ANNUAL report 2004

SOLIDERE

The Master Plan*

- BCD boundary
- Prewar shoreline
- New development - low density
- New development - medium density
- New development - high density
- Restored building
- Public or religious building
- Open space
- Pedestrian streets / links
- Archeological sites
- Utilities

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

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

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

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

Solidere issues annual and semi-annual reports to its shareholders. The Company's activities through the end of 2004 are summarized in its eleventh Annual Report, which also includes financial statements prepared and audited according to international standards.

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Financial Highlights

	2004	2003
Summary of Operations (in US$ million)		
Sales of land and real estate properties	180.5	87.0
Gross rental income	18.6	15.4
General and administrative expenses	10.0	9.2
Net income	54.10	16.4
Sales backlog	78.50	67.0
Stock Data per Share (in US$)		
Earnings	0.3400	0.1042
Shareholders' equity	10.84	10.44
Stock price range		
A shares	4.290 - 8.770	4.05 - 5.5
B shares	4.350 - 8.720	4.22 - 5.5
GDRs	4.975 - 8.125	4.425 - 4.5
Financial Data (in US$ million)		
Cash and cash equivalents	101.1	89.7
Accounts and notes receivable	210.9	190.9
Properties held for development and sale	1606.3	1633.2
Investment properties	158.7	167.0
Total liabilities	419.7	451.0
Retained earnings	82.8	17.0
Legal reserves	35.8	30.4
Total shareholders' equity	1695.3	1662.6
Financial Ratios (%)		
Return (interest income) on liquid assets	4.43	2.25
Debt to equity ratio	13.98	19.48

CHAIRMAN'S message

In view of the brilliant financial results achieved in the past year and the excellent prospects for this year, this message should be quite cheerful. But on February 14, tragedy struck, and Rafic Hariri is no longer among us.

This is a great and irreparable loss. Mr. Hariri is a martyr for Lebanon and the Arab countries. It is to him that we owe the vision and inspiration for the rebirth of Beirut city center. He was the godfather of the project and gave us the impetus, perseverance, dedication and means to carry it through. It is my deep hope that we can all abide by his national ideals in order to pursue the reconstruction efforts, and steer our beloved Lebanon towards progress and prosperity.

Solidere, as everyone is aware, is now well established and deemed to be a major contributor to the economic and commercial activity in the country. It is a necessity for any and all governments, and I expect we would have the support of any new administration. It is worth underlining, too, that Solidere enjoys an important network of investors, including some key business figures in the Arab world. These investors have a stake in the future of our Company, and we all have a mutual goal of making sure that it develops smoothly and successfully.

The city center has attracted over the years a large number of investors and end-users, thanks to a privileged site, quality urban planning, infrastructure, street furniture and landscaping, good design and execution of a variety of real estate products. A recent marketing city center survey reveals that occupancy rates are 95% for residential and retail space, 65% for offices.

Within this environment, the sustained high demand for our real estate end products came as no surprise. In 2004, our real estate sales were around US$11 million, and our remaining portfolio of developed properties, with a net book value of US$159 million (estimated market value US$245 million), earned us US$19 million in rental income. Particularly gratifying, however, was the significant increase in land sales to around US$171 million, representing around 158,000 sq m of floor space, a record high since inception.

Consequently, a net income of over US$65 million, US$54 million after tax, was earned by our Company in 2004. The balance sheet at year end shows a cash position of US$101 million. The outstanding debt was reduced to US$234 million, from US$320 million at end 2003, with the debt-equity ratio dropping to less than 14%, substantially lower than in earlier years. The debt has further dropped to US$187 million by end April 2005. We are using the liquidity from increased sales and rental revenues to accelerate bank loan repayment, as it is part of our key objectives to rapidly reduce the debt and eliminate it within a maximum of three years, in order to increase profitability, distribute dividends and enhance the share price.

Our integrated land-for-share sales scheme, introduced in June 2004, has proven to be an important incentive, as it allows investors - developers to benefit from a 15% rebate on land sale prices; settle up to 40% of the land sale price by ceding Solidere shares valued at a 10% premium; and settle the remaining 60% over three years with interest.

We are also succeeding in our policy to offer land with associated real estate and architectural concepts, thus expediting development to the benefit of all. To that effect, we have commissioned specialized local and foreign architectural firms to prepare concept designs for a number of sites, with a focus on residential clusters in Wadi Abou Jamil, as well as Saifi Village extensions.

Finally, the broadband telecommunications network, soon to be installed to ensure high speed connectivity, end technology and services, is an integral part of our real estate planning strategy to attract businesses and residents.

In the coming two to three years, important projects, involving a mix of land uses and a variety of developers, will be completed in the newly planned sectors of the city center: Serail corridor, hotel district, Souks district, Ghalghoul and Martyrs' Square axis. They include several office buildings, destined to serve as banking and corporate headquarters.

Tower developments facing the waterfront are to deliver 300 luxury apartments and five-star hotels / furnished apartments totaling 1,500 rooms.

The launching of the Beirut Souks, a major retail outlet with a concentration of some of the finest retail available anywhere in the world, all placed handily in a very central location, will constitute yet another attraction to Beirut as a visitors' destination. It will also be one further step towards creating a critical mass in the city center. We expect that the Souks will be operational within the next 24 months, and intend to proceed very soon to firm up sale agreements of the units in the gold souks, but will continue to own and manage the remaining retail space of the Souks, expecting to more than double our rental income from the higher turnovers of its shops as the project fully develops.

On the waterfront, the Beirut Marina is welcoming a large number of boats and has become the focus of international leisure events. Real estate development is soon to start around the marina, before evolving towards the new waterfront district. After delays by the contractor, environmental treatment and reclamation works are back on track.

A dramatic turnaround in the share price took place in the year 2004 and the first months of 2005. From a low of nearly US$4, A and B shares prices almost doubled on the Beirut Stock Exchange, closing the year at respectively US$8.25 and US$8.1, compared to the 2003 closings of US$4.72 and US$5. By end April 2005, the prices had risen to US$9.94 for A and B shares.

On the London Stock Exchange, the GDR closing price was US$7.5 at year end (US$4.95 in 2003), and has been trading between US$9.5 and US$11.25 since February 2005.

The land-for-share sales scheme had a favorable impact on the shares, further heightened by the listing of the Solidere shares on the Kuwait Stock Exchange, starting March 8, 2005. By end April 2005, the share price on the Kuwait Stock Exchange was US$9.66 for A and B shares.

The above improvements have lifted share prices near the US$10 nominal value. We are convinced that the higher price level is sustainable, being closer to the real value. We believe that the share price is still undervalued, and it is our key objective now to ensure that it reaches a level that reflects its true value.

This performance was achieved thanks to a remarkable interest on the part of Lebanese and Arab investors in further developments in the city center. We are quite hopeful that this trend will continue, leading to a critical mass where all those people who have invested here in apartments, office space and other projects, will start living and working here and will thus produce further demand.

Land sale deals negotiated in the latest months have raised our sales backlog to US$146 million, representing 140,000 sq m of floor space. This sustained market interest, by enhancing the value of property in Beirut city center, should generate further positive impacts on Solidere's results and share performance. It is therefore our belief that our Company will be in an excellent shape.

NASSER CHAMMAA
Chairman and General Manager
May 4, 2005

THE PROJECT

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

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

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

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

Independent Lebanon grew into a booming service economy thanks to its inherent assets, its educated population and its liberal political and economic system. Beirut was a modern, cosmopolitan city, its city center a focus for regional trade, business, finance and tourism. At the onset of hostilities in 1975, growth was replaced by widespread destruction. With the return to peace and stability, Lebanon's economy re-emerged in the 1990's, sustained by a national recovery and development program. Massive public investment was coupled with macro-economic policies designed to stimulate private local and foreign investment. The BCD reconstruction benefited from this favorable environment.

The Master Plan

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

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

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

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

The project covers approximately 191 ha (472 acres): 118 ha (292 acres) originally constituting the traditional BCD, plus a 73 ha (180 acres) extension being reclaimed from the sea.

Around 98 ha (242 acres) will consist of public space: 59 ha (146 acres) in roads and 39 ha (96 acres) in public open space. Approximately 93 ha (230 acres) will be allocated for development, including about 22 ha (54 acres) of retained, public or religious property, with the following development guidelines provided in the Master Plan.

Floor Space

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

Project Phasing

Phase One 1994 - 2004

Completed works

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

Works in progress

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

Phase Two 2005 - 2020

This phase will start with the launching by Solidere of Beirut Souks above-ground structures, and will also focus on the development of the Martyrs' Square axis and the New Waterfront District, marking the internationalization of the project and the re-launching of Beirut as a world city of the region.

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

Solidere

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

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

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

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

Solidere's management services can be extended to all BCD property owners. The Company also provides management and operation services to BCD infrastructure, marinas, public utilities, car parks and landscaped open areas.

EXISTING city center

Sound planning and urban design, quality infrastructure and public space on half its land area, have made the city center a choice location for living and working, as well as a cultural, tourist, leisure and shopping destination.

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

The reconstitution of the public domain and laying of infrastructure, completed in the existing city center, will later extend to the waterfront district. As per the 1994 agreement with the Council of Development and Reconstruction (CDR), Solidere implements these works on behalf of the State in return for an allocation of 29 hectares of development land in the waterfront district.

Infrastructure

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

Civil works for the pedestrian street east of Maarad street, overlooking Hadiqat As-Samah, are close to completion. Two-thirds of the six-meter space will be used as terraces by restaurants and cafés along the street, with the remaining third serving as a pedestrian passage.

Detailed designs by Dar Al-Handasah for two major road improvements are awaiting CDR approval. Their finalization requires a Master Plan amendment, to be issued in a Council of Ministers' decree. The first, proposed by Solidere and the Directorate General for Antiquities (DGA), is the road junction linking the north of Martyrs' Square to Trieste street, while fully accommodating important archeological sites in the ancient Tell area. The second is a substantial improvement of the George Haddad - Fouad Chehab junction, assuming grade separation at the intersection.

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

Solidere implemented all civil works, including culverts, relating to power supply and installed 66 KV and 220 KV power cables, a 220 KV link between the Beirut pine forest station and the BCD, and a 240 MW substation transforming high-tension power transmitted by Electricité du Liban into medium voltage; local transformers in turn convert it to low voltage electricity for domestic use. Following other areas of the existing city center, Mina El Hosn is currently being equipped with duct banks for its medium voltage cables, with the Bachoura and north Saifi sectors to follow. Public lighting was installed everywhere, together with the 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, including duct banks for medium and low voltage networks, cable TV and telephone services. Solidere was granted in 1998 a build-and-operate license for teleport / broadband distribution and cable TV networks allowing direct connection of any BCD building to high speed broadband services, as well as a wide range of television services through cable TV. The Company intends to build and operate the system, using advanced telecom technology, with the first phase planned for installation in 2005.

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 street lights, were designed to complement the characteristics of each sector. The Wadi Abou Jamil hardscaping, with basalt streets and granite sidewalks, was completed in 2004. Sidewalks are progressively being upgraded from concrete tile to granite in the rest of Mina El Hosn, and the same may follow in all areas where new sidewalks and curbs are installed.

Solidere has undertaken the integrated design of street furniture, signage and public area lighting, and has commissioned public art for the city center. Plaques with the newly assigned postal codes were installed on completed buildings. The Company has also continued to generate development controls for the public domain, for which a master plan has been established with the help of Jean-Michel Wilmotte (France) and Ziad Akl. The street furniture being installed, based on completed new designs, includes telephone booths for the traditional city center, advertising billboards, street name signage in stainless steel, and street balustrades destined to contain sidewalk cafés. A signage manual, prepared by Solidere and amended in accordance with Municipality of Beirut comments, is awaiting final approval.

Parking Facilities

Pending completion of sufficient space underground, 21 vacant lots assigned for surface parking provide 3,100 car spaces servicing an average of 10,000 customers per day. Some surface parking is moving to new locations to make room for real estate development. The Company is also providing free car parks in the eastern section of the planned waterfront district with a free shuttle service to the existing city center.

Solidere's public underground parking facilities include: the Beirut Souks car park, providing 2,600 spaces to the Foch-Allenby and Maarad sectors; and the four-level, 108-space Weygand street car park, topped by a garden. A car park in the northern part of Foch-Allenby is jointly developed by Solidere and owners of neighboring properties. Civil works were completed in the first quarter of 2005 for the 280-car park section owned by Solidere, expected to be operational by August 2005. It will be topped by a landscaped square.

Tendered out by CDR as BOT projects, two car parks under public property in Martyrs' Square and near the Grand Serail, remain unexecuted.

The Company plans to commission the Martyrs' Square parking structure design to Dar Al-Handasah, based on the awaited results of the Martyrs' Square urban design competition. The project is crucial for the development of that major sector, and should be delivered by 2007 according to the conclusions of a parking strategy study conducted for Solidere. The Company is offering its assistance to CDR for its implementation on a BOT basis.

EXISTING
city center

Landscaping

Once completed, Beirut city center public domain will comprise half its land area, totaling some 39 hectares and equaling the area allocated to green space in the rest of Municipal Beirut. As a result, downtown Beirut, constituting 10% of the capital's total area, will contain half its green space.

Solidere is vindicated in its sustained action to build a public domain of a very high quality as well as in its commissioning of public art. Fine public spaces are perceived to exert a significant impact on land sales. They have also made central Beirut the city's main meeting point.

The social promenading use of these public spaces, encouraged by the Mediterranean climate and lifestyle, has made the city center a most active destination for visitors from the rest of the country, as well as from Arab and other countries.

Solidere continues to work through a rolling program of 60 public parks, gardens, squares, pedestrianized areas and waterfront promenades. The streets are lined with trees or fitted with planters or wide medians landscaped with trees, shrubs and colorful plants.

Major open spaces presently include Gibran Khalil Gibran garden facing UN House; Roman Baths gardens and pedestrian area; Fouad Chehab gardens overlooking the city from the ring road; Riad El Solh Square, Debbas Square, and Bab Al Saray basin square in the Foch area.

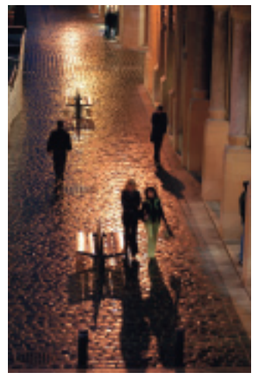
Adjoining public and religious buildings are the landscaped areas created in Nejmeh Square, facing the

Municipality, cascading under the Grand Serail with Omar Onsi garden at street level, near the Serail entrance, between the Evangelical church and National Music Conservatoire, and along the CDR stairs. Amir Amin Square in Bachoura, Saifi Square, Omar Daouk Square in Wadi Abou Jamil, provide other landscaped spaces, as well as private open spaces near Planet Discovery in Mina El Hosn, in Saifi Village and between Solidere's restored residential buildings in Zokak El Blatt.

Recent works included adding trees in Weygand and Allenby streets, to be followed in Foch street; upgrading trees in Zeitouneh and in Wadi Abou Jamil; upgrading the open space next to Starco's northwestern corner in Mina El Hosn, with the design by Dar Al-Handasah ready and construction to start in April 2005. Two projects in Wadi Abou Jamil designed by Thibaud Urbanisme et Paysage (TUP) (France) and Rafic El Khoury, the open space near St Elias church and the Wadi Abou Jamil garden, will respectively be completed by mid-year and in the third quarter of 2005. The same consultants completed the design of Square 65 in Wadi Abou Jamil.

