

Alert on 2012 Financials and 2013 Outlook

| | |
|-----------------|---------------|
| Sector: | Real Estate |
| Country: | Lebanon |
| Date: | June 28, 2013 |
| Recommendation: | HOLD |

| | |
|---------------------|----------------|
| Share Price (USD): | 11.00 |
| Target Price (USD): | 11.80 |
| Upside: | 7.3% |
| Fair Value (USD): | 16.10 |
| Risk: | Medium-to-High |

Downgrading to a HOLD with a fair value of USD 16.10 but a lower 6-month target price of USD 11.80 due to instability in Syria
Revenues suffer on considerably lower land sales

Solidere's total revenues in 2012 were reported at USD 111 million, 79% lower than 2011 revenues and well below our estimates. The central reason for this decline is the sale of just one land plot versus the expected four that were under negotiations during 2012, bringing land sales down by 79% to USD 50 million in 2012 from USD 242 million in 2011. As for Solidere's rental portfolio, it captured 49% of total revenues in 2012 growing by 8% from USD 50 million in 2011 to USD 54 million in 2012. This exceeds our estimates of USD 51 million with the increase mostly due to higher utilization throughout the year in Solidere's rental portfolio.

Shrinking top-line squeezes profitability in the near-term

Solidere's 2012 net income plunged by 90% to USD 16 million from USD 162 million mostly due to the disappointing sales results. Additionally, two extraordinary items further pressured earnings: (1) An impairment of USD 10 million in Solidere's investment in its hospitality company; (2) An USD 8 million contingency due to the unstable operating environment. We forecast earnings in 2013 and 2014 to be slightly higher than 2012 with a noticeable improvement in 2015 as higher land sales resume on the condition that both the Syrian crisis and domestic instability recede.

Backlog remains weak with 2013 expected to be similar to 2012

We attribute the lack of plot sales in Solidere's land bank to the wait-and-see approach that investors are now following, mostly due to the events in Syria and their repercussions on the investment climate in Lebanon. Currently, only one contract remains in backlog, valued at USD 40 million, awaiting the completion of the 25% down-payment. As for 2013 so far, activity remains weak and we expect to see a similar year to 2012. According to company sources, negotiations for new deals continue with expectations that at least one deal will be closed during 2013.

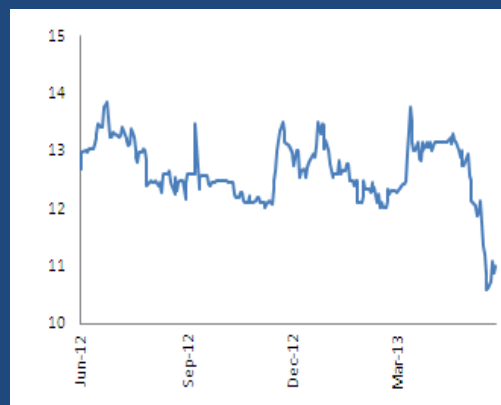
Fair value at USD 16.10 but target price more realistic in near-term

We estimate the fair value of Solidere's share at USD 16.10 using a discount rate of 15%, which represents a fair required return for investing in a Lebanese stock under normal circumstances. However, considering the current instability in Syria, we have raised the required return by 5% which led to a 6-month target price of USD 11.80. The share price currently trades at book value, slightly lower than its peers at 1.3. At such a price, investors would be valuing Solidere's land bank at extremely low prices, almost USD 600 per BUA sqm offering a deep discount to current market prices and potential share appreciation if investment sentiment improves.

Share Data

| | |
|------------------------|---------------|
| Bloomberg Symbol | SOLDA.LB |
| Reuters Symbol | SOLA.BY |
| Market Cap | 1,760,000,000 |
| Number of Shares | 160,000,000 |
| Free Float | 96.9% |
| Price-to-Earnings 2012 | 110.0 |
| Price-to-Book 2012 | 0.96 |

Share Performance



| | |
|-----------------|---------------|
| 1 Month Return | -15.46% |
| 3 Month Return | -10.94% |
| 6 Month Return | -17.49% |
| 12 Month Return | -13.44% |
| 52 Week Range | 10.60 – 13.86 |

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Performance and Forecasts

| Year | 2011 | 2012 | 2013e | 2014f | 2015f | 2016f |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Revenues (USD millions) | 297 | 111 | 116 | 144 | 217 | 271 |
| Net Income (USD millions) | 162 | 16 | 22 | 33 | 89 | 126 |
| EPS (USD) | 1.04 | 0.10 | 0.14 | 0.21 | 0.54 | 0.77 |
| BVPS (USD) | 11.96 | 11.48 | 10.48 | 10.46 | 10.36 | 10.10 |
| ROA | 5.2% | 0.5% | 0.7% | 1.1% | 2.9% | 4.2% |
| ROE | 8.7% | 0.9% | 1.3% | 2.0% | 5.2% | 7.6% |

