

Management Report and Accounts **2018**

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LISNAVE | ESTALEIROS NAVAIS, S.A.

Share Capital: 5 000 000 Euros

Registered Office: Mitrena – 2910-738 Setúbal
Setúbal Commercial Registration Office

Matrícula N.º 503 847 151

Company Number 503 847 151

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MEMBERS OF CORPORATE BODIES**TERM OF OFFICE: 2017-2020 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. Luís Manuel dos Santos Silva Patrão

Eng. Peter Luijckx

Dr. João Rui Carvalho dos Santos

Managing Director

Eng. Peter Luijckx

Deputy Managing Director

Dr. João Rui Carvalho dos Santos

Auditing Committee**President:**

Eng. Manuel Serpa Leitão

Committee Members:

Dra. Tânia Sofia Luís Mineiro

RSM & ASSOCIADOS – SROC, LDA

– representado por Joaquim Patrício da Silva (Roc nº 320)

Alternate:

Dr. António José Lino do Patrocínio Santos (Roc nº 840)

Company Secretary

Dr. Carlos Fernando Soares Pinheiro

Remuneration Committee**President:**

Dr. Luís Miguel Nogueira Freire Cortes Martins

Secretary:

Dr. Hanspeter Hartmann

COMPANY STRUCTURE

Board of Directors

Managing Director

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 21 March 2019 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 2018 Financial Year;
- 2º - Discussion of the REPORT OF THE AUDITING COMMITTEE;
- 3º - Discussion of the Proposal for the Appropriation of Profits;
- 4º - General Assessment of the Management and Supervision of the Company.

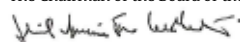
The information referred to in Article 289 of the Code of Commercial Companies relating to the single item on the Agenda is at the disposal of the Shareholders at the Registered Office of the Company and in the Website during the time required by law.

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

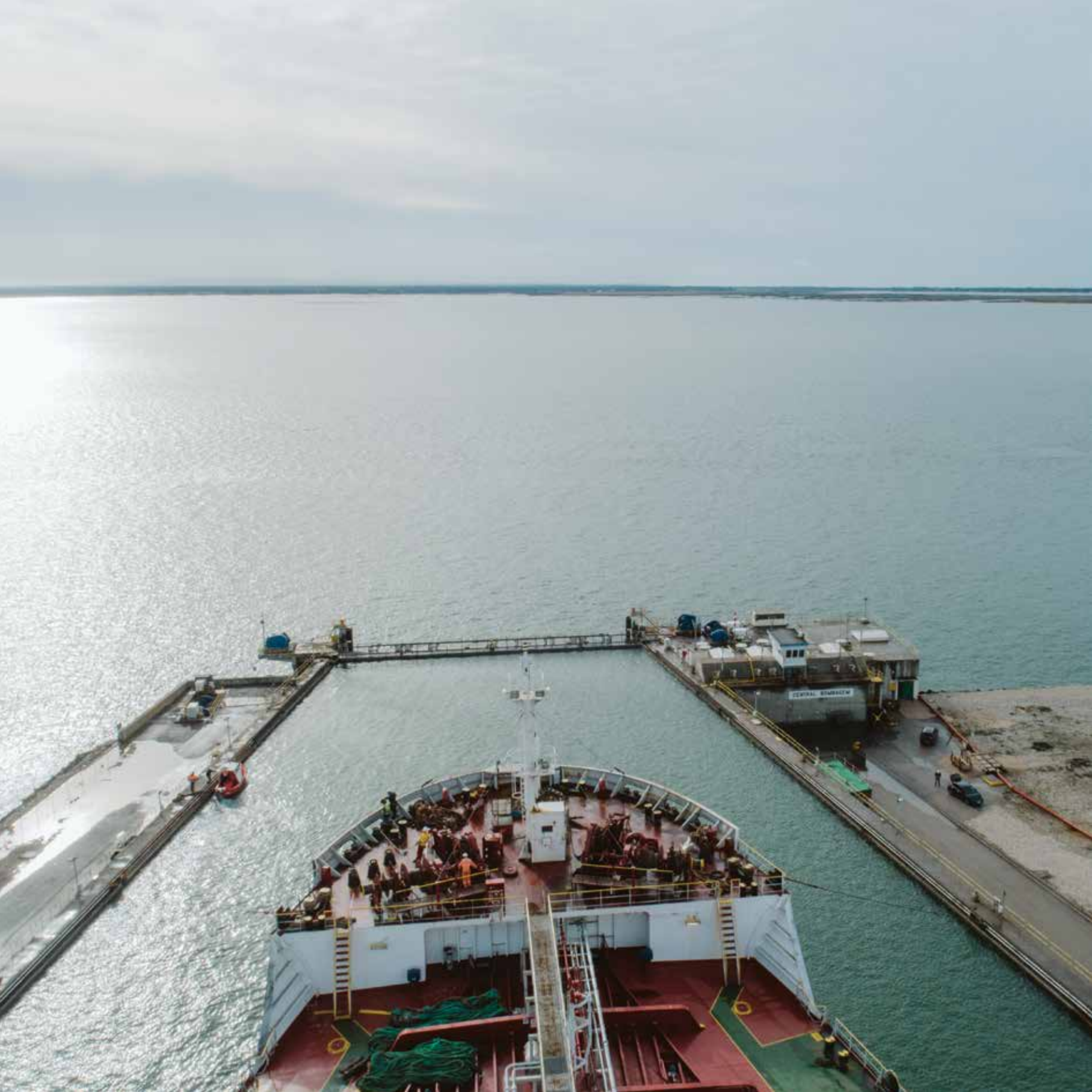
For that purpose, Shareholders wishing to attend that Meeting shall advise accordingly the Chairman of the General Meeting of Shareholders, by letter, with the respective signature duly notarised or certified by the Company and, in this case, shall request the financial institutions where the Shares 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.

Setúbal, 15 February 2019
The Chairman of the Board of the General Meeting



Dr. Luís Miguel Nogueira Freire Cortes Martins



BOARD OF DIRECTORS REPORT

1 | Introduction

In 2018 LISNAVE - ESTALEIROS NAVAIS, S.A., faced yet another difficult market situation, perhaps the most difficult of recent years, due to the fact that its business is still greatly conditioned by the effects of the low growth of the global economy.

In a market that is global, demand, measured in number of enquiries, fell to the second lowest level ever, and with only 439 enquiries received, 19 less than in 2017, though the commercial success rate exceeded the previous year's figure by 3 percentage points, to stand at 20%.

The difficulties arising from the market situation described above, together with the effect on the cost of the shortage of manpower of the service providers at peak times did not allow LISNAVE's business goals set out IN the 2018 Budget to be met.

In this context, although the year's Net Income was positive, the Board of Directors cannot but express its dissatisfaction for the poor performance achieved. Indeed, had it not been influenced by the positive impact resulting from the reversal of impairments set aside in previous years, net income would have been negative, given that the result of the 2018 operations was negative.

For this reason, and as it is well aware of the current difficulties of a seller's market, aggravated by the growing aggressiveness of competition, the Board of Directors, though deploring the fact, but guided by a conscious attitude of responsibility and prudence, considers that there it would not be wise to distribute gains that the operations did not actually provide, either to the Company's employees or to its shareholders.

Prior to focusing on a more detailed analysis of the year, as is customary, given the importance of the accumulated business indicators both in regional and above all in national terms, the Board of Directors would point out that during the period since the start of the Restructuring Plan (second half of 1997) up to the end of the current year, LISNAVE has carried out repairs and/or maintenance of 2,476 ships from over 50 countries around the world, which resulted in Sales of €2.25 billion, of which an expressive €2.12 billion were for export.

With this business it proved possible to ensure payment of wages totalling €1,281 million and also payments to the State byway of Social Security contributions, personal income tax (IRS) and other taxes totalling about €225 million.

2018

IN 2018 LISNAVE, as mentioned in the introduction to this Report, faced particularly adverse market conditions, which, compounded by the effect of the shortage of manpower during periods of greater workload, did not, despite the Net Income for the year, allow the achievement of a satisfactory level of performance consistent with the targets set in the 2018 Budget.

In fact, the commercial activity carried out and the so-called repeat business was not sufficient to offset the effect of the deterioration of the market, LISNAVE having undertaken the repair/maintenance of 85 ships during the period under review.

The average workload per vessel, in routine repairs, which has remained at very low levels, continued to decline as a result of the low profitability of the business with which

shipowners continue to be confronted, in that the ships' operating costs are very high compared to the selling prices of their services. Thus, the average invoice stood at €949k, lower than the €1.122 million of the previous year, and far lower than the €1.43 million in 2016.

Of the reasons for the low profitability of the shipowners' business referred to in the preceding paragraph, the amount of the average daily freight rates stands out, which – as a result of the lesser need for shipping arising from the weak growth of the world economy, on the one hand and, on the other, the growth of supply, given the large number of new ships that, not offset by the volume of ships scrapped, continue, year after year, to come into operation – stood at very low levels, though with different tendencies.

With regard to the supply of oil tankers, it should be noted that during 2018, 281 new vessels were delivered with a capacity of 28.3 million DWT, corresponding to 4.8% of the capacity of the existing fleet and, during the same period, only 177 ships were sold for scrap with a capacity of 21 million DWT, corresponding to 3.6% of the capacity of the existing fleet. With regard to the supply of dry-bulk carriers, it should be noted that during 2018, 290 new vessels were delivered with a capacity of 28 million DWT, corresponding to 3.3% of the capacity of the existing fleet and, during the same period, only 54 ships were sold for scrap with a capacity of 4 million DWT, corresponding to 0.5% of the capacity of the existing fleet.

With regard to freight rates, as can be seen hereunder in the tables in Chapter 2 of this report, the daily average freight rates for a “Modern Suezmax” tanker, the downward trend observed since 2015 continued, to stand at US\$ 17,500, that is, about 5% less than in the preceding year, but only about 49% of the average daily rate of US\$ 35,900 for the same charter in 2015, returning to 2012 levels.

A different evolution was observed in the freight rate of dry-bulk carriers, which maintained the positive trend that has been observed since 2017. Thus, the freight rate of a “Capesize” bulk carrier in 2018 stood at about US\$ 19,150 per day, that is, a relevant \$4,150 dollars more than in 2017, but even so a rate that represents about 60% of the average rates of 2009-10 or, more significantly, only about 19% of the more than US\$ 100,000 per day that these ships were able to obtain in charters in 2007 and 2008.

In this context LISNAVE concluded 2018 with Ship-Repair Sales standing at €80.65 million, €6.85 million less than in 2017.

Total Operating Income stood at €84.32 million, that is, about €5.35 million less than in 2017, while total Operating Costs stood at €77.5 million.

Equity amounted to €33 million, a figure about six and a half times greater than the share capital.

As a result of the positive effect of the reversal of the impairments constituted in previous years, the Net Income for the year improved in comparison with 2017, to stand at €4.613 million.

LISNAVE retained its traditional characteristic as a strong export company, having repaired just two ships carrying the Portuguese flag, and sold on the export market, €74.49 million of Maintenance and Repair services

As regards Employment, LISNAVE likewise maintained its customary high level of employability, involving costs of €49.89 million, an amount that corresponds to an average “job equivalent” of nearly two thousand 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 about €6.56 million was paid by way of personal income tax (IRS), Social Security Contributions and taxes.

With regard to Fixed Assets, investments during the year amounted to €1.25 million. It should be pointed out, in the meantime, that total Investments since 2000 now stand at €36.22 million.

One should note, on the other hand, the very significant amount of costs incurred by LISNAVE with major repairs of infrastructure and equipment, which amounted to about €860k during the year.

Though it is the responsibility of the Concessionaire, LISNAVE INFRAESTRUTURAS NAVAIS, it should be noted, on the other hand, that Investments related with maintain-

ing the working conditions of the Shipyard amounted to about €1.41 million. It should also be noted that these investments in the Rehabilitation of the Shipyard, which began in 2008, with particular emphasis on the structural repair of Dock 20, the repair of Pier 3 and the electrical rehabilitation of the shipyard now total €21.4 million.

In the matter of human resources and given their importance, it should be mentioned that following approval by the annual general meeting, most of the Company's employees were granted a balance-sheet bonus, in the total amount of €480k.

On the other hand and as a result of negotiations with the workers' representatives, an Internal Agreement was concluded, in which a wage increase of 1.8% was agreed.

With regard to Human Resources strategy, emphasis is given to the Board of Directors’ resolution lending continuity to the continuing implementation of the Youth Training Courses, following which 4 training courses were held for Mechanical and Naval Metalworkers and a specific one for Prevention and Safety Technicians, with a total of approximately 18,850 training hours. Of the Courses completed in the meantime, 33 Young Workers and 4 Prevention and Safety Technicians were selected to enter into employment contracts with LISNAVEYARDS, during the year.

Apart from these, 13 Specialists, 8 of whom young engineers, were also recruited under the Staff Succession and Rejuvenation Strategic Plan already underway

It should be recalled, in the meantime, as the Board of Directors has pointed out, that LISNAVE, given the unwillingness of the workers’ representatives to conclude a collective bargaining agreement suited to the characteristics of this business, decided in due course to redirect its Strategic Human Resources Management Policy, which came to rely on the close co-operation of LISNAVEYARDS.

This company, whose corporate purpose is similar to that of LISNAVE, began its provision of services in February 2009 and has 284 workers in its service as at December 31, 180 of whom are direct workers

IN 2018 LISNAVE successfully passed the audits conducted by Lloyd’s Register, maintaining the ISO 9001:2015 Certification and preparing the reliability of its processes for the renewal of its certification next year. It likewise maintained the Protection Certificate of the International Ship & Port Facility Security Code – ISPS – as well as the accreditation of the Calibration Laboratory.

Lastly, it should be noted that, following the entry into force on May 25, 2018, of EU Regulation 2016/679 on the

Data Protection Scheme and protection of the personal data of the workers, the Company has been gradually and progressively complying with it, and has already implemented a number of measures, of which emphasis is given to the publication of the Code of Conduct as well as the Privacy and Security of Information Policies.

