

COECLERICI ANNUAL REPORT 2005

Annual Report
2005

Coeclerici S.p.A.

Company limited by shares
with sole shareholder

Head Office:
Via della Chiusa, 2
20123 Milan, Italy

Tax Code Number and
Companies' Registry Number:
12307890157

Chamber of Commerce
Number: 1545587
Direction and coordination:
Cocler S.p.A.

Index

Member of CISQ Federation
RINA
ISO 9001:2000
Certified Quality System

Member of CISQ Federation
RINA
ISO 14001
Certified Environmental System

UKAS
QUALITY MANAGEMENT
001

Group Structure

at December 31, 2005

Coeclerici S.p.A.

- **Coeclerici SpA**
  - **65% Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda**
    - 50% Red Orchid Shipping Corp.
    - 50% Red Tulip Shipping Corp.
    - 50% Red Rose Shipping Corp.
    - 40% Red Lily Shipping Corp.
    - 30% Red Iris Shipping Corp.
    - 25% Bulk India Shipping Corp.
    - 40% China Transportes Maritimos Lda
    - 50% Singapore Transportes Maritimos Lda
    - 50% Red Queen Transportes Maritimos Lda
    - 50% Red Gardenia Transportes Maritimos Lda
  - **100% Coeclerici Logistics SpA**
    - 100% Shipping Services Srl
    - 100% Sud Est Srl
    - 100% Bourgas Transportes Maritimos Lda
    - 100% Capo Noli Transportes Maritimos Lda
    - 50% Viannlog Lda
      - 100% MBS NV
    - 50% Kidecrane Corporation SA
    - 90% Bulkguasare de Venezuela SA
    - 100% Somocar International NV
      - 80% Terminal Offshore Piombino SpA
      - 51% CC Steel Shipping and Logistics AD
    - 70% Logconversion Transportes Maritimos Lda
  - **100% Coeclerici Coal and Fuels SpA**
    - 100% Coeclerici Carbometal Srl
    - 100% CC Coal and Fuel Asia Lda
    - 100% Coeclerici Compagnie SA

Excluding companies in liquidation or non-operational.

Coeclerici S.p.A. Officers
at March 31, 2006

Board of Directors

Members of the Executive Committee	Paolo Clerici	Chairman and Managing Director
	Aldo Carmignani	Deputy Chairman
	Urbano Faina	Deputy Chairman
	Corrado Papone	Deputy Chairman
	Antonio Belloni	Director
	Sergio Ungaro	Director
	Giorgio Cefis	Director
	Giovanni Jody Vender	Director

The term of office of the board of directors expires with the approval of the financial statements at 31 December 2007.

Board of Statutory Auditors

Guglielmo Calderari di Palazzolo	Chairman
Giorgio Carbone	Standing Auditor
Ettore Cavo	Standing Auditor
Alfredo Durante	Substitute Auditor
Domenico Borghetti	Substitute Auditor

The term of office of the board of statutory auditors expires with the approval of the financial statements at 31 December 2006.

Independent Auditing Firm

Deloitte & Touche S.p.A.

Glossary of selected shipping terms

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).

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

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.

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

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

Floating cranes
Floating cranes are used in cargo transshipment from barges to ships or vice versa.

Floating Storage & Transfer Station
A large vessel converted into a floating storage and equipped with four cranes and ship loaders used for storage and transshipment.

Floating Transfer Station
A (patented) device consisting of cranes and material handling equipment used for direct transshipment of cargo from one vessel to another.

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.

Revamping
Ameliorative maintenance supports, increasing the mean's value.

Shuttle Floating Transfer Station
A FTS also used for transportation of the lightened cargo for delivery at the designated location.

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.

Transshipment vessel
Vessel able to transfer cargo from one floating vessel to another, offshore, near ports where lighterage or transoceanic vessel loading operations are carried out.


COECLERICI MITRA
KPC

Management report

(translation from the original issued in Italian)

Letter from the Chairman

Dear Shareholders,

like the year before, in 2005 your Group achieved excellent results founded on sound assets. In financial terms, the consolidated net result for the year came to € 14.5 million. This result was achieved in a year in which Western economies continued to feel the effects of the high production capacity of Asian countries, which grew in average absolute value by 8-9% compared to the previous year.

In this context, your Group reached satisfactory results in all business sectors. It traded about 4.6 million tons of coal and moved almost 12 million tons of dry bulk using its logistic means.

In the Logistics Division, the sub-holding Coeclerici Logistics S.p.A. took up its organizational and managerial role and now also manages its own equity holdings financially. Two important events should be mentioned concerning this Division: the building of a vessel for the Indonesian market, called Bulk Pioneer, and the purchase of a majority equity holding in Terminal Offshore Piombino S.p.A., owner of the Bulk Irony Floating Transfer Station, which operates in the port of Piombino.

The sub-holding Coeclerici Coal and Fuels S.p.A. and its subsidiaries contributed important results in the iron, steel, and energy raw materials trading sector, both in financial and market areas. Coeclerici Coal and Fuels S.p.A. started business operations from its offices in Jakarta-Indonesia and Shanghai-China (which will relocate during the year to Beijing) and has laid the foundations for business expansion from the Swiss offices in Lugano and Mumbai-India.

Although the Shipping Division is seen as the important management of the equity interests underlying the sub-holding Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda, it too gave good results, although not as substantial as the year before. These important results continued to feel the effects of the high freight rates recorded especially during the first six months of the year, and of gains due to the sale of equity investments and purchase options on Time-Charter ships.

The performance of the American Dollar against the single European currency had a further positive impact, which affected the results of the Shipping Division considerably and, to a lesser extent, the other divisions too.

Regarding assets, your company maintained the soundness reported the year before, both in own capital and in the financial area, with a net equity of about € 80 million.

In the financial area, the agreement signed in December 2004 with a pool of banks for a € 75 million standby line of credit (which expires in December 2009) has allowed the Group to manage its needs elastically and maintain a prospective-oriented financial outlook in order to rapidly seize any opportunities which may emerge on the market.

In the trading area, the agreement signed with Indonesian trading and logistics operators has allowed your company to explore new markets in South East Asia and India which are very promising for business development with openings in areas which are not yet saturated.

In 2005, the Logistics Division continued its business with contract renewals in the Upper Adriatic (Croatia and Slovenia) and Bulgaria, as well as the already mentioned new contract signed with one of the major Indonesian coal producers, which saw its exports increase during the last months of the year with the use of your Bulk Pioneer Floating Transfer Station.

In the Trading Division, it is worth mentioning the renewal of important business agreements with Russian counterparts who provide local coal production and grant us full use of a devoted quay in the port of Murmansk.

In conclusion, we can state that your Group has given more than satisfactory results, both from a financial point of view and as regards assets, and it has consolidated the initiatives undertaken during the previous years, both in the trading and managerial areas, in order to face the years to come with confidence and solidity.

We would like to take this opportunity to thank the management and all Group workers for their efforts and the results achieved.

The Chairman and Managing Director
Paolo Clerici

Consolidated results

The significant changes which took place in the consolidation area during 2005 mainly stemmed from the following operations:

- Coeclerici Logistics S.p.A. subscribed a 70% stake in the increased capital of the Portuguese company Logconversion Transportes Maritimos Lda, worth € 1,621.9 thousand;
- the Dutch subsidiary Somocar International N.V. acquired a further 76% stake in Terminal Offshore Piombino S.p.A., in which it already held a 4% interest;
- Coeclerici Logistics S.p.A. acquired a 100% stake in the Portuguese company Log Service - Transportes Maritimos Lda for € 22 thousand;
- Coeclerici Logistics S.p.A. re-valued its equity investment in Shipping Services S.r.l. by € 44.4 thousand;
- Coeclerici Logistics S.p.A. sold its equity investment in BTT S.r.l. for € 65 thousand;
- Coeclerici Coal and Fuels S.p.A. acquired a 100% stake in the Portuguese company CC Coal and Fuel Asia Lda for € 22 thousand.

The data below shows a comparison between the 2005 consolidated financial statements and the 2004 consolidated financial statements (in thousands of Euros):

Assets	**Dec. 31, 2005**	**Dec. 31, 2004**
A) Receivables from shareholders for unpaid contributions	0	0
B) Fixed assets:		
I Intangible assets	1,107	675
II Tangible assets	28,437	19,654
III Financial assets	3,445	7,354
Total fixed assets	**32,989**	**27,683**
C) Current assets		
I Inventories	13,155	18,271
II Receivables	59,825	112,536
III Current financial assets	532	680
IV Cash in banks and on hand	39,823	33,766
Total current assets	**113,335**	**165,253**
D) Accruals and deferrals	2,946	2,715
Total assets	**149,270**	**195,651**

Equity and liabilities	**Dec. 31, 2005**	**Dec. 31, 2004**
A) Net equity		
Group net equity	70,984	68,562
Net equity, Group and minority	79,154	76,992
B) Provisions for risks and charges	16,003	19,169
C) Employee severance indemnity	1,096	1,616
D) Payables	49,233	95,621
E) Accruals and deferrals	3,784	2,253
Total liabilities	**149,270**	**195,651**

Income statement	2005	2004
A) Production value	353,837	432,036
B) Production costs	(335,981)	(396,093)
Difference between production value and costs	17,856	35,943
C) Financial income and charges	(3,545)	1,856
D) Adjustments to financial assets	(168)	319
E) Extraordinary income and charges	7,600	6,764
Result before tax	21,743	44,882
Income taxes, current and deferred, and account payments	122	(4,678)
Profit	21,865	40,204
Minority interest result	(7,407)	(9,976)
Group profit	14,458	30,228

The following table shows a summary of the key financial figures compared with the 2004 consolidated financial statements for further analysis (in thousands of Euros):

	2005	2004
Turnover	334,069	421,171
Contribution margin	37,472	60,883
Difference between production value and costs	17,856	35,943
Group net result	14,458	30,228
Ebitda	21,797	45,473
Number of employees (at end of accounting period)	205	333

As can be seen, the 2005 profit results follow the falling trend in freight rates and the coal market, which had reached record heights the previous year. However the Group maintained profitability in this area through wise scheduling of coal purchase and time charter contracts.

In any case, the Group net result at 31 December 2005 reached € 14.5 million, the second highest only to the previous year, which included considerable gains due to sales of assets in the shipping sector.

The fall in the number of employees compared to 2004 essentially stems from the decrease in seafaring personnel in Venezuela following the end of the management contract with the customer Ferrominera.

The main Group financial results are presented below by sector to allow more complete analysis of the Group's performance (in thousands of Euros):

Turnover	2005	2004
Shipping	97,944	103,620
Logistics (*)	26,040	44,403
Coal and Fuels	208,959	275,001
Holding / Adjustments / InfraGroup	1,126	(1,853)
Total	**334,069**	**421,171**

Total Operating Result		
Shipping	21,642	27,404
Logistics (*)	1,820	12,562
Coal and Fuels	4,561	7,482
Adjustments / InfraGroup	(7,076)	662
Total	**20,947**	**48,110**

(*) The 2004 figures were affected by the higher results from the nine months of pool-management commissions.

