

Management Report and Accounts

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INDEX

Members of Bodies Corporate	7
Notice of the Annual General Meeting of Shareholders	9
Board of Directors Report	13
▶ 1 Introduction	13
▶ 2 General Comments about the Market	16
▶ 3 Ship Repair/Maintenance	21
▶ 4 Investments/Others	23
▶ 5 Human Resources	26
▶ 6 Economic and Financial Situation	30
▶ 7 Business Outlook for 2012	39
▶ 8 Proposal for the Appropriation of Profits	41
▶ 9 Closing Remarks	41
Balance	46
Statement of Changes in Equity	48
Profit and Loss Statement	49
Cash Flow Statement	50
Annex	52
Auditing Committee Report and Advice	93
Legal Certification of Accounts	95
Extract of the Minute of the Annual General Meeting of Shareholders held on 23th March 2012 Relating to the Approval of Documents Reporting the Accounts for the 2011 Financial Year	97
Delegations and Representative Office	99

MEMBERS OF CORPORATE BODIES

TERM OF OFFICE: 2009 - 2012 FOUR-YEAR PERIODS

Shareholders General Assembly

President:

Dr. Luís Miguel Nogueira Freire Cortes Martins

Vice-President:

Dr. Carlos Fernando Soares Pinheiro

Secretary:

Dr. Manuel Joaquim Rodrigues

Board Of Directors

Chairman:

Eng. José António Leite Mendes Rodrigues

Directors:

Dr. Nelson Nunes Rodrigues

Dr. Aloísio Fernando Macedo da Fonseca

Eng. Frederico José Ferreira de Mesquita Spranger

Eng. Peter Luijckx

Dr. João Rui Carvalho dos Santos

Eng. Manuel Serpa Leitão

Executive Committee

Chief Executive Officer:

Eng. Frederico José Ferreira de Mesquita Spranger

Members of the Committee:

Eng. Peter Luijckx

Dr. João Rui Carvalho dos Santos

Auditing Committee

President:

Mr. Francisco José da Silva

Committee Members:

Dra. Maria Isabel Louro Caria Alcobia

“Patrício, Moreira, Valente & Associados, SROC”

Represented by Dr. Joaquim Patrício da Silva

Alternate:

Dr. Alberto Arnauth Ribeiro - ROC

Company Secretary

Dr. Carlos Fernando Soares Pinheiro

Remuneration Committee

President:

Dr. Luís Miguel Nogueira Freire Cortes Martins

Secretary:

Dr. 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 23rd March at 11:00 Hours, at the Registered Office of the Company, Mitrena Shipyard, Setúbal, with the following Agenda:

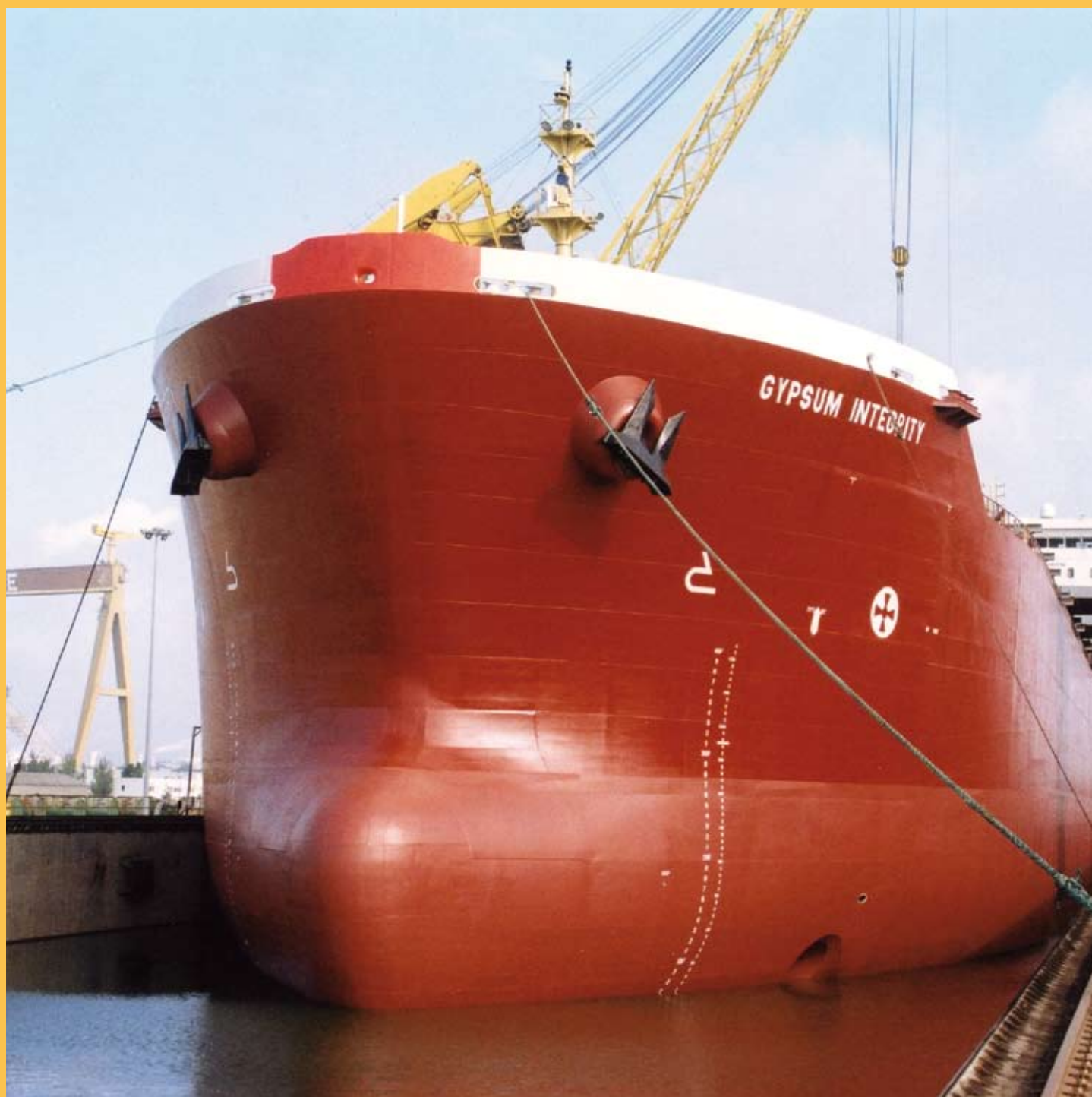
- 1º – Discussion of the MANAGEMENT REPORT AND ACCOUNTS for the 2011 Financial Year;
- 2º – Discussion of the REPORT OF THE AUDITING COMMITTEE;
- 3º – Discussion of the Proposal for the Appropriation of Profits;
- 4º – General Assessment of the Management and Supervision of the Company;
- 5º – Ratification of Mr. Peter Luijckx appointment to the Board of Directors, by co-optation, in Mr. Marcus Schwaeppe replacement.

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 notarised 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.







BOARD OF DIRECTORS REPORT

1 | Introduction

During 2011 LISNAVE, ESTALEIROS NAVAIS, S.A., whose business has been severely affected by the international economic crisis that has been felt since 2009 and has progressively worsened, performed well on the whole, taking into account that it was one of the most difficult years of the past decade for the market.

In fact, although there has been a slight recovery in demand, the market remained very depressed, and there has been a significant reduction in the number of vessels repaired, 101 against 114 during the previous year.

It should be pointed out, however, that the performance confirms that the established strategic options were right, demonstrating that LISNAVE is better prepared to face the increasing challenges of the highly competitive market in which it operates, as seen in the year under review.

As in previous years and given the importance of the activity indicators in both regional and, above all, national terms, the Board of Directors points out that as from the second half of 1997, when the Restructuring Plan began, up to the end of the current year LISNAVE undertook the repair and/or maintenance of 1.839 ships from over 50 countries around the world, which resulted in sales €1.61 billion, of which an impressive €1.53 billion were for export.

This volume of activity allowed payment of salaries totalling €920 million Euros and payments to the State for Social Security contributions, personal income tax (IRS) and other taxes totalling €165 million.

2011

Despite its generally positive performance, LISNAVE was faced with worsening market conditions during the year under review, unparalleled since 2003, the result of the poor recovery of the global economy.

Although there was a slight recovery of demand, the year was conditioned by a combination of several adverse effects associated with global trade.

Indeed, demand, measured by the number of enquiries, showed slight growth but is still very far from the levels recorded in 2007, the year preceding the outbreak of the economic crisis.

As a result of the worsening conditions of competition, the commercial success rate in negotiating orders declined significantly, down 2 percentage points. The average work content per ship, for various reasons to do with the owners, remained very low – the average bill was €800 000, down from over €1 million in 2008 or 2009.

Indeed, in carrying on their business, shipowners are facing, in addition to other constraints, a new difficulty as a result of the reduction of their liquidity caused by increased difficulty in obtaining credit, by higher cost of financing investment in new ships and scarcity of current or working-capital credit.

Of these constraints, the value of average daily freight rates stands out, which, among other reasons – notably as a result of increased supply resulting from the large number of new ships that have been put into operation, remained dramatically low for the third straight year.

In fact, the average freight rate of a “Modern Suezmax” tanker stood at around US\$19.600, a figure well below the US\$27.000/day seen in the previous two years or less than half the average daily charter rate of about US\$47.500/day in 2008.

Even more negative are the rates for a “Capesize” bulk carrier, with average annual rates in the order of US\$16.100 per day, half the US\$32.000/day seen in 2010. Given the size of the decrease, it should be recalled that these same vessels, in 2007 and 2008, achieved average rates of about US\$100.000 per day.

Against this background of sharp deterioration of the market, LISNAVE closed 2011 with a volume of Ship Repair Sales standing at €80.8 million, or some €9 million less than previous year, or €37 million less than in 2009.

Total Operating Income stood at €83.7 million, that is, about €23 million less than in 2010. As a result of this significant reduction, Net Profit for the year fell sharply to €5.21 million.

Equity amounted to €30.2 million, a figure six times greater than Company’s equity capital.

On the other hand, LISNAVE maintained its traditional characteristics as a highly export-oriented company, having sold abroad €75.6 million in Maintenance and Repair services, while it repaired no ships flying the Portuguese flag.

With regard to Fixed Assets and taking into account the conditions that led to a small cash flow for the year, Investments totalled just €177.000. It should be pointed out, however, that total Investment since 2000 now amount to €30 million.

