COECLERICI
GROUP

Annual Report 2003

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2003

Coeclerici S.p.A.

Head office:
Via di Francia, 28
16149 Genoa, Italy

Capital Stock:
Eur 8,000,000.00
fully paid-up

Chamber of Commerce -
Genoa
Companies’ Register n. 7556
Genoa Court

Tax Code n. 12307910153
VAT n. 03762760100

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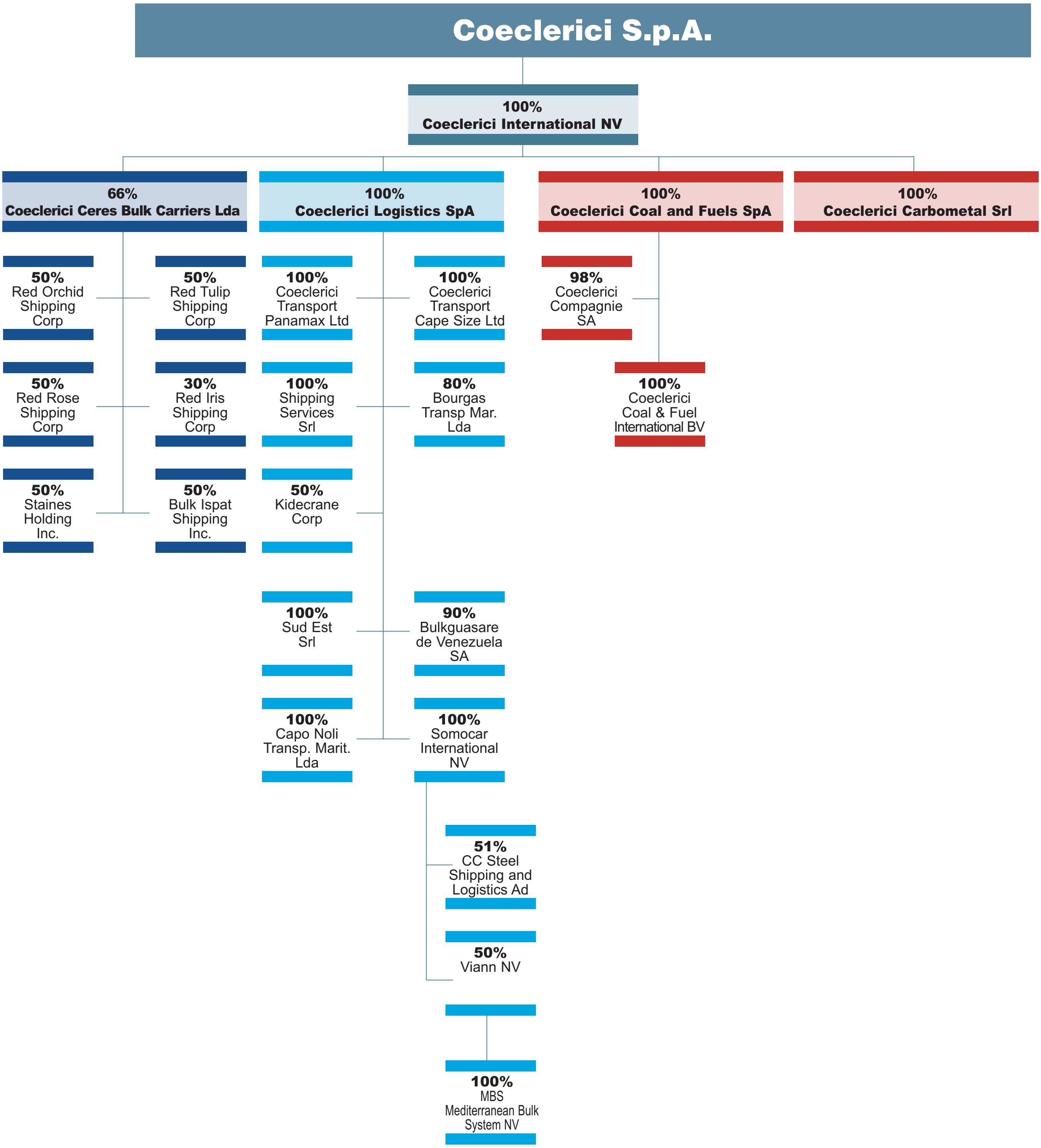
Group Structure

at December, 31 2003



Excluding companies in liquidation or non-operational.

Coeclerici S.p.A. Officers

Board of Directors

Members of the Executive Committee

Paolo Clerici	Chairman and CEO
Urbano Faina	Deputy Chairman
Corrado Papone	Deputy Chairman
Antonio Belloni	Director
Sergio Ungaro	Director
Giorgio Cefis	Director
Giuseppe Valenzano Menada	Director
Jody Vender	Director
Aldo Carmignani	Director

The term of office expires upon the approval of the financial statements for the year ended December 31, 2003

Board of Statutory Auditors

Guglielmo Calderari di Palazzolo	Chairman
Ettore Cavo	Standing member
Alfredo Durante	Standing member
Giorgio Carbone	Alternate
Domenico Borghetti	Alternate

The term of office expires upon the approval of the financial statements for the year ended December 31, 2003

Independent Auditors

Deloitte & Touche S.p.A.

Bulk Carrier
Ship specifically designed to transport vast amounts of dry bulk cargoes, mainly minerals, coal, grain and bauxite.

B/B – Bare Boat Charter
A charter in which the bare ship is chartered without crew for a stated period of time; besides the voyage costs (bunkers, port charges, canal tolls, etc.), the charterer also pays the running expenses (crew, maintenance, repairs, lubricants, supplies and insurance).

Capesize
A ship designed to transport dry bulk cargoes in excess of DWT 90,000, which, because of its size cannot transit the Panama Canal.

Panamax
A bulk carrier designed to be just small enough to transit the Panama Canal, thus with a maximum length of 32.24 meters, normally not more than DWT 80,000.

DWT - Dead Weight Tonnage
A common measure of ship carrying capacity measured in tons, including the cargo, bunkers, stores and crew.

Spot market
A market for the charter of a vessel to move a single cargo based on the current charter market rate.

T/C Rate - Time charter rate
The rate applied for chartering a ship. The charterer pays for the bunkers, port charges, canal tolls and any other expenses related to the voyage. The charter rate is normally expressed in U.S. dollars per day of hire.

Transhipment vessel
A vessel capable of transhipping cargo from one floating vessel to another.

Crew management
Services rendered for the selection, rotation and management of crew aboard ships.


COECLERICI

Management report

(translation from the original issued in Italian)

Chairman's Letter

Dear Stockholders,

2003 marked the completion of the first phase of the Group's strategy to alter the commitment in invested capital in the Shipping sector, thus achieving the anticipated results of changing the balance sheet profile and risk profile of the Group. In economic terms, the result for the year rose from Euros 1.2 million in 2002 to Euros 9.1 million.

Exposure in terms of invested capital went from Euros 372.7 million at December 31, 2002 to Euros 87.1 million at the end of 2003. At the same time, following the disposal of the fleet owned by the Group, operations in the Shipping sector continued with a focus on the chartering and re-chartering of vessels and the distribution of services associated with the commercial management of the shipping pools. Meanwhile, a strong presence was maintained on that market and relations with pool partners were further consolidated, thus reaching the important objective of keeping the composition of the fleet controlled by the Group virtually unchanged.

We would remind you that the sale of the vessels in the Shipping sector fits into the framework of a broader agreement with the Greek stakeholder Dry Log Ltd.. Your Group sold the oldest vessels on the market partly in keeping with the plan to revitalize the fleet controlled, whereas the more modern vessels were sold to the Greek stockholder, or to other shipping companies in the shipping pools, with the aim of keeping the ships sold under the Group's commercial control.

The completion of the sales of the vessels during the year made it possible to achieve an important reduction in the net borrowings position to Euros 23.9 million, from Euros 281.3 million at December 31, 2002, and free available financial resources for new investments in other sectors of the Group.

From an economic point of view, the maritime freight market has exponentially increased the values handled in the last quarter. This was partly due to the strong expansion of the market, credited to the economic growth of China, where Coeclerici has opened an operations office, and to the simultaneous maintenance of some Japanese nuclear power plants.

In the Logistics sector, operations in Venezuela and Bulgaria, at Koper (Slovenia) and Bakar (Croatia) are proceeding satisfactorily in terms of volumes handled and margins, as is the use of Capo Noli motor vessel.

With particular regard to the contract concluded in Venezuela in 1998 with the customer Carbones del Guasare, which expires in mid-2004, despite the serious difficulties caused by the well-documented strikes at the beginning of the year, the Group can boast of having almost fully met its quantity commitments. Furthermore, an agreement has been reached with the customer to renew the contract for another five-year period.

Finally, during 2003, a project became fully operational in Indonesia under a joint venture between the Coeclerici Logistics Group and the French group Louis Dreyfus Armateurs. This project, which involves an investment of around USD 1.5 million, calls for the loading of raw materials using floating cranes. Again in Indonesia, your Group recently opened an office now run by one if its Italian employees, with the aim of exploring and seizing the market potential offered by that country.

On the commercial front, efforts continued to extend the Group's project portfolio. In particular, a new contract is being worked out for the lightening and transport of raw materials in the south of Italy, together with a new initiative in Venezuela, again to load, transport and tranship iron ore.

As already commented in last year's annual report, the five-year contract with the Group's long-standing customer Enel, which expired at the end of 2002, was not renewed. With regard to the terms of the contract which were not fulfilled, a settlement was reached to the two parties' mutual satisfaction. Following the termination of the above operations in the Northern Adriatic, the floating storage vessel used in Trieste harbor was sold to third parties at a price that was substantially in line with its net book value.

The Coal and Fuels sector, after a difficult start linked to a market crisis and the end of some commercial contracts in 2002, when prices of raw materials had reached an all-time low, reported satisfactory results. In fact, in the second half of the year, activities in the sector again began to generate positive operating margins on Russian coal. Finally, agency brokering activities were again positive.

In conclusion, we can confirm that, from the economic point of view, your Group also reported highly positive results in the first months of 2004. Forecasts to date in the field of charters and coal allow us to predict that 2004 will be even more positive than the year just ended.

We would like to express our particular thanks to the management, the employees and all those who have contributed to the results achieved by the Group and who, furthermore, in 2004, will have to contend with the difficult move of the Logistics operations and staff functions from Genoa to Milan, and Shipping activities from Genoa to Monte Carlo, with the same positive spirit that has prevailed until now.

The Chairman and CEO
Paolo Clerici

Consolidated results

The consolidated highlights of the Coeclerici Group for 2003, compared to those of 2002, can be summarized as follows (in thousands of Euros):

	2003	2002
Revenues	615,731	530,770
Contribution margin	55,674	21,685
Total operating profit	38,103	8,512
Net income - Coeclerici Group	9,106	1,194
Ebitda	57,095	30,337
Number of employees (at year-end)	299	589

The results show that the operations of the Group recorded a considerable improvement which generated a contribution margin of Euros 55.7 million compared to Euros 21.7 million in 2002. The operating profit showed an even higher increase, Euros 29.6 million, again in comparison with the prior year.

