

# Management Report and Accounts

**2010**



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## MEMBERS OF CORPORATE BODIES

## TERM OF OFFICE: 2009 - 2012 FOUR-YEAR PERIODS

### Shareholders General Assembly

#### Chairman:

Luís Miguel Nogueira Freire Cortes Martins

#### Vice-President:

Carlos Fernando Soares Pinheiro

#### Secretary:

Manuel Joaquim Rodrigues

### Board Of Directors

#### Chairman:

José António Leite Mendes Rodrigues

#### Directors:

Nelson Nunes Rodrigues

Aloísio Fernando Macedo da Fonseca

Frederico José Ferreira de Mesquita Spranger

Marcus Schwaeppe

João Rui Carvalho dos Santos

Manuel Serpa Leitão

### Executive Committee

#### Chief Executive Officer:

Frederico José Ferreira de Mesquita Spranger

#### Members of the Committee:

Marcus Schwaeppe

João Rui Carvalho dos Santos

### Auditing Committee

#### President:

Francisco José da Silva

#### Committee Members:

Maria Isabel Louro Caria Alcobia

“Patrício, Moreira, Valente & Associados, SROC”

Represented by Joaquim Patrício da Silva

#### Alternate:

Alberto Arnauth Ribeiro - ROC

### Company Secretary

Carlos Fernando Soares Pinheiro

### Remuneration Committee

#### President:

Luís Miguel Nogueira Freire Cortes Martins

#### Secretary:

Walter Klausmann

COMPANY STRUCTURE

Board of Directors

Executive Committee

Commercial

Administration

Production

Project Management

Logistics

## **ANNUAL GENERAL MEETING OF SHAREHOLDERS**

### **Notice**

Under the terms of the Law and of the Bylaws of the Company, notice is hereby given for the Annual General Meeting of the Shareholders of LISNAVE, ESTALEIROS NAVAIS, S.A., to be held on 24th March at 11:00 Hours, at the Registered Office of the Company, Mitrena Shipyard, Setúbal, with the following Agenda:

- 1º - Discussion of the MANAGEMENT REPORT AND ACCOUNTS for the 2010 Financial Year;
- 2º - Discussion of the REPORT OF THE AUDITING COMMITTEE;
- 3º - Discussion of the Proposal for the Appropriation of Profits;
- 4º - General Assessment of the Management and Supervision of the Company.

The information referred to in Article 289 of the Code of Commercial Companies relating to the single item on the Agenda is at the disposal of the Shareholders at the Registered Office of the Company and in the Website during the time required by law.

Under the terms of the Law and of the Bylaws of the Company, Shareholders with the right to vote, holding at least one hundred Shares duly registered in their name no later than ten days before the date of the General Meeting of Shareholders may attend the meeting. Each group of one hundred Shares carries one vote.

For that purpose, Shareholders wishing to attend that Meeting shall advise accordingly the Chairman of the General Meeting of Shareholders, by letter, with the respective signature duly notarized or certified by the Company and, in this case, shall request the financial institutions where the Shares are registered to confirm to the Chairman of the Table of the General Meeting of Shareholders the existence of such registration, no later than five business days before the date of the General Meeting of Shareholders.

The General Meeting of Shareholders can only be held on a first call if Shareholders representing at least fifty per cent of the Share Capital are either present or represented. Shareholders without the right to vote cannot attend the General Meeting of Shareholders.

Setúbal, 10th February 2011  
The Chairman of the Board of the General Meeting  
Dr. Luis Miguel Nogueira Freire Cortes Martins









SAFMARINE SANAGA

LISNAVE  
GM 12

## BOARD OF DIRECTORS REPORT

### 1 | Introduction

During 2010 LISNAVE, ESTALEIROS NAVAIS, SA, returned a good overall performance.

This is a relevant fact, taking into consideration that the business was severely conditioned by the effects of the crisis of the international economy that had been experienced since the end of 2007. Despite the small upturn of demand, the market remained depressed, and there was a reduction, though slight, of the number of ships repaired; 114 compared to 116 the previous year.

Nevertheless, the performance of the business indicators confirm that the strategic options defined in good time were correct, showing that LISNAVE is better prepared to face the ever greater challenges of the very competitive market in which it operates.

On concluding the year that marks the start of the second decade of the operation of the Mitrena Yard and given the importance of these indicators in both regional and, above all, national terms, the Board of Directors wishes to point out that LISNAVE's business, which involves a National Valued Added of more than 95%, has paid wages during the period from the start of the Restructuring Plan – second half of 1997 – to the year-end total wages equivalent to €818 million, having delivered to the State, by way of social security contributions, personal income tax and other taxes, more than €142 million.

The business involved the repair and/or maintenance of 1,738 ships from more than 50 countries, generating sales of €1.53 billion, of which an expressive €1.45 billion for export.

### 2010

Despite having archived a generally good performance, LISNAVE confronted, during the period under review, a number of difficulties that were the result of the anaemic recovery of the global economy.

Although there was a slight recovery of demand in the Ship Repair market, the period was conditioned by a combination of several adverse effects stemming from the slow recovery of global trade.

Indeed, demand, measured as the number of enquiries, saw a growth that, though slight, reversed the situation of sharp deterioration that has been seen in recent years, though it is still far from the levels seen in 2007, the last year before the crisis.

The commercial success in negotiating orders improved to 20%, which, however, was insufficient to offset the significant reduction of the amount of work per ship (the average bill fell from €1,018k to €786k in 2010) which, for sundry reasons inherent in the Shipowners, declined sharply during the period under review.

Indeed, Shipowners have experienced a new difficulty arising from a reduction of their liquidity caused by the greater stringency in extending credit as a result both of the increase cost of financing investment in new ships and also of the scarcity of credit itself.

Besides these, another important reason was the amount of the average daily charter rates which, for the second straight year, remained at dramatically low levels.

In fact, the average daily charter rates for a “Modern Suezmax” tanker stood at about US\$ 27k per day in 2010, a figure similar to that of 2009, whereas in 2008 a ship of this type operated at average daily rates in the order of US\$47.5k.

The rates for a “Capesize” bulk carrier performed even worse, with the year’s average charter rates standing in the order of US\$ 32k per day, after peaking at a comfortable average of about US\$ 100k per day in 2007 and 2008.

Against this back ground of degradation of the market and taking as the reference, in the following comparisons, the new Accounting Standardization System, LISNAVE concluded 2010 with a volume of Ship Repair Sales of €89.6 million, or some €20 million less than the previous year.

Total Operating Income stood at €105.5 million, that is, €16.7 million less than in 2009.

The Net Profit for the period fell less sharply however, to stand at 11.967 million, the result of even stricter management of operating costs, which accounted for 84% of Operating Income, compared to 86% the previous year. Operating Profit amounted to €16.77 million, while the Gross Cash Flow stood at €18.4 million.

Equity remained at a level that continues to provide a multiple of seven of the value of the Equity Capital.

In this way, the Board of Directors considers that, by achieving these results in a year of extreme market difficulties, LISNAVE obtained a major success.

With regard to Fixed Assets, investments made during the period under review amounted to about €1 million, bringing the accumulated total for fixed assets up to a relevant €29.9 million.

Also underscored is the very significant amount of costs incurred during the period in respect of major repairs to infrastructure and equipment, totalling €2.9 million, as well as the costs of implementing systems related with information technologies, amounting to €0.35 million during the period.

On the other hand, though the responsibility of the Concessionaire, LISNAVE INFRAESTRUTURAS NAVAIS, one should mention the investments related with the rehabilitation of the yard, begun in 2008, with a particular focus on the major repair of the structure of Dock 20, which amounted to €5.3 million in 2010, bringing the total up to €10.9 million.

On the other hand, during the period under review, LISNAVE maintained its traditional characteristics as a highly export-oriented company, having sold abroad €92.6 million in maintenance and repair services, having repaired just one ship flying the Portuguese flag.

The company likewise maintained high employment levels, providing employment to about 2,200 people earning wages in the order of €56 million.

Also underscored is the fact that the year came to an end with no past-due debt, either to workers or to the State, to which was paid by way of personal income tax, Social Security contributions and other taxes, the sum of €13.4 million, to which must be added €5.47 million in respect of corporate income tax for the period.

With regard to the Vocational Training of Young Workers, the Board of Directors is pleased to note that, in the wake of the Training Plan implemented in 2007-09, about 100 youths are already working as assistants at LISNAVE YARDS, in most cases, in a skilled-worker career.



It should be recorded that as the Board of Directors said some time ago, and since it was not possible to continue to postpone decisions as to the future because of the unwillingness of the workers representatives to close the essential Company Agreement, LISNAVE decided to redirect its Human Resources strategy, which now involves close co-operation by LISNAVEYARDS set up in the meantime within the scope of the Equity holder.

It is a known fact that this company, with a corporate object similar to that of LISNAVE, made a start to its Provision of Services activity in February 2009, and now, two years later, it has some 140 workers in its service.

Also in the matter of Human Resources, mention is made of the fact that, in the wake of approval by the Annual General Meeting, a Balance-Sheet Bonus was awarded to the Company’s workers as a whole last April.

With regard to Social Responsibility, LISNAVE went ahead with its policy of support and teamed up with several entities and organizations involved in the sports, cultural and social areas, granting donations that amounted, during the period, to €110.5k, of which the €83k in respect of the social area are highlighted.

LISNAVE renewed its ISO 9001:2000 Certification and also maintained the International Ship & Port Facility Security (ISPS) Code Protection Certificate and the Mitrena Shipyard Environmental Licensing.

As at December 31, 2010, the equity holder structure was as follows:

Navivessel, Estudos e Projectos Navais, S.A.	72,83%
Thyssenkrupp Marine Systems AG	20,00%
Portuguese State	2,97%
Other Equity Holders	4,20%

Before concluding, the Board of Directors would like to express its satisfaction for the fact that, in the wake of the approval by the 2010 Annual General Meeting, it has proved possible, for the fifth straight year, to remunerate the capital invested in the Company by its more than 200 equity holders.

In closing, the Board of Directors is pleased to record a relevant fact that decisively marked the year under review.

Indeed, the President of the Republic accepted the invitation extended by the Board of Directors and decided to honour the Company with his presence. He visited LISNAVE on the occasion of the commemoration of the 10th anniversary of the coming into operation of the Hydrolift, at the time of the launch of the book entitled “LISNAVE, A JEWEL OF THE PORTUGUESE NAVAL INDUSTRY” and published in partnership with Casa Leitão & Irmão, Ancients Crown Jewellers.

On a day that will remain in the annals of history as the first presidential visit to the LISNAVE yard at Mitrena, the President of the Republic made an in-depth visit to the Hydrolift docks and presided over a brief welcome ceremony at Dock 20, where, before several hundred guests who likewise honoured us with their presence, among whom the secretary of State for National Defence and Matters of the Sea, on behalf of the Government, and the Mayor of Setúbal, besides many other authorities, personalities and friends, he made an important speech on the relevant of Matters of the Sea, with which he associated LISNAVE’s importance. He praised its recent successful performance, especially with regard to its capabilities as an exporting company that generates a great deal of National Added Value.



### **The Outlook for 2011**

The outlook for the business in 2011 is not good.

Indeed, though some indicators suggest a recovery from the sharp drop-off of trade seen in 2009, the effects of the recession experienced in the developed countries during 2008 are expected to continue in 2011 and that, in the light of the little profitability of their business during the year now ended, shipowners will maintain a stance of containment of their budgets, unless otherwise obliged by the actions of the industry authorities.

Aware that this situation, aggravated by the coming into service of new ships scheduled for delivery in 2011, will predictably maintain Ship Repair business as a buyer's market and, in this way, bring about more aggressive competition, the Board of Directors, despite the quality, responsibility and involvement both of management and of all personnel at every level, expresses to the equity holders its feelings of moderate concern as to the outlook for LISNAVE's business in the coming year.

In this particularly adverse context, the Board of Directors intends to maintain the strategy of rigour that has been followed, paying redoubled attention to the need, now more imperative, for greater flexibility and for redimension production-cost factors, as and where possible, bringing them into line with the forecast income for 2011, which can be expected to remain as the low level seen in 2010.

It will therefore pursue its policy of very considerable commercial combativeness and of ensuring customer loyalty, management and cost control, particularly fixed labour costs, while strengthening its policy of development of partnership relations with the tradition service providers and continuing to seek to promote new corporate initiative.

Lastly, since, despite our redoubled efforts, we were not successful in the attempt to close a new Collective Bargaining Agreement, a goal that is becoming ever more indispensable in the present context of global and market crisis, the Board of Directors will increasingly use the services of LISNAVEYARDS, exploring new and more ample means of provision of services involving greater operational responsibilities.

## 2 | General Comments About The Market

### The Economy Situation

The need for financial and banking restructuring in the developed countries that were at the centre of the serious crisis that has affected the world since 2008 still continues, despite the measures taken by the respective governments and as a result thereof, to have consequences of enormous gravity on the growth of these economies.

In the wake of the restructuring of the financial system, after it had allegedly got rid of the so-called toxic assets, extending credit, both to manufacturing activity and for private consumption, came to be subject to greater rigour. The effect was to reduce consumption and, consequently, to increase unemployment, with a powerful impact in the growth of global trade.

Although there were no credit restrictions in the developing countries – rather the contrary – the crisis fundamentally affected the manufacturing sector as a result of the decline of exports to the developed countries. However, the consequences, though to a lesser extent, also affected employment and, as a result, the private consumption of these countries.

However, as a result of the aggressive measures implemented by the governments of the developing countries, directed at increasing domestic consumption, as from mid 2009 their orders have been the mainstay of global economic growth. They are expected to have grown by some 7%, with the Chinese economy up by 10% and the Indian by about 8.4%.

The World Bank therefore estimates that, underpinned by the growth of the developing countries, the global economy will have grown by about 3.9% in 2010, following the 2.2% drop the preceding year.

With regard to the economies of the developed countries, which had declined by around 3.5% in 2009, its estimate is that they will have grown by about 2.3% in 2010, the countries of the Euro Area, taken together, growing by about 1.6%, the smallest growth rate of the developed countries. On the other hand, it is estimated that the United States of America grew by some 2.6% in 2010, a figure equal to that of the decline in 2009.

In the light of the foregoing, the World Bank estimates that global trade, recovery of which began during the second half of 2009, will have grown by 10.5% in 2010.

Also according to the World Bank, many of the developing countries will already have reached the export levels that they had before the crisis, though this is not true of the developed countries, their exports at the end of the third quarter of 2010 estimated as standing 8% below the peak achieved before the crisis.

According to the same data, during the most acute period of the crisis the value of imports by the European Union, Japan and the United States of America fell by about 40% between July 2008 and April 2009, causing the collapse of international trade. Despite the recovery seen over the past two years, it is estimated that the value of the imports of these three great developed economies were still 25% lower than before the crisis.

## Evolution of the World's Merchant Fleet and Freight Rates

According to Clarkson, the tanker fleet of more than 10,000 DWT grew by about 3.3% in 2010, by number of ships, following a growth of about 7.5% in 2009. By the end of 2010 this fleet stood at 452.2 million DWT, a growth of 3.7% compared to 2009, a year in which it had grown by 7.3%.

The dry-bulk carrier fleet, also above 10,000 NT, grew by 11.5% in 2010 by number of ships, and by 16.5% by NT, to stand at 535.5 million NT at the end of 2010.

In terms of new-construction delivery of large tankers, a total of 446 were delivered, having a total carrying capacity of about 41 million DWT, or about 9.1% of the present fleet.

The dry-bulk carrier fleet received delivery of 957 ships of 77.9 million NT, or about 14.6% of the present fleet.

With regard to demolition, 205 tankers totalling 12.7 million DWT were sold for scrap, or 2.8% of the present fleet.

Of the dry-bulk carrier fleet, 115 ships of were sold for demolition having a capacity of 5.7 million NT, or about 1.1% of the present fleet.

At the year-end, the order book for new tankers stood at 1,121 ships totalling 124.6 million DWT, that is, a tonnage equal to 27.6% of the tonnage of the present fleet. Of these 124.6 million DWT, 62.8 million are scheduled for delivery during 2011.

In the dry-bulk carrier fleet, the order book for new ships comprised 3,258 ships of 277.7 million NT, or 51.9% of the present fleet. Of these, 137.3 million NT are scheduled for delivery in 2011.

Although it has been estimated that the demand for liquid-bulk transport has grown, given the increase of some 2.5% in demand for crude, 2010 was, as it were, a year of poor profitability for shipowners, the result of the poor rates of use of their ships caused by the excess of their fleets.

Therefore, as shown in the chart, in the case of the modern Suezmax, the average charter rate in 2010 amounted to about US\$ 27,000 per day, a figure similar to that for 2009, though far lower than the sum of US\$ 47,500 per day in 2008.

