COECLERICI ANNUAL REPORT 2006

Annual Report 2006

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, 2006

Coeclerici S.p.A.

- **Coeclerici SpA**
  - **65% Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda**
    - 50% Red Orchid Shipping Corp.
    - 50% Red Tulip 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
    - 50% Jasmine Transportes Maritimos Lda
    - 25% Red Lotus Shipping Corp.
    - 25% Bulk Japan Shipping Corp.
    - 25% Bulk Hong Kong Shipping Corp.
    - 50% Red Rose Shipping Corp.
  - **100% Coeclerici Logistics SpA**
    - 100% Shipping Services Srl
    - 100% Sud Est Srl
      - 100% New Sea Logistic EAD
    - 80% Terminal Offshore Piombino SpA
    - 100% Capo Noli Transportes Maritimos Lda
    - 100% Bourgas Transportes Maritimos Lda
    - 70% Logconversion Transportes Maritimos Lda
    - 50% Kidecrane Transportes Maritimos Lda
    - 50% Viannlog Consultoria Economica Lda
      - 100% MBS NV
    - 90% Bulkguasare de Venezuela SA
      - 100% Bulkguayana SA
    - 100% Somocar International NV
    - 55% CGU Logistic Limited
  - **100% Coeclerici Coal and Fuels SpA**
    - 100% Coeclerici Carbometal Srl
    - 100% Coeclerici Compagnie SA

Excluding companies in liquidation or non-operational.

Coeclerici S.p.A. Company Officials

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

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

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

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

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

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.

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

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

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

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.

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

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


COECLERICI MITRA
KPC

Management report

(translation from the original issued in Italian)

Letter from the Chairman

Dear Shareholders,

with the closure of the 2006 accounting period, your Group completed its strategic project to strengthen the port logistics and raw materials trading development areas and achieved greater consolidated results than in the previous accounting period, reaching a net consolidated result of € 15.9 million. This accounting period also consolidated the net financial position which amounted to € 31.3 million at the end of the year after dividend distribution. The results achieved were fruit of the positive trend in all business sectors, although the American dollar, the main currency used for foreign transactions, depreciated against the single European currency.

In the commercial sector, the Logistics Division continued and consolidated its business in Venezuela, Bulgaria and Indonesia, as well as in Koper (Slovenia), Bakar (Croatia) and Piombino (Italy), handling ever greater volumes of materials, and with margins in line with expectations. The use of the motor ship Capo Noli also returned to full capacity, as did the use of the Bulk Pioneer Floating Transfer Station, which has been operating in the Bay of Adang in Indonesia since September 2005. After suitable technical alterations, the transfer station has been handling volumes of nearly twice the minimum guaranteed to the customer since the last few months of 2006. Regarding contracts, renegotiation with the customer Lucchini S.p.A. was equally significant since it led to an increase in rates from February 2007. The year 2006 also saw the beginning of two new important projects: the first is in India to build a Floating Transfer Station at a Chinese shipyard, with equipment from leading world companies, which will operate from the end of 2007 in the Bay of Mumbai (this initiative is being implemented as a joint venture with two leading Indian maritime-sector companies); the second is in Venezuela, to purchase and charter three speed boats for transporting people and goods, under construction by a consortium of local shipyards.

In the future, the Logistics Division will be engaged in important projects on several continents, such as South America and Africa, as well as nationally in Italy.

Regarding the Trading Division, commercial operations at the offices in Lugano (Switzerland), Jakarta (Indonesia) and Beijing (China) continued, and operations have begun at the offices in Mumbai (India) and, in the last month of the year, in Istanbul (Turkey) with more than satisfactory results. Even the traditional Russian market has maintained the expected margins, even though it suffered from the supply difficulties at our "sea terminal" at the port of Murmansk, due to the poor availability of means of rail transport.

For the future, the strategic plan to combine and expand the Trading Division in places such as the Far East will lead to sure growth, both regarding trading and sources of procurement.

The Shipping Division also had a positive effect on the 2006 accounting period, thanks to a more than positive trend in transoceanic freight rates. Regarding this division, the relevant company branch will be demerged in the next accounting period to bring about full commercial and technical concentration in the businesses where the group has concentrated its efforts: port logistics and raw materials trading.

To sum up, we are pleased to state that your Group has again achieved important results in the 2006 accounting period, both from a financial point of view and regarding assets; it has consolidated previously gained positions and can look forward with confidence and a sound basis to the results of future years.

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
Signed by
Paolo Clerici

Consolidated results

The data below show a comparison between the 2006 consolidated financial statements and the 2005 consolidated financial statements (in thousands of Euro):

Assets	Dec. 31, 2006	Dec. 31, 2005
A) Receivables from shareholders for unpaid contributions	0	0
B) Fixed assets:		
I Intangible assets	799	1,107
II Tangible assets	28,497	28,437
III Financial assets	1,267	3,445
Total fixed assets	**30,563**	**32,989**
C) Current assets:		
I Inventories	15,432	13,155
II Receivables	53,000	59,825
III Current financial assets	519	532
IV Cash in banks and on hand	43,330	39,823
Total current assets	**112,281**	**113,335**
D) Accruals and deferrals	2,691	2,946
Total assets	**145,535**	**149,270**

Equity and liabilities	Dec. 31, 2006	Dec. 31, 2005
A) Net equity:		
Group net equity	75,315	70,984
Net equity, Group and minority	86,280	79,154
B) Provisions for risks and charges	16,490	16,003
C) Employee severance indemnity	1,066	1,096
D) Payables	37,681	49,233
E) Accruals and deferrals	4,018	3,784
Total liabilities	**145,535**	**149,270**

Income statement	2006	2005
A) Production value	304,955	353,837
B) Production costs	(283,460)	(335,981)
Difference between production value and costs	21,495	17,856
C) Financial income and charges	4,198	(3,545)
D) Adjustments to financial assets	(255)	(168)
E) Extraordinary income and charges	802	7,600
Result before tax	26,240	21,743
Income taxes, current and deferred, and account payments	(2,193)	122
Profit	24,047	21,865
Minority interest result	(8,123)	(7,407)
Group profit	**15,924**	**14,458**

The following table shows a summary of the key financial figures compared with the 2005 consolidated financial statements for further analysis (in thousands of Euro):

	2006	2005
Turnover	293,928	334,069
Contribution margin	39,354	37,472
Difference between production value and costs	21,495	17,856
Group net result	15,924	14,458
Ebitda	23,717	21,797
Number of employees (at end of accounting period)	239	205

The profit results in the table above can be seen to have grown in comparison with 2005: along side decreasing turnover due to the new structure of the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda, which had already emerged at the end of 2005 and is reported in detail in the following paragraphs, there was an improvement in the difference between production value and costs. This is confirmed by an increase in EBITDA and the contribution margin, despite the depreciation of the American currency (the reference currency for trade transactions). The net result of the Group at 31 December 2006 is € 15.9 million, up 10% on the previous year. It is the best result achieved by the Group since 2004, when it recorded important gains due to a disposal of assets in the Shipping sector.

The increase in number of employees, compared to the previous period, stems from the new opportunities that are being seized on Far Eastern markets, which the Group is paying particular attention to.

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

Turnover	2006	2005
Coal and Fuels	203,407	208,959
Logistics	30,717	26,040
Shipping	59,947	97,944
Holding / Adjustments / IntraGroup	(143)	1,126
Total	**293,928**	**334,069**

Total Operating Result		
Coal and Fuels	5,764	4,561
Logistics	6,506	1,820
Shipping	18,272	21,642
Adjustments / IntraGroup	(3,825)	(7,076)
Total	**26,717**	**20,947**

Coeclerici Coal and Fuels S.p.A. plays the role of operating guide in the Trading sector. In this sector, the coal and other raw materials trading businesses were consolidated on existing markets, particularly in Russia, Brazil and the Far East.

The € 5.6 million drop in sales, equal to 3% compared to the previous year, reflects the fall of about 0.2 million in tons handled, which was partly compensated for by the agency business. This is mainly due to the smaller tonnages handled at the Port of Murmansk, since the Russian railways tackled and solved various problems at the end of 2006, which led to carrying a smaller amount of coal than was scheduled.

The total operating result increased by 26% compared with 2005 thanks to a better contribution margin and lower overhead costs.