The improvement can generally be ascribed to the Shipping sector which was able to take advantage of the rise in the market during the last period of the year thanks to the correct positioning of the fleet which it manages. It should be remembered that growth, considered in the currency used for commercial transactions, would have been higher since, during 2003, the Euro gained approximately 20% against the U.S. dollar.

The notable reduction in the number of employees can be ascribed to the sale of vessels and refers exclusively to seafaring personnel.

In order to more fully understand the performance of the Group, highlights of the individual sectors of the Coeclerici Group are presented below (in thousands of Euros):

	2003	2002
Revenues		
- Shipping	263,145	351,666
- Logistics	175,983	38,292
- Coal and Fuels	179,726	145,089
- Infragroup	(3,123)	(4,277)
Total	**615,731**	**530,770**
Contribution margin		
- Shipping	30,517	6,100
- Logistics	18,182	8,155
- Coal and Fuels	8,746	8,528
- Infragroup	(1,771)	(1,098)
Total	**55,674**	**21,685**
Operating profit		
- Shipping	27,823	720
- Logistics	8,879	4,733
- Coal and Fuels	4,101	3,831
- Infragroup	(2,700)	(772)
Total	**38,103**	**8,512**

In 2003, under the broader project for the Group's reorganization, the activities for the commercial management of the shipping pools of dry bulk vessels and the pools themselves were taken over by Coeclerici Logistics. Accordingly, the data relating to the port logistics business are presented together with the pool management business.

The figures for the Shipping sector, instead, refer to what can be defined as shipping activities that were conducted, for a part of 2003, also by the Group's own vessels, prior to their sale, and then with ships chartered from third parties.

Shipping operations, clearly, increased from the standpoint of profitability due to the earlier-mentioned upsurge in the freight market. While 2002 basically produced a breakeven, the operating profit for 2003 was Euros 27.8 million.

Contributing to the figures of the Logistics sector are those of the Shipping operations with approx. Euros 150 million in revenues, Euros 14 million in terms of the contribution margin and about Euros 7 million in operating profit.

The previously mentioned problems associated with the customer Enel in Italy led to a contraction of revenues in the Logistics sector alone, excluding the results from Shipping operations. Owing to the reduction in volumes, the profitability of this sector, including the extraordinary economic effect produced by the termination of that contract, declined by Euros 1.3 million compared to 2002 at the level of the contribution margin and by approx. Euros 1 million in terms of the operating profit. Conversely, the positive performance of foreign projects, particularly with reference to the current contracts in Indonesia and Venezuela, confirm the perspective vision imparted to the Logistics Group, to search for new, expanding markets, especially abroad.

As far as the Coal and Fuels sector is concerned, the strengthening of the Euro negatively impacted the consolidated result. Instead, the increase in the prices of coal CIF led to higher revenues which now stand at Euros 175.1 million. At the same time, volumes traded and brokered increased compared to 2002. Profitability is positive, with an operating profit of Euros 4.1 million, an increase compared to 2002.

The balance sheet structure of the Group is summarized in the following table (in thousands of Euros):

	12/31/2003	**12/31/2002**
Net working capital	58,806	33,247
Employees' leaving indemnity	(3,004)	(2,520)
	55,802	30,727
Fixed assets:		
- fleet	22,299	320,570
- government grants	0	(1,245)
- other tangible and intangible fixed assets	7,724	9,729
- equity investments	1,277	3,642
Invested capital	**87,102**	**363,423**
Net financial borrowings position	23,871	272,026
Deferred income taxes and other provisions	7,534	8,132
Stockholders' equity - Group	50,209	54,224
Stockholders' equity - minority interests	5,488	29,041
Sources of financing	**87,102**	**363,423**

In reading the balance sheet figures and comparing them to the figures at December 31, 2002, account must be taken of the effect of the completion of the sale of the fleet which visibly reduced financial debt.

The increment in net working capital should be viewed in relation to the increase in revenues, in the unit values of the goods brokered by Trading, in the charters by Shipping, despite the reduction in value of the U.S. dollar against the Euro (1.0487 at the end of 2002 compared to 1.2630 at the end of 2003).

The decrease in the net financial borrowings position, in turn, is the result of the sale of the vessels effected by the Shipping and Logistics sectors which generated lower financial debt of Euros 257.4 million.

As a whole, thanks to the strategy undertaken, the debt/equity ratio at the end of 2003 is equal to 0.43.

During 2003, net equity decreased due to the strengthening of the euro. In fact, the stockholders' equity of the Group decreased by Euros 4.0 million as a result of the reduction in cumulative translation adjustments of Euros 10.1 million, the distribution of dividends to stockholders of Euros 3 million and the net income for the year of Euros 9.1 million. The sale of fixed assets caused a reduction in cumulative translation adjustments of Euros 8.8 million.

Balance sheet highlights are also presented, by sector, as follows (in thousands of Euros):

	12/31/2003	12/31/2002
Shipping		
Invested capital	8,712	271,939
Net financial (cash)/borrowings position	(2,489)	212,553
Stockholders' equity – Group and minority interest	10,749	57,017
Logistics		
Invested capital	36,832	52,008
Net financial (cash)/borrowings position	(21,312)	18,178
Stockholders' equity – Group and minority interest	54,796	30,081
Coal and Fuels		
Invested capital	32,530	49,898
Net financial borrowings position	22,315	28,040
Stockholders' equity – Group and minority interest	9,478	10,423

The above figures show a reduction in invested capital and an improvement in the net financial position of the Shipping sector due to the sale of the vessels.

Also from the balance sheet standpoint, the incorporation of the chartering area has produced its effects by increasing the stockholders' equity of the Logistics Sector by Euros 20.4 million, substantially represented by the liquidity invested in intragroup loans. The financial equilibrium of the Logistics sector has thus improved and invested capital now stands at Euros 36.8 million, which is entirely financed by net equity.

The capital invested of the Coal and Fuels sector is equal to Euros 32.5 million, which is financed by stockholders' equity for Euros 9.5 million.

Further comments on the business sectors

Shipping Sector

In the second half of 2003, the charter market exceeded all predictions. In some cases, the spot market reached a value of more than USD 100,000 a day for Capesize vessels, whereas, in 2002, the same market slipped below the USD 10,000 mark.

In the opinion of all the operators, this rise in rates was largely caused by the incredible economic growth of China which led to a marked increase in the demand for the transport of raw materials destined for the Chinese iron and steel and power industries.

With regard to the supply of tonnage, as anticipated, growth was less than proportional to the growth in demand for transport. In fact, shipyards had long since virtually saturated their building capacity with orders for container vessels, tankers and chemical tankers, leaving little scope for building bulkcarriers.

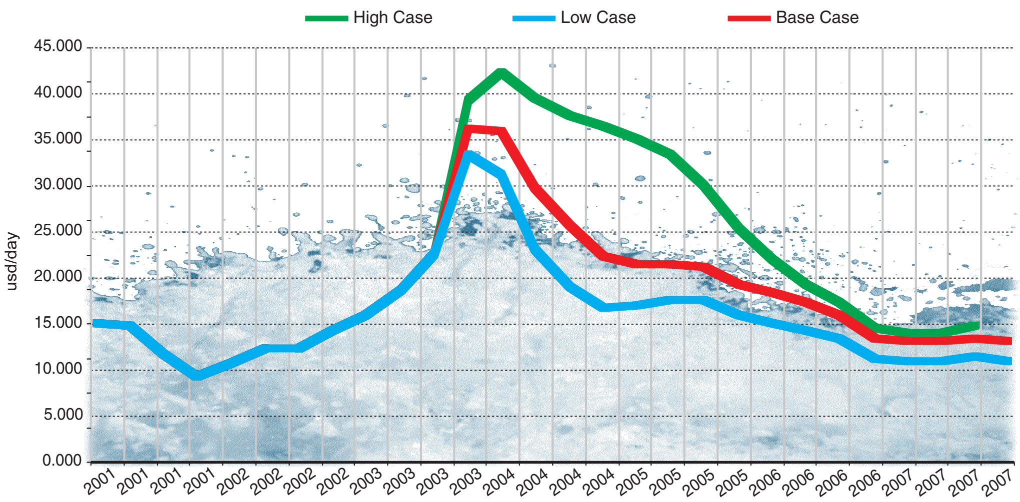
The imbalance between the supply and demand for tonnage in favor of the latter led to a rise in the market from which the Coeclerici Group also benefited, both in terms of the commercial results achieved by its own vessels and chartered vessels, and in terms of the values realized on the vessels sold.

Demand for sea transport of dry bulk cargo

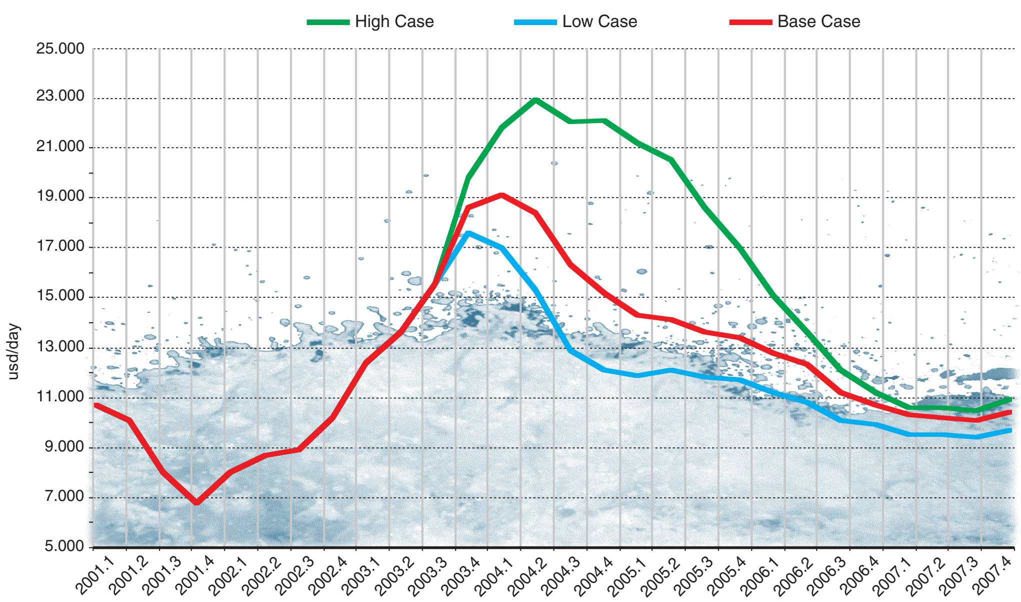
(millions of tons)	2003	2002	2001	2000
Iron Ore	519	476	451	448
Met Coal	174	167	166	169
Steam Coal	418	380	369	337
Grain	269	269	260	264
Other	720	705	698	697
Total	**2,100**	**1,997**	**1,944**	**1,915**

Source: Clarksons

Capes One-Year TC Rates



Panamax One-Year TC Rates



Logistics Sector

Port logistics operations underwent considerable changes during the year. Firstly, during 2003, activities in the Northern Adriatic for the customer Enel came to an end. These activities had begun under a 5-year contract signed in 1998, which expired at the end of 2002. According to the terms of the contract, a minimum annual quantity of goods was to be handled by your company, a condition that was not respected by the customer. Activities continued during the first months of 2003, partly with the aim of recovering some of the quantities not handled during the period of the contract , but also with the aim of trying to reach a settlement which would allow your Group to recover the costs incurred and part of the earnings that had been lost. This settlement was reached in November 2003 and your Group was paid the relative compensation.

