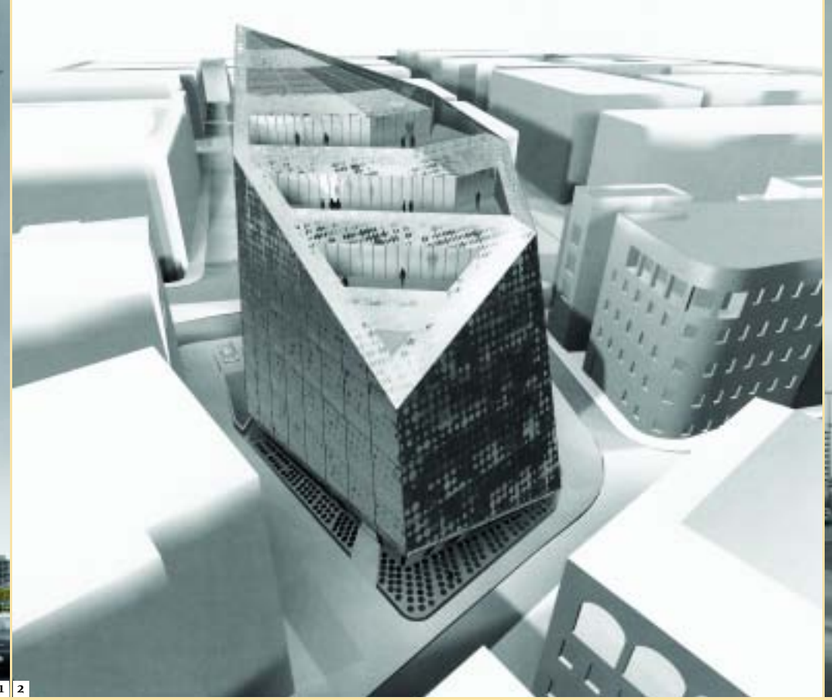
A number of developers' residential projects in Wadi Abou Jamil, cadastral zone Mina El Hosn, are managed by Solidere Management Services (SMS), a subsidiary of Solidere. In addition to construction management, SMS provides a broad scope of services associated with real estate development: program definition, 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, offer each 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 1,863 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 Venture is under design by Donald Bates 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 **2 Zaha Hadid** Al Mawared Bank headquarters, lot 1383 Mina El Hosn **3,4 Nabil Gholam** Al Mada and Saifi Square residential buildings, lots 1069 and 1059 Saifi **5 Machado and Silvetti Associates / Charles Hadif** Marfaa 94 residential building, lot 1538 Marfaa **6,7 Joe Geitani** Cibco and Media Fan residential buildings, lots 1488 and 1347 Mina El Hosn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1,3 Tripod Architecture The School Real Estate and New Zone Real Estate residential buildings, lots 1380 and 1477 Mina El Hosn **2 Antoine Skaf** Property 709 Mina residential building, lot 709 Mina El Hosn **4,6 Kevin Dash / R & K Consultants** Stratum residential and furnished apartment building and Mina Two mixed use building, lots 1364 and 2 Mina El Hosn
5 Nabil Azar Selwan residential building, lot 1056 Saifi **7 Agence d'Architecture Antoine Bechu / Nabil Sinno** Wadi Hills residential complex, lot 1388 Mina El Hosn

Beirut Gate
1 Architectonica lots 1525, 1542 and 1544 Bachoura **2** Erga Group lot 901 Saifi **3** Nabil Gholam lot 1523 Bachoura

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Corporate Funding, Treasury and Treasury Stock

Treasury
The balance sheet at year end shows positions of US$106.2 million for cash, US$48.4 million for bank overdrafts and US$8.6 million for investments in securities.

The Company maintained its previous policy of investing its liquid funds in assets presenting minimum risk, and with top-ranking banking and financial institutions in the domestic and international markets, including some structural products that carry high returns with guaranteed capital. For efficient cash management, Solidere also arranged with local banks certain revolving current overdraft facilities, utilized and refunded according to cash needs and availability.

During 2006, Solidere made 342 cash investments totaling US$811 million. These figures include investments made in 2006, which matured in the same year or will mature in 2007. The Company pursued again this year a strategy of short-term cash investments, with a weighted average holding period of about 31 days. Around 87 basis points were secured on average over the median 2006 three-month LIBOR rate. Interest income earned during the year on the aggregate cash investments was equivalent to an annualized interest rate of about 5.6%.

Corporate Funding
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.

Treasury Stock
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.

Exchange Listings and Ticker Symbols

Beirut Stock Exchange
Solidere A shares
Solidere B shares

Kuwait Stock Exchange
Solidere A
Solidere B

London Stock Exchange
GDRs SOLAq.L

Solidere Shares and GDRs

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.

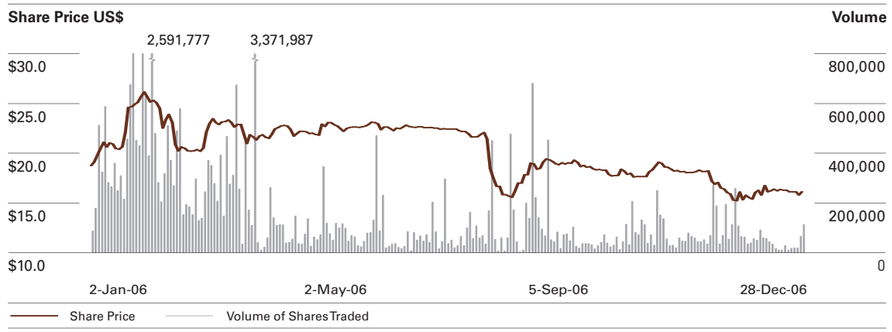
The year looked very promising for the country and the Company. The outbreak of hostilities against Lebanon in July, with resulting casualties and destruction of infrastructure and civilian houses, took everyone by surprise. Listed Lebanese shares were hammered in local and international markets, and 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.

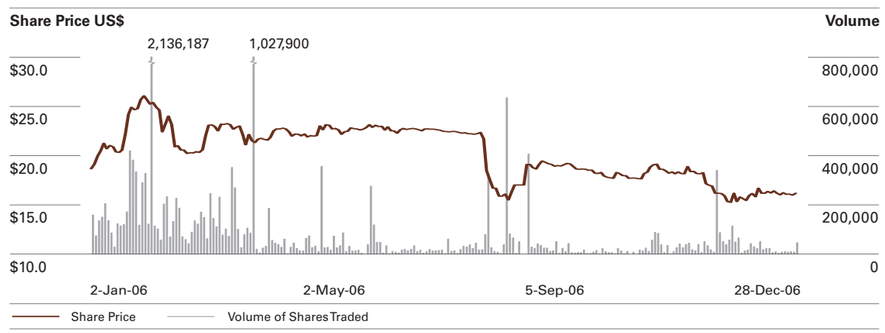
Shares A and B both closed the year at US$16, representing an 11% decrease from the previous year closing. The GDRs, which are traded in the London Stock Exchange, also moved down, closing the year at US$16.13, a 5.14% decrease from the previous year.

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.

A Shares - Daily Trades



B Shares - Daily Trades



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 Merril Lynch.The Company continued to receive at its premises numerous visitors with diverse profiles.

Management Systems and Studies

Management Information Systems
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 keep the Company up to date in terms of new technologies and applications.