The port logistics division, coordinated by Coeclerici Logistics S.p.A. through the stakes it holds in operating companies, continued to operate on the main reference markets. The most important operations in this area include transshipment in Venezuela (under a contract which will expire at the end of 2008), in Indonesia (where the two ongoing contracts foresee the continuation of operations until the beginning of September 2007, which is expected to be renewed, and until the end of June 2009 respectively) and in Bulgaria (where renegotiation of the contract has led to extending operations for another three years, with a clause allowing the customer to back out early, but not before the end of 2007). The offshore lighterage operations in Italy continued near the port of Piombino, under a contract valid until the beginning of 2011, for which new more favourable financial conditions have been negotiated; whereas in the North Adriatic, operations in the ports of Koper in Slovenia and Bakar in Croatia also continued, thanks to a further contract renewal until the end of 2007. Furthermore, a two-year time charter contract was negotiated for the motor ship Capo Noli during the accounting period that has just drawn to a close, with a clause allowing the charterer to withdraw from the contract if it opts to purchase the ship. In addition, work was got under way to build a new transshipment unit, which will operate from the end of 2007 off the west coast of the Indian peninsula; this unit will belong to a specifically set-up Indian company, in which Coeclerici Logistics S.p.A. holds a 55% stake. Again on the subject of investments, our Venezuelan subsidiary has began building three speed boats for transporting goods and passengers; vessel delivery is scheduled before the middle of the 2007 accounting period. Moreover special maintenance was carried out during the year which led to a class renewal for the Bulk Kremi I and Capo Noli vessels. The cost of this was entirely attributed to the accounting period.

The financial data shown in the table in comparison with the 2005 accounting period reveals an increase in revenues (+18%), which is evidence of the positive operational and commercial management of the existing contracts; if the data relating to the operating result is considered, the improvement is further consolidated (+257%), thanks on the one hand to rationalization of the cost structure (both technical-operating and overhead costs) and on the other to the positive outcome of renegotiating certain contracts. Currency management also contributed towards rationalizing exchange rate exposure, leading to an interesting financial result.

The Company operates in the Shipping sector through the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda. Four new ships (Red Lotus, Bulk Japan, Bulk Hong Kong and Red Jasmin) were delivered using corporate vehicles during 2006, subject to long-term charter contracts.

As in previous years, all operations in this sector were carried out using ships chartered from third parties. Furthermore, again as in previous years, the Group was able to seize further commercial opportunities during the year by exercising the option right laid down in the long-term charter contracts on the ships Santa Margherita and Red Rose and selling them to third parties at an interesting profit.

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

	12/31/2006	12/31/2005
Net circulating capital	41,938	49,413
Severance indemnity fund	(1,066)	(1,096)
	40,872	48,317
Frozen assets:		
- fleet	21,428	24,044
- other fixed assets	7,868	5,500
- financial assets	1,267	3,445
Invested capital	**71,435**	**81,306**
Net financial position	(31,335)	(13,851)
Deferred tax fund and other funds	16,490	16,003
Group net equity	75,315	70,984
Minority interest in capital and reserves	10,965	8,170
Financing sources	**71,435**	**81,306**

As can be seen in the table, the net circulating capital fell by about € 7.5 million compared to the previous year due to the decrease in pool company trade receivables (made clear in the notes to the financial statements) and lower net circulating capital produced by the Trading Division, which was affected by the decline in the coal market. In general, the structure of the sources of finance, mainly consisting of own financial resources, was able to ensure greater investments to pursue new commercial opportunities.

Analysing the Group net equity data in comparison with the 2005 financial statements shows a considerable (€ 4.3 million) increase stemming from the difference between the profits produced and the dividends distributed, net of the conversion differences produced by the financial statements of the companies drawn up in currencies other than Euro.

The frozen assets figure reflects both the level of the fleet, which is in line with the previous year, net of the period depreciation, and the amount of non-current receivables, which fell by about € 2 million on account of amounts collected during the period.

Among the items which deserve particular attention is the net financial position, which went from the positive value of € 13.9 million in 2005 to an asset of € 31.3 million in 2006, thanks mainly to a 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 Euro):

	12/31/2006	12/31/2005
Coal and Fuels		
Invested capital	15,986	32,782
Financial position	(2,742)	19,017
Funds	4,141	1,931
Net equity, Group and minority	14,587	11,834
Logistics		
Invested capital	30,656	28,363
Financial position	327	4,575
Funds	2,271	2,204
Net equity, Group and minority	28,058	21,584
Shipping		
Invested capital	12,828	(70)
Financial position	(6,013)	(19,411)
Funds	17	19
Net equity, Group and minority	18,824	19,322

The Trading Division balance sheet figures at 31 December 2006 show a decrease in invested capital, and a strong improvement in net financial position, which was positive.

This increase is the result of a combination of a temporarily smaller exposure cycle towards suppliers compared to the previous year, and a decrease in exposure towards Brazilian customers.

The increase in funds was attributable to resources set aside for various disputes.
The increase in net equity stems mainly from the accrued result for the year, which recorded a significant + 40%.

Capital invested in the Logistics sector is higher, which is a sign of the investment activity described earlier, mostly covered with greater use of third party means, even though liquid asset management led to a simultaneous decrease in net exposure, as is shown by the decrease in the financial position figure. The increase in net equity is mainly due to an increase in the part attributable to the partners in the investment in the Indian subsidiary, as well as assigning the profit made during the previous year to a reserve and the considerable increase in Group net result in 2006.

The data shown above for the Shipping sector shows an increase in invested capital, largely owing to the change in net circulating capital.

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

Coal and Fuels Sector

During the 2006 accounting period, the Trading sector achieved positive results, thanks to a steady market, especially regarding freight rates, the traditional Russian coal and petcoke business, and the strengthening of presence on the Far East markets which already started during the previous year.
These operations, combined with careful financial management, continuous monitoring of counterparts and excellent choices on the freight market, led to an improvement in the quality of transactions both in terms of margin and risk compared with the previous year.

The sales policy of the Trading Division was therefore aimed at consolidating the continuity and stability of procurement on the Russian and South-East Asian markets in order to continue playing a role of primary interest for the sector.

Logistics Sector

As previously mentioned, the Logistics Division concentrated its business during the period just closed on rationalizing costs and renegotiating a few major contracts. As regards contracts, the efforts made led in particular to an increase in the rates in the transshipment contract with our Bulgarian customer and payment of a lump sum by an important Italian steel mill to cover extra expenses incurred while performing contract business; at the same time, renegotiation of the currency of revenues allowed a loan agreement to be redefined, with a further positive effect on the income statement. On the foreign business front, an excellent operating performance was achieved in Indonesia. The transshipment operations carried out by a subsidiary led to a daily loading rate well above expectations, with a consequent positive impact on the Group's accounts and customer satisfaction.
On a more strictly commercial note, several operations were carried out in order to develop new markets; these include the previously mentioned investment made through the newly set-up Indian subsidiary, which is forecast to come into operation by the end of 2007. Several other contacts have been set up with various sector dealers, both in order to prolong business already under way and in order to establish new trading relations, with results which it is forecast will become concrete during the 2007 accounting period.

The Logistics Sector fleet today consists of the following vessels (not considering the units presently under construction):

	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

Shipping Sector

The freight market in 2006 showed a positive trend compared to the previous year and this growth was also seen in the first quarter of 2007.

This market behaviour was affected by the handling of raw materials from South East Asian countries, and China in particular.

The enormous congestion in Australian ports also further affected the trend in freight rates.

The parent company

During 2006, 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).

Coeclerici S.p.A. continued providing development and cross-sector guidance and coordination services, as well as managing strategic services, such as administration, financial services and legal and marketing advice. It also managed the concentration of staff which was previously located in other Group companies within the holding.

In its capacity as data controller, pursuant to and by effect of legislative decree No. 196 of 30 June 2003, Coeclerici S.p.A. hereby declares that it saw to updating its Security Policy Document on 26 March 2007, as required in point 19 of the technical specifications (annexe B, Italian legislative decree No. 196/2003).

Coeclerici S.p.A. undertakes to update its Security Policy Document by 31 March of each year if it continues to be compulsory.

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 2006 indicators are summarized below (in thousands of Euro):

	2006	**2005**
Production value	5,117	9,759
Production costs	(11,006)	(15,224)
Income from equity investments	10,852	19,622
Other net financial expenses	2,135	(1,173)
Depreciation of equity investments, net	(16)	(70)
Net extraordinary income and charges	1,513	2,355
Period taxes	(1,342)	222
Result for year	7,253	15,491
Number of employees (at end of year)	30	25

Analysis of the table reveals a structure typical of a holding company where the value of the dividends collected from subsidiaries is the item with greatest effect on the result for the year. The size of the net financial earnings in percentage terms compared with profit for the year is interesting. It is up compared to 2005 (equal to 29%). This may partly be ascribed to the positive exchange rate differences. The extraordinary income, although considerable, was down on the previous year, which included the greater extraordinary gains realized in 2005 stemming from the Coeclerici Group reorganization strategy.

