

CHAIRMAN'S MESSAGE



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

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

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

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

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

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

In paying the high costs of rehabilitation and development, Solidere and other investors were obviously taking a considerable risk. The success of their investment strategy has vindicated all our efforts towards the revival of

downtown Beirut; and confirmed our view of its important role, both in enhancing the city's life and in attracting investment and stimulating economic growth.

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

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

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

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

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

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

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

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

At the same time, the Company's indebtedness was reduced to US\$320 million, representing a debt-equity ratio of 19.6%, within the stricter 20% limit dictated by our current covenants to lending institutions. The sale of treasury

shares generating US\$6 million in proceeds, and the discounting of part of the notes receivable from land sales to the amount of US\$27 million, contributed to maintain an adequate liquidity level during the year, resulting in a cash position of US\$76 million at year end.

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

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

NASSER CHAMMAA
Chairman
May 23, 2003