As at December 31, 2018, the equity holder structure was as follows:

Navivessel, Estudos e Projectos Navais, S.A.	72,83%
Thyssenkrupp Industrial Solutions AG	20,00%
Parpública, S.A.	2,97%
Other Equity Holders	4,20%

On finalising the general appraisal of the year, the Board of Directors wishes to express, on the one hand, its satisfaction that it proved possible, for the fourteenth consecutive year and following the relevant approval by the 2018 Annual General Meeting, to remunerate the capital invested by the Company’s more than 200 Shareholders and, on the other, its discontent for the fact that for the first time after fifteen years and for the reasons already mentioned in the introduction to this Report, it cannot submit a like proposal to the 2019 Annual General Meeting.

The Outlook for 2019

As mentioned in the Outlook for the preceding year and as can be seen in more detail in Chapter 7 of this report, although there continue to be some signs of a positive evolution in 2019 and 2020, the prospects are not very favourable for the immediate development of the business, even without considering the uncertainties arising from the so-called US/China Trade War or the possible exit of the United Kingdom from the European Union.



Indeed, since it can be expected that the world economy will maintain a growth rate similar to that in 2018 and, according to Clarkson Research, a similar growth of worldwide shipping, and also that the supply of transport will also have a growth similar to that of 2018, it is to be expected that there may be a slight reduction of the excess supply, which may have a positive, albeit slight, effect on freight rates with possible impacts, even though slight, in terms of demand. Similarly, it is expected that, although the forecast is one of maintenance of the high level of aggressiveness of the competition, the environmental-requirement projects will come into effect, including the installation of scrubbers, and that the installation of ballast-water treatment systems will go ahead at a faster pace.

However, these expectations may not have a relevant reflection on LISNAVE's business given, on the one hand,

the pressure on prices that is expected to continue to be exerted by shipyards located in low-cost areas and, on the other, the negative effect for the shipyards caused by the decrease of their negotiating capacity generated by the concentration of ships in an increasingly small number of shipowners resulting from acquisitions process seen in the shipping sector.

However, despite the poor performance seen in 2018, but supported at the level that the Company has achieved in previous years, and by the high quality, accountability and involvement that board and other employees, at all levels, have demonstrated in recent years, the Board of Directors would like to express to the Shareholders, if no disturbance of another nature shall have occurred in the meantime, its sense of moderate expectation that business in 2019 will stand at a level relatively close to that seen 2018.



2 | General Comments About The Market

The Economy Situation

During 2018 the growth of the world economy stalled, which, added to the instability caused by the trade war between the United States and China, the uncertainty of the consequences of the possible exit of the United Kingdom from the European Union and the possible increase of interest rates that is already being felt in the developing economies, provides a prediction of a slight reduction in its growth rate already in 2019.

In global terms, the United Nations, in its World Economic Situation and Prospects 2019 report, estimates that growth of the world economy stalled at 3.1% in 2018, after having grown in 2017 by 0.6 percentage points more than in 2016, when it grew 2.5%.

In the developed economies, despite the divergent behaviour between the economies of the United States and the of the Euro zone, it estimates that growth has remained at the rate of 2.2% achieved in 2017.

In the United States, the growth of domestic demand resulting from the increase of employment generated by the tax incentives and the increase of the tariffs applied to imports, resulted in a growth of its economy of 2.8%, an increase of 0.6 percentage points over 2017.

In the Euro zone, as a result of declining exports caused by the appreciation of the euro and the reduction of foreign demand, the economy grew by 2.0%, a decrease of 0.4 percentage points compared to 2017, thereby accentuating the difference relative to the economy of the United States.

In Japan, as a result of the natural disasters that hit the country during 2018, it is estimated that the economy grew by 1.0%, a decrease of 0.7 percentage points compared to 2017. In the economy of the developing countries, despite the slowdown that also was felt, it is estimated that growth amounted to 4.4%, down 0.1 percentage points from 2017.

In China, the slowdown of industrial production and of exports resulted in a growth of its economy of 6.6%, down 0.3 percentage points from 2017, despite the resilience of private consumption.

As a result of the structural reforms, of the tax harmonisation carried out in recent years and of the increase of domestic demand, it is estimated that the Indian economy grew by 7.4%, up 0.7 percentage points from 2017.

In Latin America and the Caribbean, as a result of the drought in Argentina and political instability in the region, it is estimated that economic growth has stalled at 1.0%.

In 2018, world trade grew by 3.8%, 1.5 percentage points less than in 2017, this reduction being due mainly to the fall of demand in the developed countries and also to the effects of the new tariffs on imported goods that, as a result of the trade war between the United States and China, spread a little throughout all the economies.

If these protectionist measures come to be widespread, we may witness a redefinition of the production centres in an attempt to avoid the said tariffs, which will certainly cause a reduction in trade worldwide, with the consequent reduction of shipping.

Evolution of the World's Merchant Fleet and Freight Rates

According to Clarkson Research, the fleet of tankers of over 10,000 DWT grew by about 1.5% by number of ships

in 2018, following a growth of 3.7%, in 2017. By the end of 2018 this fleet stood at 588.1 million DWT, a growth of 1.1% compared to the end of 2017, a year in which it had grown by 4.8%.

In terms of new construction, 281 ships were handed over, having a total carrying capacity of about 28.3 million DWT, or about 4.8% of the present capacity of the fleet. With regard to scrapping, 177 ships with a capacity of 21.0 million DWT were sold, or 3.6% of the capacity of the present fleet.

On the basis of the same source, in 2018 the dry-bulk carrier fleet returned a 2.2% growth by number of ships and 2.9% in DWT terms, to stand at the year-end at 841.2 million DWT, 290 ships having been handed over with a capacity of about 28.0 million DWT corresponding to about 3.3% of the current capacity of this fleet. During the period 54 ships of a capacity of 4.0 million DWT, or 0.5% of the present capacity of this fleet, were sold for scrap.

The value of the steel of ships sold for scrap, which, on the Indian market, had stabilized during 2015 and 2016 at around US\$ 290 per tonne, grew significantly in 2017 to stand at US\$ 415 for tankers (up 43%) and US\$ 430 per tonne for dry-bulk carriers (up 48%) in 2017. During 2018, the price of steel remained at US\$ 415 for tankers, and in the case of dry-bulk carriers it fell to US\$ 420, a decrease of 2.3%.

At the end of 2018, the order book for new tankers stood at 602, totalling 66.6 million DWT, or 11.3% of the tonnage of the present fleet. Of these 66.6 million, 41.3 million – or 62.0% of the total and 7.0% of the current fleet – are scheduled for delivery during 2019.

In the dry-bulk carrier fleet, the order book for new ships comprised 810 ships of 88.5 million DWT, or 10.5% of the present fleet. Of these, 42.4 million, or 47.9% of the total and 5.0% of the present fleet, are scheduled for delivery in 2019.

Also according to Clarkson Research, world demand for shipping grew by 2.7%, with the tanker fleet growing by 1.2% and the dry-bulk carrier fleet by 2.3%. Thus, in the tanker market the supply of shipping was 0.1 percentage points lower than demand, while the supply of dry-bulk carriers increased by 0.6 percentage points, greater than that of demand. Since they are marginal in relation to the existing supply of transport, these growth differences were not enough to alter the trends of evolution of freight rates seen in 2017.

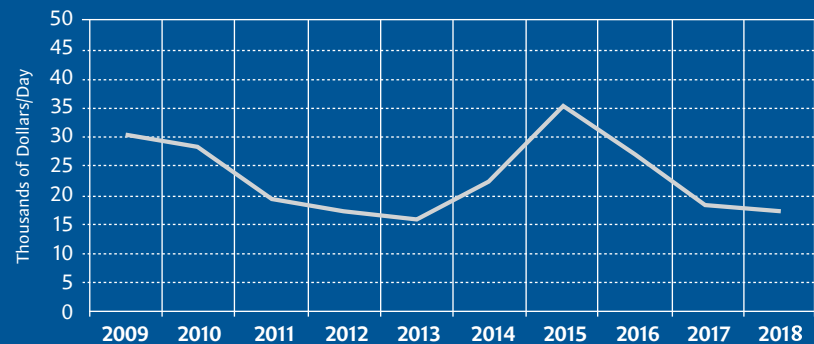
Thus, the freight rates of the tanker fleet maintained the trend of reduction that began in 2016, to stand in 2018, in

the case of the Modern Suezmax, at an average for one-year charters of about US\$ 17,500 per day, a reduction of about 5% over the 2017 average, falling back to the levels of 2012.

In the case of the dry-bulk carrier fleet, the growth that started in 2017 was maintained, to stand, in the case of the one-year Capesize charter, at an average rate of about US\$ 19,150 per day, a growth of about 26% compared to the 2017 average figures, figures similar to those of 2013-14, but still far lower than those at the beginning of the decade.

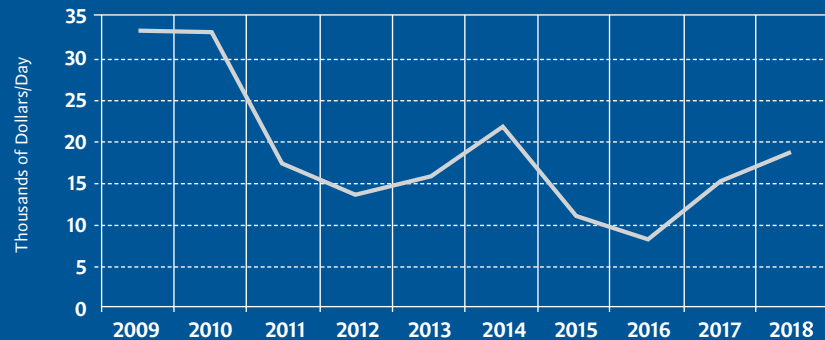
Freight Rates for Oil Tankers Modern Suezmax

Yearly averages
Source: Clarkson



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

Yearly averages
Source: Clarkson





3 | Ship Repair/Maintenance Business

Demand

In 2018 shipowners had to manage a large number of uncertainties about the future of their fleets. If, on the one hand, in the ballast-water treatment systems there were already few uncertainties about the types of systems to be used and the capacity of the repair yards to install them, in the pollution-control systems the uncertainties were and still are many.

The fact is that in January 2020 the environmental restrictions come into force. The answer to the question of what fuel to use, always goes hand in hand with the question of who will pay: the owner or the shipper?

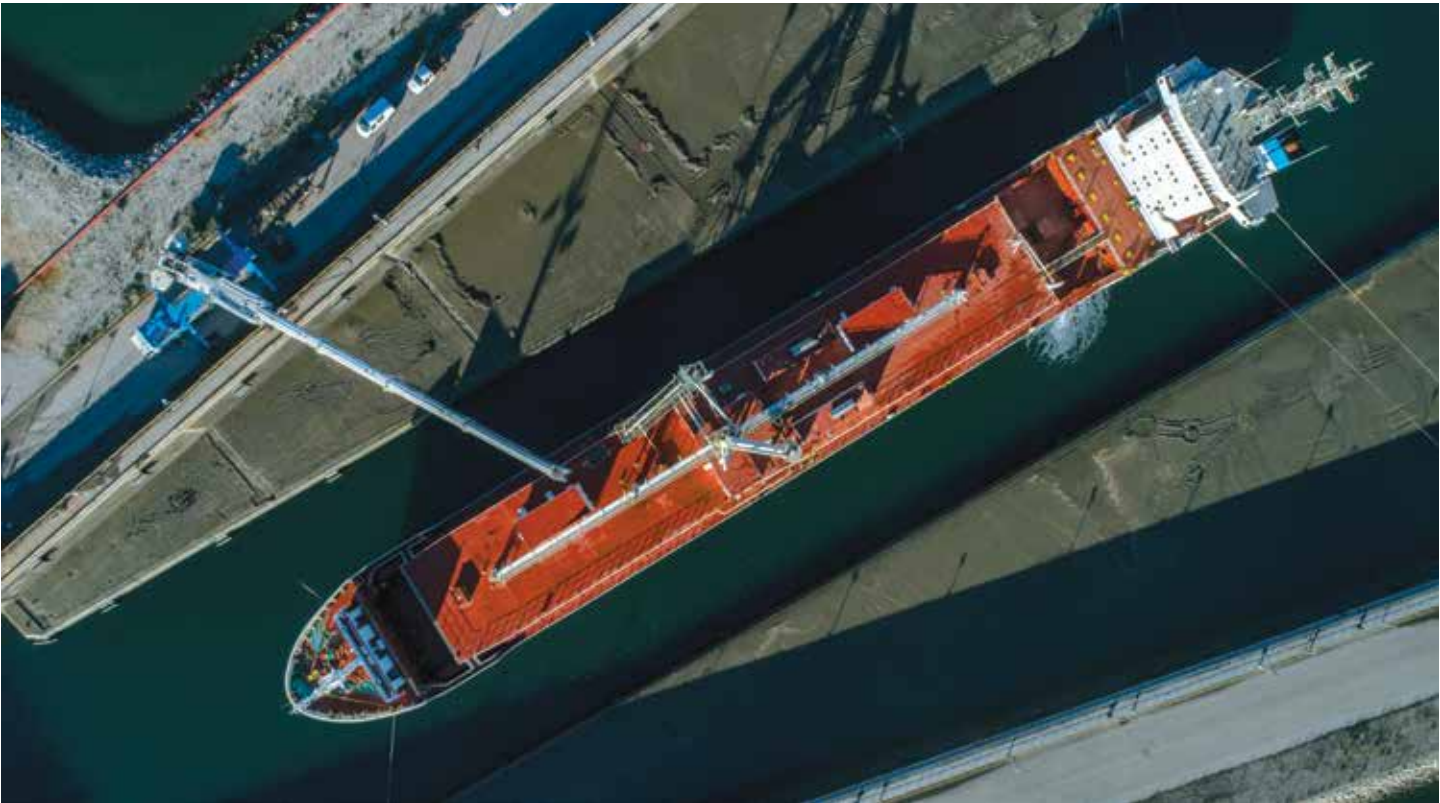
Continuing to use the same type of fuel involves the cost of installation of scrubber systems while using cleaner fuel means paying much more for the quality, or installing systems that allow the use of dual fuel, about which

there is no unanimity in the market as to the systems to be implemented.

The discussion on who bears the costs, on the feasibility of these investments in many of the current fleet ships, on the geographical area or yard where to carry out remodelling and on the financial effort required to install equipment in the entire fleet is currently a major concern of the shipowners and was one of the major determinants of the demand for ship repair activity in 2018 and will certainly continue to condition the activity next year.

One consequence of these uncertainties, in the tanker fleet, was the increase in the sale of tankers for scrap seen in 2018.