The number of employees in Coeclerici S.p.A. at 31 December 2006 increased compared to the previous year (30 compared with 25 in 2005), as an effect of the Group's organizational strategy of concentrating staff in the Group holding company.

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

	12/31/2006	12/31/ 2005
Net circulating capital	2,459	4,208
Severance indemnity fund	(517)	(291)
	1,942	3,917
Frozen assets:		
- equity investments	31,702	31,718
- initial capital	1,949	2,598
- other fixed assets	7,540	12,340
Invested capital	**43,133**	**50,573**
Net financial position, borrowing (current assets) (*)	(24,360)	(21,071)
Provisions for risks and charges	9,927	11,331
Shareholders' equity	57,566	60,313
Financing sources	**43,133**	**50,573**

(*) Current assets and financial receivables net of financial debts. This item also includes € 11,770 thousand in other receivables (at 31 December 2005 it was equal to € 11,327 thousand).

The asset and liability statement shows a lower net working capital (about € 1.7 million) than at the end of the previous period, due to better financial management, which led to a € 3.3 million increase in current assets, and thanks to a decrease in fixed assets.

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 has a tax consolidation procedure relationship with its holding company Cocler S.p.A.

Pursuant to section 2497 bis, subsection five of the Italian Civil Code, it is hereby stated that the relations existing with Cocler S.p.A., which manages and controls your company, exclusively regard the tax consolidation procedure which your company is part of and in which Cocler S.p.A. plays the role of consolidator.

The payables to Cocler S.p.A. concerning this at 31 December 2006 are described in the notes to the financial statements.

Outlook

In accordance with its role as Parent Company, the holding company Coeclerici

S.p.A. will continue its managerial coordination in 2007 so that the subsidiary companies may seek and take advantage of new business opportunities both overseas and in Italy.

Regarding the Trading sector, coal prices increased slightly compared to the end of the previous year in the first two months of the 2007 accounting period. Despite this recovery in prices during the first part of the year, considerable volatility is forecast during the following period.

Over the next few months, building of a new unit for the port logistics sector will be completed; when it begins operations there will be a consequent effect on the income statement. The commercial business will also allow renewal of some of the contracts coming to an end; a few joint ventures will be set up in view of new trading outlets so that certain opportunities may be seized during this consolidation.

As regards new takeovers, purchase of a minority shareholding in an Indian company which works in the port logistics sector, especially on the west coast of the Indian peninsular, is currently being negotiated.

Import events witch occured after 31 December 2006

It is forecast that the partial demerger of your company that transfers the shipping business belonging to the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda to a recipient company will come into effect in the first quarter of 2007.

On 17 January 2007, a confidential letter of exclusive rights was signed with a major European company for the purchase of a majority shareholding in a company operating in coal trading in the Far East.

Regarding the Logistics Division, we should mention the capital increase in a Venezuelan subsidiary in order to allow investment in the three speed boats, referred to previously. This operation took place using liquid assets which became available from the performance of the main contract with our Venezuelan client.

There were no other significant events.

Type of risk and hedging management

The Group's business is exposed to various types of risk, including changes in interest rates and exchange rates. Generally the Group avoids all speculation and partially hedges trends in net items and differences (about 70%). Only instruments such as the sale/purchase of forward foreign currency contracts and loans in foreign currencies are used to hedge exchange rate risks.

As regards the Trading and Logistics Divisions, credit insurance has been taken out covering exposure to counterpart risk.

Consolidated Financial Statement of Coeclerici Group at December 31, 2006

Consolidated balance sheet at December 31, 2006

(Translation from the original issued in Italian)

(in thousands of Euro)

Assets		Dec. 31, 2006		Dec. 31, 2005	Changes
A) Receivables from shareholders for unpaid contributions		**0**		**0**	**0**
B) Fixed assets:					
I Intangible fixed assets:					
1) Start-up and expansion costs		45		168	(123)
4) Concessions, licenses, trademarks and similar rights		90		110	(20)
5) Initial capital		0		9	(9)
7) Others		664		820	(156)
Total intangible fixed assets		799		1,107	(308)
II Tangible fixed assets:					
1) Land and buildings		868		2,805	(1,937)
2) Plant and machinery:					
- Fleet		21,428		24,044	(2,616)
- Other plant and machinery		127		151	(24)
3) Industrial and commercial equipment		1		1	0
4) Other assets		1,473		1,385	88
5) Assets under construction and advance		4,600		51	4,549
Total tangible fixed assets		28,497		28,437	60
III Financial assets:					
1) Equity investments in:					
a) Subsidiaries		141		276	(135)
b) Associated companies		12		12	0
d) Other companies		704		704	0
2) Receivables:	(1)		(1)		
d) Other		410	213	2,453	(2,043)
Total financial assets		1,267		3,445	(2,178)
Total fixed assets		**30,563**		**32,989**	**(2,426)**
C) Current assets:					
I Inventories:					
1) Raw, ancillary and consumable materials		81		310	(229)
4) Finished products and goods for resale		10,232		6,105	4,127
5) Advances		5,119		6,740	(1,621)
Total inventories		15,432		13,155	2,277
II Receivables:	(1)		(1)		
1) Trade receivables		20,730		29,587	(8,857)
2) Subsidiaries		46		84	(38)
4) Holding companies		1,436		12,977	(11,541)
4-bis)Tax receivables		2,968		2,410	558
4-ter)Deferred tax assets		3,908		2,955	953
5) Other receivables		23,912		11,812	12,100
Total receivables		53,000		59,825	(6,825)
III Current financial assets:					
4) Financial assets not constituting fixed assets		519		532	(13)
Total current financial assets		519		532	(13)
IV Cash in banks and on hand:					
1) Bank and postal deposits		43,059		39,692	3,367
3) Cash and cash equivalents		271		131	140
Total cash in banks and on hands		43,330		39,823	3,507
Total current assets		**112,281**		**113,335**	**(1,054)**
D) Accruals and deferrals		**2,691**		**2,946**	**(255)**
Total assets		**145,535**		**149,270**	**(3,735)**

(1) Due beyond one year

(in thousands of Euro)

Equity and liabilities	Dec. 31, 2006	Dec. 31, 2005	Changes
A) Stockholders' equity:			
I Share capital	10,000	9,565	435
II Legal reserve	2,293	2,293	0
VII Other reserves:			
Translation reserve	(2,256)	(663)	(1,593)
Consolidation reserve	5,630	5,630	0
Riserve ex art. 2426, nr. 8-bis Civil Code	0	2,829	(2,829)
VIII Retained earnings	43,724	36,872	6,852
IX Net income	15,924	14,458	1,466
Group net equity	75,315	70,984	4,331
Minority interests in capital and reserves	10,965	8,170	2,795
Net equity, Group and minority	**86,280**	**79,154**	**7,126**
B) Provisions for risks and charges			
1) Pensions and similar obligations	35	44	(9)
2) Provision for taxes	2,702	2,899	(197)
3) Other			
- Coverage of losses on equity investments	6	0	6
- Other provisions	13,747	13,060	687
Total provisions for risks and charges	**16,490**	**16,003**	**487**
C) Employee severance indemnity	**1,066**	**1,096**	**(30)**
D) Payables:	(1)	(1)	
4) Bank borrowings	7,325 11,995	7,890 25,970	(13,975)
6) Payments on account	629	4,430	(3,801)
7) Trade payables	19,147	13,888	5,259
9) Subsidiaries	55	19	36
11) Holding companies	2,359	579	1,780
12) Tax authorities	2,679	2,455	224
13) Payables to social security institutions	362	286	76
14) Other payables	455	1,606	(1,151)
Total payables	**37,681**	**49,233**	**(11,552)**
E) Accruals and deferrals	**4,018**	**3,784**	**234**
Total liabilities	**145,535**	**149,270**	**(3,735)**

(1) Due beyond one year

Memorandum accounts	Dec. 31, 2006	Dec. 31, 2005	Changes
Unsecured guarantees granted			
Guarantees given			
- Subsidiary companies	1,011	0	1,011
- Third parties	780	3,683	(2,903)
Other guarantees given			
- Subsidiary companies	380	0	380
- Third parties	0	2,714	(2,714)
Commitments			
Currency forward sales	13,828	26,970	(13,142)
Currency forward purchases	757	4,126	(3,369)
Expiring leasing fees	293	406	(113)
Other memorandum accounts			
Guarantees received from third parties	2,722	3,928	(1,206)
Total memorandum accounts	**19,771**	**41,827**	**(22,056)**

Consolidated income statement for the year ended December 31, 2006

(Translation from the original issued in Italian)

(in thousands of Euro)

