MANAGEMENT REPORT AND ACCOUNTS

LISNAVE
ESTALEIROS NAVAIS, S.A.

2019

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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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Management Report and Accounts 2019

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INDEX

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

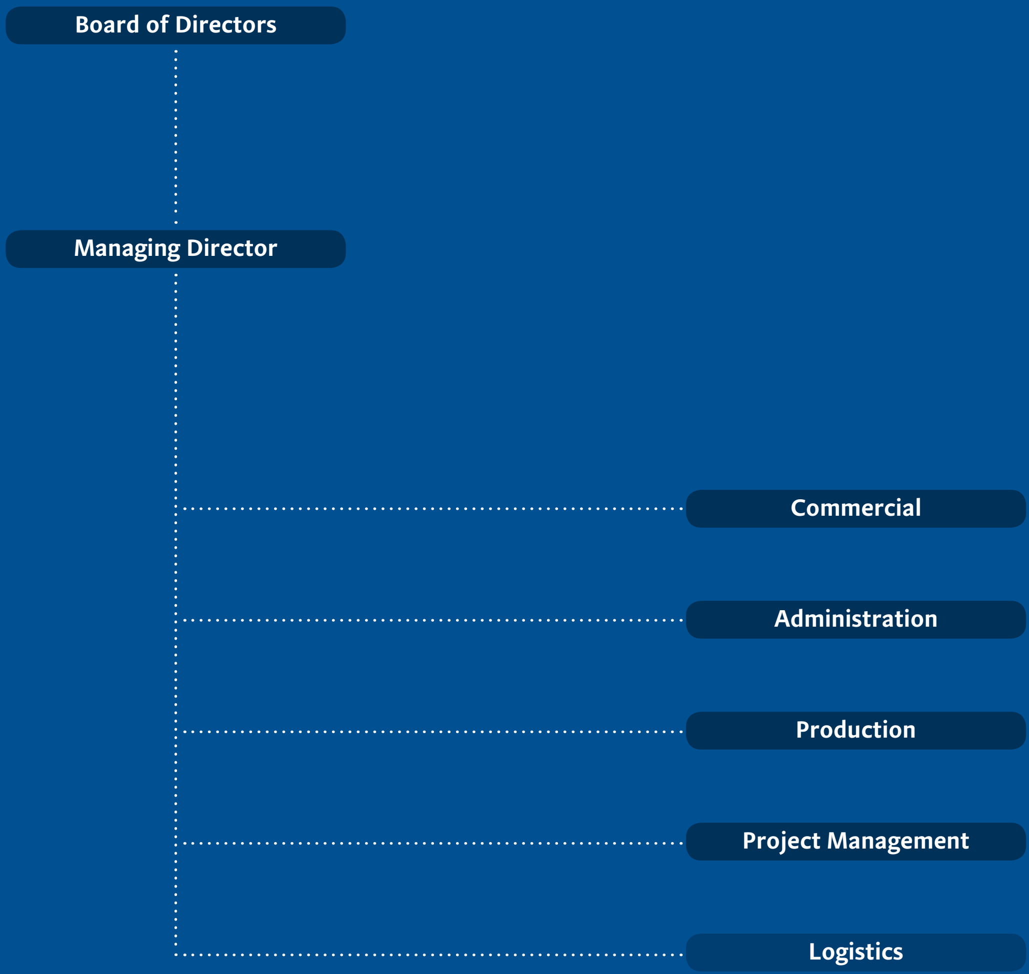
President:

Dr. Luís Miguel Nogueira Freire Cortes Martins

Secretary:

Dr. Hanspeter Hartmann

COMPANY STRUCTURE



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 26 March 2020 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 2019 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, 14 February 2020

The chairman of the board of the general meeting

Dr. Luís Miguel Nogueira Freire Cortes Martins

BOARD OF DIRECTORS REPORT

1 | Introduction

Lisnave, Estaleiros Navais, S.A., whose business continues to be greatly constrained by the low growth rates of the global economy and the sharp increase of competitiveness in the sector resulting from the growing imbalance of shipping supply/ demand, faced yet another year of extreme difficulty in 2019.