Operations continued successfully in Bulgaria and Venezuela, and also in the Northern Adriatic on behalf of Enel in the harbors at Koper and Bakar where your Group operates in a joint venture with the Fagioli Group.

As already mentioned, in Venezuela, operations are to continue with the customer Carbones del Guasare under the contract that was renewed for another five-year period.

The Logistics Sector operated with the following fleet:

	DWT	Year built
Bulkwayuù	64,400	1978
Capo Noli	23,794	1981
Bulk Kremi I	14,364	1973
Bulk Challenger (India)	13,000	2002
Socarsette	11,757	1984
Socarcinque	11,757	1981

Coal and Fuels sector

The Coal and Fuels sector commenced 2003 with a contraction of margins, compared to the prior year, due to the fall in the price of coal which began in Europe towards the end of the second half of 2002. Given the delay in commercial repercussions typical of the Russian market, the Group's main procurement source, for most of the year margins were not satisfactory. With the inversion of the market trend in the last quarter, the situation improved and the positive effects can also be expected to prevail during the first half of 2004.

The results for the year were also impacted by the negative effect of some forward coal sale contracts on the derivatives market, a market in which the Group has decided to cease operating since it is regarded as not yet being sufficiently transparent or liquid.

The company continues to pursue policies geared to ensuring continuity and stability in terms of procurement on the Russian market, partly by endeavoring to become more directly involved in production activities.

The group holding company

Coeclerici S.p.A., in 2003, continued its role as the operating Group holding company, providing intersector guidelines and coordination and development services and performing strategic services in the areas of administration, finance, organization, human resources development, legal assistance, communication and image awareness.

Economic and financial highlights of the group holding company are as follows (in thousands of Euros):

	2003	2002
Economic highlights		
Investment income	3,005	3,005
Financial expenses, net	115	218
Income from services rendered	4,343	3,641
Personnel and general expenses	(5,155)	(4,349)
Extraordinary expenses	(4)	(59)
Income taxes	(65)	(78)
Net income	**2,239**	**2,378**

Financial highlights		
Invested capital	53,377	52,929
Net financial (cash) position	(3,468)	(4,677)
Stockholders' equity	56,845	57,606

In economic terms, the Group holding company posted a net income that is basically equal to the amount of dividends recorded, whereas the income from services rendered covers the structure costs incurred.

The balance sheet structure is typical of an investment holding company, with the invested capital consisting almost entirely of the carrying value of the subsidiaries (Euros 53.4 million), and entirely financed by equity. The net financial position, which is a cash position at the end of the year of more than Euros 3.5 million, is represented by the liquidity invested in loans made to the subsidiaries.

Research and development

The Group carries out mainly commercial development activities, particularly with reference to the Logistics and Coal and Fuels sectors. R&D in the Logistics sector is concentrated on the research and study of new projects associated with the transport and transhipment of raw materials. All the R&D costs are directly expensed to the income statement.

Treasury stock or stock of the parent company

The group holding company holds neither treasury stock nor stock in its parent companies, neither has it acquired or sold treasury stock or shares of the parent companies during the year.

Transactions with parent companies and related parties

The Group has no significant transactions with either the parent companies or related parties. The Group holding company, instead, has transactions with subsidiaries and affiliates and with the subsidiaries of these companies. They mainly refer to transactions involving loans, the performance of services including administrative, financial, legal and tax services, in addition to the management of general services and human resources, all carried out at arms-length.

Business outlook

In 2004, the Group will be able to count on financial resources from the sale of the vessels which took place in 2003 and search for new investment opportunities in the two traditional sectors of Logistics and Coal and Fuels. With specific regard to the latter sector, the stated possible further integration of the cycle upstream through investments in the mines is not to be ruled out.

With regard to the Logistics Group, 2004 is again expected to be a positive year both due to the effect of the growth of ongoing projects and the finalization of new contracts, with particular reference to Venezuela.

An important contribution to profitability will certainly come from Shipping operations, also in light of the high level of the charter market for vessels carrying dry bulk cargoes.

Significant subsequent events

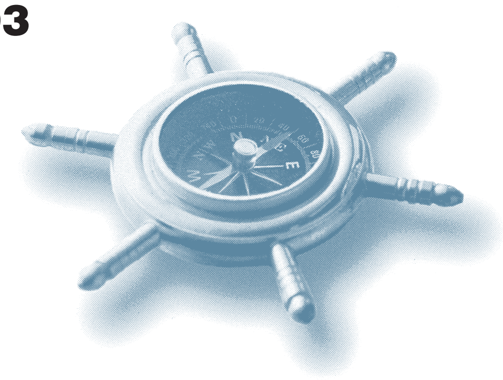
During the early months of 2004, the vessel built for the project in India, named Bulk Challenger, was sold to third parties for an amount which allows the Group to recover the cost of the investment, the costs incurred for the minimal operations in 2003, and to remunerate the investment. Furthermore, an agreement was reached with the customer in 2004 for the payment of USD 1.9 million of compensation to your Group as a result of the breach of contract. This compensation is not booked in the financial statements at December 31, 2003 since the agreement was concluded in 2004.

In January 2004, moreover, the Socarcinque barge was sold to third parties while the Socarsette barge will be sold and delivered, also to third parties, by May 2004. Both sales were effected at a price in line with the carrying value of the barges.

The Group has already concluded the first contracts for the purchase of coal, through the Shanghai China and Jakarta Indonesia offices, in the early months of the year.

Otherwise, there are no other events worthy of note that occurred after the end of the year.

Consolidated Financial Statements at December 31, 2003



Consolidated balance sheet at December 31, 2003

(Translation from the original issued in Italian)

(Thousands of Euros)

Assets		Dec. 31, 2003		Dec. 31, 2002	Changes
A) Capital subscription rights receivable		**0**		**0**	**0**
B) Fixed assets					
I Intangible fixed assets:					
Industrial patents and intellectual properties		0		3	(3)
Concessions, patents, licenses, trademarks and similar rights		174		76	98
Other		470		2,292	(1,822)
Total intangible fixed assets		644		2,371	(1,727)
II Tangible fixed assets:					
Land and buildings		6,086		6,310	(224)
Plant and machinery:					
- fleet		22,299		302,224	(279,925)
(other plant and machinery)		131		143	(12)
Industrial and commercial equipment		4		4	0
Other		859		901	(42)
Assets under construction and advance payments		0		18,346	(18,346)
Total tangible fixed assets		29,379		327,928	(298,549)
III Financial fixed assets:					
Equity investments in:					
Subsidiaries		207		150	57
Associated companies		22		2,845	(2,823)
Other companies		1,048		647	401
Receivables:	(1)		(1)		
Other	4,751	14,240	3,889	17,459	(3,219)
Total financial fixed assets		15,517		21,101	(5,584)
Total fixed assets		**45,540**		**351,400**	**(305,860)**
C) Current assets:					
I Inventories:					
Raw, ancillary and consumable materials		3,895		5,380	(1,485)
Charters in progress		20,531		12,870	7,661
Finished products and goods for resale		9,382		6,477	2,905
Advances		7,929		5,850	2,079
Total inventories		41,737		30,577	11,160
II Receivables:	(2)		(2)		
Trade		69,694		47,061	22,633
Associated companies		140		140	0
Parent companies		42		53	(11)
Other receivables		24,942		16,172	8,770
Total receivables		94,818		63,426	31,392
III Current financial assets:					
Other investments		228		455	(227)
Total current financial assets		228		455	(227)
IV Cash and banks:					
Bank and postal deposits		47,471		18,762	28,709
Cash on hand		48		60	(12)
Total cash and banks		47,519		18,822	28,697
Total current assets		**184,302**		**113,280**	**71,022**
D) Accrued income and prepaid expenses		**13,687**		**17,222**	**(3,535)**
Total assets		**243,529**		**481,902**	**(238,373)**

(1) Due within one year
(2) Due beyond one year

Liabilities and stockholders' equity		Dec. 31, 2003		Dec. 31, 2002	Changes
A) Stockholders' equity:					
I Capital stock		8,000		8,000	0
IV Legal reserve		3,712		3,562	150
VII Other reserves:					
Cumulative translation adjustments		(2,349)		(1,070)	(1,279)
VIII Retained earnings		31,740		42,538	(10,798)
IX Net income		9,106		1,194	7,912
Stockholders' equity (Group		**50,209**		**54,224**	**(4,015)**
Minority interests		5,488		29,041	(23,553)
Total stockholders' equity - Group and minority interests		**55,697**		**83,265**	**(27,568)**
B) Provisions for liabilities and expenses:					
Employees' pension and similar obligations		35		35	0
Income taxes		398		716	(318)
Other:					
- provision for losses of subsidiaries and associated companies		224		224	0
- other provisions		6,877		7,157	(280)
Total provisions for liabilities and expenses		**7,534**		**8,132**	**(598)**
C) Provision for employees' leaving indemnity		**3,004**		**2,520**	**484**
D) Payables:	(1)		(1)		
Bank borrowings	45,133	85,630	231,172	303,062	(217,432)
Payables to other financial companies		0		5,245	(5,245)
Advance payments		20,934		28,779	(7,845)
Trade		50,948		35,131	15,817
Parent companies		17		16	1
Taxes		2,850		1,810	1,040
Social security agencies		652		403	249
Other payables		1,170		723	447
Total payables		**162,201**		**375,169**	**(212,968)**
E) Accrued liabilities and deferred income:					
- government grants		0		1,361	(1,361)
- other		15,093		11,455	3,638
Total accrued liabilities and deferred income		**15,093**		**12,816**	**2,277**
Total liabilities and stockholders' equity		**243,529**		**481,902**	**(238,373)**

(1) Due beyond one year

Memorandum accounts	Dec. 31, 2003	Dec. 31, 2002	Changes
Guarantees granted:			
Sureties	1,298	1,332	(34)
Other memorandum accounts:			
Receivables sold to factoring companies	6,608	8,499	(1,891)
Commitments	389,513	341,771	47,742
Total memorandum accounts	**397,419**	**351,602**	**45,817**