In fact, during the year, ships whose capacity amounted to 21.1 million DWT were sold for scrap, an increase of 90% compared to 2017.



In the dry-bulk carrier fleet, the growth rate of demand for transport stood at 2.3%, a figure that, despite being 1.5 percentage points lower than in 2017, was nevertheless significant, meaning that the sale of ships for scrap has fallen by about 73% compared to the previous year, corresponding to 4.0 million DWT.

These behaviours of the market meant that the prices of second-hand vessels increased marginally by about 4%

for five-year-old ships, which affected demand for ship repair both by number and by the average value in both markets.

Thus, demand for ship repair at LISNAVE, whose market is worldwide, measured by number of enquiries, fell by about 4% compared to 2017. The negotiations of these enquiries generated 85 orders, about 10% more than in 2017, the success rate standing at 19%.

Headings	2018	2017	2016	2015	2014
Enquires	439	478	407	549	507
Orders	85	77	71	115	90
Success Rate (%)	20	17	17	21	18



The Business

During 2018, 85 ships completed their repair/maintenance, 83 of which in dock. As a result of the ongoing reduction of the freight rates of the tanker market, which is LISNAVE’s main market accounting for some 51% of the ships repaired, the routine-repairs segment again suffered a slight reduction overall, in terms of the average workload per repair.

In the major-repairs market segment, in the wake of what had already happened in 2014, 2015, 2016 and 2017, one tanker of a total of five owned by a Venezuelan shipowner was subject to repair/maintenance, with a general overhaul of all systems. In this market, a ship of the Crane Vessel type belonging to an Italian shipowner was also subject to major repair/maintenance.

During 2018, LISNAVE was also very active in the installation of new ballast-treatment systems, having installed eleven systems in ships belonging to shipowners from Norway, Japan, Belgium and Cyprus.

As in previous years, LISNAVE’s business was centred on its traditional market segments – tankers and dry-bulk carriers. By number, they account for about 60% of the business. Attention is drawn to the move into other market segments, such as container ships, accounting for 18% of the ships repaired.

Years	National	Foreign	Total	In Dock
2018	2	83	85	83
2017	0	78	78	77
2016	1	66	67	64
2015	1	106	107	105
2014	1	91	92	91

Given the globalisation of LISNAVE’s market, ships repaired in 2018 belonged to 58 customers located in 22 countries. In terms of numbers of ships repaired, the more significant were Greece with 13 ships, Norway with 9 and Germany with 9.

4 | Investments/Others

Lending continuity to its policy of investment and renovation of infrastructure, LISNAVE, with the aim of maintaining the ongoing improvement of the operating conditions of the shipyard, has, as in previous years, invested both in new resources and in major repairs to existing infrastructure and equipment, investing during the year about €1.25 million, with a focus on the cumulative amounts of investments since 2000, now amounting to about €36.22 million, of which €26.10 million in new investments and about €10.11 million invested in major repairs of existing infrastructure and equipment.

During the year under review, LISNAVE also bore further costs of €860k in major repairs of infrastructure and equipment. It should be noted that since 2009, the year in which, in keeping with the alteration of the accounting standards, these costs are no longer capitalised, the total now stands at about €15.37 million. Of the new investments, and besides the maintenance and recuperation of several buildings and parks, attention is drawn to the environmental improvement in the reconditioning of the Fixed Sources, the acquisition of sundry IT equipment and of new equipment and tools in the production area, especially the updating of the mobile electrical equipment, the construction of new metal building-stocks and reinforced-concrete blocks, and the manufacture of stops.

In terms of major repairs, emphasis is given to dredging the trench of the gates of docks 21 and 22, pier 0 and pier 3, the improvement of various energy-converter groups, the repair of transport equipment, the reorganisation of IT racks, the repair the breakwater by the No. 1 Pumping Centre and the renovation works carried out in the refectory.

Also to be mentioned, on the other hand, are the investments relating to the Waterproofing of the Joints of the



Hydro lift Lock, the repair of the Hydrolift filling and emptying valves, the structural rehabilitation of various cranes and start to the updating of the 500t gantry, the replacement of a mobile crane, the start to the structural rehabilitation of the between-docks Pumping Centre and the repair of the concrete of the slabs in docks 21 and 22, about €1.41 million having been invested, which, despite being the responsibility of the concessionaire LISNAVE INFRAESTRUTURAS NAVAIS, add to the investments made in previous years, particularly in the structural repair of Dock 20, Pier 3 and the electrical rehabilitation of the shipyard, totalling approximately €21.4 million.



Environmental Protection

In the development of our activity, Lisnave, in addition to keeping our Environmental System certification under the ISO 14001:2015, seeks to obtain the respect of the community in all areas of our intervention.

To include the new requirements and international maritime regulations that promote the modernisation of vessels, maintenance and repair contributes to the ecological protection of the seas and oceans and the marine species that live in them.

The company is guided by the use of best available techniques in the field of surface treatment using organic solvents, as well as the sustainable use of resources. The efficiency of wastewater treatment plants, which

process all wastewater generated at the facility, including those from the work carried out on the dock.

In relation to waste, and in the perspective of circular economy in 2018, about 90% had to recycling or reclamation, being one of the examples the delivery of grit hit for the national cement industry.

The company keeps the focus on training and Awareness of its employees in relation to the environment, being evident an evolution in the perception of protecting heritage.

With a view to reducing the ecological footprint, in particular through the reduction of CO₂ emissions, the company has followed the steps defined in your power management System, including the use of renewable energy.

Information Technologies

Within the scope of the updating and ongoing improvement in the information technology area, LISNAVE has been gradually restructuring it with the implementation of several improvement projects, particularly in terms of the high availability of the new SAP infrastructure, with the completion of the migration of the database from the 1.0 HANA version to the HANA 2.0 version, as a first step for the implementation of the S/4 HANA migration project, which will be completed during 2019.

In this way, the updating of the technical infrastructure will also increase the resilience of the information technologies to disaster situations, through the significant improvement of the redundant system available from Alfragide Data Centre, as well as the fail-over system in Porto, which has allowed an unavailability of the of the Alfragide Data Centre to be redirected to Porto (Outsourcing Agreement).

Also on the matter of the security of the information technologies, several workshops were held in order to validate the initiatives to be taken into account for the introduction of improvements in this area. Following this action an Information Security Policy was drawn up within the framework of the GDPR legislation, as well as a roadmap identifying the investment needs to be implemented in 2019.

Also in this connection, a test was performed of the disaster recovery plan (DRP) of the systems installed at the Mitrena Data Centre, the redundancies of the local systems having been validated.

Lastly, it should be noted that in 2018 the communication of waste-transport guides using the APA Webservices came into production. Thus, an application was developed for this purpose and the database of the waste produced at the shipyard was modified.

Quality/ Other Certifications

LISNAVE maintains its self-sustainable and effective Management Quality System, guiding the Company's strategic goal for the satisfaction of its customers, partners and other stakeholders, assuming quality as the first priority and as a success factor, ensuring the competence of the Company through ongoing improvement and efficiency of its processes and maintaining the recognition of being leader in its market segment.

In 2018 LISNAVE successfully passed the audits conducted by Lloyd's Register, maintaining the ISO 9001:2015 Certification and preparing the reliability of its processes for the renewal of its certification next year.

It likewise maintained the protection certificate of the International Ship & Port Facility Security Code as well as accreditation of the Calibration Laboratory.

In 2018, LISNAVE began to implement the General Data Protection Regulation, entering into a commitment to comply with the new rights of citizens related to privacy and protection of their personal data.

Research & Development

During 2018, in partnership with two specialised Portuguese companies, a study continued to assess the load-bearing capacity of the slab of Dock 21 and Dock 22 with a view to optimising the ship-docking plans. Also in partnership with another Portuguese firm, a study was performed of the project for the integration of several photovoltaic plants at the Mitrena Shipyard.

5 | Human Resources

As it has reaffirmed over the past few years LISNAVE decided to rejuvenate the Company and to render more flexible several aspects of the employment contract, given the essential need to ensure its survival and future sustainability. The need for rejuvenation, for the fact that acceptable limits of the average age of its workers had already been exceeded given the physical demands of the activity, as well as greater flexibility of the employment contract in order to tackle the better contractual conditions of its most direct competitors in a highly competitive market such as ship repair, are preponderant factors for an adjustment of the Human Resources strategy.

After the repeated rejection of the proposal presented in the meantime for the Company Agreement by the workers' representative bodies, a decision was taken to redirect the strategy through the development of an extensive Youth Training Programme, in order to provide them with the technical skills indispensable for the future productivity challenges and to make a start to the inevitable process of rejuvenation of the personnel.

On the other hand, the Company made a start, with the co-operation of shareholder Navivessel, to the legal procedures leading to the incorporation of a new company which, having a corporate purpose similar to its own and operating under the provision of services mechanism, would become, in keeping with requirements, the company that will hire all future workers.

This new company, whose name is LISNAVEYARDS – NAVAL SERVICES, LDA, was legally incorporated and has been providing services to LISNAVE since February 2009.

Within the context of the said Rejuvenation Policy begun in 2006, LISNAVE organised several youth training programmes involving more than four hundred trainees.

These programmes were preceded by an in-depth study of the functions performed at the shipyard, which culminated with the creation of five new professions: Naval Metalworker, Mechanical Metalworker, Naval Fireman, Machine Tool Operator and Lifting and Transport Equipment Operator, with the aim, on the one hand, of providing the technical training indispensable to each of the five areas of activity, while not neglecting, on the other, aspects considered fundamental in carrying on this activity, such as flexibility and multi-disciplinarily.

The organisation of these training programmes directed at “selecting young people with a suitable profile and providing them with training and basic skills in those areas of the Company in greater need of human resources”, has enabled LISNAVEYARDS, in the light of the final results, to be progressively provided with the human resources considered necessary to ensure the productive capacity of the shipyard, while ensuring the replacement of those more-experienced workers who naturally leave the Company on retirement.

In this way, at the end of 2018, LISNAVEYARDS had a total of 284 workers of the various professions related to the business, 180 of whom direct workers. During the year it took on 33 workers, 4 technicians, 1, clerk, and 13 specialists, 8 of whom young mechanical engineers.

Remuneration Charges

Preceding the presentation of the most relevant indicators, it is important to note that, following the timely adoption of the board of directors' proposal concerning the appropriation of profit, all workers were allocated a balance-sheet bonus comprising a fixed part and two variable parts, one on the basis of absenteeism and other dependent on performance assessment, a total aggregate bonus of €480k.

Total staff costs stood at €1147 million, as detailed in the following table.

Personnel Costs

Headings	2018	2017
Remunerations	6.742.195	7.637.157
Overtime	602.763	609.018
Bonuses, Subsidies and Other Remunerations	607.137	641.238
Subtotal	7.952.095	8.887.413
Social Security Contributions	3.459.898	2.815.294
Total	11.411.993	11.702.707

(Valores em Euros)

The reduction under Remuneration is the result, first and foremost, of the natural departure of personnel throughout the year. With regard to Overtime and to Bonuses, Subsidies and Other Remuneration, the reduction is related to yet another difficult year that the Company faced, a year in which demand, measured by number of enquiries, stood at the second lowest level ever.

The increase under Social Charges was due mainly to issues relating to Insurance.

Also related to this topic, an agreement was entered into with the workers’ representatives, under which measures of a remuneratory nature were agreed, including a wage increase of 1.80%.

Training & Development

Several vocational training courses were organised during 2018, involving more than 680 participants and covering areas considered fundamental to the Company, both for their technical component and also in behavioural, development and management terms.

Lending continuity to the project begun in 2016, in a training and development area more focused on team leader and co-ordinator duties, thus seeking to overcome the departure of former workers who performed duties of this type, LISNAVE, in collaboration with ATEC, organised another Assessment Centre. with the aim of identifying a new group of workers, promoting the development of their leadership and people-management skills, to be able, in the light of the Company’s needs, to perform co-ordination and leadership duties.

Also notable was the increase of the number of training hours in the Production Techniques area, associated, on the one hand, with the training and development of the Company’s young workers recruited under the Rejuvenation Plan referred to earlier, but, on the other, the greater availability of participating workers in a year in which, despite the increase in the number of vessels compared with the previous year, there was a sharp downturn of activity at the shipyard.

In addition to the technical training, within the scope of the Annual Training Plan training courses were also organised in other areas of knowledge, involving a total of 31,781 hours and an average of 29 hours of training per participant.

Training | 2018

Areas of training	Total Hours	Number of Participants
Personal Development	2.068,47	605,00
Financial, Tax and Accountancy Management	52,00	7,00
Hardware and Software	227,00	9,00
Quality, Safety, Environment and Protection	2.982,75	214,00
Qualifications /Retraining of Production Techniques	26.451,50	250,00
Total	31.781,72	1.085,00

Youth Training

Under the Rejuvenation Plan that has been implemented since 2006, LISNAVE also organised 4 more youth training courses in the different metalworking professions, particularly mechanical fitters and boilermakers, and also a specific course for prevention and safety technicians, totalling 18,850 hours of training attended by 38 trainees.

Strategic Succession Plan and Rejuvenation of Personnel

In addition to the training and recruitment already mentioned, LISNAVE made a start to the Strategic Succession and Rejuvenation of Personnel Plan, under which it sought, on the one hand, to ensure the succession and rejuvenation of a first group of personnel identified as a priority, given the existing favourable conditions for entry into retirement and, on the other, to strengthen the Productive, Maintenance and Sales sectors, having for the purpose recruited internally and mobilised during the year a total of 15 young engineers.

Health, Hygiene and Safety

During the year LISNAVE maintained its customary concern as to worker health during the year. From this standpoint, besides occasional interventions, a total of 719 examinations were organised, 373 of which of LISNAVEYARDS and 346 of LISNAVE, subdivided into 71 induction, 376 periodic, and 272 occasional examinations.

Within the scope of safety and besides compliance with legislation and regulations in force in the field of Safety and Health at Work, LISNAVE reinforced its concern with the collective and individual safety of all workers providing activity at the shipyard, and decided a regime of sanctions for failure to comply with the rules on preven-



tion in force at shipyard and organised various training and awareness activities regarding these matters, within the scope of the prevention and safety culture that it has implemented.

Indicators

In 2018, there was a significant decrease in the number of accidents involving time off (44% decrease compared to 2017). LISNAVE's personnel were not involved in any very serious accidents, meaning that there were fewer lost workdays (44% decrease compared to 2017).