	2006	2005	Changes
A) Production value:			
1) Revenues from sales and services	293,928	334,069	(40,141)
4) Increase in fixed assets for internal works	0	487	(487)
5) Other income and revenues:			
- Others	11,027	19,281	(8,254)
Total production value	**304,955**	**353,837**	**(48,882)**
B) Production costs			
6) Raw and ancillary materials, consumables and goods	(117,507)	(119,745)	2,238
7) Service costs	(147,976)	(178,907)	30,931
8) Rents, leases and similar costs	(1,231)	(1,364)	133
9) Personnel costs:			
a) Wages and salaries	(7,720)	(5,618)	(2,102)
b) Social security charges	(1,692)	(1,509)	(183)
c) Employees' leaving indemnity	(248)	(488)	240
d) Others	(721)	0	(721)
10) Amortization, depreciation and write-downs:			
a) Amortization of intangible fixed assets	(505)	(458)	(47)
b) Depreciation of tangible fixed assets	(3,010)	(3,016)	6
d) Write-downs of receivables included under current assets	(444)	(579)	135
11) Change in inventories of raw and ancillary materials, consumables and goods	3,899	(3,628)	7,527
12) Provisions for risks and other provisions	(2,980)	(5,726)	2,746
13) Other accruals	(424)	0	(424)
14) Other operating charges	(2,901)	(14,943)	12,042
Total production costs	**(283,460)**	**(335,981)**	**52,521**
Difference between production value and costs	**21,495**	**17,856**	**3,639**
C) Financial income and charges			
15) Income from equity holdings			
- Other companies	14	60	(46)
16) Other financial income:			
c) Securities entered as current assets	0	77	(77)
d) Others			
- Subsidiaries	4	7	(3)
- Holding companies	0	370	(370)
- Others	2,029	1,312	717
17) Financial interest and charges			
- Others	(1,305)	(1,815)	510
17-bis)Gains and losses	3,456	(3,556)	7,012
Total financial income and charges	**4,198**	**(3,545)**	**7,743**
D) Adjustments to financial assets:			
19) Write-downs:			
a) Equity investments	(242)	(20)	(222)
c) Securities entered as current assets	(13)	(148)	135
Total adjustments to financial assets	**(255)**	**(168)**	**(87)**
E) Extraordinary income and charges			
20) Extraordinary income:			
- Gain on disposals	948	7,681	(6,733)
- Others	105	305	(200)
21) Extraordinary charges:			
- Losses due to alienations	(245)	(62)	(183)
- Prior years' income taxes	0	(286)	286
- Others	(6)	(38)	32
Total extraordinary income and expenses	**802**	**7,600**	**(6,798)**
Result before taxes and minority interests	**26,240**	**21,743**	**4,497**
22) Income taxes, current and deferred, and account payments	(2,193)	122	(2,315)
Profit before minority interests	**24,047**	**21,865**	**2,182**
Minority interest result	(8,123)	(7,407)	(716)
23) Net income - Group	**15,924**	**14,458**	**1,466**

Notes

to the Coeclerici Group consolidated financial statements at December 31, 2006

Structure and contents of the balance sheet and income statement

The consolidated financial statements at December 31, 2006 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, 2006 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, 2006 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 Euro, 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 Euro 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 December 31, 2006 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, 2006 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, 2006 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.

Guarantees and other memorandum accounts

Surety bonds and other personal guarantees are shown at the actual values of the obligations undertaken or received.

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.

Dividends are entered in the accounting period in which they are decided.

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 bis 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:

- subscription of a 55% share holding in the Indian company CGU Logistic Limited;
- purchase of the entire share capital of the Venezuelan company Bulkguayana S.A.

The mission of the newly set-up Indian company CGU Logistic Limited, in which the Group holds a 55% stake, is to build a Floating Transfer Station called Bulk Prosperity and subsequently use it off the western coast of the Indian peninsular; building is presently taking place at a Chinese shipyard and supervision is entrusted to Coeclerici Logistics Group. The minority stake is split equally between two Indian companies.

The Venezuelan company Bulkguayana S.A., which is expected to increase its capital during 2007, has been taken over 100% by the indirect subsidiary Bulkguasare de Venezuela S.A. It will operate on Lake Maracaibo by bare-boat chartering three speed boats for transporting people and goods to a Venezuelan company. The speed boats are currently under construction in a shipyard in the region.

Furthermore, as already mentioned, the partial demerger of the shipping branch with transfer of a stake in the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda to a recipient company, which will take place in the first six months of 2007, will lead to a decrease in the value of the Group's shareholders' equity of about € 7.3 million, including the results of operations still appertaining to the Group up to the date of implementation of the demerger.

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 2006. 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

€ 799 thousand (€ 1,107 thousand)

The intangible assets consist of:

	12/31/2006	12/31/2005
Start-up and expansion costs	45	168
Concessions, licenses, trademarks and similar rights	90	110
Initial capital	0	9
Others	664	820
TOTAL	**799**	**1,107**

"Concessions, licenses, trademarks and similar rights" includes software costs.

The "Initial capital" amounts to zero on account of the end of the depreciation of the start-up costs entered by the consolidated company Viann Log - Consultoria Economica Lda when it purchased an equity holding in MBS Mediterranean Bulk System N.V.

"Other fixed assets" consist mainly of exclusive rights to sell coal in Indonesia, worth € 263 thousand.

The item also includes € 311 thousand in leasehold improvements and € 69 thousand in commissions to secure loans, € 26 thousand of which refer to new loans provided by Banca Carige to the subsidiary Logconversion Transportes Maritimos Lda to build the Bulk Pioneer Floating Transfer Station.

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 € 505 thousand.

Tangible fixed assets

€ 28,497 thousand (€ 28,437 thousand)

The tangible assets include the following amounts:

	12/31/2006	12/31/2005
Land and buildings	868	2,805
Plant and machinery	21,555	24,195
Industrial and commercial equipment	1	1
Other assets	1,473	1,385
Assets under construction and advances	4,600	51
TOTAL	**28,497**	**28,437**

The € 868 thousand in "Land and buildings" includes the Group's office in Rome. During 2006, the company sold the remaining floors of the building in Genoa for € 2,670 thousand, thus giving rise to a € 762 thousand gain.

€ 21,428 thousand of the "Plant and machinery" figure refers to the fleet (€ 24,044 thousand at 31 December 2005), € 77 thousand to gantry cranes, and about € 50 thousand to general plants and systems.

"Other tangible fixed assets" mainly refer to furniture and fixtures (€ 735 thousand), EDP equipment (€ 145 thousand) and motor vehicles (€ 300 thousand).

The € 4,549 thousand increase in "Assets under construction and advances" is mainly due to the building of the Bulk Prosperity Floating Transfer Station, owned by the subsidiary CGU Logistic Limited, for subsequent use off the west coast of the Indian peninsular.

The € 3,010 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

€ 1,267 thousand (€ 3,445 thousand)

Equity investments

€ 857 thousand (€ 992 thousand)

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

The investments in subsidiaries and associated companies at December 31, 2006 were as follows:

	12/31/2006		12/31/2005	
	%	Net book value	%	Net book value
Subsidiaries				
Ferchim S.r.l. (in liquidation)	75%	76	75%	76
New Sea Logistics EAD (consolidated in 2006)	—	—	100%	26
Coeclerici Coal and Fuels International B.V. (in liquidation)	100%	1	100%	79
Coeclerici Logistics India Ltd (dormant)	100%	56	100%	73
Log Service Lda (dormant)	100%	—	100%	22
Adang Bay Transportes Maritimos S.A.	50%	8%	—	—
Total subsidiaries	**—**	**141**	**—**	**276**
Associated companies				
Consorzio Rinfuse porto di Brindisi	—	12	—	12
Total associated companies	**—**	**12**	**—**	**12**
Total	**—**	**153**	**—**	**288**

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.

An advance payment was made during this accounting period to purchase Adang Bay Transportes Maritimos S.A. (concluded in January 2007), which therefore was not consolidated.

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).

Receivables

€ 410 thousand (€ 2,453 thousand)

This item includes a € 190 thousand loan (€ 2,120 thousand at 31 December 2005) granted to the Russian partner EPG Rusinkor. The loan entails constant monthly repayments until settlement in 2007 and a favourable interest rate compared to those offered on the financial markets.

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 2006.

Current assets

Inventories

€ 15,432 thousand (€ 13,155 thousand)

Consumables amount to € 81 thousand and mainly consist of lubricants and fuel oil on board vessels owned or chartered by the Group.

Goods for resale include € 9,839 thousand in fossil coal inventories and € 393 thousand in anthracite coal. To date most of the inventory has been sold without loss.

The € 5,119 thousand in "Payments on account" is shown net of a provision for doubtful debts of € 383 thousand, and refers to advance payments made to Russian and Indonesian goods and service providers.