One should note, on the other hand, the very significant amount of costs incurred during the year with major repairs of infrastructures and equipment, totalling €2.1 million.

Though it is the responsibility of the Concessionaire, Lisnave Infraestruturas Navais, it should be noted, on the other hand, that Investments related with the rehabilitation of the Shipyard’s electricity network amounted to about €430k. It should also be noted that investments in the rehabilitation of the Shipyard, which began in 2008, with particular emphasis on the major structural repair of Dock 20, now total €11.3 million.

With regard to volume of work, LISNAVE maintained its customary high employment rate, though less so than in previous years, providing employment equivalent to about €46 million, corresponding to an average of just under 2000 people per day.

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 the sum of €8.6 million was paid by way of personal income tax, Social Security contributions and other taxes, including about €3 million of corporation tax for the year.

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

It should be recalled, however, that as the Board of Directors mentioned at the time, and given the unwillingness of the workers’ representatives to close a Company Agreement suited to the characteristics of the business LISNAVE decided to redirect its Human Resources strategy, which now receives close co-operation from LISNAVEYARDS, a company incorporated within the scope of the Equity holder.

This company, whose corporate object is similar to that of LISNAVE, began its provision of services in February 2009, as is known, and now has 140 workers in its service, most of whom direct labour, and 134 of them are already part of the permanent workforce.

With regard to Social Responsibility, LISNAVE went ahead with its policy of support and teamed up with several entities and organisations involved in the cultural and social areas, granting donations that amounted during the period to €145k, of which the €92.5k in respect of the social area are highlighted.

LISNAVE maintained its ISO 9001:2008 Certification and also the International Ship & Port Facility Security (ISPS) Code Protection Certificate and the Mitrena Shipyard Environmental Licensing.

As at December 31, 2011, 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 its appraisal of the year, the Board of Directors wishes to express its satisfaction that it was possible, following approval by the 2011 General Meeting, to remunerate, for the sixth straight year, the capital invested by the more than 200 Company equity holders.

In closing, the Board of Directors is pleased to record a fact that decisively marked the year under review. The celebration of the fiftieth anniversary of LISNAVE, for the commemoration of which a commemorative medal was struck and offered to all Company workers and, in co-operation with the Equity holder, to all workers of the Subsidiaries.



The Outlook for 2012

The outlook for the business in 2012 is not good.

Indeed, despite the expectation of some recovery from the significant decline of trade recorded in 2009, it can be expected that the effects of the situation of little economic growth that has been observed may well continue in 2012 and that, in view of the little profitability of their business during the past three years, shipowners will be forced to continue to restrain their maintenance budgets.

Aware that, exacerbated by the coming into operation of several hundred new ships scheduled for 2012 (increases of over 10% and 20% of the tonnage of the current tanker and dry-bulk fleets respectively), this situation will lead to a continuation of a buyer’s market for Ship Repair business and of aggressive competition, and despite the quality, responsibility and involvement both of Management and of all Employees, the Board of Directors expresses moderate concern as to the outlook for the business of LISNAVE in 2012.



2 | General Comments About The Market

The Economy Situation

The financial instability caused by the sovereign debt crisis and the resulting concern created in the capital markets as to fiscal sustainability in Europe spread both to the economy of developed countries and also to that of the developing countries, causing a significant slowdown of global economic growth.

The European economy has been the hardest hit. The economies of the United States, where the jobless rate has been reduced since mid-2011 following the approval of the increase of the debt ceiling, and that of Japan have been recovering, the recovery of Japanese economy having been mainly due to the reconstruction of damage caused by the tsunami of March 2011.

The growth of some of the largest economies of the developing countries has slowed, partly the result of measures implemented by their governments to control rising inflation, as in the case of Brazil and India and to a lesser extent, the Russian Federation, South Africa and Turkey.

China grew 9,1% in 2011, having grown by 10,4% in 2010, while India grew 6,5% in 2011, compared with 8,7% in 2010.

In the group of developed countries, economic growth in the United States of America fell from 3,0% in 2010 to 1,7% in 2011, in the Euro Area countries, from 1,7% in 2010 to 1,6% in 2011, and in Japan, also a consequence of the tsunami, economic growth fell from 4,5% in 2010 to less than 0,9% in 2011.



It is therefore estimated that the global economy, which in 2010 increased by of 4,1%, grew by about 2,7% in 2011, while the developed economies' growth fell from 3,0% in 2010 to 1,6% in 2011, and that of the developing economies, which have been the engines of global economic growth recent years, fell from 7,3% in 2010 to 6,0% in 2011.

World trade, which began the year with strong growth, has since been affected by successive shocks of the global economy, such as the tsunami in Japan and the sovereign debt crisis in Europe, and therefore suffered a major downturn during the second half of 2011; global growth has been estimated at about 6,6% by volume, following a 12,4% growth in 2010.

This reduction of the growth of world trade was strongest in Europe, amounting in the European Union countries to about 20,9% if the growth for the quarter ended September 2011 annualised. In the United States of America, though the reduction was less pronounced, it can be seen, using the same method that imports decreased by about 9,5% over the same period.

This strong reduction of the growth of world trade during the second half of 2011 will have a negative impact on growth in 2012, considered statistically as a whole, and the World Bank therefore predicts that in 2012 growth of world trade will stand at 4,7%, resuming the upward trend of growth in 2013, when it is expected to increase by 6,8%.

Evolution of the World's Merchant Fleet and Freight Rates

The tanker fleet of over 10,000 DWT grew during 2011, according to Clarkson, by about 3,7% by number of ships, following a growth in 2010 of about 3,3%. By the end of 2011 this fleet stood at 476.0 million DWT, a growth of 5,2% compared to 2010, a year in which it had grown by 3,7%.

The dry-bulk carrier fleet, also above 10.000 GT, grew by 9,0% in 2011 by number of ships, and by 14,2% by GT, to stand at 611.1 million GT at the end of 2011.

In terms of new construction, a total of 360 large tankers were delivered, having a total capacity of about 39.3 million DWT, or about 8,3% of the present fleet.

In the dry-bulk carrier fleet, 1.147 ships of approximately 95.9 million GT were handed over, corresponding to about 15,7% of the present fleet.

With regard to demolition, 122 tankers totalling 9.5 million DWT were sold for scrap, or 2.0% of the present fleet.

Of the dry-bulk carrier fleet, 362 ships of were sold for demolition having a capacity of 22.2 million GT, or about 3,6% of the present fleet.

The value of steel sold for scrap on the Indian market during 2011 almost stabilised compared to 2010, standing at US\$ 485 per tonne for tankers and US\$455 per tonne for bulk carriers.

At the end of 2011, the order book for new tankers stood at 709, totalling 84.7 million DWT, that is, some 17,8% of the tonnage of the present fleet. Of these 84.7 million DWT, 50.0 million DWT – or 10,5% of the current fleet – are scheduled for delivery during 2012.



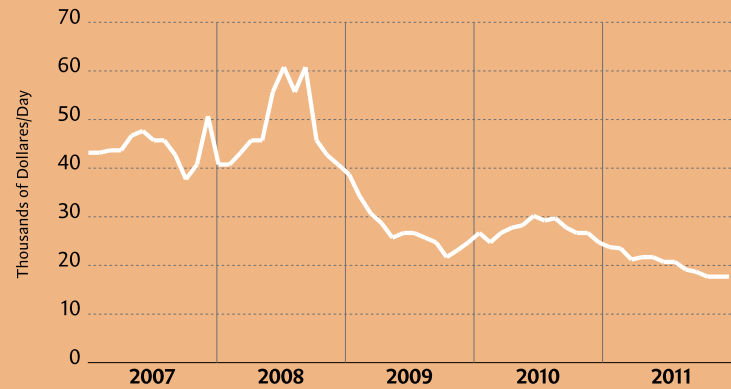
In the dry-bulk carrier fleet, the order book for new ships comprised 2.387 ships of 200.9 million GT, or 32,9% of the present fleet. Of these, 138.9 million GT – 22,7% of the present fleet – are scheduled for delivery in 2012.

Despite the estimate that demand for global shipping has grown by about 5,3%, with tanker traffic set to grow by about 2,6% and dry-bulk traffic set to grow by about 4,5% – owing to the increase of the supply of shipping – about 5,8% in the tanker fleet and about 14% in the dry-bulk carrier fleet – 2011, in keeping with what had happened the previous year, was once again a year of very poor returns for shipowners.

In the case of the Modern Suezmax, the average freight rate for long-term charter in 2011 was about US\$19.600 per day, a reduction of about 27% over the average for 2010.

Freight Rates for Oil Tankers Modern Suexmax

Monthly average
Source: Platou



In the case of the dry-bulk carrier fleet, the reduction was even greater. Thus, in the case of a one-year Capesize charter, the average rate was about US\$ 16.100 per day, a reduction of about 50% compared to 2010 figure.

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 reduction of the rate of growth of world trade, which fell from 12,4% in 2010 to about 6,6% in 2011, demand for ship repair at LISNAVE, which has a global market, as measured by number of enquiries, also saw its growth rate reduced from 9,8% in 2010 to 8,1% in 2011, to stand at 617 enquiries compared to 571 the previous year.

In the tanker segment, there were 291 enquiries, down by about 7% from the previous year.

In the dry-bulk carrier segment, the declining trend of demand, which had been seen during the past six years, was reversed, and there were 87 enquiries, an increase of about 78% over 2010, more the result of the average age of the fleet operating in the Atlantic than of the growth of shipping.

Lastly, in the case of the segment involving other types of vessels, the growth trend of the past three years was unchanged, with 239 enquiries, an increase of about 15% compared to 2010.



Headings	2011	2010	2009	2008	2007
Enquires	617	571	520	568	694
Orders	109	114	107	135	148
Success Rate (%)	18	20	19	22	22

The reduction of freight rates caused by excess supply of transport in all market segments, as well as the difficulty in obtaining current bank loans that had given rise to a reduction of the operators' liquidity and was further aggravated during 2011, led operators to seek to cut their operating costs and to put off maintenance work and select cheaper, possibly less-qualified repairers, in

addition to a further reduction of the average work of each ship undergoing repairs.

Therefore, the negotiations resulting from enquiries received during 2011 generated 109 orders, about 4% less than in 2010, meaning that the success rate fell from 20% to 18%.



The Business

At LISNAVE, the repair of 101 ships was concluded, of which 92 in dock. The volume of work involving routine repairs fell by about 10%, on average, compared to the previous year.

In the major-repairs segment, LISNAVE completed the repair of a passenger ship, which had already had a great impact on the business in 2010 as most of the work took place during that year.