In a market in which the year was one of greatest difficulty in the life of the Company, demand, measured in number of enquiries, fell to the third lowest level ever, with just 467 enquiries received, 28 less than in 2018, though the commercial success rate fell by 2 percentage points compared to the previous year to stand at 18%.

The difficulties arising from the market situation, explained in greater detail in the following pages, together with the effect of the scarcity of manpower of the service providers and its effects on subcontracting costs, did not allow Lisnave's business goals set out in the 2019 Budget to be met.

In this context, the Board of Directors cannot but express its dissatisfaction with the low level of performance achieved, translated into negative Net Income for the year, for the first time since 2003.

Despite the negative results, before focusing on a more detailed analysis of the year the Board of Directors would like to draw attention, given the importance of the accumulated business indicators both in regional and above all in national terms, to the fact 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 2,548 ships from over 50 countries around the world, which resulted in sales of €2.326 billion, of which an expressive €2.183 billion, or 94%, were for export.

With this business it proved possible to ensure payment of wages totalling €1,328 million and also payments to the State byway of Social Security contributions, personal income tax (IRS) and other taxes totalling about €229.8 million.

2019

As mentioned in the introduction to this Report and was foreseen in the perspectives presented by the Board in the 2018 Report, in 2019 Lisnave faced particularly adverse market conditions that can be characterized, summarily, by the following external threats:

▶ Great uncertainty as to the global economic situation;

▶ Low growth of world trade;

▶ More new ships versus low level of scrap, greater supply/ lesser need for repair;

▶ Freight rates with a prolonged downward trend, very low on average;

▶ Shipowners facing financial difficulties due to the low profitability of operations;

▶ Large concentration of fleets reflected in the reduction of negotiating capacity;

▶Increasingly aggressive competition, particularly in the tankers market.

These difficulties, compounded by the effects on cost and quality, resulting from the increasing scarcity and low qualifications of the available labour, particularly in the marketplace, particularly during periods of greater workload, did not allow a satisfactory level of performance to be achieved consistent with the targets set in the budget.

The intense commercial activity carried out in the search for alternatives for the scarcity of ships of its traditional markets, tankers in particular, has been successful to a certain extent as from the middle of the second quarter, in the dredgers, liquefied-gas tankers and container ships sectors, but not yet in the passenger ship market. This relative success, which cannot but be underscored, was not enough, however, to offset, in conjunction with the so-called repeat business as well as with the installation of several new ballast-water treatment systems, the effect of the deterioration of the market, especially in the tanker sector, which experienced a significant reduction of demand – 33% of ships repaired in 2019 compared to 51% in 2018 – LISNAVE having performed the repair/maintenance of only 72 ships in the period under review.

On the other hand, the average workload per vessel, in routine repairs, which has remained very low, 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 €964k, lower than the €949k of the previous year, and far lower than the €1.122 million in 2017.

Of the reasons for the low profitability of the shipowners' business referred to in the preceding paragraph, and in respect of Lisnave's two traditional market sectors, the amount of the average daily freight rates continues to stand out, which – as a result of the lesser need for shipping arising from the persistent 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 to come into operation year after year.– stood at very low levels, though with tendencies different from those of previous years. According to Clarkson Research the difference continued to increase between the growth of supply compared to demand, which in 2019 stood at 6.8% and 2.9% with respect to tankers and dry-bulk carriers, respectively.

With regard to the supply of oil tankers, it should be noted that during 2019, 325 new vessels were delivered with a capacity of 38.1 million DWT, corresponding to 6.1% of the capacity of the existing fleet and, during the same period, only 52 ships were sold for scrap with a capacity of 3.5 million DWT, corresponding to 0.6% of the capacity of the existing fleet.

With regard to the dry-bulk carrier fleet, 429 new vessels were delivered with a capacity of 41.1 million DWT, corresponding to 4.7% of the capacity of the existing fleet and, during the same period, only 81 ships were sold for scrap with a capacity of 7.8 million DWT, corresponding to 0.9% 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 negative trend observed since 2015 was reversed, to stand at US$ 26,700, that is, about 50% more than in 2018, but only about 75% of the average daily rate of US$ 35,900 for the same charter in 2015 or just 75% of the average daily rate of US$ 35,900, for the same charter in 2015, or just 58% of the average rate of US$ 47,500 in 2008.