Solidere upgraded its ERP (Enterprise Resource Planning), which uses the JDEdward (JDE) One World software, with the new, web-enabled version allowing the addition of multiple features and applications. A new Payroll Module integrates seamlessly with the accounting cycle, reducing data entry time and automating multiple calculations for declarations and employee benefits. Another application to manage expense participation for mixed-ownership properties was developed, tested and implemented. A Warehouse Management System was implemented to control corporate warehouses inventories and movements. The system, interfaced with JDE, provides better control measures and enhanced management.

A full-scale Document Management System has been launched, aiming to capture and consolidate different requirements and needs in terms of document indexing and workflow management. A pilot project was used as model for later implementation.

An application to manage daily treasury operations, ranging from controlling cash flow to the follow-up on bank deposits for short and medium term investments, was put to use in the treasury and stock management department, providing upper management with up-to-date reports and summaries.

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

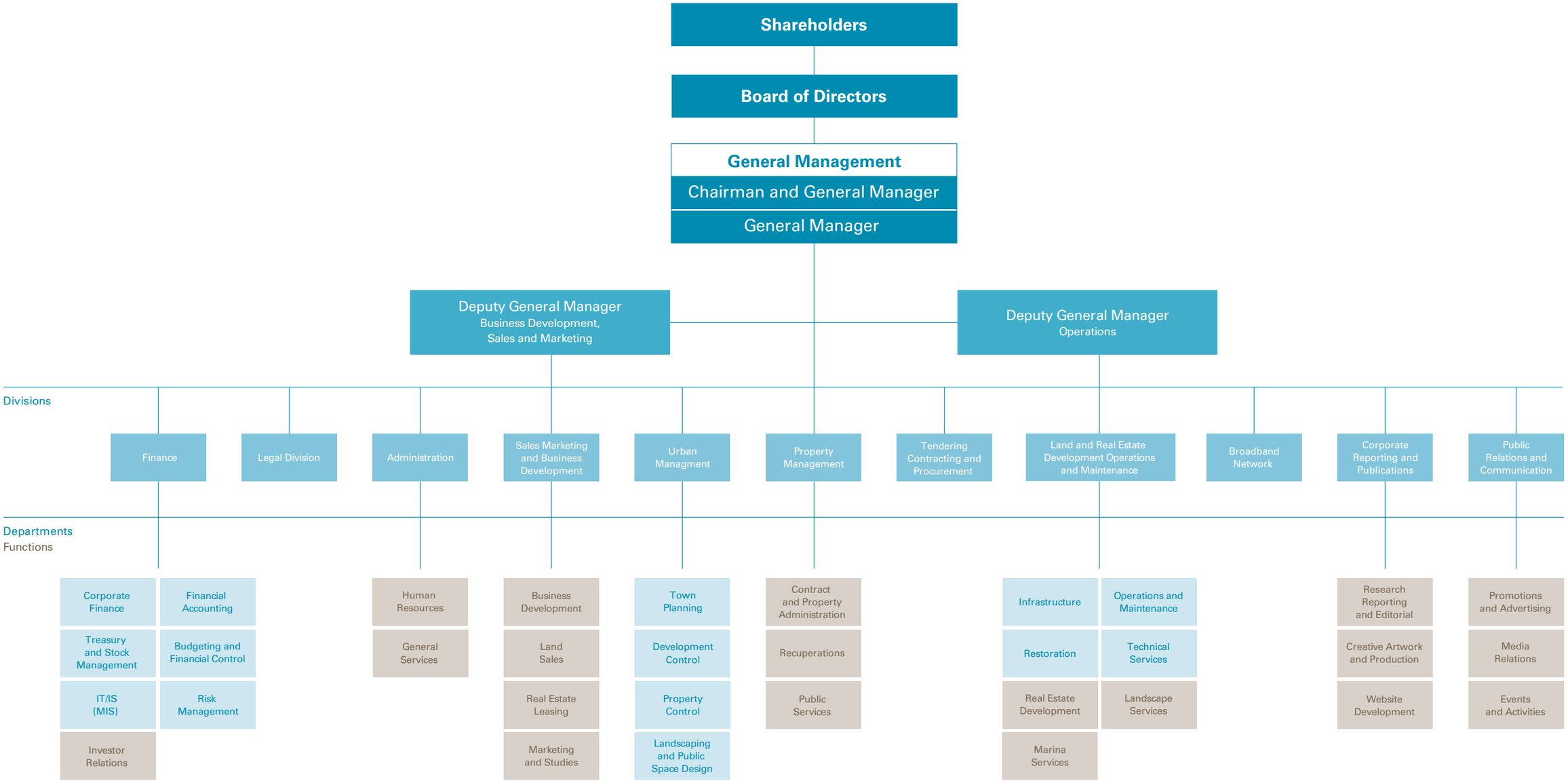
Land use strategy As institutional investors began to make acquisitions in the city center, Solidere took a more proactive role in guiding the land use mix within development projects. A successful example is the high density block 118 at the northeast corner of the Martyrs' Square axis, where residential, 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 activity of all operations 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

03

Independent Auditors' Report

Deloitte.

ERNST & YOUNG

To the shareholders
The Lebanese Company for the Development
and Reconstruction of Beirut Central District s.a.l.
Beirut - Lebanon

We have audited the accompanying 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

December 31,	Notes	2006 US$	2005 US$
Assets			
Cash and bank balances	5	106,202,604	111,535,548
Prepayments and other debit balances	6	28,253,397	25,771,367
Accounts and notes receivable, net	7	348,942,550	272,820,638
Investment securities	8	8,610,673	9,579,440
Inventory of land and projects in progress	9	1,457,804,977	1,527,484,124
Investment properties, net	10	150,651,813	153,757,985
Fixed assets, net	11	26,115,483	26,206,813
Total Assets		**2,126,581,497**	2,127,155,915
Liabilities			
Bank overdrafts	5	48,362,001	10,020,182
Accounts payable and other liabilities	12	83,323,709	73,312,685
Dividends payable	13	30,877,712	10,266,707
Deferred revenues and other credit balances	14	168,305,793	55,099,426
Deferred credits	15	-	3,900,000
Loans from banks and financial institutions	16	27,062,700	129,399,059
Total Liabilities		**357,931,915**	281,998,059
Equity			
Issued capital at par value US$10 per share:	17		
100,000,000 class (A) shares		1,000,000,000	1,000,000,000
65,000,000 class (B) shares		650,000,000	650,000,000
		1,650,000,000	1,650,000,000
Legal reserve	18	59,935,830	46,717,354
Retained earnings		90,736,571	87,892,299
Cumulative changes in fair value of interest rate swap agreement	12	-	(861,982)
Cumulative changes in fair value of available-for-sale securities	8	38,760	(233,180)
Surplus on sale of treasury shares	15	11,653,751	2,508,180
Income for the year less legal reserve		118,948,473	97,675,378
Less: Treasury shares	13 & 19	(162,663,803)	(38,540,193)
Total Equity		**1,768,649,582**	1,845,157,856
Total Liabilities and Equity		**2,126,581,497**	2,127,155,915

the accompanying notes form an integral part of these consolidated financial statements