Freight Rates for Oil Tankers  
Modern Suexmax

Monthly average  
Source: Platou





In the case of the fry-bulk carrier fleet, and despite its sharp increase, charter rates were stronger than expected. So, in the case of a one-year charter for a Capesize, the average rates were similar to those in 2009, standing

around US\$ 32,000 per day, though far from the average figure of more than US\$ 100,000 in 2007 and 2008, as shown by the chart.

Freight Rates for Bulk Carriers  
Capesize – 12 months T/C

Monthly average  
Source: Platou







3 | Ship Repair/Maintenance Activity

Demand

As a result of the renewed growth of global trade, the downward trend of demand for ship repair seen in the past two years, as measured by the number of enquiries, has reversed. By the end of 2010 there had been a growth of about 10% compared to 2009, the number of enquiries received rising from 520 to 571.

The exception to this growth was the dry-bulk carrier segment of the market, where there has been a downward trend for the past six years, with a decline this year of about 17% compared to 2009.

Although demand has not yet reached figures similar to those prior to the crisis in the tanker segment of the market, growth amounted to around 16%, with 314 enquiries, while enquiries for ships of other types rose by 10% to 208.



Headings	2010	2009	2008	2007	2006
Requested of Estimates	571	520	568	694	661
Orders	114	107	135	148	146
Success Rate	20	19	22	22	21

The negotiations resulting from enquiries received during 2010 generated 114 orders, about 7% more than in 2009, meaning that the success rate increased to 20%.

However, this scenario is not as good as the number of enquiries would seem to suggest, in that the number of new ships handed over to shipowners as from 2008 gave

rise to a significant reduction of freight rates, owing to the excess supply of shipping. Allied to the increase of financial liabilities resulting from the investments made in new construction and to the greater rigour of the financing entities in extending credit, this caused a significant reduction of shipowners' liquidity, reflected in a substantial decline of the average work load per ship.



### The Business

At LISNAVE the repair of 114 ships was concluded, of which 106 in dock. The volume of work fell by about 5%, on average, compared to the previous year.

In the major repairs segment LISNAVE completed no job during 2010, compared to three in 2009. However, a major repair is under way, involving a passenger liner. This had a significant effect on the business in 2010 given the volume of work undertaken during the year.

Years	National	Foreign	Total	In Dock
2010	1	113	114	106
2009	2	114	116	112
2008	1	137	138	130
2007	4	131	135	127
2006	1	137	138	132

As in previous years, LISNAVE's business was centred on its traditional market segments – tankers and dry-bulk carriers. By number, the latter account for about 71% of the business. Attention is drawn to the move into other market segments, such as container ships, accounting for 9% of the ships repaired, and gas carriers, which account for 8%.

Given the globalisation of LISNAVE's market, ships repaired in 2010 belonged to 71 customers located in 24 countries. In terms of numbers, the more significant were Germany, with 20 ships, Singapore, with 15, and Greece, with 13.

As a result of recognition by its customers of the high quality of the work performed by LISNAVE during 2010, another two dredgers from Belgium were repaired, while it should be noted that over 56% of our customers have had more than one ship repaired.





#### 4 | Investments/Others

With a view to ensuring the continuity of the necessary working conditions of the Yard, LISNAVE, as in recent years, has pursued a policy of investment and renovation of infrastructures, involving both new resources and also major repairs of existing infrastructure and equipment. Emphasis is given to the fact that the accumulated amount of investments made since 2000 totals about €29.9 million, of which €16.9 million in respect of new investments and about €13 million in respect of major repairs to existing infrastructures and equipment.

During the year under review, LISNAVE also incurred costs totalling about €2.9 million with major repairs of infrastructures and equipment. Besides this, costs incurred with the implementation of information-technology related systems were also substantial, amounting to €0.35 million.

Insofar as new investments are concerned, and besides the maintenance and recuperation of several buildings, emphasis is also given to the acquisition of sundry IT equipment and of new equipment and tools, and, in the production area, to the progressive renovation of the electricity network, the construction of new building-stocks and the manufacture of various gangways.

In terms of major repairs, we would underscore the repair works involving Docks 20, 21 and 22, the rehabilitation of lifting gear and handling equipment, and also the repairs to buildings and their roofs.

On the other hand, given their importance to LISNAVE's operationally, we would mention the investments related with the rehabilitation of the yard, begun in 2008. These investments, the responsibility of the concessionaire, LISNAVE INFRAESTRUTURAS NAVAIS, amounted to €5.3 million just in the year under review, bringing the total



up to €10.9 million. In this connection, of particular importance is the major structural repair undertaken at Dock 20. Here, besides the beams of the adjacent rolling-ways of the cranes, there were major improvements to the galleries, as well as in-depth renovation of the bottom slab and of the walls of the dock, even involving repairs to the rebar.

### **Certification**

During 2010 LISNAVE renewed the ISO 9001:2000 Certification and also maintained the International Ship & Port Facility Security (ISPS) Code Protection Certificate and the Mitrena Shipyard Environmental Licensing.

### **Environmental Protection**

Besides fulfilling its obligations stemming from its Environmental Licence, LISNAVE has systematically continued to improve its environmental practices.

In this connection, it should be pointed out that, with a view to advancing with the programme of elimination of the residual blasting material at the Yard, an amount estimated at 239,000 tonnes has already been sent to the cement companies under the agreements signed with them. During 2010, and besides all the blasting shot produced during the year, another 13,000 tonnes were also sent.





### **Information Technologies**

The year under review was one of profound transformation of the information systems. LISNAVE now has a completely integrated solution involving all the systems in use at the Company.

As part of the ongoing improvement of its application area, the Company replaced the previous systems of the Commercial, Project Management and Production areas with the SAP: SD-BOS, PS and CATS modules of the SAP HCM, and also made a start to optimisation of the Training Management process.

With regard to hardware, new equipment was acquired, networking equipment in particular, to ensure a better wireless service on board ships.

### **Research & Development**

During 2010 LISNAVE went ahead with its R&D policy, lending continuity to its involvement in European research and development projects, having finalised the BAWAPLA (Sustainable Ballast Water Management Plant) project. Of the year's activity we would underscore the continuation of the CAS (Condition Assessment of ageing ships for real-time structural maintenance decision), the SAFE OFFLOAD (Safe Offloading from Floating LNG Platforms), THE SAFE-CRAFTS (Safe abandoning of ships Improvement of current Life Saving Appliances Systems) and the MARSTRUCT (Network of Excellence on Marine Structures) projects.



## 5 | Human Resources

Reaffirming its conviction that it must rejuvenate the Company and render the conditions of the Employment Contract more flexible, as a means of survival in view of the conditions extant at its more direct competitors, LISNAVE made adjustments to its Human Resources strategy following the rejection by the workers' representative bodies of the Company Agreement proposals submitted in the meantime.

It is a fact that in this connection, LISNAVE decided to organise a long Youth Training Programme with a view to providing them with the technical skills essential to

the productivity challenges of the future and to making a start to the inevitable process of rejuvenation of the personnel, in that the average age of its workers has led to major limitations as a result of the physical demands of the work.

However, this refusal by the workers representatives led LISNAVE to make a start, with the co-operation of equity holder Navivessel, to legal procedures leading to the incorporation of a new company which, having a corporate object similar to its own and operating under the Provision of Services mechanism, will, in an initial stage and in keeping with requirements, come to be the company that will hire all workers in the future.

This new company, whose name is “LISNAVEYARDS – NAVAL SERVICES, LDA”, was legally incorporated and has been providing services to LISNAVE, since February 2009. Since the said Youth Training Programme, comprising 22 multidisciplinary courses dealing with the main professional specialities required by the business, was concluded during 2009, LISNAVEYARDS has recruited most of the youths who achieved approval and, by the end of 2010, it already had 141 workers of various professions providing services to LISNAVE.

In parallel with this Programme, LISNAVE, went ahead with its rejuvenation policy and, during the year, through LISNAVEYARDS, it took on a further 3 young engineers.

### Remuneration Charges

In recent years, LISNAVE’s Board of Directors has implemented a strict policy of cost containment and control, which has led to an important recovery of the Company, providing it progressively with competitive advantages,

allowing it to face a very competitive open-market framework that involves a very unfavourable international economic outlook.

In this context of growing market difficulties, the Company’s Board of Directors, in a responsible attitude of ponderation and prudence, decided that the year’s wage increases could not exceed one per cent, an increase that, in due course, came to be accepted by the union representatives.

Meanwhile, in the wake of the approval by the General Meeting of the Board of Directors’ proposal, all the Company’s personnel as of the date of the General Meeting were allocated a Balance-sheet Bonus, comprising a fixed part equal to 100% of the fixed monthly remuneration, and two variable parts, one on the basis of absenteeism, the other dependent on a performance assessment.

Total staff costs stood at €14.8 million, as detailed in the following table.

### Personnel Costs

Headings	2010	2009
Remunerations	9.555.645	8.633.748
Overtime	1.150.040	1.264.541
Bonuses, Subsidies and Other Remunerations	386.644	376.964
<b>Subtotal</b>	<b>11.092.329</b>	<b>10.275.254</b>
Social Security Contributions	3.691.134	3.541.465
<b>Total</b>	<b>14.783.463</b>	<b>13.816.719</b>

(Amount in €)

The sharp reduction seen under Remuneration is only apparent in that the 2009 figures were adjusted in keeping with the new Accounting Standardisation System in force. However, there was a reduction of remuneration charges, the result of a reduction of 10 employees during the period, most of whose provision of service contracts with LISNAVE had come to an end.

Training & Development

Several Vocational Training Courses were organised during 2010, involving 1,097 employees and covering areas considered fundamental to the Company, both for their technical component and also in behavioural and management terms.



External Training | 2010

Areas of Training	Total Hours	Number of Participants
Personal Development	6.129	113
Qualifications /Retraining of Productions Techniques	12.086	365
Quality, Safety, Environment and Protection	12.812	528
Hardware and Software	1.438	57
Financial, Tax and Accountancy Management	3.954	34
Total	36.149	1.097

Health, Hygiene and Safety

During the period LISNAVE maintained its traditional concern as to the health of its workers.

From this standpoint, besides occasional intervention, a total of 545 examinations were performed, 163 of which involving LISNAVETYARDS workers, subdivided into 113 Induction, 291 Periodic, and 141 Occasional and Complementary examinations.

In the safety area, 2010 was marked by the downward trend of one of its accident indices, the Seriousness Index, which stood at 0.91. The Frequency Index reversed the downward trend that had been observed in recent years, to stand at 41.70. These figures reflect the fact that there were more, though less serious, accidents, that is, with fewer days lost.

Pursuing the goal of ongoing improvement of these indicators and in order to maintain the downward trend seen in certain cases, LISNAVE continued to incorporate

safety into the production process. This involved prior determination of the hazards and risk -assessment, besides creation of awareness as to the use of the proper, recommended collective and personal protection equipment, and compliance with safety rules and procedures, particularly the job-authorisation system.

In this connection, it went ahead actively with the awareness measures, through training courses for the workers.

During 2010 1,157 workers of service-provider companies received safety training, as did 87 other people, including managers of the company and of firms that co-operate with the Company, trainees, and visitors, on a basis of collaboration and disclosure of safety, involving external entities, including 25 management staff linked to Project Management, Production and Associate Companies, 6 Project Management trainees, of which 4 through a protocol with the Bento de Jesus Caraça Vocational School, 14 employees of EMSA - European Maritime Safety Agency, 16 IST - Instituto Superior Técnico students

and 10 members of a Chinese municipal delegation and of the Setúbal City Council.

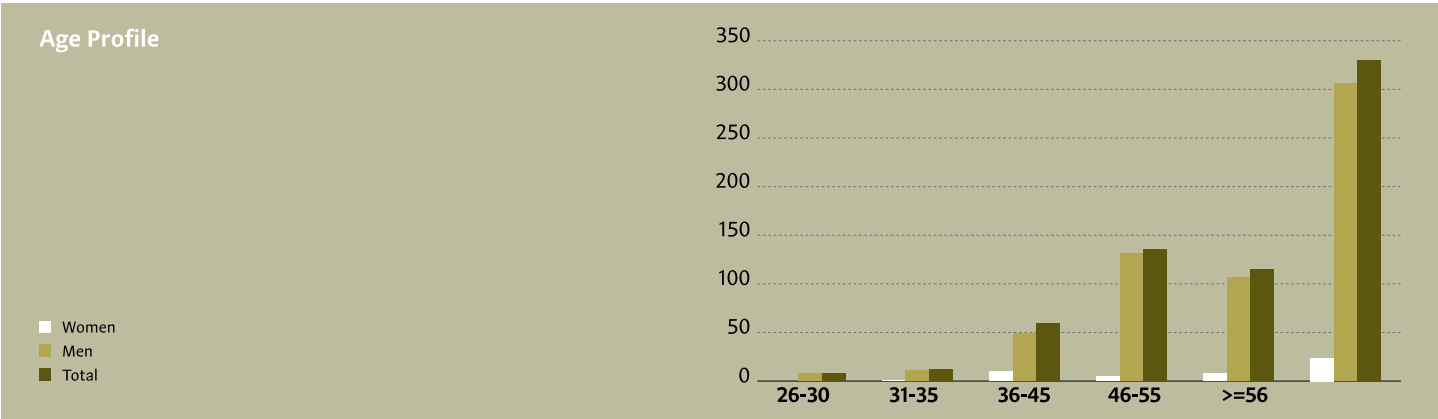
In addition to the classroom training, emphasis is also given to the general information, particularly the Basic Safety Rules, provided to all other people entering the Company's premises, such as sales persons, external technicians and other visitors, totalling 253 people.

Within the scope of this prevention policy and as a result of medical opinion received, the Board decided to undertake the customary seasonal-flu vaccination campaign which involved 55 workers.

Other Indicators

EAs at December 31, 2010, LISNAVE's total personnel amounted to 330, their average age 50.96.

The breakdown of LISNAVE's personnel as of that date is provided in the following table.





6 | Economic and Financial Situation

As mentioned in another part of this report, LISNAVE repaired 114 ships during 2010, generating total billing in the sum of about €90 million.

As shown in the following table, Sales fell by 24% compared to the previous year. Bearing in mind that the number of ships repaired in 2010 was almost in line with the number in 2009, the said decline was essentially due to the reduction of the average billing per ship, reflecting a substantially smaller amount of work per ship repaired.



Number of Ships and Invoicing

Headings	2010	2009	2008	2007	2006
Number of Repaired Ships	114	116	138	135	138
Total Invoicing	89,6	118,0	145,5	118,3	110,4
Average Invoicing per Ship	0,786	1,018	1,054	0,876	0,800

(Amounts in Millions of €)

The year under review therefore confirmed what had already been seen the previous year, that is, the reversal of the trend of growth of Ship Repair sales seen in the years prior to 2009, reflecting the global economic growth crisis, with a consequent sharp reduction of international trade and, consequently, a major degradation of freight rates.

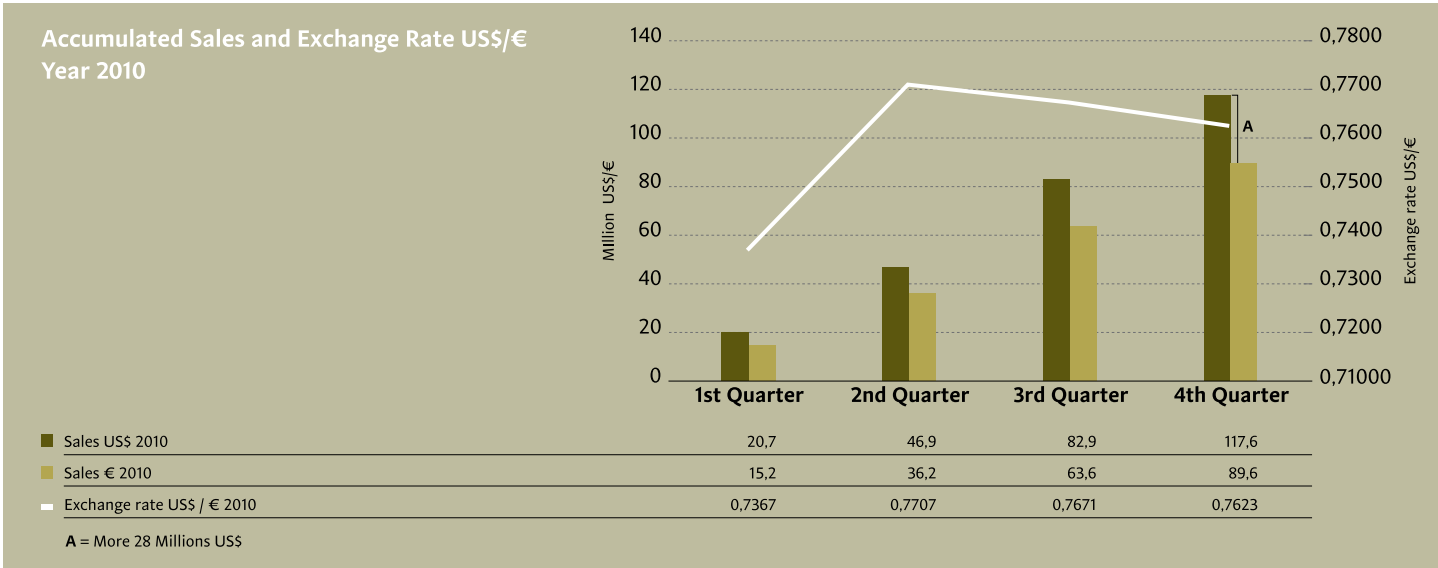
Of the set of exogenous factors, one must not neglect, in this connection, the performance of the dollar. Although it appreciated at the beginning of the year under review, it has continued to exert strong pressure on the Company's competitiveness, obliging it to bring forward correc-

tive measures and actions essential to its adaptation to the global market in which it does business, in that its main customers continue to use mainly the dollar in their commercial transactions.