Receivables

€ 53,000 thousand (€ 59,825 thousand)

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

	12/31/2006	12/31/2005
Customers	20,730	29,587
Subsidiaries	46	84
Holding companies	1,436	12,977
Tax receivables	2,968	2,410
Deferred tax assets	3,908	2,955
Others	23,912	11,812
Total	**53,000**	**59,825**

Trade receivables

€ 20,730 thousand (€ 29,587 thousand)

Trade receivables are shown net of the allowance for doubtful receivables (€ 835 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 € 2,711 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 decrease in trade receivables compared to 2005 is linked to the Trading sector, where exposure towards Brazilian customers decreased. There was also a decrease in sales in the last month of 2006 (compared to the same month in 2005), which however was recovered in the first few months of 2007.

Receivables from subsidiary, associated and holding companies

€ 1,482 thousand (€ 13,061 thousand)

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

	12/31/2006	12/31/2005
Subsidiaries		
Coeclerici Coal and Fuels International B.V. (in liquidation)	46	84
Total subsidiaries	**46**	**84**
Holding companies		
Coeclerici International N.V.	0	11,327
Coeclerici Holding S.p.A.	0	1
Cocler S.p.A.	1,436	1,649
Total holding companies	**1,436**	**12,977**
Total	**1,482**	**13,061**

The receivables shown in the table are all commercial.

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:

- € 2 thousand in receivables for services provided by Coeclerici S.p.A.;
- € 1,434 thousand in receivables for tax calculated on tax losses during 2006.

Tax receivables

€ 2,968 thousand (€ 2,410 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 € 247 thousand (€ 654 thousand at 31 December 2005) relating to amounts paid for disputed provisional tax assessments which also appear in the "Provision for taxes" item.

Deferred tax assets

€ 3,908 thousand (€ 2,955 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. The changes in the item during the accounting period are shown below:

Company (*)	12/31/2005	Increase	12/31/2006
DEFERRED TAX ASSETS			
Coeclerici S.p.A.	2,183	113	2,296
Coeclerici Coal and Fuels S.p.A.	543	663	1,206
Coeclerici Logistics S.p.A.	152	163	315
Coeclerici Carbometal S.r.l.	73	10	83
Shipping Services S.r.l.	4	4	8
Total	**2,955**	**953**	**3,908**

(*) The figures in the table refer to the deferred taxes in the Group company statutory financial statements and the effects of consolidation entries made in order to apply Group accounting principles.

Other receivables

€ 23,912 thousand (€ 11,812 thousand)

This item consists of:

	12/31/2006	12/31/2005
Coeclerici Holding S.p.A.	11,770	0
Advance payments to minority shareholders	7,787	4,607
Advance payments to suppliers	591	2,473
Receivables transferred to factoring companies	2,470	2,448
Social security institutions	28	26
Employees	30	77
Insurance companies	34	34
Other receivables	1,202	2,147
Total	**23,912**	**11,812**

The receivables from Coeclerici Holding S.p.A., subsidiary of the holding company Cocler S.p.A., amounting to € 11,770 thousand, on which interest is charged at market rates, was recorded in this item following the reorganization of the Coeclerici Group, which led to Cocler S.p.A. taking direct control of Coeclerici S.p.A. during 2006; € 11,327 thousand in

Receivables from Coeclerici International N.V. was entered in the "Receivables from holding companies" at 31 December 2005; Coeclerici International N.V. was merged by absorption into Coeclerici Holding S.p.A. in compliance with a deed of merger drawn up by notary public Ugo Friedmann on 23 October 2006 and entered in the Milan Business and Trade Register on 26 October 2006. The merger has had effect for accounting, legal and tax purposes since 31 October 2006.

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 2007.

The advances to suppliers, which amount to € 591 thousand and are shown net of a € 461 thousand bad debts provision, 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 € 2,470 thousand consists of the residual receivables (€ 2,137 thousand) and the accrued interest (€ 333 thousand). No collections were recorded during the accounting period.

The € 1,202 thousand in miscellaneous receivables, shown net of a € 431 thousand bad debts provision, includes € 713 thousand in capital grants allotted to the "plant" item according to law 341/1995 and available as a tax credit for use in offsetting. These contributions were received to build the Bulk Irony operating unit, owned by the subsidiary Terminal Offshore Piombino S.p.A. It also includes € 607 thousand for an advance payment made to our Russian supplier (USD 800 thousand) granted as surety for the performance of trading operations. The contract furthermore entails covering this loan with suitable guarantees consisting of a pledge regarding the shares of the supplier itself.

Financial assets not constituting fixed assets

€ 519 thousand (€ 532 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

€ 43,330 thousand (€ 39,823 thousand)

Bank and postal deposits

€ 43,059 thousand (€ 39,692 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

€ 271 thousand (€ 131 thousand)

This item consists of the cash funds held at the various Group and representative offices on 31 December 2006.

Accrued income and prepaid expenses

This item consists of € 239 thousand in accrued income and € 2,452 thousand in prepaid expenses.

Prepaid expenses may be broken down as follows:

	12/31/2006	12/31/2005
Charter and shipping costs	1,404	2,403
Insurance premiums	365	121
Rental fees	196	13
Port fees and similar	10	13
Others	477	396
Total	**2,452**	**2,946**

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

€ 10,000 thousand (€ 9,565 thousand)

The entirely subscribed and fully paid-in share capital comes to € 10,000 thousand consisting of 10,000,000 ordinary shares with a par value of € 1 each. It was fixed by a resolution passed on 29 December 2005, which increased the previous figure by € 435 thousand free of charge by using part of the "Retained earnings", and entered in the business and trade register on 12 January 2006.

Legal reserve

€ 2,293 thousand (€ 2,293 thousand)

This consists of the parent company's legal reserve.

Translation reserve

€ (2,256) thousand (€ (663) 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 (€ 5,630 thousand)

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

Reserve ex art. 2426 n. 8-bis C.C.

€ 0 thousand (€ 2,829 thousand)

The € 2,829 thousand reserve set up when the use of the profit for the previous year was decided pursuant to section 2426, n. 8 bis of the Italian Civil Code was entirely reclassified as "Retained earnings" since the positive exchange rate differences shown in the financial statements at 31 December 2005 by adjusting the receivables and payables in foreign currency on that date were fully realized during the accounting period.

Retained earnings

€ 43,724 thousand (€ 36,872 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 € 6,852 thousand is described in detail in the attached "Description of the changes in the consolidated net equity accounts".

Minority interest in capital and reserves

€ 10,965 thousand (€ 8,170 thousand)

At 31 December 2006, 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., 30% of Logconversion Transportes Maritimos Lda and 45% of CGU Logistic Limited.

Provisions for risks and charges

Pensions and similar obligations

€ 35 thousand (€ 44 thousand)

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

Provision for taxes

€ 2,702 thousand (€ 2,899 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 (*)	12/31/2005	Provisions	Uses	12/31/2006
Deferred Taxes				
Coeclerici S.p.A.	2,544	0	(1,097)	1,447
Coeclerici Coal and Fuels S.p.A.	144	1,389	(457)	1,076
Coeclerici Logistics S.p.A.	13	0	(13)	0
Bulkguasare de Venezuela S.A.	198	71	(90)	179
TOTAL	**2,899**	**1,460**	**(1,657)**	**2,702**

(*) The figures in the table refer to the deferred taxes in the Group company statutory financial statements and the effects of consolidation entries made in order to apply Group accounting principles.

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.

Coverage of losses on equity investments

€ 6 thousand (€ 0 thousand)

This item includes € 6 thousand in provisions for losses on equity investments from the subsidiary Log Service Transportes Maritimos Lda.

Other provisions

€ 13,747 thousand (€ 13,060 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 2006 were:

- € 3,404 thousand in provisions;
- € 2,493 thousand in uses as a result of liabilities;
- € 224 thousand released to the income statement item “Other income and revenues” .

Employee severance indemnity

The figure of € 1.066 thousand (€ 1.096 thousand at 31 December 2005) shown fully covers the whole amount due to employees in accordance with the laws in force. The overall change consists of a € 248 thousand increase for severance indemnity accrued by employees during the accounting period and the use of € 278 thousand for advance payments and severance pay for employees leaving.

Payables

These consist of:

	Total at 12/31/2006	Expiry	
		Within 1 year	From 1 to 5 years
Banks	11,995	4,670	7,325
Payments on account	629		
Trade payables	19,147		
Subsidiaries and associated companies	55		
Holding companies	2,359		
Tax authorities	2,679		
Social security institutions	362		
Others	455		
Total	**37,681**		

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

Bank borrowings

€ 11,995 thousand (€ 25,970 thousand)

“Bank borrowings” consist of € 9,629 thousand in financing and loans, € 2,366 thousand in short-term advances. The loan instalments due in 2007 amount to € 2,304 thousand.