As regards the Logistics Division, the table above shows how difficult it is to compare some of the income parameters, since nine months of the pool management business sold in 2004 are included in the overall figures.

As regards the Shipping sector, the Company operated through the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda. It should also be remembered that the Group sold its equity investment in Staines Holding Inc., owner of the motor ship Bulk Atalanta, in 2005, resulting in a € 2.2 million gain for the Group.

Furthermore during 2005, four new ships with long-term charter contracts - Red Queen, Bulk China, Bulk Singapore and Red Gardenia - were delivered by company means.

As in previous years, all operations in this sector were carried out using ships chartered from third parties. Furthermore, during the year, as in previous years, the Group was able to seize further business opportunities by selling purchase rights on long-term chartered ships.

As regards the port logistics sector, which comes under Coeclerici Logistics S.p.A. (the holding company which all the Group companies operating in the sector now refer to), the main activities took place in Venezuela (in continuation of the contract which expires in 2009), in Bulgaria (where some aspects were renegotiated during the year just closed, including contract extension up to the end of 2006), in the Upper Adriatic, and in Indonesia (where, besides continuing the contract which expires in 2009 for the use of two Floating Cranes belonging to a subsidiary, the new Bulk Pioneer Floating Transfer Station was brought into service during 2005 by a new specially incorporated company). The Bulk Pioneer station was built by another company belonging to the Group.

We should also remember that Terminal Offshore Piombino S.p.A. has joined the Group consolidation area, following the purchase of a further 76% stake in addition to the 4% already held. This company operates offshore near the port of Piombino with a vessel called Bulk Irony under a transhipping contract which expires in 2010. Lastly, in December 2005, the Group repossessed the motor ship Capo Noli - previously chartered out on a time charter contract - due to the charterer's constant payment difficulties. The ship is currently chartered on the spot market or with short-term charter contracts. To round off the Logistics Group's role as global operator in the sector, we should mention the technical and operations management service provided by the structure, mainly - but not exclusively - to other Group companies.

From a strictly numerical point of view, the Logistics sector saw a slight increase in turnover in 2005, mostly due to Terminal Offshore Piombino joining the consolidation area, as already mentioned, and the beginning of a new contract in Indonesia towards the end of the year. The decrease in the operating result, on the other hand, is the consequence of a few extraordinary events which occurred during the year. On the whole, however, the Logistics sector has been seen to provide high operating profits, which may be further increased through the business opportunities briefly described above.

During 2005, the Trading sector compensated for a market characterized by contingent difficulties and considerably lower prices than the 2004 average by working on the quality aspect of its business.

The tonnage traded decreased by about 25% compared with the previous year (4.6 million tons in 2005 against 6.2 million in 2004). The effect of the lower quantities added to the aforementioned effect of the lower coal price gave rise to a 24% decrease in profits compared to 2004. This decrease also affected the operating result, which went from € 7,482 thousand in 2004 to € 4,561 thousand in 2005. This trend reversed during the first few months of 2006.

The Group's assets and liabilities are summarized in the following table (in thousands of Euros):

	12/31/2005	12/31/2004
Net circulating capital	49,413	81,633
Severance indemnity fund	(1,096)	(1,616)
	48,317	80,017
Frozen assets:		
- fleet	24,044	12,173
- other fixed assets	5,500	8,157
- financial assets	3,445	7,424
Invested capital	**81,306**	**107,771**
Net financial position	(13,851)	11,610
Deferred tax fund and other funds	16,003	19,169
Group net equity	70,984	68,562
Minority interest in capital and reserves	8,170	8,430
Financing sources	**81,306**	**107,771**

As can be seen, the net circulating capital dropped by about € 32 million compared to the previous year due to the large reduction in pool company trade receivables (made clear in the notes to the financial statements) and the lower net circulating capital produced by the trading division, which was affected by the fall in the coal market and decrease in freight rates.

Reading the Group net equity data in comparison with the 2004 financial statements shows a slight € 2.4 million increase stemming from the difference between the profits produced and the dividends distributed, net of the consolidation differences caused by the financial statements of the companies drawn up in currencies other than Euros.

The increase in fixed assets is due to the building of the Bulk Pioneer Floating Transfer Station and addition of the Bulk Irony Floating Transfer Station, both used in the Logistics sector.

Among the items which deserve particular attention is the net financial position, which went from € 11.6 million in 2004 to € 13.9 million in 2005, thanks mainly to a large decrease in net circulating capital.

We should also mention that an agreement was signed during 2004 by which a € 75 million syndicated "stand-by" credit line which expires in 2009 was granted by a pool of banks to provide greater financial elasticity for Group requirements.

Here follows the main sector financial indices (in thousands of Euros):

	12/31/2005	12/31/2004
Shipping		
Invested capital	(70)	13,426
Financial position	(19,411)	(9,736)
Funds	19	16
Net equity, Group and minority	19,322	23,146
Logistics		
Invested capital	28,363	20,570
Financial position	4,575	1,750
Funds	2,204	2,239
Net equity, Group and minority	21,584	16,581
Coal and Fuels		
Invested capital	32,782	42,032
Financial position	19,017	27,266
Funds	1,931	4,920
Net equity, Group and minority	11,834	9,846

The above data for the Shipping sector shows a decrease in invested capital, for the most part due to the sale of the motor ship Bulk Atalanta and better management of net circulating capital.

As regards the Logistics sector, the € 7.8 million increase in invested capital reflects the effects of the increase in Group fleet value, due to the already several times mentioned consolidation of the subsidiary Terminal Offshore Piombino S.p.A. and building of the Bulk Pioneer Floating Transfer Station for the Indonesian market. This effect may conversely be seen in the structure of the sources of financing, with an increase both in net borrowing and own resources. What is more, these equity parameters show the Group's growing interest in the Logistics sector, with a view to the business opportunities appearing in this area.

There was a decrease in net circulating capital and an € 8.2 million decrease in net financial position in the trading sector. The net financial position improved by 30%, due to a decrease in turnover and shorter exposure cycle towards suppliers compared to the previous year.

This improvement can be seen in the ratio between borrowing and net equity which went from 2.8 in 2004 to 1.6 in 2005.

The difference between the equity items described above by sector and the consolidated Group total, shown earlier, consists of the items connected with the coordination activity performed by the parent company and the necessary consolidation adjustments.

Further information by sector

Shipping Sector

The 2005 charter market seesawed during the first six months, then fell sharply in the second half of the year.

This market behaviour felt the effects of fluctuations in imports from South East Asian markets, and China in particular.

Besides the sale of the motor ship Bulk Atalanta with consequent capital gain, we should also mention the return of several ships on Time-Charter contracts to the shipowners and the arrival of newly built Japanese ships on long-term charter contracts (8-10 years).

Logistics Sector

As previously mentioned, the Logistics Division continued to grow and develop projects during 2005, in particular giving rise to a contract renewal in Bulgaria and signing of a new contract in Indonesia, with a local shareholder, that has been in effect since last September with a newly built ship, which goes to show the considerable technical expertise developed by the Group in its reference sector. Presence on Italian soil was also strengthened when, as previously mentioned, Terminal Offshore Piombino S.p.A. joined the Group. This company works on behalf of an important steel mill with a long-term port agreement. Also in Italy coal movement in the port of Brindisi for the local electricity plant continued.

From a more strictly commercial point of view, new business development should be emphasized, especially regarding Asian countries, which it is believed will play a primary role in the sector in the next few years.

The efforts successfully made during 2005 and further business growth which is emerging show the Group's continuous interest in a sector which it is predicted will be further driven by the prospects of greater coal use worldwide, and in which new operators and new producing countries have appeared that cannot always count on adequate port facilities for their growing material handling requirements.

The Logistics Sector fleet today consists of the following vessels:

	DWT	Year of construction
Bulkwayuù	64,400	1978
Capo Noli	23,794	1981
Bulk Kremi I	14,364	1973
Bulk Irony	13,658	2002
Bulk Pioneer	5,974	2005

Coal and Fuels Sector

The Trading sector achieved a positive result during 2005, despite the market being more difficult than the exceptional conditions seen last year.

The growth in the Asian market and traditional Russian production led to interesting margins together with limited financial risk.

The 2005 sales policy was oriented towards improving the quality of transactions by monitoring businesses and trying to develop the most profitable and those with lower financial risk.

The company continued its policy aimed at ensuring procurement continuity and stability on the Russian market, and developing other markets, especially in South-East Asia.

At the same time, the Trading division is broadening its market, by developing new contacts and seeking new procurement sources in emerging countries.

The parent company

During 2005, Coeclerici S.p.A. finally consolidated its activity as parent company of the Coeclerici Group, by concentrating its operating activities in its sub-holdings, Coeclerici Logistics S.p.A. and Coeclerici Coal and Fuels S.p.A. (both 100% owned), and Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda (65% owned).

The operations carried out by the parent company are those typical of a holding company, such as cross-sector guidance and coordination services, and strategic services consisting of administration, organization and development of human, financial, legal and corporate resources.

The figures in the comments that follow have been taken from the statutory Coeclerici S.p.A. financial statements, attached to the present notes for further reference.

The main 2005 indicators are summarized below (in thousands of Euros):

	2005	2004
Production value	9,759	29,301
Production Costs	(15,224)	(29,451)
Income from equity investments	19,622	12,019
Other net financial expenses	(1,173)	(284)
Depreciation of equity investments, net	(70)	0
Net extraordinary income and charges	2,355	12,689
Period taxes	222	(2,153)
Result for year	15,491	22,121
Number of employees (at end of year)	25	27

In the light of the data shown above, it can be seen that the firm showed the nature of a true holding company in 2005, whereas in 2004 it still showed the effects of trading activities. The income from dividends distributed by subsidiaries and other companies was the largest item in the 2005 accounting period. What is more this item increased by € 7.6 million compared to the previous year. Extraordinary profits decreased in 2005 compared to the previous year due to the gains connected with the Group selling the pool management branch in 2004. This affected the decrease in result for the year.

The number of Coeclerici S.p.A. employees is essentially in line with last year.

The balance sheet and financial position of Coeclerici S.p.A. is summarized in the table below (in thousands of Euros):

	12/31/2005	12/31/2004
Net circulating capital	4,208	3,665
Severance indemnity fund	(291)	(566)
	3,917	3,099
Frozen assets:		
- equity investments	31,718	31,800
- initial capital	2,598	3,248
- other fixed assets	12,340	19,335
Invested capital	**50,573**	**57,482**
Net financial position, borrowing (current assets) (*)	(21,071)	(12,092)
Provisions for risks and charges	11,331	9,744
Shareholders' equity	60,313	59,830
Financing sources	**50,573**	**57,482**

(*) Current assets and financial receivables net of financial debts.

The 2005 balance sheet fully reflects Coeclerici S.p.A.'s holding activity; the fixed assets consist basically of the equity holdings in controlled subsidiaries entirely financed with own resources. The higher current assets stem in particular from a decrease in fixed assets, whereas the net circulating capital is at a similar level to the previous year.