The dollar, which began to depreciate heavily in 2004, falling to an average of €0.8014 for the period, has been extremely volatile over the past five years, standing at an average of €0.7623 in 2010.

The following table shows the impact of the depreciation of the dollar during 2010. Indeed, in annual terms, sales had to total US\$ 117.6 million to generate €89.6 million.





As a preliminary note to the Economic and Financial Review for 2010 and in order to provide a better understanding of the tables that we shall appraise hereunder, it should be said that a start was made in 2010 to implementation of the Accounting Standardisation System (SNC) that has replaced the Official Accounting Plant (POC). In fact, the SNC has introduced significant changes to the accounting practices employed up to 2009, particularly a new presentation structure for the financial statements and, above all, application of the new Accounting and Financial Reporting Standards (NCRF).

As a result, one of the requirements of the presentation of the 2010 accounts is their comparison with 2009 adjusted to the NCRF, which applies to LISNAVE. Therefore, the structure of the tables presented in this chapter provides a comparison between 2010 and 2009 in the SNC form in the first two columns, the other columns providing a comparison with 2009 to 2006 in the POC format.

In this connection, the following table presents the total evolution of Sales and Services Rendered for 2006 to 2010.

**Sales and Services Rendered**

Headings	2010	2009
Ships Repairs	89.619	118.032
Revenue of Ships in Progress (SNC)	4.540	-7.550
Other Activities	6.862	7.288
Services Rendered	1.489	948
<b>Total</b>	<b>102.510</b>	<b>118.717</b>

2009	2008	2007	2006
118.032	145.484	118.255	110.433
7.913	3.824	2.960	677
785	1.234	2.059	1.012
<b>126.730</b>	<b>150.542</b>	<b>123.274</b>	<b>112.123</b>

(Amounts in Thousands of €)

By virtue of the application of the SNC guidelines, or more specifically the determinations of Income Standard (NCRF 20) for the purpose of material comparison, the table itself shows the effects of the accounting alteration introduced (recognition at the close of 2010 and 2009, of the income corresponding to the degree of finishing of work in progress), which had a negative impact of €7.6 million in 2009 and a positive impact of €4.5 million in 2010.

The total value of Ship Repairs and of Income from Ships in Progress accounted for 92% of the total value of Sales and Services Rendered, while Other Activities and Services Rendered together amounted to €8.4 million, that is, about 8% of that total.

It should also be pointed out that the figure for Other Activities is in line with the previous year owing to an equivalent level of Sale of Services to LISNAVE INFRAESTRUTURAS NAVAIS, related with the execution of the investment plan for the rehabilitation of the Ship Yard.

With regard to the evolution of the Company's economic situation, the following table provides the Income Statements for 2006 to 2010, showing, on the one hand, the evolution of the returns on Sales and, on the other, the evolution of the relative weight of the production factors as a proportion of total Operating Income.

#### Statement of Profit and Loss

Headings	2010		2009	
	Amount	%	Amount	%
Sales and Services Rendered	102.510		118.717	
Variation in Production	0		0	
Works for the Company	0		4	
Other Income and Gains	2.970		3.488	
<b>Total Operating Income</b>	<b>105.480</b>	<b>100</b>	<b>122.209</b>	<b>100</b>
Costs of raw materials consumed	5.347	5,1	5.563	4,6
Supplies and External Services	67.051	63,6	75.900	62,1
Personal Costs	14.783	14,0	15.344	12,6
Depreciations, Impairments and Provision	957	0,9	3.883	3,2
Taxes	186	0,2	188	0,2
Other Costs and Losses	387	0,4	4.397	3,6
<b>Total Operating Expenses</b>	<b>88.711</b>	<b>84,1</b>	<b>105.275</b>	<b>86,1</b>
<b>Operating Profits</b>	<b>16.769</b>	<b>15,9</b>	<b>16.934</b>	<b>13,9</b>
Financing Results	675	0,6	1.389	1,1
<b>Current Profits</b>				
Exceptional Profits				
<b>Profits before Taxes</b>	<b>17.444</b>	<b>16,5</b>	<b>18.323</b>	<b>15,0</b>
Taxes on Income for the Period (-)	-5.474	-5,2	-6.179	-5,1
<b>Net Income for the Period</b>	<b>11.970</b>	<b>11,3</b>	<b>12.144</b>	<b>9,9</b>

(Valores em milhões de Euros)



## Statement of Profit and Loss

	2009		2008		2007		2006	
Headings	Amount	%	Amount	%	Amount	%	Amount	%
Sales and Services Rendered	126.730		150.542		123.274		112.123	
Variation in Production	-4,571		3,600		1,821		262	
Works for the Company	4		4		55		97	
Other Incomes	759		1,263		1,485		1,851	
<b>Total Operating Income</b>	<b>122.922</b>	<b>100</b>	<b>155.409</b>	<b>100</b>	<b>126.635</b>	<b>100</b>	<b>114.334</b>	<b>100</b>
Costs of raw materials consumed	5,563	4.5	9,284	6.0	7,108	5.6	6,626	5.8
Supplies and External Services	77,467	63.0	106,234	68.4	92,446	73.0	80,274	70.2
Personal Costs	13,817	11.2	12,706	8.2	13,201	10.4	15,226	13.3
Depreciation and Provisions	4,804	3.9	2,975	1.9	3,331	2.6	3,455	3.0
Taxes	188	0.2	175	0.1	180	0.1	174	0.2
Other Costs	345	0.3	331	0.2	242	0.2	113	0.1
<b>Total Operating Costs</b>	<b>102.183</b>	<b>83,1</b>	<b>131.705</b>	<b>84,7</b>	<b>116.508</b>	<b>92,0</b>	<b>105.869</b>	<b>92,6</b>
<b>Operating Profits</b>	<b>20.739</b>	<b>16,9</b>	<b>23.703</b>	<b>15,3</b>	<b>10.127</b>	<b>8,0</b>	<b>8.465</b>	<b>7,4</b>
Financial Profits	1.512	1,2	2.008	1,3	1.226	1,0	674	0,6
<b>Current Profits</b>	<b>22.251</b>	<b>18,1</b>	<b>25.711</b>	<b>16,5</b>	<b>11.353</b>	<b>9,0</b>	<b>9.139</b>	<b>8,0</b>
Exceptional Profits	-405	-0,3	-4.575	-2,9	2.322	1,8	393	0,3
<b>Profits before Taxes</b>	<b>21.846</b>	<b>17,8</b>	<b>21.136</b>	<b>13,6</b>	<b>13.675</b>	<b>10,8</b>	<b>9.533</b>	<b>8,3</b>
Taxes of Profits (-)	-6916	-5,6	-5815	-3,7	-3476	-2,7	-1427	-1,2
<b>Net Profit for the Financial Year</b>	<b>14.930</b>	<b>12,1</b>	<b>15.321</b>	<b>9,9</b>	<b>10.199</b>	<b>8,1</b>	<b>8.105</b>	<b>7,1</b>

(Valores em milhões de Euros)



By way of an overall appraisal in SNC terms, it can be seen that in 2010 the Company's economic situation worsened, though not to any great extent, when compared to the previous year, on generating a Net Profit of €11.97 million, despite a very significant reduction of the value of Sales. It should be pointed out that the 2009 Net Profit in the sum of €14.93 million was positively influenced by the amount of sales (related with the significant value of work in progress carried as at December 31, 2008), as referred to in the appraisal of the preceding table.

Decisive to the Company's good economic performance was the continuation of the policy of more-rational use of production factors, the result of management by objectives at every level of the organisation.

Thus, the figure of 84.1% presented as the Cost-to-Income Ratio for 2010, which measures Total Operating Costs as a proportion of Total Operating Income, improved when compared to the previous year, despite the significant reduction of Other Total Operating Income.

Financing Profit & Loss continued to make a positive contribution to Pre-tax Profits for the year under review, standing at €675k. This sum essentially comprises interest on Financial Placements as a result of cash surpluses generated during the period.

However, it is substantially lower than the previous year's figure, the result, on the one hand, of smaller cash surpluses and, on the other, of the continuation of low banking interest rates as a result of the ECB's monetary policies directed at reactivating the European economies.



Also related with this heading, it must still be under-scored that the exchange-rate risks related with the volatility of the dollar were eliminated in good time as a result of the decision taken by the Company’s manage-ment to replace the dollar with the euro in billing its customers. Therefore, the currency translation differ-ences recorded in 2010 are not materially relevant.

To compete the review of the economic evolution of the Company over the 2006-2010 period, the following table provides a set of the more relevant economic indicators and ratios.

Economic Aggregates

Headings	2010	2009
<b>Overall Aggregates</b>		
Gross Value of Production (GVP)	102.510	118.721
Gross Value Added (GVA)	34.385	41.177
Personnel Costs	14.783	15.344
Operating Cash Flow	17.726	20.818
“Gross Cash flow”	18.401	22.207
<b>Average number of Employees</b>	<b>334</b>	<b>337</b>
<b>Ratios</b>		
GVP per Capita	306,9	352,3
Personnel Costs per Capita	44,3	45,5
GVA / GVP	34%	35%
Personnel Costs / GVA	43%	37%

2009	2008	2007	2006
122.163	154.146	125.150	112.483
44.862	64.502	51.898	44.950
13.817	12.706	13.201	15.226
25.138	22.103	15.780	12.313
26.650	24.111	17.006	12.988
<b>337</b>	<b>312</b>	<b>360</b>	<b>437</b>
362,5	494,1	347,6	257,4
41,0	40,7	36,7	34,8
37%	42%	41%	40%
31%	20%	25%	34%

(Amounts in Thousands of €)

An observation thereof leads to the conclusion that, in 2010, the Company’s performance indicators and ratios, taken together, worsened in comparison with the previous year.

The Gross Production Value (GPV) aggregate fell 13.7% compared to the previous year, that is, a performance in line with the downturn of Sales of Repairs. The performance of the Gross Value Added (GVA) aggregate was also negative as a result of the decline of Sales and of gross margins.

The performance of amounts carried under Operating Cash Flow and Gross Cash Flow was also negative, down

by €3 million and €3.8 million respectively, in comparison with the preceding year. These reductions are directly linked with the reduction of Sales.

On the other hand, it should also be said that, generally speaking, the Company’s performance ratios performed negatively when compared to last year, as a result of the foregoing, though they are at a level that allows us to state that the Company continues to be prepared to face a market characterised by great unpredictability.

Equity during the period under review is shown in the following table.

Shareholder’s Funds

Headings	2010	2009
Share Capital	5.000	5.000
Shareholders Loans	0	0
Legal Reserves and Profits C. Forward	18.546	18.402
Net Profit of the Financial Year	11.970	12.144
<b>Total Shareholders Funds</b>	<b>35.516</b>	<b>35.546</b>

2009	2008	2007	2006
5.000	5.000	5.000	5.000
0	0	0	0
16.907	14.701	12.502	6.897
14.930	15.321	10.199	8.105
<b>36.837</b>	<b>35.022</b>	<b>27.701</b>	<b>20.002</b>

(Amounts in Thousands of €)



It should be pointed out that Equity stood at €35.5 million as at December 31, 2010. Therefore, the book-value per share at the year-end was €35.52, an appreciation of 610.4% over the par value.

The main balance-sheet headings for the past five years, as at December 31, as shown in the following table, provide an appraisal of the evolution of the Company's financial structure.



#### Comparative Summ. Balance Sheet

Headings	2010	2009
<b>Assets</b>		
Non-current Assets	13.923	15.226
Inventories	2.251	2.447
Clients C/A (Net Prepayment)	15.498	7.892
Other receivables	9.329	3.366
Cash and Banks	30.857	37.827
Deferrals	187	73
<b>Total Assets</b>	<b>72.045</b>	<b>66.830</b>
<b>Liabilities</b>		
Provisions	3.481	4.157
Other non-current payables	4.161	5.361
Non-current loans obtained	0	0
Financing obtained	0	0
Suppliers C/A (Net Prepayment)	19.614	12.980
Other payables	9.272	8.785
Deferrals	0	0
<b>Total Liabilities</b>	<b>36.528</b>	<b>31.283</b>
<b>Shareholders Funds</b>	<b>35.516</b>	<b>35.546</b>

2009	2008	2007	2006
13.904	14.202	9.805	9.216
3.832	8.144	4.334	2.429
7.892	23.245	15.552	17.311
1.343	3.444	3.230	3.842
37.827	40.749	29.655	20.596
1.795	1.201	192	1.461
<b>66.593</b>	<b>90.985</b>	<b>62.766</b>	<b>54.855</b>
4.157	1.717	938	720
0	0	0	0
0	0	0	125
12.980	30.822	22.591	20.450
2.045	4.670	2.974	4.737
10.574	18.754	8.563	8.820
<b>29.756</b>	<b>55.963</b>	<b>35.065</b>	<b>34.853</b>
<b>36.837</b>	<b>35.022</b>	<b>27.701</b>	<b>20.002</b>

(Amounts in Thousands of €)



In order to assess the Company's Liquidity and Debt Capacity at the end of the year under review, a set of indicators is used that help to characterise the structure of the balance sheet. Thus, with regard to:

### **Liquidity**

Though worse than in the previous year, with a very comfortable Working Capital in the order of €29 million and a Quick Ratio of 2.01 and a Cash Ratio of 1.93, it can be said that the Company's short-term financial structure continues to be very solid.

A contribution continued to be made to this by the absence of short-term bank debt owing to non-use of bank loans to meet day-to-day cash-management requirements, as a result of the cash flow generated during the year and the cash-in-hand and bank balances, which together amounted to €30.9 million at the year-end.

### **Debt Capacity**

With a fixed-asset financing ratio of 2.55 and financial independence and self-financing ratios of 97.2% and 49.3% respectively, the conclusion is that LISNAVE's debt capacity is very comfortable and adequate to its core business, one that is characterised as being highly unpredictable.

Lastly, and in keeping with legal requirements, it is hereby declared that, as at December 31, 2010, LISNAVE held no treasury shares and there was no past-due debt to the State Public Sector, including Social Security.





## 7 | Business Outlook for 2011

According to the World Bank, many of the economies of the developing countries have recovered – or are in the process of recovery of – full use of their production capacity, mainly as a result of the increase of their domestic demand.

On the contrary, as a result of the restructuring of the banking industry imposed by the respective governments, the economies of the developed countries do not yet have a growth rate sufficiently robust to recoup the normal rate of use of their production structure, to reduce unemployment and, consequently, to increase domestic demand.

In this connection, the growth rate of the global economy can be expected to slow from the 3.9% estimated for 2010 to 3.3% in 2011, then increasing to 3.6% in 2012.

It can also be expected that the growth rate of trade will slow, falling from 10.5% in 2010 to 6.6% in 2011 and to 6.6% in 2012.

## Ship Repair and Maintenance

As a result of the expected slowdown of the growth rate of global trade, on the one hand, and of the substantial increase of capacity, both by number of ships and by their carrying capacity, on the other, the use-rate of the world's merchant fleet is expected to fall, leading to the continuation or even worsening of the heavy downward pressure on freight rates.

There are additional risks that could also aggravate this scenario, of which the following are underscored:

- concern as to the results of the sovereign-debt correction plan of some European States, which, should they fail, may well cause an increase of joblessness and, consequently, reduction of consumption;
- continuation of the present situation of low interest rates in the developed countries, which could cause a major flight of capital looking for greater returns, leading to destabilisation of exchange rates and of the price of goods and services, and to an increase of inflation;

► the risk of higher fuel prices, which, through the direct consequences on the price of biodiesel, could impact heavily on the prices of food and of bunkers, the latter yet another factor of reduction of shipowners' profitability.