With regard to the accident rate, the Seriousness Index stood at 0.37 (48% decrease compared to 2017) and the Frequency Index at 18.07 (50% decrease compared to 2017), and there was therefore an improvement of 50% compared to 2017.

Promotion of Occupational Safety and Health

In order to further ongoing improvement of the said accident rates, LISNAVE organised a number of Safety and Environment Training Courses for foremen, directed at employees of LISNAVE and of service provider companies.

On the other hand, it continued its powerful focus on information awareness of the various parties involved in the matter of safety and health at work and the environment, involving a total of 2,912 people in 2018, including, on the one hand, the intake of 796 new workers of service-provider companies and new trainees and, on the other, the refreshing of 1,828 of its own workers and those of service-provider companies.

With a view to the promotion and disclosure of Health and Safety at Work and Environment information was provided, in an area more directed at specific situations, to 288 people, namely to direct foremen, project managers, safety-at-work technicians, people involved in incidents and other matters, as well as, within the context of collaboration with external entities, to students and teachers of the Infante D. Henrique Nautical School, the Instituto Superior Técnico, the Instituto

Superior de Educação e Ciências, the Insituto Politécnico de Setúbal and other external trainees.

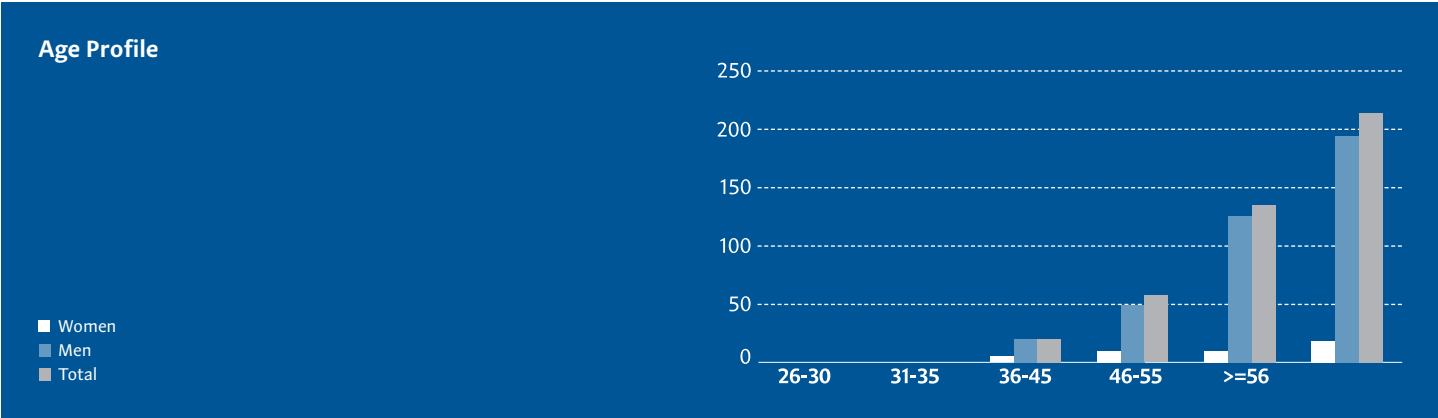
Prevention and Safety also took part in awareness-raising courses with the Safety, Quality, Environment and Good Practices areas, organised annually by the Company’s various productive sectors, involving 53 workers both of LISNAVE and of service provider companies.

In addition to the information and training given in class and on the job, referred to above, emphasis is also given to the distribution of information and basic safety rules to people who daily enter the Company’s premises, such as sales persons, external technicians and other visitors, which in 2018 totalled 2,556 disclosures.

Other Indicators

The 2018 absenteeism rate worsened slightly compared to the previous year. Compared to the personnel indicators at the end of 2017, LISNAVE had 41 fewer employees, mostly for reasons to do with early retirement in accordance with the law.

As at December 31, 2018, LISNAVE’s total personnel amounted to 211, their average age 57.32.





6 | Economic and Financial Situation

As mentioned earlier, LISNAVE repaired 85 ships during 2018, generating total billing in the sum of about €80.7 million. As can be seen in the following table, notwithstanding the 9% increase of the number of ships repaired in 2018, there was, on the other hand, a significant decrease of 7.8% of the total billing for the year. Average billing per ship, in the sum of €949k also reflects a decrease of 15.4% compared to last time. This result is mainly explained by the smaller number of major repairs carried out during the year and by a general reduction of the work requested per ship with regard to routine repairs.

Number of Ships and Invoicing

Headings	2018	2017	2016	2015	2014
Number of Repaired Ships	85	78	67	107	92
Total Invoicing	80,7	87,5	95,7	113,2	76,3
Average Invoicing per Ship	0,949	1,122	1,429	1,057	0,830

(Valores em Milhões de Euros)

Despite the increase in the number of ships repaired compared to the previous year, when compared with the average of 89 ships over the 2014/2016 three-year period, there was a 4% downturn.

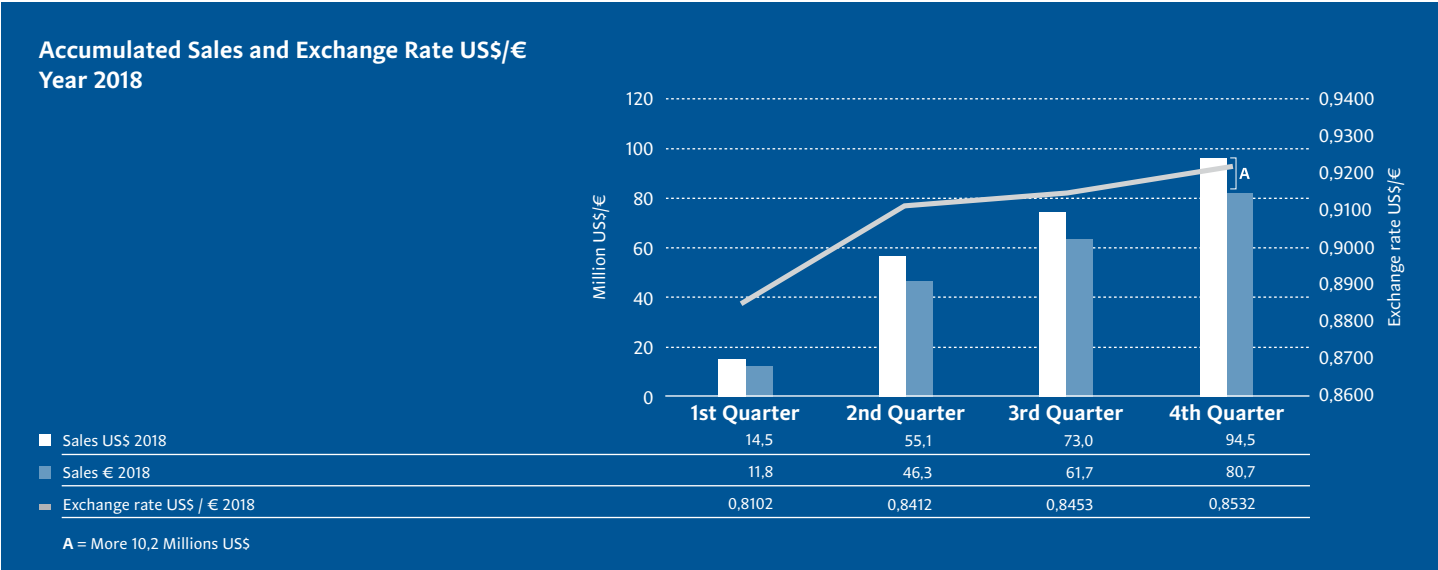
This result is directly related to the evolution of demand, that is, the number of enquiries was lower than in the previous year by 4.1% and by 10% compared to the average for the 2014/2016 three-year period. On the other hand, and associated with a more aggressive marketing strategy, the success rate, at 19.8%, was higher than the previous year by 2.8 pp and by 0.9 pp compared with the average for the 2014/2016 three-year period .

The negative evolution of some of these indicators is closely related with the sharp drop of freight rates since 2008, following the international financial and economic crisis and the oversupply in the shipping market, the result of the growth of the world merchant fleet.



It should be noted on the other hand that LISNAVE’s main customers still use the US dollar in their commercial transactions, which during 2018 appreciated against the Euro by about 8.5%.

The following table illustrates the impact that the evolution of the dollar had throughout 2018 on the accumulated invoicing of the repairs, standing at an average rate of 0.8532.





Sales and services rendered

Headings	2018	2017	2016	2015	2014
Ship Repairs	80.657	87.506	95.744	113.152	76.333
Revenue of Ships in Progress	-970	-3.094	4.610	-3.294	4.327
Other Activities	2.817	1.433	561	3.490	3.905
Services Rendered	812	1.182	1.213	1.294	1.103
Total	83.315	87.027	102.128	114.642	85.669

(Valores em Milhares de Euros)

The previous table shows the total evolution of Sales & Services Rendered.

The total value of Ship repairs and of Revenue of ships in progress accounted for 95,6% of the total value of Sales & services rendered, while other activities and Services rendered together amounted to €2.6 million. It should be pointed out that the amount of Other activities increased by 96,5% compared to the previous year, the result of the increase of the sales of services to the firm LISNAVE INFRAESTRUTURAS NAVAIS, holder of the Mitrena Shipyard concession agreement, related to the Shipyard Rehabilita-

tion Investment Plan, and of the sale of other services to third parties.

Income Statement

With regard to the evolution of the Company's economic situation, the following table provides the Income Statements for 2014 to 2018, showing, on the one hand, the evolution of the returns on sales and, on the other, the evolution of the relative weight of the production factors as a proportion of total Operating income.

Statement of Profit and Loss

	2018		2017		2016		2015		2014	
Headings	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Sales and Services Rendered	83 315		87 027		102 128		114 642		85 669	
Production Variation	0		0		0		0		0	
Works for the Company	1		2		0		0		3	
Other Income and Gains	1 005		2 641		1 917		1 541		3 538	
Total Operating Income	84 320	100	89 669	100	104 045	100	116 183	100	89 209	100
Costs of Row Materials Consumed	5 540	6,6	6 009	6,7	8 945	8,6	6 187	5,3	5 800	6,5
Supplies and External Services	65 746	78,0	61 397	68,5	68 893	66,2	74 392	64,0	61 324	68,7
Personal Costs	11 412	13,5	11 703	13,1	12 389	11,9	14 049	12,1	12 804	14,4
Depreciations, Impairments and Provisions	-5 989	-7,1	6 048	6,7	1 579	1,5	1 815	1,6	-80	-0,1
Taxes	22	0,0	21	0,0	24	0,0	34	0,0	101	0,1
Other Costs and Losses	784	0,9	1 387	1,5	2 841	2,7	670	0,6	427	0,5
Total Operating Expenses	77 515	91,9	86 564	96,5	94 671	91,0	97 147	83,6	80 376	90,1
Operating Profits	6 805	8,1	3 105	3,5	9 374	9,0	19 035	16,4	8 833	9,9
Financing Results	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0
Profits before Taxes	6 805	8,1	3 105	3,5	9 374	9,0	19 035	16,4	8 833	9,9
Taxes on Income for the Period (-)	-2 192	-2,6	-1 151	-1,3	-2 659	-2,6	-5 423	-4,7	-2 357	-2,6
Net Income for the Period	4 613	5,5	1 954	2,2	6 715	6,5	13 612	11,7	6 476	7,3

(Amounts in Thousands of €)

A brief analysis of the income statement shows that in 2018 the Company's economic situation improved compared to the previous year, returning a Net profit of €4.6 million. However, analysing the information in greater detail, it can be concluded, first, that, on the one hand Operating income of the year is strongly influenced by the reversal of Customer impairments created in 2016 and 2017, amounting to €7 million (an amount not accepted as cost and for that reason added to Taxable income) and, on the other, that Income tax for the period in 2018 was aggravated as a result of this reversal, for the fact that Deferred taxes had been constituted in previous years.

Lending continuity to the situation seen in previous years, LISNAVE did not carry any amount under borrowing costs since it had no need to resort to bank loans.

It should also be noted that following the Board decision taken at the end of 2003, the foreign-exchange risks related to the volatility of the dollar were duly eliminated in that the Company began to charge customers in euros. Thus, the currency-translation differences recorded in 2018 were not materially relevant.

Complementing the analysis of the Company's economic evolution over the period from 2014 to 2018, the following table provides a set of the more relevant economic indicators and ratios.

Economic Aggregates

Headings	2018	2017	2016	2015	2014
Overall Aggregates					
Gross Value of Production (GVP)	83 316	87 028	102 128	114 642	85 672
Gross Value Added (GVA)	13 302	22 355	27 334	38 851	21 200
Personnel Costs	11 412	11 703	12 389	14 049	12 804
Gross Cash Flow	816	9 154	10 954	20 850	8 753
	229	253	261	285	291
Ratios					
GVP per Capita	363,8	344,0	391,3	402,3	294,4
Personnel Costs per Capita	49,8	46,3	47,5	49,3	44,0
GVA /GVP	16%	26%	27%	34%	25%
Personnel Costs / GVA	86%	52%	45%	36%	60%

(Amounts in Thousands of €)

From its analysis it can be concluded that in 2018 the Global aggregates evolved negatively compared to those of the previous year, the gross value added (GVA) decreasing by €9 million as a result of reduction of sales and of the gross margin of the projects. However, despite this indicator, the Company maintained its economic sustainability, allowing it to continue to operate in a market characterised by strong competition and great unpredictability.

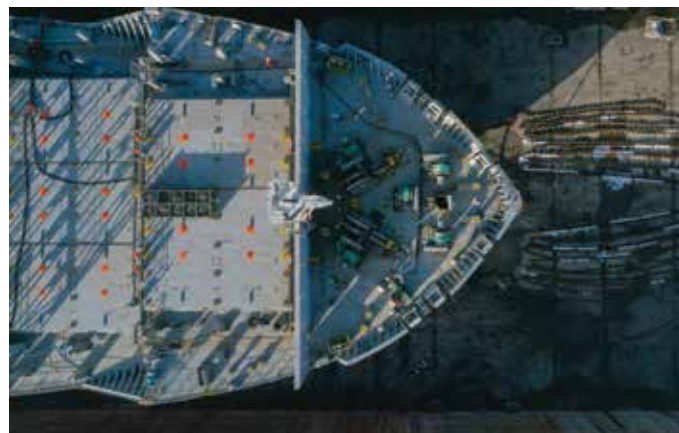
Regarding the ratios, the trend has been positive, since the calculation method is based on the number of workers, and the reduction of personnel was greater than the decrease of sales.

