

CORPORATE FUNDING AND TREASURY

Corporate Treasury

The balance sheet at year end shows a cash position of US\$79.4 million. The Company invests its liquid funds in assets presenting minimum risk and with top-ranking deposit banking institutions in the domestic and international markets.

During the year 2001, 110 cash investments were made representing an aggregate value of US\$449 million. These figures include the investments made in 2001 and which matured in the same year or will mature in the year 2002 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 47 days. On average, SOLIDERE secured around 155 basis points over the median three-month LIBOR rate prevailing in 2001. The interest income earned on the cash investments during the year was equivalent to an annualized interest rate of 5.4%.

Funding Program

The Company contracted a number of loans to finance infrastructure and real estate activities that are part of Phase One of the BCD reconstruction. A US\$107.3 million ten-year loan, signed in 1996 with COFACE guarantee to provide partial financing to the marine works project, had been drawn up by end 2000, with US\$7.3 million representing the guarantee premium. The loan is being repaid in fourteen half-yearly payments which started in February 2001, comprising US\$7.5 million in principal repayment, together with interest at a rate of 7.39% per annum.

Three five-year loans, totaling US\$250 million, were concluded with local banks in 1998. A US\$50 million loan subject to an interest rate of six-month LIBOR plus 2%, is being repaid in 10 semi-annual installments which started end 1998. To this were added two syndicated loans of US\$100 million each, repayable in 2003. Interest is paid on a quarterly basis, at a rate starting at the 12-month LIBOR plus 2.35% and escalating yearly to reach LIBOR plus 2.65% in the fifth year, with a floor of 7.65% and a cap at 10.9% for one of the two loans. With a view to buy the floor and hedge against possible future LIBOR rate increases, the Company 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.

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

To finance the waterfront environmental cleanup, a US\$22 million locally syndicated loan was concluded in March 2000, with Citibank N.A. - Beirut Branch as lender, arranger and agent, and with Banque Libano-Française s.a.l. and Byblos Bank s.a.l. as co-lenders. The loan has a tenor of 6 years with repayments ending in June 2006. It is subject to an interest rate of one-year LIBOR plus 4%. In 2001, approval for an additional US\$24.7 million was given by Citibank N.A. - Beirut Branch, and the US Export-Import Bank, for the portion to be arranged using export credit financing. This loan includes two parallel facilities: a US\$14.7 million loan with Eximbank guarantee, to be repaid over five years in 10 semi-annual instalments, at an interest rate of LIBOR plus 0.25%; and a US\$10 million local facility with a matching tenor. Repayments on the three loans are consolidated and coordinated, with the maturity dates aligned.

As a result of the above transactions, outstanding debt at year-end amounted to US\$343.5 million. The debt-equity ratio dropped to 21.56%, remaining within the 25% limit agreed with COFACE. This limit should go back to its original level of 20% by January 1, 2003. No further borrowing is anticipated at present. The Company continues to honor its bank debt and interest obligations to reduce its outstanding debt. Bank loan maturities amount to US\$33 million in 2002 and US\$227 million in 2003, including the two US\$100 million bullet loans, both of which may be partially repaid from the proceeds of increased land sales, or refinanced over the short to medium term.

Proceeds from the sale of shares from the treasury stock portfolio amounted to US\$5 million in 2001. This brings to 9.24 million the total number of shares held by the Company at year end. The figure includes 7 million shares sold in year 2000 with a put option. In April 2002, two put options relating to 2.95 million shares were exercised and the Company settled their corresponding value. Simultaneously, 1 million shares were sold at US\$6 each with a three-year put option.

Finally, the Company was able to discount with a local bank some of its notes receivable from land sales, for a total face value of US\$15 million.