Consolidated income statement for the year ended December 31, 2003

(Translation from the original issued in Italian)

(Thousands of Euros)

	2003	2002	Changes
A) Production value:			
Revenues from sales and services	608,070	534,800	73,270
Changes in services in progress	7,661	(4,030)	11,691
Other income and revenues:			
- operating grants	61	38	23
- sundry	99,118	28,427	70,691
Total production value	**714,910**	**559,235**	**155,675**
B) Production costs:			
Raw, ancillary and consumable materials and goods for resale	(151,519)	(157,234)	5,715
Services	(393,967)	(320,338)	(73,629)
Leases and rentals	(946)	(913)	(33)
Personnel:			
wages and salaries	(14,714)	(20,130)	5,416
social security charges	(2,453)	(2,357)	(96)
employees' leaving indemnity	(941)	(798)	(143)
Amortization, depreciation and write-downs:			
amortization of intangible fixed assets	(1,213)	(838)	(375)
depreciation of tangible fixed assets	(17,779)	(26,948)	9,169
other write-downs of fixed assets	(916)	(77)	(839)
write-downs of receivables included under current assets	(144)	(118)	(26)
Change in inventories of raw, ancillary and consumable materials and goods for resale	1,420	(5,653)	7,073
Accruals for liabilities and expenses	(3,330)	(1,005)	(2,325)
Other operating expenses	(96,573)	(22,677)	(73,896)
Total production costs	**(683,075)**	**(559,086)**	**(123,989)**
Difference between production value and costs	**31,835**	**149**	**31,686**
C) Financial income and expenses:			
Investment income:			
- subsidiaries	0	516	(516)
- associated companies	111	0	111
- other companies	197	59	138
Other financial income:			
income other than the above			
- other	21,525	15,140	6,385
Interest and other financial expenses:			
- other	(31,232)	(23,341)	(7,891)
Total financial income and expenses	**(9,399)**	**(7,626)**	**(1,773)**
D) Adjustments to financial assets:			
Revaluations:			
equity investments	(20)	(9)	(11)
securities recorded in current assets, other than equity investments	0	(506)	506
Total adjustments to financial assets	**(20)**	**(515)**	**495**
E) Extraordinary income and expenses:			
Extraordinary income			
- other	0	3,560	(3,560)
Extraordinary expenses			
- prior years' income taxes	(761)	(720)	(41)
Total extraordinary income and expenses	**(761)**	**2,840**	**(3,601)**
Income (loss) before income taxes and minority interests	**21,655**	**(5,152)**	**26,807**
Income taxes	(1,520)	2,495	(4,015)
Net income (loss) before minority interests	**20,135**	**(2,657)**	**22,792**
Minority interests	(11,029)	3,851	(14,880)
Net income - Group	**9,106**	**1,194**	**7,912**

Notes

to the consolidated financial statements of Coeclerici Group at December 31, 2003

Structure and content of the financial statements

The consolidated financial statements at December 31, 2003 consist of the balance sheet, the income statement and the notes to the consolidated financial statement drawn up in accordance with provisions introduced by Legislative Decree No. 127 of April 9, 1991, as amended.

The consolidated financial statements of Coeclerici Group at December 31, 2003 have been prepared using the financial statements of Coeclerici S.p.A., group holding company, and the financial statements of Italian and foreign subsidiaries in which Coeclerici S.p.A. holds, directly or indirectly, more than 50% of capital stock.

The financial statements used in the preparation of the consolidated financial statements are those at December 31, 2003. These financial statements have been adjusted, where necessary, to reverse any entries made for fiscal purposes in order to obtain tax benefits which otherwise could not be obtained, or to conform with the accounting principles of the Group, which are in accordance with those laid down by the provisions introduced by Legislative Decree No. 127 of April 9, 1991, as amended, and by Consob. The effect of these adjustments, which mainly relate to depreciation, government grants and the dry dock provision is described in the following notes.

Significant subsequent events are described in the report on operations.

Balance sheet and income statement captions with a zero balance are omitted; all amounts are expressed in thousands of Euros.

Principles of consolidation

The assets and liabilities of the consolidated companies are consolidated using the line-by-line method, eliminating the book value of the investments against the related net equities of the companies.

Where the subsidiaries are controlled jointly with a third party, the companies are consolidated proportionally, and the proportional share of the investment, the individual assets, liabilities, costs and revenues are included in the consolidated financial statements.

The difference between the carrying value of the consolidated investments and the corresponding net asset value has been allocated to the assets and liabilities based on the current values at the time of acquisition, or to the “consolidation difference”.

Receivables and payables, revenues and costs and transactions involving significant amounts with companies included in consolidation are eliminated.

The minority interest in stockholders' equity and the results of consolidated subsidiaries is disclosed separately on the face of the balance sheet and income statement.

The translation of the foreign currency financial statements of the subsidiaries to euros is based on the exchange rate ruling at year-end for the balance sheet items and at the average annual exchange rate for income statement items. The differences deriving from the translation of the financial statements expressed in foreign currency are allocated directly to "cumulative translation adjustments" in stockholders' equity.

Summary of significant accounting policies

The most significant accounting policies adopted in the preparation of the consolidated financial statements at December 31, 2003 are disclosed below.

Intangible fixed assets

Intangible fixed assets are stated at purchase cost, including incidental costs, and are amortized on the straight-line method over the estimated period of benefit.

Start-up and expansion costs are recorded under intangible fixed assets. Advertising costs, since they do not benefit more than one year, are entirely expensed in the year incurred.

In the event of an impairment in the value of an asset, regardless of the amortization recorded to date, the asset will be written down accordingly.

Tangible fixed assets

Tangible fixed assets are stated at the cost of acquisition or construction. Acquisition cost includes incidental costs and direct and indirect costs for an amount that can be reasonably charged to the asset.

The buildings used by the Group under two financial leasing contracts (offices in Genoa and Rome), which the Group intends to purchase at the end of the leasing period, are accounted for in the financial statements in accordance with international accounting standard IAS 17. This standard states that the asset should be recorded at a value equal to the sum of the lease payments and the purchase option price covered by the leasing contract, net of interest, with a related entry under liabilities for a payable of the same amount.

Depreciation is calculated on the straight-line method at rates designed to write-off the assets over their estimated useful lives. The rates applied are disclosed in a subsequent note.

In the event of an impairment in the value of an asset, regardless of the depreciation recorded to date, the asset is written down accordingly; if in future years, the reasons for the write-down no longer apply, the asset is reinstated to its original value.

Ordinary maintenance costs are fully charged to the income statement. Maintenance costs which increase the asset value are attributed to the assets to which they refer and depreciated over the remaining useful life of the assets.

Financial fixed assets (equity investments)

Equity investments in unconsolidated companies where the Group exercises a significant influence (where ownership generally comprises between 20% and 50% of the voting stock and the investment is of a permanent nature) are accounted for using the equity method.

Equity investments in other companies are stated at purchase or subscription cost, reduced for any permanent impairment in value as a result of losses which are not expected to be covered in the foreseeable future by profits sufficient to absorb the previous negative results. If in future years the reasons for the write-down no longer apply, the asset is reinstated to its original value.

Financial fixed assets (receivables)

Receivables in financial fixed assets are stated at their estimated realizable value.

Inventories

Inventories of lubricants and fuel on board ships at December 31, 2003 are stated at cost determined using criteria which approximate the FIFO method.

Inventories of goods are stated at the lower of the purchase cost of the inventories on hand at December 31, 2003, determined using the weighted average cost, and estimated realizable value based on the market price; any write-downs are eliminated in subsequent years if the reasons for the write-downs no longer apply.

Charters in progress are stated on the basis of charters pro-rated, days out-of-port; in the event of a voyage in a loss position, the loss is entirely charged to the year in which the voyage commenced.

Receivables

Receivables are stated at their estimated realizable value.

Current financial assets (investments in subsidiaries)

These are recorded at the cost of acquisition (including incidental costs) or at realizable value.

Accruals, prepayments and deferrals

Accruals, prepayments and deferrals include the portion of income and expenses common to two or more years calculated on the basis of the accrual principle.

Provisions for liabilities and expenses

The provisions for liabilities and expenses are accrued in respect of losses or liabilities, which, at the date of the balance sheet are either likely or certain to be incurred but uncertain as to the amount or as to the date on which they will arise. The accruals to the provisions represent the best possible estimates based on available information.

Possible risks that may result in a liability are disclosed in the notes without any amounts being set aside in a provision for liabilities and expenses.

Dry dock provision

The costs relating to cyclical maintenance incurred for purposes of renewing a ship's class are recorded in the income statement in the year incurred. Accordingly, annual accruals to the dry dock provision are not made for future periodical maintenance.

Provision for employees' leaving indemnity

The provision for employees' leaving indemnity covers the entire liability provided in favor of employees at the balance sheet date, in accordance with existing legislation, collective national labor contracts and company agreements. This liability is subject to revaluations based on indices.

Payables

Payables are stated at their nominal value.

Government grants

Government grants to the shipping industry are credited to the income statement on the straight-line method over the estimated life of the vessels to which they refer.

The portion of the grants received in advance of the start of a vessel's operations are accounted for under "deferred income" and credited to income on the accrual basis.

Operating grants are recorded in the year to which they refer under "other income and revenues".

Recognition of revenues and expenses

Revenues from the sale of goods are recognized at the time of passage of title or, if stated in the contracts or formally requested by the customer, then at the date the goods are delivered to the consignment warehouse.

Revenues derived from chartering out the company's own vessels or from transport services are accounted for on the accrual basis.

Charter income relating to transports in progress at the balance sheet date is stated on a pro-rated days-out-of port basis.

Interest income and expenses and other income and expenses are recorded and shown in the financial statements on the accrual basis.

Dividend tax credits are recorded in the income statement in the year of receipt of the dividends to which they refer and are classified, where appropriate, as a reduction of the income tax charge for the year.

Income taxes

Income taxes are recorded on the basis of the estimated taxable income in conformity with existing laws, taking into account applicable exemptions and allowed tax credits. Deferred taxes are also recorded for temporary differences between the accounting value of the assets and liabilities and the corresponding amounts for tax purposes. Deferred tax assets on any temporary differences are recorded only if there is reasonable certainty of recovery and taking into account the probable tax charge applicable in the future. Tax benefits from tax loss carryforwards are only recorded if utilization is assured.

Translation of foreign currency balances

Receivables and payables expressed in foreign currency are translated to Euros at the historical exchange rate as of the transaction date.

Exchange differences arising upon the collection and payment of balances in foreign currency are recorded in the income statement.