The performance of Equity during the period under review is shown in the following table. Equity stood at 33 million as at December 31, 2018. The book-value per share at the year-end was €33.05, an increase of 561% compared to the par value.

Shareholder's Funds

Headings	2018	2017	2016	2015	2014
Share Capital	5.000	5.000	5.000	5.000	5.000
Shareholders Loans	0	0	0	0	0
Legal Reserves and Profits C. Forwards	23.436	23.799	23.784	23.672	23.196
Net Profit of the Financial Year	4.613	1.954	6.715	13.612	6.476
Total Shareholders Funds	33.049	30.753	35.499	42.284	34.672

(Amounts in Thousands of €)



Through the analysis of the main balance-sheet headings as at December 31, 2018, for the past five years shown in the following table, the Company's financial structure can be appraised.

In order to assess the Company's liquidity and financial structure in the balance sheet at the end of the period under review, a set of indicators was considered that help to characterise the Company's financial situation.

Comparative Summ. Balance Sheet

Headings	2018	2017	2016	2015	2014
Assets					
Non-current Assets	10 070	13 006	10 878	9 338	9 798
Inventories	1 962	1 985	2 077	1 851	1 850
Clients C/A (Net Prepayment)	16 955	10 596	14 714	13 005	12 035
Other Receivables	6 885	5 571	8 139	6 404	6 698
Cash and Banks	26 798	29 975	38 536	51 928	35 393
Deferrals	195	120	232	247	143
Total Assets	62 864	61 253	74 577	82 774	65 918
Liabilities					
Provisions	771	1 583	3 725	2 136	2 204
Other Non-current Payables	25	30	137	876	1 445
Suppliers C/A (Net Prepayment)	20 156	21 289	24 794	24 648	19 206
Other Payables	8 864	7 599	8 108	11 577	8 391
Deferrals	0	0	2 314	1 252	0
Total Liabilities	29 816	30 500	39 079	40 490	31 246
Shareholders Funds	33 049	30 753	35 499	42 284	34 672

(Amounts in Thousands of €)



Liquidity

With a working capital in the order of €23.8 million, a quick ratio of and a cash ratio of 1.82 and 1.75 respectively, the latter in line with those of 2016, it can be said that the Company's short-term financial structure continues to be very sound.

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 about €26.8 million at the end of the period.

Financial Structure

With a non-current asset financing ratio of 3.28 and total solvency and self-financing ratios of 110.8% and 52.6% respectively, the conclusion is that the financial structure of the balance sheet continues at a very comfortable level suited to the Company's core business, whose market is noted for its great unpredictability.

Lastly, and in keeping with legal requirements, it is hereby declared that, as at December 31, 2018, LISNAVE held no treasury shares and there was no past-due debt to the State public sector, including Social Security.



7 | Business Outlook for 2019

In the developed economies the reduction of the incentives policy, as installed capacity reaches full use, associated with the increase of taxes on imports resulting from the trade war between the United State and China, will moderate the growth rate of their economies and therefore, for these economies, a growth of 2.1% is predicted in 2019, that is, a reduction of 0.1 percentage points in relation to that estimated for 2018.

The increase of taxes on imports is reflected in the increase of the prices of manufactured products, which have great weight in the trade balance of countries, both importers and exporters.

These price increases lead to an increase of the inflation rate and, consequently, an increase of interest rates on

loans to the economies. These increases have serious consequences on the economy of developing countries given that they are more dependent on foreign capital to finance their economies.

If the consequences of the said trade war go no further than those seen in 2018, it can be expected that the economy of the developing countries will, in 2019, have a robust growth, standing at 4.3%, though 0.1 percentage point lower than in 2018.

As a result of the forgoing, in 2019 the world economy is expected to maintain a growth rate similar to that of 2018 and trade is expected to suffer a slight reduction of 0.2 percentage points, from 3.8% in 2018 to 3.6% in 2019.

According to Clarkson Shipping Intelligence worldwide shipping in 2018 grew by 2.7% by tons and 3.1% by tons x miles, and for 2019 the publication projects similar growths.

Regarding the supply of transport, given the similarity of the variables that define fleet growth – order book, new-construction prices, second-hand vessel prices, price of the steel of ships sold for scrap, etc. – are similar to those seen a year ago, and also expected is an increase similar to that of 2018, or 2.6%.

If these two indicators come about, there will be slight reduction of the oversupply of shipping, which could have positive impact on freight rates, albeit very slight.

The perspectives presented in the previous year's report regarding compliance with the Paris agreements are still pertinent, and ballast-water treatment systems are already being installed, and exhaust-gas treatment solutions to be used to meet the required emission limits are already at an advanced stage.

The entry into force of these international regulations will result in high costs, both investment and operational, which will generate opportunities for ship-repair yards and will have an as yet unpredictable impact on docking programmes in 2019 and 2020.

For large vessels, shipowners' preference for the installation of scrubbers is becoming clear, a solution that will oblige ships to enter shipyards, meaning that ship immobilization costs will have to be added to the costs of the chosen solution.

This being the best solution for ship repair yards, it is to be expected that the projects being defined will start to be implemented as from the second quarter of 2019, given the urgency and the large number of projects to be implemented.

While, in terms of routine ship repair, no major changes to the business are to be expected when compared to previous years, given the characteristics of the existing fleets – the average age of the fleet, does not allow an increase of the average content of repairs – it can be expected that these modifications required by new environmental concerns will complement the business and generate revenue as a result of the increase of the average content of work per repair.

As already mentioned in the 2017 report, the strong concentration and consolidation that has been seen and is expected to continue in the next few years will cause a concentration of the fleets among fewer and fewer shipowners, which adversely affects the negotiating capacity of the shipyards.

Although the pressure on the prices of repairs continues to be felt with the ongoing increase of activity in countries with production costs significantly lower than those of LISNAVE, it can be expected that this increase of business, given its characteristics and the need to reduce to the maximum the downtime of the ships, will have a positive effect on those shipyards having greater technical qualifications, offsetting the reduction of the average value of routine repairs, LISNAVE expecting a level of ship-repair business in 2019 relatively close to what was the case in 2018.

Human Resources

In 2019 the board of directors intends to go ahead with its strategic Human Resources Management Policy through the co-operation established with LISNAVEYARDS, in order to continue to promote, thereby, the creation of conditions that will ensure the future sustainability of this industry in Portugal.

To this end, Lisnave aims to explore new forms of co-operation with LISNAVEYARDS, in an endeavour to get it to



take on 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 context, besides the vocational training of its workers, and having drawn up for the purpose an annual training plan for 2019 consisting of 45 training courses involving about 460 trainees, with a total of 10,345 hours, LISNAVE Intends to continue its rejuvenation policy, with a forecast of three new Youth Training Courses, lending continuity to the Foremen Training Programmer with ATEC, involving yet another course and also to go ahead with its Strategic Succession and Rejuvenation of the Company's Staff Plan.

8 | Proposal for the Appropriation of Profits

The Board of Directors proposes to Equity Holders:

- 1** The Management Report and Accounts for the Financial Year should be approved;
- 2** The Net Profit for the year in the sum of €4.613.179,30 (four millions, six hundred and thirteen thousand, one hundred and seventy nine Euros and thirty cents), be appropriated as follows:

Retained earnings	4.613.179,30 Euros
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9 | Closing Remarks

Lastly, in closing the Management Report in respect of the business in 2017, 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, 19 February 2019

The Board of Directors

Chairman

Eng. José António Leite Mendes Rodrigues

Members of the Board

Dr. Nelson Nunes Rodrigues

Dr. Luís Manuel dos Santos Silva Patrão

Eng. Peter Luijckx

Dr. João Rui Carvalho dos Santos

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 21st March 2019 relating to the approval of documents
reporting the Accounts for the 2018 Financial Year**

BALANCE

Headings	Notes	2018	2017
Assets			
Non-current Assets			
Tangible Assets	8	6 668 662,17	6 755 327,28
Investment properties	7	2 567 100,00	2 567 100,00
Other financial Assets	15	0,00	945 934,89
Deferred tax Assets	14	273 669,64	2 170 908,25
Other accounts receivable	15	110 276,08	116 294,19
Non-current Assets held for Sale	8	450 000,00	450 000,00
		10 069 707,89	13 005 564,61
Current Assets			
Inventories	10	1 961 617,54	1 985 214,00
Costumers	15.1	16 974 218,51	10 625 431,39
Advances to Suppliers	15.3	245 319,72	125 779,52
State and other Public Entities	14/17.1	3 615 484,37	2 237 454,37
Other accounts receivable	15.2	3 269 398,45	3 333 547,92
Deferrals	17.2	194 991,27	119 671,32
Cash and short-term deposits	4	26 798 056,41	29 975 118,27
		53 059 086,27	48 402 216,79
Total Assets		63 128 794,16	61 407 781,40

(Amount in €)

Headings	Notes	2018	2017
Equity and Liabilities			
Equity			
Realized 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	22 037 335,95	22 400 530,25
		28 435 509,21	28 798 703,51
Net Profit / Loss for the Period	17.3	4 613 179,30	1 953 969,70
Total Equity		33 048 688,51	30 752 673,21
Liabilities			
Non-current Liabilities			
Provisions	12	771 122,79	1 583 086,32
Deferred Tax Liabilities	14	24 812,10	29 655,02
		795 934,89	1 612 741,34
Current Liabilities			
Suppliers	15.3	20 401 035,89	21 414 307,61
Advances to costumers	15	19 225,50	29 430,36
State and other Public Entities	14/17.1	411 396,14	367 697,82
Other debts payable	15.4	8 452 513,23	7 230 931,06
		29 284 170,76	29 042 366,85
Total Liabilities		30 080 105,65	30 655 108,19
Total Equity and Liabilities		63 128 794,16	61 407 781,40

(Amount in €)

STATEMENT OF CHANGES IN EQUITY

Description	Issued Capital	Legal Reserves	Earnings	Net Income	Total Equity
Position at 01/01/2017	5 000 000,00	1 398 173,26	22 385 693,75	6 714 836,50	35 498 703,51
Reminder of the distribution of the Net Income for the Period			6 714 836,50	-6 714 836,50	0,00
Changes for the period					
		0,00	0,00	0,00	0,00
Net Income for the period				1 953 969,70	1 953 969,70
Operations with equity owners					
Dividends			-6 700 000,00		-6 700 000,00
	0,00	0,00	-6 700 000,00	1 953 969,70	-4 746 030,30
Position at the end of 2017	5 000 000,00	1 398 173,26	22 400 530,25	1 953 969,70	30 752 673,21
Position at 01/01/2018	5 000 000,00	1 398 173,26	22 400 530,25	1 953 969,70	30 752 673,21
Reminder of the distribution of the Net Income for the Period			1 953 969,70	-1 953 969,70	0,00
Changes for the period					
		0,00	0,00	0,00	0,00
Net Income for the period				4 613 179,30	4 613 179,30
Operation with equity owners for the period					
Dividends			-1 950 000,00		-1 950 000,00
Other Operations			-367 164,00		-367 164,00
	0,00	0,00	-2 317 164,00	4 613 179,30	2 296 015,30
Position at the end of 2018	5 000 000,00	1 398 173,26	22 037 335,95	4 613 179,30	33 048 688,51

(Amount in €)

PROFIT AND LOSS STATEMENT

Income and Services	Notes	2018	2017
Sales of goods and services rendered	11	83 315 067,18	87 026 700,60
Works for the company		530,96	1 635,18
Costs of goods sold and materials consumption	10	(5 539 631,32)	(6 008 873,24)
External supplies and services	17.4	(65 746 480,05)	(61 396 510,72)
Personnel expenses	16	(11 411 992,73)	(11 702 707,31)
Provisions for inventories	10	(30 812,06)	(20 158,94)
Impairment for doubtful accounts	15.1	6 485 092,64	(5 595 139,46)
Provisions (increases/reductions)	12	496 904,53	501 809,54
Other operating income	17.5	1 004 522,43	2 641 112,39
Other operating expenses	17.6	(805 857,00)	(1 407 684,72)
Earnings before Interest, Taxes, Depreciation and Amortization		7 767 344,58	4 040 183,32
Depreciation and Amortization	8/17.7	(962 262,70)	(934 760,32)
Earnings before Interest and Taxes		6 805 081,88	3 105 423,00
Earnings before Taxes		6 805 081,88	3 105 423,00
Income Tax	14	(2 191 902,58)	(1 151 453,30)
Profit for the Year		4 613 179,30	1 953 969,70
Profit by Share		4,61	1,95

(Amounts in €)

CASH FLOW STATEMENT

Headings	Period	
	2018	2017
Cash Flow from Operating Activities		
Receivable from costumers	83 522 683,35	83 323 895,00
Payments to suppliers	-83 146 326,47	-83 131 699,97
Payments to employees	-7 779 239,78	-9 186 043,31
Cash Generated by Operations	-7 402 882,90	-8 993 848,28
Income tax payments	-1 374 591,22	-1 670 941,94
Other payments/receivable related to opertaing activity	8 777 715,29	9 969 789,61
	241,17	-695 000,61
Flow from Operating Activities (1)	241,17	-695 000,61
Payments Related with:		
Tangible assets	-1 253 630,36	-1 182 388,28
	-1 253 630,36	-1 182 388,28
Receivables Related with:		
Tangible assets	-1 253 630,36	-1 182 388,28
Interest and Similar Income	32 322,34	36 594,97
Flow from Investment Activities (2)	-1 213 846,77	-1 145 793,31
Payments Related with:		
Interest and Similar Expenses	-12 633,40	-19 322,81
Dividends	-1 950 000,00	-6 700 000,00
Flow from Financing Activities (3)	-1 962 633,40	-6 719 322,81
Changes in Cash and Cash Equivalent (4) = (1) + (2) + (3)	-3 176 239,00	-8 560 116,73
Net Foreign Exchange Difference	822,86	1 232,59
Cash and Cash Equivalents at Beginnings of Period	-29 975 118,27	-38 536 467,59
Cash and Cash Equivalents at End of Period	26 798 056,41	29 975 118,27
	-3 176 239,00	-8 560 116,73

(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 Industrial Solutions AG, which holds 20,00% of capital, by the Parpública, SGPS, S.A. 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.