In this connection, taking these risks into account, aggravated in the meantime by the political situation in some countries of Northern Africa and of the Middle East, it can be expected that demand for ship repair and maintenance will decline during 2011.

However, since shipping in the Atlantic, the main source of business for LISNAVE, is set to remain at levels close to those seen in 2010, it may be that LISNAVE's ship repair business will remain at a level not much lower than in 2010.

### Human Resources

It is hoped that 2011 may be a year of transition towards consolidation of more flexible employment-contract conditions.

Since closing a new collective bargaining instrument with the unions continues to be infeasible, the intention of the Board of Directors is to go ahead with the co-operation established with LISNAVEYARDS, with a view to promoting thereby the creation of conditions that will ensure the future sustainability of the industry. With this in mind, LISNAVE intends to make a start to new and more ample types of co-operation with LISNAVEYARDS, in an endeavour to ensure that the latter take over new responsibilities, in the light of the growth of its personnel numbers, in the development of the business.

In this connection, LISNAVE still intends to organise 3 Youth Training Courses, initially planned for 2010, directed at an age group that is in greater need of workers that is between the ages of 30 and 35.

Besides Youth Training, LISNAVE will go ahead with training for its employees. For this reason, the Training Plan approved for 2011 includes 43 courses, subdivided into 84 measures, involving 906 trainees and a total of 29,422 training hours.



8 | Proposal for the Appropriation of Profits

Since the Company’s performance in 2010 generated a profit that warrants granting the Workers a bonus, the Board of Directors has decided to award a Balance-sheet Bonus.

It therefore proposes to Equity holders that:

**1** The Board’s decision be ratified to award a Balance Sheet Bonus be awarded to the Company’s workers as a whole, in the sum of €1,250,000.00 (one million two hundred and fifty-thousand Euros), already included in the Net Profit for the year, and that

**2** The Net Profit for the year in the sum of €11,970,158.02 (eleven million nine hundred and seventy thousand one hundred and fifty eight Euros and two cents) be appropriated as follows:

Dividends	10.500.000,00 Euros
Retained earnings	1.470.158,02 Euros

9 | Closing Remarks

Lastly, in closing the Management Report in respect of the business in 2010, the Board of Directors would like to express its profound gratitude and appreciation to the many people and entities that have directly or indirectly supported it in the pursuit of the established goals, in particular:

- The Customers and Suppliers, for the preference and confidence with which they have continued to distinguish LISNAVE;
- The Shareholders, for the support, co-operation and interest that they have always displayed in their monitoring of the more relevant aspects of the management of the Company;
- The Authorities in general and those of the Port of Setúbal in particular for their understanding and co-operation in resolving issues inherent in the working of the Shipyard;
- The Credit Institutions for the excellent relations they have established with LISNAVE;
- The Audit Committee and the External Auditors for the participative way in which they have performed their duties;
- To all the Company’s Employees and their Representative Bodies for their willingness commitment and very considerable professionalism.

Setúbal, 24th February 2011

The Board of Directors

Chairman

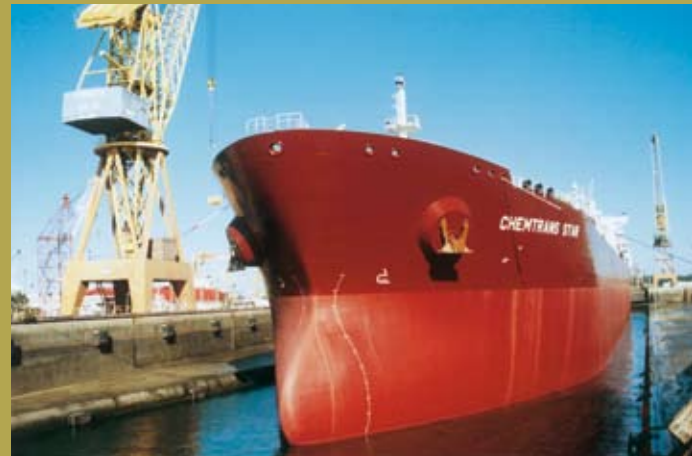
José António Leite Mendes Rodrigues

Members of the Board

- Nelson Nunes Rodrigues
- Aloísio Fernando Macedo da Fonseca
- Frederico José Ferreira de Mesquita Spranger
- Marcus Schwaeppe
- João Rui Carvalho dos Santos
- Manuel Serpa Leitão











**Balance**

**Statement of Changes in Equity**

**Statement of Profit and Loss by Activity**

**Cash Flow Statement**

**Annex**

**Auditing Committee Report and Advice**

**Legal Certification of Accounts**

**Extract of the Minute of the Annual General Meeting of Shareholders  
held on 24th March 2011 Relating to the Approval of Documents  
Reporting the Accounts for the 2010 Financial Year**

BALANCE

Headings	Notes	2010	2009
Assets			
Non-current Assets			
Tangible Assets	8	5.700.610,80	5.871.798,83
Imvestment properties	7	2.567.100,00	2.567.100,00
Intangible Assets	15,2	0,00	0,00
Other financial Assets	15,2	4.448.306,89	5.360.954,89
Deferred tax Assets	14	1.206.756,99	1.425.735,37
		13.922.774,68	15.225.589,09
Current Assets			
Inventories	10	2.250.986,51	2.446.866,54
Costumers	15,1	15.497.885,27	8.090.789,41
Advances to Suppliers	15,3	395.077,16	958.292,31
State and other public entities	17,1	3.259.118,41	968.052,56
Other accounts receivable	15,2	6.070.216,44	2.397.740,07
Deferrals	17,2	186.520,88	73.014,97
Cash and short-term deposits	4	30.857.077,10	37.826.611,93
		58.516.881,77	52.761.367,79
Total Assets		72.439.656,45	67.986.956,88

(Amounts in €)

Headings	Notes	2010	2009
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Issued capital	15,5	5.000.000,00	5.000.000,00
Legal reserves	17,3	1.398.173,26	1.398.173,26
Retained earnings	17,3	17.148.100,76	17.003.691,14
		23.546.274,02	23.401.864,40
Net Profit / Loss for the period	17,3	11.970.158,02	12.144.409,62
<b>Total Equity</b>		<b>35.516.432,04</b>	<b>35.546.274,02</b>
<b>Liabilities</b>			
<b>Non-current Liabilities</b>			
Provisions	12	3.480.956,50	4.157.498,32
Other accounts payable	15,4	4.161.230,81	5.360.972,81
		<b>7.642.187,31</b>	<b>9.518.471,13</b>
<b>Current Liabilities</b>			
Suppliers	15,3	20.009.001,22	13.938.086,78
Advances to costumers		0,00	199.000,00
State and other public entities	17,1	432.308,80	2.000.253,89
Other accounts payable	15,4	8.839.727,08	6.784.871,06
		<b>29.281.037,10</b>	<b>22.922.211,73</b>
<b>Total Liabilities</b>		<b>36.923.224,41</b>	<b>32.440.682,86</b>
<b>Total Equity and Liabilities</b>		<b>72.439.656,45</b>	<b>67.986.956,88</b>

(Amounts in €)

STATEMENT OF CHANGES IN EQUITY

	Attributed to Equity Holders of Capital				
Description	Issued Capital	Legal Reserves	Earnings	Net Income	Total Equity
Position at the beginning of 2009 (POC)	5.000.000	1.398.173	13.302.910	15.320.843	35.021.926
Remainder of the distribution of the Net Income for the Period			15.320.843	-15.320.843	0
	0	0	15.320.843	-15.320.843	0
Changes for the period					
Transistion Adjustmens			379.939		379.939
	0	0	379.939	0	379.939
Net income for the period				12.144.409	12.144.409
Operations with equity owners					
Dividends			-12.000.000		-12.000.000
	0	0	-12.000.000	12.144.409	144.409
Position at the end of 2009	5.000.000	1.398.173	17.003.692	12.144.409	35.546.274
Position at the beginning of the 2010	5.000.000	1.398.173	17.003.692	12.144.409	35.546.274
Remainder if the distribution of the Net Income for the Period			12.144.409	-12.144.409	0
	0	0	12.144.409	-12.144.409	0
Changes for the period					0
Net profit for the period				11.970.158	11.970.158
Operation with equity owners					
Dividends			-12.000.000		-12.000.000
	0	0	-12.000.000	0	-12.000.000
Position at the end of 2010	5.000.000	1.398.173	17.148.101	11.970.158	35.516.432

(Amount in €)



## PROFIT AND LOSS STATEMENT

Income and Services	Notes	2010	2009
Sales of goods and rendering of services	11	102.509.656,77	118.717.213,99
Grants received		33.008,23	93.389,67
Variation in the production inventories		0,00	0,00
Works for the Company		82,32	3.611,51
Cost of Sales	10	-5.347.171,40	-5.562.986,98
Supplies and external services	17,4	-67.050.879,04	-75.899.782,85
Payroll expenses	16,0	-14.783.462,51	-15.343.719,03
Accounts receivable impairments	15,1	10.000,00	-32.284,78
Provisions	12,0	-93.457,62	-2.440.258,91
Other income and gains	17,5	2.936.811,51	3.394.880,57
Other expenses and losses	17,6	-572.405,74	-4.584.942,22
<b>Profit before Depreciations, Financial Income and Taxes</b>		<b>17.642.182,52</b>	<b>18.345.120,97</b>
Expenses/Reversions of depreciation and amortisation	8,0	-873.282,60	-1.410.638,49
<b>Operational Result (before Financing Costs and Taxes)</b>		<b>16.768.899,92</b>	<b>16.934.482,48</b>
Interest and similar Income	17,8	758.274,64	1.507.601,69
Interest and similar expenses paid	17,9	-82.926,74	-118.679,74
<b>Profit before Tax</b>		<b>17.444.247,82</b>	<b>18.323.404,43</b>
Income Tax for the Period	14,0	-5.474.089,80	-6.178.994,81
<b>Profit for the Period</b>	<b>17,3</b>	<b>11.970.158,02</b>	<b>12.144.409,62</b>

(Amounts in €)

CASH FLOW STATEMENT

Headings	2010	2009
Cash Flow from Operating Activities		
Receivable from Costumers	92.324.738,04	139.111.123,13
Payments to Suppliers	-71.881.494,60	-117.071.688,97
Payments to Employees	-11.025.815,43	-12.525.068,47
Cash Generated by Operations	9.417.428,01	9.514.365,69
Income Tax Payments	-7.536.337,94	-9.445.849,83
Other Payments / Receivable	3.355.392,51	10.403.032,16
Related Items Special Receivables		
Related Items Special Payments		
Flow from Operating Activities (1)	5.236.482,58	10.471.548,02
Cash Flow from Investment Activities		
Payments Related with:		
Tangible Assets	-702.094,57	-1.361.930,43
Intangible Assets		
Financial Investments		-1.206.292,00
Others Assets		
Receivables Related with:		
Tangible Fixed Assets	32.251,00	0,00
Intangible Assets		
Financial Investments		
Other Assets		
Investment Grants		0,00
Interests and Similar Incomes	537.528,63	1.252.550,30
Dividends		
Flow from Investment Activities (2)	-132.314,94	-1.315.672,13

(Amount in €)

Headings	2010	2009
<b>Cash Flow from Financing Activities</b>		
<b>Receivables Related with:</b>		
Repayment of Borrowings	0,00	0,00
Share Capital Increases	0,00	0,00
Compensation of Losses Carried Forward	0,00	0,00
Donations		
Other Financing Operations		
<b>Payments Related with:</b>		
Proceeds from Borrowings		
Interests and Similar Expenses	-60.345,60	-69.444,22
Dividends	-12.000.000,00	-12.000.000,00
Share Capital Decreases		
Other Financing Operations		
<b>Flow from Financing Activities (3)</b>	<b>-12.060.345,60</b>	<b>-12.069.444,22</b>
<b>Changes in Cash and Cash Equivalent</b> <b>(4) = (1) + (2) + (3)</b>	<b>-6.956.177,96</b>	<b>-2.913.568,33</b>
<b>Net Foreign Exchange Difference</b>	<b>13.356,87</b>	<b>8.396,98</b>
<b>Cash and Cash Equivalents at Beginnings of Period</b>	<b>37.826.611,93</b>	<b>40.748.577,24</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>30.857.077,10</b>	<b>37.826.611,93</b>
	<b>-6.956.177,96</b>	<b>-2.913.568,33</b>

(Amounts in €)

## **ANNEX**

(Amounts are stated in Euros unless specifically indicated otherwise)

### **1. Corporate Information**

The Company was incorporated on March 12th 1997 under the business name of Navenova – Estaleiros Navais, S.A., its name subsequently being altered by a public deed dated July 31st 1997 to LISNAVE – ESTALEIROS NAVAIS, S.A.

Its main corporate purpose is the operation of shipyards for the construction and repair of ships relating to the exercising of the industry, trade as well the development of activities related with the latter or similar.

Its registered offices are situated in Mitrena, 2901-901 SETUBAL.

The Company capital is held mainly by NAVIVESSEL – ESTUDOS E PROJECTOS NAVAIS, S.A., which holds 72,83%, by ThyssenKrupp Marine Systems AG, which holds 20,00% of capital, by the Portuguese State with 2,97% and by Public (OPT) with 4,2%.

### **2. General Accounting Policies used in the preparation of the Financial Statements**

With the publication of Statute Law n°. 158 enacted on July 13th 2009, the Official Chart of Accounts (POC) and the Accounting Guidelines were revoked as from January 1st 2010. Hence, for the financial year which was commenced from this date, the Company started carrying out the accounting report on its accounts in accordance with the Accounting and Financial Reporting Standards (NCRF – Normas de Contabilidade e Relato Financeiro) which form an integral part of the Accounting Standardisation System (SNC – Sistema de Normalização Contabilística).

There have been no derogations with a view to the presentation of a true, appropriate picture.

In accordance with NCRF 3 – Application for the First Time of the NCRF, in the Opening Balance Sheet as at January 1st 2009:

- a. All the assets and liabilities were recognised whose recognition is required by the NCRF;
- b. All the items that the NCRF do not allow to be recognised as assets or liabilities were derecognised;
- c. Items were reclassified which, according to the POC, were recognised as a type of asset, liability or component of equity, but which are a different type of asset, liability or component of equity according to the NCRF;
- d. The NCRF were applied to measure the recognised assets and liabilities;
- e. Adjustments were recognised directly in the results carried forward or, where appropriate, in another item of the equity as at the date of their carrying forward.

Has an exception, at the date of application of the NCRF for the first time, the Company was able to choose some exemptions of application of the NCRF and was forbidden from carrying out the retrospective application of some situations.

The effects of the adoption of the NCRF 3 in the financial position relating to January 1st 2009 are reflected in the table below:

	Assets as at 01-01-2009		Liabilities as at 01-01-2009		Equity as at 01-01-2009
	Current	Non-current	Current	Non-current	
<b>Total in accordance with the POC</b>	<b>78.186.436</b>	<b>14.202.473</b>	<b>57.366.983</b>	-	<b>35.021.925</b>
<b>Changing's in Accounting Policies</b>					
Derecognitions					
Intangible assets	-	(146.429)	-	-	(146.429)
Work in progress in 2009	-	-	-	-	-
Advance Sales	-	-	-	-	-
Cancellation of initial sales	9.901.976	-	-	-	9.901.976
Work in progress in 2008	(5.955.821)	-	-	-	(5.955.821)
Recognition					
New rent payable	-	-	784.062	-	(784.062)
Costumer Commissions Payable	-	-	783.453	-	(783.453)
IRC Payable	-	-	737.271	-	(737.271)
Balance sheet bonuses	-	-	1.115.000	-	(1.115.000)
<b>Subtotal</b>	<b>3.946.155</b>	<b>(146.429)</b>	<b>3.419.786</b>	-	<b>379.939</b>
Reclassifications					
<b>Subtotal</b>	-	-	-	-	-
<b>Total changes to accounting policies</b>	<b>3.946.155</b>	<b>(146.429)</b>	<b>3.419.786</b>	-	<b>379.939</b>
Correction to Errors	-	-	-	-	-
<b>Total in accordance with the NCRF</b>	<b>82.132.590</b>	<b>14.056.043</b>	<b>60.786.769</b>	-	<b>35.401.864</b>

The adoption of the NCRF had no impact on the Cash Flows.