FINANCIALS & VALUATION

| Year | 2011 | 2012 | 2013e | 2014f | 2015f | 2016f |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Profit & Loss Summary | | | | | | |
| Revenue (USDm) | 297 | 111 | 116 | 144 | 217 | 271 |
| Revenue Growth (%) | -22.3 | -62.6 | 4.8 | 23.8 | 50.5 | 24.9 |
| Gross Profit (USDm) | 231 | 75 | 76 | 90 | 147 | 192 |
| Gross Margin (%) | 77.8 | 67.6 | 65.7 | 62.7 | 68.0 | 71.0 |
| Net Profit (USDm) | 162 | 16 | 22 | 33 | 89 | 126 |
| Profit Margin (%) | 54.5 | 14.4 | 19.2 | 23.1 | 40.9 | 46.6 |
| Net Profit Growth (%) | -17.3 | -90.1 | 39.4 | 49.0 | 166.9 | 42.4 |
| Earnings Per Share (USD) | 1.04 | 0.10 | 0.14 | 0.21 | 0.54 | 0.77 |
| Price-to-Earnings (Forward P/E) | 8.85 | 110.00 | 79.43 | 53.65 | 20.23 | 14.20 |

| | | | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Balance Sheet Summary (USDm) | | | | | | |
| Cash & Cash Balances | 165 | 149 | 138 | 154 | 162 | 165 |
| Accounts & Notes Receivables | 551 | 553 | 372 | 403 | 434 | 433 |
| Inventory of Land & Real Estate | 1,132 | 1,208 | 1,128 | 1,098 | 999 | 939 |
| Investment Properties | 445 | 437 | 500 | 500 | 562 | 562 |
| Other Assets | 392 | 405 | 457 | 451 | 442 | 434 |
| Total Assets | 2,685 | 2,752 | 2,595 | 2,606 | 2,599 | 2,685 |
| Total Liabilities | 819 | 915 | 908 | 912 | 910 | 887 |
| Book Value Per Share (USD) | 11.96 | 11.48 | 10.48 | 10.46 | 10.36 | 10.10 |

| | | | | | | |
|----------------------|-----|-----|-----|-----|-----|-----|
| Profitability | | | | | | |
| ROA (%) | 5.2 | 0.5 | 0.7 | 1.1 | 2.9 | 4.2 |
| ROE (%) | 8.7 | 0.9 | 1.3 | 2.0 | 5.2 | 7.6 |

| | | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| Liquidity | | | | | | |
| Cash / Current Liabilities | 0.21 | 0.17 | 0.16 | 0.17 | 0.18 | 0.19 |
| Current Assets / Current Liabilities | 0.99 | 0.86 | 0.70 | 0.73 | 0.75 | 0.76 |
| Net Working Capital / Current Assets | (0.01) | (0.16) | (0.43) | (0.37) | (0.33) | (0.31) |

| | | | | | | | |
|------------------------------------|------------------|------|-------|-------------------------------------|-----|------|-------|
| Comparables (using FY 2012) | | | | | | | |
| | Valuation | | | Management Effectiveness (%) | | | |
| | P/E | P/BV | P/Rev | ROA. | ROE | D/E | Rev/A |
| Solidere | 110.0 | 1.0 | 15.9 | 0.6 | 0.9 | 36.0 | 4.0 |
| Average of Peers | 14.8 | 1.3 | 5.3 | 4.3 | 8.4 | 64.0 | 14.5 |

| | | |
|--------------------------------------|--------------|----------------|
| Valuation | | |
| | USDm | USD/shr |
| Value from Sales of Traditional Land | 348 | 2.2 |
| Value from Sales of Reclaimed Land | 1,593 | 9.9 |
| Value from Rentals | 222 | 1.4 |
| Book Value of Solidere International | 295 | 1.8 |
| Book Value of Non-Operating Assets | 812 | 5.0 |
| Total Liabilities | (915) | (5.7) |
| Value Loss from General & Admin. | (194) | (1.2) |
| Tax Effect | (257) | (1.6) |
| Target Price | 1,904 | 11.80 |

Backlog Update and Outlook for 2013

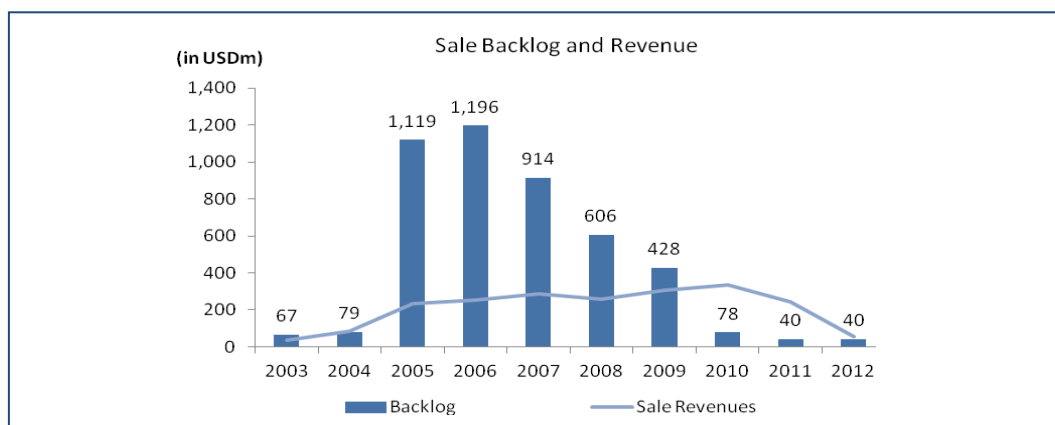
Backlog remains at a low point as investors follow a wait-and-see approach

During 2012, one new deal valued at USD 55 million was closed and immediately recognized as revenues on Solidere's Income Statement. No other new contracts have been reported as backlog leaving the latter unchanged at its 2011 balance of USD 40 million, its lowest ever.