The design by Machado and Silvetti Associates (US) for block 94, near the ancient Tell, will be completed by May 2005. Gustafson-Porter (US-UK) finalized their concept designs for block 93, above the Foch parking; and for the hardscaping and landscaping of the hotel district and old shoreline walk open spaces, which include the Zeitouneh, Santiyeh, All Saints and Mina El Hosn squares.

The CDR open space concept design, received from Frederic Francis, was submitted by Solidere for CDR approval. Concept designs are being prepared by Vladimir Djurovic Landscape Architecture for a new Nejmeh Square landscaping, and for upgrading the Amir Amin Square and the Roman Baths stairs. A pedestrian bridge leading to the Beirut Marina is under design by Nadim Karam.



EXISTING city center

Hadiqat As-Samah (Garden of Forgiveness), designed by Gustafson-Porter, is to be constructed on a 2.3-hectare (5.7-acre) site, committed by Solidere through relinquishing development rights there. The garden's location among several places of worship, its design reflecting Lebanon's varied landscape and numerous historical layers, destine it to be a place of calm reflection. Design is ready, and construction of the west terrace wall by Nassar Contracting Company was near completion at end 2004. The next stage will be to continue the pedestrian passage parallel to Maarad street, towards the garden's northern part near the churches, and to backfill the garden's northern part.

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

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, storm water networks, sewage pumping station and network; irrigation station and network, trees and landscaped open spaces. The Company does not receive any payment in consideration for these services, and has raised with State authorities the issue of the costs incurred for which it intends to seek compensation. The costs were compounded by handover delays.

As per Law 117 of 1991 and the agreement with the State, ratified in Decree 5665 of 1994, infrastructure and the public domain are to be delivered upon completion to CDR, representing the State. Primary infrastructure and utilities, including the ring road with its bridges and overpasses, main and secondary roads, and the sewage pumping station, were delivered to the State in earlier years. Utility networks in Riad El Solh, Maarad, Foch-Allenby, Zokak El Blatt and Saifi were delivered to the State in 2003; Wadi Abou Jamil networks in 2004. In January 2005, CDR took delivery of sidewalks.

The operation and maintenance of street lighting, sewage and storm water networks, are undertaken by the Municipality under Solidere's supervision. However, the control room in tunnels and the sewage pumping station are still operated and maintained by Solidere. The repair of damages to street furniture due to car accidents and other vandalism acts, is carried by Solidere, with documentation and claims sent to the Municipality.

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 or 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 and replacement of plantation pots; street decorations during specific holidays.

Archeology

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

In 2004, archeological research proceeded in four sites on public space, in development lots, or in built lots under restoration. The landscaped area on block 94 will feature in its design the memories of geological and urban history.

The documentation, digitizing and evaluation of results provide data for new syntheses of Beirut's urban history. Articles by archeologists of the fourteen teams that worked in the BCD continue to be published in scientific journals. New discoveries have confirmed the location of the Decumanus Maximus, main east-west street of the Roman city, which was defined by the alignment of the Hellenistic city and later became the alignment of the Medieval city wall.

Solidere has initiated the integration of archeological sites within the city fabric. The main features in this approach are Hadiqat As-Samah and the Heritage Trail. A site museum near the ancient Tell, to be the starting and ending point of the trail, should celebrate Beirut's finds and bring alive the history of the city.

Master Plan Issues

Apart from Master Plan issues mentioned elsewhere in the text, it was found that a small number of religious properties and private lots were slightly trespassing on the public domain. Solidere coordinated efforts with concerned public agencies to legalize their situation. A draft decree, covering property swaps totaling 318 sq m between the private and public domain, was prepared by Solidere to resolve the issue. The draft was approved by Beirut Municipality and the Higher Council for Urbanism, prior to its forwarding to the Council of Ministers, which will issue the decree.

Vladimir Djurovic Landscape Architecture

Amir Amin Square in Bachoura.

Machado and Silvetti Associates

Block 94 near the ancient Tell.

Vladimir Djurovic Landscape Architecture

Roman Baths stairs.

Rafic El Khoury / TUP

Landscaped pathway in Wadi Abou Jamil.

WATERFRONT district

Beirut Marina welcomed 130 boats in the last season. It was also the focus of international events that herald the new Beirut waterfront: a prime, buoyant, multiuse district, with bold architecture and extensive green areas, commanding fine views of the sea, with a picturesque landscape of hills and mountains across the bay.

Quayside restaurants, a yacht club and hotel / apartments will surround the marina. Seaside promenades, a scenic bridge and other pedestrian accesses will link it to the hotel district. Environmental works and a comprehensive sector plan are laying the ground for the waterfront district development.

Providing an uninterrupted 3.5-km extension of the Beirut shoreline, the corniche promenades, marina and harbor quaysides will represent more than four times the area of seafront public space currently available in and around the Beirut peninsula.

Beirut Marina

Beirut Marina is located at the heart of the capital. During the 2004 summer season, it accommodated such international events as the Beirut Jazz Festival, the Elissa theme boat race and the Naumon boat show.

The marina has become fully operational in April 2005, in time to start its fourth season. Pending completion of the buildings surrounding the marina as per Steven Holl design, temporary portacabins are used for harbor master and public authorities' activities (customs, immigration, police, army intelligence).

Beirut Marina's capacity stands at 186 boats, ranging in size from five to 65 meters, with 75% of the mooring area accommodating boats more than 25-meter long. By end 2004, Solidere had signed medium- or long-term leases (three, five or ten years) for 25 boats, and one-year leases for 96 boats.

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 new waterfront. The project cost, totaling US$298 million, was partly financed with a US$107.3 million, 10-year loan, concluded in 1996 with BNP Paribas and Banque Indo-Suez, with a US$7.3 million COFACE guarantee. Solidere continued in 2004 its repayment of the loan, with US$46 million outstanding at year end, and US$38.3 million by February 2005.

The marina was put at the Company's disposal in 2002, as per its 1997 agreement with the State granting it the right to operate the marina and below-corniche car park for a 50-year period.

Solidere has undertaken at its own expense, and with the relevant public authorities' supervision, the construction of necessary installations: access and circulation roads, surface parking on the breakwater, underground car park below the corniche and on-site development, pontoons, harbor master, customs and immigration facilities, and utilities for the boats; and issued marina by-laws addressing such matters as general services administration, operation, boat traffic, pedestrian and vehicular circulation, public safety and environmental protection.

The marina pontoons, mooring and service bollards, utilities, network ducting, including an anti-stagnation and siltation flushing system, were designed by Groupe Camille Rayon (France), together with an additional quay providing boat users with extra comfort at times of northerly winds. These works were completed, with all utilities - water, electricity, fire line, telecom / internet, cable TV - connected and functional by April 2005. Medium voltage power from Electricité du Liban is to be distributed throughout the marina via five transformers, with a 3,500 KVA generator providing 100% backup power.

WATERFRONT district

Marina Development

The design of developments around Beirut Marina was commissioned to Steven Holl architects (US) in November 2002. They include a town quay of waterside restaurants and shops, alongside a yacht club, hotel / apartments, harbor master, customs and immigration buildings.

In February 2004, Solidere signed a joint venture agreement with Stow Waterfront Development s.a.l. (Stow) for the development of these facilities. Beirut Waterfront Development s.a.l. (BWD) was incorporated in April 2004, with 50% shareholding for each of the two partners: Solidere contributing in kind 22,351 sq m of land with about 20,000 sq m in built-up area, and Stow contributing US$31.6 million.

The preliminary design file was submitted by Steven Holl architects by end August 2004 and gradually amended according to BWD comments. The integration of the project into the urban downtown site includes direct access to the future city park to the north, as well as a net bridge over the corniche providing pedestrian access to the restaurants and shops. Landscape designs for the entry plaza, upper platforms and lower platforms along the boardwalk, were developed, adding trees, seasonal planting and flowers to enhance the 'urban beach' setting. A new guardrail design improves views to the marina, and a comprehensive lighting plan was developed to make the platforms usable and safe at night.

The design was sent to the Municipality in January 2005 to obtain a building permit. BWD is to entrust Holl, teaming up with Nabil Gholam, with the detailed design. Preparatory works - excavations, piling of basements for two car park levels - will precede construction, expected to take 18 months. High-Point Rendell (UK), appointed in April 2004, are construction managers.

Land Reclamation

Landfilling stands at 55 hectares, with the shortfall from the final 73-hectare target representing marine service access and work areas for the contractor, Radian International (US). The contract, covering 18 hectares not counting extensions below sea level, involves the excavation, sorting and treatment of 5 million cubic meters of debris and waste materials.

The works, supervised by Fairhurst International (UK) and controlled by Bureau Veritas (France), started in April 1999 and were scheduled for completion in April 2004. The contract was the subject of a dispute, which went before an international arbitration tribunal in December 2003. The judgement of the International Chamber of Commerce in Paris was issued in July 2004. The tribunal award requires Radian to remedy the defects in the works at no cost to Solidere, and to provide the Company with a plan showing how the contractor proposes to continue the works so as to comply with the contract. In addition, Radian is required to pay all the legal costs of the arbitration. Ongoing negotiations with the contractor aim at obtaining a proposal for a speedy completion of the works.

The US$56 million project is financed by means of three bank loans, with a consolidated repayment schedule. A six-year, locally syndicated, US$22 million loan, concluded in March 2000, finances its local content. This loan was fully drawn, and, with repayments having started, the amount of US$6.9 million was outstanding at end 2004.

land development

WATERFRONT district

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$21.1 million was outstanding by end 2004.

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.

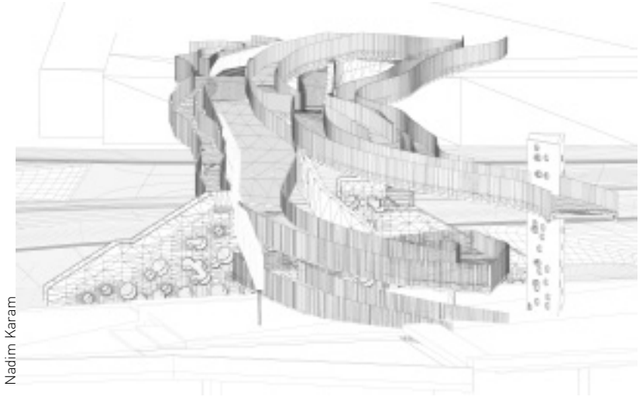
Development studies for parks, infrastructure and high-density structures started in January 2004 with a feasibility study financed by a US$450,000 grant from the US Department of Trade. The study, by Paul Rizzo Associates (US), provides the basis for developing 20 hectares of land in the eastern part of the waterfront district, in partnership with private investors.

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

Other Works

The detailed design of the 400-space car park by Dar Al-Handasah was started in the fall of 2003. Subject to the building permit procedure, its implementation is planned for completion by end 2006.

Designed by Nadim Karam, working with Arups structural engineers (UK), the 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.



Nadim Karam

Net bridge overlooking Beirut Marina.

Future Prospects

The detailed urban planning for the new waterfront district was carried out for Solidere by a consortium of leading US firms, and won a major New Urbanism citation.

The plan aims at turning the new waterfront into the destination and climax of Beirut's citywide corniche. Mixed use development and leisure are emphasized, with landmark buildings framing spectacular views to the sea and mountains, and a street network designed to accommodate a Monaco-style Formula One Grand Prix circuit.

Both the Beirut Municipal Council and the Higher Urban Planning Council approved in 2002 the proposed sector plan for the new waterfront district, its park and waterside (sectors A and D of the BCD), together with related general and special regulations.

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

REAL ESTATE development

Eagerly awaited as the crowning of the city center development, the Beirut Souks are launched. Added to institutional, residential and commercial developments, they will create a critical mass. Solidere is expanding the supply of quality space by sharing with interested investors real estate and architectural concepts, including residential clusters in Saifi and Wadi Abou Jamil.

Beirut Souks

The initial phase of Beirut Souks development is the construction of the south Souks superstructures, expected to start in the second half of 2005 to finish by early 2007.

The underground 2600-space car park is operational, the detailed design ready and the tendering process completed. After obtaining the building permit, Solidere finalized the tendering and awarded the US$50.6 million contract to Société d'Entreprises A.R. Hourié.

Intended as a magnet, Beirut Souks are a modern shopping district in the heart of the city, at a close distance from the port, historic core and hotel district, with a direct link to the airport and to the greater Beirut transportation network. They are surrounded by up-market commercial and residential areas and enjoy easy car and pedestrian access.

The Souks themselves constitute a unique environment that integrates archeological features and gardens, consecrating the historic value of the place. 100,000 sq m of floor space are interspersed among 60,000 sq m of pedestrian and landscaped areas, all designed by international and Lebanese architects.

Visitors can stroll along streets, some covered, such as Souk Tawila and Souk Al-Jamil, and others open to the sky, such as Souk Ayyas, for shopping or entertainment in various shops, restaurants and cafés. As such, the project is destined to be a major boost to economic, commercial and tourist activity.

The south Souks include: the Souks core, by Rafael Moneo (Spain) and Samir Khairallah and Partners, including around 200 shops, an office building with a variety store, food halls and gourmet stores on the ground floors; a gold souk and jewelers' market, by Kevin Dash (UK) and Rafik El Khoury and Partners. The north Souks include: an entertainment complex comprising cinemas, restaurants, multimedia store and games arcades, by Valode and Pistre (France) and Annabel Karim Kassar; an international department store and multiuse building, by Nabil Tabbarah. Olivier Vidal (France) was entrusted with space planning and landscaping; Dimitri Alatzas Asociados (Spain) with the car park management system consultancy.

The project design preserves the site's architectural heritage, retaining the ancient street grid and Ottoman access 'gates' and introducing five landscaped open squares. The design also integrates several archeological finds. These include the late Phoenician-Persian harborside settlement and remnants of the medieval city wall, together with other unearthed artifacts and mosaics. The Souks will also incorporate the Mamluk Zawiyat Ibn Iraq shrine and Ottoman Majidiya mosque. The department store is inspired by the architecture of Khan Antoun Bey, the Ottoman caravanserai previously on its site. A landscaped square with a fountain faces the store and the mosque.

At the same time, the technology of modern commercial centers is used to offer a concentration of some of the finest retail available anywhere in the world. Beirut Souks are thus re-emerging as a lively center, a major regional commercial destination and a primary magnet for investors and tourists. They will play a major role in reactivating the city center and constitute one further step towards creating a critical mass there.

The delivery of the south Souks by early 2007 will allow the realization of pre-sales in the gold souk or jewelers' market, and of leasing agreements for spaces in the Souks core. The inherent revenue elements of the projects, receivables against promissory notes from the gold souk and expected rental revenues, facilitate medium-term funding for the project.

The next phase of Beirut Souks development will cover the north Souks, consisting of the entertainment complex, the international department store and multiuse building comprising offices, restaurants and a commercial gallery. A covered meeting place in Ajami Square with seatings and restaurants is also planned. Expected to start upon obtaining the related building permit, this phase may proceed in parallel with the first. The facilities should be completed within 18 to 24 months from the permit issuance date, allowing the finalization of leasing and management agreements with anchor tenants and international operators.