Research and development activity

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

Treasury shares and shares of the parent company

The parent company does not hold treasury stock in its holding companies, neither has it bought or sold treasury stock or shares in the holding companies during the year.

Transactions with holding and related companies

The Group only has a few transactions with its holding companies, which are largely limited to the supply of services and a few loans, regulated by normal market conditions, as previously described in the paragraph devoted to the activities of Coeclerici S.p.A., that provides these services to the subsidiary or associated companies at normal market conditions.

Outlook

In accordance with its role as Parent Company, the holding company Coeclerici S.p.A. will continue its managerial coordination in 2006 so that the subsidiary companies may seek and take advantage of new business opportunities both overseas and in Italy.

In order to rationalize the Group structure in the Logistics sector, the Bulk Kremi operating unit, presently owned by the subsidiary Bourgas Transportes Maritimos Lda, will be transferred during 2006 to the subsidiary Capo Noli Transportes Maritimos Lda.

When this operation takes place, there will be no direct effects on the equity investment structure or value.

As regards business, important developments have been made towards defining a business agreement for setting up a joint venture in India with local partners, which will operate on the Indian market through a new floating transfer station. Furthermore, business developments are forecast on the Chinese market, where a local company is being created to carry out port logistics services; the entrance of a local partner is also expected.

As regards the Trading sector, coal prices increased in the first two months of 2006 compared to the end of 2005, leading to larger trading margins than during the same period last year. Although there was a recovery in prices during the first part of the year, considerable volatility is forecast during the next few months.

Important events which occurred after 31 December 2005

In consequence of the resolution of 29 December 2005, entered in the trade register on 12 January 2006, the share capital has been increased by € 435 thousand, bringing it to an overall value of € 10 million.

Three Time-Charter motor ships were delivered to Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda during the first months of 2006: Bulk Hong Kong, Red Lotus and Red Jasmine.

As regards administrative aspects, we should mention the protection of confidentiality and personal data, which had already been studied by the Coeclerici Group. From the end of 2004 and, above all, during 2005, the company committed itself with constant diligence to implementing and adopting the Minimum Security Measures laid down in the Italian Privacy Law (legislative decree No. 196/2003). The Group planned and adopted a preventive protection system for processing personal data with reference to the requirements laid down in the technical specifications (annexe B, Italian legislative decree No. 196 of 30 June 2003), as well as the wider security obligations laid down in section 31 of Italian legislative decree No. 196/2003. This system is extensively described in the corporate Security Policy Document (SPD), which is currently only available in draft form due to the countless revisions it has undergone aimed at producing an accurate and true picture of the corporate information system. The definitive version will be published on our Intranet network within the date laid down by law.

There were no other significant events.

Consolidated Financial Statement of Coeclerici Group at December 31, 2005

Consolidated balance sheet at December 31, 2005

(Translation from the original issued in Italian)

(in thousands of Euros)

Assets		Dec. 31, 2005		Dec. 31, 2004	Changes
A) Receivables from shareholders for unpaid contributions		**0**		**0**	**0**
B) Fixed assets:					
I Intangible fixed assets:					
1) Start-up and expansion costs		168		6	162
4) Concessions, licenses, trademarks and similar rights		110		148	(38)
5) Initial capital		9		16	(7)
7) Others		820		505	315
Total intangible fixed assets		1,107		675	432
II Tangible fixed assets:					
1) Land and buildings		2,805		6,284	(3,479)
2) Plant and machinery:					
- Fleet		24,044		12,173	11,871
- Other plant and machinery		151		103	48
3) Industrial and commercial equipment		1		35	(34)
4) Other assets		1,385		1,046	339
5) Assets under construction and advance		51		13	38
Total tangible fixed assets		28,437		19,654	8,783
III Financial fixed assets:					
1) Equity investments in:					
a) Subsidiaries		276		573	(297)
b) Associated companies		12		29	(17)
d) Other companies		704		884	(180)
2) Receivables:	(1)		(1)		
d) Other	213	2,453	2,686	5,868	(3,415)
3) Other		0		1	(1)
Total financial assets		3,445		7,354	(3,909)
Total fixed assets		**32,989**		**27,683**	**5,306**
C) Current assets:					
I Inventories:					
1) Raw, ancillary and consumable materials		310		64	246
4) Finished products and goods for resale		6,105		9,956	(3,851)
5) Advances		6,740		8,251	(1,511)
Total inventories		13,155		18,271	(5,116)
II Receivables:	(1)		(1)		
1) Trade receivables		29,587		70,895	(41,308)
2) Subsidiaries		84		12	72
3) Associated companies		0		8	(8)
4) Holding companies		12,977		13,855	(878)
4-bis)Tax receivables		2,410		3,801	(1,391)
4-ter)Deferred tax assets		2,955		4,053	(1,098)
5) Other receivables		11,812		19,912	(8,100)
Total receivables		59,825		112,536	(52,711)
III Current financial assets:					
4) Financial assets not constituting fixed assets		532		680	(148)
Total current financial assets		532		680	(148)
IV Cash in banks and on hand:					
1) Bank and postal deposits		39,692		33,627	6,065
3) Cash and cash equivalents		131		139	(8)
Total cash in banks and on hands		39,823		33,766	6,057
Total current assets		**113,335**		**165,253**	**(51,918)**
D) Accruals and deferrals		**2,946**		**2,715**	**231**
Total assets		**149,270**		**195,651**	**(46,381)**

(1) Due beyond one year

(in thousands of Euros)

Equity and liabilities		Dec. 31, 2005		Dec. 31, 2004	Changes
A) Stockholders' equity:					
I Share capital		9,565		9,565	0
IV Legal reserve		2,294		1,187	1,107
VII Other reserves:					
Translation reserve		(663)		(3,470)	2,807
Consolidation reserve		5,630		5,466	164
Other reserves		2,829		0	2,829
VIII Retained earnings		36,871		25,586	11,285
IX Net income		14,458		30,228	(15,770)
Group net equity		70,984		68,562	2,422
Minority interests in capital and reserves		8,170		8,430	(260)
Net equity, Group and minority		**79,154**		**76,992**	**2,162**
B) Provisions for risks and changes					
1) Pensions and similar obligations		44		126	(82)
2) Provision for taxes		2,899		4,722	(1,823)
3) Other					
- Other provisions		13,060		14,321	(1,261)
Total provisions for risks and charges		**16,003**		**19,169**	**(3,166)**
C) Employee severance indemnity		**1,096**		**1,616**	**(520)**
D) Payables:	(1)		(1)		
4) Bank borrowings	7,890	25,970	13,239	45,375	(19,405)
6) Payments on account		4,430		7,894	(3,464)
7) Trade payables		13,888		35,573	(21,685)
9) Subsidiaries and associates companies		19		0	19
11) Holding companies		579		4,107	(3,528)
12) Tax authorities		2,455		1,426	1,029
13) Payables to social security institutions		286		311	(25)
14) Other payables		1,606		935	671
Total payables		**49,233**		**95,621**	**(46,388)**
E) Accruals and deferrals					
- Other		3,784		2,253	1,531
Total accruals and deferrals		**3,784**		**2,253**	**1,531**
Total liabilities		**149,270**		**195,651**	**(46,381)**

(1) Due beyond one year

Memorandum accounts	Dec. 31, 2005	Dec. 31, 2004	Changes
Unsecured guarantees granted			
Guarantees given			
- Other	3,683	614	3,069
Other			
- Subsidiary companies	0	1,203	(1,203)
- Third parties	2,714	3,948	(1,234)
Commitments			
Sales contracts	0	5,597	(5,597)
Purchase contracts	0	5,515	(5,515)
Currency forward sales	26,970	13,181	13,789
Currency forward purchases	4,126	4,200	(74)
Expiring leasing fees	406	0	406
Other memorandum accounts			
Guarantees received from third parties	3,928	910	3,018
Receivables transferred to a factoring company	0	700	(700)
Total memorandum accounts	**41,827**	**35,868**	**5,959**

Consolidated income statement for the year ended December 31, 2005

(Translation from the original issued in Italian)

(in thousands of Euros)

	2005	2004	Changes
A) Production value:			
1) Revenues from sales and services	334,069	420,251	(86,182)
3) Changes in services in progress	0	920	(920)
4) Increase in fixed assets for internal works	487	0	487
5) Other income and revenues:			
- Other	19,281	10,864	8,417
Total production value	**353,837**	**432,036**	**(78,199)**
B) Production costs			
6) Raw and ancillary materials, consumables and goods	(119,745)	(134,226)	14,481
7) Service costs	(178,907)	(234,691)	55,784
8) Rents, leases and similar costs	(1,364)	(685)	(679)
9) Personnel costs:			
a) Wages and salaries	(5,618)	(8,986)	3,368
b) Social security charges	(1,509)	(1,671)	162
c) Employees' leaving indemnity	(488)	(498)	10
d) Other	0	(6)	6
10) Amortization, depreciation and write-downs:			
a) Amortization of intangible fixed assets	(458)	(258)	(200)
b) Depreciation of tangible fixed assets	(3,016)	(2,610)	(406)
d) Write-downs of receivables included under current assets	(579)	(1,028)	(449)
11) Change in inventories of raw and ancillary materials, consumables and goods	(3,628)	498	(4,126)
12) Provisions for risks and other provisions	(5,726)	(5,021)	(705)
13) Other accruals	0	(2,936)	2,936
14) Other operating charges	(14,943)	(3,974)	(10,969)
Total production costs	**(335,981)**	**(396,092)**	**60,111**
Difference between production value and costs	**17,856**	**35,943**	**(18,087)**
C) Financial income and charges			
15) Income from equity holdings			
- Other companies	60	943	(883)
16) Other financial income:			
c) Securities entered as current assets	77	0	77
d) Other			
- Subsidiaries	7	0	7
- Holding companies	370	530	(160)
- Others	1,312	1,561	(249)
17) Financial interest and charges			
- Holding companies	0	(986)	986
- Banks and financial institutions	(1,815)	(654)	(1,161)
17-bis) Gains and losses	(3,556)	462	(4,018)
Total financial income and charges	**(3,545)**	**1,856**	**(5,402)**
D) Adjustments to financial assets:			
18) Revaluations:			
a) Equity investments	0	38	(38)
c) Securities entered as current assets	0	507	(507)
19) Write-downs:			
a) Equity investments	(20)	(226)	206
c) Securities entered as current assets	(148)	0	(148)
Total adjustments to financial assets	**(168)**	**319**	**(487)**
E) Extraordinary income and charges			
20) Extraordinary income:			
- Gain on disposals	7,681	11,222	(3,541)
- Other	305	0	305
21) Extraordinary charges:			
- Losses due to alienations	(62)	0	(62)
- Prior years' income taxes	(286)	(64)	(222)
- Other	(38)	(4,395)	4,357
Total extraordinary income and expenses	**7,600**	**6,764**	**836**
Result before taxes and minority interests	**21,743**	**44,882**	**(23,140)**
22) Income taxes, current and deferred, and account payments	122	(4,678)	4,800
Profit before minority interests	21,865	40,204	(18,340)
Minority interest result	(7,407)	(9,976)	2,569
23) Net income - Group	**14,458**	**30,228**	**(15,770)**

Notes

to the Coeclerici Group consolidated financial statements at December 31, 2005

Structure and contents of the balance sheet and income statement

The consolidated financial statements at December 31, 2005 consist of the balance sheet, the income statement and the notes drawn up in accordance with the provisions introduced by Legislative Decree nr. 127 of April 9, 1991 and subsequent amendments.