The lack of plot sales in Solidere's land bank is attributed to the wait-and-see approach that investors are now following, mostly due to the events in Syria and their repercussions on the investment climate in Lebanon. Solidere's management communicated with us during 2012 that 4 large plots in the reclaimed area were undergoing negotiations, however it appears only one came through with the rest being held at early stages of negotiations.

Contracts can only be reported as backlog once they are signed, awaiting other conditions to be met (such as a 25% down-payment) before they can be recognized as revenues. Currently, only one contract remains in backlog, valued at USD 40 million, awaiting the completion of the 25% down-payment.

The only one deal closed during the year was recognized as revenues



Source: Solidere, Blominvest

As for 2013 so far, activity remains weak and we expect to see a similar year to 2012. Some favorable catalysts can result from a clearer picture of the local elections, but of course the issue on everyone's mind is the conflict in Syria and its potential spillover into Lebanon.

Attractive waterfront area dominates Solidere's remaining land bank

Solidere still holds a very attractive land bank which only shrank by 12,000 sqm in the reclaimed area due to the sale that occurred during the year. The price of the transaction was reported at USD 4,600 per sqm bringing the value of the unsold reclaimed area to USD 8.46 billion.

| Type of Land | Size (million sqm) | Remaining (million sqm) | Estimated Price/sqm in USD |
|--------------|--------------------|-------------------------|----------------------------|
| Traditional | 2.3 | 0.4 | 3,000 |
| Reclaimed | 1.7 | 1.44 | 4,600 |
| Total | 4.0 | 1.84 | |

Source: Solidere, Blominvest

As for the traditional area, only 400,000 sqm remain with an estimated price of USD 3,000 per sqm, bringing the value of the unsold traditional area to USD 1.2 billion.

Revenues from land sales in 2013 expected to be in-line with 2012

According to company sources, negotiations for new deals continue with expectations that at least one deal will be closed during 2013 of similar size to the one completed in 2012. We therefore do not expect it to be an excellent year and assume similar profitability to 2012.

Solidere has been active in improving the chances of new deal closures by allowing more flexible payment terms and extending the period during which payments need to be made. However, the magnitude of potential shocks due to the events in Syria outweighs any incentives that Solidere may be able to offer investors.

Rental portfolio to hold steady in 2013 as Cineplex expected to open near year-end

We estimate Solidere’s rental revenue in 2013 to be around USD 55 million, close to 2012 levels after having increased from USD 27 million in 2009 to USD 50 million in 2011. Previously we had anticipated the Cineplex to open in mid-2013 thus further boosting rental revenues. However, it appears this may occur near end-2013 and will therefore have minimal impact on rental revenues for the year.

As for the Department Store, building is expected to commence once the development stage is completed. We estimate building to start by mid-2014, with rental income beginning 2 years after. The contribution of each of the Cineplex and the Department Store is estimated at USD 10 million each. Solidere is also developing a Mixed-Use Office Block on schedule to open by 2015, which should boost its rental income by another USD 12 million.

The company’s objective is to grow its rental portfolio to USD 100 million and reduce its reliance on volatile sale transactions. We believe this goal to be achievable by 2017.

Cineplex opening delayed to year-end

| Project | Year Completed | Leasable Area | Potential Income |
|---------------------------------|----------------|--------------------|------------------------|
| Existing Rental Portfolio | 2009 | 84,000 sqm | USD 22 million |
| South Souks | 2010 | 46,000 sqm | USD 28 million |
| Cineplex in North Souks | 2013 | 21,000 sqm | USD 10 million |
| Department Store in North Souks | 2015 | 21,000 sqm | USD 10 million |
| Office Block | 2015 | 24,000 sqm | USD 12 million |
| Mixed Use Development | 2017 | 15,000 sqm | USD 8 million |
| Residential Project | 2017 | 18,000 sqm | USD 10 million |
| Total | | 229,000 sqm | USD 100 million |

Saifi Residential Project makes way for an additional revenue stream – sale of apartments

In addition to its core business of land sales and the more recent rental portfolio, Solidere is venturing into sales of individual apartments as the developer of a residential project in Saifi. The project consists of 12,500 sqm in BUA spread across 4 low-rise residential blocks with retail and office space for rent. The sellable residential component consists of 30 apartments or 8,000 sqm in BUA, with an estimated price of USD 6,500 per sqm. This would lead to a total potential revenue of USD 52 million just from sales, close to the value from the sale of an average plot in the reclaimed area. However, we expect the profit margin from such a project to be much lower than that of land sales estimated at 87%.