REAL ESTATE development

Serail Hill Buildings

Solidere changed the nature of two projects near the Serail hill. It had engaged in substantial works on the projects, adapting designs to the end-users' needs, within a 1997 agreement to supply the State with 70,000 sq m of administrative floor space, pre-leased for seven years with an option to buy at an agreed price. The projects were pursued with new land uses, designs and end-users, due to a 1999 Council of Ministers' resolution to cancel the agreement. Solidere had to stop the construction of the Finance and Internal Affairs ministries, but built a substructure skeleton to stabilize the latter's surrounds.

The Rue de France development was redesigned as a multiuse complex: a 2,900-sq m office building leased to the Council of Development and Reconstruction; three residential buildings totaling 3,200 sq m of floor space over nine flats; a 3,400-sq m health club operated by Nautilus. Lot 89 Zokak El Blatt was redesigned as an embassy compound offering 9,300 sq m of floor space. The Japanese embassy moved there in 2001, the British in 2002, and the Australian in 2004. A fourth embassy is interested in the remaining space.

Block 93

A car park, jointly developed by the Company and owners of six properties in blocks 93 and 87, provides 700 car spaces on four underground levels totaling 31,200 sq m of built-up area, with two main access ramps on Foch and Allenby streets. Civil works were completed in the first quarter of 2005 for all but two properties which are awaiting building permit. The 280-car park section owned by Solidere, to be operational by August 2005, will be topped by a landscaped square.

Solidere Development Concepts

Solidere's real estate activity goes beyond developing its own projects. Its aim is to encourage high-quality developments in the city center, and it has pursued and intensified its support to investors to expedite such projects.

The Company engaged in consultancy with international and local architects to prepare concept designs for a number of lots, with obvious benefits for prospective buyers to whom Solidere may sell land with a real estate program, architectural design, and even possibly a construction package. The favorable market response to Saifi Village gave the impetus to expand the Village and apply similar principles in Wadi Abou Jamil.

Saifi Village Extension

In Saifi Village, infill development, designed in the Lebanese vernacular style, blends with buildings restored to their original glory. Public realm design and landscaping convey an appealing and communal ambience of gardens, courts and walkways. The Village's character is enhanced by the Quartier des Arts: designers' and art galleries, antiques and artisans' shops, delicatessen stores, decorative art and beauty specialist boutiques. The 136 apartments are entirely occupied. So are the 4,102 sq m of retail space at street level.

Nabil Gholam designed two clusters as extensions to Saifi Village. In the case of lot 146 Saifi, the land was sold with the design concept. In 178 Saifi Village, 10,100 sq m of residential and 670 sq m of commercial floor space are offered on 2,937 sq m of land. Five new buildings, with façades along the streets bordering the site, form the development. They are organized in a traditional way around a garden courtyard, which constitutes 30% of the total site area, providing private terrace gardens. In the center is a three-floor, five-flat building from the 1940s, restored by Solidere.

Inspired by the Beirut architecture of the 1950s, the five- or six-floor buildings use materials and pastel colors faithful to the neighborhood's character. Taking into account the Mediterranean climate, they draw on the best features of the central hall plan to create a well-balanced, well-oriented, well-lit space, ensuring optimum efficiency and minimum energy costs.

The 45 apartments range from one to four bedrooms, the latter as penthouse duplex apartments, and benefit from modern amenities.

The building permit file is under study by the Beirut Municipality. The renewal of the excavation and piling permit is expected to be obtained by end May 2005.

Wadi Abou Jamil Clusters

Solidere has engaged international and local architects for the design of residential clusters of various sizes in Wadi Abou Jamil. The use of clusters as a typology on the city scale, in combination with detailed and individual residential buildings, is meant to reinforce urban integration.

Facing the Wadi Abou Jamil public garden, two residential clusters on lots 1370 and 1379 Mina El Hosn, designed by Giancarlo De Carlo and Associates (Italy), are set around one common and several private gardens. Lot 1370 offers 12,000 sq m of floor space distributed on 38 flats over three buildings of six floors. Lot 1379 offers 15,274 sq m of floor space distributed on 49 flats over four buildings of six floors.

The architecture, inspired from the traditional central hall model, is enhanced through the introduction of innovative features on the façades. A multiplicity of window, balustrade, crowning, balcony, loggia and terrace types is used, to mirror the richness and grace of architectural language in Beirut.

Materials include various hues of colored plaster finish for upper floors, with yellow stone for ground floors, wood and metal for windows and balustrades, red brick tiles and flat terrazzo for roof tops.

Artist's rendering (by Véronique Chahbazian Cobti) of lot 1370 Mina El Hosn, designed by Giancarlo De Carlo and Associates.

wadi abou jamil

SOLIDERE CONCEPTS
clustered developments

Lot 1392 Mina El Hosn residential complex,
by Dar Al Omran.

Lot 1379 Mina El Hosn residential complex,
by Giancarlo De Carlo and Associates.

Residential complex on lots 1395, 1439, 1440 and 1442 Mina El Hosn, by Porphyrios Associates.

DBA and Dar Al-Handasah residential buildings, respectively lots 1365 and 1407 Mina El Hosn, by Porphyrios Associates.

REAL ESTATE
development

Lot 1392 Mina El Hosn, designed by Dar Al Omran (Rassem Badran, Jordan), offers 25,104 sq m of floor space over 7,819 sq m of land. The cluster includes six buildings of six floors with two apartments per floor, 68 in all, built around an internal garden with a private spa / fitness center in the middle.

The design offers both a strong architectural image and an interesting treatment that respond to the vernacular architecture of the neighborhood. An outer stone layer at the street frontage encloses a light colored plastered inner façade. An interplay of pergolas and external stairs unify the two façade levels. The roofscape combines the flat roof with terrace gardens and the traditional red brick pitched roof.

An impressive residential cluster was designed by Porphyrios Associates (UK) on block 50 (which groups lots 1395, 1439, 1440 and 1442 Mina El Hosn) and block 51 (which groups lots 1365 and 1407 Mina El Hosn).

It consists of two infill developments between restored existing buildings, on Wadi Abou Jamil's northern edge, where they form the transition with the hotel district.

The floor areas are respectively 16,039 sq m on 4,002 sq m of land for block 50, belonging to Solidere; and 8,167 sq m on 2,019 sq m of land for block 51, sold to two developers. The number of buildings are four for block 50, two for block 51. In each case, the ground floor is dedicated for retail use. At the upper levels, residential space is distributed over six floors.

The 58 apartments in block 50 and 23 in block 51, vary in size from two to four bedrooms. The design creates an aligned, homogeneous façade along Omar Daouk street, serving as an urban gateway to the hotel district, while backyard gardens re-create the more intimate residential ambience of Wadi Abou Jamil. The traditional Lebanese house is represented in the tripartite arched windows, loggias and pitched roofs, an evolution of the central hall typology with tall windows ensuring deep light penetration. Materials include pale ochre render for upper floors, pale yellow stone for ground floors and for protrusions such as loggias, window surrounds, quoins and cornices.

Solidere commissioned the design of two developments further north on Mina El Hosn, as well as a center for arts near Martyrs' Square.

Lot 1368 Mina El Hosn

Lot 1368 Mina El Hosn is located in a prime residential area, between the Marina Tower and Beirut Tower developments. It enjoys spectacular views of the Mediterranean and the Sannine mountains, and is within a one-minute walk to Beirut Marina, the waterfront park and the corniche promenade.

Nabil Gholam designed a 40-meter residential development over 2,424 sq m of land. It offers a total marketable area of 15,356 sq m, consisting of 37 apartments on the nine upper floors, with retail space at the ground level. The high-rise, modern building is a successful attempt at integration with the architectural vocabulary of the surrounding context.

The design capitalizes on the three corners of the site that relate directly to important open spaces, the old shoreline walk on the northeast and southeast, and Zeitouneh Square on the south, creating an attraction pivot at the center of the hotel district. The scheme is organized into three buildings, with lobbies on the ground floor open on a large landscaped courtyard.

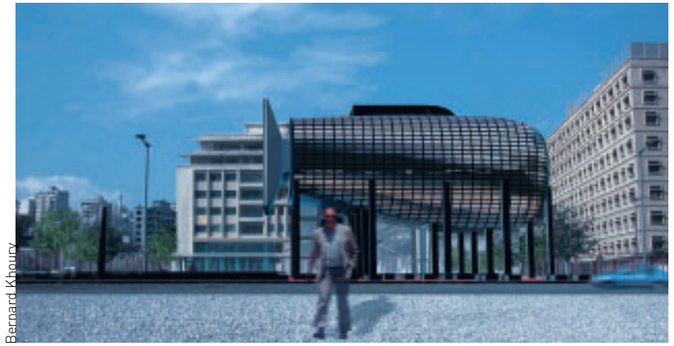
Nabil Gholam

178 Saifi Village.

Le Passage de Hoyek

Solidere commissioned the design of a leading mixed-use project on lot 1338 Mina El Hosn, facing the Beirut Souks on Patriarche Hoyek street, to Jerde Partnership (US). The project is envisaged as an additional magnet operating with the Souks district, offering 14,906 sq m of floor areas over 3,365 sq m of land.

The concept presents an iconic architecture, with an introverted design using interesting massing and composition. A pedestrian interface with adjacent streets and buildings, including the Beirut Souks, is created through courtyards and public places recalling Beirut's street life tradition. Commercial spaces extend from the first basement to the second floor level, while the two upper floors are planned to house a hotel.



Bernard Khoury

The City Center Dome.

The City Center Dome

On lot 987 Bachoura, the City Center Dome, part of a demolished 1965 complex comprising an office tower, a shopping arcade and a cinema, was redesigned by Bernard Khoury for use as a center for arts for a number of years, pending its final development and land use.

By preserving the shape of the dome while demolishing support structures around it, the design liberates its volume and enhances its value. A light metal wrapping around the dome conveys a sense of the temporary. A bold red ground in epoxy paint or asphalt will be layered down underneath the dome and all over the site. The Dome will have six underground floors and raised skylights allowing natural light to penetrate through the ground floor and into the lower levels. This will transform the platform into a permeable interface, structured as a modern re-interpretation of the French garden.

Nabil Gholam

Solidere concept for 1368 Mina El Hosn residential development.

RESTORATION

The restoration and revival of the conservation area and traditional neighborhoods of the city center are widely recognized as a major achievement. Buildings with beautiful façades are enhanced by a landscaped environment, modern interiors and facilities. The vibrant 'vieille ville' with its pedestrian streets, squares, cafés and shops, is a meeting place at all times. Urban villages are popular living areas.

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

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

Restoration Process

The BCD Master Plan retained for preservation 265 buildings and 27 public and religious buildings. The buildings were the subject of careful restoration, according to a set of rules established by Solidere in cooperation with urban planning authorities. These involve detailed sector plans and restoration guidelines. Restoration briefs were established for the retained buildings, based on architectural and photogrammetric surveys, damage assessment and historical research on the original designs and materials. The briefs provided guidelines for articulating the design and restoration strategy to be adopted in each individual case, and were necessarily stricter for buildings deemed of heritage or architectural value.

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

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

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

In residential neighborhoods, this is allied with a high sensitivity to the Mediterranean typology. In office buildings, open plans allow optimal and flexible use of floor area. The final product of restoration is quality space with a special character. Its success has confirmed that heritage buildings can survive and even create substantial value, provided they are adapted to the needs of contemporary life and business.

Recuperated and Sold Buildings

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

Beside fulfilling the requirements applying to all other restoration projects, recuperation contracts outlined the financial rights and responsibilities of involved parties, be they returnee owners or tenants. With the recuperation process concluded, a total of 146 built lots have been recuperated. Of those, 127 buildings have been fully restored, seven are currently under restoration, of which one after sale to a third party, and twelve are under study, of which three after sale to a third party.

Of the retained built lots whose ownership devolved to Solidere, 37 original lots, regrouped into 31 lots, had been sold 'as is' by the end of 2004, while one had been leased 'as is' to be restored by its user. Their restoration is proceeding on the part of their buyers / users, with 28 built lots ready, two under renovation and one under study.

Restored building in the center of the 178 Saifi Village development.

Solidere Buildings

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

As at end 2004, six buildings had been sold after restoration, of which one residential and five commercial buildings. The 44 built lots remaining with Solidere 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 under restoration by third parties, respectively the co-owners and the leaseholder. In addition, Solidere undertook the restoration of two lots on behalf of the Islamic Wakfs, with one completed and another under way.

By year end, Solidere still held 21 restored buildings: 10 destined for residential use in the Saifi, Wadi Abou Jamil and Zokak El Blatt neighborhoods and 11 destined for office use in the Maarad and Foch-Allenby areas, with retail at street level. Of these, five built lots designating six buildings serve as Company premises.

The implementation of restoration concepts in the 16 other Solidere built lots is proceeding, with five at the construction stage and 11 under study.

Solidere leases space in its restored buildings. By end 2004, 48 agreements relating to commercial buildings or sections thereof, and 100 agreements relating to residential properties, had been signed. This resulted in the occupation of around 12,000 sq m of commercial space and 17,500 sq m of residential space.

RESTORATION

Grand Theatre

Solidere is developing an integrated project around the Grand Theatre, consolidating the lot 891 historic building, the lot 870 building and the vacant lot 1521. The concept design by Architecture Studio (France) will be submitted to the Directorate General for Urbanism in May 2005. Works on existing buildings involve the strengthening of structures and façade stone repairs.

Saifi Village

Solidere completed the restoration, as per Fouad Menem's design, of the existing building in 178 Saifi Village.

Two projects designed by Erga Group are nearing completion by Solidere. Lot 332 is a building of five floors. Four of the floors have one apartment each, with one already leased. Retail space is available on the ground floor. Lot 741 contains four buildings around an internal garden. The three restored buildings are occupied, and the four-story infill building is mostly completed. A 50-space car park falls under the garden and in three basement floors of the new building.

Zokak El Blatt

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

Wadi Abou Jamil

In Wadi Abou Jamil, cadastral zone Mina El Hosn, lot 1015 is a five-story residential building restored by Solidere following Ziad Akl's design. An underground car park servicing the building is covered by a private garden. The apartments are all occupied, and the shops on the north side have also been marketed.

Lot 800 regroups two built lots, with Levantine houses of four floors each, and a third, empty lot in between. With restoration completed, as per Ayman Sanioura's design, the existing buildings will remain unoccupied pending construction of an infill building in similar style on the empty lot.

Lots 1133, 1134, 1135 and 1136, regrouped as lot 1133, are four Levantine houses, structurally two buildings of three stories. Following their sale to an investor, they are under re-design by Maha Nasrallah as two independent three-story villas overlooking Wadi Abou Jamil public garden.

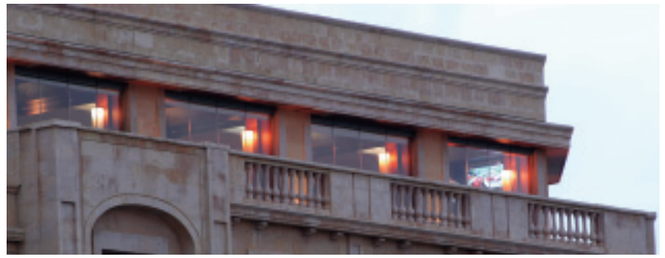
Two buildings are under restoration as per Fouad Menem's design. Lot 799 is a seven-story building including one- to three-room flats and two duplex apartments with roof gardens. Lot 995 is a seven-story building with two apartments per floor.