Consolidated Income Statement

December 31,	Notes	2006 US$	2005 US$
Revenues from land and real estate sales		253,344,014	235,256,243
Revenues from rented properties		20,719,451	20,793,378
Revenues from project management and consulting services		2,066,977	-
Cost of land and real estate sales		(114,584,398)	(107,378,218)
Charges on rented properties	20	(6,457,583)	(6,479,558)
Cost related to project management and consulting services		(1,831,969)	-
Gain on sale of investment properties	10	264,974	297,436
Net revenues from operations		**153,521,466**	142,489,281
General and administrative expenses	21	(14,304,800)	(11,493,031)
Depreciation	11	(1,699,106)	(1,432,625)
Provision against land development cost	9	(3,036,061)	(1,685,783)
Other taxes	12	(1,319,859)	-
Provision for doubtful receivables and write-offs	6 & 7	-	(298,693)
Interest income	22	27,211,687	15,614,324
Interest expense		(7,173,307)	(17,490,405)
Income for the year before income tax		**153,200,020**	125,703,068
Income tax	12	(21,033,071)	(17,174,870)
Income for the year		**132,166,949**	108,528,198
Basic/diluted earnings per share	23	**0.8375**	0.6863

the accompanying notes form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity

	Share Capital US$	Legal Reserve US$	Treasury Shares US$	Retained Earnings US$	Cumulative Changes in Fair Value of Interest Rate Swap Agreement US$	Cumulative Changes in Fair Value of Available-for-sale-Securities US$	Surplus on Sale of Treasury Shares US$	Income for the Year Less Legal Reserve US$	Total US$
Balance at December 31, 2004	1,650,000,000	35,864,534	(69,820,864)	34,183,162	(3,557,815)	-	-	48,681,791	1,695,350,808
Income for the year - 2005	-	-	-	-	-	-	-	108,528,198	108,528,198
Change in fair value of interest rate swap agreement	-	-	-	-	2,695,833	-	-	-	2,699,833
Change in fair value of available-for-sale securities	-	-	-	-	-	(233,180)	-	-	(233,180)
Total result of the year	-	-	-	-	2,695,833	(233,180)	-	108,528,198	110,990,851
Surplus on sale of treasury shares	-	-	-	-	-	-	2,508,180	-	2,508,180
Allocation of 2004 income	-	-	-	48,681,791	-	-	-	(48,681,791)	-
Allocation to legal reserve from 2005 income	-	10,852,820	-	-	-	-	-	(10,852,820)	-
Effect of mark up of treasury shares	-	-	(5,027,346)	5,027,346	-	-	-	-	-
Treasury shares trade and land sale exchange (net)	-	-	36,308,017	-	-	-	-	-	36,308,017
Balance at December 31, 2005	1,650,000,000	46,717,354	(38,540,193)	87,892,299	(861,982)	(233,180)	2,508,180	97,675,378	1,845,157,856
Income for the year - 2006	-	-	-	-	-	-	-	132,166,949	132,166,949
Change in fair value of interest rate swap agreement	-	-	-	-	861,982	-	-	-	861,982
Change in fair value of available-for-sale securities	-	-	-	-	-	271,940	-	-	271,940
Total result of the year	-	-	-	-	861,982	271,940	-	132,166,949	133,300,871
Surplus on sale of treasury shares	-	-	-	-	-	-	9,145,571	-	9,145,571
Allocation of 2005 income	-	-	-	97,675,378	-	-	-	(97,675,378)	-
Allocation to legal reserve from 2006 income	-	13,218,476	-	-	-	-	-	(13,218,476)	-
Treasury shares trade and land sale exchange (net)	-	-	(124,123,610)	-	-	-	-	-	(124,123,610)
Dividends - Note 13	-	-	-	(94,831,106)	-	-	-	-	(94,831,106)
Balance at December 31, 2006	**1,650,000,000**	**59,935,830**	**(162,663,803)**	**90,736,571**	**-**	**38,760**	**11,653,751**	**118,948,473**	**1,768,649,582**

the accompanying notes form an integral part of these consolidated financial statements

Consolidated Cash Flow Statement

December 31,	Notes	2006 US$	2005 US$
Cash flows from operating activities			
Income for the year before income tax		153,200,020	125,703,068
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	24	4,577,012	4,387,126
Gain on sale of investment properties	10	(264,974)	(297,436)
Provision for doubtful receivables and write offs	7	-	298,693
Provision for contingencies and other charges	12(d)	837,921	515,000
Sale transactions against acquisition of treasury shares	24	-	6,360,898
Interest income	22	(27,211,687)	(15,614,324)
Interest expense	24	8,153,514	18,692,698
Changes in fair value of interest rate swap agreement	12 (e)	1,012,279	-
Changes in working capital:			
Prepayments and other debit balances		5,660,430	(5,547,336)
Accounts and notes receivable	24	(76,482,211)	(62,864,840)
Inventory of land and projects in progress	24	70,497,438	74,485,876
Accounts payable and other liabilities	24	4,166,342	(27,044,859)
Deferred revenues and other credit balances		113,206,367	(6,484,555)
Interest received		18,877,780	9,552,249
Income tax paid		(17,159,028)	(10,122,897)
Net cash provided by operating activities		259,071,203	112,019,361
Cash flows from investing activities			
Pledged term deposits with banks		3,865,440	1,761,170
Investment securities	24	1,288,697	(6,202,863)
Receivable from recuperated properties	24	413,000	981,303
Acquisition of investment properties	10	(467,206)	(627,759)
Proceeds from sale of fixed assets		-	28,202
Proceeds from sale of investment properties	10	960,446	1,098,486
Acquisition of fixed assets	11	(2,426,067)	(1,757,748)
Net cash provided by/(used in) investing activities		3,634,310	(4,719,209)
Cash flows from financing activities			
Bank loans (settlement)		(102,336,359)	(104,651,178)
Dividends paid	13	(74,220,101)	(963,659)
Deferred credits	15	-	(13,000,000)
Treasury shares	24	(136,294,710)	4,786,691
Proceeds from sales of treasury shares	15	17,714,145	20,600,000
Interest paid		(7,377,811)	(16,132,387)
Net cash used in financing activities		(302,514,836)	(109,360,533)
Net change in cash and cash equivalents		(39,809,323)	(2,060,381)
Cash and cash equivalents — Beginning of the year		72,029,543	74,089,924
Cash and cash equivalents — End of the year	24	**32,220,220**	72,029,543

the accompanying notes form an integral part of these consolidated financial statements

Notes to the consolidated financial statements

Year ended December 31, 2006

1. Formation and objective of the company

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

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

Company	Ownership share	Date of establishment
Beirut water front development s.a.l. (joint venture) (Proportionate consolidation)	50	April 2004
Beirut real estate management and Services s.a.l. (joint venture), (proportionate consolidation)	45	September 2005
Solidere management services s.a.l.	100	June 2006
Beirut real estate management and Services (offshore) s.a.l. (joint venture), (proportionate consolidation)	50	December 2006

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.

Held-to-maturity securities which have fixed or determinable payments which are intended to be held to maturity, are subsequently measured at amortized cost, less provision for impairment in value. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. Amortized cost is calculated by taking into account any discount or premium on acquisition. Impairment loss on such investments is recognized in the income statement.

Available-for-sale securities are those non-derivative financial assets that are designated as available-for-sale or are not classified in any other category. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognized net of deferred tax as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments 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 only 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

the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

g. Inventory of land and projects in progress
Inventory of land and projects in progress are stated at the lower of cost and estimated net realizable value. Costs include appraisal values of real estate plots constituting the contributions in kind to capital (A shares), in addition to capitalized costs. Capitalized costs comprise the following:

Project direct costs and overheads related to the properties development, construction and project management as a whole, as well as acquisition, zoning, and eviction costs.

