Corporate Funding, Treasury and Treasury Stock

Treasury

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

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

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

Corporate Funding

The strategy to reduce borrowing levels by accelerating bank loan repayments was again pursued in the last year, utilizing growing levels of liquidity generated from land sales. Consequently, the bank debt level was substantially reduced, from US$129.4 million in 2005 to US$27.1 million in 2006, representing 1.53% in debt to equity ratio.

In 2006, the Company pursued the practice of resorting to flexible short-term credit arrangements, mainly temporary overdrafts at competitive interest rates.

The two locally syndicated corporate loans, US$100 million each, were fully repaid by end March 2006.

Solidere continued repayment on the US$107.3 million, ten-year marine works COFACE guaranteed loan, concluded in 1996 with BNP Paribas and Banque Indo-Suez. Half-yearly payments of US$7.7 million in principal repayment and interest at 7.39% per annum had started in 2001. The outstanding balance at end 2006 was US$15.3 million with the last repayment due in August 2007. The loan collateral was reduced to US$15.2 million in 2006.

The Company continued repayment in 2006 of the three loans used to finance land reclamation works: the US$22 million locally syndicated loan and the two parallel facilities from Citibank N.A. totaling US$24.7 million (US$14.7 million in export credit financing with guarantee from the US Export-Import Bank, and US$10 million as local facility from Citibank Beirut).

The 2001 five-year interest swap agreement with Citibank on a notional amount of US$100 million, as a hedge against possible LIBOR rate increases, matured in 2006, and all relevant amounts were fully settled.

Treasury Stock

During 2006, the Company pursued its implementation of the share buyback program, which was launched early in the year, targeting to acquire A and B shares equivalent to up to 10% of the issued capital. These shares were subsequently intended to be retired, thus reducing capital accordingly. At end 2006, the treasury stock portfolio amounted to 9.6 million shares with a total book value of US$162 million.