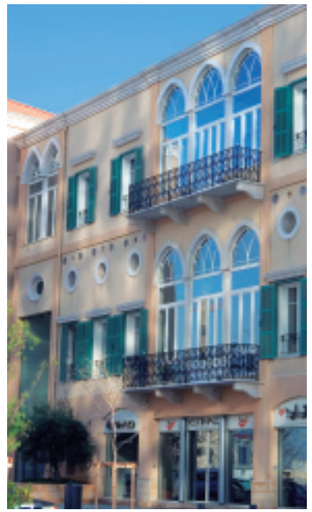
Religious buildings

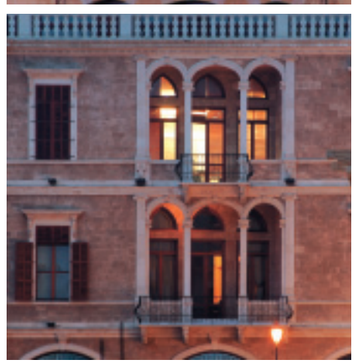
Nineteen places of worship attest to the spiritual value of central Beirut. Solidere is assisting in the gradual restoration of 18 of them, with 13 now in use and drawing increasing numbers of people.

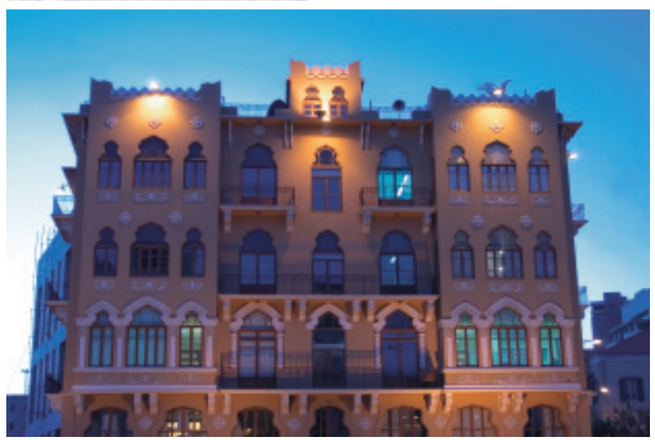
The new Mohamad Al Amin mosque took on a profound meaning when the late prime minister Rafic Hariri was laid to rest near the mosque.

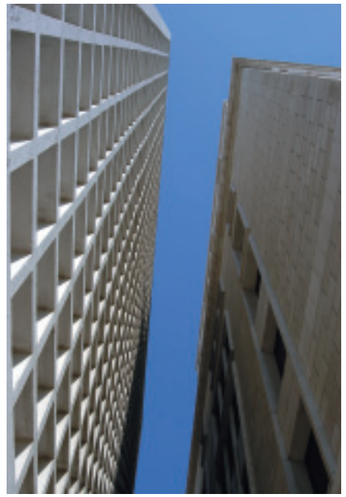
CONSERVING
architecture

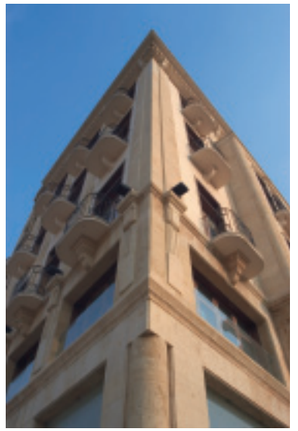


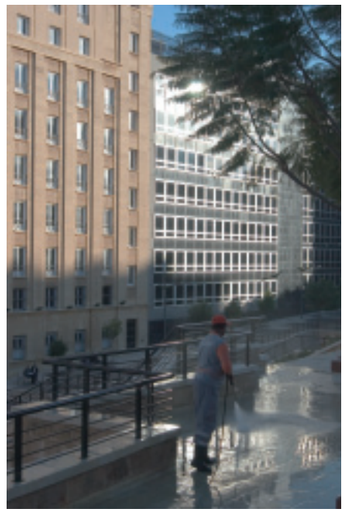












SALE & RENTAL
strategy

The interest in Beirut city center has led to significant increases in land and real estate sales. Rental activity was sustained by demand for quality space and services. Many projects are under way, encouraged by the Company's policies in offering development concepts and a land-for-share sales scheme.

As a land bank with an important property portfolio, Solidere markets a wide range of built or un-built lots for residential, office, hotel, retail and other specialized uses.

In the early years, its sales mainly involved un-built lots and existing buildings sold 'as is' for renovation or further development. The delivery of its own real estate projects was to lead to a growing volume of sale and leasing operations involving finished products, new or preserved buildings or parts thereof. Finally, vacant lots or space therein may be leased to third parties for strategic short-term projects, pending their development.

A marketing policy flexible enough to allow for adjustment and revision according to market demand and other circumstances, resulted in a healthy mix of sales and leases. This ensured a speedy restoration, reconstruction and occupation of the historic core and residential neighborhoods, and an early launching of developments in new sectors of the city center. Solidere encouraged the return of previous property owners or tenants, attracted magnets to the city center, and was instrumental in relocating expatriates and foreign companies there. Its clientele includes individual clients; Lebanese and foreign banks, corporations and businesses; public and private local institutions; international organizations and foreign embassies, for which specifically designed buildings were constructed for long-term leases.

Solidere increased its support to investors in 2004, by initiating a land-for-share sales scheme and by offering land for sale with associated concepts. The Company monitors the demand and supply of real estate in the city center, to the benefit of all.

Sales Record

The aggregate sales realized since the Company's inception amount to US$895.5 million, representing around 784,000 sq m of floor space. Yearly sales revenues rose from US$22.5 million in 1995 to US$92.4 million in 1996 and US$144 million in 1997. The fall to US$117.9 million in 1998 due to recession was further aggravated in the two following years by Master Plan issues which delayed construction permits. Sales fell to US$37.5 million in 1999 and plummeted to US$6.3 million in the year 2000. This downward trend was reversed in 2001 and 2002, with sales jumping to US$77.5 million and US$128.9 million respectively.

Sales fell to US$80.6 million in 2003, but jumped again to a record level of US$180.5 million in 2004.

Sales Results

The new land-for-share sales scheme introduced in June 2004 was successful in stimulating land sales. Gross recognized land sales during the year 2004 amount to US$169.4 million (US$170.6 million after adjustments), equivalent to 157,850 sq m of floor area. By comparison, land sales in 2003 amounted to US$67.2 million, equivalent to 56,860 sq m of floor area.

Real estate sales amount to US$11.1 million, representing 6,270 sq m of floor space (US$20 million, 8,565 sq m in 2003). Saifi Village apartment space makes the totality of these sales in 2004 (US$4.9 million, 2,932 sq m in 2003).

The sales backlog, totaling US$85.3 million at year end, includes US$78.5 million of land sales and US$6.8 million of real estate sales. In addition, there are potential commitments of US$33 million against downpayments relating to the sale of units in the gold and jewelers' market which is part of the Beirut Souks project.

The downpayments received on signed deals as at December 31, 2004 amount to a net value of US$48 million: US$42 million from land sales, US$4.2 million from the sale of residential units, and US$1.8 million from the sale of units in the gold and jewelers' market. Downpayments are treated as deferred revenues, to be recognized as part of revenues only upon sales realization.

Real Estate Leasing

Solidere has regularly increased its portfolio of income-generating properties. Some buildings are leased to a single institutional tenant, such as UN House and Lot 1 Zokak El Blatt, and one compound is dedicated for embassy use. The Company also leases units in its buildings, spaces in car parks, mooring spaces in the Beirut Marina, and vacant lots for strategic short-term activities held in temporary structures.

At end 2004, leased property had a value of US$172 million (US$158.7 million after depreciation): US$120.6 million in buildings, US$43.2 million in land and US$8.2 million in other assets. Gross rental income was US$18.6 million, up from US$7.5 million in 2000, US$10.2 million in 2001, US$14.1 million in 2002 and US$15.4 million in 2003. Downpayments received on lease agreements are treated as deferred revenues and not recognized as income.

The 2004 rental revenues were: US$5.5 million from residential space; US$10.7 million from commercial (office and retail) space; and US$2.4 million from parking space, mooring space and vacant lots.

Residential leases relate to new and restored flats in Saifi, Zokak El Blatt and Wadi Abou Jamil. Leased office space includes 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.

Sale Procedure

A sale agreement that includes both pre-development and construction timetables, and payment conditions, is signed upfront for development property. Sales are expressed in terms of floor space (built-up area or net development rights).

The property transfer is registered in the purchaser's name before the Real Estate Registrar. This takes place on signature or shortly thereafter, in case any technical conditions remain to be fulfilled, e.g. parcel subdivision and regrouping needed to create the sold lot.

Sale Price Payment Schemes

Solidere pursued in 2004 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 property as a guarantee against outstanding payments, and submits a bank guarantee as security for the proper and timely execution of all construction works.

The integrated land-for-share sales scheme introduced by Solidere in June 2004 offers up to 15% discount on the development land sale price (with a 10% cash payment option), provided A or B shares are used to settle 40% of this land price (30% in case of 10% cash payment). The price of the ceded shares is calculated at a 10% premium above the average share price of the ten days preceding the sales agreement. The settlement of the balance of the land sale price is scheduled over three years, plus interest.

SALE & RENTAL
strategy

Ziad Akl - Philippe Starck

Royal Hotels and Resorts, lots 834, 1430 and 1457 Mina El Hosn.

Developers' Projects

Progress in the design and building permit procedures was registered for a number of large projects. Five high-rise luxury developments in Mina El Hosn, at Beirut city center's northwest gateway, have direct views on and access to the Beirut Marina.

Marina Towers residential complex, designed by Kohn Pedersen Fox Associates (US) on lot 1354; Four Seasons hotel on lot 1418, designed by Dar Al-Handasah Shair & Partners; and Beirut Tower residential building, designed by Samir Khairallah & Partners and Wimberly Allison Tong & Goo (US) on lot 1401, are all under construction.

Platinum Tower is a residential building on lot 1421, designed by Nabil Gholam with Ricardo Bofill (Spain). The developer has applied to the Directorate General for Urbanism (DGU) to approve the building height. The building permit for superstructures is expected in summer 2005, with basements now under construction. Dana of C.C.C. residential building on lot 1353, designed by Al Salam and Kevin Dash (UK), is under study.

At the southern gateway, The Landmark mixed-use project, designed by Jean Nouvel (France), is still under study. Following DGU refusal to approve a building height for the tower beyond the Master Plan limit, the developer is preparing for a second submission to obtain a derogation.

In Foch-Allenby, cadastral zone Marfaa, the Bank of Kuwait and the Arab World, designed by ARC Group and Abdel Wahed El Wakil (Egypt-UK), is under construction on lot 1470. Under study at Beirut Municipality are: Bab El Saray on lot 1489, designed by Kevin Dash and Hani Murad as a hotel on upper floors with retail on ground floor and basement; and Starway on lot 1440, designed by Nachaat Owaida as furnished apartments. The Talon residential project, designed by Batimat on lot 1466, has obtained a building permit, basements are completed and construction of the superstructure is to start soon. Two residential buildings are under study at Beirut Municipality: the Société Foch 94 building, designed by Nabil Gholam on lot 1498; and the Société Sémiramis building on lot 1458, designed by Dagher and Hanna Architects with Robert Adam Design Consultant (UK). Both have obtained their permits for piling.

Near the Beirut Souks area, in cadastral zone Mina El Hosn, two office buildings are under construction: Two Park Avenue building, designed by Samir Khairallah & Partners on lot 1334; and the second Medgulf building, designed by Nachaat Owaida on lot 1348. Building permits are almost obtained for two residential buildings: Capital Gardens on lot 1327, designed by Erga Group; and 45 Park Avenue on lot 1337, designed by Laceco. The Grand Hyatt hotel, a Société Méditerranéenne des Grands Hotels project, designed by Michael Graves (US) with Dar Al-Handasah on lot 111, is under study at Beirut Municipality. The site is under preparation after obtaining the permit for excavation and piling.

In Wadi Abou Jamil, also cadastral zone Mina El Hosn, the design by Ziad Akl and Philippe Starck (France) of the Royal Hotels and Resorts boutique hotel and serviced apartments on lots 834, 1457 and 1430, will integrate new infill buildings with four restored Levantine houses. The building permits are under study at Beirut Municipality.

Farouk El Sheikh

Private residence, lot 77 Zokak El Blatt.

R & K Consultant

The Pavilion residential complex, lot 1128 Zokak El Blatt.

Maha Nasrallah

Lot 1371 Mina El Hosn residential complex.

Lot 1371, designed by Maha Nasrallah and sold by Solidere with its concept, has nearly obtained its building permit. The same investor bought lot 1133, under design as two three-story villas.

In Zokak El Blatt, a private residence designed by Farouk El Sheikh, is under construction on lot 77. On lot 1128, The Pavilion residential complex, designed by R & K Consultants, is under study at Beirut Municipality, and the site is under preparation after obtaining a permit for piling.

In Saifi, two projects nearly obtained building permits: 146 Saifi, sold by Solidere with a concept design by Nabil Gholam, is a residential complex forming an extension of the Village. Al Dalal, designed by Atelier des Architectes Associés (AAA), is a residential building on lot 1077.

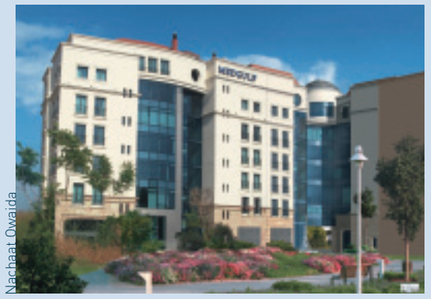
DEVELOPERS' projects

Samir Khairallah & Partners

Two Park Avenue office building, lot 1334 Mina El Hosn.

ARC Group - Abdel Wahed Al Wakil

Bank of Kuwait and the Arab World, lot 1470 Marfaa.



Nachaat Owaida

Medgulf office building, lot 1348 Mina El Hosn.

Nabil Gholam

146 Saifi, residential complex.

Dagher - Hanna Architects - Robert Adam

Société Sémiramis building, lot 1458 Marfaa.

Al Salam - Kevin Dash

Dana of C.C.C. residential building, lot 1353 Mina El Hosn.

Nachaat Owaida

Starway furnished apartments, lot 1440 Marfaa.

Atelier des Architectes Associés

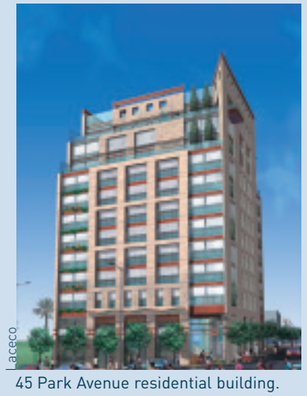
Al Dalal residential building, lot 1077 Saifi.

Nabil Gholam

Société Foch 94 residential building, lot 1498 Marfaa.

Batimat architects

Talon residential building, lot 1466 Marfaa.



Laceco

45 Park Avenue residential building.

Dar Al-Handasah - Michael Graves

Grand Hyatt Hotel, lot 111 Mina El Hosn.