2.1 Basis of Preparation

The accompanying financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards (IFRS) issued and in force as at December 31, 2018.

The preparation of the financial statements in conformity with the Accounting Standardisation System (SNC) requires the use of estimates, assumptions and critical judgments in the process of determining the accounting policies adopted by Lisnave, Estaleiros Navais, SA, having a significant impact on the carrying amounts of the assets and liabilities, as well as on the income and expenses of the reporting period.

Although these estimates are based on the best experience of the Board and on its best expectations in relation to the events and current and future operations, current and future results may differ from these estimates. Areas involving a

higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are presented in Note 3.3.

2.2 Derogation of the provisions of the SNC

During the year to which these financial statements refer, there were no exceptional cases that directly entailed derogation of any provision laid down in the SNC.

2.3 Comparability of the financial statements

The financial statements of Lisnave, Estaleiros Navais, SA, for the year ended December 31, 2018, have been prepared on a going concern basis, from the accounting records and respective supporting documentation maintained in accordance with the law.

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:

	2018	2017
Buildings and Other Constructions	2,50% - 5,00%	2,50% - 5,00%
Basic Equipment	5,00% - 12,50%	5,00% - 12,50%
Transport Equipment	25,00%	25,00%
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 measured at the cost of acquisition, only being depreciated when they are available for use.

Impairment

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

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

- During the period the market value of an asset reduced significantly more than that would be expected as a result of the passage of time or normal usage;
- During the period major alterations occurred – or will occur in the near future – with an adverse effect on the Company as regards the technological, market, economic or legal environment in which the Company operates or on the market to which the asset is dedicated;

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

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

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

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

b.1 Deferred Tax Assets and Liabilities

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

Deferred Tax Assets reflect:

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

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

Deferred Tax Liabilities reflect taxable timing differences.

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

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

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

The measurement of Deferred Tax Assets and liabilities:

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

b.2 Income tax

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

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

The Company is subject to income tax at the rate of 21%, plus the Municipal Surcharge up to the maximum rate of 1.5% on the Taxable Profit and the State Surcharge rate, of 3% and 5% resulting in a maximum aggregate rate of 27.5%.

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. Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is primarily recovered through a sale transaction rather than through continuing use.

It is considered that this condition is met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. The corresponding sale must be completed within one year from the date of the non-current asset classified as available for sale.

Non-current assets classified as held for sale are measured at the lower value between its carrying amount before classification and its fair value.

e. 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.

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

e.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 l), being subsequently measured at cost minus impairment.

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

e.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 e).

e.3 Other Credits Receivable

The other credits 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 e).

e.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.

f. 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.

g. 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.

h. Equity Items

h.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.

h.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)

h.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.

i. 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.

i1 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.

i.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.

j. 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.

j.1 Suppliers

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

j.2 Client Advances

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

j.3 Other Debts Payable

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

k. 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.

l. 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.

l.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.

m. 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.

m.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 Debts Payable”.

m.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 Debts Payable”

m.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.

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

The company records deferred taxes in accordance with NCRF 25.

These arise from the existence of deductible and / or taxable temporary differences and aim to correct specialization of income tax for the period.

The adoption of this standard includes the possibility that recovery or settlement of a certain amount, inherent to assets or liabilities, allows that future tax payments being larger or smaller than supposed to be, if such recoveries and / or settlements did not exist.

c. Services Rendered Recognition

The company recognizes revenue in accordance with the recommendations in NCRF 20.

The revenue associated with a transaction should be recognized by reference to the stage of completion of the transaction at the balance sheet date, when the outcome of that transaction involving the rendering of services can be reliably estimated. All following conditions must be met:

- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the balance sheet date can be reliably measured; and
- Costs incurred with the transaction and the costs to complete the transaction can be reliably measured.

The recognition of revenue by reference to the completion stage of a transaction is often referred to as the method of the percentage of completion. Under this method, revenue is recognized in the accounting periods in which the services are provided. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period.

The stage of a transaction can be determined by a variety of methods. An entity uses the method that measures reliably the services performed.

Depending on the nature of the transaction, the methods may include:

- a) Surveys of work performed;
- b) Services performed to date as a percentage of total services to be performed; or
- c) The proportion of the costs incurred to date related to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Progress payments and advances received from customers often do not reflect the services performed.

When the outcome of the transaction involving the rendering of services can't be reliably estimated, revenue should be recognized only to the extent of the expenses recognized are recoverable.

The Company uses the percentage of completion method in recognition of their services rendered. Use of this method requires the Company to estimate the services performed as a percentage of total services to be performed, which also need to 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.

d. Leases

The Leasing Contracts, where the Company is the lessee, are classified as Financial Leases, if through them are transferred substantially all risks and rewards of the ownership, and as Operating Leases, if through them are not transferred substantially all the risks and rewards of the ownership.

The classification of Leases in Financial or Operational is made depending on the substance and not the form of the Contract.

In Leases considered as Operating, rents are recognized as costs in the Income Statement on a straight line basis over the period of the Contract.

4. Cash and short-term deposits

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

	2018	2017
Cash on hands	62.208,34	44.468,45
Short-term deposits	1.735.848,07	1.180.649,82
Other Bank Deposits	25.000.000,00	28.750.000,00
	26.798.056,41	29.975.118,27

5. Accounting policies, alterations to accounting estimates and errors

In the Financial Year 2018 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:

Name	Location	% Stake	% Votes	Nature of Relationship	
				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 Industrial Solutions AG	Germany	20,00%	20,00%	Dividends	
Parpública, SGPS, S.A.	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	-	-	Rehabilitation of shipyard	Shipyard Rent
Repropel	Portugal	-	-	Support services to repair and commissions	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	Treatment of surfaces
NavalRocha	Portugal	-	-	-	-
Navalset	Portugal	-	-		Support and Legal Advisory
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, and 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:

7. Investment Properties

Name	Year	Clients	Suppliers	Sales and Rend. of Serv.	Purchases	Supplies and External Serv.
Navivessel, Estudos e projectos Navais, S.A.	2018	-	311.579,95	-	-	294.406,32
	2017	-	286.423,44	-	-	294.406,32
ThyssenKrupp Industrial Solutions AG	2018	-	-	-	-	-
	2017	-	-	-	-	-
Parpública, S.A. – Estado Português	2018	-	-	-	-	-
	2017	-	-	-	-	-
Público (OPT)	2018	-	-	-	-	-
	2017	-	-	-	-	-
Lisnave Infraestruturas	2018	-	3.047.282,53	1.852.941,93	-	1.692.425,73
	2017	-	5.436.010,88	228.923,04	-	1.853.170,59
Repropel	2018	48.745,73	-	94.383,00	-	22.440,00
	2017	69.069,94	35.682,92	93.625,99	-	48.645,50
Gáslimpo	2018	-	227.699,20	18.579,57	123.428,81	714.998,85
	2017	8.486,07	226.789,01	15.994,47	85.546,75	625.770,87
Rebocalis	2018	-	292.681,82	38.450,14	-	974.387,30
	2017	10.649,53	322.217,94	29.341,44	-	970.285,27
Lisnave Internacional	2018	-	2.286,20	9.361,80	-	63.527,73
	2017	-	21.440,49	9.611,06	-	73.801,25
Tecor	2018	81.375,90	3.178.752,62	225.832,01	-	9.161.195,06
	2017	82.221,42	2.374.837,38	212.772,12	-	8.070.486,62
NavalRocha	2018	885,60	-	-	-	-
	2017	1.389,90	-	1.130,00	-	-
Navalset	2018	-	5.185,00	-	-	18.000,00
	2017	-	4.884,99	-	-	18.000,00
LisnaveYards	2018	-	1.258.037,62	448.240,06	-	8.545.645,80
	2017	16.648,15	1.828.775,13	402.725,87	-	7.954.050,24
Dakarnave	2018	-	-	-	-	-
	2017	-	-	-	-	-

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 2017 and 2018.

8. Tangible Fixed Assets and Non-current Assets Held for Sale

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:

In the period ended the Company recorded in non-current Assets held for sale as follows:

	Buildings and other constructions	Basic Equipment	Transport Equipment	Adminis. Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
Costs							
January 1st 2017	1.875.055,46	8.194.975,81	148.256,24	1.665.113,66	6.740.300,36	1.038.224,34	19.661.925,87
Increases	-	-	-	-	-	1.717.632,15	1.717.632,15
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	5.167,09	405.576,47	980,00	37.697,65	1.124.047,00	(1.573.468,21)	-
Write-Offs	-	-	-	-	-	-	-
Disposals	-	(66.909,04)	-	(1.572,16)	-	-	(68.481,20)
Exchange differences	-	-	-	-	-	-	-
December 31st 2017	1.880.222,55	8.533.643,24	149.236,24	1.701.239,15	7.864.347,36	1.182.388,28	21.311.076,82
Increases	-	-	-	-	-	876.154,90	876.154,90
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	-	1.095.987,80	12.000,00	31.290,53	114.352,03	(1.253.630,36)	-
Disposals	-	-	(14.000,00)	-	(193,90)	-	(14.193,90)
Write-Offs	(100.763,17)	(138.615,35)	-	(272.443,28)	(9.079,10)	-	(520.900,90)
Exchange differences	-	-	-	-	-	-	-
December 31st 2018	1.779.459,38	9.491.015,69	147.236,24	1.460.086,40	7.969.426,39	804.912,82	21.652.136,92

	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
Costs:							
January 1st 2017	1.018.365,01	4.693.569,17	108.122,98	1.254.395,91	6.613.835,69	-	13.688.288,76
Increases	109.522,73	476.730,62	36.113,26	86.996,22	225.397,49	-	934.760,32
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Write-Offs	-	-	-	-	-	-	-
Disposals	-	(66.738,04)	-	(561,50)	-	-	(67.299,54)
Exchange differences	-	-	-	-	-	-	-
December 31st 2017	1.127.887,74	5.103.561,75	144.236,24	1.340.830,63	6.839.233,18	-	14.555.749,54
Increases	98.511,45	532.764,33	11.000,00	78.445,47	241.541,45	-	962.262,70
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Write-Offs	-	-	(14.000,00)	-	(193,90)	-	(14.193,90)
Disposals	(100.763,17)	(138.615,35)	-	(271.885,97)	(9.079,10)	-	(520.343,59)
Exchange differences	-	-	-	-	-	-	-
December 31st 2018	1.125.636,02	5.497.710,73	141.236,24	1.147.390,13	7.071.501,63	-	14.983.474,75
Net Book Value:							
As at December 31st 2018	653.823,36	3.993.304,96	6.000,00	312.696,27	897.924,76	804.912,82	6.668.662,17
As at December 31st 2017	752.334,81	3.430.081,49	5.000,00	360.408,52	1.025.114,18	1.182.388,28	6.755.327,28
As at January 1st 2017	856.690,45	3.501.406,64	40.133,26	410.717,75	126.464,67	1.038.224,34	5.973.637,11

9. Impairment of Non-current Assets Held for Sale

	2018	2017
Non-current Assets held for sale		
Gross	600.000,00	600.000,00
Impairment	(150.000,00)	(150.000,00)
	450.000,00	450.000,00

The value of impairment of non-current Assets held for sale amounted to 150.000,00 Euros.

According to NCRF 12, an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any, the entity shall estimate the recoverable amount of the asset. During the year 2017, it wasn't requested a new external estimate, because it was understood that the assets value was duly evaluated.

In the year were not registered any impairment of tangible fixed assets or investment properties.

10. Inventories

The total carrying amount of inventories:

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

	2018	2017
Raw materials, subs. and consumption		
Gross	2.462.680,60	2.455.465,00
Impairments	(501.063,06)	(470.251,00)
	1.961.617,54	1.985.214,00

a) Cost of goods sold and materials consumed:

b) Impairment of inventories recognized as a loss / gain for the period:

	Raw Material and consumable supplies
Inventories as at January 1st 2017	2.527.431,61
Purchases	5.936.906,63
Inventories as at December 31st 2017	2.455.465,00
	6.008.873,24
Inventories as at January 1st 2018	2.455.465,00
Purchases	5.546.846,92
Inventories as at December 31st 2018	2.462.680,60
	5.539.631,32

11. Revenue

	2018	2017
Impairment losses		
Raw materials and consumable supplies	30.812,06	20.158,94
	30.812,06	20.158,94
Reversion of impairment losses		
Raw materials and consumable supplies	-	-
	30.812,06	20.158,94

Revenue is itemised as follows:

	2018	2017
Sale of Goods		
By-products, waste and scrap		
Portugal	331.259,98	663.554,30
	331.259,98	663.554,30
Rendering of Services		
Services		
Total Europe	37.917.531,54	32.864.454,32
Portugal	8.494.636,15	2.162.796,85
U.E.	19.058.543,39	26.674.594,28
Others	10.364.352,00	4.027.063,19
Total Africa	6.733.489,50	2.249.173,00
Total America	21.927.889,36	35.960.734,77
Total Asia	7.198.567,28	7.075.079,06
Total Oceania	9.206.329,52	8.213.705,15
	82.983.807,20	86.363.146,30
	83.315.067,18	87.026.700,60

Years	By-products, waste and scrap	Ship repairing	Other Activities	Rendering of Services	Total
2018	311.259,98	79.686.237,43	2.816.738,57	500.831,20	83.315.067,18
2017	663.554,30	84.411.664,92	1.433.373,68	518.107,70	87.026.700,60

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 debt balance suppliers	Provisions for Commissions / Claim	Other Provisions	Total
On January 1st 2017	162.517,76	150.000,00	656.086,19	1.769.426,05	987.000,00	3.725.030,00
Increases for the year	-	-	-	868.186,87	100.000,00	968.186,87
Utilisation for the year	-	(19.127,65)	-	(784.843,74)	-	(803.971,39)
Revers. for the year	-	(130.872,35)	(1.426,80)	(613.734,76)	(723.962,50)	(1.469.996,41)
Reclassification (*)			(654.659,39)	(181.503,36)		(836.162,75)
On Dec.31st 2017	162.517,76	-	-	1.057.531,06	363.037,50	1.583.086,32
On January 1st 2018	162.517,76	-	-	1.057.531,06	363.037,50	1.583.086,32
Increases for the year	67.717,04	-	-	297.929,50	-	365.646,54
Utilisation for the year	-	-	-	(80.059,00)	(235.000,00)	(315.059,00)
Revers. for the year	-	-	-	(749.433,87)	(113.117,20)	(862.551,07)
On Dec. 31st 2018	230.234,80	-	-	525.967,69	14.920,30	771.122,79

(*) The Reclassifications values were transferred for Impairments

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:

	2018	2017
Exchange gains included under:		
Other income and gains	9.030,43	831,96
	9.030,43	831,96
Exchange losses included under:		
Other expenses and losses	1.502,39	4.415,67
	1.502,39	4.415,67

14. Income tax

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

	2018	2017
Current tax		
IRC (corporation tax) for the year	192.910,89	2.319.142,16
Deferred Tax		
Originating from, and the object of, reversion of timing differences	1.998.991,69	(1.167.688,87)
Other movements	-	-
	2.191.902,58	1.151.453,30

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

	2018	2017
Excess Tax Estimate	4,20	1.000,33
Insufficient Tax Estimate	(36.641,82)	-
	(36.637,62)	1.000,33

During the year 2018, there were no other changes in tax rates or imposition of new taxes.