The reconciliation of the equity reported according to the POC with the equity according to the NCRF between the date of transition to the NCRF (January 1st 2009) and the end of the last period submitted in the latest annual financial statements (December 31st 2009) is as follows:

	Equity 01-01-2009	Results for the Financial year 31-12-2009	Other capital items 31-12-2009	Equity 31-12-2009
<b>Total in accordance with the POC</b>		<b>14.929.706</b>		<b>36.836.631</b>
<b>Restatement of the financial year of 2009</b>				
Derecognitions				
Intangible assets	(146.429)	41.880	-	(104.549)
Works in progress from 2009	-	(1.385.126)	-	(1.385.126)
Advance sales	-	1.726.318	-	1.726.318
Cancellation of initial sales	9.901.976	(9.901.976)	-	-
Works in progress from 2008	(5.955.821)	5.955.821	-	-
Recognition				
New rent payable	(784.062)	784.062	-	-
Costumer Commissions Payable	(783.453)	783.453	-	-
IRC Payable	(737.271)	737.271	-	-
Balance sheet bonuses	(1.115.000)	(1.527.000)	1.115.000	(1.527.000)
<b>Subtotal</b>	<b>379.939</b>	<b>(2.785.297)</b>	<b>1.115.000</b>	<b>(1.290.357)</b>
Reclassifications				
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>--</b>
<b>Total changes to accounting policies</b>	<b>379.939</b>	<b>(2.785.297)</b>	<b>1.115.000</b>	<b>(1.290.357)</b>
Correction to Errors	-	-	-	--
<b>Total in accordance with the NCRF</b>		<b>12.144.409</b>		<b>35.546.274</b>

### 3. Accounting Policies

#### 3.1 Measurement bases used in the preparation of the financial statements

On the preparation of the financial statements, the Company adopted:

- The Bases stated in the annex to Statute Law no. 158 enacted on July 13th 2009 which instituted the SNC;
- The NCRF in force on the present date with those exemptions described in Note 2.

Hence, the financial statements were drawn up in line with the bases of continuity, the accruals regime, the consistency of presentation, materiality and aggregation, non-compensation and comparative information.

Being based on the provisions of the NCRF, the accounting policies adopted by the Company were as follows:

#### **a. Tangible Fixed Assets**

Tangible Fixed Assets refer to assets used in production, in the rendering of services or in administrative use.

With the exception of the Lands that are not depreciable, Tangible Fixed Assets are depreciated during the expected economic period of life and evaluated in terms of impairment whenever there is an indication that the asset may be in an impairment situation. Depreciations are calculated on a duodecimal basis as from that time when the assets are available for use for the desired purpose, using the straight line method.

The depreciation rates have been defined with a view to wholly depreciating the assets until the end of their anticipated working lives and they are as follows:

	2010	2009
Buildings and Other Constructions	2,50% – 5,00%	2,50% – 5,00%
Basic Equipment	5,00 – 12,50%	5,00% – 12,50%
Transport Equipment	33,33%	33,33%
Administrative Equipment	6,25% – 33,33%	6,25% – 33,33%
Other Tangible Assets	16,67%	16,67%

It is assumed that the residual value is zero meaning that the depreciable value concerning the depreciations coincides with the cost.

The depreciation methods, estimated working life and residual value, are revised at the end of each year and the effects of the alterations are treated as alterations to estimates i.e. the effect of alterations is treated in prospective fashion.

The depreciation cost is recognised in the profit-and-loss account under the item Expenses / Reversions of Depreciation and Amortisation.

The standard repair and maintenance costs are recognised as expenses in the period during which they occur.

Any gain or loss deriving from the derecognition of a tangible asset (calculated as the difference between the sale value minus sales costs and the book value) is included in the result for the financial year in the year in which the asset is derecognised.

Tangible Fixed Assets in Progress relate to assets which are still at a construction or development stage and are measured at the cost of acquisition, only being depreciated when they are available for use.

## **Impairment**

The Company evaluates whether there is any indicator that an asset may be impaired at the end of the year. Should there be any indicator, the Company estimates the recoverable amount of the asset (which is the highest between the fair value of the asset or of a cash generating unit minus the selling costs and its value in use) and they recognise the impairment in the results for the financial year whenever the recoverable amount is lower than the book value.

When evaluating whether there is an indicator of impairment, the following situations are considered:

- ▶ During the period the market value of an asset reduced significantly more than that would be expected as a result of the passage of time or normal usage;
- ▶ During the period major alterations occurred – or will occur in the near future – with an adverse effect on the Company as regards the technological, market, economic or legal environment in which the Company operates or on the market to which the asset is dedicated;
- ▶ The market interest rates or other investment return market rates increased during the period and these increases will probably effect the discount rate used to calculate the value in use of an asset and will materially reduce the recoverable amount of the asset;
- ▶ The carrying amount of the net assets of the entity is greater than its market capitalisation;
- ▶ Evidence is available of the obsolescence of or physical damage to an asset;
- ▶ Major improvements with an adverse effect on the entity occurred during the period, or it is expected they will occur in a near future to the extent that, or in the way in which, an asset is used it is expected to be used. These alterations include an asset which has become idle, plans to discontinue or restructure the operating unit to which the asset belongs, plans to dispose of an asset before the date expected previously;
- ▶ There is evidence in the internal reports that indicate that the economic performance of an asset is, or will be, worse than that expected.

Regardless of whether there are indicators of their being impaired any assets which is still not available for use is tested annually.

Impairment reversions are recognised under results and are only carried out up to the limit which would result if the asset had never been subject to impairment.

## **b. Deferred Tax Assets and Liabilities and Income tax for the Period**

### **b.1 Deferred Tax Assets and Liabilities**

Deferred Tax Assets and liabilities derive from the calculating of timing differences between the accounting base and the fiscal base of the assets and liabilities of the Company.

Deferred Tax Assets reflect:

- Timing differences which are deductible insofar as the existence of future taxable profits is probable with regard to which the deductible difference may be used;
- Unused tax losses and tax credits insofar as it is probable that future taxable profits are available against which they can be used.

Deductible timing differences are timing differences resulting in amounts which are deductible when determining taxable profit/tax loss for future periods when the carrying amount of the asset or liability is recovered or settled.

Deferred Tax Liabilities reflect taxable timing differences.

Taxable timing differences are timing differences resulting in amounts which are deductible when determining taxable profit/tax loss for future periods when the carrying amount of the asset or liability is recovered or settled.

Deferred taxes are not recognised as regards the timing differences associated with investments in branches and associates and interests in joint ventures as it is assumed that the following conditions have been simultaneously met:

- The Company is capable of controlling the timing of the reversion of the timing difference; and
- It is probable that the timing differences will not revert in the foreseeable future.

The measurement of Deferred Tax Assets and liabilities:

- This is carried out in accordance with the rates which it is expected are applicable in the period during which the asset is realised or the liability settled based on the tax rates approved as at the date of the balance sheet and
- Reflects the tax impacts which follow and the Company expects, as at the date of the balance sheet, to recover or settle the carrying amount for its assets and liabilities.

## **b.2 Income tax**

The Income tax for the Period encompasses the deferred and current taxes of the financial year.

Current Tax is determined in line with the accounting result adjusted in accordance with the tax legislation in force.

The Company is subject to income tax at the rate of 25%, plus the Municipal Surcharge up to the maximum rate of 1.5% on the Taxable Profit and the State Surcharge rate, resulting in a maximum aggregate rate of 29.5%.

Under the terms of prevailing legislation, the corresponding tax returns are subject to revision by the tax authorities for a period varying between 4 and 5 years which may be extended under certain circumstances, to wit when there are tax losses or inspections, claims or challenges or are in progress.

The Board of Directors, based on the positions of its tax consultants and bearing in mind the responsibilities recognised, understands that any revisions of said tax returns will not result in material corrections to the consolidated financial statements.

## **c. Inventories**

The inventories include the raw materials which are valued at the cost of acquisition or net realisable value, the lower of the two, with the costing method being the average cost one.

The cost of the inventories includes:

- Purchasing costs (purchasing cost, import duties, non-recoverable taxes, transport costs, handling and other directly attributable to purchase, deducting any commercial discounts, rebates and other similar items);
- Any other costs incurred to ensure placement of inventories at its facilities and desired conditions;
- Variations in fair value should the inventories be associated with hedging derivative instruments (§37 b) of the NCRF 27).

Whenever the net realisable value is lower than the cost of acquisition or production, there is a reduction in the value of the inventories by way of the recognition of a loss owing to impairment which is reverted when the grounds which gave rise to it cease to exist.

To this end, the net realisable value is the estimated selling price during the ordinary course of business activity minus the estimated finishing costs and the costs required making the sale. The estimates take into account any variations related with events occurring after the end of the period insofar as said events confirm the existing conditions at the end of the period.



#### **d. Financial assets not included in the above paragraphs**

Financial assets are recognised when the Company is a party to the respective contractual relationship.

Financial assets not included in the aforementioned paragraphs and which are not valued at fair value are valued at the cost or at the depreciated cost net of losses due to impairment, where applicable.

At the end of the year the company valued the impairment of these assets. Whenever there was objective evidence of impairment, the company recognised a loss owing to impairment in the profit-and-loss account.

Objective evidence that a financial asset or a group of assets could be in impairment bore in mind observable data which related to the following loss events:

- ▶ Significant financial difficulty of the debtor;
- ▶ Breach of contract such as failure to pay or default as regards the payment of interest or depreciation of debt;
- ▶ The Company, for economic or legal reasons related with the financial difficulty of the debtor provides the debtor with concessions which it would otherwise not consider;
- ▶ It has become probable that the debtor will file for bankruptcy or any other financial reorganisation;
- ▶ Observable information indicating that there is a reduction in the measurement of the estimated future cash flows of a group of financial assets since their initial recognition.

Individual significant financial assets were valued individually for the purposes of impairment. The others were valued in line with similar credit risk characteristics.

The impairment ascertained under the aforementioned terms does not differ from that is arrived at using fiscal criteria and for tax purposes.

Some specific aspects related with each of the types of financial assets are set out below.

##### **d.1 Clients**

Accounts receivable from Clients are measured at the time of initial recognition in accordance with the measurement criteria for Sales and the Rendering of Services described in paragraph k), being subsequently measured at cost minus impairment.

Impairment is determined in line with the criteria defined in paragraph d).

## **d.2 Advances to Suppliers**

These balances do not earn interest or do they imply any kind of interest and hence they are presented at the respective nominal value, deducting losses owing to impairment, where applicable, determined in line with the criteria defined in paragraph d).

## **d.3 Other Accounts Receivable**

The other accounts receivable are valued in the manner set out below:

- Staff – at cost minus impairment;
- Debtors owing to income accruals – at cost minus impairment;
- Other debtors - at cost minus impairment.

In both cases impairment is determined based on the criteria defined in paragraph d).

## **d.4 Cash and Banks**

The amounts included under the item Cash and Banks correspond to cash amounts and other deposits, falling due in under three months, and which may be mobilised immediately with an insignificant risk of any alteration to value.

These balances are measured at cost.

For the purposes of the cash flow statement, the item “Cash and cash equivalents” not only includes Cash and Banks but also, where applicable:

- The bank overdrafts included under the item Financing Obtained from the Balance Sheet; and
- The Cash and cash equivalents balances included under the item Non-Current Assets held for Sale.

## **e. State and Other Public Bodies**

The assets and liabilities balances of this item are calculated in line with prevailing legislation.

As regards assets for which no impairment was recognised as it is considered that this is not applicable in view of the specific nature of the relationship.

## **f. Assets and liabilities Deferrals**

This item reflects the transactions and other events with regard to which their total imputation to results in a single financial year is not appropriate.

## **g. Equity Items**

### **g.1 Capital Realised**

In compliance with the provisions of article 272 of the Trading Company Code (CSC) the memorandum of association indicates the timeframe for realising the capital subscribed and not paid up as at the date of the deed. During this timeframe the respective Shareholders are not entitled to vote at General Meetings under the terms defined in article 384, also of the CSC.

### **g.2 Legal Reserves**

According to article 295 of the CSC, at least 5% of the result must be set aside for the formation or strengthening of the legal reserve until the latter represents at least 20% of the Share capital.

The legal reserve may not be distributed except in the event of liquidation and it can only be used to soak up losses once all the other reserves have been used up, or for incorporation in Share capital (article 296 of the CSC)

### **g.3 Results carried forward**

This item does not include any gains owing to increases in Fair Value in Financial Instruments, Financial Investments and Investment Properties which, in accordance with no.2, article 32 of the CSC, would only be available for distribution when the elements or rights which gave rise thereunto have been disposed of, exercised, dissolved or settled.

## **h. Provisions**

This item reflects the present obligations (legal or constructive) of the entity deriving from past events whose settlement is expected to result in an outflow of resources from the entity which incorporate economic benefits and whose timing and amount are uncertain, but whose value may be reliably estimated.

Provisions are measured by the best estimate of the expenditure required to settle the present obligation as at the date of balance sheet. Whenever the effect of the time value of money is material, the amount of a provision is the present value of the expenditure which it is expected will be necessary to settle the obligation using a pre-tax discount rate which reflects the current market valuations of the time value of money and the specific risks of the liabilities and which does not reflect risks with regard to which the estimates of future cash flows have been adjusted.

Some specific aspects relating to Provisions have been set out below.

### **h.1 Provisions for Court Proceedings**

This item includes the provision for a court proceeding in progress with regard to IRC (corporation tax) from 2003. It is measured by its present value.

## **h.2 Other Provisions**

This item includes, inter alia, the following provisions:

- ▶ Provisions for commission payable related with the renderings of services provided by the Company;
- ▶ Provisions for supplier invoices;
- ▶ Other miscellaneous items.

These provisions are recorded at their present value.

## **i. Other Financial Liabilities not included in the previous paragraphs**

Financial liabilities are recognised when the Company is a party to the respective contractual relationship.

Financial liabilities not included in the aforementioned paragraphs are valued at cost or depreciated cost under the terms indicated in the paragraphs below.

### **i.1 Suppliers**

The accounts payable to suppliers are initially recognised at the respective fair value and, subsequently, are measured at cost.

### **i.2 Client Advances**

Client Advances do not earn interest nor involve any interest and are thus measured at cost.

### **i.3 Other Accounts Payable**

The other accounts payable do not bear interest nor involve any interest and are thus measured at cost.

## **j. Effect of alterations to exchange rates**

Transactions in a foreign currency are converted into Euros at the rates on the transaction dates.

Any balances still outstanding at year-end are converted at the closing rate and the differential is recognised under results.

## **k. Rendering of Services**

The Rendering of Services is measured at the fair value of remuneration received or to be received, deducting any amounts relating to commercial discounts and other discounts granted.

When the rendering of the service includes subsequent services, that correspondent part of the revenue is deferred and recognised as revenue during the period in which the service is carried out.

Although revenue is only recognised when it is likely that the economic benefits associated with the transaction will flow into the Company, should any uncertainty arise about the collectability of an amount already included in the revenue, the bad debt amount – or the amount with regard to which recovery has ceased to be likely – is recognised as an impairment and not as an adjustment to the amount of revenue originally recognised.

Some specific aspects have been set out below about the recognition of Renderings of Services.

### **k.1 Rendering of Services**

Revenue from the Rendering of Services is recognised when the outcome of the transaction can be reliably estimated which occurs when all the following conditions have been met:

- ▶ The revenue amount can be reliably measured;
- ▶ It is likely that the economic benefits associated with the transaction will flow to the Company;
- ▶ The transaction completion stage as at the date of the balance sheet can be reliably measured; and
- ▶ Any costs incurred by the transaction and the costs to complete the transaction can be reliably measured.

The percentage of completion is determined in line with the proportion which the costs incurred to date has of the total estimated costs of the rendering of services (relating to services carried out or being carried out).

Progressive payments and client advances are not borne in mind when determining the percentage of completion.

## **1. Payroll Expenses**

Payroll expenses are recognised when the service provided by the employees regardless of their date of payment.

Some specific aspects have been set out below relating to each of the types of Payroll Expenses.

### **1.1 Holidays and Holiday Allowances**

According to the employment legislation in force, employees are entitled to holidays and holiday allowance in the year subsequent to that when the service is provided. Hence, an increase in the amount to be paid in the following year was recognised in the results of the financial year, being reflected under the item “Other Accounts Payable”.

### **1.2 Distribution of Profits to Employees**

Distributions of Profits to employees are recognised under Payroll Expenses in the period to which they relate and not as a distribution of Results. Hence, an increase in the amount to be paid in the following year was recognised in the results of the financial year, being reflected under the item “Other Accounts Payable”.