Indirect costs, such as overheads, which were partially allocated to properties held for development and sale.

h. 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, commencement 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.

i. 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.

j. 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%
Marina	2%
Furniture and fixtures	9%
Freehold improvements	9%
Plant	10%
Machines and equipment	15%-20%

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

k. Treasury shares
Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Treasury shares previously marked down due to sharp decrease in market price are marked up through retained earnings up to the average cost of acquisition. Gains on sale of treasury shares are recorded under a reserve account in equity. Losses in excess of previously recognized gains are charged to retained earnings.

l. Revenue recognition
Revenue 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.

m. 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.

n. Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Treasury shares sold 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.

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

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

p. Derivative financial instruments
Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial assets or liability.

q. Taxation
Current tax
In accordance with law No. 117/91, the Company was exempt from corporate income tax on profit for a period of 10 years from the date of establishment, ending on May 10, 2004.

Effective May 10, 2004, income tax is determined and provided for in accordance with the Lebanese tax laws. Income tax expense is calculated based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in future years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted at the balance sheet date. Provision for income tax is reflected in the balance sheet net of taxes previously settled in the form of withholding tax.

Rental income is subject to the built property tax in accordance with the Lebanese tax law.

Deferred tax
Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between 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 taxation 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.

s. 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.

IFRS 8. Operating segments
IFRS 8 was issued in November 2006 and is effective for periods beginning on or after January 1, 2009. This new IFRS requires amendments to disclosures made by entities with respect to operating segments.

4. Interest in a joint venture

The Company has interest in joint ventures as follows:

a. The Company entered into a joint venture agreement on February 11, 2004, with Stow Waterfront s.a.l. (Holding) to establish Beirut Waterfront Development s.a.l. With a 50% stake in the joint venture's total capital amounting to US$19,900. During the year 2006, the capital of the joint venture was increased to US$12,819,900 without changing the Company's share in the capital. The main activity of the joint venture is to develop, operate, manage, exploit and sell real estate properties in the Marina area in Beirut Central District.

As per the terms of the agreement, on December 31, 2005, the Company sold properties with an aggregate cost of US$10,100,000 from properties held for development and sale, to the joint venture for a total consideration of US$31,600,000. The other venturer will contribute in cash an amount of US$31,600,000 to the joint venture. During 2005, the amount contributed by the other venturer amounted to US$21,060,000. During 2006 the other venturer settled the remaining balance amounting to US$10,540,000.

b. The Company entered into a joint venture agreement on December 23, 2005, with Aswaq Management and Services L.L.C. to establish Beirut Real Estate Management and Services s.a.l., with a 45% stake in the joint venture's capital amounting to US$19,900. The main activity of the joint venture is to manage and market Aswaq Beirut project (under construction) which is owned by the Lebanese Company for the Development and Reconstruction of Beirut Central District s.a.l.

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entities at December 31, 2006 and 2005, included in the consolidated financial statements, are as follows:

December 31,	**2006** US$	2005 US$
Assets		
Cash and bank balances	13,498,710	9,282,897
Prepayments and other debit balances	559,967	17,493
Inventory of land and projects in progress	7,933,467	6,344,896
Fixed assets, net	81,085	66,700
	22,073,229	15,711,986
Liabilities		
Bank overdrafts	-	2,089
Accounts payable and other liabilities	716,140	60,353
Deferred revenues and other credit balances	168,565	-
	884,705	62,442

Income and expenses

	2006 US$	2005 US$
Revenues from consulting services	24,747	-
General and administrative expenses	(417,482)	(121,658)
Depreciation	(15,220)	(8,600)
Interest income	583,279	212,086
Income for the year/period before income tax	175,324	81,828
Income tax	(41,346)	(10,517)
Income for the year/period	**133,978**	71,311

5. Cash and bank balances

Cash and bank balances are composed of the following:

December 31,	**2006** US$	2005 US$
Cash on hand	98,749	93,902
Current accounts	19,515,034	20,446,999
Short term deposits	60,968,438	61,508,824
	80,582,221	82,049,725
Pledged term deposits	25,620,383	29,485,823
	106,202,604	111,535,548

Short term deposits mature in January 2007 (December 31, 2005: Short term deposits mature in January 2006). The average yield on the term deposits as of December 31, 2006 was approximately 5.86% (4.68% for the year ended December 31, 2005).

Pledged term deposits include an amount of US$16.7 million as of December 31, 2006 (US$18.5 million as of December 31, 2005) pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 16. It also includes deposits of US$8.9 million (US$10.9 million as of December 31, 2005) pledged against a stand-by letter of credit to the extent of about US$3.5 million (US$3.5 million as of December 31, 2005) and against a local bank's loan to the extent of US$5 million (US$7 million as of December 31, 2005) as explained under Note 16 and Note 26 (h).

Bank overdrafts in the amount of US$48,362,001 as at December 31, 2006 (US$10,020,182 as at December 31, 2005) represent short-term facilities granted by local banks. The average interest on these overdrafts for the year ended December 31, 2006 was approximately 7.85% (6.86% for the year ended December 31, 2005).

Bank overdrafts include an amount of US$20 million as at December 31, 2006 granted by a local bank. During year 2007, this facility was converted into a short-term loan for a period of nine months from the date of conversion. This loan is subject to an interest rate of 3-months Libor plus 1.25% yearly, but not less than 6%.

In the cash flow statement, cash and cash equivalents include cash on hand, current accounts, and short term deposits and bank overdrafts as explained under Note 24(m).

6. Prepayments and other debit balances

Prepayments and other debit balances are composed of the following:

December 31,	**2006** US$	2005 US$
Advance payments to contractors (a)	8,417,396	7,302,639
Advances to employees	1,656,325	1,700,331
Accrued interest income	8,333,907	6,062,077
Prepaid expenses	2,482,895	517,362
Deferred tax assets (b)	1,945,160	193,264
Due from a shareholder in a joint venture (c)	-	5,270,000
Investment in non-consolidated subsidiaries (d)	-	161,026
Other debit balances (e)	5,417,714	4,564,668
	28,253,397	25,771,367

a. Advance payments to contractors include an amount of US$5,788,093 as of December 31, 2006 (US$6,211,679 as of December 31, 2005) relating to a contractor involved in the execution of the "Aswaq Beirut" project.

b. Deferred tax assets caption consists of the following:

December 31,	**2006** US$	2005 US$
Deferred tax assets on unrealized loss from the revaluation of interest rate swap agreement - note 12(e)	-	152,114
Deferred tax assets on unrealized loss from available-for-sale securities - note 8	-	41,150
Deferred tax assets on unrealized profits from sales to a joint venture	1,612,500	-
Deferred tax assets on cost of land sold - note 12	332,660	-
	1,945,160	193,264

c. Due from a shareholder in a joint venture represents 50% of a balance due from the other venturer, since as of December 31, 2005 the Company had contributed its full share in the Beirut Waterfront Development s.a.l., the joint venture entity, whereas the other venturer had not yet settled its full contribution. During the year 2006, the other venturer settled its full contribution.

d. Investments in non-consolidated subsidiaries are carried at cost as they are not material and consist of 9 inactive subsidiaries. The principal activity of these subsidiaries, which are incorporated in Lebanon, is to acquire, construct, lease and manage real estate properties in the BCD. During the year

ended 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:

December 31,	**2006** US$	2005 US$
Notes receivable	342,970,140	282,568,976
Accounts receivable	63,709,387	18,745,807
Receivables from tenants	5,945,936	5,936,288
Interest receivable on discounted notes	825,954	883,946
Less: unearned interest	(64,157,547)	(34,963,059)
Less: provision for problematic receivables	(351,320)	(351,320)
	348,942,550	272,820,638

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% as of December 31, 2006 (as of December 31, 2005, 109 counter-parties; 6 customers constitute 50% of the total exposure and 103 customers constitute the remaining 50%).