The change in the value recorded in deferred taxes results from the variation of its base (taxable temporary differences).

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

	Tax Base		Rate of Tax	
	2018	2017	2018	2017
Pre-Tax result	6.805.081,88	3.105.423,00		
Rate of Income tax in Portugal	21%	21%		
Tax on profit at the nominal rate	1.429.067,19	652.138,83	21,00%	21,00%
Non-taxable income				
Reversal of adjustments and impairment	6.487.664,29	616.358,55		
Reversion of provisions taxed in previous years	1.177.610,07	2.273.967,80		
Excellentia Insurance Policy	979.042,89	253.452,00		
Negative equity variations	-	842,60		
More accountings gains	7.375,00	-		
Fiscal Benefits	56.915,00	54.165,00		
	8.708.607,25	3.198.785,95	(26,87%)	(21,63%)
Costs not deductible for tax purposes				
Donations	5.400,00	-		
Fines, administrative fines and compensatory interest	1.160,75	258,45		
Undocumented expenses	152.190,13	342.719,15		
Excellentia Insurance Policy	511.304,00	-		
Depreciations not accepted for tax purposes	1.607,31	13.884,93		
Provisions beyond legal limits	368.218,19	968.186,87		
Recording of impairment losses	30.812,06	6.231.656,95		
Bad Credits	24.436,39	1.426,80		
Insufficiency Taxes Estimate	36.641,82	-		
Positive assets variations	-	-		
Corrections on previous Financial Years	400.679,22	336.430,84		
Others	109.856,53	112.216,47		
	1.642.306,40	8.006.780,46	5,07%	54,14%

	Tax Base		Rate of Tax	
	2018	2017	2018	2017
Taxable profit	-	7.913.417,51		
Rate of Income tax in Portugal	21,00%	21,00%		
Tax calculated	-	1.661.817,67	(0,81%)	53,51%
Autonomous taxation	192.910,89	337.952,36	2,83%	10,88%
Municipal Surcharge	-	118.701,26		3,82%
State Surcharge	-	200.670,88		6,46%
Effect of increase/reversion of deferred taxes	1.998.991,69	(1.167.688,87)	29,37%	(37,60%)
	2.191.902,58	(510.364,37)	32,21%	(16,43%)
Income tax	2.191.902,58	1.151.453,30	31,40%	37,08%

Deferred taxes can be broken down as follows:

	Balance Sheet Accounts		Income Statement Accounts	
	2018	2017	2018	2017
Deferred Tax Assets				
Others	273.669,64	2.170.908,25	1.867.583,59	1.197.343,89
Excellentia Insur. Policy		-		-
	273.669,64	2.170.908,25	1.867.583,59	1.197.343,89
Deferred Tax Liabilities				
Excellentia Insur. Policy	(24.812,10)	(29.655,02)	131.408,10	(29.655,02)
	(24.812,10)	(29.655,02)	131.408,10	(29.655,02)

15. Financial instruments

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

	2018	2017
Assets		
Non-current		
Other Financial Assets	-	945.934,89
Other Receivables	110.276,08	116.294,19
	110.276,08	1.062.229,08
Current		
Clients		
Gross amount	16.974.218,51	16.982.016,54
Impairments	-	(6.356.585,15)
Advances to Suppliers	548.881,29	522.990,02
Impairments	(303.561,57)	(397.210,50)
Other debts receivable	3.455.309,96	3.554.317,99
Impairments	(185.911,51)	(220.770,07)
	20.488.936,68	14.084.758,83
Liabilities		
Non-current		
Other accounts payable	-	-
Current		
Suppliers	20.401.035,89	21.414.307,61
Client advances	19.255,50	29.430,36
Other accounts payable	8.452.513,23	7.230.931,06
	28.872.804,62	28.674.669,03
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:

	Gross Amount	Impairment	Net Balance
2018	16.974.218,51	-	16.974.218,51
2017	16.982.016,54	6.356.585,15	10.625.431,39

	Net Balance	Debt not due	< 30 Days	30-60 Days	Debt due 61-90 Days	91-120 Days	> 120 Days
2018	16.974.218,51	8.761.979,43	2.386.859,11	369.798,64	41.289,86	3.224.318,04	2.189.973,43
2017	10.625.431,39	5.815.480,45	666.581,81	563.904,92	142.825,37	-	3.436.638,84

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

	Opening Balance	Increase	Utilisation	Reversion	Closing Balance
Financial Year of 2018					
Clients	6.356.585,15	-	-	6.356.585,15	-
	6.356.585,15	-	-	6.356.585,15	-
Financial Year of 2017					
Cientes	543.263,51	6.356.585,15	(543.263,51)	-	6.356.585,15
	543.263,51	6.356.585,15	(543.263,51)	-	6.356.585,15

15.2 Others credits receivable

The others credits receivable can be broken down as follows:

	2018	2017
Other non-current credits receivable		
Other Financial Assets	110.276,08	116.294,19
Other current credits receivable		
Debtors for accrued income		
Revenue from orders in progress	3.001.574,02	3.121.376,78
Interest on Time Deposits	7.567,00	15.462,00
Others	162.441,97	97.778,43
Other debtors and creditors		
Staff	2.575,93	1.298,37
Court Proceedings	91.716,34	97.632,34
Others	189.434,70	220.770,07
Impairment	(185.911,51)	(220.770,07)
	3.269.398,45	3.333.547,92

In order to ensure the accounting treatment in accordance with NCRF 20 for repairs / works in progress ongoing for the Year 2019, we proceeded to an analysis of revenue and costs associated with each. In respect of the costs already incurred, invoicing already issued and margin / mark-up estimated, we proceeded to the registration of an income increase accordingly. The change in this item relates to major repairs carried over from year, which are estimated to be completed during the first quarter of 2019.

15.3 Suppliers

The suppliers balance can be broken down as follows:

	2018	2017
Suppliers Current Account		
National	10.761.181,73	9.930.102,36
Foreigners	129.283,95	182.732,65
Parent Company	5.185,00	4.884,99
Subsidiary Companies	8.318.319,94	10.523.519,18
Suppliers: receiving and conferring	1.187.065,27	773.068,43
	20.401.035,89	21.414.307,61
Advances to Suppliers		
National	352.604,63	471.381,68
Impairments	(303.561,57)	(397.210,50)
Foreigners	196.276,66	51.608,34
	245.319,72	125.779,52

15.4 Other accounts payable

Other accounts payable can be broken down as follows:

	2018	2017
Other accounts payable – non current		
Other financial assets		-
Other accounts payable – current		
Creditors from accrued expenses		
Insurance Policies		-
Remunerations to be settled – holidays and holiday allowances	1.276.545,40	1.432.440,98
Rendering Services		-
Specialized Works		-
Yard Rent	144.028,14	551.703,33
Commissions	1.015.415,23	870.246,27
Brokers	3.175.064,43	1.544.872,41
Claims and Settlements	967.895,27	871.513,50
Internal Works	102.134,75	176.489,79
Costs Center	30.834,75	11.230,78
Project Costs	548.542,65	668.550,20
Others	523.272,47	162.225,22
Agents	654.031,31	442.559,99
Other debtors and creditors		
Staff - Balance Sheet Bonuses	-	480.000,00
Miscellaneous	14.748,83	19.098,59
	8.452.513,23	7.230.931,06

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:

	2018	2017
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.	3.641.745,00	3.641.745,00
THYSSENKRUPP INDUSTRIAL SOLUTIONS AG	1.000.000,00	1.000.000,00
PARPÚBLICA, PARTICIPAÇÕES PÚBLICAS, SGPS, S.A.	148.330,00	148.330,00
PÚBLICO (OPT)	209.925,00	209.925,00
	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	Beneficiary	Currency	Amount
M/BCP	Alfândega de Lisboa	EUR	55.660,00
M/BCP	Alfândega de Setúbal	EUR	100.000,00
M/BCP	Alfândega de Lisboa	EUR	24.939,00

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 credits receivable and others debts payable.

The management of credit risk with regard to clients and other credits 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:

	2018	2017
Remunerations of the Governing Bodies	680.935,40	658.972,54
Staff Remunerations	7.271.159,27	8.228.440,41
Other Remunerations		
Compensations		
Charges on Remunerations	1.820.104,74	1.929.623,08
Accident at work and professional illness insurance	214.122,40	228.387,39
Social action expenses	912.160,75	908.651,25
Other staffing expenses	513.510,17	(251.367,36)
	11.411.992,73	11.702.707,31

The Company established in 2008, an Insurance Policy (OEXL103112067) which translates into a financial investment to 10 years (Note 15), in order to maximize their financial profitability. This investment had this year a financial income of 33.108 Euros (Note 17.5).

As regards the value of liabilities for past services (net of the asset of the policy OEXL103112068) it is presented in assets for a value of 110.276 Euros (2017: 116.294). The value of liability was adjusted by interest expenses and expenses of the current services, a net total of 511,304 Euros recognized under the heading of personal expenses and the actuarial losses and for the return of the assets of OEXL103112068 policy, a net total of 473,760 Euros recognized in equity.

The actuarial gain is generated by the reduction of the population safe. This reduction leads to liability need not be contributory adjustment in the current year.

The financial loss on the assets that fund the responsibilities results from the difference between the actual profitability and the long-term profitability assumption.

The values indicated above, supported by a technical study prepared by an independent body, took into account the appropriate variables.

17. Other Information

17.1 State and Other Public Entities

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

	2018	2017
Balance to be received		
Income tax	1.555.667,27	344.739,12
VAT	2.059.817,10	1.892.715,25
	3.615.484,37	2.237.454,37
Balance to be paid		
Income tax		-
Income Tax Withholdings	205.172,71	165.051,53
Social Security Contribution	206.223,43	202.646,29
	411.396,14	367.697,82

The amount of corporate income tax presented in the above chart, corresponds to an estimate tax deducted from special payments on account, additional payments on account and withholding tax done during the year 2018.

17.2 Deferrals

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

	2018	2017
Expenses to be recognised		
Insurance policies	111.252,71	95.581,20
Software assistance	75.000,06	14.985,52
Advertising contract	6.972,67	6.177,27
Other Expenses	1.765,83	2.927,331
	194.991,27	119.671,32

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 2017	1.398.173,26	22.385.693,75	6.714.836,50	30.498.703,51
Transfer to Legal Reserve	-	-	-	-
Dividends	-	(6.700.000,00)	-	(6.700.000,00)
Remainder of the distribution of the net income for the period	-	6.714.836,50	(6.714.836,50)	-
Net income for the period	-	-	1.953.969,70	1.953.969,70
Others	-	-	-	-
Balance on December 31st 2017	1.398.173,26	22.400.530,25	1.953.969,70	25.752.673,21
Balance on January 1st 2018	1.398.173,26	22.400.530,25	1.953.969,70	25.752.673,21
Transfer to Legal Reserve				
Dividends		(1.950.000,00)		(1.950.000,00)
Remainder of the distribution of the net income for the period		1.953.969,70	(1.953.969,70)	-
Net income for the period			4.613.179,30	4.613.179,30
Others		(367.164,00)		(367.164,00)
Balance on December 31st 2018	1.398.173,26	22.037.335,95	4.613.179,30	28.048.688,51

17.4 Supplies and External Services

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

	2018	2017
Subcontracts	38.990.733,16	35.432.643,84
Specialised works	3.252.353,85	3.011.165,30
Advertising	109.569,20	88.667,50
Surveillance and security	471.070,67	467.150,76
Fees	288.139,57	287.305,28
Commissions	4.006.448,75	3.532.389,68
Upkeep and repair	4.833.663,50	4.895.298,96
Tools and utensils	432.751,60	3.613,19
Books and technical documentation	41.598,53	26.574,81
Office material	57.829,14	52.069,82
Gifts to clients	47.777,10	62.206,69
Electricity	2.373.203,71	2.107.816,38
Fuels	1.231.957,08	944.637,23
Travel and accommodation	349.809,06	200.675,22
Staff transport	1.069.070,16	1.080.529,55
Rentals and hire	3.354.103,07	4.495.837,64
Communication	114.655,30	102.150,49
Insurance policies	1.275.572,00	1.205.921,89
Royalties	44.096,66	43.357,92
Litigation and notaries	1.600,42	1.121,52
Out-of-pocket expenses	128.864,00	115.544,89
Cleaning, hygiene and comfort	402.213,40	328.202,60
Others	2.869.400,12	2.911.629,56
	65.746.480,05	61.396.510,72

Operating Leases

During the 2017 and 2018 exercises were recognized as costs the amounts of 158.564,81 and 152.649,74 Euros, respectively, related to the rents of Operating Lease Contracts, included under the heading Income and Rentals.

In addition, at the date of the Balance, the Company held Operating Lease Contracts, whose rents are due as follows:

	2018	2017
Total of future minimum payments		
No more than 1 year	155.371,94	122.482,97
More than 1 year and no more than 5 years	219.406,28	222.994,32
More than 5 years	-	-
	374.778,22	345.477,29

17.5 Other Income and Gains

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

	2018	2017
Supplementary Income		
Others	459.034,83	446.146,92
Discounts obtained for prompt payment	242.526,80	228.923,74
Inventory gains	55.709,18	49.429,15
Income and gains one remaining		
Exchange differences assets	9.030,43	831,96
Income and gains on Non-Financial Investments		
Disposals	7.375,00	-
Others	381,88	213.104,48
Others		
Corrections on previous periods	171.415,70	1.629.650,43
Excess tax estimate	4,20	1.000,33
Tax return		-
Other unspecified items	1.509,07	400,41
Interest earned		
Free Deposits	24.427,34	39.636,97
Other similar Income	33.108,00	31.988,00
	1.004.522,43	2.641.112,39

Capitalization Insurance

The Company established in 2008 an Insurance which translates into a 10 years financial investment, with the aim of maximizing their financial profitability. This investment generated, this year, a financial income of 33.108 Euros. This Insurance pays interest of 3.5% per year. Additionally, the Insurance has a remuneration tied to the profitability of Insurance Company.