The Coeclerici Group consolidated financial statements at December 31, 2005 have been prepared using the financial statements of the Group Parent Company, and the Italian and foreign subsidiaries in which Coeclerici S.p.A. directly or indirectly holds 50% or more than 50% of the capital stock.

The financial statements at December 31, 2005 were used to draw up the consolidated financial statements. These financial statements have been adjusted, where necessary, to reverse any entries made in order to obtain tax benefits, or to conform with the Group accounting principles, which are in line with those laid down by the provisions introduced by Legislative Decree nr. 127 of April 9, 1991 and subsequent amendments and by Consob (the Italian National Commission for Listed Companies and Stock Exchange).

Events which occurred after the end of the accounting period are commented on in the report on operations.

Balance sheet and income statement items equal to zero have been omitted, and the figures shown in the notes are expressed in thousands of Euros, unless otherwise indicated, and compared with the previous accounting period.

Consolidation principles

The assets and liabilities of the consolidated companies have been consolidated using the line-by-line method, eliminating the book value of the investments against the relative share of net equity.

When subsidiaries are controlled jointly with a third party, they are consolidated proportionally: the individual assets, liabilities, costs and revenues are included in the consolidated financial statements in proportion to the shareholding.

The difference between the book value of the consolidated equity and the corresponding net assets value has been allocated either to various assets and liability items on the basis of the current values calculated at the time of acquisition, or to the "consolidation difference" item.

If the difference is negative, it is recorded in the net equity in the account consolidation reserve unless it relates to specific liabilities or lower asset items. Any positive differences are recorded as decreases in the consolidation reserve until its elimination.

Receivables and payables, revenues and costs and transactions involving significant amounts between companies included in the consolidation have been eliminated.

Minority interests in the net equity of consolidated subsidiaries are recorded separately. The shares of results attributable to minority interests are recorded separately on the income statement.

The conversion of the financial statements of foreign subsidiaries to Euros is based on the year-end exchange rate for balance sheet items and the average annual exchange rate for income statement items. The exchange differences stemming from conversion of the financial statements expressed in foreign currencies are allocated directly to the "cumulative translation adjustments" item under stockholders' equity.

Accounting principles

The most significant accounting principles adopted in the preparation of the financial statements at 31 December 2005 are illustrated below.

Intangible fixed assets

These are registered at cost price, including directly attributable incidental costs, and are amortized on a straight-line basis over their estimated useful lives.

Start-up and expansion costs are recorded under intangible fixed assets; advertising costs, which are not long-term in nature, are charged directly to the income statement in the year incurred.

Regardless of the amortization recorded to date, an asset is written down in the event of impairment in value; if the reasons for decreasing its value no longer apply in future years, the asset is restored to its original value.

Tangible fixed assets

These are registered at cost price, in accordance with the provisions laid down by the Italian Civil Code including any accessory charges and direct and indirect costs that can be reasonably attributed to the assets.

The building used by the Group under a financial leasing contract (office in Rome), which the Group intends to purchase at the end of the leasing period, is showed on the financial statements in accordance with international accounting principle IAS 17. This principle entails registering the asset at a value equal to the sum of the lease payments and the purchase option price laid down in the leasing contract, net of interest, with a related liability entry for a payable of the same amount.

Depreciation is calculated on a straight-line basis at rates reflecting their estimated useful lives; the rates applied are shown in the section regarding the notes on assets.

Regardless of the amortization recorded

to date, an asset is written down in the event of impairment in value. If the reasons for decreasing its value no longer apply in future years, the asset is restored to its original value.

Routine maintenance costs are shown in full on the income statement. Maintenance costs which increase the value of an asset are added to it and depreciated in accordance with its remaining useful life.

Financial fixed assets (equity investments)

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

Investments in other companies are entered at purchase or subscription cost.

The cost is reduced for permanent impairment in values where losses are not expected to be covered by profits in the immediate future. The original value is written back in successive years when the conditions for their write-down no longer exist.

Financial fixed assets (receivables)

Receivables are registered among the financial fixed assets at their estimated realizable value.

Inventories

Inventories of lubricant and fuel on board ships at December 31, 2005 are registered at their cost calculated using an approximate FIFO method.

Inventories of goods are entered either at the cost price of the inventories on hand at December 31, 2005 or their estimated realizable value based on market price, whichever the lower. Any write-downs are eliminated in subsequent years if the reasons for the write-down no longer exist.

Receivables

Receivables are entered at their estimated realizable value and, if expressed in a foreign currency, adjusted to year-end Euro exchange rates.

Current financial assets (equity holdings in subsidiaries)

These are registered at cost price (including incidental costs) or at realizable value.

Accruals and deferrals

These items consist of the portions of income and expenses common to two or more accounting periods calculated on an accrual basis.

Provisions for liabilities and expenses

The provisions for liabilities and expenses are allocated to cover losses or liabilities, which are either likely or certain to be incurred, but which were uncertain in amount or date at the end of the accounting period. The provisions reflect the best possible estimate on the basis of the facts available.

Risks which may only possibly result in a liability are described in the notes, but no amounts have been set aside in the provision for risk and charges for them.

Dry stock provision

The costs of routine maintenance incurred in order to renew the class certificate are ascribed to the income statement of the year in which they were incurred. Accordingly, annual accruals are not made to the dry dock provision for future routine maintenance.

Employee severance indemnity

The employee severance indemnity provision covers the entire liability accrued for employees at the end of the accounting period in compliance with the laws in force and collective and other employment agreements. This liability is index-linked.

Payables

Payables are entered at their face value and, if expressed in a foreign currency, adjusted to year-end Euro exchange rates.

Recognition of revenues and costs

Revenues from the sale of goods are recognized at the time ownership changes hands or, if stated in the contract or formally requested by the customer, when sent to the deposit account.

Revenues from chartering out the company's own vessels or from transport and transshipment services are entered on an accrual basis.

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

Contributions

Contributions obtained in accordance with Italian law are recorded when they are definitively assigned to the company and charged to the income statement at the same time as the asset is amortized.

Income taxes

Income taxes are registered on the basis of the estimated taxable income in compliance with the laws in force, taking into account applicable exemptions and allowed tax credits.

Deferred taxes have also been entered for temporary differences between the accounting value of assets and liabilities and the corresponding amounts for tax purposes. Deferred taxes on any temporary differences in the value of assets are only shown if it is reasonably certain they may have to be paid and taking into account the probable tax rate applicable in the future. Tax benefits from tax loss carry-forwards are only shown when their use is foreseen.

Foreign currency conversion rules

Receivables and payables originally expressed in foreign currencies are converted to Euros at the exchange rates on the date of the corresponding transactions.

The exchange differences which occur when foreign currency receivables are received and payables paid are entered on the income statement.

Pursuant to the provisions laid down in the company law reform, receivables and payables are converted at the year-end exchange rate and the corresponding exchange differences are entered in item C

17 b on the income statement. The profits stemming from exchange rate differences, if positive, may not be distributed.

The above calculations are made taking any existing currency hedging into account.

Derivative contracts

Operations which stem from exchange rate or charter hedging (forward freight agreements) are shown in the memorandum accounts at their notional value, and the corresponding monetary effects are reflected on the financial statements at the same time as the transactions or financial flows they are related to.

Operations which cannot be defined as hedging are shown in the memorandum accounts at their notional value and calculated at the end of the accounting period; if they are losses, they are entered in the income statement.

Consolidation area

The Coeclerici Group consolidated financial statements include the financial statements of Coeclerici S.p.A. and the companies in which the parent company holds a controlling interest, either directly or indirectly. A list of the consolidated companies and investments in subsidiaries and associated companies calculated using the equity method is attached to the notes to the financial statements pursuant to sections 38 and 39 of Italian Legislative Decree No. 127/1991.

Some operations resulted in changes in the scope of consolidation compared with the previous year. The main ones were:

- Logconversion Transportes Maritimos Lda was set up, 70% of which is owned by the Group.
- Red Queen Transportes Maritimos Lda, Red Gardenia Transportes Maritimos Lda and China Transportes Maritimos Lda were set up. The Group has a 32.5% stake in the first two and 26% stake in the third through Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda.
- The 32.5% stake in Staines Holding Inc. was sold to third parties.
- A further 76% stake in Terminal Offshore Piombino S.p.A. was bought from third parties. The Group already held 4% on 31 December 2004, so on the 31 December 2005, it held 80% of the stock.

The newly incorporated Logconversion Transportes Maritimos Lda, 70% of which is held by the Group, owns the Bulk Pioneer operating unit built during 2005 and used since September in Indonesia for a transshipment contract which expires in August 2007.

The newly incorporated Red Queen Transportes Maritimos Lda, Red Gardenia Transportes Maritimos Lda and China Transportes Maritimos Lda manage bulk carriers (a Capesize vessel for each of the first two companies and a Panamax for the third) through long-term Time-Charter contracts.

Staines Holding Inc., of which the Group held 32.5% at the end of 2004, owned a Capesize vessel; sale of this equity investment in May 2005 led to a gain of about 5.4 million USD for the Group.

Terminal Offshore Piombino S.p.A. owns the Bulk Irony Floating Terminal Station used by the company for a lighterage and transport contract with the Lucchini Group which expires in January 2011. The 76%

equity investment in the subsidiary at the beginning of 2005 led to a € 164 thousand increase in the consolidation reserve.

Investments in unconsolidated subsidiaries

Certain investments in subsidiaries have not been included in the consolidation since they were essentially dormant and/or in liquidation in 2005. Consequently, their inclusion in the consolidated financial statements would not have been significant in terms of presenting a true and fair picture of the financial position and results of Group operations. They were assessed using the equity method.

The figures shown in these comments are expressed in thousands of Euros. The corresponding amounts from the previous year are shown in brackets.

Comments on balance sheet items

Assets

Fixed assets

Intangible fixed assets

€ 1,107 thousand (€ 675 thousand)

The intangible assets consist of:

	12/31/2005	**12/31/2004**
Start-up and expansion costs	168	6
Concessions, licenses, trademarks and similar rights	110	148
Initial capital	9	16
Others	820	505
TOTAL	**1,107**	**675**

The start-up and expansion costs increased mainly due to the cost of setting up the new company Logconversion Transportes Maritimos Lda, 70% of which is held by the Group.

“Concessions, licenses, trademarks and similar rights” includes software costs.