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

December 31,	**2006** US$	2005 US$
Doubtful balances	365,935	365,935
Overdue	878,141	4,247,835
2006	-	83,025,595
2007	180,001,959	79,029,806
2008	60,421,455	43,251,153
2009	51,433,966	33,925,664
2010	29,958,591	23,299,352
2011 and thereafter	19,910,093	15,423,636
	342,970,140	282,568,976

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).

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

	2006 US$	2005 US$
Balance at the beginning of the year	351,320	221,932
Additions	-	200,660
Write-back of provision	-	(61,000)
Write-offs	-	(10,272)
Balance at the end of the year	**351,320**	351,320

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:

December 31,	Maturity Date	2006 Book value US$	2006 Leverage with right of set-off US$	2006 Net value US$	2006 Conditional coupon rate %	2006 Interest on leverage	2006 Fair market value US$	2005 Book value US$	2005 Leverage with right of set-off US$	2005 Net value US$
Held-to-maturity										
USD spread callable range accrual note	23/02/2014	5,000,000	1,990,000	3,010,000	6.1	3ml + 0.75%	4,632,000	5,000,000	2,181,460	2,818,540
4 year CPU Multiplus On Asian indices	26/03/2008	2,000,000	2,075,000	(75,000)	6	1yl + 0.75%	2,508,000	2,000,000	2,000,000	-
10-year USD callable range accrual note[1]	8/12/2014	-	-	-	6.13	3ml + 0.75%	-	1,998,000	878,815	1,119,185
10-year USD "momentum" callable range accrual note	16/03/2015	2,995,500	1,509,716	1,485,784	6.65	3ml + 0.5%	2,536,500	2,995,500	2,935,500	60,000
		9,995,500	5,574,716	4,420,784			9,676,500	11,993,500	7,995,775	3,997,725
Available-for-sale										
7-year non-call 3 months Knock-out callable range note[2]	29/03/2012	3,000,000	803,711	2,196,289	5.6	3ml + 0.5%	2,856,900	3,000,000	793,285	2,206,715
7-year USD callable range accrual puttable note[2]	25/04/2016	2,688,000	740,000	1,948,000	6.2	3ml + 0.5%	2,876,700	2,997,000	807,600	2,189,400
7-year non-call 3 months knock-out callable range note[1,2]	29/03/2012	-	-	-	4.80	3ml + 0.5%	-	2,000,000	540,070	1,459,930
		5,688,000	1,543,711	4,144,289			5,733,600	7,997,000	2,140,955	5,856,045
Total investments in securities at net book value		**15,683,500**	**7,118,427**	8,565,073			**15,410,100**	19,990,500	10,136,730	9,853,770
Add/(less) change in fair value of available-for-sale securities				45,600						(274,330)
Investment securities				**8,610,673**						9,579,440

1. The investment was called by the issuer during the year ended December 31, 2006.
2. The Company has a put option to sell back the notes to the issuer at 100% provided certain conditions are met.

The change in fair market value of the available-for-sale securities is recorded under "Cumulative changes in fair value of available-for-sale securities" in equity net of deferred tax liability in the amount of US$6,840 as of December 31, 2006. (Net of deferred tax asset in the amount of US$41,150 as of December 31, 2005).

9. Inventory of land and projects in progress

Inventory of land and projects in progress consists of the following:

December 31,	**2006** US$	2005 US$
Land and land development works, net (a)	1,270,422,013	1,361,823,140
Real estate development projects, net (b)	187,382,964	165,660,984
	1,457,804,977	1,527,484,124

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

December 31,	**2006** US$	2005 US$
Acquired properties (a.1)	959,007,210	959,007,209
Pre-acquisition costs (a.2)	9,412,801	9,412,802
Infrastructure costs (a.3)	638,602,752	620,490,858
Eviction costs (a.4)	260,068,716	259,962,995
Capitalized costs (a.5)	62,289,085	58,287,311
Cumulative costs	1,929,380,564	1,907,161,175
Less:		
Cost of land sold, net	(575,666,777)	(462,046,261)
Cost of land transferred to real estate development projects	(76,938,653)	(76,938,653)
Cost of infrastructure transferred to real estate development projects	(6,353,121)	(6,353,121)
	1,270,422,013	1,361,823,140

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

Law No. 117/91 stated the requirements for property recuperation and exemption. In this respect properties appraised at US$255 million were recuperated by original owners and properties appraised at US$133 million were not claimed for recuperation.

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

a.3 Infrastructure costs as at December 31, 2006 include an amount of US$279.4 million (US$279 million as of December 31, 2005) relating to the sea front defense and marina works, an amount of US$145 million (US$143 million as of December 31, 2005) relating to infrastructure works executed in the traditional BCD area, and an amount of US$78 million (US$74 million as of December 31, 2005) relating to the cost of land reclamation and treatment. It also includes the cost of an electricity power station in the amount of US$42 million (US$42 million as of December 31, 2005), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$40.2 million up to December 31, 2006 (US$39.2 million up to December 31, 2005). During the year ended December 31, 2006, borrowing costs of US$0.98 million were capitalized (US$1.2 million for the year ended December 31, 2005).

a.4 Eviction costs represent the costs of relocating previous settlers out of the BCD area which were mainly paid through the Central Fund for the Displaced (a public authority). This caption is stated net of US$21.8 million as of December 31, 2006 (US$21.8 million as of December 31, 2005) representing a 10% charge on recuperated properties appraised values collected from original owners other than religious and governmental recuperated properties.

a.5 Capitalized costs represent allocation of direct overheads. Costs capitalized during the year ended December 31, 2006 amounted to US$3.9 million (US$3.8 million for the year ended December 31, 2005).

b. Real estate development projects include the following:

December 31,	**2006** US$	2005 US$
Construction and rehabilitation of buildings	347,067,525	325,733,826
Cost of land	77,326,934	76,938,653
Cumulative costs	424,394,459	402,672,479
Less:		
Cost transferred to investment properties, net	(174,705,279)	(174,705,279)
Cost transferred to fixed assets	(18,141,961)	(18,141,961)
Cost of real estate sold	(44,164,255)	(44,164,255)
	187,382,964	165,660,984

The net cost of real estate development projects includes cost incurred in connection with the construction of a shopping mall in the amount of US$81.83 million (US$70.07 million as of December 31, 2005) and offices and residential complexes as of December 31, 2006.

An impairment loss of US$3,036,061 was recognized in the income statement during the year 2006 (US$1,685,783 million during the year 2005) that represents non-recoverable charges included in the cost of some of these properties.