### 1.3 Employment Severance Benefits

The Company recognises a liability and an expense for Employment Severance Benefits when it has already demonstrably committed to:

- Cease the employment of an employee or group of employees prior to the normal retirement date; or
- Provide severance benefits as a result of an offer made to encourage voluntary departure.
- It is considered that the Company has already demonstrably committed when it has a detailed, formal plan as regards the severance and there is no realistic possibility of withdrawal and when the plan includes at least the following:
  - The location, post and approximate number of employees whose services are to be severed;
  - The severance benefit for each classification or post of employment; and
  - The time when the plan is to be implemented.

Employment Severance Benefits are recognised as an expense immediately and whenever they fall due over 12 months after the balance sheet date they are measured at the discounted value.

In the case of offers made to encourage voluntary departure, the measurement of the Employment Severance Benefits is based on the number of employees who it is expected will accept the offer.

### m. Interest and similar expenses paid

Financing expenses are recognised in the profit-and-loss account for the period to which they relate and include the interest paid determined in line with the effective interest rate method.

### n. Contingent Assets and liabilities

A Contingent Asset is a possible asset deriving from past events and whose existence shall only be confirmed by the occurrence or otherwise of one or more uncertain future events not totally under the control of the entity.

Contingent Assets are not recognised in the financial statements so as not to result in the recognition of income which may never be realised. However, they are disclosed when the existence of a future inflow is likely.

A Contingent Liability is:

- A possible obligation which derives from past events and whose existence shall only be confirmed by the occurrence or otherwise of one or more uncertain future events not totally under the control of the entity,
- Or
- A present obligation which derives from past events but which is not recognised because:
  - It is not likely that an outflow of resources is required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.



Contingent Liabilities are not recognised in the financial statements so as not to result in the recognition of expenses which may never become effective. However, they are disclosed whenever there is a probability of future outflows which is not remote.

### **3.2 Judgements applied to the accounting policies**

#### **a. Useful lives of Tangible and Intangible Fixed Assets**

The useful life of an asset is the period during which an entity expects that this asset will be available for its use and must be revised at least at the end of each financial year.

The amortisation/depreciation method to be applied and the estimated losses deriving from the replacement of equipment before the end of its useful life on the ground of technological obsolescence, is essential to determine the effective useful life of an asset.

These parameters are defined in accordance with the best management estimate for the assets and business in question, also considering the practices adopted by companies in those sectors in which the Company operates.

#### **b. Deferred Tax Assets**

Deferred Tax Assets are recognised for all recoverable losses if it is likely that there will be a taxable profit against which the losses can be used.

Bearing in mind the backdrop of the crisis and the impact it may have on future results, the Administration now needs to decide in order to determine the amount of deferred tax assets which may be recognised bearing in mind:

- The likely date and amount of future taxable profits and
- The future fiscal planning strategies.

#### **c. Recognition of Rendering of Services**

The Company deploys the percentage of completion method for the recognition of its Rendering of Services. The use of this method requires the Company to estimate the services carried out as a percentage of the total services to be carried out which must also be estimated.

#### **d. Provisions for Taxes**

The Company, supported by the positions of its tax consultants and bearing in mind the recognised responsibilities, believes that any revisions of said tax returns would not result in any material corrections to the consolidated financial statements which require the formation of any tax provision.

### 3.3 Main sources for the uncertainty of the estimates

The estimates are based on the best knowledge to be found at any time and on any actions which it is planned to carry out, being permanently revised in line with the information available. Alterations to any subsequent circumstances and facts may lead to a revision of the estimates in the future meaning that the actual results may differ from the present estimates.

#### a. Impairment of Non-financial Assets

Impairment occurs when the book value of an asset or a cash generating unit exceeds its recoverable amount which is the higher between the fair value minus the selling costs and its value in use.

The calculation of the fair value minus the selling costs is based on any information there is of contracts already signed in transactions of similar assets with entities in which there is no relationship between them or observable prices on the market minus incremental costs to sell the asset.

The value in use is calculated in line with a discounted cash flow model which considers a budget for the next five years which does not include restructuring activities with regard to which there is still no commitment to major future investments intended to improve future economic benefits which will derive from the cash generating unit which is being tested.

The recoverable amount is particularly sensitive to:

- The market share during the budget period
- Inflation in the price of raw materials
- Gross margin
- Rate of growth used to extrapolate the cash flows beyond 5 years
- Discount rates used to carry out the discount of future cash flows.

#### b. Impairment of accounts receivable

The credit risk of the balances of accounts receivable is evaluated at each reporting date, bearing in mind the historic information of the debtor and its risk profile as referred to in paragraph 3.1.

The accounts receivable are adjusted by the evaluation carried out of the estimated collection risks as at the balance sheet date which may diverge from the actual risk to be incurred in the future.

### c. Provisions

The recognition of provisions has inherent therein the determination of the probability of the outgoing of future flows and their reliable measurement. These factors are very often dependent on future events and are not always under the control of the Company meaning that they may lead to major future adjustments, either by dint of a variation in the budgets used or by the future recognition of provisions previously disseminated as contingent liabilities.

### 4. Cash and short-term deposits

The Cash and Banks item on the Balance sheet can be broken down as follows:

	2010	2009
Cash on hands	67.915	80.682
Short-term deposits	2.519.162	2.095.930
Other Bank Deposits	28.270.000	35.650.000
	<b>30.857.077</b>	<b>37.826.612</b>

The Cash and Cash Equivalents balance stated in the Cash Flow Statement can be broken down as follows:

	2010	2009
Cash on hands	67.915	80.682
Short-term deposits	2.519.162	2.095.930
Other Bank Deposits	28.270.000	35.650.000
	<b>30.857.077</b>	<b>37.826.612</b>
Cash and Bank Deposits of a Discontinued Operation	-	-
	<b>30.857.077</b>	<b>37.826.612</b>
Bank Overdrafts	-	-
	<b>30.857.077</b>	<b>37.826.612</b>

### 5. Accounting policies, alterations to accounting estimates and errors

In the present financial year the Company adopted the NCRF for the first time meaning it adopted NCRF 3 – Adoption for the first time of the NCRF in the posting of the effects of alterations to Accounting Policies, Estimates and Corrections to Errors, not having adopted the NCRF 4 – Accounting Policies, Alterations to Estimates and Errors which is why the disclosures required by the present Note do not apply.

Under the NCRF 3 – Adoption for the First Time of the NCRF the Company:

- Adopted, with retrospective effects, the same accounting policies in the present financial year and in the comparative numbers of the previous financial year;
- Made alterations to estimates in prospective fashion unless it was concluded that said alteration was owing to errors;
- Corrected the errors in retrospective fashion and proceeded with the restatement of comparatives.

6. Related Parties

The Group to which the Company belongs is made up of the following entities:

				Nature of Relationship	
Name	Location	% Stake	% Votes	Services that Lisnave provides/ Transactions it carries out	Services that Lisnave receives/ Transactions it receives
Navivessel, Estudos e Projectos Navais, S.A.	Portugal	72,83%	72,83%	Dividends	Consultancy Services
ThyssenKrupp Marine Systems AG	Germany	20,00%	20,00%	Dividends	
Portuguese State	Portugal	2,97%	2,97%	Dividends	Member of the Statutory Audit Board and non-executive Director
Public (OPT)		4,20%	4,20%	Dividends	
Lisnave Infraestruturas	Portugal	-	-	Recovery of shipyard	Shipyard Rent
Repropel	Portugal	-	-	Support services to repair commissions and	Propeller repair services
Gaslimpo	Portugal	-	-	Support services	Gas research service
Rebocalis	Portugal	-	-	Support services	Seamanship service
Lisnave Internacional	Portugal	-	-		International Services
Tecor	Portugal	-	-	Support services	Technical support services to ships (stripping and painting)
NavalRocha	Portugal	-	-		
Navalset	Portugal	-	-		
LisnaveYards	Portugal	-	-	Support services	Providing of sub contract services for repairs
Dakarnave	Senegal	-	-	-	-

The parent Company is NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A. whose registered offices are situated in Portugal.

The final controlling parent Company is NAVALSET – SERVIÇOS INDUSTRIAIS E NAVAIS, S.A.

The amount of the transactions, outstanding balances, adjustments to bad debts related with outstanding balances and the expenses recognised during the period in terms of bad debts from related parties are those indicated in the table below:

Name	Year	Clients	Suppliers	Sales and Rend. of Serv.	Purchases	Supplies and External Serv.
Navivessel, Estudos e projectos Navais, S.A.	2010	-	315.763	-	-	290.307
	2009	-	298.061	500	-	290.307
ThyssenKrupp Marine Systems AG	2010	-	-	-	-	-
	2009	-	-	-	-	-
Portuguese State	2010	-	-	-	-	-
	2009	-	-	-	-	-
Public (OPT)	2010	-	-	-	-	-
	2009	-	-	-	-	-
Lisnave Infraestruturas	2010	934.260	6.932	6.204.142	-	2.849.640
	2009	1.857.165	74.939	4.444.551	-	6.802.898
Repropel	2010	22.376	1.080	77.605	-	3.800
	2009	11.406	6.960	74.936	-	14.050
Gaslimpo	2010	32.911	309.898	53.693	114.174	706.562
	2009	31.243	189.210	40.936	106.608	699.294
Rebocalis	2010	10.697	472.044	89.931	-	1.261.731
	2009	13.113	67.494	92.383	-	1.273.879
Lisnave Internacional	2010	2.868	66.014	15.405	-	247.483
	2009	11.084	37.113	12.667	-	390.098
Tecor	2010	683	2.607.170	118.983	-	7.633.256
	2009	6.899	765.345	125.374	-	9.226.234
NavalRocha	2010	-	-	630	-	11.500
	2009	14.431	-	430	-	-
Navalset	2010	5.585	-	-	-	-
	2009	-	-	500	-	-
LisnaveYards	2010	28.063	141.702	179.411	-	3.268.807
	2009	29.078	258.641	91.862	-	870.100
Dakarnave	2010	-	-	-	-	-
	2009	-	-	-	-	-

## 7. Investment Properties

The investment properties relate to the site of Quinta da Chanoca which is held for enhancement in the capital value. No movement occurred in the financial years of 2009 and 2010.

## 8. Tangible Fixed Assets

The gross carrying amount and accumulated depreciation and losses owing to impairment at the start and at the end of the period are as follows:

	Buildings and other constructions	Basic Equipment	Transport Equipment	Adminis. Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
<b>Cost</b>							
<b>January 1st 2009</b>	<b>7.263.526</b>	<b>15.029.514</b>	<b>370.719</b>	<b>4.159.569</b>	<b>5.688.087</b>	<b>969.065</b>	<b>33.480.480</b>
Increases	-	-	-	-	-	1.361.930	1.361.930
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	-	694.143	-	33.400	687.823	(1.415.367)	-
Disposals	-	-	-	-	-	-	-
Write-Offs	(5.122.579)	(9.172.766)	(79.625)	(3.077.778)	(67.473)	(556.058)	(18.076.278)
Exchange differences	-	-	-	-	-	-	-
<b>December 31st 2009</b>	<b>2.140.947</b>	<b>6.550.892</b>	<b>291.094</b>	<b>1.115.191</b>	<b>6.308.437</b>	<b>359.571</b>	<b>16.766.132</b>
Increases	-	-	-	-	-	702.095	702.095
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Discontinued operations	-	-	-	-	-	-	-
Transfers	117.791	323.844	121.245	343.144	136.993	(1.043.017)	-
Disposals	-	-	(153.446)	-	-	-	(153.446)
Write-Offs	(359.411)	(1.202.378)	(114.879)	-	(31.312)	-	(1.707.980)
Exchange differences	-	-	-	-	-	-	-
<b>December 31st 2010</b>	<b>1.899.327</b>	<b>5.672.359</b>	<b>144.014</b>	<b>1.458.335</b>	<b>6.414.118</b>	<b>18.648</b>	<b>15.606.801</b>



	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
<b>Depreciations and Impairment:</b>							
<b>January 1st 2009</b>	<b>5.190.123</b>	<b>11.517.970</b>	<b>318.926</b>	<b>3.780.614</b>	<b>5.250.390</b>	<b>-</b>	<b>26.058.023</b>
Depreciations	224.435	747.230	51.793	133.603	253.577	-	1.410.638
Revaluations	-	-	-	-	-	-	-
Transfers	(4.778.718)	(8.571.129)	(79.625)	(3.077.384)	(67.473)	-	(16.574.328)
Disposals	-	-	-	-	-	-	-
Write-Offs	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
<b>December 31st 2009</b>	<b>635.840</b>	<b>3.694.072</b>	<b>291.094</b>	<b>836.833</b>	<b>5.436.494</b>	<b>-</b>	<b>10.894.333</b>
Depreciations	113.626	356.405	34.061	108.487	260.703	-	873.283
Revaluations	-	-	-	-	-	-	-
Discontinued Ops.	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Write-Offs	(359.411)	(1.202.378)	(268.325)	-	(31.312)	-	(1.861.425)
Exchange differences	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
<b>December 31st 2010</b>	<b>390.055</b>	<b>2.848.100</b>	<b>56.831</b>	<b>945.320</b>	<b>5.665.885</b>	<b>-</b>	<b>9.906.191</b>
<b>Net Book Value:</b>							
<b>As at December 31st 2010</b>	<b>1.509.272</b>	<b>2.824.259</b>	<b>87.183</b>	<b>513.015</b>	<b>748.233</b>	<b>18.648</b>	<b>5.700.610</b>
<b>As at December 31st 2009</b>	<b>1.505.107</b>	<b>2.856.820</b>	<b>-</b>	<b>278.358</b>	<b>871.943</b>	<b>359.571</b>	<b>5.871.799</b>
<b>As at January 1st 2009</b>	<b>2.073.403</b>	<b>3.511.543</b>	<b>51.793</b>	<b>378.955</b>	<b>437.697</b>	<b>969.065</b>	<b>7.422.457</b>

9. Impairment of assets

No imparities of Tangible Fixed Assets or in investment properties were recorded in the year.

10. Inventories

The total inventories carrying amount and the carrying amount under appropriate classifications are set out in the table below:

	2010	2009
Raw materials	2.250.987	2.446.867
	2.250.987	2.446.867

The inventory amounts recognised as an expense during the period are shown in the tables below.

Cost of sales:

	Consumable supplies
Inventories as at January 1st 2009	2.431.178
Purchases	5.850.550
Impairments	-
Inventory adjustment	-
Inventories as at December 31st 2009	2.718.741
	5.562.987
Inventories as at January 1st 2010	2.718.741
Purchases	5.129.526
Impairments	-
Inventory adjustment	
Inventories as at December 31st 2010	2.501.096
	5.347.171

The inventory adjustment amount recognised as an expense for the period is shown in the table below:

	2010	2009
<b>Initial balance</b>	<b>271.874</b>	<b>243.118</b>
<b>Impairment losses</b>		
Raw materials	-	31.733
	-	<b>31.733</b>
<b>Reversion of impairment losses</b>		
Raw materials	(21.764)	(2.977)
	<b>(21.764)</b>	<b>(2.977)</b>
<b>Final balance</b>	<b>250.110</b>	<b>271.874</b>

## 11. Revenue

Revenue is itemised as follows:

	2010	2009
<b>Sale of Goods</b>		
<b>By-products, waste and scrap</b>		
Internal Market	703.247	162.712
	<b>703.247</b>	<b>162.712</b>
<b>Rendering of Services</b>		
<b>Services</b>		
Internal Market	9.224.438	13.397.053
Community Market	53.431.875	64.481.601
Extra-Community Market	39.150.097	40.675.848
	<b>101.806.410</b>	<b>118.554.502</b>
	<b>102.509.657</b>	<b>118.717.214</b>

12. Provisions

The movement in provisions, by each provision, has been shown in the table below:

	Provisions for Court Proceedings in progress	Provisions for credit notes	Provisions for supplier invoices	Provisions for Commissions	Other Provisions	Total
On January 1st 2009	456.640	-	750.000	-	510.600	1.717.240
Increases for the year	-	600.000	951.040	248.377	1.519.414	3.318.832
Utilisation for the year	-	-	-	-	-	-
Reversions for the year	-	-	(367.973)	-	(510.600)	(878.573)
On December 31st 2009	456.640	600.000	1.333.067	248.377	1.519.414	4.157.499
On January 1st 2010	456.640	600.000	1.333.067	248.377	1.519.414	4.157.499
Increases for the year	-	548.556	149.735	140.065	390.103	1.228.459
Utilisation for the year	-	(548.556)	(468.500)	(189.631)	51.311	(1.155.375)
Reversions for the year	-	-	(329.624)	(18.199)	(401.802)	(749.625)
On December 31st 2010	456.640	600.000	684.678	180.612	1.559.027	3.480.957

13. Effects of alterations to exchange rates

The amount of the exchange gains/losses recognised in the results is that indicated in the table below:

	2010	2009
Exchange gains included under:		
Other income and gains	-	-
Interest and similar gains	19.113	19.934
	19.113	19.934
Exchange losses included under:		
Other expenses and losses	-	-
Interest and similar expenses	23.445	22.199
	23.445	22.199

14.Income tax

The Expense (income) regarding current taxes is that shown in the table below:

	2010	2009
<b>Current tax</b>		
IRC (corporation tax) for the year	5.255.112	6.537.883
<b>Deferred Tax</b>		
Originating from, and the object of, reversion of timing differences	218.978	(358.888)
Other movements	-	-
	<b>218.978</b>	<b>(358.888)</b>
	<b>5.474.090</b>	<b>6.178.995</b>

The Adjustment recognised in the current tax period for previous periods is that shown in the table below.

