

# CORPORATE FUNDING AND TREASURY

## Corporate Treasury

The balance sheet at year end shows a cash position of US\$75.6 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 2002, 87 cash investments totalling US\$520 million were made. These figures include investments made in 2002 which matured in the same year or will mature in the year 2003 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 57 days.

On average, Solidere secured around 113 basis points over the median three-month LIBOR rate prevailing in 2002. The interest income earned on the cash investments during the year was equivalent to an annualized interest rate of about 2.92%.

## 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, totalling 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. This loan will be fully repaid by June 2003. To this were added two syndicated loans of US\$100 million each, repayable in 2003.

The first loan, maturing in April 2003, was refinanced locally for a period of three years through a different bank syndication, at an interest rate of 3-month LIBOR plus 4.25%, with a floor of 7.5%. The Company also intends to refinance the second loan maturing in December 2003, on which interest is paid quarterly, 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%.

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.

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%. This facility was fully repaid in April 2003.

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 installments, 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.

Continuing to honor its bank debt servicing and repayment obligations, Solidere reduced its indebtedness from a 2001 level of US\$343.5 million, to US\$320 million at end 2002. As a result, the Company's debt-equity ratio dropped to 19.63%, below the 20% level required by COFACE, the latter having come down from the 25% previously authorized.

Apart from the refinancing of the two US\$100 million loans, no further long-term borrowing is anticipated in 2003. Alternatively, certain limited short-term banking facilities for operational purposes, not exceeding one year in duration, are envisaged during 2003.

Proceeds from the sale of one million shares from the Company's treasury stock portfolio at US\$6 each with a three-year put option, amounted to US\$6 million in 2002. Simultaneously, from the 7 million shares with put option sold in the year 2000, put options respectively relating to 2.95 million and 4 million shares were exercised in April 2002 and April 2003, both settled by the Company. This brings to 9.58 million the total number of shares held by Solidere at year end.

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\$27 million.