10. Investment properties, net

Investment properties are composed of the following:

Balance as at December 31,	2005 US$	Additions US$	Transfers US$	Disposals and sales US$	**2006** US$
Cost					
Land	42,265,974	-	(53,135)	(210,917)	42,001,922
Buildings	122,923,983	268,977	53,135	(543,411)	122,702,684
Other assets	4,308,942	198,229	-	-	4,507,171
	169,498,899	**467,206**	**-**	**(754,328)**	**169,211,777**
Accumulated Depreciation					
Buildings	13,539,952	2,430,675	-	(58,856)	15,911,771
Other assets	2,200,962	447,231	-	-	2,648,193
	15,740,914	**2,877,906**	-	**(58,856)**	18,559,964
Net book value	153,757,985				**150,651,813**

Investment properties include rented and available for rent properties. These represent mainly a property leased out to the Ministry of Foreign Affairs and Emigrants, for 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 US$695,472 for total proceeds of US$960,446 which resulted in a gain of US$264,974 recorded in the income statement (net book value of US$801,050, total proceeds of US$1,098,486 and gain of US$297,436 for the year ended December 31, 2005).

The fair value of the investment properties is estimated by management at around US$248 million based on current market prices (US$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 US$2,877,906 for the year 2006 (US$2,954,447 for year 2005) is recorded under "charges on rented properties" caption in the income statement.

11. Fixed assets, net

Fixed assets are composed of the following:

Balance as at December 31,	2005 US$	Additions US$	**2006** US$
Cost			
Land	5,080,192	-	5,080,192
Buildings	11,237,020	270,782	11,507,802
Marina	6,934,100	-	6,934,100
Furniture and fixtures	2,299,931	96,671	2,396,602
Freehold improvements	2,962,826	369,199	3,332,025
Plant	1,853,266	-	1,853,266
Machines and equipment	10,854,557	1,689,415	12,543,972
	41,221,892	**2,426,067**	43,647,959
Accumulated Depreciation			
Buildings	1,569,910	215,600	1,785,510
Marina	235,428	138,682	374,110
Furniture and fixtures	1,739,886	198,878	1,938,764
Freehold improvements	1,793,497	296,985	2,090,482
Plant	1,111,731	185,327	1,297,058
Machines and equipment	8,564,627	1,481,925	10,046,552
	15,015,079	**2,517,397**	17,532,476
Net book value	26,206,813		**26,115,483**

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:

December 31,	**2006** US$	2005 US$
Accounts payable (a)	39,433,181	34,266,982
Accrued charges and other credit balances (b)	14,332,919	11,509,574
Taxes payable (c)	24,311,807	20,498,564
Provision for end-of-service indemnity and other charges (d)	4,463,259	3,658,217
Liability under interest rate swap agreement (e)	-	996,790
Deferred tax liability - note 8	6,840	-
Accrued interest payable	775,703	2,382,558
	83,323,709	73,312,685

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$8.5 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 outcome of the subject arbitration is not yet certain Note 26(j).

c. Taxes payable consist of the following:

December 31,	**2006** US$	2005 US$
Accrued income tax	21,188,055	17,174,870
Vat payable	-	872,818
Taxes withheld	962,182	412,414
Property tax payable	2,161,570	2,038,462
	24,311,807	20,498,564

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

	2006 US$	2005 US$
Income before tax	153,200,020	125,703,068
Less: income/(losses) of subsidiaries	17,808	(11,717)
Non deductible provisions and charges	3,217,563	3,121,600
Rent revenue from built up property (net)	(13,997,186)	(14,313,819)
Taxable income	142,438,205	114,499,132
Applicable tax rate	15%	15%
Accrued income tax	21,365,731	17,174,870
Less: tax on interest previously settled	(177,676)	-
Accrued income tax payable	**21,188,055**	17,174,870
Accrued income tax	21,365,731	17,174,870
Less: deferred tax assets - note 6	(332,660)	-
Income tax expense	**21,033,071**	17,174,870

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.

Property tax payable in the amount of US$2.16 million as at December 31, 2006 is included under the caption "Charges on rented properties" in the income statement (US$2.04 million as at December 31, 2005).

The Company has provided for additional tax related to previous years in the amount of US$1,319,859 during the year ended December 31, 2006.

d. the movement of provision for end-of-service indemnity and other charges is as follows:

	2006 US$	2005 US$
Balance at the beginning of the year	3,658,217	3,300,801
Additions	837,921	515,000
Settlements	(32,879)	(157,584)
Balance at the end of the year	**4,463,259**	3,658,217

e. The Company has entered into an interest rate swap transaction to provide a cash flow hedge against upward volatility of the cost of funds related to the medium term borrowing referred to under Note 16.

On February 25, 2005, the Company restructured the long term loan of US$100 million and thereby restructured the 3 year interest rate swap agreement on a notional amount of US$100 million by replacing it by two new contracts in line with the restructuring of the loan.

The first contract extends for a period of two years effective December 20, 2004 for a notional amount of US$60 million for the first year, decreasing to US$40 million for the second year ending December 20, 2006. During the two year period of the agreement, the interest to be received is determined at 12-months Libor and the interest to be paid is set at 6.5%.

The second contract extends for a period of 18 months from April 21, 2005 till October 21, 2006 for a notional amount of US$40 million for the first 3 quarters. The notional amount decreases to US$30 million for the fourth quarter and then to US$20 million and US$10 million for the fifth and sixth quarters, respectively. During the term of the agreement interest to be received is determined at 3-months Libor set at the beginning of each quarter and the interest to be paid is set at a rate of 6.3%.

The Company settled US$1,032,364 included under "Interest expense" in the income statement for the year ended December 31, 2006 (US$2,623,267 for the year ended December 31, 2005).

As of December 31, 2005, the valuation of this derivative instrument as provided by the arranger bank on the basis of unwind or cancellation value of the transaction amounted to negative US$1,014,096. The change in fair value is recorded in equity under "Cumulative changes in fair value of interest rate swap agreement" net of deferred tax in the amount of US$152,114 as of December 31, 2005.

During the year 2006, the Company settled both loans subject to the two interest rate swap agreements. Accordingly, the swap transactions were derecognized and the change in fair value in the amount of US$1,014,096 was reversed to liability under interest rate swap agreement and deferred tax in the amount of US$152,114.

13. Dividends payable

The breakdown of dividends payable is summarized as follows:

General Assembly Date	Dividend per share US$	Declared US$	Settled up to Dec 31, **2006** US$	Dec. 31, **2006** Payable US$	Dec. 31, 2005 Payable US$
June 29, 1996	0.20	30,918,413	28,997,444	1,920,969	2,135,676
June 30, 1997	0.25	40,367,172	37,032,819	3,334,353	3,602,727
June 29, 1998	0.25	39,351,753	35,238,008	4,113,745	4,491,702
June 23, 2003	stock dividend	-	-	27,485	36,602
June 12, 2006	0.06	98,831,106	73,349,946	21,481,160	-
				30,877,712	10,266,707

The General Assembly of Shareholders in its meeting held on June 12, 2006 decided to distribute dividends at an average of 60 us cents for every share. Accordingly dividends payable in the amount of US$90.09 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.

14. Deferred revenues and other credit balances

Deferred revenues and other credit balances consist of the following:

December 31,	**2006** US$	2005 US$
Cash down payments and commitments on sale contracts	154,763,757	41,654,460
Deferred rental revenue and related deposits	13,542,036	13,444,966
	168,305,793	55,099,426

Cash down payments and commitments on sale contracts include balances aggregating to approximately US$143.5 million that relate to 15 sale contracts with an aggregate potential gross sales value of US$1.034 million as of December 31, 2006 (US$33.4 million relating to 10 sale contracts with an aggregate potential gross sale value of US$543.5 million as of December 31, 2005). This caption also includes down payments totaling US$1.9 million (US$1.7 million as of December 31, 2005) on sale of units in the shopping mall project corresponding to a potential gross sales value of US$33 million.