	2010	2009
Excess Tax Estimate	174.101	-
Insufficient Tax Estimate	(150)	(333)
	<b>173.951</b>	<b>(333)</b>

With the exception of the introduction of the State Surcharge during the financial year of 2010, no other alterations occurred to the taxation rates or new taxes posted and hence the amount of expenses (income) owing to deferred taxes did not undergo any alterations deriving from said situations.

The numerical reconciliation between the effective average rate of tax and the applicable rate of tax is that indicated in the table below.

	Tax Base		Rate of tax	
	2010	2009	2010	2009
Pre-tax result	17.444.248	18.323.404		
Rate of Income tax in Portugal	26,5%	26,5%		
<b>Tax on profit at the nominal rate</b>	<b>4.622.726</b>	<b>4.855.702</b>	<b>26,50%</b>	<b>26,50%</b>
<b>Non-taxable income</b>				
Accounting gains	32.251	-		
Tax losses	9.167	-		
Reversion of provisions taxed in previous years	773.983	938.260		
Excellentia Insurance Policy	1.067.000	1.300.000		
Negative equity variations	29.286	1.505.814		
Fiscal Benefits	68.349	121.257		
	<b>1.980.036</b>	<b>3.865.331</b>	<b>(3,01%)</b>	<b>(5,59%)</b>
<b>Costs not deductible for tax purposes</b>				
Donations	2.000	4.950		
Fines, administrative fines and compensatory interest	643	7.342		
Undocumented expenses	180.488	264.789		
Positive asset variations	341.192	-		
Depreciations not accepted for tax purposes	6.561	6.140		
Provisions beyond legal limits	1.228.459	3.318.832		
Recording of impairment losses	-	31.734		
Fixed asset write-offs	-	945.632		
Excellentia Insurance Policy	536.172	2.546.957		
Corrections on previous financial years	13.436	491.961		
Others	224.791	266.166		
	<b>2.533.742</b>	<b>7.884.504</b>	<b>(3,85%)</b>	<b>(11,40%)</b>



	Tax Base		Rate of tax	
	2010	2009	2010	2009
Taxable profit	17.997.954	22.342.577		
Rate of Income tax in Portugal	25,00%	25,00%		
<b>Tax calculated</b>	<b>4.497.926</b>	<b>5.584.082</b>	<b>27,34%</b>	<b>32,31%</b>
Autonomous taxation	201.260	248.281	1,15%	1,36%
Municipal Surcharge	269.969	335.139	1,55%	1,83%
State Surcharge	399.949	-	2,29%	0,00%
Effect of increase/ reversion of deferred taxes	218.978	(358.888)	1,26%	(1,96%)
Adjustments to Estimates (previous financial years)	46.137	-	0,26%	0,00%
Others	(160.130)	370.381	(0,92%)	2,02%
	<b>976.164</b>	<b>594.913</b>	<b>5,60%</b>	<b>3,25%</b>
<b>Income tax</b>	<b>5.474.090</b>	<b>6.178.995</b>	<b>32,94%</b>	<b>35,56%</b>

Deferred taxes can be broken down as follows:

	Balance sheet accounts		Profit-and-loss account items		Other Equity Items	
	2010	2009	2010	2009	2010	2009
<b>Deferred Tax Assets</b>						
SNC transition adjustments	-	-	-	-	-	-
Others						
Excellentia Insurance Policy	1.206.757	1.425.735	(218.978)	358.888		
	<b>1.206.757</b>	<b>1.425.735</b>	<b>(218.978)</b>	<b>358.888</b>	-	-

15. Financial instruments

The disclosures of this note cover the following Balance sheet items:

	2010	2009
<b>Assets</b>		
<b>Non current</b>		
Other accounts receivable	4.448.307	5.360.955
<b>Current</b>		
Clients		
Gross amount	15.627.000	8.229.904
Impairment	(129.115)	(139.115)
Advances to Suppliers	395.077	958.292
Other accounts receivable	6.070.216	2.397.740
	<b>21.963.179</b>	<b>11.446.822</b>
<b>Liabilities</b>		
<b>Non current</b>		
Other accounts payable	4.161.231	5.360.973
<b>Current</b>		
Suppliers	20.009.001	13.938.087
Client advances	-	199.000
Other accounts payable	8.839.727	6.784.871
	<b>28.848.728</b>	<b>20.921.958</b>
<b>Equity</b>		
Share capital	5.000.000	5.000.000
	<b>5.000.000</b>	<b>5.000.000</b>

15.1 Clients

The clients aging can be broken down in the manner indicated in the table below:

	Total	Debt not due	< 30 Days	30-60 Days	Debt Due 60-90 Days	90-120 Days	> 120 Days
2010	15.627.000	10.251.139	2.574.919	1.227.042	(12.775)	153.759	1.432.915
2009	8.090.789	4.333.177	939.676	1.620.933	(404.500)	686	1.600.817

The movement in the item impairment of debts receivable can be broken down as follows:

	Opening balance	Impairment	Utilisation	Reversion	Closing Balance
<b>Financial year of 2010</b>					
Clients	139.115	-	-	(10.000)	129.115
	<b>139.115</b>	<b>-</b>	<b>-</b>	<b>(10.000)</b>	<b>129.115</b>
<b>Financial year of 2009</b>					
Clients	138.563	551	-	-	139.115
	<b>138.563</b>	<b>551</b>	<b>-</b>	<b>-</b>	<b>139.115</b>

## 15.2 Other accounts receivable

The other accounts receivable can be broken down as follows:

	2010	2009
<b>Other non-current accounts receivable</b>		
Capitalisation insurance	4.448.307	5.360.955
<b>Other current accounts receivable</b>		
<b>Debtors from accrued income</b>		
Revenue from orders in progress	5.579.064	1.726.318
Interest on Time Deposits	249.910	235.117
Others	67.511	61.114
<b>Other debtors and creditors</b>		
Staff	142.023	149.600
Others	31.708	225.591
	<b>6.070.216</b>	<b>2.397.740</b>

## Capitalisation Insurance

In 2008 the Company took out an insurance policy involving a financial investment over 10 years with a view to maximising its financial profitability. In the current year this investment made financial income of 186,707 Euros, having used the amount of 1,100,000 Euros for transfer to the insurance policy (OEXL103112068) to strengthen the hedging fund for responsibilities deriving from past services and for services in the subsequent year.

This policy earns interest of 3.5% a year. In addition, the policy has a return index to the profitability of the insurance policy itself.

### 15.3 Suppliers

The suppliers balance can be broken down as follows:

	2010	2009
<b>Suppliers, current account</b>		
National	18.443.962	12.755.327
Overseas	302.529	178.110
Parent Company	315.763	298.061
Suppliers: receiving and conferring	946.747	706.589
	<b>20.009.001</b>	<b>13.938.087</b>
	<b>20.009.001</b>	<b>13.938.087</b>
<b>Suppliers advance</b>		
National	308.479	913.174
Overseas	86.598	45.118
	<b>395.077</b>	<b>958.292</b>

### 15.4 Other accounts payable

Other accounts payable can be broken down as follows:

	2010	2009
<b>Other accounts payable – non current</b>	<b>4.161.231</b>	<b>5.360.973</b>
<b>Other accounts payable – current</b>		
<b>Creditors from accrued expenses</b>		
Insurance Policies	5.930	15.343
Remunerations to be settled – holidays and holiday allowances	1.451.780	1.501.648
Rendering services	100.000	175.785
Specialized works	550.000	1.010.102
Lisnave Rent	364.567	(1.074.026)
Commissions	4.358.820	2.907.461
Others	610.054	694.556
Agents	148.576	26.750
<b>Other debtors and creditors</b>		
Staff - balance sheet bonuses	1.250.000	1.527.000
Miscellaneous	-	251
	<b>8.839.727</b>	<b>6.784.871</b>

15.5 Share capital

The amount of nominal share capital and share capital to be paid up and respective period is indicated in the table below:

	2010	2009
Nominal share capital issued	5.000.000	5.000.000
Nominal share capital issued and paid up		
NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A.	3.641.370	3.641.370
THYSSENKRUPP MARINE SYSTEMS AG	1.000.000	1.000.000
PORTUGUESE STATE	148.330	148.330
PUBLIC (OPT)	210.300	210.300
	5.000.000	5.000.000
Capital to be paid up	-	-

Share capital is represented by 1,000,000 Nominative Shares with a nominal value of 5 Euros each.

15.6 Guarantees

Financial assets provided as backing, as an attachment or promissory attachment as collateral are as follows:

Entities	M/BCP	M/BCP	M/BCP	M/BCP	M/BCP
Currency	EUR	EUR	EUR	EUR	EUR
Amount	55.660,96	100.000,00	522.161,33	24.939,90	1.000.000,00
Beneficiary	Alfândega de Lisboa	Alfândega de Setúbal	Ch.Serv.FIN. Setúbal 1	Alfândega de Lisboa	NNPC Nigerian Nat. P. Corp

15.7 Risks relating to financial instruments

The financial risk is the risk of the fair value or future cash flows of a financial instrument varying and of obtaining results other than those expected, whether these are positive or negative, altering the net worth of the Company.

When carrying out its current activities the Company is exposed to a variety of financial risks liable to alter its net worth which, depending on their nature, can be grouped into the following categories:

- ▶ Market risk
  - ▶ Interest rate risk
  - ▶ Exchange rate risk
  - ▶ Other price risks
- ▶ Credit risk
- ▶ Liquidity risk

The management of the aforementioned risks – risk which largely derives from the unpredictability of the financial markets – requires the careful application of a series of rules and methodologies approved by the Administration whose ultimate objective is the minimisation of their potential negative impact on the net worth and performance of the Company.

With this objective in mind, all management is geared towards two essential concerns:

- ▶ To reduce, whenever possible, any fluctuations in the results and cash-flows subject to situations of risk;
- ▶ To limit any deviations from the forecast results by way of strict financial planning based on multiannual budgets.

As a rule, the Company does not assume speculative positions meaning that, generally speaking, the operations carried out in the context of financial risk management are aimed at controlling already existing risks to which the Company is exposed.

The Administration defines principles for risk management as a whole and policies which cover specific areas such as fore risk, interest rate risk, liquidity risk, credit risk and the use of derivative or non-derivative financial instruments and the investment of excess liquidity.

The management of financial risks including their identification and evaluation – is carried out by the Financial Management in accordance with policies approved by the Administration.



**Interest rate risk**

Interest rate risk is the risk of the fair value or the future cash flows of a financial instrument varying owing to alterations to market interest rates, altering the net worth of the Company.

The Company has no financing and it is thus not subject to interest rate risk.

**Exchange rate risk**

The exchange rate risk is the risk of the fair value or cash flows of a financial instrument varying as a result of alterations to exchange rates.

The internationalisation of the Company forces it to be exposed to the exchange rate risk of the currencies of various countries.

Exposure to exchange rate risk essentially derives from the operating activities of the Company (in which the expenses, income, assets and liabilities are denominated in currencies different from the reporting currency). However, transactions and balances in foreign currency are immaterial.

**Credit risk**

The credit risk is the risk of a counterparty failing to meet its obligations under the terms of a financial instrument, bringing about a loss.

The Company is subject to risk in credit as regards the following operating activity – Clients, suppliers and other accounts receivable and payable.

The management of credit risk with regard to clients and other accounts receivable is carried out as follows:

- ▶ Following policies, procedures and controls established by the Company;
- ▶ The debits outstanding are monitored on a regular basis;
- ▶ For new clients, whose relationship with the Company is recent, down payments are requested on part of the order made;
- ▶ The Company has a credit insurance policy in force.

16. Payroll Expenses

The details for Payroll Expenses are those indicated in the table below:

	2010	2009
Remunerations of the Governing Bodies	776.916	820.973
Staff Remunerations	10.315.413	10.981.281
Other Remunerations		
Compensations	127.500	-
Charges on Remunerations	2.148.931	2.185.614
Accident at work and professional illness insurance	233.394	238.982
Social action expenses	862.205	889.217
Other staffing expenses	319.103	227.653
	14.783.463	15.343.719

In 2008 the Company took out an insurance policy (OEXL103112067) involving a financial investment over 10 years (Note 15.2) with a view to maximising its financial profitability, which has an amount capitalised, as at 31st December 2010 of 4.448.307 Euros (2009: 5.360.955 Euros). In the current year this investment made financial income of 186,707 Euros, having used the amount of 1,100,000 Euros for transfer to the insurance policy (OEXL103112068) to strengthen the hedging fund for responsibilities deriving from past services and for services in the subsequent year.

These responsibilities (Note 15.4), after deduction of the amount of this last policy as at 31st December 2010 (3.914.960 Euros), totals 4.161.231 Euros (2009: 5.360.973 Euros). These amounts, supported by an independent valuation memo, take into account the necessary assumptions.

17. Other Information

17.1 State and Other Public Entities

This item can be broken down in the way indicated in the table below:

	2010	2009
<b>Balance to be received</b>		
Income tax	925.499	-
VAT	2.333.619	968.053
	<b>3.259.118</b>	<b>968.053</b>
<b>Balance to be paid</b>		
Income tax	-	1.650.915
Income Tax Withholdings	183.662	136.514
Social Security Contribution	248.647	212.825
	<b>432.309</b>	<b>2.000.254</b>

17.2 Deferrals

The expenses to be recognised can be broken down as follows:

	2010	2009
<b>Expenses to be recognised</b>		
Insurance policies	179.606	59.223
Advertising contract	1.500	8.400
Other Expenses	5.415	5.392
	<b>186.521</b>	<b>73.015</b>
<b>Income to be recognised</b>		
Others	-	-
	<b>-</b>	<b>-</b>

17.3 Reserves and Results

This item can be broken down in the manner indicated in the table below:

	Legal Reserves	Retained earnings	Net Income for the Period	Total
Balance on January 1st 2009	1.398.173	13.302.910	15.320.843	30.021.925
Transition Adjustments	-	379.939	-	379.939
	1.398.173	13.682.849	15.320.843	30.401.865
Changes in accounting policies	-	-	-	-
Transfer to Legal Reserve	-	-	-	-
Dividends	-	(12.000.000)	-	(12.000.000)
Remainder of the distribution of the net income for the period	-	15.320.843	(15.320.843)	-
Net income for the period	-	-	12.144.409	12.144.409
Others	-	-	-	-
Balance on December 31st 2009	1.398.173	17.003.692	12.144.409	30.546.274
Balance on January 1st 2010	1.398.173	17.003.692	12.144.409	30.546.274
Transfer to Legal Reserve	-	-	-	-
Dividends	-	(12.000.000)	-	(12.000.000)
Remainder of the distribution of the net income for the period	-	12.144.409	(12.144.409)	-
Net income for the period	-	-	11.970.158	11.970.158
Others	-	-	-	-
Balance on December 31st 2010	1.398.173	17.148.101	11.970.158	30.516.432

## 17.4 Supplies and External Services

This item can be broken down as indicated in the table below:

	2010	2009
Subcontracts	41.090.423	47.201.772
Specialised works	2.499.520	2.397.875
Advertising	205.794	150.291
Surveillance and security	449.499	494.315
Fees	618.178	924.358
Commissions	1.993.237	1.700.329
Upkeep and repair	3.952.330	4.925.801
Tools and utensils	113.652	32.496
Books and technical documentation	26.316	32.596
Office material	91.296	79.009
Gifts to clients	55.595	78.610
Electricity	2.041.606	2.093.317
Fuels	1.379.772	1.463.951
Travel and accommodation	360.527	442.457
Staff transport	1.008.006	1.093.501
Rentals and hire	6.393.518	7.402.555
Communication	171.990	191.271
Insurance policies	1.500.630	1.405.381
Royalties	37.334	65.501
Litigation and notaries	23.600	58.751
Out-of-pocket expenses	137.172	173.178
Cleaning, hygiene and comfort	289.065	294.029
Others	2.611.819	3.198.439
	<b>67.050.879</b>	<b>75.899.783</b>

17.5 Other Income and Gains

This item can be broken down as indicated in the table below:

	2010	2009
Supplementary Income		
Others	358.354	454.557
Discounts obtained for prompt payment	107.795	123.093
Inventory gains	45.671	161.363
Income and gains on Non-Financial Investments		
Disposals	32.251	-
Others	207.344	48.207
Others		
Corrections on previous periods	2.010.935	2.605.574
Excess tax estimate	174.101	-
Other unspecified items	362	2.086
	2.936.812	3.394.881

## 17.6 Other Expenses and Losses

This item can be broken down as indicated in the table below:

	2010	2009
Taxes	185.794	187.671
Bad debts	1.100	37.400
Inventory Losses	7.944	14.862
<b>Expenses and Losses on Non-Financial Investments</b>		
Write-offs	-	945.632
<b>Others</b>		
Corrections on previous periods	13.436	491.961
Donations	110.500	178.300
Social Security Contributions	70.872	78.842
Insufficient tax estimate	150	333
Insufficient holidays subsidy estimate	-	86.271
Training posts	180.488	265.860
Fines and penalties		
Non-fiscal fines	-	7.288
Fiscal fines	576	-
Others	1.546	2.290.522
	<b>572.406</b>	<b>4.584.942</b>

## 17.7 Expenses / Reversions of Depreciation and Amortisation

This item can be broken down as indicated in the table below:

	2010	2009
<b>Depreciation and amortisation expenses</b>		
Tangible Fixed Assets	873.283	1.410.638
	<b>873.283</b>	<b>1.410.638</b>
Reversions of amortisations and depreciations	-	-
	<b>873.283</b>	<b>1.410.638</b>



17.8 Interest and Similar Income

This item can be broken down as indicated in the table below:

	2010	2009
<b>Interest Earned</b>		
From Deposits	552.455	1.487.667
<b>Dividends Obtained</b>		
From other applications of Net Financial Resources	186.707	-
Fore gains	19.113	19.935
Other Similar Income	-	-
	<b>758.275</b>	<b>1.507.602</b>

17.9 Interest and Similar Expenses

This item can be broken down as indicated in the table below:

	2010	2009
<b>Interest Paid</b>		
Creditor interest balance	2	8
Delinquent and compensatory interest	68	33
<b>Fore losses</b>		
Others	23.445	22.199
<b>Other Financing Expenses and Losses</b>		
Others	59.412	96.440
	<b>82.927</b>	<b>118.680</b>

## **18. Events after the balance sheet date**

The date whereupon the financial statements are authorised for issue was February 24th 2011.

