

CORPORATE FUNDING, TREASURY AND TREASURY STOCK

TREASURY

The consolidated balance sheet at year end shows positions of US\$292 million for cash and cash balances; US\$177 million for bank overdrafts and short-term facilities; and US\$5.9 million for investments in securities.

The Company maintained its 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 structured 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 2008, Solidere made 547 cash placements totaling US\$3,576 million. These figures include placements made in 2008, which matured in the same year or will mature in the following year.

The Company pursued again this year a strategy of short-term cash placements, with a weighted average holding period of about 36.91 days. Around 153 basis points were secured on average over the median 2008 three-month LIBOR rate. Interest income earned during the year on the aggregate cash placements was equivalent to an annualized interest rate of about 4.6%.

CORPORATE FUNDING

The strategy to reduce borrowing levels was again pursued in 2008, utilizing growing levels of liquidity generated from land sales. Consequently, the bank debt level was substantially reduced, from US\$7 million in 2007 to US\$2.3 million in 2008, representing 0.13 % in debt to equity ratio.

In 2008, the Company pursued the practice of resorting to flexible short-term credit arrangements, mainly temporary overdrafts at competitive interest rates.

One new short term bank facility was signed with a local bank in 2008, in addition to two others signed with local banks in 2007 and renewed in 2008.

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

The Company continued repayment in 2008 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\$1.34 million and US\$1 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 9.9 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. The call option was exercised by the Company in August 2008 at a price of US\$182.1 million. The difference represented the premium in lieu of interest calculated at an average competitive rate.