Batimat architects - Axel Schultes architects

Lebanese Canadian Bank, lot 1524 Bachoura.

SALE & RENTAL
strategy

Property Marketing

The Company has successfully marketed its delivered residential, commercial and institutional space, new or restored. Alternative schemes are offered for residential space, allowing a simple lease, a lease with option to buy or an outright sale. Buyers can benefit from payment facilities.

All the 136 new Saifi Village apartments totaling 30,700 sq m of floor area had been marketed by end 2004: 28 (with a 5,484-sq m area) were leased; 30 (6,357 sq m) were leased with an option to buy; and 78 (18,817 sq m) were sold, of which 41 (9,171 sq m) after exercising the option to buy. Concurrently, 36 agreements, totaling 8,655 sq m of floor space, had been signed for restored houses or flats. They represent 3,246 sq m of leases, 2,893 sq m of leases with option to buy, and 2,516 sq m of sales, of which 1,130 sq m as a result of exercising options to buy. Lease agreements had also been signed for a nursery (240 sq m); and for 30 shops (3,123 sq m), as part of the Quartier des Arts created by Solidere to enhance the vibrant environment of Saifi Village.

In Zokak El Blatt, 79 apartments, totaling 14,010 sq m of floor space, were the object of agreements. They represent 11,157 sq m of leases, 481 sq m of leases with option to buy, and 2,372 sq m of sales, of which 498 sq m as a result of exercising options to buy. In Mina El Hosn, nine agreements totaling 3,432 sq m of residential floor space had been signed. They represent 1,498 sq m of sales, of which 409 sq m as a result of exercising options to buy, 372 sq m of leases and 1,562 sq m of leases with option to buy.

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

As at the same date, one sale agreement representing 2,604 sq m and 22 lease agreements representing 7,395 sq m of office space in restored buildings in the Foch-Allenby and Maarad areas, had also been signed. Finally, 19 lease agreements relating to retail space and totaling 3,981 sq m of floor space, had been signed as at end 2004.

Property Management Services

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

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

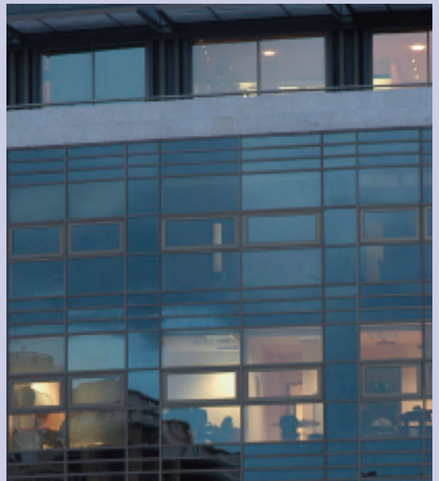
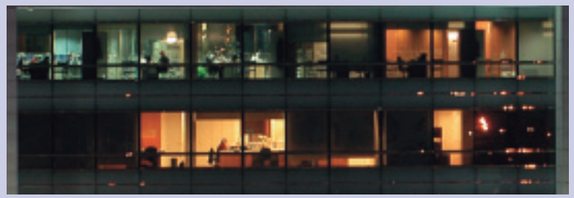
Solidere expects to derive increasing revenues from property management services in the coming years.

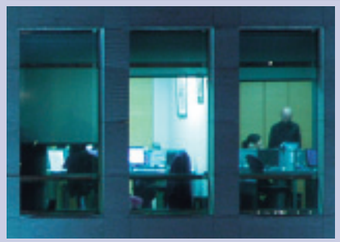
Future Prospects

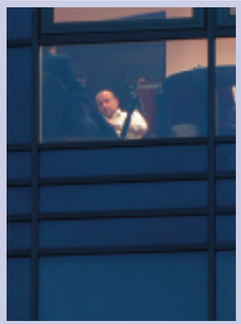
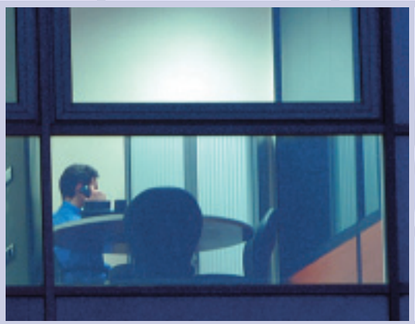
The Company is firmly relying on growth in its rental income as it steps up the delivery of new and restored buildings.

Both sale and rental revenues are expected to be strongly boosted upon delivery of the Beirut Souks, by far the most important real estate Solidere project. Assuming delivery early 2007, rentals in that year are expected to more than double from their present level.

PEOPLE
at work



CORPORATE FUNDING
and treasury

Corporate Treasury

The balance sheet at year end shows a cash position of US$101.1 million.

The Company has invested its liquid funds in assets presenting minimum risk and with top-ranking deposit banking and financial institutions in the domestic and international markets, including some structured products that carry high returns with guaranteed initial capital.

During the year 2004, 146 cash investments totaling US$587 million were made. These figures include investments made in 2004 which matured in the same year or will mature in the year 2005 or later.

A strategy of short-term cash investments was pursued again during the year. The weighted average holding period of these investments was about 45 days.

On average, Solidere secured around 275 basis points over the median three-month LIBOR rate prevailing in 2004. The interest income earned on the cash investments during the year was equivalent to an annualized interest rate of about 4.43%.

Funding Program

The Company had contracted a number of loans to finance infrastructure and real estate activities within Phase One of the project. In 2003 the Board of Directors resolved to progressively reduce the borrowing level to reduce debt service and improve profit. This strategy was pursued in 2004, and reinforced by the land-for-share sales program, which aimed at improving liquidity through bigger sales volume and shorter financing periods. The higher liquidity was intended to be used in part to further accelerate bank loan repayments and reduce borrowing levels. In parallel, flexible short-term funding arrangements were agreed with local lenders to help bridge some gaps and cover temporary shortages in the cash flow at low cost.

The two locally syndicated corporate loans, US$100 million each, which were refinanced in 2003, were again refinanced in 2004 with shorter tenor and lower interest rates, to reduce the debt service charge. The first, syndicated by BLOM and Byblos Bank and maturing in April 2006, was replaced through Arab Bank by a US$60 million loan over eighteen months with equal quarterly principal repayments, at an interest rate of three months LIBOR plus 2.5%. The second, syndicated by Banque de la Méditerranée, Banque Audi and Arab Bank and maturing in December 2006, was replaced through Fransabank by a US$60 million loan over three years, with equal annual principal repayments, at an interest of one year LIBOR plus 2.5%.

Repayment continued on the US$107.3 million, ten-year marine works loan concluded in 1996 with BNP Paribas and Banque Indo-Suez, with US$7.3 million representing the COFACE guarantee premium. The half-yearly payments, started in 2001, comprise US$7.7 million in principal repayment and interest at 7.39% per annum. The outstanding balance amounted to US$46 million at end 2004, and US$38.3 million by end February 2005. Having reached a debt-equity ratio of 20%, Solidere successively reduced the loan collateral from US$37 million to US$30 million in 2003 and US$18.5 million in 2004. Thereafter, the collateral will be reduced progressively to represent at all times two principal maturities plus accrued interest.

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

A US$22 million locally syndicated loan concluded in 2000, with Citibank N.A. - Beirut Branch as lender, arranger and agent; Banque Libano-Française s.a.l. and Byblos Bank s.a.l. as co-lenders. The loan has a tenor of 6 years with repayments ending in June 2006. It is subject to an interest rate of one-year LIBOR plus 4%. The remaining balance at year end is US$6.9 million.

Two parallel facilities totaling US$24.7 million concluded with Citibank N.A. - Beirut Branch in 2001: US$14.7 million in export credit financing with guarantee from the US Export-Import Bank, repaid in 10 semi-annual installments, at an interest rate of LIBOR plus 0.25%; and a US$10 million local facility with a matching tenor. The remaining balance at year end is US$21.1 million.

In 2004, the Company resorted to more flexible arrangements, mainly temporary overdrafts, at a lower cost than term loans. This practice was pursued to replace the discounting of sales receivables, as a less costly financing of temporary cash shortfalls. Previously contracted short-term arrangements, namely the Byblos Bank US$20 million and Lebanon Invest US$10 million term facilities, were fully repaid in 2004.

At year end, Solidere's indebtedness to banks amounted to US$234 million, substantially lower than the 2003 level of US$319.6 million. By end April 2005, the debt fell to US$187 million, all of which represents long-term loans.

The Company maintains a debt-to-equity ratio of less than 20%, both as a self-imposed limitation decided by the Board of Directors and to fulfill a covenant of the COFACE guaranteed loan. By end 2004 the debt-equity ratio dropped to 13.98%, substantially lower than 19.48% by end 2003.

With a view to buy the floor and hedge against possible future LIBOR rate increases, Solidere entered towards end 2001 into a five-year interest swap agreement with Citibank on a notional amount of US$100 million. The interest rate to be paid in the first year was fixed at 4.39%, compared to a 5% rate to be received from Citibank. In the second year, the interest rate was fixed at 3.58% compared to 4.94% to be received. In 2004, the fixed rate contract was unwound and replaced by a floating rate arrangement at LIBOR plus 1.4%, with a cap of 5%.

At end 2004, Solidere had US$8.7 million in treasury shares outstanding, of which US$4 million shares sold in 2003 with a put back option, and with a call option in favor of Solidere. The selling price was US$6.5 per share, with the strike price at maturity, on December 14, 2005, at US$7.63 per share. Another 600,000 shares with a put back option, maturing on February 24, 2006, were sold at US$6.5 per share and a strike price of US$7.61 per share. The put option with respect to one million other shares, sold at US$6 per share with a strike price of US$7.1 per share, was not exercised at maturity date, on March 31, 2005. The put option is considered expired and the shares are deemed sold.

The sales deals signed under the land-for-share sales program launched in June 2004, generated 3 million shares which were delivered to Solidere during the year.

SOLIDERE
shares and GDRs

Exchange Listings and Ticker Symbols

Beirut Stock Exchange	Kuwait Stock Exchange
SOLIDERE A shares	SOLIDERE A
SOLIDERE B shares	SOLIDERE B

London Stock Exchange
GDRs SOLAq.L

Analysis of Price Shares

In the Beirut Stock Exchange, the year began with Solidere shares trading close to their lowest level since inception. A series of positive shocks later helped the shares post one of their best turnaround stories, almost doubling in value.

The shares witnessed a major positive move around mid-April, when news of a possible dual listing in the Kuwait Stock Exchange were made public. Another jump in prices was witnessed around mid-June, after the Company announced a land sales program allowing buyers to use Solidere shares to settle up to 40% of the land price as a downpayment, with remaining amounts scheduled over three years. Investors using this option would benefit from a 15% discount on the land price. The Company would retire the received shares, enhancing shareholder value.

Solidere share prices fluctuated around these higher levels during the remaining part of the year. Throughout the year, both classes of shares fluctuated between a high of US$9 and a low of US$4. Share A closed the year at US$8.25, a 74.8% increase over the previous year closing. Share B closed at US$8.10, a 62% increase over the previous year closing.

Trading remained active, with a total of around 17 million shares changing hands, for a cumulative value of about US$130 million. This represents around 10.3% of the Company's capital changing hands. The average daily volume was about 70,102 shares worth around US$320,214. The average price for the year consequently was about US$7.35, a 48.2% increase over the previous year. The GDRs traded in the London Stock Exchange lagged behind the locally traded shares, progressing by around 28% during the year to close at US$6.35.

The country suffered one of its most distressing times with the assassination of Prime Minister Hariri on February 14, 2005. Solidere shares were directly affected by this tragic event, dipping by more than 40% in the three following trading days to reach levels lower than US$6. But the downturn was not convincing, prices moved down on low volume, while investors still believed in the long term value of the Company. So share prices recouped most of their lost territory in a short period of time, going back to the US$9 level.

Meanwhile, the GDRs pushed higher, reaching the US$10.5 level, ahead of the locally traded shares. The successful start of trading in the Kuwait Stock Exchange on March 8, 2005 represented another push for the shares that helped in dissipating concerns for most market participants.

Research & Investors' Relations

The Company pursued its investment relation efforts in 2004, participating in several financial, investment and real estate conferences and exhibitions.

Responding to growing interest from Swiss financial markets, Solidere accepted early 2004 an invitation to address Swiss bankers and investors at the Salon Suisse Investissima in Lausanne. At end 2004, it exhibited the project's model in the annual Foire de Genève where Lebanon was invited as guest of honor. Another presentation was made at the annual Crédit Suisse Middle East conference held in Beirut, with emphasis on the Company's financial fundamentals and the project's progress.

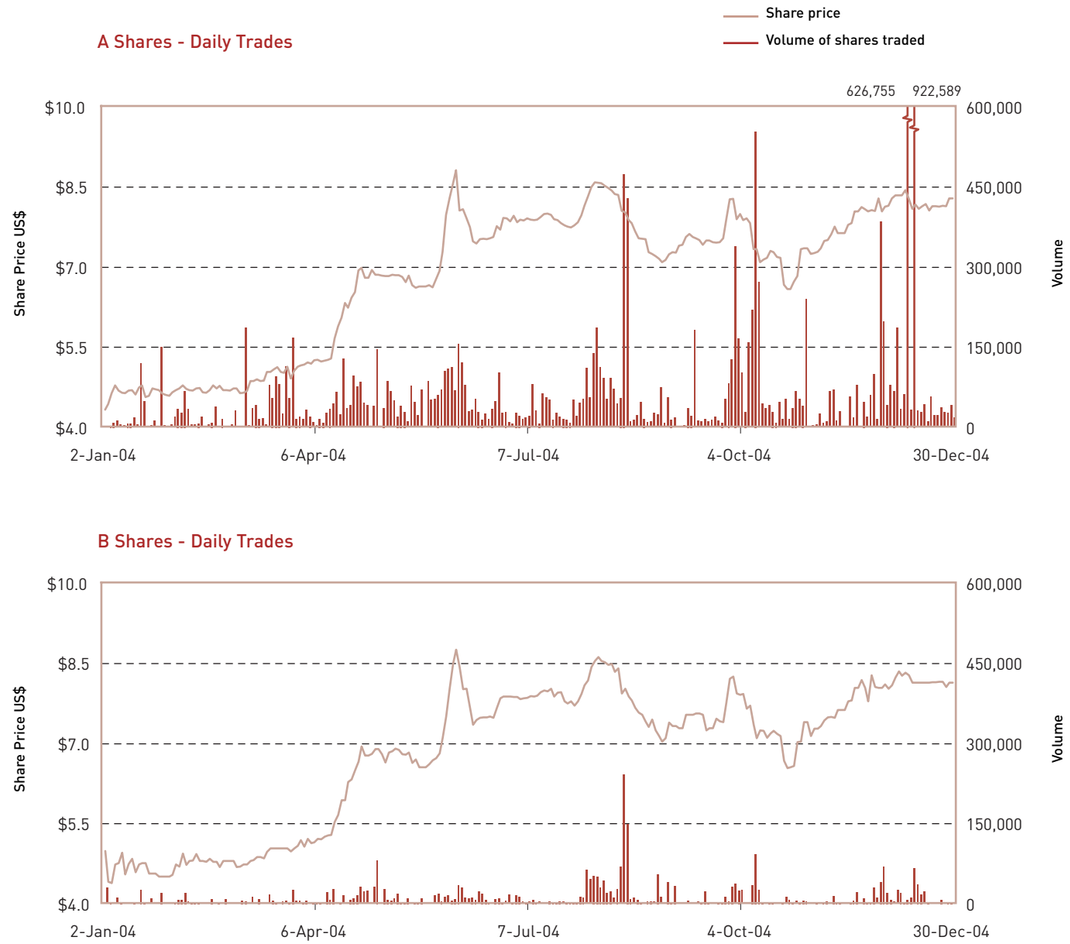
In March 2004, the Company participated in the conference of Egyptian-based asset manager EFG Hermes, and held several one-on-one meetings with regional and international fund managers, giving an update on latest financial and operational achievements.