Revenues from project on par with sale of a land plot in reclaimed area

| | Residential Project | Land Plot in Reclaimed Area |
|--------------------------|-----------------------|-----------------------------|
| Sellable BUA | 8,000 sqm | 12,500 sqm |
| Price per sqm | \$6,500 | \$4,600 |
| Potential Revenue | \$52 million | \$57.5 million |
| Estimated Gross Margin | 65% | 87% |
| Gross Profit | \$33.8 million | \$50 million |

Source: Blominvest

VALUATION

Fair value declines over our 2012 valuation on considerably lower forecasts in 2013 - 2014

We estimate the fair value of Solidere’s share at USD 16.10 valuing the company’s operating assets at market value using a discounted cash flow model (DCF) and the non-operating assets at Book Value. This results in a 10.5% decline over our valuation last year of USD 18.00 after revising sale forecasts considerably down in the short term (2013, 2014). We note that the discount rate used for this valuation remains at 15% which represents a fair required return for investing in a Lebanese stock under normal circumstances.

Key assumptions used in our valuation are as follows:

- Solidere’s entire land bank is depleted over a 10 year period
- Sale prices at both the traditional and reclaimed areas remain are priced at the most recent transaction (USD 3,000 per sqm in the traditional area and USD 4,600 per sqm in the reclaimed land)
- Sale prices following 2014 grow at a constant rate of 3%.
- Rental prices grow at a constant rate of 3% annually with gross margins estimated at 65%.

Target price reflects additional risk premium associated with Syrian conflict

We estimate Solidere’s 6-month target price at USD 11.80, which represents a 7.3% premium over the recent closing price of USD 11.00 per share and a considerable decrease from last year’s target price of USD 14.80. All the valuation assumptions are the same as those used in determining the stock’s fair value with the exception of the discount rate. We increased the discount rate by 5% to capture the additional risk premium required by investors for gaining exposure to a Lebanese stock during the current instability in Syria. While the fair value represents an extremely attractive opportunity, we do not expect the stock to reach USD 16.10 in the near term until the internal political tensions and fears over a spill-over from Syria recede. We therefore issue a HOLD recommendation based on the more realistic 6-month target price of USD 11.80.

A 15% discount rate is used in determining Solidere’s fair value

A 20% discount rate is used in determining Solidere’s 6-month target price

| Valuation Component | Fair Value | | 6-month Target Price | |
|---|--------------|---------------|----------------------|---------------|
| | USD million | USD per share | USD million | USD per share |
| Market Value of Operating Assets in Beirut | | | | |
| Value from Sales of Traditional Land | 448 | 2.8 | 348 | 2.2 |
| Value from Sales of Reclaimed Land | 2,234 | 13.9 | 1,593 | 9.9 |
| Value from Rental | 293 | 1.8 | 222 | 1.4 |
| Book Value of Solidere International | | | | |
| Investment in Associates | 295 | 1.8 | 295 | 1.8 |
| Book Value of Non Operating Assets | | | | |
| Cash & Cash Balances | 149 | 0.9 | 149 | 0.9 |
| Prepayments & Other Debit Balances | 56 | 0.3 | 56 | 0.3 |
| Accounts & Notes Receivables | 553 | 3.4 | 553 | 3.4 |
| Fixed Assets | 54 | 0.3 | 54 | 0.3 |
| Total Liabilities | (915) | (5.7) | (915) | (5.7) |
| General & Administrative Value Loss | (219) | (1.4) | (194) | (1.2) |
| Tax Effect | (363) | (2.3) | (257) | (1.6) |
| Fair Value | 2,585 | 16.10 | 1,904 | 11.80 |

Source: Blominvest

INCOME STATEMENT HIGHLIGHTS

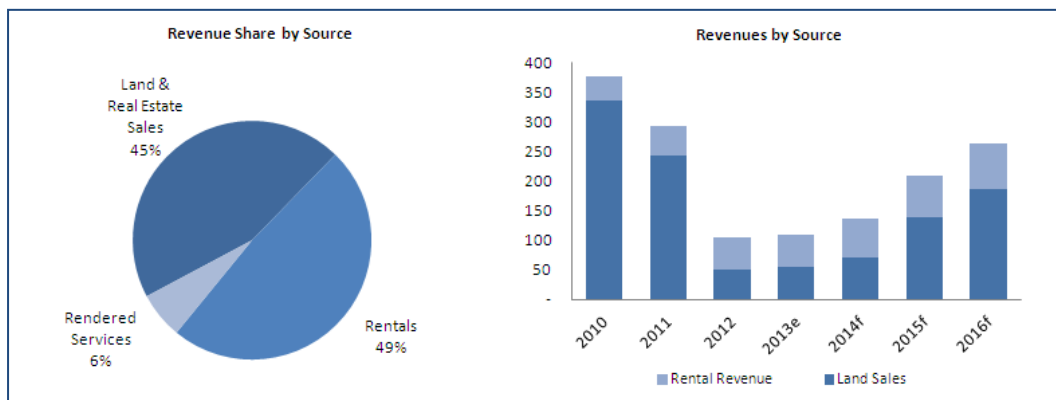
Revenues slump below expectations and management’s guidance

Solidere’s total revenues in 2012 were reported at USD 111 million, 79% lower than 2011 revenues and well below our estimates. The central reason for this decline is the sale of just one land plot versus the expected four that were under negotiations during 2012, bringing land sales down by 79% to USD 50 million in 2012 from USD 242 million in 2011.