Years	National	Foreign	Total	In Dock
2011	0	101	101	92
2010	1	113	114	106
2009	2	114	116	112
2008	1	137	138	130
2007	4	131	135	127

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 70% of the business. Attention is drawn to the move into other market segments, such as container ships, accounting for 17% of the ships repaired, and gas carriers, which account for 3%.

Given the globalisation of LISNAVE’s market, ships repaired in 2011 belonged to 59 customers located in 21 countries. In terms of numbers, the more significant were Greece, with 25 ships, Singapore, with 16, and Germany, with 12.



4 | Investments/Others

With a view to maintaining the required operational conditions at the shipyard LISNAVE has, as in previous years, ensured continuity of a policy of investment and renewal of infrastructure, involving both new resources and also major repairs to existing infrastructure and equipment. It should be pointed out that the cumulative amount of investments, since 2000, now stands at about €30 million, of which €19.9 million in new investments and about €10.1 million in major repairs to infrastructure and to existing equipment.

During the year under review, LISNAVE also bore further costs of about €2.1 million in major repairs of infrastructure and equipment.

Insofar as new investments are concerned, and besides the maintenance and recuperation of several buildings,

emphasis was also given to the acquisition of sundry IT equipment and of new equipment and tools, in the production area, and, 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, the focus was on the repair carried out on the intermediate dock gates of Dock 21, the dredging of the Quays and Hydrolift, the replacement of the underground power-supply line and the major repair of the GM 10 crane and of sundry buildings of the shipyard.

Mention is made, on the other hand, of the investments related with the rehabilitation of the Shipyard's electricity network, totalling about €430k, which, though the responsibility of the Concessionaire, Lisnave Infraestruturas Navais, are in addition to the investments made in previous years, notably the structural repair of Dock 20, totalling more than €11 million.



Environmental Protection

In environmental terms and besides fulfilling the obligations stemming from its Environmental permit, LISNAVE has continued to improve its environmental practices on a systematic basis.

In this connection, it is important to highlight the continuation of the programme of elimination of existing residual grit at the Shipyard, under which an estimated total of more than 240.000 tonnes has been sent to cement companies pursuant to agreements entered into, in addition to all the grit produced during the 2011, or some 3,500 tonnes of residual grit.

Information Technologies

In the matter of updating and ongoing improvement of its Information System and in addition to the upgrade of the memory and disk of the SAP server, LISNAVE implemented the SAP GRC Access Control project, the aim of which is to optimise the use of the system and, in parallel, to minimise

the risks to which the Company is exposed, in addition to the project to update to Windows 7.

On the other hand, in terms of renewal of hardware, continuity was lent to the renovation of its computers, involving acquisition of new equipment.

Certification

During 2011 LISNAVE maintained its ISO 9001:2008 Certification and also the International Ship & Port Facility Security (ISPS) Code Protection Certificate and the Mitrena Shipyard Environmental Licensing.

Research & Development

As part of its R&D policy LISNAVE concluded during the year its participation in several ongoing European Research and Development Projects and was awaiting definition of new projects to be developed under the 7th Framework Programme.





5 | Human Resources

Reaffirming once again 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 reiterated rejection by the workers' representative bodies of the Company Agreement proposals submitted in the meantime.

In this connection, LISNAVE decided to organise a long term 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, become 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.

As part of that strategy, LISNAVEYARDS meanwhile recruited most of the youths who obtained approval in the training programme organised by LISNAVE, and, in line with its policy of rejuvenation, the Company hired a further 8 youths during the year.

At the end of 2011, LISNAVEYARDS already had 140 permanent workers of differing professions, 100 of whom were direct workers.

Remuneration Charges

In recent years, LISNAVE 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.

Against this background of increasingly difficult market conditions, the Company’s Board of Directors, in a responsible attitude of caution and prudence, decided that it would not be possible to increase wages in 2011.

Nevertheless, in the wake of the approval by the General Meeting of the Board of Directors’ proposal, all the Company’s permanent workers 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, the aggregate total of which corresponds to a total maximum bonus of 200% of the fixed monthly remuneration.

Total staff costs stood at €14.4 million, as detailed in the following table.

The reduction under “Remuneration” is fundamentally due to the ‘natural’ departure of employees during the year, the reduction of “Overtime” being directly related to the lesser business during the year.

Personnel Costs

Headings	2011	2010
Remunerations	8.881.153	9.555.645
Overtime	840.982	1.150.040
Bonuses, Subsidies and Other Remunerations	770.892	386.644
Subtotal	10.493.028	11.092.329
Social Security Contributions	3.874.242	3.691.134
Total	14.367.270	14.783.463

(Amount in €)

Training & Development

Several Vocational Training Courses were organised during 2011, involving 877 employees and covering areas considered fundamental to the Company, both for their technical component and also in behavioural and management terms.

External Training | 2011

Areas of Training	Total Hours	Number of Participants
Personal Development	4.452	93
Qualifications /Retraining of Productions Techniques	14.803	257
Quality, Safety, Environment and Protection	4.115	371
Hardware and Software	3.711	113
Financial, Tax and Accountancy Management	293	43
Total	27.374	877

Health, Hygiene and Safety

LISNAVE maintained its customary concern as to worker health during the year.

From this standpoint, besides occasional interventions, a total of 453 examinations were organised, 94 of which involving LISNAVEYARDS workers, subdivided into 9 Induction, 331 Periodic, and 113 Occasional and Complementary examinations.

In the safety area, 2011 was marked by the downward trend of one of its accident indices, the Frequency Index, which stood at 30.48. The Seriousness Index reversed the downward trend that had been observed in recent years, to stand at 1.84. This was due to the fact that there have been fewer accidents, though a larger number of working days lost because, despite the lesser seriousness, these accidents caused injuries to more sensitive parts of the body, such as the shoulders and knees.



Pursuing the goal of ongoing improvement of these indicators and in order to maintain the downward trend seen in certain cases, LISNAVE will continue to incorporate safety into the production process, through prior determination of the hazards and risk assessment, besides creation of awareness as to 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, awareness creation through information and worker training measures plays a leading role.

During 2011, 642 workers of service-provider companies received Induction Training in Safety. In an area of greater focus on the activity of the Prevention and Safety Sector, training was provided to 280 people, mainly managers of the Company and of companies that work with us, foremen, trainees, visitors and employees of firms working for our customers. This involved

co-operation and disclosure of safety procedures involving external entities, including 8 Project Management, Production and Associate Companies staff; 4 Project Management trainees; 156 Foremen of LISNAVE and of associate companies; 7 Safety and Hygiene at Work officers, 2 of whom under a training-in-work protocol with the Bento de Jesus Caraça Vocational School; 1 Instructor hired by Solisform to lecture at the Prevention, Hygiene and Safety at Work courses for 50 students from secondary schools and 14 post-graduate students; 17 students and teachers of the Naval Engineering Course of the Instituto Superior Técnico; 15 workers from firms working for our customers; 9 other members of the staff of firms that co-operate with us, and the remainder providing service for companies that carry on work at the Shipyard.

In addition to these courses and in the interests of greater training, the Safety Sector also took part in Awareness Courses in “Safety, Quality, Environment and Good Practices,” undertaken by the LISNAVE production sectors, involving 23 employees of the Company and of collaborating companies.

In addition to the training given in the classroom, it should be noted that information and basic safety rules continued to be provided to all other personnel entering the Company’s premises, such as salespeople, technicians and other external visitors involving 1.105 people.

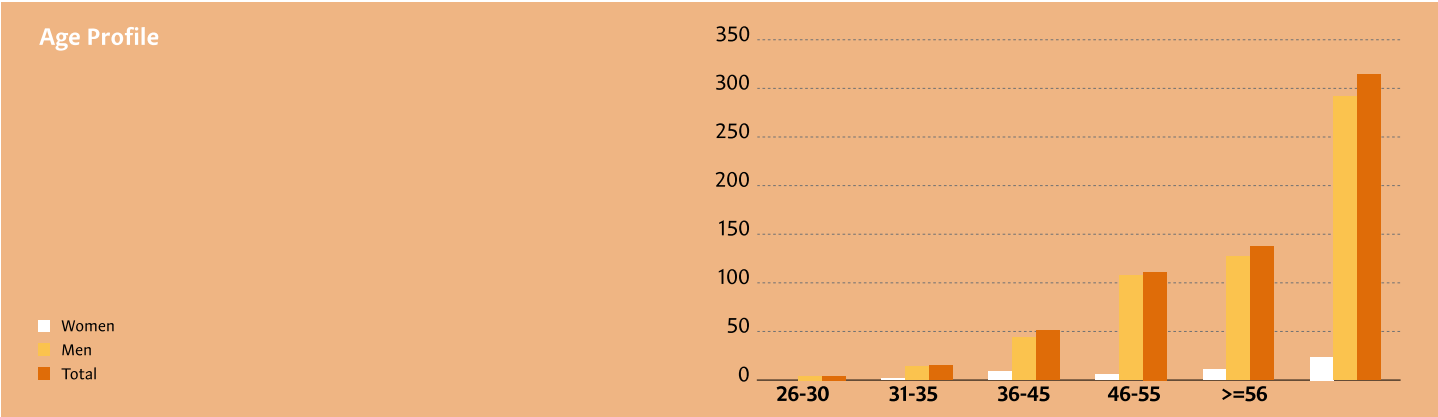
Under this Safety Policy and from a prevention standpoint, the Board decided to organise the usual seasonal-influenza vaccination campaign, in which 50 workers were vaccinated.

Other Indicators

Compared to Personnel Indicators at the end of 2010, LISNAVE saw a 5% reduction of employee numbers, mostly for reasons to do with early retirement in accordance with the law..

As at December 31, 2011, LISNAVE’s total personnel amounted to 313, their average age having risen to 51,84. Contrary to the trend in recent years, there has been an increase in rates of absenteeism among the employees.

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



6 | Economic and Financial Situation

As mentioned earlier, LISNAVE repaired 101 ships during 2011, generating total billing in the sum of about €81 million.

As shown in the following table, there was a 9,8% reduction of the value of Sales in 2011 compared to the previous year, reflecting an 11,4% reduction of the number of ships repaired. Average billing per ship remained very close to the figure for the previous year, at €800k. However, if we consider only the routine-repair segment, the average billing per ship fell by 10,6%, reflecting lower average work-equivalent content per ship repaired.