The € 9 thousand “Initial capital” refers to the remaining goodwill value registered by the consolidated company Viannlog - Consultoria Economica Lda when it purchased an equity holding in MBS Mediterranean Bulk System N.V.

The increase in “Other fixed assets” is mainly due to the payment of € 360 thousand for the coal trading franchise in Indonesia.

This item also includes € 322 thousand in leasehold improvements and € 53 thousand in commissions to secure loans.

Coal trading rights are amortized over the period of the contracts to which they refer.

Leasehold improvements are amortized over the period of the lease contracts, 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.

The amortization for the year was € 458 thousand.

Tangible fixed assets

€ 28,437 thousand (€ 19,654 thousand)

The tangible assets include the following amounts:

	12/31/2005	12/31/2004
Land and buildings	2,805	6,284
Plant and machinery	24,195	12,276
Industrial and commercial equipment	1	35
Other assets	1,385	1,046
Assets under construction and advances	51	13
TOTAL	**28,437**	**19,654**

The € 2,805 thousand in "Land and buildings" includes the Group's offices in Genoa and Rome. During 2005, the company redeemed the lease on the Genoa offices (the head office before relocation to the current Milan offices) from Banca Carige for € 2,874 thousand. During the same year, some floors of the building itself were sold for € 1,799 thousand, thus giving rise to a € 989 thousand gain.

€ 24,044 thousand of the "Plant and machinery" figure refers to the fleet (€ 12,173 thousand at 31 December 2004), € 89 thousand to gantry cranes, and about € 62 thousand to general plants and systems.

The main increases in the fleet during the year regard: the Bulk Pioneer Floating Transfer Station built during the year and used for transshipment operations in Indonesia; the Bulk Irony Floating Transfer Station, owned by Terminal Offshore Piombino S.p.A., which joined the consolidation area. These variations led to a € 19.2 million increase in the fleet.

The main decreases regard Staines Holding Inc. leaving the consolidation area. Staines Holding Inc. owns the Bulk Atalanta which had a net asset value at 31 December 2004 of € 4,542 thousand.

"Other tangible fixed assets" mainly refer to furniture and fixtures (€ 668 thousand), EDP equipment (€ 165 thousand) and motor vehicles (€ 176 thousand).

The € 3,016 thousand depreciation was calculated using the straight-line method on the basis of the following rates which are considered to represent the remaining useful lives of the assets:

Buildings	3%
Plant and machinery	10% - 20%
Other assets:	
- motor vehicles	25%
- furniture and office fittings	12% - 15% - 20%
- EDP	20%

The fleet is depreciated on the basis of the useful life of the vessels, normally taken as 20 or 25 years from the date of building. Depreciation is calculated net of scrap value. Vessels over 20 years old which are used under specific contracts are depreciated over the period of the contracts themselves.

Financial assets

€ 3,445 thousand (€ 7,354 thousand)

Equity investments

€ 992 thousand (€ 1,486 thousand)

This item shows the value of equity investments which have not been fully consolidated.

The investments in subsidiaries and associated companies at 31 December 2005 were as follows:

	12/31/2005		12/31/2004	
	%	Net book value	%	Net book value
Subsidiaries				
BTT S.r.l. (former Bulk Terminal Torres S.p.A., dormant)	—	—	100%	65
Charfer Trading S.A. (in liquidation)	—	—	100%	410
Ferchim S.r.l. (in liquidation)	75%	76	75%	76
New Sea Logistics EAD (dormant)	100%	26	—	—
Coeclerici Coal and Fuels International B.V. (in liquidation)	100%	79	100%	—
Coeclerici Logistics India Ltd (dormant)	100%	73	100%	—
Log Service Lda (dormant)	100%	22	—	—
CC Coal and Fuel Asia Lda	—	—	100%	22
Total subsidiaries		**276**		**573**
Associated companies				
Consorzio Italcoast (in liquidation)	—	—	50%	5
Consorzio Rinfuse porto di Brindisi	—	12	—	12
Freetravel S.r.l.	—	—	22%	22
Total associated companies		**12**		**29**
Total		**288**		**602**

The subsidiaries in the table were excluded from the consolidation area due to their insignificance or temporary control pursuant to section 28, subsection 2, letter A and letter D of Italian Legislative Decree 127/91.

The following equity investments were made during the year:

- 100% stake in New Sea Logistics EAD (Bulgaria) held by Sud Est S.r.l.;
- 100% stake in Log Service Lda held by Coeclerici Logistics S.p.A..

These companies were dormant in 2005.

Furthermore, Coeclerici Logistics S.p.A. sold 100% of its shareholding in the dormant subsidiary BTT S.r.l., former Bulk Terminal Torres S.p.A., during the accounting period.

During October 2005, Coeclerici Coal and Fuels International B.V., held 100% by the Group, was put into liquidation and therefore excluded from the consolidation area.

The equity investment in Coeclerici Logistics India Ltd has also been excluded from the consolidation area since the company no longer operates.

Lastly, CC Coal and Fuel Asia Lda was fully consolidated at 31 December 2005 since it operated during the accounting period considered.

The € 704 thousand in “Other companies” consists of shares in Telemar S.p.A. (€ 434 thousand), Mepeg S.p.A. (€ 259 thousand), Banca Popolare di San Giorgio (€ 7 thousand), Consar S.r.l. (€ 3 thousand) and other smaller companies (€ 1 thousand).

The decrease compared to last year is

due to Terminal Offshore Piombino S.p.A. joining the consolidation area in 2005. At 31 December 2004 the stake in this company accounted for € 180 thousand of this item.

Receivables

€ 2,453 thousand (€ 5,868 thousand)

This item includes a € 2,120 thousand loan (€ 5,016 thousand at 31 December 2004) granted to the Russian partner EPG Rusinkor. The loan entails constant monthly repayments until settlement in 2007 and a favorable interest rate compared to those offered on the financial markets. The amount due by the end of the next accounting period is € 1,907 thousand.

Residual receivables mainly refer to deposits held by third parties and advance tax paid on employee severance indemnity pursuant to Italian law 662/96, including revaluation at 31 December 2005.

Current assets

Inventories

€ 13,155 thousand (€ 18,271 thousand)

Consumables amount to € 310 thousand and mainly consist of lubricants and fuel oil on board vessels owned or chartered by the Group.

Goods for resale include € 5,727 thousand in fossil coal inventories and € 378 thousand in anthracite coal. To date most of the inventory has been sold without loss.

The € 6,740 thousand in advances consists of payments to suppliers for commodities from Russia.

Receivables

€ 59,825 thousand (€ 112,536 thousand)

All current receivables are short-term and consist of the following:

	12/31/2005	12/31/2004
Customers	29,587	70,895
Subsidiaries	84	12
Associated companies	0	8
Holding companies	12,977	13,855
Tax receivables	2,410	3,801
Deferred tax assets	2,955	4,053
Others	11,812	19,912
Total	**59,825**	**112,536**

Trade receivables

€ 29,587 thousand (€ 70,895 thousand)

Trade receivables are shown net of the allowance for doubtful receivables (€ 1,654 thousand). They mainly include trade receivables from third parties for normal business transactions. To date most of the receivables have been collected.

This item includes € 3,183 thousand in trade receivables from customers of the pool companies (C Transport Cape Size Ltd and C Transport Panamax Ltd) sold to third parties during 2004. The Group carries out billing and collection operations on behalf and in the interest of the companies with regard to the existing contracts on the date of sale.

The substantial decrease in trade receivables compared to 2004 is due to the considerable decrease in operations carried out on behalf of the pool companies.

Receivables from subsidiary, associated and holding companies
€ 13,061 thousand (€ 13,875 thousand)

At the end of the accounting period, the receivables concerned consisted of:

	12/31/2005	12/31/2004
Subsidiaries		
BTT S.r.l. (former Bulk Terminal Torres S.p.A., dormant)	0	7
Charfer Trading S.A. (in liquidation)	0	1
CC Coal and Fuel Asia Lda	0	3
Other minor receivables	0	1
Coeclerici Coal and Fuels B.V. (in liquidation)	84	0
Total subsidiaries	**84**	**12**
Associated companies		
Various minor receivables	0	8
Total associated companies	**0**	**8**
Holding companies		
Coeclerici International N.V.	11,327	11,867
Coeclerici Holding S.p.A.	1	1,988
Cocler S.p.A.	1,649	0
Total holding companies	**12,977**	**13,855**
Total	**13,061**	**13,875**

The receivables shown in the table are all commercial, except for the receivables from holding companies.

The € 11,327 thousand in receivables from Coeclerici International N.V. refers to the short-term loan granted by Coeclerici S.p.A.; this loan accrues interest at market rates.

The receivables from the indirect holding company Cocler S.p.A. refer to tax receivables, transferred after joining the Group consolidation for tax purposes. In particular this amount refers to:

– € 85 thousand in receivables for tax withheld on bank interest;
– € 188 thousand in receivables for advanced IRES (corporate income tax) paid during the accounting period;
– € 1,376 thousand in receivables for tax calculated on tax losses during 2005.

Tax receivables
€ 2,410 thousand (€ 3,801 thousand)

Tax receivables mainly consist of IRPEG (corporate income tax) and ILOR (local income tax) requested for reimbursement in preceding years, and VAT receivables. The item also includes € 654 thousand (€ 1,512 thousand at 31 December 2004) relating to amounts paid for disputed provisional tax assessments which also appear in the "Provision for taxes" item.

Deferred tax assets
€ 2,955 thousand (€ 4,053 thousand)

Deferred tax assets mainly consist of provisions for risks set aside during the year and during previous years, which are not immediately tax deductible.

Other receivables
€ 11,812 thousand (€ 19,912 thousand)

This item consists of:

	12/31/2005	12/31/2004
Financial receivables	0	5,571
Advance payments to minority shareholders	4,607	3,502
Advance payments to suppliers	2,473	1,739
Receivables transferred to factoring companies	2,448	7,674
Social security institutions	26	47
Employees	77	108
Insurance companies	34	36
Other receivables	2,147	1,235
Total	**11,812**	**19,912**

At 31 December 2004, the financial receivables referred entirely to a loan made by the Group to Solinger Strasse Investment B.V., which was repaid at the six-month Euribor rate plus a spread of 1%; this loan was fully repaid in April 2005.

The advance payments to minority shareholders refer to the interest-free loans granted by the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda to Drylog Investment Ltd (35% shareholder in that subsidiary); these loans will be paid back in 2006.

The advances to suppliers mainly refer to advances given to shipping agents and shipping companies and to the payments of chartering costs relating to invoices which were registered during the year.

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

Since the receivables transferred consisted of the capital and interest at 31 December 1996, the financial statements include an interest receivable from Fiscambi Factoring for an amount equal to the interest on the tax receivables transferred and the interest Fiscambi Factoring shall pay Coeclerici once they have collected the receivables from the tax authorities.