The € 2,366 thousand in short-term advances mainly refers to loans made by banks to Coeclerici Coal and Fuels S.p.A. and Coeclerici Logistics S.p.A. to finance the coal trading business and port logistic.

The Group had the following outstanding loans at 31 December 2006:

	USD/000	€/000	Expiry	
			Within 1 year	From 1 to 5 years
Unsecured guarantees				
Banca Carige	1,000	757		757
Secured guarantees				
Banca Carige	6,840	5,194	1,443	3,751
Sardaleasing (leasing)		255	100	155
Monte Paschi per l’impresa		3,423	761	2,662
Total	**7,840**	**9,629**	**2,304**	**7,325**

At 31 December 2005, loans and financing totalled € 8,827 thousand. During 2006, an overall € 802 thousand increase was recorded in this item mainly due to a USD 6,840 thousand loan (€ 5,194 thousand) granted by Banca Carige to the subsidiary Logconversion Transportes Maritimos Lda in order to build the Bulk Pioneer Floating Transfer Station, a partial € 3,058 thousand repayment of the existing syndicated credit line, a partial € 1,240 thousand repayment on the loan granted by Monte Paschi relating to the Bulk Irony operating unit owned by the subsidiary Terminal Offshore Piombino S.p.A., and a € 94 thousand refund paid to Sardaleasing for the office building located in Rome.

Payments on account

€ 629 thousand (€ 4,430 thousand)

These are advances received from customers in the normal course of Group business operations; the decrease in value compared to the previous accounting period is due to the lower exposure of customers in the Trading sector.

Trade payables

€ 19,147 thousand (€ 13,888 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 € 3,683 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.

The increase in this item is due to the greater investments made in India to build the Bulk Prosperity Floating Transfer Station belonging to the subsidiary CGU Logistic Limited.

Subsidiaries and associated companies

€ 55 thousand (€ 19 thousand)

The balance of this item refers to the exposure of Coeclerici Coal and Fuels S.p.A. towards the direct non-consolidated subsidiary Coeclerici Coal and Fuels International B.V. (in liquidation), regarding its remaining payables.

Payables to holding companies

€ 2,359 thousand (€ 579 thousand)

This item relates 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.

Tax authorities

€ 2,679 thousand (€ 2,455 thousand)

This consists of:

	12/31/2006	12/31/2005
Income taxes	1,039	185
Employee and freelance withholding taxes	1,640	2,270
Total	**2,679**	**2,455**

Payables to social security institutions

€ 362 thousand (€ 286 thousand)

This item mainly refers to the December 2006 social security contributions, which were duly paid in January 2007.

Other payables

€ 455 thousand (€ 1,606 thousand)

This item includes other payables due within the next accounting period.

Accrued expenses and deferred income

Accrued expenses and deferred income consist of the following:

Accrued liabilities

€ 725 thousand (€ 607 thousand)

These consist of:

	12/31/2006	12/31/2005
Salaries and deferred social security payments	549	479
Interest on loans	127	25
Others	49	103
Total	**725**	**607**

Deferred income

€ 3,293 thousand (€ 3,177 thousand)

The deferred income can be broken down as follows:

	12/31/2006	12/31/2005
Charters and other operating income	1,779	2,618
Deferred contributions Law No. 488/1992	521	554
Deferred contributions Law No. 341/1995	744	0
Others	249	5
Total	**3,293**	**3,177**

Memorandum accounts

At 31 December 2006, the Group had the following memorandum accounts:

Guarantees given

In favour of consolidated subsidiary companies

€ 1,391 thousand (€ 3,683 thousand)

The figure of € 1,391 thousand consists of a € 210 thousand surety bond issued by Citibank to the Preveza Law Courts, Greece on behalf of the indirect subsidiary Capo Noli Transportes Maritimos Lda, a € 42 thousand bank guarantee issued by Monte dei Paschi di Siena to the Port of Genoa harbour office on behalf of the indirect subsidiary Capo Noli Transportes Maritimos Lda, a € 759 thousand surety bond issued by Banca Carige (USD 1,000 thousand) to the Indonesian client Kaltim Prima Coal on behalf of the subsidiary Logconversion Transportes Maritimos Lda and a guarantee issued by Coeclerici Coal and Fuels S.p.A. to the Norwegian shipowner J.B. Ugland Dry Bulk A.S.

It also includes a € 380 thousand (USD 500 thousand) insurance policy which expires on 31/03/2007 made out to the Bulgarian customer Kremikovtzi on behalf of the subsidiaries Coeclerici Logistics S.p.A. and New Sea Logistics EAD as a guarantee of correct implementation of a contract which entails lighterage operations in the Bulgarian port of Burgas.

In favour of third parties

€ 780 thousand (€ 2,714 thousand)

The € 780 thousand in surety bonds issued to third parties consist of a € 456 thousand (USD 600 thousand) surety bond issued by Citibank to Carbones del Guasare, Maracaibo, Venezuela, a customer of the indirect subsidiary Bulkguasare de Venezuela S.A., a € 153 thousand surety bond issued by Banca Carige to SEB Immobilien Investment GmbH for the building at 2 Via della Chiusa, Milan, where the company offices are located, a € 13 thousand guarantee issued to the owners of the rented premises by Banca Popolare di Bergamo, a € 10 thousand surety bond issued to the Port Authority of Piombino on behalf of the subsidiary Terminal Offshore Piombino S.p.A., a € 19 thousand surety bond issued by Atradius - Società Italiana Cauzioni to the Italian Ministry of Industry (Ministero delle Attività Produttive) to secure performance by the consorzio maturatori on behalf of Coeclerici Coal and Fuels S.p.A., and a € 129 thousand surety bond to Enel Trade S.p.A. issued by Atradius N.V. on behalf of Mediterranean Bulk System N.V.

Commitments

€ 14,878 thousand (€ 31,502 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 18,183 thousand in currency forward sales for a corresponding notional value of € 13,828 thousand, and USD 1,000 in currency forward purchases for a corresponding notional value of € 757 thousand. The characteristics of the operations at 31 December 2006 are summarized in the following table:

Expiry	Quantity (USD/ thousand)	Foreign currency forward contract transactions per 1 USD	Notional value (Euro/ thousand)	Market value at 12/31/2006 (Euro/ thousand)
Sales				
Q1 2007	16,384	0,756	12,390	(39)
Q2 2007	832	0,810	674	45
Q3 2007	517	0,781	404	15
Q2 2008	450	0,801	360	24
Total sales	**18,183**	**0,760**	**13,828**	**45**
Purchases				
Q1 2007	1,000	0,757	757	2
Totale purchases	**1,000**	**0,757**	**757**	**2**

The residual amount of € 293 thousand entered in the commitments refers to the total rental which expires at 31 December 2006 on the buildings in Rome.

Other memorandum accounts

€ 2,722 thousand (€ 3,928 thousand)

This item equals € 2,722 thousand and refers to a € 1,898 thousand guarantee (USD 2,500 thousand) received from Duke Capital LLC made out to Coeclerici S.p.A. for an outstanding dispute relating to the management of the shipping pool, which ceased in 2004, and a € 24 thousand guarantee (USD 31 thousand) issued by Nanjing City Commercial Bank on behalf of China National Chemical Construction Jiangsu Co. made out to the direct subsidiaries Coeclerici Logistics S.p.A. and Coeclerici Coal and Fuels S.p.A., various surety bonds worth € 193 thousand (€ 2,211 thousand at 31 December 2005) concerning a loan granted to the Russian partner company EPG Rusinkor, and € 607 thousand in a pledge on shares referring to a loan granted to the Russian partner company Energougol.

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, Bulk Hong Kong, Red Jasmine, Red Lotus, Bulk Japan 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 income statement items

Production value

Revenues from sales and services

€ 293,928 thousand (€ 334,069 thousand)

This item consists of:

	2006	2005
Revenues from sales:		
Coal	202,727	208,383

Revenues from services:		
Charters and shipping transport	63,028	102,888
Coal brokerage commission	427	290
Transshipment and other logistics services	27,746	22,508
Total	**293,928**	**334,069**

The revenues relating to coal sales and brokerage, € 202,727 thousand and € 427 thousand respectively, derive from the trading activities of the subsidiary Coeclerici Coal and Fuels S.p.A.

The decrease in revenues from the sale of coal is essentially linked to a decrease in volumes.

The decrease in revenues from charters and shipping transport stems mainly from the sale of a few ships directly controlled by group companies in 2005 to third parties. This decrease was partly offset by the increase in revenues generated by the use of four new ships with long-term charter contracts.

The revenues for transshipment and other logistics services increased in 2006 also on account of the results achieved by the Bulk Pioneer floating transfer station, owned by the subsidiary Logconversion Transportes Maritimos Lda.