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

15. Deferred credits

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. Until such time as the Company's commitment to buy back these shares lapsed, the proceeds were reflected as deferred credits.

The buyer did not exercise the option to sell back the shares during the specified period, and accordingly acquired the shares subject of the contract referred to above during the first quarter of 2006. As a result, the Company derecognized these treasury shares from its portfolio against the consideration previously received, in the amount of US$3.9 million classified under "Deferred credits" and interest in the amount of US$666,000 classified under "Accrued interest payable" caption.

b. The Company sold on April 3, 2002 to a local financial institution, 1,004,004 shares (607,212 "A" shares and 396,792 "B" shares) from treasury shares with a sale back option for a total consideration of US$6,011,930 at US$6 per share, which includes an option premium of $0.987 per share. The sale back option can be exercised at a strike price of US$7.10 per share for a period not exceeding 3 years subject to certain conditions specified in the sale contracts. The strike price represents the selling price plus accumulated interest. Until such time as the Company's commitment to buy back these shares lapsed, the proceeds were reflected as deferred credits.

The buyer did not exercise the option to sell back the shares during the specified period ending March 2005 and therefore the buyer retained the above mentioned shares. As a result, the Company derecognized these treasury shares from its books against deferred credits in the amount of US$6,011,930, previously received, and accrued interest payable in the amount of US$1,116,498.

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

On June 14, 2005, the Company exercised the option to buy back these shares. Contrary to what was originally agreed upon, the purchase price of 2,000,000 shares out of the aggregate shares was set at US$7.52 instead of US$7.63 per share, settled during the first half of the year 2005. The Company subsequently sold these shares for a total consideration of US$18,000,000 during the same period. The ownership of the remaining 2,000,000 shares was transferred to the Company on December 14, 2005 and the purchase price of US$15,260,000 was paid on the same date with offset to deferred credits in the amount of US$13,000,000 and accounts payable and other liabilities in the amount of US$2,260,000 representing interest accrued up to December 14, 2005.

d. On June 3, 2005, the Company signed a contract with a third party effective December 15, 2005 to sell with a conditional 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$11.44 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$2,950,800 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:

December 31,	**2006** US$	2005 US$
Syndicated local bank loans	-	40,000,000
Local bank loan	-	40,000,000
"coface" guaranteed loan	15,327,428	30,654,857
Syndicated loan	-	2,314,821
Local bank loan	5,000,000	7,000,000
Loan guaranteed by export - import bank of the united states	6,735,272	9,429,381
	27,062,700	129,399,059

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

December 31,	**2006** US$	2005 US$
2006	-	82,336,358
2007	20,021,537	40,021,537
2008	4,694,109	4,694,109
2009	2,347,054	2,347,055
	27,062,700	129,399,059

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 installments 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 installments 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$7.3 million represents a guarantee premium. This loan, 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). Under the terms of the loan contract, the Company is required to maintain a pledged deposit of US$23.6 million with the lending bank starting from the date of the first withdrawal. The pledged deposit was subsequently reduced in 2004 to US$18.5 million and to US$16.7 million in 2006. Moreover, the Company is required to maintain a debt to equity ratio of no more than 20% and to maintain a minimum balance of US$53.6 million of cash and cash equivalents (as defined by the lending bank).

For the purpose of partially financing the waste treatment 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$22 million. The period in which this loan could be withdrawn ended on December 29, 2002. Total withdrawals up to December 31, 2005 and 2004 amounted to US$20.26 million. This loan will be repaid by one installment in the amount of US$1.74 million and eight equal semi-annual installments. The loan was fully settled as at December 31, 2006, (US$17.95 million were settled as of December 31, 2005). This loan is subject to an annual interest rate of 3 months Libor plus 4%. According to the covenants of this loan agreement, the Company is required to maintain a debt to equity ratio not greater than 25%, maintain tangible assets of a minimum of US$1 billion and maintain accounts and notes receivable of not less than US$75 million free from any liens, assignments or similar charges. In addition to that, the Company should maintain the number of treasury shares below 11,610,000 shares.

Local bank loan
In July 2001, a complementary loan agreement in the amount of US$10 million was signed with a resident foreign bank. The total amount of the loan was withdrawn up to December 31, 2004. This loan shall be paid in 10 equal semi-annual installments starting October 25, 2004 and ending April 27, 2009. An installment of US$2 million was made during 2006 in addition to settlements aggregating to US$3 million during 2005 and 2004 and thus the balance of the loan decreased to US$5 million as of December 31, 2006. The loan is subject to an annual interest rate of 3 months Libor plus 1%. The Company shall maintain a pledged fund of not less than 102% of all outstanding principal and interest amounts, and should maintain a debt to equity ratio not exceeding 25% and total tangible net assets should not be less than US$1 billion free from any liens including permitted liens.

Loan guaranteed by Export - Import Bank of the United States
In July 2001, the Company signed an "Export Financing Credit Agreement" for the amount of US$14.71 million to support the purchase of engineering and construction services and equipment from the United States for the waste treatment project. This loan is guaranteed by the Export-Import Bank of the United States and is financed by a resident foreign bank. An amount of US$13.47 million had been drawn up to December 31, 2004. Subsequent to that date, the Company made no withdrawals. This loan shall be paid by 10 equal successive semi-annual installments, the first of which shall be due and payable on October 25, 2004. An installment of US$2.7 million was made during 2006 in addition to installments amounting to US$4.05 million during 2004 and 2005 and thus the balance of the loan decreased to US$6.73 million as at December 31, 2006. This loan is subject to an interest rate of 0.25% per annum above Libor. According to the contract terms, an irrevocable stand-by letter of credit in the amount of US$3.57 million was submitted to the Export-Import Bank of the United States. Moreover, the Company is required to maintain a minimum balance of cash and cash equivalents of US$30 million and the treasury shares should not exceed 10,131,829 shares or the equivalent of US$76 million in aggregate value. In this respect, the number of treasury shares amounted to 9,533,318 shares with an aggregate value of US$162,663,803 as at December 31, 2006.

17. Capital

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

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

Class "B", amounting to 65,000,000 shares represented capital subscription in cash and are all issued and fully paid at the establishment of the Company.

Class "A" and class "B" shares have the same rights and obligations.

As of December 31, 2006, the Company had 12,926,898 "A" shares listed on the London Stock Exchange in the form of Global Depository Receipts (GDR) (10,191,750 "A" shares as of December 31, 2005).

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:

Year ended December 31,	**2006** US$	2005 US$
Depreciation expense	2,877,906	2,954,447
Property taxes	2,165,750	2,038,462
Maintenance and other related expenses, net	1,413,927	1,486,649
	6,457,583	6,479,558

21. General and administrative expenses

General and administrative expenses is composed of the following:

Year ended December 31,	**2006** US$	2005 US$
Salaries, benefits and related charges	9,408,373	7,201,368
Board of directors' remuneration	144,000	144,000
Administrative expenses	4,752,427	4,147,663
	14,304,800	11,493,031

The Company reallocated salaries, benefits and related charges and administrative expenses amounting to US$3.9 million to construction cost during the year ended December 31, 2006 (US$3.8 million during the year ended December 31, 2005).

22. Interest income

Interest income is comprised of the following:

Year ended December 31,	**2006** US$	2005 US$
Interest income from notes and accounts receivable	22,355,270	12,570,326
Interest income from banks	4,856,417	3,043,998
	27,211,687	15,614,324

23. Basic/diluted earnings per share

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

The weighted average number of shares to compute basic and diluted earnings per share is 157,817,134 shares for year 2006 (158,143,126 shares for year 2005).