Number of Ships and Invoicing

Headings	2011	2010	2009	2008	2007
Number of Repaired Ships	101	114	116	138	135
Total Invoicing	80.8	89.6	118.0	145.5	118.3
Average Invoicing per Ship	0.800	0.786	1.018	1.054	0.876

(Amounts in Millions of €)

The year under review therefore confirmed what had already been seen the previous year, that is, a 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.

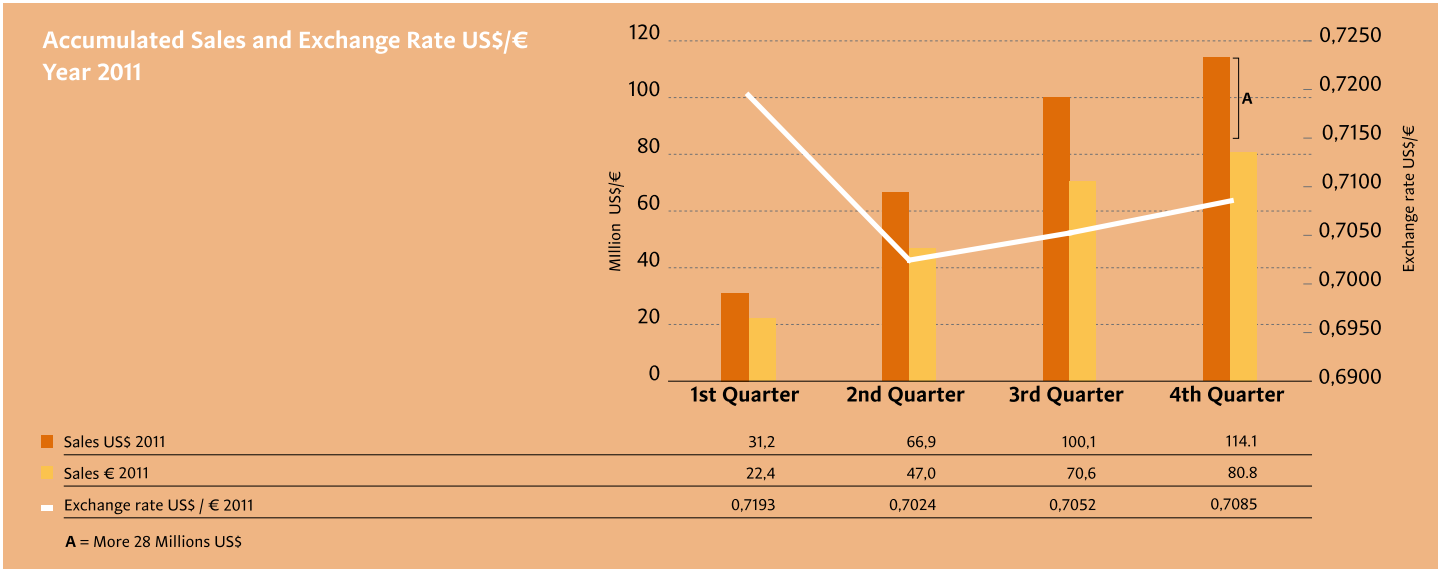
Of the exogenous factors affecting the business, one must not neglect the performance of the US dollar. Although it appreciated at the beginning of the year under review, it has continued to exert strong pressure on the Company’s competitiveness, obliging it to bring forward corrective measures and actions essential to its



adaptation to the global market in which it does business, in that the company’s main customers mainly continue to use the dollar in their commercial transactions.

The dollar, which began to depreciate heavily in 2004, falling to an average annual rate of €0.8014, has been extremely volatile over the past five years, standing at an average of €0.7085 in 2011.

The following table shows the impact of the depreciation of the dollar during 2011. Indeed, in annual terms, sales had to total US\$ 114.1 million to generate €80.8 million.



As a preliminary note to the economic and financial review for 2011 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 Plan (POC). Therefore, the SNC has introduced significant changes to the accounting practices employed up to 2009, that is, a new plan of accounts, a new presentation structure for the financial statements and, above all, application of the new Accounting and Financial Reporting Standards (AFRS).

As a result of this change, one of the requirements for submission of the 2010 accounts was its comparison with 2009 adjusted to the AFRS that apply in the case of LISNAVE. Thus, the structure of the tables showed in this section of the report shows in the first three columns the 2011/2010/2009 comparison in SNC, while the other columns provide the 2008/2007 comparison in POC.

Bearing the foregoing in mind at all times, we now return to the economic review of 2011, with a presentation of the following table that shows the evolution of total sales and services rendered.

Sales and Services Rendered

Rubricas	2011	2010	2009
Ships Repairs	80.809	89.619	118.032
Revenue of Ships in Progress (SNC)	-5.150	4.540	-7.550
Other Activities	2.818	6.862	7.288
Services Rendered	1.398	1.489	948
Total	79.874	102.510	118.717

2008	2007
145.484	118.255
3.824	2.960
1.234	2.059
150.542	123.274

(Amounts in Thousands of €)

This table shows the evolution of Sales & Services Rendered for the 2007-11 five-year periods. By virtue of the application of the SNC guidelines, or more specifically the determinations of the Income Standard (AFRS 20) for the purpose of material comparison, the table itself shows the effects of the accounting alteration introduced (recognition at the close of 2009/2010/2011 of the income corresponding to the degree of finishing of works in progress), which had a negative impact of €7.6 million in 2009, a positive impact of €4.5 million in 2010 and a negative impact of €5.2 million in 2011.

The income generated by work in progress on ships reflects the difference between the income generated by

work on ships that transited to 2012 (€0.41 million) less the amount of income generated by work on ships that transited from 2010 to 2011 (€5.56 million).

The total value of Ship Repairs and of Income from Ships in Progress accounted for 94.7% of the total value of Sales and Services Rendered, while Other Activities and Services Rendered together amounted to €4.2 million, that is, about 5.3% of that total.

It should also be pointed out that the figure for Other Activities is lower than the previous year's figure owing to the decline of Sale of Services to Lisnave Infraestruturas Navais, related with the execution of the investment plan for the rehabilitation of the Shipyard.

Statement of Profit and Loss

	2011		2010		2009	
Headings	Amount	%	Amount	%	Amount	%
Sales and Services Rendered	79.874		102.510		118.717	
Works for the Company	3		0		4	
Other Income and Gains	3.829		3.706		4.996	
Total Operating Income	83.706	100	106.216	100	123.717	100
Costs of raw materials consumed	3.739	4,5	5.347	5,0	5.563	4,5
Supplies and External Services	53.657	64,1	67.051	63,1	75.900	61,3
Personal Costs	14.367	17,2	14.783	13,9	15.344	12,4
Depreciations, Impairments and Provision	2.980	3,6	935	0,9	3.883	3,1
Taxes	62	0,1	186	0,2	188	0,2
Other Costs and Losses	691	0,8	470	0,4	4.516	3,7
Total Operating Expenses	75.496	90,2	88.772	83,6	105.393	85,2
Operating Profits	8.210	9,8	17.444	16,4	18.323	14,8
Financing Results	0	0,0	0	0,0	0	0,0
Profits before Taxes	8.210	9,8	17.444	16,4	18.323	14,8
Taxes on Income for the Period (-)	-2.996	-3,6	-5.474	-5,2	-6.179	-5,0
Net Income for the Period	5.214	6,2	11.970	11,3	12.144	9,8

(Amounts in Thousands of €)



Continuing to characterise the evolution of the Company's economic situation, the following table provides the Profit & Loss Accounts for 2007/2011, showing, on the one hand,

the evolution of the returns on Sales and, on the other, the evolution of the relative weight of production factors as a proportion of total Operating Income.

Statement of Profit and Loss

	2008		2007	
Headings	Amount	%	Amount	%
Sales and Services Rendered	150.542		123.274	
Variation in Production	3.600		1.821	
Works for the Company	4		55	
Other Incomes	1.263		1.485	
Total Operating Income	155.409	100	126.635	100
Costs of raw materials consumed	9.284	6,0	7.108	5,6
Supplies and External Services	106.234	68,4	92.446	73,0
Personal Costs	12.706	8,2	13.201	10,4
Depreciation and Provisions	2.975	1,9	3.331	2,6
Taxes	175	0,1	180	0,1
Other Costs	331	0,2	242	0,2
Total Operating Costs	131.705	84,7	116.508	92,0
Operating Profits	23.703	15,3	10.127	8,0
Financial Profits	2.008	1,3	1.226	1,0
Current Profits	25.711	16,5	11.353	9,0
Exceptional Profits	-4.575	-2,9	2.322	1,8
Profits before Taxes	21.136	13,6	13.675	10,8
Taxes of Profits (-)	-5.815	-3,7	-3.476	-2,7
Net Profit for the Financial Year	15.321	9,9	10.199	8,1

(Amounts in Thousands of €)



As an overall appraisal of the Profit & Loss Account, it can be seen that in 2011 the Company's economic situation deteriorated compared to the previous year, returning a Net Profit of €5.21 million, reflecting a sharp drop in sales in the order of 22,1%.

As a result of this negative performance of sales, the cost-to-income ratio, which measures the relative weight of "Total Operating Costs" as a proportion of "Total Operating Income", has deteriorated compared to the previous year, to stand at 90,2%, despite the continuation and strengthening of the policy of more rational use of production factors, the result of a management by objectives implemented at all levels of the Company.

For a better understanding of the table under review, it should be pointed out that with the transfer from the POC to the SNC, the figures included under "Financial Results" (POC) for the years prior to 2009, began to be included under "Other income & gains" or "Other costs & losses" (SNC), affecting Operating profits. Just as the new SNC heading "Funding Results," which includes amounts related with borrowing costs, does not carry any amount during the period under review since LISNAVE had no need for bank loans.

Thus, the heading "Other income & gains" now also includes the amount of Short-Term financial placements caused by cash surpluses generated during the period, standing at the end of the year under review, at €1.4 million.



One must continue to underscore 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 in the end of 2003 management to replace the US Dollar with the Euro in billing its customers. Therefore, the currency-translation differences recorded in 2011 are not materially relevant.