To reach regional and Arab investors, Solidere participated at end 2004 in Dubai's Citiscape exhibition, together with a number of Beirut city center developers, and addressed conference participants on the Company's latest achievements and fundamentals.

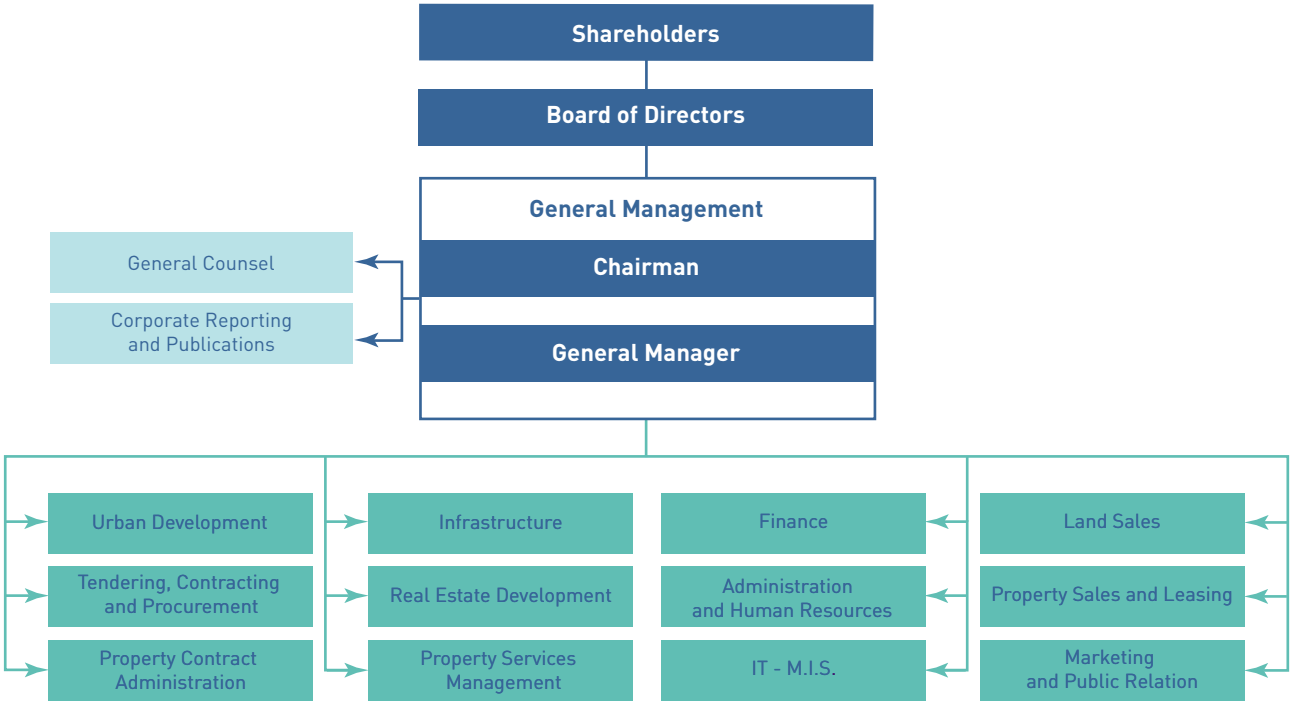
The Kuwait-Lebanon economic meeting held in Beirut, was also addressed, highlighting to Kuwaiti investors various investment opportunities in Solidere.

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

Solidere Shares: Volume and Price Movements 2004



MANAGEMENT
systems and studies



Information Technology

A new file server with extensive disk space was introduced along with backup software to ensure users' files availability and safety. An Anti-Virus and Spam-Filtering software were added for additional protection.

A new system to manage Solidere's mapping and cross-division files is in its final stages. Following pilot GIS applications undertaken by Urban Development, a new GIS interface is in development. The unification of databases will achieve integration of functional and financial applications. An upgrade was conducted on the AS/400 server to increase its disk space, and a new application was developed to generate financial and fiscal declarations according to the pre-defined format required by the Ministry of Finance and Municipality of Beirut.

Studies

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

The modified Lebanon construction law, Law 646 published in the Public Gazette on December 16, 2004, raised many issues concerning its application in relation to the BCD regulations, as ratified in Decree 5714 of 2001. The impact of the law is particularly relevant as far as its article 14, versus article 7 of the BCD regulations, which specifies the calculation of built-up areas. The method of applying the new law was discussed between Solidere and relevant authorities. It was agreed that whatever is stated in the BCD regulations will not be affected by any modifications of the construction law.

Work is proceeding on the Paul Rizzo Associates (US) study. The study takes into account the future effect of the eastern marina on real estate development.

Subsequent studies for the first basin of the port of Beirut are planned, in coordination with the port authority.

Independent Auditors' Report

Deloitte.

ERNST & YOUNG

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

We have audited the accompanying balance sheet of The Lebanese Company for the Development and Reconstruction of Beirut Central District S.A.L. known as SOLIDERE (a Lebanese joint stock company), as of December 31, 2004 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 30, 2005

Deloitte & Touche

Ernst & Young

Balance Sheet

December 31,	Notes	2004 US$	2003 US$
Assets			
Cash and bank balances	3	101,122,478	89,700,337
Prepayments and other debit balances	4	15,724,778	12,629,518
Accounts and notes receivable, net	5	210,894,461	190,852,815
Held-to-maturity investments	6	3,650,907	-
Properties held for development and sale, net	7	1,606,321,475	1,633,167,383
Investment properties, net	8	158,720,275	166,951,014
Fixed assets, net	9	18,683,557	20,283,276
Total Assets		**2,115,117,931**	**2,113,584,343**
Liabilities			
Accounts payable and other liabilities	10	76,778,392	64,300,720
Dividends payable	11	11,430,866	12,166,888
Deferred revenues and other credit balances	12	61,583,981	19,066,509
Deferred credits	13	35,911,930	35,911,930
Loans from banks and financial institutions	14	234,050,237	319,567,995
Total Liabilities		**419,755,406**	**451,014,042**
Shareholders' Equity			
Issued capital at par value US$10 per share:	15		
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	16	35,864,534	30,454,144
Retained earnings		82,876,670	16,972,617
Change in fair value of interest rate swap agreement		(3,557,815)	(6,452,074)
Less: Treasury shares	11 & 17	(69,820,864)	(28,404,386)
Total Shareholders' Equity		**1,695,362,525**	**1,662,570,301**
Total Liabilities and Shareholders' Equity		**2,115,117,931**	**2,113,584,343**

The accompanying notes form an integral part of these statemetns

Statement of Income

December 31,	Notes	2004 US$	2003 US$
Net revenues from land and real estate sales	18	82,522,304	35,209,434
Net revenues from rented properties	19	11,519,521	9,620,108
Gain on sale of investment properties	8	1,695,723	749,394
Revenues from operations		**95,737,548**	**45,578,936**
General and administrative expenses	20	(10,057,472)	(9,237,392)
Depreciation	9	(1,129,359)	(1,101,733)
Provision for doubtful receivables and write-offs	4 & 5	(739,083)	-
Provision for contingencies and other charges		(1,820,362)	-
Total operating expenses		**(13,746,276)**	**(10,339,125)**
Net income from operations		81,991,272	35,239,811
Interest income		8,281,358	5,672,856
Interest expense	13 & 14	(26,045,835)	(23,675,550)
Cost of discounting notes receivable	5	-	(805,161)
Net income for the year before tax		64,226,795	16,431,956
Accrued income tax	10	(10,122,897)	-
Net income for the year		**54,103,898**	**16,431,956**
Basic earnings per share	21	**0.3400**	**0.1042**

The accompanying notes form an integral part of these statements

Statement of Cash Flows

December 31,	Notes	2004 US$	2003 US$
Cash flows from operating activities:			
Net income for the year before income tax		64,226,795	16,431,956
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation	22	4,015,140	3,983,489
Gain on sale of investment properties		(1,695,723)	(749,394)
Cost of discounting notes receivables		-	805,161
Provision for doubtful receivables and write-offs		739,083	-
Provision for contingencies		1,820,362	-
Sales transactions against acquisition of treasury shares	22	18,273,003	-
Loss from cancellation of sales		6,000,000	-
Changes in assets and liabilities:			
Prepayments and other debit balances		(3,265,681)	393,233
Accounts and notes receivable	22	(26,846,226)	6,662,408
Properties held for development and sale	22	27,550,993	3,126,689
Accounts payable and other liabilities	22	3,428,672	(44,809,184)
Deferred revenues and other credit balances	22	48,953,635	(15,237,274)
Net cash provided by/(used in) operating activities		143,200,053	(29,392,916)
Cash flows from investing activities:			
Bank term deposits		2,548,454	(9,157,107)
Held-to-maturity investments		(3,650,907)	-
Receivable from recuperated properties	22	327,206	163,577
Proceeds from sale of investment properties		11,084,658	4,775,018
Acquisition of fixed assets		(954,942)	(915,526)
Investment properties		(3,323,760)	(711,791)
Net cash provided by/(used in) investing activities		6,030,709	(5,845,829)
Cash flows from financing activities:			
Bank loans (settlement)		(85,517,758)	(510,191)
Dividends paid	11	(736,022)	(385,042)
Proceeds from discounting notes receivable	5	-	11,501,966
Deferred credits	13	-	29,899,930
Treasury shares	22	(49,006,387)	(333,848)
Net cash (used in)/provided by financing activities		(135,260,167)	40,172,815
Net change in cash and cash equivalents		13,970,595	4,934,070
Cash and cash equivalents — Beginning of the year		21,348,337	16,414,267
Cash and cash equivalents — End of the year	3	**35,318,932**	**21,348,337**

The accompanying notes form an integral part of these statements

Statement of Changes in Shareholders' Equity

	Share Capital US$	Legal Reserve US$	Treasury Shares US$	Retained Earnings US$	Change in Fair Value of Interest Rate Swap Agreement US$	Total US$
Balance at December 31, 2002	1,650,000,000	28,810,948	(47,630,496)	22,039,557	(3,902,520)	1,649,317,489
Effect of mark down of treasury shares — Note 17	-	-	230,150	(230,150)	-	-
Net income for the year	-	-	-	16,431,956	-	16,431,956
Allocation to legal reserve	-	1,643,196	-	(1,643,196)	-	-
Dividends — Note 11	-	-	19,359,285	(19,625,550)	-	(266,265)
Treasury shares activity	-	-	(363,325)	-	-	(363,325)
Change in fair value of interest rate swap Agreement — Note 10	-	-	-	-	(2,549,554)	(2,549,554)
Balance at December 31, 2003	**1,650,000,000**	**30,454,144**	**(28,404,386)**	**16,972,617**	**(6,452,074)**	**1,662,570,301**
Effect of mark up of treasury shares — Note 17	-	-	(17,210,545)	17,210,545	-	-
Net income for the year	-	-	-	54,103,898	-	54,103,898
Allocation to legal reserve	-	5,410,390	-	(5,410,390)	-	-
Treasury shares trade and land sale exchange	-	-	(24,205,933)	-	-	(24,205,933)
Change in fair value of interest rate swap Agreement — Note 10	-	-	-	-	2,894,259	2,894,259
Balance at December 31, 2004	**1,650,000,000**	**35,864,534**	**(69,820,864)**	**82,876,670**	**(3,557,815)**	**1,695,362,525**

The accompanying notes form an integral part of these statements

Notes to the Financial Statements for the year ended December 31, 2004

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.

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

In accordance 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. Starting May 10, 2004, the Company became subject to corporate income tax.

The Company's shares are listed on the Beirut stock exchange and Global Depository Shares (GDS) are listed on the London stock exchange. Furthermore, the Company's shares were listed on the Kuwait stock exchange in 2005.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board (ISAB) and the interpretations issued by the International Financial Reporting Interpretations Committee.

The financial statements are prepared under the historical cost convention as modified for the measurement at fair value of derivatives.

The significant accounting policies are set herebelow:

a. Basis of Presentation:

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

b. Foreign Currencies:

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

c. Accounts and Notes Receivable:

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

d. Held-to-Maturity Securities:

Investment 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. Amortized cost is calculated by taking into account any discount or premium on acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

e. Offsetting:

Financial assets and financial liabilities are only offset and the net amount 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.

f. Properties Held for Development and Sale:

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

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

g. Investment Properties:

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

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

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

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

h. Fixed Assets:

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

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

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

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

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

k. 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.

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

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

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

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

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

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

o. Taxation:
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.

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 statement of income 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 property tax in accordance with the Lebanese tax law.

p. 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.

q. Use of Estimates:
In preparing the financial statements in conformity with International Financial Reporting Standards, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period.

3. Cash and Bank Balances
Cash and bank balances are composed of the following:

December 31,	2004 US$	2003 US$
Cash on hand	95,266	108,883
Current accounts	35,223,666	21,239,454
	35,318,932	21,348,337
Term deposits	65,803,546	68,352,000
	101,122,478	89,700,337

Term deposits mature in January 2005 (December 31, 2003: Term deposits mature in January 2004). The average yield on the term deposits for the year 2004 was approximately 4.43% (2.25% for 2003).

Term deposits include an amount of US$18.5million as of December 31, 2004 (US$30million as of December 31, 2003) pledged against the loan provided to the Company and guaranteed by "COFACE" as explained in Note 14. It also includes deposits of US$12.7million (US$13.7million as of December 31, 2003) pledged against a stand-by letter of credit to the extent of about US$3.5million (US$3.5million as of December 31, 2003) and a deposit pledged against a local bank loan to the extent of US$10.2million (US$10.2million as of December 31, 2003) as explained under Note 14 and Note 24 (h).

In the cash flow statement, cash and cash equivalents include cash on hand and current accounts.

4. Prepayments and Other Debit Balances

Prepayments and other debit balances are composed of the following:

December 31,	2004 US$	2003 US$
Accrued interest income	6,981,201	5,867,842
Prepaid expenses	396,648	544,725
Advance payments to contractors	1,585,821	2,202,365
Advances to employees	1,821,654	1,274,960
Other debit balances	5,109,874	2,739,626
Provision for doubtful balances	(170,420)	-
	15,724,778	12,629,518

Other debit balances include investments in non-consolidated subsidiaries amounting to US$170,974 as of December 31, 2004 (US$160,974 as of December 31, 2003) which are carried at cost as they are not material and consist of 10 inactive subsidiaries (9 subsidiaries in 2003). The principal activity of these subsidiaries, which are incorporated in Lebanon, is to acquire, construct, lease and manage real estate properties in the BCD.