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:

Year ended December 31,	**2006** US$	2005 US$
Non-cash transfer of shares against recuperated properties	(52,701)	(182,300)
Decrease in receivables from recuperated properties	(360,299)	(616,703)
	(413,000)	(799,003)

b. Depreciation was applied as follows:

Year ended December 31,	**2006** US$	2005 US$
Depreciation of fixed assets - note 11	2,517,397	2,191,756
Depreciation of investment properties - note 10	2,877,906	2,954,446
Less:Depreciation allocated to inventory of land and projects in progress - note 9	(818,291)	(759,076)
Depreciation charge for the year	**4,577,012**	4,387,126

c. Interest expense consists of the following:

Year ended December 31,	**2006** US$	2005 US$
Interest charged as period cost	7,173,307	17,490,405
Interest expense allocated to inventory of land and projects in progress - note 9	980,207	1,202,293
Total interest expense	**8,153,514**	**18,692,698**

d. Non-cash transactions in operating and financing activities include the effect of the non-exercise of the option to sell back treasury shares from a local bank to the Company (Note 15). Non-cash transactions in operating and financing activities also include the exercise of an option to buy treasury shares from a local bank against an amount of US$13,000,000 from deferred credits and US$1,116,498 from accounts payable and other liabilities (Note 15).

e. Non-cash transactions in operating and investing activities do not include sales of built up area against acquisition of treasury shares for the year ended December 31, 2006 (US$6,360,898 for the year ended December 31, 2005).

f. Non-cash transactions in investing activities do not include a transfer from investment properties to fixed assets for the year ended December 31, 2006 (US$2,224,148 for the year ended December 31, 2005).

g. Non-cash transactions in operating and investing activities do not include a transfer from inventory of land and projects in progress to investment properties for the year ended December 31, 2006 (US$6,046,341 for the year ended December 31, 2005).

h. Non-cash transactions in operating and investing activities do not include a transfer from inventory of land and projects in progress to fixed assets for the year ended December 31, 2006 (US$39,244 for the year ended December 31, 2005).

i. Non-cash transactions in investing activities do not include transfers from fixed assets to investment properties for the year ended December 31, 2006 (US$1,072,697 for the year ended December 31, 2005).

j. Non-cash transactions in financing activities do not include the effect of markup of treasury shares for the year ended December 31, 2006 (US$5,027,346 for the year ended December 31, 2005).

k. Non-cash transactions in investing activities include the effect of change in fair value of available-for-sale securities in the amount of US$45,600 offset against "Cumulative change in fair value of available-for-sale securities" and "Accounts payable and other liabilities" in the amount of US$38,760 and US$6,840, respectively, for the year ended December 31, 2006 (US$274,330 offset against "Cumulative change in fair value of available-for-sale securities" and "Prepayments other debit balances" in the amount of US$233,180 and US$41,150, respectively for the year ended December 31, 2005).

l. Non-cash transactions in financing activities include fractions and options dividends in the amount of US$200,500 transferred from dividends paid during the year ended December 31, 2005.

m. Cash and cash equivalents comprise of the following:

Year ended December 31,	**2006** US$	2005 US$
Cash	98,749	93,902
Current accounts	19,515,034	20,446,999
Short term deposits	60,968,438	61,508,824
Bank overdrafts	(48,362,001)	(10,020,182)
	32,220,220	72,029,543

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 but 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 counselors 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 others), 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 reclaimed land

surface (totaling 608,000 sqm) against the execution by the Company of the sea landfill and infrastructure works.

b. The total projected cost for completion of the BCD project has been estimated by management to be approximately US$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 (US$3.6 million) 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 infrastructure works in the traditional BCD which were incurred by the Company on behalf of the Government. These claims were neither approved nor confirmed by the concerned party nor recorded as receivables in the accompanying consolidated financial statements.

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

f. On June 7, 1997, the Company signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Company acquired additional built up area of approximately 58,000m² and 556,340 class A shares in exchange for approximately 15,000m² and the payment of US$38.7 million to restore governmental buildings. US$25 million has already been paid and accounted for and the balance of US$13.8 million continues to be included under accounts payable. According to the terms of the agreement, the Company undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings belonging to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined and has not been reflected in the accompanying consolidated financial statements.

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

h. The Company has as a stand-by letter of credit in the amount of US$3,566,993 to be gradually decreased starting june 2007 to reach US$3,035,622 in June 2011. This instrument is issued in guarantee of the US$14.7 million US Export Import Bank of the United States facility amounting to US$6.74 million as of December 31, 2006 (US$9.43 million as of December 31, 2005). Throughout its life, this stand-by letter of credit shall be fully covered by a cash collateral (Note 5).

i. For the purpose of enhancing and improving land value in Zokak Al Blat area and to settle the recuperation of a lot in that area, the Company signed in 2002 an agreement with the Armenian Orthodox prelacy to demolish the building on the recuperated lot and to transfer corresponding building rights to another adjacent lot with minimum building rights of 4,900m² against ceding of owners' shares from both lots. 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.

j. During 2003, the Company entered into a dispute with one of its contractors regarding what the Company considered to be a defect in the land remediation works performed by the contractor. The contractor denied this issue and commenced an arbitration in relation to this matter on May 19, 2003. In the request for arbitration, the contractor sought a non-monetary relief that there is no defect in the works performed, and made monetary claims against the Company in the total amount of US$1,079,533, in addition to claiming for the payment of its legal and other costs incurred in connection with the arbitration for an amount of US$2,226,569. The Company made counter claims for non-monetary relief that there exists a defect in the works performed by the contractor and claimed for the payment of its legal and other costs incurred in connection with the arbitration for an amount of US$3,004,711. In 2004, the Company collected the performance bond amounting to US$8.5 million. On July 12, 2004, the International Court of Arbitration ruled that the contractor pay the Company the sum of US$2,188,000 in respect of the Company's cost of arbitration, and additional costs incurred in the amount of US$170,000, in addition to the execution of remedial works at the contractor's own cost.

The Company recorded a receivable in the amount of US$2,358,000 in the accompanying consolidated financial statements which remains uncollected.

On June 21, 2004, the contractor requested arbitration in a second case against the Company to confirm the right to extend the project's execution period and increase the cost of works. The total claims by the contractor in this arbitration amounted to US$32 million representing the increase in the cost of works, other unpaid amounts and amounts the contractor alleged to have been illegally withdrawn by the Company from the performance bond mentioned above.

During 2005 and early 2006, both the Company and the contractor filed counter arbitrations against each others that are still pending as at December 31, 2006.

No assessment was set at this early stage concerning the probable basis of any financial settlement that might result of the claims in these arbitrations.

No provision was set up against these claims as the legal counsel representing the Company in the arbitration is of the opinion that the Company has strong defenses against all allegations made by the contractor.

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 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.

Impairment 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 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$63,709,387 and US$342,970,140 respectively, and the provision for doubtful debts amounted to US$351,320 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

Basile Yared

Vice-Chairmen
Nabil Boustani
Maher Beydoun

General Manager
Mounir Douaidy

Members of the Board
Raphael Sabbagha
Fouad Al Khazen

Joseph Asseily
Abdulhafiz Mansour

Maher Daouk
Sarkis Demerdjian

Mosbah Kanafani
Sami Nahas