To complete the review of the economic evolution of the Company over the 2007-11 periods, the following table provides a set of the more relevant economic indicators and ratios:

Economic Aggregates

Headings	2011	2010	2009
Overall Aggregates			
Gross Value of Production (GVP)	79.877	102.510	118.721
Gross Value Added (GVA)	25.485	34.385	41.177
Personnel Costs	14.367	14.783	15.344
"Gross Cash flow"	11.190	18.379	22.207
Average number of Employees	322	334	337
Ratios			
GVP per Capita	248.1	306.9	352.3
Personnel Costs per Capita	44.6	44.3	45.5
GVA / GVP	32%	34%	35%
Personnel Costs / GVA	56%	43%	37%

2008	2007
154.146	125.150
64.502	51.898
12.706	13.201
24.111	17.006
312	360
494.1	347.6
40.7	36.7
42%	41%
20%	25%

(Amounts in Thousands of €)



An observation thereof leads to the conclusion that, in 2011, the Company's performance indicators and ratios, taken together, fell sharply by comparison with the previous year.

The Gross Production Value (GPV) aggregate fell 22% 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.

Also, the amount carried under "Gross cash flow" shows a negative trend, with a downturn of €7.2 million compared

with the previous year. This downturn is 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	2011	2010	2009
Share Capital	5.000	5.000	5.000
Shareholders Loans	0	0	0
Legal Reserves and Profits C. Forward	20.016	18.546	18.402
Net Profit of the Financial Year	5.214	11.970	12.144
Total Shareholders Funds	30.231	35.516	35.546

2008	2007
5.000	5.000
0	0
14.701	12.502
15.321	10.199
35.022	27.701

(Amounts in Thousands of €)

Equity on December 31, 2011, amounted to €30.2 million, a decrease compared to the figure at the end of last year. The book-value per share at the year-end was €30.20, an appreciation of 504,6% over the par value.

The main balance-sheet headings for the past five years, referred to December 31, 2011, as shown in the following table, provide an appraisal of the evolution of the Company's financial structure.



Comparative Summ. Balance Sheet

Headings	2011	2010	2009	2008	2007
Assets					
Non-current Assets	12.085	13.923	15.226	14.202	9.805
Inventories	2.379	2.251	2.447	8.144	4.334
Clients C/A (Net Prepayment)	4.737	15.498	7.892	23.245	15.552
Other receivables	4.470	9.329	3.366	3.444	3.230
Cash and Banks	32.346	30.857	37.827	40.749	29.655
Deferrals	104	187	73	1.201	192
Total Assets	56.121	72.045	66.830	90.985	62.766
Liabilities					
Provisions	5.173	3.481	4.157	1.717	938
Other non-current payables	3.094	4.161	5.361	0	0
Non-current loans obtained	0	0	0	0	0
Financing obtained	0	0	0	0	0
Suppliers C/A (Net Prepayment)	10.834	19.614	12.980	30.822	22.591
Other payables	6.789	9.272	8.785	4.670	2.974
Deferrals	0	0	0	18.754	8.563
Total Liabilities	25.890	36.528	31.283	55.963	35.065
Shareholders Funds	30.231	35.516	35.546	35.022	27.701

(Amounts in Thousands of €)



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

Liquidity

With a Working Capital in the order of €26 million and a very comfortable Quick Ratio of 2.50 and a Cash Ratio of 2.36, it can be said that the Company's short-term financial structure continues to be very solid, despite the fact that Working Capital deteriorated when compared to the previous year.

A contribution continued to be made to this by the following factors: 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 increase of cash-in-hand and bank balances, which together amounted to €32.3 million at the year-end.

Debt Capacity

With a fixed-asset financing ratio of 2.50 and financial independence and self-financing ratios of 116,8% and 53,9% respectively, the conclusion is that LISNAVE's debt capacity is very comfortable and adequate to its core business, characterised as being highly unpredictable.

Lastly, and in keeping with legal requirements, it is hereby declared that, as at December 31, 2011, LISNAVE held no treasury shares and there was no past-due debt to the State Public Sector, including Social Security.



7 | Business Outlook for 2012

The instability driven by the sovereign debt crisis in the countries of the European Union, associated with the overall debt of most developed countries, causes great uncertainty as to the economic outlook for the coming years.

Despite the World Bank prediction that for 2012 the overall growth of the global economy will be 2,5% and 3,1% in 2013, the risks of a new global recession are still very strong.

The negative growth of 0,3% forecast for the Euro Area countries, coupled with weak growth forecast for developing countries and the deficits and debts of the United States and Japan, can cause a reduction of consumption greater than already estimated and, consequently, an even greater reduction of the rate of growth of world trade, which the World Bank estimates at 4,7% in 2012.

Thus, as a result:

- ▶ of the predicted further slowdown of the rate of growth of global trade and of the expected substantial increase of capacity the world's merchant shipping fleets, both by number and by carrying capacity;

- ▶ of the ongoing decrease of the value of new ships that, in the case of tankers, fell by between 5% and 10% during 2011 compared to the previous year and, in the case of dry-bulk carriers, by between 10% and 15% over the same period; and

- ▶ of the ongoing decrease of the value of second-hand ships that, in 2011, fell, in the case of five-year-old tankers, by between 20% and 30% for the bigger ships and between 10% and 15% for the smaller, meaning that a five-year-old VLCC that was worth about 80% of a new ship in 2011, is now worth around 60%,

on the one hand, the utilisation rate of the ships is expected to decline, causing freight rates remain under strong downward pressure and, on the other, owing to the reduction of ship values Shipowners, besides having fewer resources available to meet the maintenance of their fleets, are less motivated to do so.

In this adverse context, it is expected that 2012 will continue to see growing competitive pressure on ship-repair business, and it is possible that only in 2013 will there be a start to a trend of recovery to levels that will allow Shipyards to achieve balanced use of their capacity.

Human Resources

It is expected that 2012, notably for reasons that relate to legislative changes resulting from the Agreement on Social Dialogue, announced in the meantime, may be a year of transition to consolidation of greater flexibility of employment contract conditions.

Regardless of these changes to applicable law, it is the intention of the Board to continue the co-operation with LISNAVEYARDS, in order to promote, through the latter, the creation of conditions that will ensure the future sustainability of this industry in Portugal.

To this end, LISNAVE aims to explore new and broader forms of collaboration with LISNAVEYARDS, in an endeavor

to get it to assume greater responsibilities in the development of the business, in the light of its personnel, particularly with regard to the number of its direct workers.

In this connection, LISNAVE intends to carry out three new Youth Training courses, initially planned for 2011, for an age group most in need of operative workers, i.e. those aged between 30 and 35.

Besides Youth Training, LISNAVE will go ahead with training for its employees. For this reason, the Training Plan approved for 2012 includes 47 courses, subdivided into 103 measures, involving 1.018 trainees and a total of 34.456 training hours.



8 | Proposal for the Appropriation of Profits

Since the Company’s performance in 2011 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 €940.000,00 (Nine hundred and forty-thousand Euros), already included in the Net Profit for the year, and that

2 The Net Profit for the year in the sum of €5.214.356,96 (Five million two hundred and fourteen thousand three hundred and fifty six Euros and ninety six cents) be appropriated as follows:

Dividends	4.000.000,00 Euros
Retained earnings	1.214.356,96 Euros

9 | Closing Remarks

Lastly, in closing the Management Report in respect of the business in 2011, 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 maintained 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, 23th February 2012

The Board of Directors

Chairman

Eng. José António Leite Mendes Rodrigues

Members of the Board

Dr. Nelson Nunes Rodrigues

Dr. Aloísio Fernando Macedo da Fonseca

Eng. Frederico José Ferreira de Mesquita Spranger

Eng. Peter Luijckx

Dr. João Rui Carvalho dos Santos

Eng. 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 23th March 2012 relating to the Approval of Documents
reporting the Accounts for the 2011 Financial Year**

BALANCE

Headings	Notes	2011	2010
Assets			
Non-current Assets			
Tangible Assets	8	5.202.186,35	5.700.610,80
Imvestment properties	7	2.567.100,00	2.567.100,00
Intangible Assets	15.3	3.403.527,89	4.448.306,89
Other financial Assets	15.2	4.448.306,89	5.360.954,89
Deferred tax Assets	14	912.612,83	1.206.756,99
		12.085.427,07	13.922.774,68
Current Assets			
Inventories	10	2.378.743,05	2.250.986,51
Costumers	15.1	5.473.334,96	15.497.885,27
Advances to Suppliers	15.3	546.160,75	395.077,16
State and other public entities	17.1	2.536.876,35	3.259.118,41
Other accounts receivable	15.3	1.932.920,19	6.070.216,44
Deferrals	17.2	104.025,04	186.520,88
Cash and short-term deposits	4	32.345.748,36	30.857.077,10
		45.317.808,70	58.516.881,77
Total Assets		57.403.235,77	72.439.656,45

(Amounts in €)

Headings	Notes	2011	2010
Equity and Liabilities			
Equity			
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	18.618.258,78	17.148.100,76
		25.016.432,04	23.546.274,02
Net Profit / Loss for the period	17.3	5.214.356,96	11.970.158,02
Total Equity		30.230.789,00	35.516.432,04
Liabilities			
Non-current Liabilities			
Provisions	12	5.173.317,24	3.480.956,50
Other accounts payable	15.4	3.093.602,81	4.161.230,81
		8.266.920,05	7.642.187,31
Current Liabilities			
Suppliers	15.3	11.380.023,54	20.009.001,22
Advances to costumers	15	736.565,43	0,00
State and other public entities	17.1	361.345,51	432.308,80
Other accounts payable	15.4	6.427.592,24	8.839.727,08
		18.905.526,72	29.281.037,10
Total Liabilities		27.172.446,77	36.923.224,41
Total Equity and Liabilities		57.403.235,77	72.439.656,45

(Amounts in €)

STATEMENT OF CHANGES IN EQUITY

Description	Issued Capital	Legal Reserves	Earnings	Net Income	Total Equity
Position at 01/01/2010 - POC	5.000.000,00	1.398.173,26	17.003.691,14	12.144.409,62	35.546.274,02
Remainder of the distribution of the Net Income for the Period			12.144.409,62	-12.144.409,62	0,00
Changes for the period					
		0,00	0,00	0,00	0,00
Net income for the period				11.970.158,02	11.970.158,02
Operations with equity owners					
Dividends			-12.000.000,00		-12.000.000,00
	0,00	0,00	-12.000.000,00	11.970.158,02	-29.841,98
Position at the end of 2010	5.000.000,00	1.398.173,26	17.148.100,76	11.970.158,02	35.516.432,04
Position at 01/01/2011	5.000.000,00	1.398.173,26	17.148.100,76	11.970.158,02	35.516.432,04
Remainder if the distribution of the Net Income for the Period			11.970.158,02	-11.970.158,02	0,00
Changes for the period					
		0,00	0,00	0,00	0,00
Net profit for the period				5.214.356,96	5.214.356,96
Operation with equity owners					
Dividends			-10.500.000,00		-10.500.000,00
	0,00	0,00	-10.500.000,00	5.214.356,96	-5.285.643,04
Position at the end of 2011	5.000.000,00	1.398.173,26	18.618.258,78	5.214.356,96	30.230.789,00