The figure of € 2,448 thousand consists of the residual receivables (€ 2,137 thousand) and the accrued interest (€ 311 thousand). The changes compared to last year are due to payments made by Fiscambi during the accounting period (€ 5,251 thousand) and the 2005 accrued interest (€ 25 thousand).

Other receivables include € 65 thousand in contributions allotted to the "plant" item according to Italian law 488/1992 (still to be collected), and € 930 thousand in contributions allotted to the "plant" item according to Italian law 341/1995, available as tax receivables for use in offsetting. These contributions were paid for the building of the Bulk Irony operating unit, owned by Terminal Offshore Piombino S.p.A.

Financial assets - not constituting fixed assets

€ 532 thousand (€ 680 thousand)

This figure consists of an investment in 685,333 shares in Pirelli S.p.A, purchased in previous years on the Milan stock exchange. The change in comparison with the previous year essentially relates to the write-down made to adjust these shares to market value.

Cash in banks and on hand

€ 39,823 thousand (€ 33,766 thousand)

Bank and postal deposits

€ 39,692 thousand (€ 33,627 thousand)

"Bank and postal deposits" consist of temporarily available funds in banks resulting from treasury management. These deposits consist entirely of Euro and foreign currency current accounts.

Cash and cash equivalents

€ 131 thousand (€ 139 thousand)

This item consists of the cash funds held at the various Group offices on 31 December 2005.

Accrued income and prepaid expenses

This item consists entirely of prepaid expenses.

Prepaid expenses

€ 2,946 thousand (€ 2,715 thousand)

The item may be broken down as follows:

	12/31/2005	12/31/2004
Charter and shipping costs	2,403	2,213
Insurance premiums	121	97
Rental fees	13	14
Port fees and similar	13	11
Others	396	380
Total	**2,946**	**2,715**

Equity and liabilities

Shareholders' equity

The flows in the various shareholders' equity components are shown in an attached document. Part of the reserves are awaiting taxation; no taxes have been allocated at this time since no transactions are expected which would give rise to taxation.

Share Capital

€ 9,565 thousand (€ 9,565 thousand)

The € 9,565 thousand share capital is entirely subscribed to and fully paid-in. It consists of 9,565,000 ordinary shares with a par value of € 1 each.

Legal reserve

€ 2,294 thousand (€ 1,187 thousand)

This consists of the parent company's legal reserve.

Translation reserve

€ (663) thousand (€ (3,470) thousand)

This reserve refers to the conversion of the financial statements of foreign subsidiaries into Euros and has a negative effect on the net shareholders' equity.

Consolidation reserve

€ 5,630 thousand (€ 5,466 thousand)

This reserve includes the differences between the price paid and the net equity of consolidated companies at the date of purchase.

Other reserves

€ 2,829 thousand (€ 0 thousand)

This reserve was set aside in pursuance of section 2426, subsection 8 b of the Italian Civil Code, and refers to net profits stemming from the end-of-period conversion of parent company foreign currency items. This reserve is not distributable until the profits themselves are realized.

Retained earnings

€ 36,871 thousand (€ 25,586 thousand)

This reserve consists of the total profits attributable to the Group made by the parent company and the consolidated companies. The net change of € 11,285 thousand is described in detail in the attached "description of the changes in the consolidated net equity accounts".

Minority interest in capital and reserves

€ 8,170 thousand (€ 8,430 thousand)

At 31 December 2005, this item included the value of the minority interest in capital and reserves relating to 35% of Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda, 10% of Bulkguasare de Venezuela S.A., 49% of CC Steel Shipping and Logistics AD, 20% of Terminal Offshore Piombino S.p.A. and 30% of Logconversion Transportes Maritimos Lda.

Provisions for risks and charges

Pensions and similar obligations

€ 44 thousand (€ 126 thousand)

This item includes funds relating to pensions, of which € 35 thousand regards the subsidiary Coeclerici Coal and Fuels S.p.A. and € 9 thousand, the subsidiary Bulkguasare de Venezuela S.A.

Provision for taxes

€ 2,899 thousand (€ 4,722 thousand)

This item includes deferred taxes which arise from provisions for zeroing items entered solely for tax purposes on the consolidated financial statements, and for other positive or negative income components with deferred tax deductibility.

Company	31/12/2004	Provisions	Uses	Reclassifications and other changes	31/12/2005
Tax fund					
CC Steel Shipping and Logistics AD	296	0	0	(296)	0
Somocar International N.V.	5	0	(5)	0	0
Total	**301**	**0**	**(5)**	**(296)**	**0**
Deferred Taxes					
Coeclerici S.p.A.	3,503	374	(1,498)	165	2,544
Bulkguasare de Venezuela S.A.	253	0	(87)	32	198
Coeclerici Coal and Fuels S.p.A.	665	26	(547)	0	144
Coeclerici Logistics S.p.A.	0	13	0	0	13
Total	**4,421**	**413**	**(2,132)**	**197**	**2,899**
TOTAL	**4,722**	**413**	**(2,137)**	**(99)**	**2,899**

During 1999 and the first months of 2000 the Italian tax authorities carried out 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., now Coeclerici S.p.A., regarding 1997 and 1998 (directly and through the relative incorporating companies). Partial assessments were also received from the Income Tax and VAT Offices for significant amounts on account of tax authorities' reports concerning partial inspections for 1993, 1994, 1995 and 1996. With the aid of the Group's tax consultants, Coeclerici appealed against the assessments and defence cases were prepared. The appeals filed have always been ruled in favour of the company. Therefore, on the basis of the appeals filed, the rulings that have already been issued in favour of the company, and the opinions of the Group's advisors, it is believed that no significant tax liabilities could arise from the pending litigation.

Other provisions

€ 13,060 thousand (€ 14,321 thousand)

These include provisions made for commercial risks deriving from existing contracts in various business sectors, and some disputes which are still outstanding.

The main changes in this item during 2005 were:

– € 5,726 thousand in provisions;
– € 5,058 thousand in uses as a result of liabilities;
– € 2,534 thousand released to the income statement item “Other income and revenues” .

Employee severance indemnity

The figure of € 1,096 thousand (€ 1,616 thousand at 31 December 2004) shown fully covers the whole amount due to employees in accordance with the laws in force. The overall change consists of a € 488 thousand increase for severance indemnity accrued by employees during the accounting period and the use of € 1,008 thousand for advance payments and severance pay for employees leaving.

Payables

These consist of:

	Total at 12/31/2005	Expiry	
		Within 1 year	From 1 to 5 years
Banks	25,970	18,080	7,890
Payments on account	4,430		
Trade payables	13,888		
Subsidiaries and associated companies	19		
Holding companies	579		
Tax authorities	2,455		
Social security institutions	286		
Others	1,606		
Total	**49,233**		

There are no amounts due in periods of longer than 5 years.

Bank borrowings

€ 25,970 thousand (€ 45,375 thousand)

“Bank borrowings” consist of € 8,827 thousand in financing and loans, € 15,657 thousand in short-term advances and € 1,486 thousand in overdrawn current accounts. The loan instalments due in 2006 amount to € 937 thousand.

The € 15,657 thousand in short-term advances mainly refers to loans made by banks to Coeclerici Coal and Fuels S.p.A. to finance the coal trading business.

The Group had the following outstanding loans at 31 December 2005:

	USD/000	€/000	Expiry	
			Within 1 year	From 1 to 5 years
Unsecured guarantees				
Banca Carige	4,500	3,815		3,815
Secured guarantees				
Sardaleasing (leasing)		349	89	260
Monte Paschi per l’impresa	5,500	4,663	848	3,815
Total	**10,000**	**8,827**	**937**	**7,890**

At 31 December 2004, loans and financing totalled € 24,518 thousand; during 2005, there was an overall € 20,354 thousand decrease in loans and financing mainly due to settlement

of loans from Efibanca and Deutsche Schiffsbank, advance redemption of the lease on the Genoa offices and partial repayment of the existing syndicated credit line.

The € 4,663 thousand loan granted by Monte Paschi was used to finance the Bulk Irony operating unit, belonging to Terminal Offshore Piombino S.p.A., which came into the consolidation area during 2005.

Payments on account

€ 4,430 thousand (€ 7,894 thousand)

These are advances received from customers in the normal course of Group business operations.

Trade payables

€ 13,888 thousand (€ 35,573 thousand)

This figure shows the current amount due to suppliers in connection with the normal course of Group business operations. It is entirely payable within the following year according to the normal payment terms granted to the Group.

This item includes € 4,041 thousand for trade payables to suppliers of the pool companies C Transport Cape Size Ltd and C Transport Panamax Ltd, on behalf and in the interest of which the Group provides billing and collection services.

Subsidiaries and associated companies

€ 19 thousand (€ 0 thousand)

This figure refers to the amount owed by Sud Est S.r.l. to the unconsolidated subsidiary New Sea Logistics EAD for the capital increase subscribed during the year, but not yet paid in at 31 December 2005.

Payables to holding companies

€ 579 thousand (€ 4,107 thousand)

This item includes € 534 thousand relating to payables for IRES (corporate income tax) for the year, which was transferred as part of the Group consolidation for tax purposes to the indirect holding company Cocler S.p.A. Furthermore, it includes € 45 thousand in payables to the holding company Coeclerici Holding S.p.A. for services.

Tax authorities

€ 2,455 thousand (€ 1,426 thousand)

This consists of:

	12/31/2005	12/31/2004
Income taxes	185	177
Employee and freelance withholding taxes	2,270	1,249
Total	**2,455**	**1,426**

Payables to social security institutions

€ 286 thousand (€ 311 thousand)

This item mainly refers to the December 2005 social security contributions, which were duly paid in January 2006.

Other payables

€ 1,606 thousand (€ 935 thousand)

This item includes the amount owed for the previously mentioned contributions pursuant to Italian Law 341/1995 (€ 930 thousand). Final authorization for the contribution arrived during the first months of 2006 and consequently this amount will be transferred to the deferred assets in the next accounting period and released into the income statement during the Bulk Irony Floating Transfer Station contract period.

The item also includes the amount owed to the pool companies C Transport Cape Size Ltd and C Transport Panamax Ltd corresponding to the net balance of the payments and collections made by the Group on behalf and in the interest of these pool companies themselves (€ 278 thousand), as well as other payables worth € 398 thousand.