| | 2012 (in USDm) | 2011 (in USDm) |
|--------------------------|----------------|----------------|
| Revenues from Land Sales | 50 | 242 |
| Rental Revenues | 54 | 50 |
| Rendered Services | 7 | 5 |
| Total Revenues | 111 | 297 |

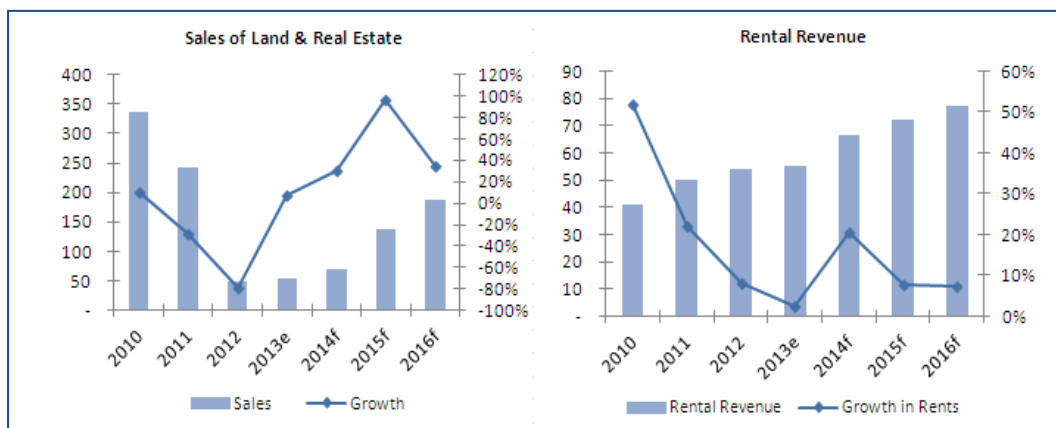
Source: Solidere

As for Solidere’s rental portfolio, it captured 49% of total revenues in 2012 growing by 8% from USD 50 million in 2011 to USD 54 million in 2012. This exceeds our estimates of USD 51 million with the increase mostly due to higher utilization throughout the year in Solidere’s rental portfolio. Additionally, this would be the first time in the company’s history where rental revenues exceeded land sales, Solidere’s core business.



Source: Blominvest

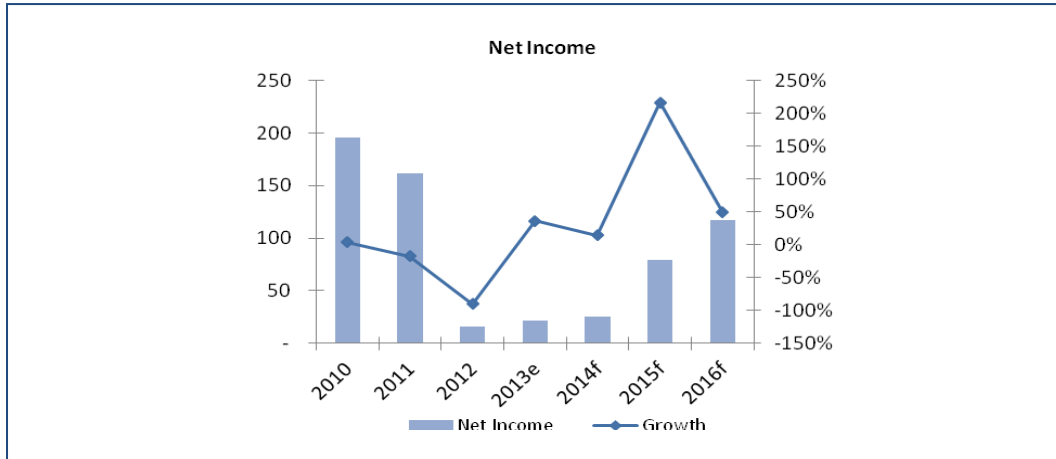
Going forward, we anticipate higher sales during 2013 and 2014 but still near historic lows unless the crisis in Syria is resolved and a tangible change in investor sentiment is registered. As for rentals, our forecasts are based on management’s guidance with the Cineplex beginning to generate revenues during Q1 2014 along with the Department Store in 2016.



Source: Solidere, Blominvest

Net income tumble on lower revenues and extraordinary items

Solidere’s 2012 Net Income plunged by 90% to USD 16 million from USD 162 million mostly due to the disappointing sales results. Additionally, two extraordinary items further pressured earnings: (1) An impairment of USD 10 million was taken on Solidere’s investment in its hospitality company which operates several restaurants throughout Beirut; (2) An USD 8 million contingency was taken considering the operating challenges the company faces due to the unstable environment.



Source: Blominvest

We forecast earnings in 2013 and 2014 to be slightly higher than 2012 with a noticeable improvement in 2015 as higher land sales resume on the condition that the Syrian crisis recedes.