(Amount in €)

PROFIT AND LOSS STATEMENT

Income and Services	Notes	2011	2010
Sales of goods and rendering of services	11	79.874.385,76	102.509.656,77
Grants received		37.457,00	33.008,23
Works for the Company		2.549,22	82,32
Cost of Sales	10	(3.738.902,63)	(5.347.171,40)
Supplies and external services	17.4	(53.656.983,68)	(67.050.879,04)
Payroll expenses	16	(14.367.269,79)	(14.783.462,51)
Impairment of inventories (losses/reversions)	10	(14.195,17)	21.764,49
Accounts receivable impairments (losses/reversions)	15.1	(2.908,00)	10.000,00
Provisions (increases/reductions)	12	(2.252.544,87)	(93.457,62)
Other income and gains	17.5	3.791.321,46	3.673.321,66
Other expenses and losses	17.6	(752.944,43)	(655.332,48)
Profit before Depreciations, Financial Income and Taxes		8.919.964,87	18.317.530,42
Expenses/Reversions of depreciation and amortisation	17.7	(709.875,73)	(873.282,60)
Operational Result (before Financing Costs and Taxes)		8.210.089,14	17.444.247,82
Profit before Tax		8.210.089,14	17.444.247,82
Income Tax for the Period	14	(2.995.732,18)	(5.474.089,80)
Profit for the Period	17.3	5.214.356,96	11.970.158,02

(Amounts in €)

CASH FLOW STATEMENT

	Period – SNC	
Headings	2011	2010
Cash Flow from Operating Activities		
Receivable from Costumers	101.406.203,52	92.324.738,04
Payments to Suppliers	-83.762.675,82	-71.881.494,60
Payments to Employees	-10.869.355,25	-11.025.815,43
Cash Generated by Operations	6.774.172,45	9.417.428,01
Income Tax Payments	-2.362.571,18	-7.536.337,94
Other Payments / Receivable	6.842.497,92	3.355.392,51
Related Items Special Receivables		
Related Items Special Payments		
Flow from Operating Activities (1)	11.254.099,19	5.236.482,58
Cash Flow from Investment Activities		
Payments Related with:		
Tangible Assets	-211.859,61	-702.094,57
Intangible Assets		
Financial Investments		
Others Assets		
Receivables Related with:		
Tangible Fixed Assets	0,00	32.251,00
Intangible Assets		
Financial Investments		
Other Assets		
Interests and Similar Incomes	1.008.120,00	537.528,63
Investment Grants		
Dividends		
Flow from Investment Activities (2)	796.260,39	-132.314,94

(Amount in €)

Headings	2011	2010
Cash Flow from Financing Activities		
Receivables Related with:		
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		
Payments Related with:		
Proceeds from Borrowings		
Interests and Similar Expenses	-58.309,34	-60.345,60
Dividends	-10.500.000,00	-12.000.000,00
Share Capital Decreases		
Other Financing Operations		
Flow from Financing Activities (3)	-10.558.309,34	-12.060.345,60
Changes in Cash and Cash Equivalent (4) = ((1) + (2) + (3))	1.492.050,24	-6.956.177,96
Net Foreign Exchange Difference	3.378,98	13.356,87
Cash and Cash Equivalents at Beginnings of Period	30.857.077,10	37.826.611,93
Cash and Cash Equivalents at End of Period	32.345.748,36	30.857.077,10
	1.492.050,24	-6.956.177,96

(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, 2910 - 738 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 NCRF – Normas de Contabilidade e Relato Financeiro (AFRS - Accounting and Financial Reporting Standards) which form an integral part of the SNC – Sistema de Normalização Contabilística (ASS - Accounting Standardisation System).

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

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:

	2011	2010
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 derecognising 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 measure 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:

	2011	2010
Cash on hands	117.558,16	67.914,91
Short-term deposits	3.128.190,20	2.519.162,19
Other Bank Deposits	29.100.000,00	28.270.000,00
	32.345.748,36	30.857.077,10

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

	2011	2010
Cash on hands	117.558,16	67.914,91
Short-term deposits	3.128.190,20	2.519.162,19
Other Bank Deposits	29.100.000,00	28.270.000,00
	32.345.748,36	30.857.077,10
Cash and Bank Deposits of a Discontinued Operation	-	-
	32.345.748,36	30.857.077,10
Bank Overdrafts	-	-
	32.345.748,36	30.857.077,10

5. Accounting policies, alterations to accounting estimates and errors

In the Financial Year 2011 no alterations occurred of accounting policies, accounting estimates or errors, passable to be reported in the present Note.

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.	2011	-	317.450,32	-	-	291.627,36
	2010	-	315.762,85	-	-	290.306,52
ThyssenKrupp Marine Systems AG	2011	-	-	-	-	-
	2010	-	-	-	-	-
Portuguese State	2011	-	-	-	-	-
	2010	-	-	-	-	-
Public (OPT)	2011	-	-	-	-	-
	2010	-	-	-	-	-
Lisnave Infraestruturas	2011	516.587,26	88.678,00	461.223,38	-	3.913.492,91
	2010	934.259,74	6.932,00	6.204.142,02	-	2.849.640,25
Repropel	2011	50.510,85	-	104.417,32	-	4.740,00
	2010	22.376,09	1.080,00	77.604,84	-	3.800,00
Gaslimpo	2011	3.756,32	131.287,06	36.769,44	92.684,45	476.542,42
	2010	32.910,89	309.898,26	53.692,95	114.174,28	706.562,00
Rebocalis	2011	13.364,64	188.131,48	115.036,63	-	1.159.251,08
	2010	10.696,62	472.043,87	89.930,71	-	1.261.731,12
Lisnave Internacional	2011	2.549,67	42.187,93	15.787,37	-	241.493,35
	2010	2.868,32	66.013,67	15.405,19	-	247.482,59
Tecor	2011	13.690,72	1.008.476,16	135.438,65	-	6.305.405,33
	2010	682,67	2.607.179,63	118.982,81	-	7.633.255,79
NavalRocha	2011	-	-	-	-	-
	2010	-	-	630,00	-	11.500,00
Navalset	2011	85,00	3.690,00	-	-	3.000,00
	2010	5.585,00	-	-	-	-
LisnaveYards	2011	24.522,14	119.056,55	459.815,33	-	4.090.257,44
	2010	28.062,79	141.701,89	179.411,04	-	3.268.806,96
Dakarnave	2011	-	-	-	-	-
	2010	-	-	-	-	-

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 2010 and 2011.

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
Cost							
January 1st 2010	2.140.947,35	6.550.891,55	291.094,31	1.115.190,88	6.308.437,01	359.570,64	16.766.131,74
Increases	-	-	-	-	-	702.094,57	702.094,57
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	117.790,91	323.844,37	121.244,68	343.143,89	136.993,23	(1.043.017,08)	-
Disposals	-	-	(153.445,90)	-	-	-	(153.445,90)
Write-Offs	(359.410,98)	(1.202.377,57)	(114.879,17)	-	(31.312,29)	-	(1.707.980,01)
Exchange differences	-	-	-	-	-	-	-
December 31st 2010	1.899.327,28	5.672.358,35	144.013,92	1.458.334,77	6.414.117,95	18.648,13	15.606.800,40
Increases	-	-	-	-	-	211.859,61	211.859,61
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	-	58.245,21	-	30.985,81	88.170,27	(177.401,29)	-
Disposals	-	-	-	-	-	-	-
Write-Offs	(2.098,33)	(14.082,37)	(440,13)	(118.616,50)	-	-	(135.237,33)
Exchange differences	-	-	-	-	-	-	-
December 31st 2011	1.897.228,95	5.716.521,19	143.573,79	1.370.704,08	6.502.288,22	53.106,45	15.683.422,68

	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
Depreciations and Impairment:							
January 1st 2010	635.839,88	3.694.071,70	291.094,31	836.832,83	5.436.494,19	-	10.894.332,91
Depreciations	113.626,15	356.405,07	34.061,17	108.487,03	260.703,18	-	873.282,60
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Write-Offs	(359.410,98)	(1.202.377,57)	(268.325,07)	-	(31.312,29)	-	(1.861.425,91)
Exchange differences	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
December 31st 2010	390.055,05	2.848.099,20	56.830,41	945.319,86	5.665.885,08	-	9.906.189,60
Depreciations	112.926,71	255.456,98	34.061,17	73.186,07	234.244,80	-	709.875,73
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Write-Offs	(2.098,33)	(13.674,04)	(440,13)	(118.616,50)	-	-	(134.829,00)
Exchange differences	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
December 31st 2011	500.883,43	3.089.882,14	90.451,45	899.889,43	5.900.129,88	-	10.481.236,33
Net Book Value:							
As at December 31st 2011	1.396.345,52	2.626.639,05	53.122,34	470.814,65	602.158,34	53.106,45	5.202.186,35
As at December 31st 2010	1.509.272,23	2.824.259,15	87.183,51	513.014,91	748.232,87	18.648,13	5.700.610,80
As at January 1st 2010	1.505.107,47	2.856.819,85	0,00	278.358,05	871.942,82	359.570,64	5.871.798,83

9. Impairment of assets

No impairments 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:

	2011	2010
Raw materials	2.378.743,05	2.250.986,51
	2.378.743,05	2.250.986,51

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 2010	2.718.740,64
Purchases	5.129.526,88
Inventories as at December 31st 2010	2.501.096,12
	5.347.171,40
Inventories as at January 1st 2011	2.501.096,12
Purchases	3.880.854,34
Inventories as at December 31st 2011	2.643.047,83
	3.738.902,63

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

	2011	2010
Impairment losses		
Raw materials	14.195,17	-
	14.195,17	-
Reversion of impairment losses		
Raw materials	-	(21.764,49)
	14.195,17	(21.764,49)

11. Revenue

Revenue is itemised as follows:

	2011	2010
Sale of Goods		
By-products, waste and scrap		
Portugal	613.030,61	703.247,00
	613.030,61	703.247,00
Rendering of Services		
Services		
Total Europe	54.139.568,50	71.182.277,85
Portugal	3.653.080,16	9.224.437,75
U.E.	47.814.611,74	53.431.874,71
Others	2.671.876,60	39.150.097,31
Total África	-	1.011.078,92
Total América	4.689.841,00	12.139.883,00
Total Ásia	20.431.945,65	17.473.170,00
	79.261.355,15	101.806.419,77
	79.874.385,76	102.509.656,77