Accrued liabilities and deferred income

Accrued expenses and deferred income consist of the following:

Accrued liabilities

€ 607 thousand (€ 838 thousand)

These consist of:

	12/31/2005	12/31/2004
Salaries and deferred social security payments	479	452
Interest on loans	25	195
Others	103	191
Total	**607**	**838**

Deferred income

€ 3,177 thousand (€ 1,415 thousand)

The deferred income can be broken down as follows:

	12/31/2005	12/31/2004
Charters and other operating income	2,618	1,407
Deferred contributions Law No. 488/1992	554	0
Others	5	8
Total	**3,177**	**1,415**

Memorandum accounts

At 31 December 2005, the Group had the following memorandum accounts:

Guarantees given

<u>In favour of consolidated subsidiary companies</u>

€ 3,683 thousand (€ 1,817 thousand)

At 31 December 2005 there was a € 41 thousand surety bond issued to the Port of Genoa harbour office on behalf of the subsidiary Capo Noli Transportes Maritimos Lda, a € 1,431 thousand surety bond issued to Bulkbank Sofia on behalf of the subsidiary CC Steel Shipping and Logistics A.D., a € 848 thousand surety bond issued to the Indonesian customer Kaltim Prima Coal on behalf of the subsidiary Logconversion Transportes Maritimos Lda, a € 508 thousand surety bond issued to the customer Carbones del Guasare di Maracaibo (Venezuela) on behalf of the parent company Coeclerici S.p.A., a € 153 thousand guarantee issued to SEB Immobilien Investment GmbH for the building at 2 Via Della Chiusa, Milan (where the company offices are found) on behalf of the parent company Coeclerici S.p.A., and a € 13 thousand surety bond issued to the Piombino Port Authority on behalf of the subsidiary Terminal Offshore Piombino S.p.A. On behalf of Coeclerici Coal and Fuels S.p.A., there were surety bonds in favour of third parties amounting to € 415 thousand, which were issued by Atradius - Società Italiana Cauzioni to the Italian Ministry of Industry (Ministero delle Attività Produttive) to secure performance by Consorzio Maturatori. There is also a € 258 thousand surety bond issued by Atradius N.V. to Enel Trade S.p.A. on behalf of Mediterranean Bulk System N.V.

A figure of € 16 thousand refers to guarantees issued to the owners of rented buildings.

In favour of third parties

€ 2,714 thousand (€ 3,948 thousand)

This is a € 2,714 thousand guarantee granted to Mediocredito Centrale for financing pursuant to law 100/Venezuela. It has expired, but is still open to cover the revocatory period on behalf of the parent company Coeclerici S.p.A.

Commitments

€ 31,502 thousand (€ 28,493 thousand)

The Group undertook hedging operations against the Euro/USD exchange rate risk. In particular, at the end of the year, the Group had USD 32,034 thousand in currency forward sales for a corresponding notional value of € 4,126 thousand, and USD 5,000 in currency forward purchases for a corresponding notional value of € 26,970 thousand. The characteristics of the operations at 31 December 2005 are summarized in the following table:

Expiry	Quantity (USD/ thousand)	Foreign currency forward contract transactions per 1 USD	Notional value (Euros/ thousand)	Difference with market value at 31/12/2005 (*) (Euros/ thousand)
Sales				
Q1 2006	21,406	0.843	18,049	(73)
Q2 2006	4,770	0.842	4,019	5
Q3 2006	4,088	0.838	3,427	4
Q4 2006	1,770	0.833	1,475	1
Total sales	**32,034**	**0.842**	**26,970**	**(63)**
Purchases				
Q2 2006	2,500	0.827	2,068	37
Q3 2006	2,500	0.823	2,058	37
Totale purchases	**5,000**	**0.825**	**4,126**	**74**

(*) The market value was calculated from the notional contract value and the forward value of the same contract recalculated at 31 December 2005.

The residual amount of € 406 thousand entered in the commitments refers to the total rental which expires at 31 December 2005 on the buildings in Rome.

Other memorandum accounts

€ 3,928 thousand (€ 1,610 thousand)

This includes a USD 1,474 thousand (€ 1,249 thousand) surety bond issued by Banque de Commerce et de Placement of Geneva to Sonoma International Corp. on behalf of Coeclerici Coal and Fuels S.p.A. for a trading operation which was already successfully concluded in the first months of 2006, and a surety bond issued by Coeclerici Coal and Fuels S.p.A. on behalf of the Norwegian shipowner J.B. Ugland.

There is also a € 37 thousand performance bond issued by Toro Assicurazioni to the subsidiary Shipping Services S.r.l., on behalf of the supplier Sammi S.r.l. to secure performance by Capo Noli Transportes Maritimos Lda, a subsidiary controlled by Coeclerici Group, and another € 7 thousand surety bond issued by Banca di Cividale to the subsidiary Shipping Services S.r.l., on behalf of the supplier Fluidotecnica Impianti S.r.l. again to secure performance by Capo Noli Transportes Maritimos Lda.

The € 2,635 thousand difference consists of various surety bonds to guarantee supply contracts and various authorizations.

Furthermore the Group has long-term time charter contracts for the ships: Red Orchid, Red Tulip, Red Rose, Red Lily, Red Iris, Bulk India, Bulk China, Red Gardenia, Bulk Singapore and Red Queen with purchase options from 3 years after ship delivery and an average contract duration of 7 to 10 years.

The ships mentioned above are all chartered with time-charter contracts with third parties, except Red Tulip and Red Gardenia which form part of the C Transport Panamax Ltd. pool.

Comments on the consolidated income statement

The 2004 production value is shown net of € 786,888 thousand, which was compensated for by reducing the production costs in order to remove the revenues and costs from the 2004 income statement relating to the business operations carried out by the parent company on behalf and in the interest of the pool companies, C Transport Cape Size Ltd and C Transport Panamax Ltd. The aim of this compensation is to provide a clearer picture of the collection and payment operations carried out by the parent company on behalf and in the interest of the pool companies in a way which is consistent with the criterion applied as from 1 October 2004.

Production value

Revenues from sales and services

€ 334,069 thousand (€ 420,251 thousand)

This item consists of:

	2005	2004
Revenues from sales:		
Coal	208,383	274,688
Fuel, lubricants and other raw materials	0	648
Revenues from services:		
Charters and shipping transport	102,888	116,583
Commission for the management of pool ships	0	9,184
Coal brokerage commission	290	313
Transshipment and other logistics services	22,508	18,558
Brokerage commissions	0	277
Total	**334,069**	**420,251**

The revenues relating to coal sales and brokerage, € 208,383 thousand and € 290 thousand respectively, derive from the trading activities of the subsidiary Coeclerici Coal and Fuels S.p.A.

Due to the sale of the company branch concerned with the shipping pool management activities in 2004, the Group did not receive payment for their management or brokerage commissions in 2005.

The revenues for transhipment and other logistics services increased in 2005 due to Terminal Offshore Piombino S.p.A. joining the consolidation area and the Bulk Pioneer operating unit coming into service during the final months of the year.

Increase in fixed assets for internal work

€ 487 thousand (€ 0 thousand)

The 31 December 2005 balance consists entirely of internal staff costs during the accounting period stemming from the building of the Bulk Pioneer Floating Transfer Station.

Other income and revenues

€ 19,281 thousand (€ 10,864 thousand)

Other income and revenues consist of:

	2005	2004
Incidental shipping revenues	10,430	0
Settlements and indemnities	0	1,500
Income from derivative contracts	1,473	0
Recovery of costs and charges	154	1,514
Revenues for recovery of fees	34	791
Company branch sale settlement	646	700
Gains from the disposal of other assets	43	212
Income from technical assistance services	589	572
Release of provisions for risks	1,020	2,830
Insurance claims	48	120
Rental and other income	0	249
Other income and out-of-period income	4,844	2,376
Total	**19,281**	**10,864**

The "Incidental shipping revenues" derive from the extraordinary dividend distributed by the pool company C Transport Panamax Ltd to the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda relating to income stemming from the sale of the ship Santa Vitoria by the pool itself.

The "Income from derivative contracts" refers to income from charter hedging operations carried out by the subsidiary Coeclerici Coal and Fuels S.p.A.. The corresponding costs have been entered under "Other operating charges".

The sale of the pool company branch in 2004 created a net contingent gain in 2005 of € 646 thousand stemming from items previously entered in the net circulating capital.

Production costs

Raw, ancillary and consumable materials, and goods

€ 119,745 thousand (€ 134,226 thousand)

This item consists of:

	2005	2004
Trading activities		
Coal	114,592	132,096
Shipping activities		
Bunkers / lubricants / spare parts	4,504	1,630
Other		
Consumables	649	500
Total	**119,745**	**134,226**

Services costs

€ 178,907 thousand (€ 234,691 thousand)

This item may be broken down as follows:

	2005	2004
Trading activities		
Transportation costs	78,159	126,171
Shipping activities and logistic services		
Charter costs	80,819	87,249
Technical costs for fleet and plants	6,218	4,297
Port and other shipping costs	5,852	5,531
Overheads	7,859	11,443
Total	**178,907**	**234,691**

Overheads include, among other things, € 3,272 thousand for both business and organizational third-party consultant advice, € 824 thousand in travelling costs, € 314 thousand in advertising costs, € 529 thousand in expenses for utilities and real estate administration, and € 441 thousand in bank commission.

The item also includes the remuneration of parent company directors and statutory auditors at 31 December 2005:

	Number	Remuneration
Directors	8	811
Statutory auditors	3	35
Total	**11**	**846**

The fees paid to the directors during 2005 come to € 2,511 thousand, € 1,700 thousand of which is fees relating to the 2004 accounting period.

Rents, leases and similar costs

€ 1,364 thousand (€ 685 thousand)

These consist of building leases and rentals, as well as the cost of renting motor vehicles, office equipment and software.

Personnel costs

€ 7,615 thousand (€ 11,161 thousand)

These costs are already broken down on the income statement chart. The average number of employees by category at the end of the year was:

	2005	2004
Management	10	18
White-collar	66	100
Seafaring staff	166	203
Total	**242**	**321**

Amortization, depreciation and write-downs

€ 4,053 thousand (€ 3,896 thousand)

These items are already broken down on the income statement chart. Refer to the comments under intangible and tangible fixed assets for additional information on amortization and depreciation.

Provisions for risks and other provisions

€ 5,726 thousand (€ 7,957 thousand)

€ 5,355 thousand was prudentially set aside in the financial statements to cover losses relating to existing contracts, reorganization expenses, and risks connected to a few legal and business disputes.

Other operating charges

€ 14,943 thousand (€ 3,974 thousand)

This item includes miscellaneous expenses not otherwise classifiable in the other category “B” items on the income statement.

The most important item consists of the € 11,104 thousand in penalties paid to the pool companies by the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda in compensation for some ships leaving the pool in advance.

This item also includes € 1,428 thousand in costs for charter hedging by the subsidiary Coeclerici Coal and Fuels S.p.A.

The other significant costs regard € 260 thousand in entertainment costs and € 871 thousand in out-of-period expenses.

Financial income and charges

Income from equity holdings - other companies

€ 60 thousand (€ 943 thousand)

€ 46 thousand of this amount refers to the dividends received from the equity holding in Telemar S.p.A. and € 14 thousand to the dividends received from the share investment in Pirelli S.p.A.