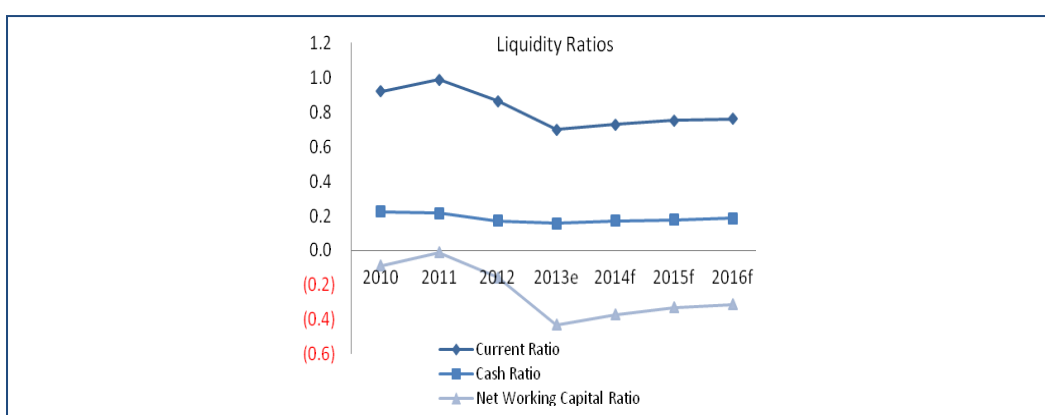
BALANCE SHEET HIGHLIGHTS

Securitization deal makes up for lower operating cash flow as current ratio declines

No noticeable change in Solidere’s cash balance occurred in 2012 as the company still carries around USD 149 million in cash, almost 5.4% of total assets. Its accounts receivable continued to be elevated at USD 553 million, however Solidere successfully completed a securitization deal in 2013 selling USD 185 million of its receivables. The transaction was completed on April 8, 2013, and consists of 3 tranches:

- A senior Class A of USD 130 million subscribed by local banks
- A mezzanine Class B of USD 45 million retained by Solidere and may be resold after the redemption of class A
- A junior Class C of USD 10 million retained by Solidere for the life of the transaction

This should generate sufficient cash for the company to sustain its operation for 2013 and 2014, compensating for lower expected operating cash flows.

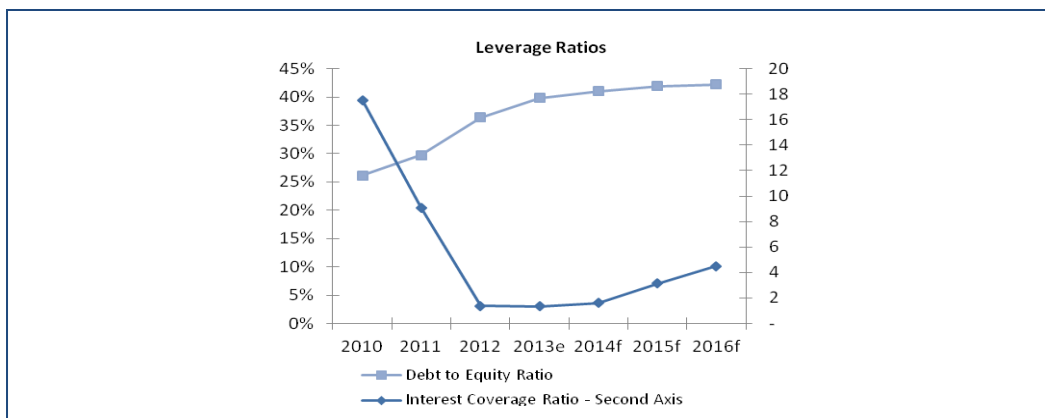


Source: Blominvest

Debt-to-Equity acceptable while interest coverage plunges on low operating income

Solidere’s short term debt surged to USD 630 million from its already elevated position of USD 505 million in 2011. The company has been relying on credit facilities to fund the building of its rental properties and the finishing of its infrastructure needs. The North Souks, which consists of a Cineplex and a Department Store, is under construction with the Cineplex expected to be completed by year-end. Solidere’s Debt-to-Equity has risen to 0.36, a still acceptable ratio considering the projects it is undertaking and compared to the regional peer average.

As for interest coverage, Solidere’s operating income of USD 34 million is only USD 8 million higher than its interest expense of USD 26 million. However, its interest income of USD 29 million relaxes any financial concerns supported by Solidere’s large cash balance and accounts receivables.



Source: Blominvest

COMPARABLE ANALYSIS

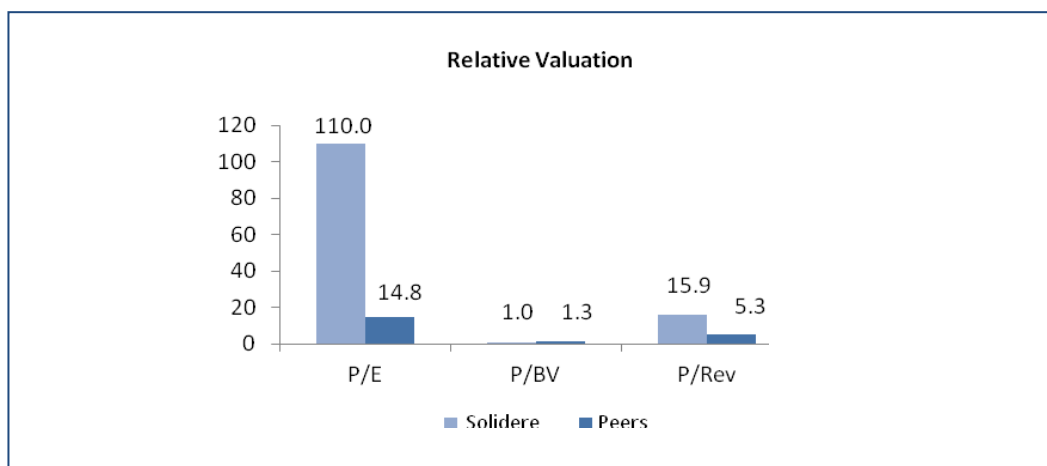
We compiled a list of 8 Real Estate companies that operate in the Middle East to compare Solidere against. The largest has a market cap of USD 3 billion while the smallest has USD 1.2 billion and the average is USD 2.2 billion. On the other hand, Solidere's market cap is approximately USD 1.8 billion.