Increase in fixed assets for internal work

€ 0 thousand (€ 487 thousand)

There are no increases in fixed assets for internal work at 31 December 2006.

Other income and revenues

€ 11,027 thousand (€ 19,281 thousand)

Other income and revenues consist of:

	2006	2005
Incidental shipping revenues	6,370	10,430
Income from derivative contracts	40	1,473
Recovery of costs and charges	150	154
Revenues for recovery of fees	39	34
Company branch sale settlement	0	646
Gains from the disposal of other assets	1	43
Income from technical assistance services	0	589
Release of provisions for risks	224	1,020
Insurance claims	430	48
Other income and out-of-period income	3,773	4,844
Total	**11,027**	**19,281**

"Incidental shipping revenues" refer mainly to gains realized by the subsidiary Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda, owing to it exercising the option right laid down in the long-term charter contract on the ships Santa Margherita and Red Rose and consequently selling them to third parties.

"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". These contracts came to an end in the first few months of 2007.

"Other income and out-of-period income" include € 515 thousand from profit sharing revenues stemming from chartering a motor ship, € 982 thousand in non-operating income and € 2,276 thousand in other revenues, € 228 thousand of which came from an assessed partial insurance refund, € 218 thousand from the use of capital grants according to Italian laws 488/1992 and 341/1995, € 487 thousand from technical assistance provided to third parties, what is more invoiced in January 2007, and € 79 thousand from legal advice to third parties.

Production costs

Raw and ancillary materials, consumable and goods

€ 117,507 thousand (€ 119,745 thousand)

This item consists of:

	2006	2005
Trading activities		
Coal	113,316	114,592
Shipping activities		
Bunkers / lubricants / spare parts	3,502	4,504
Other		
Consumables	689	649
Total	**117,507**	**119,745**

Services costs

€ 147,976 thousand (€ 178,907 thousand)

This item may be broken down as follows:

	2006	2005
Trading activities		
Transportation costs	81,916	78,159
Shipping activities and logistic services		
Charter costs	47,049	80,819
Technical costs for fleet and plants	6,216	6,218
Port and other shipping costs	4,638	5,852
Overheads	8,157	7,859
Total	**147,976**	**178,907**

The increase in transport costs in the Trading sector is essentially due to the increase in freight rates.

The decrease in charter costs in the Shipping branch is essentially due to the decrease in the number of ships managed by the Group.

"Overheads and structural costs" include, among other things, € 3,723 thousand in costs for both commercial and organizational advice from third party consultants, € 982 thousand in staff travelling expenses, € 302 thousand in advertising expenses, € 465 thousand in costs for utilities, building administration and the management of representative offices abroad, and € 713 thousand in costs for bank commission.

The item also includes the remuneration of parent company Directors and Statutory Auditors at 31 December 2006:

	Number	Remuneration
Directors	8	991
Statutory auditors	3	30
Total	**11**	**1,021**

The fees paid to the Directors during 2006 come to € 2,491 thousand, € 1.500 thousand of which is fees relating to the 2005 accounting period, set aside during the previous period under "Other provisions".

Rents, leases and similar costs

€ 1,231 thousand (€ 1,364 thousand)

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

Personnel costs

€ 10,381 thousand (€ 7,615 thousand)

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

	2006	2005
Management	12	10
White-collar	72	66
Seafaring staff	152	166
Total	**236**	**242**

Amortization, depreciation and write-downs

€ 3,959 thousand (€ 4,053 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

€ 3,404 thousand (€ 5,726 thousand)

€ 3,404 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

€ 2,901 thousand (€ 14,943 thousand)

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

This item also includes € 79 thousand in costs for charter hedging carried out on the freight market by the subsidiary Coeclerici Coal and Fuels S.p.A.

The other significant costs regard € 348 thousand in entertainment costs, € 1,211 thousand in out-of-period expenses, € 123 thousand in non-allowable charges, and € 185 thousand in losses on fixed asset disposals.

Financial income and charges

Income from equity holdings - other companies

€ 14 thousand (€ 60 thousand)

The amount refers to the dividends received from the share investment in Pirelli S.p.A.

Other financial income

€ 2,033 thousand (€ 1,766 thousand)

The other financial income item consists of:

	2006	2005
Securities entered as current assets	0	77
Subsidiaries	4	7
Holding companies	0	370
Other financial income	1,590	1,312
From loans to other companies	439	0
Total	**2,033**	**1,766**

"Other financial income" amounts to € 1,590 thousand and refers mainly to € 647 thousand in bank interest, € 132 thousand in interest accrued on arrears, € 71 thousand in interest accrued on short-term deposits, € 84 thousand in interest accrued on short-term loans and € 112 thousand in proceeds from the interest rate change risk hedging contract (interest rate swap) taken out by Terminal Offshore Piombino S.p.A., € 95 thousand of which is due to the closure of the contract itself.

The financial income "From loans to other companies" refers to € 439 thousand in interest accrued on loans granted at market rates to Coeclerici Holding S.p.A., a subsidiary of the holding company Cocler S.p.A. owing to the new Coeclerici Group structure which led to Coeclerici S.p.A. coming under the direct control of Cocler S.p.A. during 2006; € 361 thousand of this interest was entered as "Interest receivable from holding companies" at 31 December 2005 and comes from Coeclerici International N.V., which was merged by absorption into Coeclerici Holding S.p.A. in compliance with the deed of merger drawn up by notary public Ugo Friedmann on 23 October 2006 and entered in the Milan Business and Trade Register on 26 October 2006. The merger has had effect for accounting, legal and tax purposes since 31 October 2006.

Financial interest and charges

€ 1,305 thousand (€ 1,815 thousand)

These consist of:

	2006	2005
Banks and financial institutions	1,305	1,815
Total	**1,305**	**1,815**

Exchange gains and losses

€ 3,456 thousand (€ (3,556) 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 bis. Details of the exchange differences realized and not realized at 31 December 2006 are given in the table below (in thousands of Euro):

	Realized	Not realized	Total
Exchange gains	10,080	3,020	13,100
Exchange losses	(7,556)	(2,088)	(9,644)
Total	**2,524**	**932**	**3,456**

The Euro/USD exchange rate at the end of 2006 was 1,317 (1,1797 at the end of 2005): the American currency had increased in value by about 12% compared to the end of the previous year.

Adjustments to financial assets

The € 242 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 € 13 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 2006.

Extraordinary income and charges

Extraordinary income

€ 1,053 thousand (€ 7,986 thousand)

This item mainly includes the gains from the sale of a portion of the building located in Genoa.

Extraordinary charges

€ 251 thousand (€ 386 thousand)

The most significant extraordinary charge is the € 245 thousand in capital losses on disposals.

Income taxes

The tax burden for the year that closed on 31 December 2006 is equal to € 2,193 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	(3,701)
Regional Business Tax (IRAP)	(591)
Allocation to the deferred tax fund	(1,460)
Use of the deferred tax fund and other changes	1,657
Deferred tax assets transferred to the indirect holding company Cocler S.p.A. as part of the Group consolidation for tax purposes	949
Increase of deferred tax assets	953
Total 2006 taxes	**2,193**

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

(in thousands of Euro)

	Net income	Shareholders' equity
	Increase / (Decrease)	
Coeclerici S.p.A. at December 31, 2006	**7,253**	**57,566**
Group's share of consolidated companies' net equity and result for the year	24,046	17,797
Elimination of inter-company dividends	(16,593)	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	480	2,209
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	(2,257)
Coeclerici Group at December 31, 2006	**15,924**	**75,315**

Annexes

Coeclerici Group
Consolidated statement of cash flows

(Translation from the original issued in Italian)

(Thousands of Euro)