Other financial income

€ 1,766 thousand (€ 2,091 thousand)

The other financial income item consists of:

	2005	2004
Subsidiaries	7	0
Holding companies	370	530
Others		
Securities entered as current assets	77	0
Interest on loans to Group companies	0	679
Bank interest	0	236
Other financial income	1,312	646
Total	**1,766**	**2,091**

Financial interest and charges

€ 1,815 thousand (€ 1,640 thousand)

These consist of:

	2005	2004
Holding companies	0	986
Banks and financial institutions	1,815	654
Total	**1,815**	**1,640**

Exchange gains and losses

€ (3,556) thousand (€ 462 thousand)

Besides the exchange differences stemming from bringing the foreign currency payables and receivables outstanding at the end of the year in line with year-end rates, the differences which occurred during the year are also included in item C 17 b. Details of the exchange differences realized and not realized at 31 December 2005 are given in the table below (in thousands of Euros):

	Realised	Not realised	Total
Exchange gains	19,163	4,488	23,651
Exchange losses	(23,191)	(4,016)	(27,207)
Total	**(4,028)**	**472**	**(3,556)**

The Euro/USD exchange rate at the end of 2005 was 1.1797 (1.3621 at the end of 2004): the American currency had increased in value by about 13% compared to the end of the previous year.

Adjustments to financial assets

The € 20 thousand in write-downs relate to the adjustments made to the value of equity investments in unconsolidated and associated companies calculated using the net equity method.

The adjustments also include € 148 thousand for the depreciation of securities registered under current assets which are not equity investments. These were adjusted to their market value at 31 December 2005.

Extraordinary income and charges

Extraordinary income

€ 7,986 thousand (€ 11,222 thousand)

This item mainly includes the gains from the sale of stock in Staines Holding Inc. (€ 6,702 thousand), from the sale of a portion of the building located in Genoa redeemed in advance during 2005 from the lease contract with Banca Carige (€ 965 thousand) and from the sale of the equity investment in Freetravel S.r.l. (€ 9 thousand).

Extraordinary charges

€ 386 thousand (€ 4,459 thousand)

The most significant extraordinary charges regard various taxes relating to previous years.

Income taxes

The tax burden for the year that closed on 31 December 2005 is positive and equal to € 122 thousand. This was calculated according to the laws in force and taking exemptions, components subject to deferred taxation, and the effects of the indirect holding company Cocler S.p.A. joining the Group consolidation for tax purposes into account.

The tax figure consists of:

	€/thousand
Italian (IRES) and foreign subsidiary income taxes	(1,487)
Regional Business Tax (IRAP)	(553)
Allocation to the deferred tax fund	(413)
Use of the deferred tax fund	2,137
Deferred tax assets transferred to the indirect holding company Cocler S.p.A. as part of the Group consolidation for tax purposes.	1,376
Release of deferred tax assets	(938)
Total 2005 taxes	**122**

Comparison between the net equity of Coeclerici S.p.A. and the Group

(in thousands of Euros)

	Net income	Shareholders' equity
	Increase / (Decrease)	
Coeclerici S.p.A. at December 31, 2005	**15,491**	**60,313**
Group's share of consolidated companies' net equity and result for the year	24,658	11,937
Elimination of inter-company dividends	(24,258)	0
Adjustment to the financial statements of some of the companies to bring them into line with the Group accounting principles, net of the tax effect if any	(2,171)	1,729
Adjustment to eliminate inter-company gains in the consolidated financial statements that have not been realized with third parties, net of the related tax effect	738	(2,995)
Coeclerici Group at December 31, 2005	**14,458**	**70,984**

Annexes

Coeclerici Group
Consolidated statement of cash flows

(Translation from the original issued in Italian)

(Thousands of Euros)

		2005	2004
A	**Net money balances, start of year**	**13,589**	**15,385**
B	**Cash flows provided by operating activities**		
	Net income for the year	14,458	30,228
	Amortization and depreciation	4,053	3,896
	(Utilization) / accruals of provision for liabilities and expenses, net	(3,166)	8,695
	Increase in fixed assets for internal works	(487)	0
	Gains on disposals of fixed assets, net	(7,681)	(910)
	Gains on the disposal of the pool companies	0	(7,136)
	Write-downs/(revaluations) of financial fixed assets, net	20	(264)
	Change in employees' leaving indemnity, net	(631)	(191)
	Cash flows from operating activities before changes in working capital	6,566	34,318
	Decrease / (increase) in current receivables	52,711	(14,033)
	Decrease in inventories	5,116	6,244
	Decrease in trade and other payables	(26,982)	(19,980)
	Other changes in working capital	3,653	(2,106)
		41,064	**4,443**
C	**Cash flows provided by changes in the scope of consolidation**		
	Net working capital	504	(15,137)
	Intangible and tangible fixed assets	(6,291)	(5,853)
	Financial fixed	(180)	(13,059)
	Loans and mortgages	3,118	3,923
	Provision for employees' leaving indemnity and other	111	2,679
	Stockholders' equity - Group	164	5,466
	Stockholders' equity - minority interest	1,552	3,229
	Gains from the sale of stock in Staines Holding Inc.	6,702	0
	Cash in from the disposal of the pool companies	0	7,136
		5,680	**(11,616)**
D	**Cash flows used for investing activities**		
	Investments in fixed assets:		
	- intangible fixed assets	(890)	(444)
	- tangible fixed assets	(8,317)	(4,642)
	- financial fixed assets	(48)	(578)
	Proceeds from disposal or reimbursement value of fixed assets	4,347	11,094
		(4,908)	**5,430**
E	**Cash flows provided by (used for) financing activities**		
	New loans obtained	0	11,083
	Repayment of loans and mortagages	(18,809)	(6,818)
	Net decrease of receivables in the financial fixed assets	3,415	8,387
	Distribution of income	(15,007)	(16,834)
	Change in minority interests	(1,812)	4,129
		(32,213)	**(53)**
F	**Net cash flows during the year (B+C+D+E)**	**9,623**	**(1,796)**
G	**Net money balances, end of year (A+F)**	**23,212**	**13,589**

Coeclerici Group
Statement of changes in consolidated stockholders' equity

(Translation from the original issued in Italian)

(In thousands of Euros)

	Capital stock	Legal reserve	Cumulative translation adjustments	Consolidation reserve	Other reserve	Retained earnings	Net income	Total
Balance at December 31, 2004	**9,565**	**1,187**	**(3,470)**	**5,466**	**0**	**25,586**	**30,228**	**68,562**
Appropriation of 2004 net income		1,107			2,829	26,292	(30,228)	0
Distribution of dividends to stockholders						(15,007)		(15,007)
Effect of the translation of foreign currency financial statements			2,807					2,807
Consolidation reserve for new equity partecipations acquire in the year				164				164
Net income at December 31, 2005							14,458	14,458
Balance at December 31, 2005	**9,565**	**2,294**	**(663)**	**5,630**	**2,829**	**36,871**	**14,458**	**70,984**

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

Company	Registered office	Currency	Capital stock	% ownership
Bourgas Transportes Maritimos Lda	Portogallo	Euro	5.000	100,00%
Bulkguasare de Venezuela S.A.	Venezuela	Bsv	2.408.000.000	90,00%
Capo Noli Transportes Maritimos Lda	Portogallo	Euro	5.000	100,00%
CC Shipping Services Monaco S.a.m	Monaco	Euro	152.000	100,00%
CC Steel Shipping and Logistics AD	Bulgaria	Bgl	50.000	51,00%
Coeclerici Compagnie S.A.	Svizzera	Frs	100.000	100,00%
Coeclerici Carbometal S.r.l.	Milano	Euro	65.000	100,00%
Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda	Portogallo	Euro	5.000	65,00%
Coeclerici Coal and Fuels S.p.A.	Milano	Euro	5.000.000	100,00%
Coeclerici Logistics S.p.A.	Milano	Euro	10.000.000	100,00%
Kyla Charter Transportes Maritimos Lda	Portogallo	Euro	5.000	100,00%
Shipping Services S.r.l.	Milano	Euro	45.000	100,00%
Somocar International N.V.	Olanda	Euro	60.602	100,00%
Sud Est S.r.l.	Brindisi	Euro	100.000	100,00%
Terminal Offshore Piombino S.p.A.	Milano	Euro	4.500.000	80,00%
CC Coal and Fuel Asia Lda	Portogallo	Euro	5.000	100,00%
Logconversion Transportes Maritimos Lda	Portogallo	Euro	2.300.000	70,00%

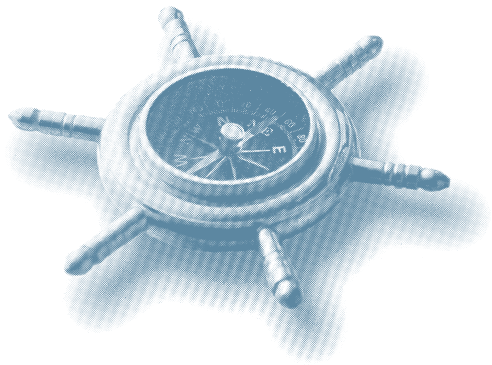
List of companies consolidated using the proportional method

Company	Registered office	Currency	Capital stock	% ownership
Kidecrane Corporation	Panama	Usd	1.500.000	50,00%
Mediterranean Bulk System N.V.	Olanda	Euro	45.000	50,00%
Red Orchid Shipping Corporation	Panama	Usd	10.000	32,50%
Red Rose Shipping Corporation	Panama	Usd	10.000	32,50%
Red Tulip Shipping Corporation	Panama	Usd	10.000	32,50%
Singapore Transportes Maritimos Lda	Madeira	Euro	5.000	32,50%
Red Queen Transportes Maritimos Lda	Madeira	Euro	5.000	32,50%
Red Gardenia Transportes Maritimos Lda	Madeira	Euro	5.000	32,50%
Red Lily Shipping Corporation	Panama	Usd	10.000	26,00%
China Transportes Maritimos Lda	Madeira	Euro	5.000	26,00%
Red Iris Shipping Corporation	Panama	Usd	10.000	19,50%
Bulk India Shipping Corporation	Panama	Usd	10.000	16,25%
Viannlog Lda	Madeira	Euro	5.000	50,00%

List of companies valued using the equity method

Company	Registered office	Currency	Capital stock	% ownership
Ferchim S.r.l. in liquidation	Milano	Euro	96.720	75,00%
Charfer Trading S.A. in liquidation	Svizzera	Frs	200.000	100,00%
Log Service Transportes Maritimos Lda	Portogallo	Euro	5.000	100,00%
Coeclerici Coal and Fuels International B.V. in liquidation	Olanda	Euro	18.000	100,00%

Statutory Auditors' report



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**AUDITORS' REPORT PURSUANT TO
ART. 2409-TER OF ITALIAN CIVIL CODE**

**To the Shareholders of
COECLERICI S.p.A.**

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, 2005. These consolidated financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, 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, which statements reflect total assets representing 3,0% of consolidated total assets and revenues representing 3,1% of consolidated revenues, is the responsibility of other auditors.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes as required by law, reference should be made to the auditor's report issued by us on May 31, 2005.

In our opinion, the consolidated financial statements present fairly, the financial position of the Coeclerici Group as of December 31, 2005, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

DELOITTE & TOUCHE S.p.A.

Signed by
Fabrizio Fagnola
Partner

Genoa, Italy,
April 13, 2006

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

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