17.6 Other Expenses and Losses

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

	2018	2017
Taxes	22.181,46	20.764,96
Bad debts	24.436,39	543.366,26
Cash discounts	-	-
Losses on inventories	5.012,17	2.521,07
Losses on Disposals / Write-offs	557,31	1.181,66
Others		
Corrections related to prior periods	400.679,22	336.430,84
Donations	74.150,00	68.500,00
Membership fees	74.620,32	69.262,12
Insufficiency to estimate taxes	36.641,82	-
Undocumented expenses	152.190,13	342.719,15
Fines and penalties	-	-
Not tax fines	1.160,75	258,45
Others	409,24	573,21
Interest paid		
Default and compensatory interests		-
Foreign exchange losses		
Others	1.502,39	4.415,67
Other Expenses and Losses		
Others	12.315,80	17.691,33
	805.857,00	1.407.684,72

17.7 Expenses / Reversions of Depreciation and Amortisation

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

	2018	2017
Depreciation and amortisation expenses		
Investment Properties	-	-
Tangible Fixed Assets	962.262,70	934.760,32
	962.262,70	934.760,32

18.Events after the balance sheet date

The date whereupon the financial statements are authorised for issue was February 21st 2019.

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 nº2 of the same article, 364.176 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 nº.4, article 448 of the Company Trading Code, it is hereby informed that on the date of closure of the Financial Year, and according to Company records, the following shareholders have 72.83% and 20.00%, respectively, of the Share capital of LISNAVE:

- ▶ NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A.
Holding 728.349 Shares.
- ▶ THYSSENKRUPP INDUSTRIAL SOLUTIONS AG
Holding 200.000 Shares.

Under the terms and for the purposes of the provision nº 1 article 66 A of the Company Trading Code, it is hereby informed that there was no operations out of the Balance.

Under and for the purposes of paragraph nº 2, article nº 66 A of the Código das Sociedades Comerciais, it is reported that the total fees charged, in the year 2017 and 2018, by the Statutory Auditors were 25.200,00 Euros and 26.670,00 Euros, respectively.

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

Directors	Companies	Position held
Eng. José António Leite Mendes Rodrigues	Navivessel, S.A.	Director
	Navalset, S.A.	Chairman of Board of Directors
	Lisnave Infraestruturas Navais, S.A.	Chairman of Board of Directors
	Lisnave Internacional, S.A.	Director
	LisnaveYards, Lda.	Director
Dr. Nelson Nunes Rodrigues	Navivessel, S.A.	Director
	Navalset, S.A.	Director
	Lisnave Infraestruturas Navais, S.A.	Director
	Lisnave Internacional, S.A.	Chairman of Board of Directors
	Repropel, Lda	Director
	LisnaveYards, Lda.	Director
Dr. Luís Manuel dos Santos	ANA, S.A.	Director N/Executive
Silva Patrão	EMEL, S.A.	Chairman of G.A.
	Assoc. Mutualista Montepio Geral	Member of Aud. Committee
Dr. João Rui Carvalho dos Santos	Navivessel, S.A.	Director
	Lisnave Internacional, S.A.	Director
	Dakarnave, S.A.	Director
	NavalRocha, S.A.	Director
	Gáslimpo, S.A.	Director
	Associação das Indústrias Navais	Vice President
	Fórum Oceano – Assoc. Econ. Mar	Vice President
	Fename – Fed. Nacional do Metal	President of Aud. Committee
	AISET – Assoc. Ind. Península Setúbal	President of Aud. Committee
	CPS – Comunidade Portuária Setúbal	President of Aud. Committee
	LisnaveYards, Lda.	Director

AUDITING COMMITTEE REPORT AND ADVICE

2018 Financial Year

Dear Shareholders,

1. In compliance with legal provisions and the Memorandum of Association, of «LISNAVE - ESTALEIROS NAVAIS, S.A.», Supervisory Board, in the exercise of its responsibilities, and after having reviewed the Balance Sheet, the Income Statement by Nature, the Statement of Changes in Equity, the Cash Flow Statement, the Annex and all other account reporting items prepared by the Board of Directors and included in the 2018 Management Report & Accounts, hereby issues its Report and Opinion on these account reporting items.

2. The Supervisory Board has monitored LISNAVE activity with the appropriate frequency throughout the financial year, by examining the documents submitted and, through contacts with the various departments, the working elements made available by the external auditors and the briefings it has regularly held with the Board of Directors. It has verified and analysed the accounting information, reviewing the relevant supporting documentation and records. In particular, it has verified the accounting transactions relating to the establishment of the Financial Year results.

3. It is the belief of the Supervisory Board 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 Annex to the Balance Sheet and to the Income Statement, complemented by the content of the management report prepared by the Board of Directors, reflect the amounts shown in the respective supporting documents and, as a whole, provide a true financial and economic overview of the assets and the results in accordance with the guidelines of the Accounting Standards System (SNS).

4. In a separate document, the Statutory Auditor has prepared the Audit Report, with which the Supervisory Board agrees and which should be taken as an integral part of this Report.

5. In the Management Report it has prepared, the Board of Directors describes the way in which the activity of the company was carried out during the Financial Year 2018 within the context of (i) adverse market conditions dependent on the effects of low level of growth of the world economy on ship repair sector; (ii) the continuing imbalance between supply and demand in the sea transport market and its effects on freight rates; (iii) the decline in the number of enquiries and the low commercial success rate; and (iv) the low profitability to Shipowners resulting from the continued deterioration of the value of the average freight rates of dry bulk carriers and the tanker fleet coupled with the growth of supply in view of the large number of new ships input in operation; (v) of the very strong growth of concurrency.

6. The activity of Lisnave in the exercise – which since 2009 has been exerted in adverse market conditions affecting mainly the market of shiprepair - performance level has been negative operating under objectives set out in the budget, expressed by:

► commercial success rate of 20%-85 orders, translating a stabilizing relationship queries/orders/success rate compared with the previous year, on the order of 17% -77 orders;

- ▶ continuing the trend of reducing the average work content per vessel (EUR 949,000 - 2018; 1,122 thousand euros - 2017; 1,429 thousand euros - 2016);
- ▶ the maintenance of Lisnave position at the forefront of the Naval Repair market worldwide and its essentially export-oriented activity, which translated into sales to foreign markets of 74.5 million euros, 9.7 million less than in 2017;
- ▶ a positive net result of 1.954.000 euros.

7. With regard to the amounts expressed in the financial statement for the financial year, the following indicators should be noted:

- ▶ the total volume of sales and services rendered, amounting to 83 million euros, about 4,3% down on 2018;
- ▶ the weight of personnel costs in the region of 11.4 million euros, representing 14,7% of the total operating expenditure;
- ▶ the amount of Operating Results in the region of 6,8 million euros, representing 8,1% of the total Operating Income;
- ▶ the cash flow generated in the period of 7,8 million euros;
- ▶ the negative evolution of indicators, economic and financial management compared to that in the previous year, continuing, however, to translate a strong economic sustainability;
- ▶ positive net result of 4,613 thousand euros, influenced by the positive effect of the reversal of impairment losses in previous years.

8. In view of the foregoing, as a result of the measures taken during the Financial Year, the Audit Board, in the exercise of its responsibilities, would like to express its gratitude for the cooperation provided by the company employees with whom it had to engage, as well as for the cooperation and availability of the Board of Directors and the references made in its Report, and taking into account the moderate prospects for the stability of Lisnave activity for 2019, concludes by issuing the following

ADVICE

- A)** the Management Report and Accounts for the Financial Year should be approved;
- B)** the proposed distribution of earnings of the Financial Year, amounting to 4.613.179,30 euros, submitted by the Board of Directors, should be approved.

Lisbon, 27th. February 2019

The Auditing Committee

President

Manuel Serpa Leitão

Member of the Auditing Committee

Tânia Sofia Luís Mineiro

Member of the Auditing Committee

RSM & ASSOCIADOS – Sroc, Lda., representada por Joaquim Patrício da Silva (Roc n° 320)

LEGAL CERTIFICATION OF ACCOUNTS

2018 Financial Year

Opinion

We have audited the financial statements prepared by LISNAVE – ESTALEIROS NAVAIS, S.A. , comprising the balance sheet as at 31 December 2018 (showing a total of 63.128.794,16 euros and a total equity of 33.048.688,51 euros, including a net profit of 4.613.179,30 euros), the income statement by nature, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year ended on that date, as well as the notes to the financial statements which include a summary of the most significant accounting policies.

In our opinion, the attached financial statements give a true and fair view in all material aspects of the financial position of LISNAVE – ESTALEIROS NAVAIS, S.A., as at 31 December 2017, and its financial performance and cash flows for the year ended on that date, in accordance with the Accounting and Financial Reporting Standards as adopted in Portugal under the Accounting Standards System.

Basis of Presentation

Our audit has been carried out in accordance with the International Standards on Auditing (ISA) and all other technical and ethical standards and guidelines of the Register of Auditors. Our responsibilities, pursuant to these standards, are described in the section “Auditor’s responsibility for the audit to the financial statements” below. We are legally independent from LISNAVE – ESTALEIROS NAVAIS, S.A., and we have complied with all other ethical requirements of the code of ethics of the Register of Auditors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the management and the supervisory bodies for the financial statements

The management body is responsible for:

- ▶ preparing financial statements that give a true and fair view of the financial position, the financial performance and the cash flows of LISNAVE – ESTALEIROS NAVAIS, S.A. , in accordance with the Accounting and Financial Reporting Standards as adopted in Portugal under the Accounting Standards System;
- ▶ preparing the management report in accordance with applicable legal and regulatory provisions;
- ▶ creating and maintaining an appropriate internal control system so that the financial statements can be prepared free of material misstatement whether due to fraud or error;
- ▶ adopting accounting policies and criteria that are appropriate in the circumstances; and
- ▶ assessing LISNAVE – ESTALEIROS NAVAIS, S.A.’s capacity to continue as a going concern, disclosing any matters that may cast significant doubt on the continuity of the business, as applicable.

The supervisory body is responsible for supervising the preparation and disclosure procedure of LISNAVE – ESTALEIROS NAVAIS, S.A.'s financial information.

Auditor's responsibility for auditing the financial statements

Our responsibility consists of obtaining reasonable assurance on whether the financial statements, as a whole, are free of material misstatements whether due to fraud or error, and issuing a report expressing our opinion. Reasonable assurance is a high level of assurance but not a guarantee that an audit conducted in accordance with ISAs will always detect a misstatement when it exists. Misstatements may derive from fraud or error and are deemed to be material if, separately or jointly, they can be reasonably expected to influence the users' economic decisions based on those financial statements.

As part of an audit carried out in accordance with ISAs, we exercise professional judgment and remain professionally sceptical throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures that address these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the overriding of internal control;
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LISNAVE – ESTALEIROS NAVAIS, S.A.'s internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ come to a conclusion on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LISNAVE – ESTALEIROS NAVAIS, S.A.'s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause LISNAVE – ESTALEIROS NAVAIS, S.A. to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation;
- ▶ communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Our responsibility also includes the verification of the consistency of the information included in the management report with the financial statements.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

In compliance with article 451(3) (e) of the Commercial Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements in force, the information contained therein is consistent with the audited financial statements and, to the best of our knowledge and assessment of LISNAVE – ESTALEIROS NAVAIS, S.A., we have not identified any material inaccuracies.

Lisbon, 27th February 2019

RSM & Associados - Sroc, Lda.

Represented by Joaquim Patrício da Silva (Roc nº 320)

EXTRACT OF THE MINUTE OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS HELD ON 21ST MARCH 2019 RELATING TO THE APPROVAL OF DOCUMENTS REPORTING THE ACCOUNTS FOR THE 2018 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-one day of March two thousand nineteen.

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 728.352 (Seven hundred and twenty-eight thousand three hundred and fifty two) shares, representing 72,83% (Seventy-two point eighty-three percent of the votes);
- ▶ THYSSENKRUPP INDUSTRIAL SOLUTIONS AG, represented by Engº. Hanspeter Hartmann, holder of 200.000 (Two hundred thousand) shares, representing 20% (Twenty per cent) of the votes;
- ▶ PARPÚBLICA PARTICIPAÇÕES PÚBLICAS (SGPS), S.A., represented by Dr. Carlos Ribeiro, holder of 29.666 (Twenty-nine thousand, six hundred and sixty-six) shares, representing 2,96% (Two point ninety-six per cent) of the votes;
- ▶ Mrs. Maria Fátima J. Liberal Rodrigues, holder of 722 (seven hundred twenty two) shares, representing 0,07% (zero point zero seven) of the votes.
- ▶ João Alexandre Dinis de Sousa, holder of 10.000 (Ten thousand) shares, representing 1% (One per cent) of the votes;

The Board of Directors and the Auditing Committee were presents...

Item 1 To discuss and approve the 2017 Annual Management Report and Accounts

Then proposed that two points on the agenda was voted together, given the material connection, in which all agreed.

Item 2 To discuss and approve the Audit Committee Report

... the Chairman submitted the Report and Accounts for the year 2018 and the Auditing Committee Report to the joint vote, which were 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

The Board of Directors proposes to Equity holders that:

- ▶ The present Report and Accounts be approved;
- ▶ The Net Profit for the year in the sum of € 4,613,179,30 (Four millions, six hundred and thirteen thousand, one hundred and seventy nine Euros and thirty cents) be appropriated as follows:

Retained Earnings	4,613, 179.70 Euros.
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Mitrena, March 21, 2019

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 PROJETOS 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 2018, NAVIVESSEL, ESTUDOS E PROJETOS 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 21, 2019

The Representative of Shareholder NAVIVESSEL”

Submitted to the vote, this proposal was approved unanimously.

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

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