A different evolution was observed in the freight rate of dry-bulk carriers, which reversed the positive trend that had been observed since 2017. Thus, the freight rate of a "Capesize" dry-bulk carrier in 2019 stood at average annual amounts of about US$ 17,400 per day, that is, about US$ 1,750 less than in 2018, but just about 54% of the average rates of 2010-and, more significantly, only about 17.4% 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 2019 with ship-repair sales standing at €62.19 million, €18.47 million less than in 2018.

Total operating income stood at €72.54 million, that is, about €11.78 million less than in 2018, while Total operating costs stood at €74.61 million.

Equity amounted to €31 million, a figure about six times greater than the share capital.

A Net loss for the period was returned in the amount of €1.9.6 million.

LISNAVE, however, retained its traditional characteristic as a strong export-oriented company, having repaired just two ships carrying the Portuguese flag, and sold on the export market, €60.34 million of maintenance and repair services

As regards employment, LISNAVE likewise maintained its customary high level of employability, involving costs of €46 million, an amount that corresponds to an average job equivalent of nearly 1,800 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 €4.7 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 €780k. It should be pointed out, in the meantime, that total Investments since 2000 now stand at €37 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 €730k 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 maintaining the working conditions of the shipyard amounted to about €2.31 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 €23.7 million.

In the matter of human resources and given their importance it should be mentioned that, as a result of negotiations with the workers ' representatives, an internal agreement was concluded, in which a wage increase of 1.7% was agreed.

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.

Within the context of collaboration with LISNAVE and within the scope of the rejuvenation plan underway and of the strategic staff succession and Rejuvenation Plan, LISNAVEYARDS hired 8 mechanical fitters after completion of the training begun in December 2018, 1 multi-preparer and 6 specialists, 4 of whom young engineers.

This company, whose corporate purpose is similar to that of LISNAVE, began its provision of services activity in February 2009 and has 270 workers in its service as at December 31, 137 of who are direct workers, figures that, in comparison with 2018, attest with dramatic clarity the pressure that the market is exerting on the industry. On that date LISNAVE had a workforce of 174.

With regard to the quality and environment areas, LISNAVE maintained its Quality Certification System in accordance with Standard ISO 9001:2015 and also certification of its Environmental Management System under Standard ISO 14001:2015. It likewise maintained the Protection Certificate of the International Ship & Port Facility Security Code – ISPS – and 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, 2019, 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%
Outros Accionistas	4,20%

The Outlook for 2020

As indicated in more detail in chapter 7 of this report, there are some signs that foreshadow a positive development of the market in 2020 following the improvement already felt at the end of 2019.

Indeed, as it is expected that the growth rate of world trade, will grow by 2.3% in 2020 and that it will be reflected in the growth rate of world shipping, it can be expected that there will be a slight reduction of the oversupply and this may have a positive effect on freight rates, with a positive impact on the losses that the shipowners have been bearing and, hence, an

increase of demand. Similarly, it is expected that there will be a significant increase of projects for the installation of scrubbers, particularly in larger vessels, and that the installation of ballast water treatment systems begun in 2019 will go ahead at a greater rate.

Conversely, one must consider, on the one hand, the effects of the uncertainties that still persist in the so-called US/China trade war or of the result of the negotiations of the agreement on the United Kingdom's departure from the European Union and, on the other, the pressure on prices that is expected to continue by shipyards located in low-cost areas, although the predicted increase of activity referred to above provides prospects of an increase in the occupancy of the docks, particularly in those geographic areas, which would contribute to the mitigation of the effects of the aggressiveness of the competition.

In this context of uncertainty and seeking to prevent the occurrence of the combined effects of the expectations listed above, internal measures are under way to address the possible negative deviations that may affect the business prospects expected for the current year.

Thus, reiterating its confidence in the quality, responsibility and involvement that management and all employees, at all levels, have demonstrated over the years, but well aware of the threat posed by the difficulties of the business, in particular those resulting from the obstacles relating to obtaining skilled labour , particularly during periods of peak load of shipyard, the board of directors expresses to the shareholders, if in the meantime not threats of another nature arise, its moderate feeling in relation to the expectation that performance during the current year will be somewhat better than that seen in 2019.