As for currencies outside the eurozone:

- if, at year-end, outstanding receivables and payables in foreign currency due within the next fiscal year are translated at year-end exchange rates and a net unrealized loss results, the loss is recorded in the income statement of the period with a contra-account entry to a provision for exchange fluctuations; if, on the other hand, a net gain results from the translation, it is not recognized;

- if, at year-end, outstanding receivables and payables in foreign currency due after the next fiscal year are translated at year-end exchange rates and a net unrealized loss results, this amount is recorded in the income statement of the period with a contra-account entry to a provision for exchange fluctuations; if, on the other hand, a net gain results from the translation, it is deferred.

The above valuations take into account any existing currency hedging agreements.

Derivative contracts

Derivative contracts to hedge exchange rate or interest rate exposure or bunker purchases are shown in the memorandum accounts at their notional value and the related economic effects are reflected in the financial statements at the same time as the transactions, or the financial flows to which they relate. Derivative contracts for trading purposes mainly in reference to charters are shown in the memorandum accounts and reflected in the financial statements at the lower of purchase cost and market value.

Scope of consolidation

Pursuant to articles 38 and 39 of Legislative Decree No. 127/1991, the annexes to the notes to the financial statements provide a list of the companies consolidated using the line-by-line consolidation method and the investments in subsidiaries and associated companies valued using the equity method.

Investments in unconsolidated subsidiaries

Certain investments in subsidiaries have not been included in consolidation since they are more or less dormant and, consequently, their inclusion in the consolidated financial statements would not have been significant in terms of presenting a true and fair view of the financial position and results of operations of the Group. These companies have been valued using the equity method.

All amounts in the notes are expressed in thousands of euros. The amounts in parentheses refer to the prior year.

Comments on the consolidated balance sheet

Assets

Fixed assets

Intangible fixed assets

Euros 644 thousand (Euros 2,371 thousand)

"Other" intangible fixed assets include:

	12/31/2003	12/31/2002
Commissions on securing loans	327	1,988
Leasehold improvements	139	217
Software and other	4	87
TOTAL	**470**	**2,292**

Leasehold improvements are amortized over the period of the lease contract and commissions to secure loans over the period of the loans to which they refer; other intangible fixed assets are amortized over a period of five years, with the exception of software which is amortized over three years.

Following the sale of the bulk carrier fleet, commented in the report on operations, the mortgages loans originally obtained to finance the purchase of the fleet were repaid. Accordingly, the relative commissions shown in the previous years' financial statements were written off by an entry to "other write-downs of fixed assets" in the income statement (Euros 916 thousand).

The amortization charge for the year was Euros 1,213 thousand.

Tangible fixed assets

Euros 29,379 thousand (Euros 327,928 thousand)

"Land and buildings", stated at Euros 6,086 thousand in the financial statements, comprise the Group's offices located in Genoa and Rome, purchased under leasing contracts.

As stated earlier, the fleet of Capesize and Panamax vessels owned by the Group was sold in 2003 following the strategic decision described in the report on operations. The value of the fleet sold at December 31, 2002 was Euros 263 million; a net gain of Euros 2.5 million was realized on the sale.

"Other" tangible fixed assets refer to furniture and fixtures for Euros 447 thousand, electronic office equipment for Euros 322 thousand and motor vehicles for Euros 90 thousand.

Depreciation totaling Euros 17,779 thousand has been calculated using the straight-line method at the following rates designed to write-off the assets over their estimated useful lives:

Buildings	3%
Plant and machinery	10% - 20%
Other:	
- motor vehicles	25%
- office furniture and fixtures	12% - 15% - 20%
- electronic office equipment	20%

The fleet is depreciated over the estimated useful lives of the vessels, normally 20 or 25 years from the year of construction; depreciation is calculated net of the scrap value. Ships employed on specific contracts are depreciated over the contract period.

Financial fixed assets

Euros 15,517 thousand (Euros 21,101 thousand)

Equity investments

Euros 1,277 thousand (Euros 3,642 thousand)

Equity investments refer to the companies that are not consolidated on a line-by-line basis.

At December 31, 2003, equity investments in unconsolidated subsidiaries and associated companies are composed of the following:

	12/31/2003		12/31/2002	
	%	Net carrying value	%	Net carrying value
Subsidiaries				
Bulk Terminal Torres SpA	90%	58	90%	69
Coeclerici Compagnie SpA	98%	64	--	0
Ferchim Srl (in liquidation)	75%	77	75%	77
LS Service Srl	100%	8	100%	4
		207		**150**
Associated companies				
Bulkispat Shipping Inc.	33%	0	33%	2,384
Consorzio Italcoast (in liquidation)	50%	5	50%	5
Freetravel Srl	22%	12	22%	22
MC Associates Ltd	--	0	20,46%	434
Consorzio Rinfuse Brindisi	--	5		
		22		**2,845**
Total		**229**		**2,995**

The company Bulkispat Shipping Inc., whose capital stock is held by Coeclerici Group for 50% and by the Indian group Ispat for 50%, is the owner of the motor vessel Bulkispat, a Capesize used commercially in the Coeclerici transport pool. The investment has been valued using the equity method as de facto control of the company is exercised by the other partner.

During the year, the associated company fully reimbursed the capital stock and distributed the reserves from available liquidity; this brought the carrying value to a nil balance even though the Group still holds the same percentage interest.

The investment in Consorzio Italcoast has been further written down by a provision for losses of subsidiaries and associated companies recorded under liabilities to bring the carrying value in line with the value arrived at by using the equity method and also to take into account the risk of not collecting the receivable shown under “receivables from associated companies”.

“Equity investments in other companies” consist principally of investments in Telemar S.p.A. (Euros 434 thousand), Mepeg S.p.A. (Euros 259 thousand), Terminal Offshore Piombino S.p.A. (Euros 180 thousand), Levelseas Holdings Ltd (Euros 55 thousand), Banca Carige S.p.A. (Euros 98 thousand) and other minor companies (Euros 22 thousand).

Receivables

Euros 14,240 thousand (Euros 17,459 thousand)

Receivables include Euros 12,834 thousand, the equivalent amount of USD 13,278 thousand, relating to a loan made during the year to the Russian partner EPG Rusinkor. The loan calls for equal monthly repayments with the final payment due in 2006. The loan bears interest at rates that are more favorable than those offered on the financial markets.

The remaining amount mostly consists of permanent security deposits with third parties, in addition to the last installment on the building lease contract signed with Banca Carige S.p.A. and paid in advance (Euros 230 thousand), and the receivable for the taxes paid in advance on the provision for employees' leaving indemnity (Euros 249 thousand).

Current assets

Inventories

Euros 41,737 thousand (Euros 30,577 thousand)

Consumables are chiefly composed of lubricants and fuel oil on board the vessels owned by the Group or chartered.

Charters in progress consist of charters accrued on a pro-rated, days out-of-port basis at the balance sheet date. The decrease from the prior year should be viewed in relation to a different composition of the voyages in progress at the end of the year.

Goods for resale include anthracite inventories for Euros 689 thousand and fossil coal for Euros 7,386 thousand. As of this date, the entire inventory has been sold and no loss was realized.

Advances consist of payments to suppliers for commodities of Russian origin.

Receivables

Euros 94,818 thousand (Euros 63,426 thousand)

All receivables in current assets are short-term and are composed of the following:

	12/31/2003	12/31/2002
Trade	69,694	47,061
Associated companies	140	140
Parent companies	42	53
Other receivables	24,942	16,172
Total	**94,818**	**63,426**

Trade

Euros 69,694 thousand (Euros 47,061 thousand)

Trade receivables from customers, shown net of the allowance for doubtful receivables of Euros 1,406 thousand, include trade receivables from third parties for normal trading transactions. As of today's date, most of the receivables have been collected.

The growth in trade receivables compared to the prior year should be viewed in relation to higher revenues from the increase in values and prices, particularly in reference to charters and the price of coal CIF.

Subsidiaries, associated companies and parent companies

Euros 182 thousand (Euros 193 thousand)

Receivables from subsidiaries, associated companies and parent companies at the end of the year, all trade receivables, refer to the following:

	12/31/2003	12/31/2002
Associated companies		
Consorzio Italcoast (in liquidation)	140	140
	140	**140**
Parent companies		
Cocler NV	38	53
Cocler S.p.A.	4	0
	42	**53**
Total	**182**	**193**

The receivable of Euros 140 thousand due from Consorzio Italcoast in liquidation has been fully written off, together with the carrying value of the investment, through an entry to a provision account carried in the liabilities.

Other receivables

Euros 24,942 thousand (Euros 16,172 thousand)

Other receivables refer to:

	12/31/2003	12/31/2002
Advances to suppliers	12,329	6,130
Receivables from tax authorities	3,980	2,949
Factoring companies for receivables sold	7,547	3,099
Insurance companies	564	2,305
Receivables from minority interests	0	887
Ooo "Transsibugol" Dalnyie Gorjy Mine loan account	0	262
CC Shipping Services Philippines Co. Inc.	0	226
Employees	272	128
Social security agencies	48	71
Sundry receivables	202	115
Total	**24,942**	**16,172**

Advances to suppliers mainly refer to advances given to shipping agents and shipping companies for expenses incurred on the voyages in progress and for payments of chartering costs relating to invoices which have been recorded in financial year 2004; this caption increased in relation to the increase in revenues.

Receivables from the tax authorities chiefly include receivables for Irpeg/Ilor taxes and withholding taxes paid, in addition to Euros 1,046 thousand relating to tax assessments in dispute, described in the note on the "provision for income taxes".

In 1997, the Group sold refundable tax receivables with recourse to Fiscambi Factoring (now Mediofactoring S.p.A.) for a total of Euros 13,909 thousand. Interest due on the amount received from Fiscambi Factoring is payable at a rate equal to the quarterly average of the daily three-month Euribor until such time as the factoring company collects the receivable from the tax authorities.

Since the sale of the receivables referred to the principal and interest at December 31, 1996, the financial statements include interest receivable from Fiscambi Factoring for an amount equal to the interest on the receivables sold and which Fiscambi Factoring, once the receivables are collected from the tax authorities, must pay to Coeclerici.

Current financial assets

Euros 228 thousand (Euros 455 thousand)

The balance includes an investment in Pirelli S.p.A. shares made in previous years on the Milan stock exchange.

Cash and banks

Euros 47,519 thousand (Euros 18,822 thousand)

Bank and postal deposits

Euros 47,471 thousand (Euros 18,762 thousand)

"Bank and postal deposits" consist of temporary liquidity positions with banks generated in conjunction with treasury management. These deposits are composed entirely of current accounts in euros and foreign currency.

The balance includes an amount equal to USD 1 million paid as a deposit by the potential buyer of a vessel; the sale was not completed and the disposition of the sum in question will be decided when the dispute surrounding this matter is settled.

Cash on hand

Euros 48 thousand (Euros 60 thousand)

Cash on hand consists of cash funds at the head office and on board vessels at December 31, 2003.

Accrued income and prepaid expenses

This caption consists entirely of prepaid expenses.

