

TREASURY

The balance sheet at year end shows positions of US\$313.4 million for cash, US\$181.2 million for bank overdrafts and US\$10.1 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 2007, Solidere made 357 cash investments totaling US\$1,100 million. These figures include investments made in 2007, which matured in the same year or will mature in a later year. The Company pursued again this year a strategy of short-term cash investments, with a weighted average holding period of about 38 days. Around 92 basis points were secured on average over the median 2007 three-month LIBOR rate. Interest income earned during the year on the aggregate cash investments was equivalent to an annualized interest rate of about 5.5%.

CORPORATE  
FUNDING

The strategy to reduce borrowing levels was again pursued in 2007, utilizing growing levels of liquidity generated from land sales. Consequently, the bank debt level was substantially reduced, from US\$27.1 million in 2006 to US\$7 million in 2007, representing 0.4 % in debt to equity ratio.

In 2007, the Company pursued the practice of resorting to flexible short-term credit arrangements, mainly temporary overdrafts at competitive interest rates.

Several short term bank facilities were signed with various local banks, and drawdowns of approximately US\$250 million were used to help finance the Company's expansion program and local commitments. Repayments were made until year end, resulting in a balance of US\$181.1 million. Solidere intends to close this balance in the second half of 2008.

The cash position at year end was mainly due to collections of maturing receivables from several previously signed land sale deals, and particularly the full settlement of a major developer's remaining balance.

Solidere completed repayment of 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 last repayment was made in August 2007.

The Company continued repayment in 2007 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), with respectively US\$4.04 million and US\$3 million outstanding at year end.

TREASURY  
STOCK

The share buyback program, launched early in the year and targeting to acquire A and B shares equivalent to up to 10% of the issued capital, with a view to retire these shares and reduce capital accordingly, was temporarily put on hold by the Company in favor of international expansion and local developments.

The 10.7 million treasury shares, with a book value of US\$168.5 million, served as a temporary financing instrument, using a put and a call option with two local financial institutions to generate US\$170.3 million for meeting financing needs. These shares are due back to the Company by August 2008 at a price of US\$182.1 million.