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 2010	456.639,51	600.000,00	1.333.067,34	248.377,00	1.519.414,47	4.157.498,32
Increases for the year	-	548.556,00	294.526,80	-	-	843.082,80
Utilisation for the year	-	(548.556,00)	(468.500,00)	(49.565,88)	296.622,44	(769.999,44)
Reversions for the year	-	-	(329.624,31)	(18.199,12)	(401.801,75)	(749.625,18)
On December 31st 2010	456.639,51	600.000,00	829.469,83	180.612,00	1.414.235,16	3.480.956,50
On January 1st 2011	456.639,51	600.000,00	829.469,83	180.612,00	1.414.235,16	3.480.956,50
Increases for the year	-	-	854.766,89	1.701.500,00	34.747,00	2.591.013,89
Utilisation for the year	-	(88.995,10)	(427.217,19)	(43.971,84)	-	(560.184,13)
Reversions for the year	-	(211.004,90)	(124.437,96)	(3.026,16)	-	(338.469,02)
On December 31st 2011	456.639,51	300.000,00	1.132.581,57	1.835.114,00	1.448.982,16	5.173.317,24

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:

	2011	2010
Exchange gains included under:		
Other income and gains	-	-
Interest and similar gains	4.717,56	19.112,93
	4.717,56	19.112,93
Exchange losses included under:		
Other expenses and losses	-	-
Interest and similar expenses	1.826,19	23.444,70
	1.826,19	23.444,70

14. Income tax

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

	2011	2010
Current tax		
IRC (corporation tax) for the year	2.701.588,02	5.255.111,42
Deferred Tax		
Originating from, and the object of, reversion of timing differences	294.144,16	218.978,38
Other movements	-	-
	294.144,16	218.978,38
	2.995.732,18	5.474.089,80

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

	2011	2010
Excess Tax Estimate	479.507,90	174.100,95
Insufficient Tax Estimate	(165,00)	(150,00)
	479.342,90	173.950,95

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	
	2011	2010	2011	2010
Pre-tax result	8.210.089,14	17.444.247,82		
Rate of Income tax in Portugal	26,5%	26,5%		
Tax on profit at the nominal rate	2.175.673,62	4.622.725,67	26,50%	26,50%
Non-taxable income				
Accounting gains	-	32.251,00		
Tax losses	-	9.166,60		
Reversion of provisions taxed in previous years	908.153,15	773.983,25		
Excellentia Insurance Policy	1.200.000,00	1.067.000,00		
Excess tax estimate	479.507,90	-		
Negative equity variations	20.909,87	29.285,85		
Fiscal Benefits	130.732,28	68.349,29		
	2.739.303,20	1.980.035,99	(8,84%)	(3,01%)
Costs not deductible for tax purposes				
Donations	800,00	2.000,00		
Fines, administrative fines and compensatory interest	244,82	642,84		
Undocumented expenses	191.147,10	180.488,29		
Positive asset variations	-	341.192,03		
Depreciations not accepted for tax purposes	6.573,03	6.561,42		
Provisions beyond legal limits	2.591.013,89	1.228.458,80		
Recording of impairment losses	17.297,17	-		
Fixed asset write-offs	408,33	-		
Excellentia Insurance Policy	132.372,00	536.172,38		
Corrections on previous financial years	169.484,85	13.435,50		
Others	142.111,47	224.790,77		
	3.251.452,66	2.533.742,03	10,49%	3,85%

	Tax Base		Rate of tax	
	2011	2010	2011	2010
Taxable profit	8.722.238,60	17.997.953,86		
Rate of Income tax in Portugal	25,00%	25,00%		
Tax calculated	2.178.997,15	4.497.925,97	28,15%	27,34%
Autonomous taxation	223.701,33	201.260,31	2,72%	1,15%
Municipal Surcharge	130.833,58	269.969,31	1,59%	1,55%
State Surcharge	168.055,97	399.948,85	2,05%	2,29%
Effect of increase/ reversion of deferred taxes	294.144,16	218.978,38	3,58%	1,26%
Adjustments to Estimates (previous financial years)	-	46.137,00	0,00%	0,26%
Others	-	(160.130,01)	0,00%	(0,92%)
	816.735,03	976.163,83	9,95%	5,60%
Income tax	2.955.732,18	5.474.089,80	38,10%	32,94%

Deferred taxes can be broken down as follows:

	Balance sheet accounts		Profit-and-loss account items		Other Equity Items	
	2011	2010	2011	2010	2011	2010
Deferred Tax Assets						
SNC transition adjustments	-	-	-	-	-	-
Others						
Excellentia Insurance Policy	912.612,83	1.206.756,99	(294.144,16)	(218.978,38)		
	912.612,83	1.206.756,99	(294.144,16)	(218.978,38)	-	-

15. Financial instruments

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

	2011	2010
Assets		
Non current		
Other accounts receivable	3.403.527,89	4.448.306,89
Current		
Clients		
Gross amount	5.605.357,61	15.627.000,92
Impairment	(132.022,65)	(129.114,65)
Advances to Suppliers	546.160,75	395.077,16
Other accounts receivable	1.932.920,19	6.070.216,44
	7.952.415,90	21.963.179,87
Liabilities		
Non current		
Other accounts payable	3.093.602,81	4.161.230,81
Current		
Suppliers	11.380.023,54	20.009.001,22
Client advances	736.565,43	-
Other accounts payable	6.427.592,24	8.839.727,08
	18.544.181,21	28.848.728,30
Equity		
Share capital	5.000.000	5.000.000
	5.000.000	5.000.000

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
2011	5.605.357,61	1.930.637,54	436.221,09	1.349.916,94	108.115,00	373.574,15	1.406.892,89
2010	15.626.999,92	10.251.139,20	2.574.919,30	1.227.042,10	(12.775,80)	153.759,20	1.432.915,92

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

	Opening balance	Impairment	Utilisation	Reversion	Closing Balance
Financial year of 2011					
Clients	129.114,65	12.408,00	-	(9.500,00)	132.022,65
	129.114,65	12.408,00	-	(9.500,00)	132.022,65
Financial year of 2010					
Clients	139.114,65	-	-	(10.000,00)	129.114,65
	139.114,65	-	-	(10.000,00)	129.114,65

	Gross Amount	Impairment	Net Balance
Clients 2011	5.605.357,61	132.022,65	5.473.334,96
Clients 2010	15.626.999,92	129.114,65	15.497.885,27

15.2 Other accounts receivable

The other accounts receivable can be broken down as follows:

	2011	2010
Other non-current accounts receivable		
Capitalisation insurance	3.403.527,89	4.448.306,89
Other current accounts receivable		
Debtors from accrued income		
Revenue from orders in progress	420.428,43	5.579.064,47
Interest on Time Deposits	673.598,00	249.910,00
Others	561.620,18	67.510,65
Other debtors and creditors		
Staff	86.244,85	142.023,33
Others	191.028,73	31.707,99
	1.932.920,19	6.070.216,44

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 155.221,00 Euros, having used the amount of 1.200.000 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:

	2011	2010
Suppliers, current account		
National	10.101.061,89	18.443.962,31
Overseas	176.240,52	302.529,05
Parent Company	317.450,32	315.762,85
Suppliers: receiving and conferring	785.270,81	946.747,01
	11.380.023,54	20.009.001,22
Suppliers advance		
National	509.115,07	308.478,99
Overseas	37.045,68	86.598,17
	546.160,75	395.077,16

15.4 Other accounts payable

Other accounts payable can be broken down as follows:

	2011	2010
Other accounts payable – non current		
Other financial assets	3.093.602,81	4.161.230,81
Other accounts payable – current		
Creditors from accrued expenses		
Insurance Policies	-	5.930,26
Remunerations to be settled – holidays and holiday allowances	1.421.080,65	1.451.780,20
Rendering services	100.000,00	100.000,00
Specialized works	40.000,00	550.000,00
Lisnave Rent	-	364.567,26
Commissions	2.144.863,98	4.358.819,55
Internal Works	734.810,80	157.800,61
Others	973.724,50	452.253,52
Agentes	45.543,08	148.575,68
Other debtors and creditors		
Staff - balance sheet bonuses	940.000,00	1.250.000,00
Miscellaneous	27.569,23	-
	6.427.592,24	8.839.727,08

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:

	2011	2010
Nominal share capital issued	5.000.000,00	5.000.000,00
Nominal share capital issued and paid up		
NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A.	3.641.370,00	3.641.370,00
THYSSENKRUPP MARINE SYSTEMS AG	1.000.000,00	1.000.000,00
PORTUGUESE STATE	148.330,00	148.330,00
PUBLIC (OPT)	210.300,00	210.300,00
	5.000.000,00	5.000.000,00
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:

	2011	2010
Remunerations of the Governing Bodies	819.993,55	776.915,80
Staff Remunerations	9.673.034,28	10.315.412,88
Other Remunerations		
Compensations	-	127.500,00
Charges on Remunerations	2.103.587,76	2.148.931,43
Accident at work and professional illness insurance	223.719,86	233.394,11
Social action expenses	1.291.500,04	862.205,27
Other staffing expenses	255.434,30	319.103,02
	14.367.269,79	14.783.462,51

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 2011 of 3.403.528Euros (2010: 4.448.307 Euros and 2009: 5.360.955 Euros).