Prepaid expenses

Euros 13,687 thousand (Euros 17,222 thousand)

Prepaid expenses are as follows:

	12/31/2003	12/31/2002
Charter costs and costs for voyages in progress	13,336	15,640
Insurance premiums	202	494
Price paid at time of acquiring Fermar Group to obtain low interest financing from the banking system	0	351
Paper trading expenses	0	623
Other	149	114
Total	**13,687**	**17,222**

Liabilities and stockholders' equity

Stockholders' equity

The changes in stockholders' equity are presented in the attached statement. Part of the provisions are tax-deferred; no taxation has been provided at this time in that no transactions are expected to be entered into which would warrant taxation.

Capital stock

Euros 8,000 thousand (Euros 8,000 thousand)

Capital stock is entirely subscribed to and fully paid-in and totals Euros 8,000 thousand, consisting of 8,000,000 ordinary shares of par value Euro 1 each.

Legal reserve

Euros 3,712 thousand (Euros 3,562 thousand)

The legal reserve consists of the reserve of the group holding company and the Group's share of the legal reserves of the consolidated companies formed subsequent to their acquisition.

Cumulative translation adjustments

Euros (2,349) thousand (Euros (1,070) thousand)

The translation of the financial statements of foreign subsidiaries to euros gives rise to a negative translation adjustment due to the lower value of the U.S. dollar against the Euro, compared to the end of the prior year.

Retained earnings

Euros 31,740 thousand (Euros 42,538 thousand)

Retained earnings are formed by the Group's share of the net results of the group holding company and the consolidated companies. Retained earnings decreased by the amount of cumulative translation adjustments realized and the distribution of dividends to stockholders, net of the appropriation of the net income from the prior year.

Minority interest

Euros 5,488 thousand (Euros 29,041 thousand)

At December 31, 2003, this amount includes the minority interests in the capital and reserves relating to 34% of Coeclerici Ceres Bulk Carriers Lda, 10% of Bulkguasare De Venezuela S.A., 20% of Bourgas Lda and 49% of CC Steel Shipping and Logistics AD.

Following the sale of the bulkcarrier fleet held by the consolidated company Coeclerici Ceres Bulk Carriers N.V., the share of the net equity of the minority stockholder, Dry Log, was liquidated. This explains the sharp reduction in this caption compared to the prior year.

Provisions for liabilities and expenses

Provision for income taxes

Euros 398 thousand (Euros 716 thousand)

The provision for income taxes includes net deferred taxes arising from accruals made against the elimination, in the consolidated financial statements, of items recorded solely for tax purposes, and other positive or negative components of income on which taxation is deferred. Tax loss carryforwards were taken into account in calculating the accrual.

The provision for deferred taxes is net of deferred tax assets of Euros 2,923 thousand.

During 1999 and in the first months of 2000, a general inspection of the consolidated companies Coeclerici Armatori S.p.A., Coeclerici Coal and Fuels S.p.A. and Coeclerici Logistics S.p.A. (directly or through their relative parent companies) was conducted by the Revenue Guard Corps for the years 1997 and 1998. Moreover, following the issue of reports of partial inspections for the years 1993, 1994, 1995 and 1996, always issued by the Revenue Guard Corps, partial assessments were notified by the Internal Revenue Service and the VAT Office for significant amounts. Protesting such assessments, appeals and defense cases were prepared with the assistance of Coeclerici Group's tax consultants. It should also be pointed out that a good part of the assessments have already been discussed before the Tax Commissions and that, in some case, rulings were handed down in favor of the company that became. On the basis of the appeals filed, the rulings that have already been handed down in favor of the company and the opinions of the consultants advising the company, it is believed that no significant tax liabilities could arise from the litigation pending or, in any case, liabilities that have not already been set aside in the financial statements.

Provision for losses of subsidiaries and associated companies

Euros 224 thousand (Euros 224 thousand)

This provision includes the accrual for the losses estimated on the wind-up of the associated company Consorzio Italcoast.

Other provisions

Euros 6,877 thousand (Euros 7,157 thousand)

Other provisions include accruals to the provision for litigation relating to existing open contracts of a trade nature in various business segments, and some disputes that are still pending.

Provision for employees' leaving indemnity

The provision for employees' leaving indemnity amounts to Euros 3,004 thousand

and fully covers the amount due employees upon termination of employment in accordance with existing legislation. Movements include accruals during the year for employees for Euros 941 thousand and payments for advances and termination of employment for Euros 457 thousand.

Payables

These refer to:

	12/31/2003	Due date Within 1 year	From 1 to 5 years	Beyond 5 years
Bank borrowings	85,630	40,497	45,133	0
Advance payments	20,934	20,934	0	0
Trade	50,948	50,948	0	0
Parent companies	17	17	0	0
Taxes	2,850	2,850	0	0
Social security agencies	652	652	0	0
Other payables	1,170	1,170	0	0
Total	**162,201**	**117,068**	**45,133**	**0**

Bank borrowings

Euros 85,630 thousand (Euros 303,062 thousand)

"Bank borrowings" are composed of mortgage loans and financing of Euros 49,391 thousand and bank overdrafts and short-term advances of Euros 36,239 thousand. The current portion of mortgage loans due in 2004 amounts to Euros 4,258 thousand.

The following loans of the Group are outstanding at December 31, 2003:

Following the sale of the fleet, the financing obtained on these same vessels in prior years was repaid. This explains the sharp reduction in the Group's bank debt.

Payables to other financial companies

Euros 0 thousand (Euros 5,245 thousand)

In the previous year's financial statements, the motor vessel Panagiotis L had been accounted for in accordance with IAS 17. The vessel, in fact, was chartered under a bare boat contract that provided for the purchase of the ship at the end of the charter period. Consequently, at December 31, 2002, the remaining liability of Euros 4,053 thousand payable to the shipowner was recorded in this caption and the value of the vessel at the end of the year of Euros

	USD/000	€/000	Maturities Within 1 year	From 1 to 5 years	Beyond 5 years
Loans not secured by real guarantees					
Mediocredito Centrale		1,511	1,511	0	0
Mediocredito Centrale		1,481	339	1,142	0
Efibanca	8,500	6,919	0	6,919	0
Pool – lead bank Banca Carige		19,000	0	19,000	0
Pool – lead bank Banca Carige	12,500	9,936	0	9,936	0
Loans secured by real guarantees					
Banca Carige (leasing)		3,978	729	3,249	0
Sardaleasing		547	84	463	0
Efibanca		424	424	0	0
Efibanca	2,112	1,672	668	1,004	0
Deutsche Schiffsbank	4,955	3,923	503	3,420	0
TOTAL		**49,391**	**4,258**	**45,133**	**0**

4,567 thousand was booked in the caption "fleet". Following the sale of the ship, the liability now shows a nil balance.

The liability of USD 1,250 thousand connected to the loan to finance the investment in Bulkispat Shipping Inc., commented under "investments" had also been recorded in this caption. In fact, part of this investment was financed by other third-party lenders and the loan in question bears interest in relation to the results of the subsidiary. Following the company's distribution of liquidity to the extent that 100% of the original investment was reimbursed, the loan in question was repaid during the year, since, as explained, it referred specifically to the investment.

Advance payments

Euros 20,934 thousand (Euros 28,779 thousand)

These are advances received from customers in the normal course of business operations of the Group. The decrease from the prior year should be viewed in relation to the different composition of voyages in progress at the end of the year.

Trade

Euros 50,948 thousand (Euros 35,131 thousand)

Trade payables to suppliers represent the current amount due to suppliers in the normal course of business operations of the Group. The balance is entirely payable in the following year according to the normal payment terms of the Group. The increase from the end of the prior year is due to the growth in revenues.

Parent companies

Euros 17 thousand (Euros 16 thousand)

Payables to parent companies for Euros 17 thousand relate to trade transactions with the ultimate parent company Cocler N.V..

Taxes

Euros 2,850 thousand (Euros 1,810 thousand)

Taxes payables refer to:

	12/31/2003	12/31/2002
Tax amnesty	1,023	720
Income taxes	1,339	697
Withholding taxes for payrolls and self-employed persons (Irpef)	444	393
VAT	44	0
Total	**2,850**	**1,810**

Taxes payable also includes the balance due for the tax amnesty filed by certain companies of the Group in the current and in the prior year, equal to Euros 1,023 thousand. According to the tax amnesty payment plan, installments are due up to the end of 2004.

Irpef withholding taxes payable at December 31, 2003 refer entirely to the month of December.

Social security agencies

Euros 652 thousand (Euros 403 thousand)

Payables to social security agencies of Euros 652 thousand primarily relate to social security contributions for the month of December 2003 paid in January 2004.

Other payables

Euros 1,170 thousand (Euros 723 thousand)

Other payables at the end of the year mainly consist of salaries and wages and overtime payable to employees for the month of December and duly paid in January 2004, as well as advances received from third parties for operating activities.

Accrued liabilities and deferred income

Deferred income, equal to Euros 1,361 thousand at December 31, 2002, related to the portion of capital grants received by the Group but referring to future years. The amount referred entirely to the fleet. Since the ships to which the grants referred were sold during the year, the balance of deferred income was credited to the income statement.

Other accrued liabilities and deferred income relate to:

Accrued liabilities

Euros 6,925 thousand (Euros 4,000 thousand)

Accrued liabilities refer to:

	12/31/2003	12/31/2002
Voyage-charter costs	6,064	1,712
Loan interest expense	89	1,390
Salaries and wages and social security contributions	761	656
Insurance costs	0	178
Other	11	64
Total	**6,925**	**4,000**

Deferred income

Euros 8,168 thousand (Euros 7,455 thousand)

Deferred income refers to the following:

	12/31/2003	12/31/2002
Time-charter revenues and other operating revenues	8,029	5,726
Income on paper trading	139	1,702
Other	0	27
Total	**8,168**	**7,455**

Memorandum accounts

Memorandum accounts of the Group at December 31, 2003 refer to the following:

Guarantees granted (Sureties)

Euros 1,298 thousand (Euros 1,332 thousand)

These refer to guarantees for a total of Euros 1,298 thousand issued in favor of P&I Club on behalf of the subsidiaries Cap d'Ail Shipping Co. in liquidation and Cedar Shipping Co. in liquidation.

Receivables sold to factoring companies

Euros 6,608 thousand (Euros 8,499 thousand)

These consist of Irpeg - Ilor tax refunds receivable, plus interest accrued thereon, sold with recourse to Mediofactoring S.p.A.. The change of Euros 1,891 thousand compared to 2002 is due to collections during the year.

Commitments

Euros 389,513 thousand (Euros 341,771 thousand)

Commitments consist of:

- forward freight sales and purchases agreements. Sales contracts total USD 269.7 million (Euros 213.5 million) and purchases contract amount to USD 219.8 million (Euros 174.1 million);
- forward foreign currency purchases under the Group's policy to hedge currency positions. Forward currency purchase contracts total USD 2,400 thousand (Euros 1,900 thousand).