The complete list of comparables is available in the appendix.

Relative Valuation

Following Solidere's disappointing results in 2012, the company's price-to-earnings (P/E) ratio has surged to 110 compared with 14.8 for the peer average. While earnings declined 90%, Solidere's stock price has only dropped by 10% following the release of its results. We attribute this lack of reaction in stock price due to the company's highly attractive land bank which most investors consider when valuing its stock.

The share price currently trades at book value, slightly lower than its peers at 1.3. At such a price, investors would be valuing Solidere's land bank at extremely low prices, almost USD 600 per sqm. When compared with actual prices from recent transactions, this signifies a deep discount attributable to the weak investor sentiment in Lebanon.



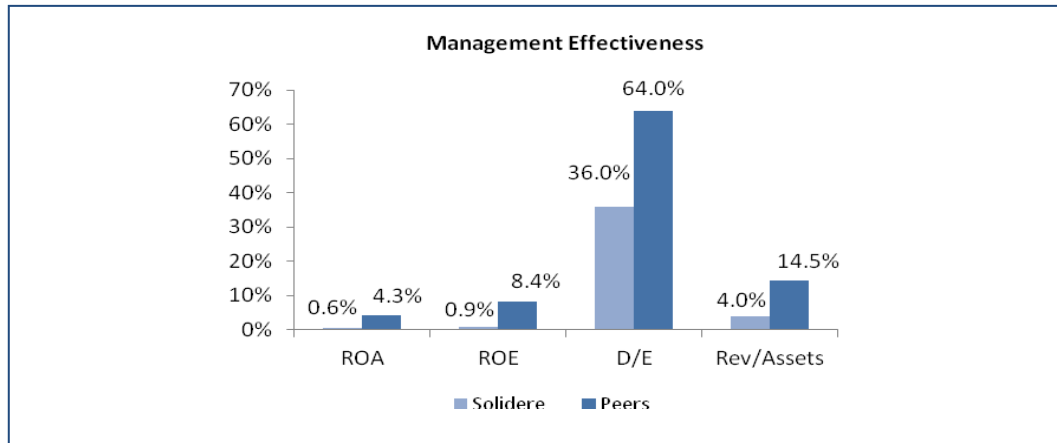
Source: Reuters

Similarly to the P/E analysis, Solidere's price-to-revenues (P/Rev) significantly overvalues the firm at 15.9 versus 5.3 for the peer average. Again, this is mostly attributable to the weak performance reported during 2012.

Management Effectiveness

Both profitability indicators, return-on-assets (ROA) and return-on-equity (ROE) are considerably below the average following the plunge in earnings. A recovery in land sales is critical to bring these ratios in line with regional developers.

As for Solidere’s leverage, while the company has been increasing its debt exposure, it’s debt-to-equity (D/E) of 36% remains well below the average at 64%. However, Solidere should focus on reducing this debt, as its operating environment is quite riskier than its peers and its operating earnings in 2012 significantly declined to be slightly higher than its finance expenses.



Source: Reuters

PROJECTED INCOME STATEMENT

| <i>In USD million</i> | 2011 | 2012 | 2013e | 2014f | 2015f | 2016f |
|---|------------|-----------|-----------|-----------|------------|------------|
| Revenues from Land & Real Estate Sales | 242 | 50 | 54 | 70 | 138 | 187 |
| Revenues from Rented Properties | 50 | 54 | 55 | 67 | 72 | 77 |
| Revenues from Rendered Services | 5 | 7 | 7 | 7 | 7 | 7 |
| Cost of Land & Real Estate Sales | (39) | (7) | (8) | (17) | (30) | (37) |
| Charges on Rented Properties | (22) | (25) | (24) | (29) | (31) | (33) |
| Cost of Rendered Services | (6) | (8) | (8) | (8) | (8) | (8) |
| Gain/(Loss) on Sale of Invest. Properties | 1 | 4 | - | - | - | - |
| Net Revenues from Operations | 231 | 75 | 76 | 90 | 147 | 192 |
| Share Result from an Associate | - | - | - | - | - | - |
| General & Admin. Expenses | (35) | (34) | (38) | (39) | (41) | (43) |
| Depreciation of Fixed Assets | (5) | (5) | (6) | (6) | (6) | (6) |
| Other Income (Expense) | (7) | (3) | - | - | - | - |
| Interest Income | 24 | 29 | 28 | 28 | 36 | 36 |
| Interest Expense | (21) | (26) | (25) | (28) | (32) | (32) |
| Profit Before Tax | 187 | 18 | 26 | 39 | 104 | 149 |
| Income Tax Expense | (25) | (2) | (4) | (6) | (16) | (22) |
| Profit for the Year | 162 | 16 | 22 | 33 | 89 | 126 |