5. Accounts and Notes Receivable, Net

Accounts and notes receivable are composed of the following:

December 31,	2004 US$	2003 US$
Notes receivable	208,680,815	140,297,350
Accounts receivable	25,555,779	57,926,935
Receivables from tenants	2,285,503	10,917,458
Interest receivable on discounted notes	1,395,039	2,359,854
Less: Unearned interest	(26,800,743)	(16,312,672)
Less: Provision for problematic receivables	(221,932)	(4,336,110)
	210,894,461	190,852,815

The Company's credit risk exposure is spread over 89 counter-parties; 6 customers constitute 48% of the total exposure and 83 customers constitute the remaining 52% as of December 31, 2004 (73 counter-parties; 7 customers constitute 34% of the total exposure and 66 customers constitute the remaining 66% as of December 31, 2003).

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

December 31,	2004 US$	2003 US$
Doubtful balances	349,560	7,878,144
Overdue	1,512,002	1,624,574
2004	-	45,354,844
2005	64,120,301	30,703,434
2006	50,937,123	27,423,832
2007	44,719,734	19,140,953
2008	17,527,924	7,874,207
2009	12,247,719	297,362
2010 and thereafter	17,266,452	-
	208,680,815	140,297,350

The provision for problematic receivables has been established to meet probable defaults of certain clients whose notes receivable aggregate to US$349,560 as of December 31, 2004 (US$7,878,144 as of December 31, 2003). During 2004, the Company used US$4,336,110 from this provision against cancelled sales contracts (2003: US$2,225,000).

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

	2004 US$	2003 US$
Balance at the beginning of the year	4,336,110	6,561,110
Additions	221,932	-
Write-offs	(4,336,110)	(2,225,000)
Balance at the end of the year	221,932	4,336,110

During 2003, the Company signed an agreement to discount without recourse, notes receivable representing maturities of principal, having an aggregate face value of US$12,680,730. The net proceeds from these transactions amounted to US$11.5million. Interest on these notes, having a present value of US$750,931 at the date of the transaction, remains due to the Company on the pre-determined maturity dates and is still recognized in the balance sheet under accounts and notes receivable. An amount of US$427,833 representing the net cost of discounting was charged to the statement of income for the year 2003.

6. Held-To-Maturity Investments

During 2004, the Company purchased several investments issued by foreign financial institutions for a total cost of US$10,000,000. An amount of US$6,500,000 of the price was financed by a foreign bank. The financial assets and the financial liabilities resulting from this transaction 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.

The details of the above investments are as follows as of December 31, 2004:

	Maturity Date	Book Value	Leverage with right of set-off	Net Value	Conditional Coupon Rate	Interest on Leverage	Fair Market Value
		US$	US$	US$	%		US$
USD Spread Callable Range Accrual Note	23/02/2014	5,000,000	2,344,093	2,655,907	6.1 (A)	3ML[2] + 0.75%	5,006,500
10-year USD Callable Range Accrual Note[1]	8/01/2014	2,000,000	1,000,000	1,000,000	6-13 (B)	3ML[2] + 0.75%	2,000,000
10-year USD Libor Callable Range Accrual Note[1]	12/11/2014	1,000,000	1,005,000	(5,000)	7.5 (C)	6ML[2] + 0.5%	1,000,000
4 year CPU MULTIPLUS on Asian Indices	5/03/2008	2,000,000	2,000,000	-	6 (D)	1YL[2] + 0.75%	2,002,400
		10,000,000	6,349,093	3,650,907			10,008,900

1 All these notes have a call provision. The issuer has the right to repay the notes early at par (100%) for the first three months/six months after payment date and on every coupon date thereafter by giving no less than 5 business days notice.

2 L=Libor

(A) Coupon is 6.1% payable quarterly, subject to the spread between the 30-year USD Swap Rate and the 2-year USD Swap Rate.

(B) Coupon is payable quarterly and increases from 6% in year 1 to 13% in year 10 subject to Libor barrier ranging from 4% in year 1 to 7.5% in year 10 not being breached.

(C) Coupon is 7.5% payable semi-annually subject to Libor barrier ranging from 4% in year 1 to 9% in year 10 not being breached.

(D) The payout of the 4-year CPU MULTIPLUS on Asian Indices is dependent on the performance of the related 3 indices the security is composed of. For every quarter where all 3 indices perform positively, the performance is replaced with a value of 6%, for all other quarters where one or more of the indices give a negative performance, the basket's actual performance is taken into account. At maturity, the issuer has the obligation to redeem the initial denomination at 100% in addition to the bonds performance, subject to a minimum of 106%, giving a minimum return of 6% over the 4 years.

7. Properties Held for Development and Sale, Net

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

December 31,	2004 US$	2003 US$
Land and land development works, net (a)	1,458,555,993	1,504,841,907
Real estate development projects, net (b)	147,765,482	128,325,476
	1,606,321,475	1,633,167,383

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

December 31,	2004 US$	2003 US$
Acquired properties (a.1)	957,290,502	956,205,579
Pre-acquisition costs (a.2)	9,412,802	9,412,802
Infrastructure costs (a.3)	609,496,262	594,430,695
Eviction costs (a.4)	259,962,995	259,913,068
Capitalized costs (a.5)	55,371,924	51,540,645
Cumulative costs	1,891,534,485	1,871,502,789
Less: Cost of land sold, net	(356,800,726)	(290,483,116)
Less: Cost of land transferred to real estate development projects	(71,888,653)	(71,888,653)
Less: Cost of infrastructure transferred to real estate development projects	(4,289,113)	(4,289,113)
	1,458,555,993	1,504,841,907

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

Law No. 117/91 stated the requirements for property recuperation and exemption, in this respect properties appraised at US$255 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 include an amount of US$279million (US$279million as of December 31, 2003) relating to the sea front defense and marina works, an amount of US$141million (US$137million as of December 31, 2003) relating to infrastructure works executed in the traditional BCD area, and an amount of US$72million (US$69million as of December 31, 2003) relating to the cost of land reclamation and treatment. It also includes the cost of an electricity power station in the amount of US$42million (US$42million as of December 31, 2003), and other costs which relate mainly to demolition and archeology. This caption includes capitalized borrowing costs totaling US$37.9million (US$36.7million up to December 31, 2003). During the year ended December 31, 2004, borrowing costs of US$1.1million were capitalized (US$1.3million for the year ended December 31, 2003).

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$21.8million as of December 31, 2004 (US$21.8million as of December 31, 2003) 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 2004 amounted to US$3.8million (US$4million for 2003).

(b) Real estate development projects include the following:

December 31,	2004 US$	2003 US$
Construction and rehabilitation of buildings	308,866,747	289,372,750
Cost of land	71,888,653	71,888,653
Cumulative costs	380,755,400	361,261,403
Less:		
Cost transferred to investment properties, net	(170,722,946)	(170,668,955)
Cost transferred to fixed assets	(18,102,717)	(18,102,717)
Cost of real estate sold	(44,164,255)	(44,164,255)
	147,765,482	128,325,476

8. Investment Properties, Net

Investment properties are composed of the following:

	Balance as at December 31, 2003	Additions	Transfer from Properties Held for Development and Sale	Transfers from Fixed Assets	Disposals and Sale	Balance as at December 31, 2004
	US$	US$	US$	US$	US$	US$
Cost:						
Land	45,809,623	-	-	-	(2,598,330)	43,211,293
Buildings	124,544,415	2,617,027	53,991	666,225	(7,299,589)	120,582,069
Marina	4,289,113	549,009	-	-	-	4,838,122
Other assets	3,289,006	157,724	-	-	-	3,446,730
	177,932,157	3,323,760	53,991	666,225	(9,897,919)	172,078,214
Accumulated Depreciation:						
Buildings	9,279,508	2,455,116	-	-	(508,984)	11,225,640
Marina	84,112	85,780	-	-	-	169,892
Other assets	1,617,523	344,884	-	-	-	1,962,407
	10,981,143	2,885,780	-	-	(508,984)	13,357,939
Net Book Value	166,951,014					158,720,275

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

During the year ended December 31, 2004, the Company sold several properties having an aggregate net book value of US$9.4million for total proceeds of US$11million which resulted in a gain of US$1.7million recorded in the income statement (net book value of US$4million, total proceeds of US$4.7million and gain of US$749 thousands for the year ended December 31, 2003).

The fair value of the investment properties is estimated by management at around US$245million based on current market prices (US$189million as of December 31, 2003).

9. Fixed Assets, Net

Fixed assets are composed of the following:

	Balance as at December 31, 2003	Additions	Transfers to Investment Properties	Disposals	Balance as at December 31, 2004
	US$	US$	US$	US$	US$
Costs:					
Land and buildings	14,346,582	53,190	(666,225)	-	13,733,547
Furniture and fixtures	1,992,593	179,105	-	-	2,171,698
Freehold improvements	2,675,426	238,944	-	-	2,914,370
Plant	1,853,266	-	-	-	1,853,266
Machines and equipment	9,900,323	526,765	-	(43,063)	10,384,025
	30,768,190	998,004	(666,225)	(43,063)	31,056,906
Accumulated Depreciation:					
Buildings	960,221	189,484	-	-	1,149,705
Furniture and fixtures	1,384,437	179,333	-	-	1,563,770
Freehold improvements	1,295,841	240,788	-	-	1,536,629
Plant	741,078	185,326	-	-	926,404
Machines and equipment	6,103,337	1,093,504	-	-	7,196,841
	10,484,914	1,888,435	-	-	12,373,349
Net Book Value	20,283,276				18,683,557

The depreciation for the year ended December 31, 2004 was split between an allocation to properties held for development and sale and a charge to the statement of income of US$759,075 and US$1,129,359, respectively (US$759,076 and US$1,101,733, respectively, for the year ended December 31, 2003).

10. Accounts Payable and Other Liabilities

Accounts payable and other liabilities consist of the following:

December 31,	2004 US$	2003 US$
Notes payable (a)	-	1,983,859
Accounts payable (b)	39,486,385	41,549,806
Accrued charges and other credit balances (c)	13,164,078	5,914,788
Accrued income tax (d)	10,122,897	-
Provision for end-of-service indemnity and other charges (e)	3,300,801	1,509,263
Liability under interest rate swap agreement (f)	3,540,509	6,434,768
Accrued disputed claims	-	1,000,000
Accrued interest	7,163,722	5,908,236
	76,778,392	64,300,720

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

b. Accounts payable as of December 31, 2004 and December 31, 2003 include balances in the aggregate amount of US$13.8million due to the Lebanese Government in consideration of the exchange of assets agreement explained in Note 24(f).

c. Accrued charges and other credit balances as of December 31, 2003 include an amount of US$2.1million representing proceeds received in respect of a performance bond executed against a contractor for improper performance of contracted works under arbitration. In 2003, the Company recognized a liability against the cash proceeds since the outcome of the subject arbitration was not yet certain. In August 10, 2004, there was a final resolution between the Company and the contractor.

Accrued charges and other credit balances as of December 31, 2004 include an amount of US$8.5million 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.

d. Accrued income tax amounting to US$10.1million as of December 31, 2004 represents tax on income for the period from May 10, 2004 to December 31, 2004. The applicable tax rate is 15% according to the Lebanese tax laws. The tax returns for this period are still subject to examination and final tax assessment by the tax authorities. Any additional tax liability is subject to the results of this review.

The accrued income tax was estimated as follows:

	US$
Income before tax	64,226,795
Non deductible losses pertaining to the Tax exemption period	4,612,200
Non deductible provisions and charges	4,651,085
Rent revenue from built up property (Net)	(6,004,099)
Taxable income	67,485,981
Applicable tax rate	15%
Accrued income tax	10,122,897

In addition to the accrued income tax, property tax in the amount of US$2million was set up under the caption "Net Revenue from Rented Properties".

e. The movement of provision for end-of-service indemnity and other charges is as follows;

	2004 US$	2003 US$
Balance at the beginning of the year	1,509,263	1,216,611
Additions	1,820,362	300,000
Settlements	(28,824)	(7,348)
Balance at the end of the year	3,300,801	1,509,263

f. On December 21, 2001, the Company entered into a 5 year interest rate swap agreement on a notional amount of US$100million with a local arranger bank calling for the payment and receipt of interest at predetermined rates which were to be set up at the beginning of each of the 5 years. This instrument was designated to hedge the Libor rate fluctuations on the US$100million term loan.

On December 1, 2003, the Company restructured the swap agreement whereby it replaced the previous agreement by entering into a 3 year interest rate swap agreement effective December 15, 2003 on a notional amount of US$100million. This agreement calls for the receipt and payment of interest at rates which are to be set up at the beginning and at the end of each of the 3 years, respectively. During the three year period of the agreement, the interest rate to be received is 12-month Libor set up at the beginning of each period (in advance), and the interest rate to be paid is 12-month Libor set up at the end of each period (in arrears) plus 1.4%. Accordingly, the Company settled US$2,905,125 included under "Interest expenses" in the statement of income for the year ended December 31, 2004.

As of December 31, 2004, the valuation of this derivative instrument as provided by the arranger bank on the basis of unwind or cancellation value of the transaction amounted to negative US$3,557,815 as of December 31, 2004 (negative US$6,452,074 as of December 31, 2003). The change in valuation which amounted to positive US$2,894,259 for the year ended December 31, 2004 (negative US$2,549,554 for the year ended December 31, 2003) was recorded under shareholders equity under "Change in fair value of interest rate, swap agreement".

On February 25, 2005, the Company restructured the long term loan of US$100million (Note 14) and thereby restructured the interest rate swap agreement by replacing the old agreement by two new agreements in line with the restructuring of the loan.

The first contract extends for a period of two years effective December 20, 2004 on a notional amount of US$60million for the first year extending from December 20, 2004 till December 20, 2005; decreasing to US$40million for the year extending from December 20, 2005 till December 20, 2006. During the two year period of the agreement, the interest to be received is determined at 12-month Libor and the interest to be paid at 6.5%.

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

11. Dividends Payable

The breakdown of dividends payable is summarized as follows:

December 31,	2004				2003
General Assembly Date	**Dividend per Share**	**Declared**	**Paid**	**Payable**	**Payable**
	US$	US$	US$	US$	US$
June 29, 1996	0.20	30,918,413	28,541,984	2,376,429	2,521,991
June 30, 1997	0.25	40,367,172	36,453,326	3,913,846	4,131,026
June 29, 1998	0.25	39,351,753	34,457,259	4,894,494	5,258,183
June 23, 2003	stock dividend			246,097	255,688
				11,430,866	12,166,888

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

The shareholders' ordinary general assembly held on June 23, 2003 declared a stock dividend of 1 share for each 40 shares to be distributed, from the Company's class (A) treasury shares portfolio. Accordingly, 3,871,857 (A) shares were distributed for a total value of US$19.4million (at market price). Undistributed shares and fraction shares dividends amounted to US$246,097 as of December 31, 2004 (US$255,688 as of December 31, 2003).

12. Deferred Revenues and Other Credit Balances

Deferred revenues consist of the following:

December 31,	2004 US$	2003 US$
Cash down payments and commitments on sale contracts	48,194,170	13,485,684
Deferred rental revenue and related deposits	13,389,811	5,580,825
	61,583,981	19,066,509

Cash down payments and commitments on sale contracts amounting approximately to US$42million relate to 19 sale contracts with an aggregate potential gross sales value of US$84million as of December 31, 2004 (US$12million relating to 18 sale contracts with an aggregate potential gross sale value of US$102million as of December 31, 2003). This caption also includes down payments totaling US$1.8million (US$1.7million as of December 31, 2003) on sale of units in the shopping mall project corresponding to a potential gross sales value of US$33million.