Derivative transactions regarding freight are carried out on behalf of and in the interests of the two shipping pools.

Commitments do not include interest rate swap contracts concluded in prior years on an amount of USD 100 million of bank debt. At the balance sheet date, these swap contracts are held by the consolidated company Coeclerici Ceres Bulk Carriers but the risk is totally covered by Dry Log, the company which acquired part of the fleet and which took over the economic effects of the contracts as from the date of October 1, 2003.

The legal transfer of the contracts to Dry Log was perfected in the early months of 2004.

Comments on the consolidated income statement

Production value

Revenues from sales and services

Euros 608,070 thousand (Euros 534,800 thousand)

These are composed as follows:

	2003	2002
Revenues from the sale of goods		
- Coal	168,609	139,093
- Fuel, lubricants and other supplies	27,792	36,620
	196,401	**175,713**
Revenues from the performance of services		
- Charters and maritime freight	378,173	314,558
- Transhipments	26,213	38,292
- Fees for management of the shipping pools	4,953	2,891
- Agency Commissions	1,276	2,077
- Fuel advisory services	1,054	1,269
	411,669	**359,087**
Total	**608,070**	**534,800**

Both the volumes traded and the price of coal and charters remained at very high levels during the year. As a result of this and despite the strengthening of the euro against the U.S. dollar, the currency in which the commercial transactions of the Group are denominated, revenues show a significant increase compared to the prior year. Account should also be taken of the fact that the application of the proportional consolidation method for the two pool companies resulted in lower percentages of participation in the chartering activities compared to the prior year. In fact, the number of ships owned by the Group participating in the pools gradually decreased during the course of the year.

Other income and revenues - sundry

Euros 99,118 thousand (Euros 28,427 thousand)

“Other income and revenues - sundry” refer to the following:

	2003	2002
Income on forward freight agreements	77,296	15,061
Income on paper trading	9,141	1,518
Costs and expenses recoveries	3,858	4,950
Settlement closing the Enel contract	2,700	0
Gains on sale of fleet	2,683	564
Income on bunker hedging	1,778	3,140
Insurance compensation	965	2,471
Sundry income and revenues	697	723
Total	**99,118**	**28,427**

Cost recoveries refer principally to port charges and insurance expenses recharged to the shipowners of time-chartered vessels.

The income on forward freight

agreements refer to forward sales and purchases agreements on the freight market; the income on bunker hedging refers to contracts to hedge the fluctuations in the price of bunker on the market; income on paper trading relates to forward purchases and sales of coal on the derivatives market. The forward freight agreements and bunker hedging transactions are concluded on behalf of and in the interests of the pool companies. The table shows that hedging contracts were used to a greater extent compared to the prior year.

Production costs

Raw, ancillary and consumable materials, and goods for resale

Euros 151,519 thousand (Euros 157,234 thousand)

These consist of the following:

	2003	2002
Trading activities		
- Coal	88,376	71,148
Shipping activities		
- Bunker / lubricants / parts	62,645	84,816
Other:		
- Consumables	498	1,270
Total	**151,519**	**157,234**

As previously mentioned, the percentage of participation in the pool companies decreased this year and, since the pool companies are consolidated proportionally, costs such as the purchase of bunker are presented in the income statement at a lower percentage than in the prior year.

Services

Euros 393,967 thousand (Euros 320,338 thousand)

An analysis of services is provided as follows:

	2003	2002
Trading activities		
- Freight services and charters	83,705	62,580
- Brokerage costs	43	111
- Commercial and marketing services	262	572
Shipping activities		
- Charter costs	246,547	183,298
- Harbor dues and transhipment expenses	38,435	38,917
- Maintenance, repairs and other fleet running costs	3,608	12,220
- Insurance	3,169	5,147
- Brokerage commissions	9,190	7,947
- Seafaring personnel expenses (non-payroll)	126	1,489
Sundry Group services		
- Miscellaneous general services	8,882	8,057
Total	**393,967**	**320,338**

As previously mentioned, in interpreting the figures relating to “shipping” operations, consideration should be given to the fact that, compared to the prior year, the financial statements of the two pool companies are consolidated using the proportional method by applying a lower percentage of participation. Although there was a strong growth in volumes, the increase in charter costs, port charges and brokering commissions is not as high by virtue of this circumstance.

Moreover, as in the case of revenues, service expenses were impacted by the strengthening of the euro against the U.S. dollar.

“Miscellaneous general services” include travel and other service expenses relating to personnel of Euros 2,025 thousand, consulting fees from third parties of Euros 3,568 thousand, office utilities and mailing charges of Euros 580 thousand, building and equipment supervision and maintenance of

Euros 835 thousand, as well as sundry association dues of Euros 260 thousand and bank charges and commissions of Euros 356 thousand.

"Sundry Group services for miscellaneous general services" also include the directors' and statutory auditors' fees of the group holding company for 2003, analyzed as follows (in thousands of Euros:

	Number	Fees
Directors	5	906
Statutory auditors	3	36
Total		**942**

Leases and rentals

Euros 946 thousand (Euros 913 thousand)

Leases and rentals relate to building rents as well as motor vehicle, office equipment and software rentals.

Personnel

Euros 18,108 thousand (Euros 23,285 thousand)

Personnel expenses are analyzed on the face of the income statement.

The number of employees at the end of the year, by category, is provided as follows:

	2003	2002
Management	21	21
Clerical staff	128	135
Seafaring personnel	150	462
Total	**299**	**618**

The decrease should be viewed in relation to the sale of the fleet and, therefore, seafaring personnel.

Amortization, depreciation and write-downs

Euros 20,052 thousand (Euros 27,981 thousand)

An analysis of these items is provided on the face of the income statement; for additional information on amortization and depreciation, reference should be made to the comments under intangible and tangible fixed assets.

Accruals for liabilities and expenses

Euros 3,330 thousand (Euros 1,005 thousand)

Accruals were prudently set aside in the financial statements for Euros 3,330 thousand to cover potential costs that might arise in connection with the operations concerning existing contracts and estimated restructuring expenses.

Other operating expenses

Euros 96,573 thousand (Euros 22,677 thousand)

Other operating expenses include a series of miscellaneous expenses not otherwise classifiable in the "B" category in the income statement.

The highest amount refers to expenses on forward freight agreements amounting to Euros 80,429 thousand. In stating that the gains and losses on contracts of this type resulted in a loss of some Euros 3 million, reference should be made to the comments in the note on "other income and revenues" for additional information.

This caption also includes expenses on paper trading contracts for Euros 11,510 thousand. Such transactions regard forward purchases and sales of coal on the derivatives market and the losses in question are countered by the income for the year booked in "other income and revenues".

Other significant amounts of expenses regard contract penalties and compensation of Euros 1,967 thousand, entertainment of Euros 397 thousand, indirect taxes of Euros 295 thousand and prior period expenses of Euros 568 thousand.

Financial income and expenses

Investment income

Euros 308 thousand (Euros 575 thousand)

Investment income includes USD 125 thousand of dividends distributed during the year by the associated company Bulk Ispat Shipping Inc..

The caption also includes Euros 197 thousand of dividends paid out during the year by companies in which the Group holds minority interests.

Other financial income

Euros 21,525 thousand (Euros 15,140 thousand)

Other financial income consists of the following:

	2003	2002
Exchange gains	20,149	13,409
Interest on trade receivables and other financial income	854	739
Bank interest	306	698
Interest on tax credits	216	294
Total	**21,525**	**15,140**

Interest and other financial expenses

Euros 31,232 thousand (Euros 23,341 thousand)

These refer to:

	2003	2002
Other		
Exchange losses	18,961	11,027
Interest rate swaps on financing contracts	7,727	0
Medium/long-term mortgage loan and financing interest	3,678	10,269
Interest on bank overdrafts and short-term advances	686	1,786
Financial expenses on factoring transactions	180	259
TOTAL	**31,232**	**23,341**

Following the previously mentioned sale of the fleet and the consequent repayment of the mortgage loans connected with the ships, the interest rate swap contracts signed in previous years to hedge the risk of interest rate fluctuations were liquidated during the year.

Extraordinary income and expenses

Prior years' income taxes

Euros 761 thousand (Euros 720 thousand)

Extraordinary expenses of Euros 761 thousand refer entirely to the tax amnesty filed by certain Group companies during the year to agree income taxes for the year 2002.

Income taxes

The amount of Euros 1,520 thousand represents the tax charge for the current year calculated according to existing laws and taking into account exemptions, tax loss carryforwards and other elements of deferred taxes.

The amount relates to Irpeg and other income taxes of Euros 1,195 thousand and Irap of Euros 755 thousand, less Euros 430 thousand of taxes paid in advance.

Translation into English

The financial statements have been translated into English from the original version in Italian. They have been prepared in accordance with the Italian law related to financial statements, interpreted and integrated by the accounting principles established by the Italian Accounting Profession. Certain accounting practices applied by the company that conform with the generally accepted accounting principles in Italy may not conform with the generally accepted accounting principles in other countries.

Reconciliation of stockholders' equity and net income of Coeclerici S.p.A. and the corresponding consolidated figures of Coeclerici Group

	Net income	Stockholders' equity
	Increase / (Decrease)	
Coeclerici S.p.A.	**2,237**	**56,843**
Group share of stockholders' equity and results for the year of consolidated companies	17,367	(3,696)
Elimination of intragroup dividends	(5,000)	0
Elimination of entries in the financial statements of the group holding company and other consolidated companies recorded solely to obtain tax benefits	(610)	1,624
Adjustments to financial statements of some companies to conform to the accounting principles of the Group, net of the tax effect, where applicable	408	1,866
Adjustment to eliminate intragroup gains in the consolidated financial statements that have not been realized with third parties, net of the related tax effect	(5,296)	(6,428)
Coeclerici Group	**9,106**	**50,209**

Annexes

Coeclerici Group
Consolidated statement of cash flows

(Translation from the original issued in Italian)

(Thousands of Euros)