Source: Solidere Financials, Blominvest Estimates

PROJECTED BALANCE SHEET

| <i>In USD million</i> | 2011 | 2012 | 2013e | 2014f | 2015f | 2016f |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Assets | | | | | | |
| Cash & Cash Balances | 162 | 165 | 161 | 169 | 168 | 181 |
| Prepayments & Other Debit | 53 | 49 | 36 | 40 | 46 | 50 |
| Accounts & Notes Receivables | 487 | 551 | 449 | 411 | 457 | 493 |
| Investment in Securities | - | - | 55 | 40 | 25 | 10 |
| Inventory of Land & Projects | 1,055 | 1,132 | 1,015 | 898 | 841 | 727 |
| Investment Properties | 443 | 445 | 508 | 570 | 570 | 570 |
| Investments in Associates | 281 | 293 | 293 | 293 | 293 | 293 |
| Fixed Assets | 46 | 49 | 50 | 50 | 50 | 50 |
| Total Assets | 2,685 | 2,752 | 2,595 | 2,606 | 2,599 | 2,534 |
| Liabilities | | | | | | |
| Bank Overdraft & Short Term | 505 | 630 | 647 | 682 | 708 | 695 |
| Accounts Payable | 130 | 109 | 108 | 97 | 90 | 86 |
| Dividends Payable | 84 | 79 | 75 | 70 | 68 | 65 |
| Deferred Revenue & Credit Balances | 50 | 59 | 54 | 50 | 43 | 41 |
| Bank Loans | 50 | 38 | 25 | 13 | - | - |
| Total Liabilities | 819 | 915 | 908 | 912 | 910 | 887 |
| Total Equity | 1,866 | 1,837 | 1,687 | 1,694 | 1,689 | 1,647 |
| Total Liabilities & Equity | 2,685 | 2,752 | 2,595 | 2,606 | 2,599 | 2,534 |

Source: Solidere Financials, Blominvest Estimates

APPENDIX – LIST OF COMPARABLE COMPANIES

| Company | Ticker | Country | Mkt Cap USD (m) | Valuation Ratios | | | Management Effectiveness (%) | | | |
|-------------------------------------|-------------|----------------|-----------------|------------------|------------|-------------|------------------------------|------------|-------------|--------------|
| | | | | P/E | P/BV | P/Rev | ROA | ROE | D/E | Rev / Assets |
| Barwa Real Estate Company QSC | BRES | Qatar | 3,013 | 13.39 | 0.83 | 5.52 | 2.3 | 7.6 | 194.2 | 4.5 |
| Dar Al Arkan Real Estate Dev. | 4300 | Saudi Arabia | 2,851 | 11.26 | 0.64 | 3.03 | 4.2 | 5.6 | 25.4 | 16.0 |
| Mabaneer Co SAK Closed | MABANEE | Kuwait | 2,769 | 18.96 | 3.78 | 13.00 | 10.9 | 20.4 | 64.1 | 15.5 |
| United Development Co | UDCD | Qatar | 2,183 | 9.91 | 0.77 | 3.11 | 4.5 | 7.2 | 37.3 | 14.2 |
| Sorouh Real Estate Company | SOROUH | UAE | 1,937 | 15.11 | 1.07 | 2.61 | 3.1 | 6. | 31.3 | 18.2 |
| Aldar Properties PJSC | ALDAR | UAE | 2,709 | 10.09 | 1.14 | 1.02 | 3.3 | 11.6 | 148.2 | 31.9 |
| Taiba Holding Co. | 4090 | Saudi Arabia | 1,340 | 23.33 | 1.46 | 12.93 | 5.1 | 5.7 | 3.1 | 9.3 |
| Talaat Mostafa Group Holding Co SAE | TMGH | Egypt | 1,187 | 16.22 | 0.32 | 1.53 | 1.0 | 2.1 | 14.8 | 9.7 |
| Average | | | 2,249 | 14.8 | 1.3 | 5.4 | 4.3 | 8.4 | 64.0 | 14.5 |
| Solidere | SOLA | Lebanon | 1,760 | 110.0 | 1.0 | 15.9 | 0.6 | 0.9 | 36.0 | 4.0 |

Source: Reuters

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Equity Rating Key

Recommendations are based on the upside (downside) between our 12-month Fair Value estimate and the current Market Price.

Buy: Fair Value higher than Market Price by at least 20%
Accumulate: Fair Value higher than Market Price by 10% to 20%
Hold: Fair Value ranges between -5% to +10% in relation to Market Price
Reduce: Fair Value lower than Market Price by 5% to 15%
Sell: Fair Value lower than Market Price by at least 15%

Risks are based on share price volatility along with qualitative factors such as the nature of the business, the country risk and sensitivity to a single event, single product or single buyer. We've arranged the risk factor into 5 trenches:

- High Risk
- Medium-to-High Risk
- Medium Risk (similar to Market Risk)
- Medium-to-Low Risk
- Low Risk

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