In the current year this investment made financial income of 155.221 Euros, having used the amount of 1.200.000 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, after deduction of the amount of this last policy as at 31st December 2011 (5.032.811 Euros), totals 3.093.603 Euros (2010: 4.161.231 Euros and 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:

	2011	2010
Balance to be received		
Income tax	1.297.371,77	925.499,48
VAT	1.239.504,58	2.333.618,93
	2.536.876,35	3.259.118,41
Balance to be paid		
Income tax	-	-
Income Tax Withholdings	154.936,12	183.662,23
Social Security Contribution	206.409,39	248.646,57
	361.345,51	432.308,80

17.2 Deferrals

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

	2011	2010
Expenses to be recognised		
Insurance policies	88.349,23	179.605,94
Advertising contract	3.315,55	1.500,00
Other Expenses	12.360,26	5.414,94
	104.025,04	186.520,88
Income to be recognised		
Others	-	-
	-	-

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 2010	1.398.173,26	17.003.691,14	12.144.409,62	30.546.274,02
Transfer to Legal Reserve	-	-	-	-
Dividends	-	(12.000.000,00)	-	(12.000.000,00)
Remainder of the distribution of the net income for the period	-	12.144.409,62	(12.144.409,62)	-
Net income for the period	-	-	11.970.158,02	11.970.158,02
Others	-	-	-	-
Balance on December 31st 2010	1.398.173,26	17.148.100,76	11.970.158,02	30.516.432,04
Balance on January 1st 2011	1.398.173,26	17.148.100,76	11.970.158,02	30.516.432,04
Transfer to Legal Reserve	-	-	-	-
Dividends	-	(10.500.000,00)	-	(10.500.000,00)
Remainder of the distribution of the net income for the period	-	11.970.158,02	(11.970.158,02)	-
Net income for the period	-	-	5.214.356,96	5.214.356,96
Others	-	-	-	-
Balance on December 31st 2011	1.398.173,26	18.618.258,78	5.214.356,96	25.230.789,00

17.4 Supplies and External Services

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

	2011	2010
Subcontracts	31.241.845,06	41.090.422,91
Specialised works	1.624.199,32	2.499.519,43
Advertising	98.682,21	205.793,87
Surveillance and security	454.224,11	449.498,40
Fees	491.725,58	618.178,04
Commissions	1.731.517,96	1.993.237,22
Upkeep and repair	4.159.424,60	3.952.330,18
Tools and utensils	114.137,47	113.652,19
Books and technical documentation	28.116,04	26.316,12
Office material	60.186,72	91.295,81
Gifts to clients	57.542,89	55.595,08
Electricity	1.908.811,78	2.041.606,43
Fuels	1.075.308,20	1.379.772,17
Travel and accommodation	183.505,33	360.527,29
Staff transport	1.013.615,98	1.008.006,07
Rentals and hire	5.018.317,39	6.393.517,51
Communication	133.279,43	171.989,41
Insurance policies	1.423.364,39	1.500.630,11
Royalties	38.377,56	37.334,15
Litigation and notaries	3.762,29	23.599,98
Out-of-pocket expenses	167.531,81	137.172,31
Cleaning, hygiene and comfort	301.465,78	289.065,01
Others	2.328.041,78	2.611.819,35
	53.656.983,68	67.050.879,04

17.5 Other Income and Gains

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

	2011	2010
Supplementary Income		
Others	379.294,98	358.353,64
Discounts obtained for prompt payment (Note 28.9)	167.291,73	107.794,97
Inventory gains (Note 19)	130.950,66	23.906,41
Income and gains on Non-Financial Investments		
Disposals	-	32.251,00
Others	51.134,06	207.343,73
Income and gains on remaining Financial Assets		
Exchange gains	4.717,56	19.112,93
Others		
Corrections on previous periods	963.299,83	2.010.934,78
Excess tax estimate	479.507,90	174.100,95
Other unspecified items	20.968,49	361,54
Interest earned		
Free Deposits	1.431.807,99	552.454,71
Other similar Income	162.348,26	186.707,00
	3.791.321,46	3.673.321,66

17.6 Other Expenses and Losses

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

	2011	2010
Taxes	61.675,98	185.794,20
Bad debts	-	1.100,00
Inventory Losses	21.393,26	7.943,88
Expenses and Losses on Non-Financial Investments		
Write-offs (Notes 7 and 8)	408,33	-
Others		
Corrections on previous periods	169.484,85	13.435,50
Donations	144.800,00	110.500,00
Social Security Contributions	72.978,25	70.872,32
Insufficient tax estimate	165,00	150,00
Insufficient holidays subsidy estimate	-	-
Training posts	191.147,10	180.488,29
Fines and penalties		
Non-fiscal fines	53,95	-
Fiscal fines	-	575,50
Others	25.370,88	1.546,05
Interest paid		
Creditor interest balance	-	2,26
Delinquent and compensatory interest	9,41	67,32
Fore Losses		
Other	1.826,19	23.444,70
Other expenses and Losses Financing		
Other	63.631,23	59.412,46
	752.944,43	655.332,48

17.7 Expenses / Reversions of Depreciation and Amortisation

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

	2011	2010
Depreciation and amortisation expenses		
Fixed capital	-	-
Tangible Fixed Assets	709.875,73	873.282,60
	709.875,73	873.282,60
Reversions of amortisations and depreciations	-	-
	709.875,73	873.282,60

18. Events after the balance sheet date

The date whereupon the financial statements are authorised for issue was February 23rd 2012.

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, are indirect holders and under the n.º2 of the same article, of 364.137 Shares each one, through the NAVIVESSEL – ESTUDOS E PROJECTOS NAVAIS, S.A. and of NAVALSET – SERVIÇOS INDUSTRIAIS E NAVAIS, S.A..

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.º4, 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.	Director
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	Director
	LisnaveYards, Lda.	Director
Aloísio Fernando Macedo da Fonseca	Metrocom, S.A.	Director
Frederico José Ferreira de Mesquita Spranger	Lisnave Internacional, S.A.	V/Chairman B.D.
	Dakarnave, S.A.	Chairman B.D.
	Associação das Indústrias Navais	President
	C.P.S. – Comunidade Portuária Setúbal	President
	C.I.P. – Conf. da Indústria Portuguesa	G.A. Committe Member
	A.F.E.E.M. – Assoc. Fórum Emp. Econ. Mar	Director
	Fename – Fed. Nacional do Metal	V/ President
João Rui Carvalho dos Santos	Navivessel, S.A.	Director
	Lisnave Internacional, S.A.	Director
	NavalRocha, S.A.	Director
	Gaslimpo, S.A.	Director
	Dakarnave, S.A.	Director
	Tecor, S.A.	Director
	Fundenav	President of A.C.
	Associação das Indústrias Navais	V/ President
	Fename – Fed. Nacional do Metal	President of A.C.
Manuel Serpa Leitão	LisnaveYards, Lda.	Director
	Navivessel, S.A.	President of Shareholders G.A.
	Lisnave Infraestruturas Navais, S.A.	Manag. Director
	Gaslimpo, S.A.	Chairman B.D.
	Tecor, S.A.	President of Shareholders G.A.
	Rebocalis, Lda.	Chairman of B.D.
	Lisnave Internacional, S.A.	Director
	Fundenav	President
Associação das Indústrias Navais		President of Shareholders G.A.

AUDITING COMMITTEE REPORT AND ADVICE

2011 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, the Statement of Changes in Equity, the Cash Flow Statement, of the Annex and the other components of the report of accounts prepared by the Board of Directors, included in the Management Report and Accounts for the 2011 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 2011, developed very strong condition context by the crisis of the international economy and of its effects in the international market, frame that have determined the worsening of the low level of the freights rates in all the segments, 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 (101 at 2011, 114 at 2010), recording a break of 10% relating to the previous year;

- ▶ the 109 orders produced in the Financial Year in the relation: requests for estimates/orders/success rate from 20% to 18%;
- ▶ 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 75,6 millions Euros;
- ▶ a positive net profit of 5,214 thousand 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 79,9 million Euros, about 22% lower than the correspondent value in 2010;
- ▶ the weight of personnel costs, about 14,4 million Euros, which now amounted to 19% of total operating costs;
- ▶ the value reached by the operating profits, about 8,2 million Euros, representing 10% of total Operation Revenue;
- ▶ the good performance recorded in overall financial activity, positive in 1,4 thousand Euros;
- ▶ the investments fulfilled in the Fixed Assets and in Major Repair of Infrastructure and Equipments, amounting to 2,1 million Euros approximately;
- ▶ the “cash flow” generated during the Financial Year, amounting to 8,2 million Euros;
- ▶ the maintenance of favourable management, economic and financial indicators, notwithstanding the negative evolution relating to the previous year.

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 reserves for the activity in 2012, 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 €5,214,356,97, made by the Board of Directors, should be approved.

Lisbon, 29th February 2012

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

2011 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 2011, (showing a balance sheet total of 57.403,2 thousand Euros and total shareholders' funds amounting to 30.230,8 thousand Euros, including a net profit of 5.214,4 thousand Euros), the Statement of Profit and Loss, the Statement Changes in Equity, the Cash Flow Statement and the respective Appendix 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 2011, 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, 29th February 2012

Joaquim Patrício 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 23TH MARCH 2012 RELATING TO THE APPROVAL OF DOCUMENTS REPORTING THE ACCOUNTS FOR THE 2011 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-third day of March two thousand twelve.

Dr. Luís Miguel Nogueira Freire Cortes Martins, Chairman of the board of the general meeting, chaired the meeting assisted by the Vice – Chairman Dr. 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 Dra. Ana Rita Martins Rodrigues Eusébio, 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. Walter Klausmann, holder of two hundred thousand shares (representing twenty per cent of the votes);
- ▶ The Portuguese State, represented by Dr. Cláudio de Castro Garcia do Couto Cabral, holder of twenty-nine thousand, six hundred and sixty-six shares (representing two point ninety-six per cent of the votes);
- ▶ Eng. 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).

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 2011 Annual Management Report and Accounts

..., the Chairman of the General Meeting submitted the 2011 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

Since the Company's performance in 2011 generated a profit that warrants granting the Workers a bonus, the Board of Directors has decided to award a Balance-sheet Bonus.

Therefore proposes to Equity holders that:

- ▶ 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 € 940.000,00 (Nine hundred and forty-thousand Euros) already included in the Net Profit for the year, and that

► The Net Profit for the year in the sum of € 5.214.356,96 (Five million two hundred and fourteen thousand three hundred and fifty six Euros and ninety six cents) be appropriated as follows:

Dividends	4.000.000,00 Euros;
Retained Earnings	1.214.356,96 Euros.

Mitrena, March 23, 2012
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 2011, 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.

Monte da Caparica, March 23, 2012
The Representative of Shareholder NAVIVESSEL”

Submitted to the vote, this proposal was approved unanimously.

Item 5 Ratification of Eng. Peter Luijckx Appointment to the Board of Directors, by Co-Optation, in Eng. Marcus Schwaeppe Replacement.

“Proposal

..., The Board of Directors of LISNAVE, ESTALEIROS NAVAIS, S.A., ... proposes, in the terms of the nº 4, of the Article 393º of the Companies Commercial Code, that be ratified the co-optation of the Director Eng. Peter Luijckx, Eng. Marcus Schwaeppe replacement.

Mitrena, March 23th 2012
The Board of Directors”

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, vice-Chairman and Secretary of the Board of the General Meeting.

Carlos Pinheiro
(Company Secretary)

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