		2006	2005
A	**Net money balances, start of year**	**23,212**	**13,589**
B	**Cash flows provided by operating activities**		
	Net income for the year	15,924	14,458
	Amortization and depreciation	3,972	4,053
	Accruals / (utilization) of provision for liabilities and expenses, net	487	(3,166)
	Increase in fixed assets for internal works	0	(487)
	Gains on disposals of fixed assets, net	(948)	(7,681)
	Write-downs of financial fixed assets, net	242	20
	Change in employees' leaving indemnity, net	(30)	(631)
	Cash flows from operating activities before changes in working capital	19,647	6,566
	Decrease in current receivables	6,825	52,711
	(Increase) / decrease in inventories	(2,277)	5,116
	Increase / (decrease) in trade and other payables	2,423	(26,982)
	Other changes in working capital	(91)	3,653
		26,527	**41,064**
C	**Cash flows provided by changes in the scope of consolidation**		
	Net working capital	640	504
	Intangible and tangible fixed assets	(2,514)	(6,291)
	Financial fixed	14	(180)
	Loans and mortgages	0	3,118
	Provision for employees' leaving indemnity and other	0	111
	Stockholders' equity - Group	2,013	164
	Stockholders' equity - minority interest	1,719	1,552
	Gains from the sale of stock	0	6,702
		1,873	**5,680**
D	**Cash flows used for investing activities**		
	Investments in fixed assets, net:		
	- intangible fixed assets	(197)	(890)
	- tangible fixed assets	(4,977)	(8,317)
	- financial fixed assets	(2,170)	(48)
	Proceeds from disposal or reimbursement value of fixed assets	3,295	4,347
		(4,050)	**(4,908)**
E	**Cash flows provided by (used for) financing activities**		
	New loans obtained	5,194	0
	Repayment of loans and mortagages	(4,392)	(18,809)
	Net decrease of receivables in the financial fixed assets	2,043	3,415
	Distribution of income	(10,000)	(15,007)
	Change in minority interests	1,076	(1,812)
		(6,079)	**(32,213)**
F	**Net cash flows during the year (B+C+D+E)**	**18,271**	**9,623**
G	**Net money balances, end of year (A+F)**	**41,483**	**23,212**

Coeclerici Group
Statement of changes in consolidated stockholders' equity

(Translation from the original issued in Italian)

(In thousands of Euro)

	Capital stock	Legal reserve	Translation reserve	Consolidation reserve	Reserve ex. art. 2426 nr. 8-bis C.C.	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**	**2,293**	**(663)**	**5,630**	**2,829**	**36,872**	**14,458**	**70,984**
Appropriation of 2005 net income					(2,829)	17,287	(14,458)	0
Capital increase	435					(435)		0
Distribution of dividends to stockholders						(10,000)		(10,000)
Effect of the translation of foreign currency financial statements			(1,593)					(1,593)
Net income at December 31, 2006							15,924	15,924
Balance at December 31, 2006	**10,000**	**2,293**	**(2,256)**	**5,630**	**0**	**43,724**	**15,924**	**73,315**

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

Company	Registered office	Currency	Capital stock	% ownership
Sud Est S.r.l.	Italy	Euro	100.000	100,00%
CC Steel Shipping and Logistics AD	Bulgaria	Bgl	50.000	51,00%
New Sea Logistics EAD	Bulgaria	Bgl	50.000	100,00%
CGU Logistic Limited	India	Inr	225.000.000	55,00%
Shipping Services S.r.l.	Italy	Euro	45.000	100,00%
Coeclerici Carbometal S.r.l.	Italy	Euro	65.000	100,00%
Terminal Offshore Piombino S.p.A.	Italy	Euro	4.500.000	80,00%
Coeclerici Coal and Fuels S.p.A.	Italy	Euro	5.000.000	100,00%
Coeclerici Logistics S.p.A.	Italy	Euro	10.000.000	100,00%
Somocar International N.V.	The Netherlands	Euro	60.602	100,00%
Bourgas Transportes Maritimos Lda	Portugal	Euro	5.000	100,00%
Capo Noli Transportes Maritimos Lda	Portugal	Euro	5.000	100,00%
CC Coal and Fuel Asia Consultoria Economica Lda	Portugal	Euro	5.000	100,00%
Kyla Charter Transportes Maritimos Lda	Portugal	Euro	5.000	100,00%
Coeclerici Ceres Bulk Carriers Transportes Maritimos Lda	Portugal	Euro	5.000	65,00%
Logconversion Transportes Maritimos Lda	Portugal	Euro	2.300.000	70,00%
Coeclerici Compagnie S.A.	Switzerland	Chf	1.500.000	100,00%
Bulkguasare de Venezuela S.A.	Venezuela	Bsv	2.408.000.000	90,00%
Bulkguayana S.A.	Venezuela	Bsv	100.000.000	100,00%

List of companies consolidated using the proportional method

Company	Registered office	Currency	Capital stock	% ownership
Mediterranean Bulk System N.V.	The Netherlands	Euro	45.378	50,00%
Kidecrane Transportes Maritimos Lda	Portugal	Euro	5.000	50,00%
Bulk India Shipping Corporation	Panama	Usd	10.000	16,25%
Red Iris Shipping Corporation	Panama	Usd	10.000	19,50%
Red Lily Shipping Corporation	Panama	Usd	10.000	26,00%
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%
Red Lotus Shipping Corporation	Panama	Usd	10.000	16,25%
Bulk Japan Shipping Corporation	Panama	Usd	10.000	16,25%
Bulk Hong Kong Shipping Corporation	Panama	Usd	10.000	16,25%
China Transportes Maritimos Lda	Portugal	Euro	5.000	26,00%
Viannlog Consultoria Economica Lda	Portugal	Euro	5.000	50,00%
Red Gardenia Transportes Maritimos Lda	Portugal	Euro	5.000	32,50%
Red Queen Transportes Maritimos Lda	Portugal	Euro	5.000	32,50%
Singapore Transportes Maritimos Lda	Portugal	Euro	5.000	32,50%
Jasmine Transportes Maritimos Lda	Portugal	Euro	5.000	32,50%

List of companies consolidated using the equity method

Company	Registered office	Currency	Capital stock	% ownership
Coeclerici Logistics (India) Ltd in liquidation	India	Inr	500.700	100,00%
Ferchim S.r.l. in liquidation	Italy	Euro	96.720	75,00%
Coeclerici Coal and Fuels International B.V. in liquidation	The Netherlands	Euro	18.000	100,00%
Adang Bay Transportes Maritimos S.A.	Portugal	Euro	50.000	50,00%
Log Service Transportes Maritimos Lda	Portugal	Euro	5.000	100,00%

External Auditors' report

Deloitte.

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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, 2006. 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 5,2% of consolidated total assets and revenues representing 4,2% 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 April 13, 2006.

In our opinion, the consolidated financial statements present fairly, the financial position of the Coeclerici Group as of December 31, 2006, and the results of its operations for the year then ended in accordance with the Italian law governing financial statements.

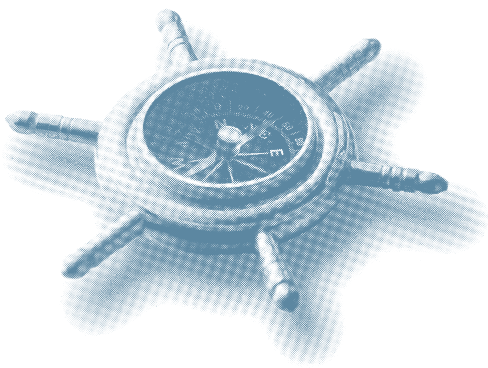
DELOITTE & TOUCHE S.p.A.

Signed by
Fabrizio Fagnola
Partner

Genoa, Italy,
April 11, 2007

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

Board of Statutory Auditors' report



Board of Statutory Auditors' report

According to art. 2429, sub-section 2, of the Civil Code

To the Shareholders' meeting of COE-CLERICI S.p.A.

Dear Shareholders,

we have the following to report regarding the supervisory activity on administration assigned to us pursuant to section 2403 et sequitur of the Italian Civil Code:

- we attended the Board of Directors' and Executive Committee meetings and noted that the resolutions were adopted in compliance with the principles of correct administration and in accordance with the law and company by-laws. During these meetings we were informed on company management, foreseeable prospects, and the most significant operations in size and characteristics undertaken by the company;
- we made routine investigations to make sure the organization, administrative and accounting structure was adequate with respect to the characteristics and size of the company, and to check its operation;
- we met with the independent auditing firm Deloitte & Touche S.p.A. to exchange data and information, to be informed on the results of their inspections regarding the keeping of accounting records, and to evaluate - with the help of their analysis - the ability of the administrative-accounting system to represent operations correctly.

We did not note any matters or omissions worthy of mention in this report during the supervisory activities mentioned above.

As regards the financial statements of the parent company at 31 December 2006 and the Group consolidated financial statements at 31 December 2006, we hereby state the following:

- we checked compliance with the law relating to drafting and preparing financial statements and director's reports on operation with the aid of information received from the independent auditing firm;

- to our knowledge, the directors have not failed to conform to the law pursuant to section 2423, subsection 4 of the Italian Civil Code;

In consideration of the auditors' report issued by the independent auditing firm on the financial statements and consolidated financial statements, we are in favour of approving the financial statements at 31 December 2006 as prepared by the Directors.

We would like to remind you that our term of office expires with the approval of these financial statements. You will therefore be required to appoint a new board of statutory auditors during the shareholders' meeting.

Milan, 13 April 2007

The Board of Statutory Auditors

Signed by
Guglielmo Calderari
Ettore Cavo
Giorgio Carbone

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