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

13. Deferred Credits

The Company sold on April 3, 2002 to a local financial institution, 1,004,004 shares (607,212 "A" shares and 396,792 "B" shares) from treasury shares with a sale back option for a total consideration of US$6,011,930 at US$6 per share, which includes an option premium of $0.987 per share. The sale back option can be exercised at a strike price of US$7.10 per share 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 lapse, the proceeds will be reflected as deferred credit.

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

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

Interest in the amount of US$4,195,507 has been accrued on the above deferred credits up to December 31, 2004 (US$1,760,839 up to December 31, 2003).

14. Loans from Banks and Financial Institutions

This caption consists of the following:

December 31,	2004 US$	2003 US$
Short term local bank loan (maximum draw down US$20million)	-	16,000,000
Short term local financial institution facility	-	10,171,250
Two syndicated loans	160,000,000	200,000,000
"COFACE" guaranteed loan	45,982,285	61,309,715
Syndicated loan (maximum draw down US$22million)	6,944,462	11,574,103
Local bank loan (maximum draw down US$10million)	9,000,000	7,909,837
Loan guaranteed by Export - Import Bank of the United States	12,123,490	12,603,090
	234,050,237	319,567,995

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

December 31,	2004 US$	2003 US$
2004	-	48,179,612
2005	44,651,179	24,059,655
2006	142,336,357	221,744,835
2007	40,021,537	19,430,015
2008	4,694,109	4,102,586
2009	2,347,055	2,051,292
	234,050,237	319,567,995

Short Term Local Bank Loan:

On April 8, 2003, the Company entered into a short term loan agreement with a local bank for an amount of US$20million to be withdrawn in multiples of US$2million between March 31, 2003 and September 30, 2003, and to be repaid in three, six or nine months from withdrawal date. This short term loan is subject to an interest rate of 3 month Libor +3.5% (with a floor of 6.75%). The Company has withdrawn this amount during 2003 and it was settled during 2004.

Short Term Local Financial Institution Facility:

During 2003, the Company signed three promissory notes in the amounts of US$10,201,667, US$5,099,167 and US$10,513,750 which mature on August 14, 2003, September 12, 2003 and July 2, 2004, respectively. These notes bear a weighted average interest rate of 6.34% per annum. These facilities were fully settled in June 29, 2004.

Two Syndicated Loans:

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

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

On December 14, 1998, the Company entered into a 5 year loan agreement with a syndicate of local banks for an amount of US$100million payable in December 2003 (subject to a voluntary full prepayment clause). This loan is subject to an interest rate of 12 month Libor + 2.35% for the first year, to be escalated yearly to reach 12 month Libor + 2.65% in the fifth year, payable quarterly. The loan has an interest rate floor of 7.6% and a cap of 10.9%. To refinance this loan, the Company entered on December 1, 2003 into a three year loan agreement with a syndicate of banks for an amount of US$100 million payable in December 2006. This loan is subject to interest at the rate of 3-month Libor + 4.25% (with a floor of 7.5%) payable quarterly. The loan agreement includes a voluntary full prepayment clause. In this connection, the Company settled the loan on December 20, 2004.

To settle part of this loan, the Company entered on December 10, 2004 into a 3 year loan agreement with a syndicate of banks for an amount of US$60million payable in 3 yearly installments of US$20million on December 20, of each year. This loan is subject to an interest rate of 12 months Libor + 2.75% payable yearly.

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

"COFACE" Guaranteed Loan:

For the purpose of partially financing the sea front defense works, the Company signed in 1996 a 10 year "COFACE" guaranteed loan agreement for an amount of US$107.3million of which US$7.3million represents a guarantee premium. This loan, which was fully drawn, is scheduled for settlement starting February 2001 through 14 semi annual equal payments, and is subject to an interest rate of 7.39% per annum payable semi annually starting August 1998. The Company withdrew the total amount of the loan and an installment of US$7.66million was made during the first half of 2004 in addition to two installments of US$7.66million each during 2003. Under the terms of the loan contract, the Company is required to maintain a pledged deposit of US$23.6million with the lending bank starting from the date of the first withdrawal. Subsequently reduced in 2004 to US$18.5million. 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$53.6million 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$53million, the following loan agreements were signed by the Company:

Syndicated Loan:

On March 21, 2000 the Company signed a 6 year loan agreement with a syndicate of banks for an amount of US$22million. The period in which this loan could be withdrawn ended on December 29, 2002. Total withdrawals up to December 31, 2004 and December 31, 2003 amounted to US$20,260,624. This loan will be repaid in 9 equal semi-annual installments. Five installments in the total amount of US$13,316,162 were made as of December 31, 2004 (three installments in the total

amount of US$8,686,521 as of December 31, 2003) and thus the balance of the loan amounted to US$6,944,462 as at 31 December, 2004. This loan is subject to an interest rate of 3 month Libor plus 4%. According to the covenants of this loan agreement, the Company is required to maintain a debt to equity ratio not greater than 25%, maintain tangible assets of a minimum of US$1billion and maintain accounts and notes receivable of not less than US$75million free from any liens, assignments or similar charges. In addition 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$10million 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$1,000,000 was made during 2004 and the balance of the loan amounted to US$9,000,000 as of December 31, 2004. The loan is subject to an interest rate of 3 month Libor plus 1%. The Company shall maintain a pledged fund not less than 102% of all outstanding principal and interest amounts, and should maintain a debt to equity ratio not exceeding 25% and total tangible net assets should not be less than US$1billion free from any liens including permitted liens.

Loan Guaranteed by Export - Import Bank of the United States:

In July 2001, the Company signed an "Export Financing Credit Agreement" in the amount of US$14,709,252 to support the purchase of engineering and construction services and equipment from the United States for the waste treatment project. This loan is guaranteed by the Export-Import Bank of the United States and financed by a resident foreign bank. An amount of US$11,458,002 had been drawn up to December 31, 2002. On May 5, 2004 and August 11, 2003, additional amounts of US$867,453 and US$1,145,089 were drawn, respectively, thus increasing the total amount drawn to US$13,470,544 as of December 31, 2004. This loan shall be paid in 10 approximately equal successive semi-annual installments, the first of which shall be due and payable on October 25, 2004. An installment of US$1,347,054 was made during 2004 and thus the balance of the loan amounted to US$12,123,490 as at December 31, 2004. 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$3,566,993 was submitted to the Export - Import Bank. Moreover, the Company is required to maintain a minimum balance of cash and cash equivalents of US$30million and the number of treasury shares should not exceed 10,131,829 shares or US$76million in aggregate.

15. Capital

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

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

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

As of December 31, 2004, the Company had 9,091,750 "A" shares listed on the London Stock Exchange in the form of Global Depository Shares (GDS) (8,870,000 "A" shares as of December 31, 2003).

16. 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.

17. Treasury Shares

Treasury shares represent 8,684,834 class (A) and (B) shares as of December 31, 2004 (5,767,727 shares as of December 31, 2003), of which 5,604,004 shares are subject to an option as described in Note 13.

The treasury shares outstanding as of December 31, 2004 were stated at lower of cost or net realizable value. The resulting gain of US$17,210,545 for the year ended 31 December, 2004 was credited to retained earnings (loss of US$230,150 for year 2003).

According to the articles of incorporation, the Company may purchase up to 10% of its share capital without the existence of free reserves, provided that it shall resell these shares within a period not exceeding eighteen months. The treasury shares held by the Company for a period exceeding eighteen months as of 31 December, 2004 amounted to 3,685 shares.

The number of treasury shares held by the Company is broken down as follows:

	Share in Thousands	
December 31,	2004	2003
Shares acquired through trading activities:		
Shares held for less than 18 months	50	104
Shares held for over 18 months	4	54
Shares subject to a sale back option (Note 13)	5,604	5,604
	5,658	5,762
Shares reverting to the Company from recuperated properties	15	6
Shares acquired by the company from sale of properties and held for less than 18 months	3,012	-
Total number of treasury shares	8,685	5,768

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

18. Net Revenues from Land and Real Estate Sales

Net revenues from land and real estate sales include the following:

December 31,	2004 US$	2003 US$
Sale of land	169,439,176	67,117,187
Sale of real estate properties	-	15,081,913
Less: Cost of land sales	(80,916,872)	(30,023,874)
Cost of real estate properties sales	-	(15,437,217)
Loss on cancellation of sales	(6,000,000)	(1,528,575)
	82,522,304	35,209,434

The loss on cancellation of sales represents the net profit resulting from previously recognized sale transactions which were cancelled in August 2004 due to the client's inability to meet his commitments. As a result, the built up area related to these transactions reverted back to the Company.

During the year ended December 31, 2004, the Company sold several apartments from its investment properties, which resulted in a gain of US$1,695,723 (gain of US$749,394 for the year ended December 31, 2003) as disclosed in Note 8.

19. Net Revenues from Rented Properties

Net revenues from rented properties include the following:

December 31,	2004 US$	2003 US$
Rent	18,612,382	15,444,652
Less: Depreciation expense	(2,885,780)	(2,881,756)
Real estate taxes	(2,451,150)	(2,277,406)
Maintenance and other related expenses, net	(2,212,086)	(1,521,477)
Expenses related to other rented properties	(342,268)	-
	10,721,098	8,764,013
Other related income, net	798,423	856,095
	11,519,521	9,620,108

20. General and Administrative Expenses

General and administrative expenses is composed of the following:

December 31,	2004 US$	2003 US$
Salaries, benefits and related charges	6,551,022	5,611,159
Board of directors' remunerations	144,000	144,000
Administrative expenses	3,362,450	3,482,233
	10,057,472	9,237,392

In addition to the above, salaries, benefits and related charges in the aggregate of US$3.4million were reallocated to cost during the year 2004 (US$3.6 million during the year 2003).

21. 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 earnings per share is 158,759,725 shares as of December 31, 2004 (157,647,122 shares as of December 31, 2003).

22. Notes to the Statements of Cash Flows

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

December 31,	2004 US$	2003 US$
Non cash exchange of company's shares for recuperated properties	(91,290)	(29,476)
Decrease/Increase in receivable from recuperated properties	(19,525)	163,577
	(110,815)	134,101

b. Depreciation was applied as follows:

December 31,	2004 US$	2003 US$
Depreciation of fixed assets - Note 9	1,888,435	1,860,809
Depreciation of investment properties - Note 8	2,885,780	2,881,756
Less: Depreciation allocated to the cost of property held for development and sale - Note 9	(759,075)	(759,076)
Depreciation expense for the year	4,015,140	3,983,489

c. Non-cash transactions for the year ended December 31, 2004 include the change in fair value of interest rate swap agreement in the amount of positive US$2,894,259 (negative US$2,549,554 for the year ended December 31, 2003) presented in the shareholders' equity caption and accounts payable and other liabilities caption.

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

e. Non-cash transactions in the operating and investing activities include transfers in the amount of US$53,991 from properties held for development and sale to investment properties for the year ended December 31, 2004 (US$22,939,032 for the year ended December 31, 2003).

f. Non-cash transactions in the operating and investing activities include sales of built up area in exchange of treasury shares amounting to US$18,273,003 for the year ended December 31, 2004.

g. Non-cash transactions in the operating activities include unrealized sales of built up area, included under deferred revenue and other credit balances caption in exchange of treasury shares in the amount of US$6,436,163 for the year ended December 31, 2004.

h. Non-cash transactions in the investing activities include transfers from fixed assets to investment properties in the amount of US$666,225 for the year ended December 31, 2004.

23. Related Party Transactions

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Company's management.

Cash and bank balances include US$252,273 as of December 31, 2004 (US$298,632 as of December 31, 2003) representing current bank accounts with a local bank who is a significant but minority shareholder of the Company. Moreover, loans from banks and financial institutions as of December 31, 2003 include a syndicated loan in the amount of US$100 million which was settled during 2004. This loan was managed and financed by the same local bank. Interest expense for the year ended December 31, 2004 relating to this loan amounted to US$8.1 million (US$7.7million for the year ended December 31, 2003).

General and administrative expenses include legal fees in the amount of US$161,799 for the year ended December 31, 2004 related to one of the firm's legal counselors who is also a member in the Company's board of directors (US$180,000 for the year ended December 31, 2003)

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.

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

24. 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$2billion. This amount is used as a base for the determination of cost of sales.

c. Commitments for contracted works not executed as of December 31, 2004 amounted to approximately US$67.9 million (US$76.6 million as of December 31, 2003).

d. A lawsuit was raised in 1999 against the Company by the "CDR" claiming reimbursement of an amount of LL5.4billion (US$3.6million) plus interest. This balance represents payments previously made by the "CDR" in connection with the appraisal of the properties in the BCD area and other tender documents. On the basis of the advice received from the Company's legal advisor, the directors are of the opinion that this claim is not based on sound legal grounds.

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

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

f. On June 7, 1997, the Company signed an exchange agreement with the Lebanese Government. By virtue of this agreement, the Company acquired additional built up area of approximately 58,000m² and 556,340 Class A shares in exchange for approximately 15,000m² and the payment of US$38million to restore governmental buildings. US$25million has already been paid and the balance of US$13.7million is included under accounts payable. According to the terms of the agreement, the Company undertook to build a governmental building and to conclude ten finance leases over seven years for certain buildings to the Lebanese Government. In 1999, the government canceled the exchange and finance lease agreement. The implementation and the effect of cancellation is not yet determined.

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

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

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 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$8.5million. 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 addition to the execution of remedial works at the contractor's own cost.

   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$32million 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.

   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.

k. During the year ended December 31, 2004, the Company signed an agreement with Stow Waterfont S.A.L. to form a joint venture company to acquire, develop, operate, manage, exploit, dispose and maintain the Town Quay real estate properties in Beirut city center as well as to operate and maintain the Marina projects. The agreement stipulates that the Company shall contribute a piece of land having a 20,000 m² of built-up area appraised at US$31,600,000, against a contribution of a similar amount in cash by the joint venture partner as of December 31, 2004. Up to the date of the issuance of the financial statements, the ministerial decree permitting the joint-venture to acquire the above land was not yet issued.

25. Financial Instruments

a. Fair Values of Financial Assets and Liabilities:

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

b. Credit Risk:

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

The Company credit risk exposure is spread over 89 counter-parties; 6 customers constitute 48% of the total exposure and 83 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.

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.

26. Reclassifications

Certain 2003 account balances in the corresponding financial statements were reclassified to conform with current year presentation.

27. Approval of Financial Statements

The Board of Directors approved the financial statements for the year ended December 31, 2004, in the meeting held on March 30, 2005.

BOARD OF DIRECTORS
general management

Members of the Board

Chairman and General Manager
Nasser Chammaa

General Manager
Mounir Douaidy

Vice-Chairmen
Nabil Boustani
Maher Beydoun

Raphaël Sabbagha
Fouad Al Khazen
Joseph Asseily

Abdulhafiz Mansour
Maher Daouk
Sarkis Demerdjian

Mosbah Kanafani
Sami Nahas
Basile Yared