		2003	2002
Net short-term borrowings, start of year	**(A)**	**(29,678)**	**(35,081)**
Cash flows provided by (used for) operating activities			
Net income for the year		9,106	1,194
Amortization and depreciation of intangible and tangible fixed assets		19,908	27,863
Net utilization of provision for liabilities and expenses, net		(598)	(2,977)
Gains on disposals of fixed assets, net		(2,683)	(564)
Write-downs of financial fixed assets, net		20	9
Change in employees' leaving indemnity, net		484	287
Cash flows from operating activities before changes in working capital	**(B)**	**26,237**	**25,812**
(Increase)/Decrease in current receivables		(31,392)	30,298
(Increase)/Decrease in inventories		(11,160)	8,180
(Increase)/Decrease in trade and other payables		4,464	(7,960)
Other changes in working capital		(2,368)	4,403
Changes in working capital	**(C)**	(40,456)	34,921
	(D = B + C)	**(14,219)**	**60,733**
Cash flows provided by changes in the scope of consolidation			
Net working capital		0	(5,624)
Intangible and tangible fixed assets		0	(82,131)
Loans and mortgages		0	64,394
Minority interest		0	30,247
	(E)	**0**	**6,886**
Cash flows used for investing activities			
Investments in fixed assets:			
– intangible fixed assets		(402)	(1,692)
– tangible fixed assets		(501)	(60,822)
– financial fixed assets		(7,596)	(15,294)
Proceeds from disposal or reimbursement value of fixed assets		291,424	3,859
	(F)	**282,925**	**(73,949)**
Cash flows provided by (used for) financing activities			
New loans obtained		0	49,380
Repayment of loans		(200,967)	(29,189)
Distribution of profits		(3,000)	(4,160)
Change in minority interests		(23,553)	(4,298)
	(G)	**(227,520)**	**11,733**
Net cash flows during the year	**(H = D + E + F + G)**	**41,186**	**5,403**
Net cash (short-term borrowings), end of year	**(A + H)**	**11,508**	**(29,678)**

Coeclerici Group
Statement of changes in consolidated stockholders' equity

(Translation from the original issued in Italian)

(Thousands of Euros)

	Capital stock	Legal reserve	Cumulative translation adjustments	Retained earnings	Net income Total	
Balances at December 31, 2002	**8.000**	**3.562**	**(1.070)**	**42.538**	**1.194**	**54.224**
Appropriation of 2002 net income		150		1.044	(1.194)	0
Distribution of dividends to stockholders				(3.000)		(3.000)
Effect of the translation of foreign currency financial statements			(10.121)			(10.121)
Effect of the deconsolidation of foreign companies wound up			8.842	(8.842)		0
Net income 2003					9.106	9.106
Balances at December 31, 2003	**8.000**	**3.712**	**(2.349)**	**31.740**	**9.106**	**50.209**

List of companies consolidated using the line-by-line method

Company	Registered office	Currency	Capital stock	% ownership
Affinity Company Ltd	Malta		-	89.00%
Blue Cedar Shipping Co. Ltd	Malta		-	66.00%
Blue Panagiotis Shipping Corp.	Panama		-	66.00%
Bourgas Transportes Maritimos Lda	Portugal	Euro	5,000	80,00%
Bulk Africa Ltd	Liberia		-	57.75%
Bulk Asia Ltd	Liberia		-	57.75%
Bulk Australia Ltd	Liberia		-	57.75%
Bulk Bourgas Ltd	Malta		-	80.00%
Bulk Conversions and Constructions Ltd	Malta		-	100.00%
Bulk Europe Ltd	Liberia		-	57.75%
Bulk Genova Corp.	Panama		-	66.00%
Bulk Hellas Corp.	Panama		-	66.00%
Bulk Nike Corp.	Panama		-	66.00%
Bulk Venture Ltd	Liberia		-	57.75%
Bulkguasare de Venezuela S.A.	Venezuela	BSV	2,408,000,000	90.00%
Bulkguasare Ltd	Malta		-	90.00%
Bulktiger Shipping Co. Ltd	Malta		-	100.00%
Capo Noli Transportes Maritimos Lda	Portugal	Euro	5,000	100.00%
CC Shipping Services S.a.m	Monaco	Euro	152,000	100.00%
CC Steel Shipping & Logistics AD	Bulgaria	BGL	50,000	51.00%
Charfer Trading S.A.	Switzerland	FRS	200,000	100.00%
Coal Trade Shipping Corp.	Panama		-	66.00%
Coeclerici Carbometal S.r.l.	Milan	Euro	65,000	100.00%
Coeclerici Ceres Bulk Carriers Lda	Portugal	Euro	10,000	66.00%
Coeclerici Ceres Bulk Carriers N.V.	Dutch Antilles		-	66.00%
Coeclerici Coal and Fuels International B.V.	The Netherlands	Euro	18,000	100.00%
Coeclerici Coal and Fuels S.p.A.	Milan	Euro	2,500,000	100.00%
Coeclerici International N.V.	The Netherlands	Euro	49,911,339	100.00%
Coeclerici Logistics (India) Ltd	India	INR	500,700	100.00%
Coeclerici Logistics S.p.A.	Milan	Euro	9,565,000	100.00%
Elmotores Inc.	Liberia		-	66.00%
Elseguro Inc.	Liberia		-	66.00%
Fern Shipping Co. Ltd	Malta		-	66.00%
Giovanni Shipping Corp.	Panama		-	66.00%
Ignazio Shipping Corp.	Panama		-	66.00%
Kyla Charter Transportes Maritimos Lda	Portugal		-	100.00%
New Cedar Shipping Co. Ltd	Malta		-	100.00%
Porto Cervo Shipping Co. Ltd	Malta		-	66.00%
Red Tirreno Shipping Co. Ltd	Malta		-	66.00%
Shipping Services S.r.l.	Milan	Euro	45,000	100.00%
Somocar International N.V.	The Netherlands	Euro	60,602	100.00%
Sud Est S.r.l.	Brindisi	Euro	100,000	100.00%
T/C Navigation Transportes Maritimos Lda	Portugal		-	66.00%

List of companies consolidated using the proportional method

Company	Registered office	Currency	Capital stock	% ownership
Coeclerici Transport Capesize Ltd	Isle of Man	GBP	2,000	42.30%
Coeclerici Transport Panamax Ltd	Isle of Man	GBP	2,000	43.70%
Kidecrane Corporation S.A.	Panama	USD	3,000,000	50.00%
Mediterranean Bulk System N.V.	The Netherlands	Euro	45,000	50.00%
Red Iris Shipping Corp.	Panama	USD	10,000	21.78%
Red Orchid Shpping Corp.	Panama	USD	10,000	33.00%
Red Rose Shipping Corp.	Panama	USD	10,000	33.00%
Red Tulip Shipping Corp.	Panama	USD	10,000	33.00%
Staines Holding Inc.	Liberia	USD	10,000	33.00%
Viann N.V.	Dutch Antilles	Euro	7,000	50.00%

List of companies valued using the equity method

Company	Registered office	Currency	Capital stock	% ownership
Bulk Ispat Shipping Inc.	Liberia		-	33.00%
Bulk Terminal Torres S.p.A.	Sassari	Euro	113,630	90.00%
Coeclerici Compagnie S.A.	Switzerland		-	100.00%
Consorzio Italcoast in liquidation	Ravenna		-	50.00%
Ferchim S.r.l. in liquidation	Ravenna	Euro	96,720	75.00%
Freetravel S.r.l.	Genoa	Euro	96,900	22.00%
LS Services S.r.l.	Genoa	Euro	10,400	100.00%

Statutory Auditors' Report

To the stockholders,

The consolidated financial statements for the year ended December 31, 2003 of the Coeclerici Group, prepared by the directors in accordance with Legislative Decree No. 127/1991, show net income for the year attributable to the Group of Euros 9,106 thousand as summarized below (in thousands of Euros):

Balance sheet

Assets	
- Fixed assets	45,540
- Current assets	184,302
- Accruals and prepayments	13,687
	243,529

Liabilities and stockholders' equity	
- Stockholders' equity - Group	50,209
- Stockholders' equity - Minority interest	5,488
- Provisions for liabilities and expenses	7,543
- Employees' leaving indemnity	3,004
- Liabilities	162,201
- Accruals and deferrals	15,093
	243,529

Income Statement

- Production value	714,910
- Production costs	(685,075)
- Financial income (expenses)	(9,399)
- Adjustments to financial assets	(20)
- Extraordinary income (expenses)	(761)
Income before income taxes and minority interests	21,655
- Income taxes	(1,520)
Net income before minority interest	20,135
- Minority interest	(11,029)
Net income for the year - Group	**9,106**

The memorandum accounts amount to Euros 1,298 thousand for guarantees granted and Euros 396,121 thousand for other memorandum accounts, as commented in the notes.

In conformity with the accounting policies, which encompass those established by law, the consolidated financial statements exclude the adjustments and accruals recorded solely for tax purposes and reflect the related deferred taxation.

We have checked the consolidated financial statements, ensuring the accuracy of the consolidation entries made on the basis of the financial statements of the group holding company and the subsidiaries included in consolidation, and the adjustments made in accordance with the principles of consolidation.

We have also checked the consistency of the consolidated financial statements with the report on operations, which describes the overall situation of the Group companies and performance as a whole and in the individual sectors. To this end, we have examined the reports on operations, the reports of the statutory auditors of the companies included in the scope of consolidation, the schedules reflecting the items eliminated on consolidation, the detail of the consolidation differences and the consolidation entries. No matters of significance have emerged from the tests carried out by us.

In particular, we confirm that:

- the line-by-line consolidation method has been applied to the subsidiaries included in the scope of consolidation and the equity method has been applied only to those companies whose assets and liabilities would not have been significant for the purpose of presenting a true and fair view of the financial position and results of operations of the Group. The proportional consolidation method was used for companies in which control is exercised together with a partner outside the Coeclerici Group;

- whenever the accounting policies of the consolidated companies do not conform to those of the Group companies, they have been adjusted in the consolidated financial statements with the related tax effect;

- the financial statements of foreign subsidiaries have been translated into euros by applying the year-end exchange rates to the balance sheet items and the average exchange rate for the year to the income statement items. Exchange differences deriving from the translation of foreign currency financial statements have been recorded in "cumulative translation adjustments" in stockholders' equity.

The Group has voluntarily elected to have the consolidated financial statements audited by Deloitte & Touche S.p.A..

Genoa, May 10, 2004

The Board Of Statutory Auditors
Guglielmo Calderari di Palazzolo
Ettore Cavo
Alfredo Durante

Independent Auditors' report

Deloitte.

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Coeclerici S.p.A.:

1. We have audited the consolidated financial statements of Coeclerici S.p.A. and subsidiaries (the Coeclerici Group) as of and for the year ended December 31, 2003. These consolidated financial statements are the responsibility of the Group management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The audit of the financial statements of some subsidiaries and associated companies, which statements reflect total assets representing 0.5% of consolidated total assets and revenues representing 0.5% of consolidated revenues, is the responsibility of other auditors. Our opinion expressed herein, insofar as it relates to the amounts included in the consolidated financial statements for those subsidiaries and associated companies, is based also on the audits performed by other auditors.

   For the opinion on the prior year' s consolidated financial statements, which are presented for comparative purposes as required by law, reference should be made to the auditors' report issued by Deloitte & Touche Italia S.p.A. dated May 20, 2003.

3. In our opinion, the consolidated financial statements present fairly the financial position of the Coeclerici Group as of December 31, 2003, and the results of its operations for the year then ended in accordance with the Italian regulations governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Fabrizio Fagnola
Partner

Genoa, Italy
April 28, 2004

This report has been translated into the English language solely for the convenience of international readers.

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