These financial statements were authorised for issue by the Board of Directors.

There are no events between the balance sheet date and the authorisation date for issue which have not already been registered or disclosed in the present financial statements.

## **19. Other information required by laws**

Under the terms and for the purposes of the provisions of article 447 of the Company Trading Code, it is hereby informed that the members of the Board of Directors of the Company José António Leite Mendes Rodrigues and Nelson Nunes Rodrigues, Shareholders of NAVIVESSEL – ESTUDOS E PROJECTOS NAVAIS, S.A. are indirect holders of 218.482 Shares.

As regards the Company Supervisory Body, it is hereby informed that the latter does not find itself in any of the situations foreseen in the main body of this Article.

Under the terms and for the purposes of the provisions of n°.4, article 448 of the Company Trading Code, it is hereby informed that on the date of closure of the Financial Year, and according to Company records, the following shareholders have 72.83% and 20.00%, respectively, of the Share capital of LISNAVE:

- NAVIVESSEL – ESTUDOS E PROJECTOS NAVAIS, S.A.  
Holding 728.274 Shares.
- THYSSENKRUPP MARINE SYSTEMS AG  
Holding 200.000 Shares.

The posts held by the Directors of LISNAVE in other Companies can be broken down as follows:

Directors	Companies	Position Held
José António Leite Mendes Rodrigues	Navivessel, S.A.	Director
	Navalset, S.A.	Chairman B.D.
	Lisnave Infraestruturas Navais, S.A.	Chairman B.D.
	Lisnave Internacional, S.A.	Director
	LisnaveYards, Lda.	Manager
Nelson Nunes Rodrigues	Navivessel, S.A.	Director
	Navalset, S.A.	Director
	Lisnave Infraestruturas Navais, S.A.	Director
	Lisnave Internacional, S.A.	Chairman B.D.
	Repropel, Lda	Manager
	LisnaveYards, Lda.	Manager
Aloísio Fernando Macedo da Fonseca	CPCOM, S.A.	Director
Frederico José Ferreira de Mesquita Spranger	Lisnave Internacional, S.A.	V/Chairman B.D.
	Mecnavis, S.A.	Chairman B.D.
	Dakarnave, S.A.	Chairman B.D.
	A.I. Navais	Chairman
	C.I.P.	Director
	A.S.E.E.M.	Director
	Fename	V/ Chairman
João Rui Carvalho dos Santos	Navivessel, S.A.	Director
	Lisnave Internacional, S.A.	Director
	NavalRocha, S.A.	Director
	Gaslimpo, S.A.	Director
	Mecnavis, S.A.	Director
	Dakarnave, S.A.	Director
	Tecor, S.A.	Director
	Fundenav	Chairman A.C.
	A.I. Navais	V/ Chairman
	Fename	Chairman A.C.
	LisnaveYards, Lda.	Manager
Manuel Serpa Leitão	Navivessel, S.A.	Chairman Table G.M.
	Lisnave Infraestruturas Navais, S.A.	Manag. Director
	Gaslimpo, S.A.	Chairman B.D.
	Tecor, S.A.	Chairman Table G.M.
	Rebocalis, Lda.	Chairman
	Lisnave Internacional, S.A.	Director
	Fundenav	Chairman
	A.I. Navais	Chairman Table G.M.





## AUDITING COMMITTEE REPORT AND ADVICE

### 2010 Financial Year

Shareholders,

**1** In compliance with the law and with the bylaws of the Company, the Auditing Committee of «LISNAVE, ESTALEIROS NAVAIS, S.A.», in the exercise of its responsibilities and after having examined the Balance Sheet, the Statement of Profit and Loss and the other components of the report of accounts prepared by the Board of Directors, included in the Management Report and Accounts for the 2010 Financial Year, hereby issues its Report and Opinion about the aforementioned components of the Report of Accounts.

**2** The Auditing Committee has followed up throughout the financial year, with the appropriate frequency, the activity of LISNAVE by examining the documents produced, through contacts maintained with the Departments, through the working papers made available by the external auditors and through the information meetings held on a regular basis with the Board of Directors. The Auditing Committee has also made the verification and the analyses of the accounting information, inspecting the respective supporting documentation and records. In particular, the Auditing Committee has verified the accounting entries relating to the calculation of the results of the Financial Year.

**3** It is the belief of the Auditing Committee that the technical procedures followed, leading to the preparation of the financial statements submitted and, in particular, taking into account the explanations included in the Appendix to the Balance Sheet and to the Statement of Profit and Loss, supplemented by the explanations given in the management report prepared by the Board of Directors, reflect the amounts shown in the respective documents of support and, as a whole, portray, in financial and economic terms, the true value of the assets of the company and the results recorded in accordance with the rules constants of the SNC – Accounting Standardisation System.

**4** In a separate document, the Official Inspector of Accounts has prepared the Legal Certification of Accounts, and the Auditing Committee has concurred with his opinion that should be taken as part of this Report.

**5** The Board of Directors, in the Management Report it has prepared, characterizes the way in which the activity of the company was carried out during the financial year 2010, in a context of the crisis of the international economy, of its effects in the international market and in the maintenance of the low level of the Tankers and Bulk Carriers freights rates, with consequences in the Shipping repair market.

**6** In the minus adverse background referred in the previous item, the LISNAVE activity has registered a good global performance, expressed by:

► The average level of work for a minor number of ships repaired(114 at 2010, 116 at 2009), of the same level than was recorded in the last year;

- ▶ Well-balanced behaviour registered in the relation: requests for estimates/orders/success rate, lightly lower than the value of the previous year (20/19%);
- ▶ a positive net profit of 11.970 thousand Euros;
- ▶ the maintenance of LISNAVE uppermost position in the Shiprepair market and of its vocation like a strongly export trader, expressed in sales to the external market of 92,6 millions Euros.

**7.** In respect of the amounts recorded in the statements for the Financial Year, the following indicators stand out:

- ▶ the total volume of sales and provision of services rendered, amounting 102,5 million Euros, about 13,7% lower than the correspondent value in 2009;
- ▶ the weight of personnel costs, about 14,8 million Euros, which now amounted to 16,7% of total operating costs;
- ▶ the value reached by the operating profits, about 16,8 million Euros, representing 15,9% of total Operation Revenue;
- ▶ the good performance recorded in overall financial activity, positive in 675 thousand Euros;
- ▶ the investments fulfilled in the Fixed Assets and in Major Repair of Infrastructure and Equipments, amounting to 4,3 million Euros approximately;
- ▶ the “cash flow” generated during the financial year, amounting to 12,9 million Euros;
- ▶ the maintenance of favourable management, economic and financial indicators

**8.** In view of the foregoing, and as a result of the analyses and of the supervisory activities carried out during the Financial Year, the Auditing Committee, grateful for the cooperation received from the employees of the company it needed to contact, and grateful to the Board of Directors for its cooperation and availability and for the references made in its report, and taking into account the doubt for the activity in 2011, concludes by issuing the following

#### **ADVICE**

- A)** The Management Report and Accounts for the Financial Year should be approved;
- B)** The proposal for the appropriation of the Net Result of the Financial Year, amounting to a positive figure of € 11.970.158,02, made by the Board of Directors, should be approved.

Lisbon, 28th February 2011

#### **The Auditing Committee**

##### **Chairman**

Francisco José da Silva

##### **Member of the Auditing Committee**

Maria Isabel Louro Caria Alcobia

##### **Member of the Auditing Committee**

Joaquim Patrício da Silva (ROC N.º 320)

For and on behalf of PATRÍCIO, MOREIRA, VALENTE & ASSOCIADOS Firm of Official Inspectors of Accounts, number 21



## LEGAL CERTIFICATION OF ACCOUNTS

### 2010 Financial Year

#### Introduction

**1** We have examined the attached financial statements of «LISNAVE, ESTALEIROS NAVAIS, S.A.», which comprise the Balance Sheet as at 31st December 2010, (showing a balance sheet total of 72.439,6 thousand Euros and total shareholders' funds amounting to 35.516,4 thousand Euros, including a net profit of 11.970,1 thousand Euros), the Statement of profit and loss for the financial year and the respective Appendix to the balance sheet and to the statements of profit and loss, the cash flow statement and the respective appendix, and the statement of profit and loss by activity for the financial year ended on that date.

#### Responsibilities

**2** The preparation of financial statements truly and appropriately portraying the financial situation of the Company and the result of its activities, the usage of adequate accounting policies and criteria, and the maintaining of an appropriate system of internal control, are of the responsibility of the Board of Directors.

**3** Our responsibility consists of expressing a professional and independent opinion based on my examination of those financial statements.

#### Scope

**4** Our examination was carried out in accordance with the Rules and the Technical Guidelines of the Society of Official Inspectors of Accounts, which require the examination to be planned and performed with the purpose of obtaining an acceptable degree of safety as to whether or not the financial statements contain materially relevant distortions. To that end, the mentioned examination included:

- ▶ a sample verification of the evidence for the amounts recorded in the financial statements and the assessment of the estimates, based on judgements and criteria set forth by the Board of Directors of the Company, used for the preparation of the financial statements;
- ▶ the evaluation of the adequacy of the accounting policies followed and of their respective disclosure, taking into account the circumstances;
- ▶ the verification of the applicability of the going concern concept; and
- ▶ the evaluation of the adequacy in overall terms, of the presentation of the financial statements;

**5** Our examination had included too the verification of the concordance of the financial information constant of the management report with the financial demonstrations.

**6** We consider that the examination carried out provides an acceptable basis for the issue of our opinion.

### **Opinion**

**7** In our opinion, the financial information contained in the mentioned documents truly and appropriately portrays, in all materially relevant aspects, the financial situation of «LISNAVE - Estaleiros Navais, S.A.» as at 31st December 2010, the result of its operations and the cash flows recorded in the financial year ended on that date, in accordance with the generally accepted accounting principles.

### **Report about other legal requirements**

**8** It's our opinion too that the information constant of management report is compliant with the Financial Statements of the Exercise.

Lisbon, 28th February 2011

Joaquim Patricio da Silva (Official Inspector of Accounts number 320)

For and on behalf of PATRÍCIO, MOREIRA, VALENTE & ASSOCIADOS Firm of Official Inspectors of Accounts number 21

## **EXTRACT OF THE MINUTE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD ON 24TH MARCH 2011 RELATING TO THE APPROVAL OF DOCUMENTS REPORTING THE ACCOUNTS FOR THE 2010 FINANCIAL YEAR**

The Annual General Meeting of LISNAVE - Estaleiros Navais, S.A., was held at the Company's Registered Offices at 11.00 a.m. on the twenty four day of March two thousand eleven.

Luís Miguel Nogueira Freire Cortes Martins, Chairman of the board of the general meeting, chaired the meeting assisted by the Vice – Chairman Carlos Fernando Pinheiro and secretary of the board Dr. Manuel Joaquim Rodrigues.

The Chairman also confirmed, through the respective attendance list, that the following Shareholders having voting rights were present or represented:

- NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S. A., represented by Eng. Manuel Serpa Leitão, holder of seven hundred and twenty-eight thousand two hundred and seventy-four Shares (representing seventy-two point eighty-two percent of the votes);
- THYSSEN KRUPP MARINE SYSTEMS AG, represented by Dr. Herbert Aly, holder of two hundred thousand shares (representing twenty per cent of the votes);
- The Portuguese State, represented by Cláudio José Viveiros Sarmento da Silva, holder of twenty-nine thousand, six hundred and sixty-six shares (representing two point ninety-six per cent of the votes);
- Manuel Sousa Pereira, holder of one thousand one hundred shares (representing zero point eleven per cent of the votes);
- João Alexandre Dinis de Sousa, holder of ten thousand shares (representing one per cent of the votes);
- José Nunes Antunes, holder of one thousand fourty eight (representing zero point ten per cent of the votes), represented by his daughter, Teresa Maria Teixeira Rodrigues de Nunes Antunes.

All the members of the Board of Directors and of the Auditing Committee of the Company were present.

### **Item 1 To discuss and approve the 2010 Annual Management Report and Accounts**

..., the Chairman of the General Meeting submitted the 2010 Annual Report and Accounts to the vote, and these documents were unanimously approved.

### **Item 2 To discuss and approve the Audit Committee Report**

..., the Chairman put the Auditing Committee Report to the vote of the Meeting, which was unanimously approved.

### **Item 3 To discuss and approve the Proposal for the Appropriation of Profits**

..., the Chairman declared that the Table had received a Proposal for the Appropriation of Profits presented by the Board of Directors, which he read out, the contents of which were as follows:

“Proposal for the Appropriation of Profits

Considering the performance verified during 2010, which have brought an income that justify to grant a Bonus to the Employees, The Board of Directors have decided to attribute a Profit Bonus Share.

SO, is proposed to the Shareholders:

- That be ratified the Board Directors decision to attribute a Profit Bonus Share to the generality of the Company Employees, amounting to € 1.250.000,00 (one million, two hundred fifty thousand Euro), already included in the Operating Profits/losses and that
- The Net Profit in the sum of € 11.970.158.02 (Eleven millions, nine hundred seventy thousand and one hundred fifty eight Euro and two centimes), to be appropriated as follows:

Dividends	10.500.000.00 Euros;
Profits Carried Forward	1.470.158.02 Euros.

Mitrena, March 24th 2011  
The Board of Directors”

..., the Chairman put it to the vote and it was likewise unanimously approved.

**Item 4 To carry out a general appraisal of the management and supervision of the Company**

..., the Chairman stated that the Table had received a Proposal subscribed by Shareholder Navivessel, Estudos e Projectos Navais, S.A., which he read out, the contents of which were as follows:

“Proposal

Considering the competent and efficient way in which the Company’s Corporate Officers had performed their respective duties, especially during 2010, NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A., proposes that the General Meeting approve a vote of praise for the Board of Directors and Audit Committee of LISNAVE, ESTALEIROS NAVAIS S.A..

Caparica, March 24th 2011  
The Representative of Shareholder Navivessel”

Submitted to the vote, this proposal was approved unanimously.

There being no further business to transact the Chairman declared the meeting closed, these present minute having been written up which are to be signed by the Chairman and the Secretary of the Board of the General Meeting.

Carlos Pinheiro  
(Company Secretary)

## DELEGATIONS AND REPRESENTATIVE OFFICES

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