2 | General Comments on the Market

The Economic Situation

In 2019, the world economy grew at the lowest rate since the previous global financial crisis. The increase of tariffs resulting from the trade war between the United States and China and the resultant abrupt changes in trade policies deteriorated the confidence of the economic agents, resulting in the reduction of investment in most regions, causing a significant reduction of the growth of trade.

Thus, in global terms, the United Nations, in its World Economic Situation and Prospects 2020 report, estimates that the world economy will have grown by 2.3% in 2019, after having grown by 3.0% in 2018, a reduction of 0.2% compared to 2017, when it grew 3.2%.

This slowdown in economic growth occurred in all regions except Africa. It is estimated that the economies of about two-thirds of the countries grew in 2019 at a slower pace than in 2018.

In the developed and developing economies, the reduction of economic growth is mainly attributed to the decrease of domestic investment in line with the downturn of industrial output and trade.

Thus, it is estimated that in the developed countries, in 2019, growth was 1.7%, a reduction of 0.5% compared to 2018, with the United States seeing their growth down 0.7%, from 2.9% in 2018 to 2.2% in 2019. In the Euro area this reduction was 0.7%, down from a growth of 1.9% in 2018 to 1.2% in 2019. In this framework, the Japanese economy decreased by just 0.1% from 0.8% in 2018 to 0.7 in 2019.

In developing economies, growth is estimated at 3.4%, a decrease of 0.8% compared to 2018, and in China, in continuation of that already seen in 2018, a reduction of industrial output and exports resulted in a 0.5% decline of its growth, down from 6.6% in 2018 to 6.1% in 2019. The growth of the Indian economy suffered the greatest reduction, down from 6.8% in 2018 to 5.7% in 2019, a decrease of 1.1%.

In Latin America and the Caribbean, the growth framework of the economies was similar to that of the rest of the world, with a reduction of 0.8%, from a growth of 0.9% in 2018 to 0.1% in 2019, the exception being the economies of South America as a whole, with a negative growth of 0.1%.

The exception to the situation detailed above was the African economies as a whole, which saw their growth rate rise from 2.7% in 2018 to 2.9% in 2019, an increase of 0.2%.

As a result of this reduction in the growth of the world economy and of the trade war between the United States and China, that extended to other countries and other economic areas with the creation of protectionist barriers of their economies, the growth rate of world trade suffered a sharp reduction from 3.9% in 2018 to 0.3% in 2019, the lowest figure since the previous financial crisis.

As predicted in the previous report, these protectionist measures led to a redefinition of the productive centres and the consequent reduction of the growth of shipping, which is estimated to have grown 1.1% in 2019, a decrease of 1.1% compared to the growth of2018, a year in which it had already fallen by 0.5% compared to 2017.

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 4.1% by number of ships in 2019, following a growth of 1.5%, in 2018. By the end of 2019 this fleet stood at 622.2 million DWT, a growth of 5.7% compared to the end of 2018, a year in which it had grown by 1.2%.

In terms of new construction, 325 ships were handed over, having a total carrying capacity of about 38.1 million DWT, or

about 6.1% of the present capacity of the fleet. With regard to scrapping, 52 ships with a capacity of 3.5 million DWT were sold, or 0.6% of the capacity of the present fleet.

On the basis of the same source, in 2019 the dry-bulk carrier fleet returned a 5.3% growth by number of ships and 4.0% in DWT terms, to stand at the year-end at 878.6 million DWT, 429 ships having been handed over with a capacity of about 41.1 million DWT corresponding to about 4.7% of the current capacity of this fleet. During the period 81 ships of a capacity of 7.8 million DWT, or 0.9% 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 2017 and 2018 at around US$ 420 per tonne, fell significantly in 2019 to stand at US$ 365 both for tankers and for dry-bulk carriers, a reduction of about 12.5%.

At the end of 2019, the order book for new tankers stood at 485, totalling 51.0 million DWT, or 8.2% of the tonnage of the present fleet. Of these 51.0 million, 28.0 million – or 54.9% of the total and 4.5% of the current fleet – are scheduled for delivery during 2020.

In the dry-bulk carrier fleet, the order book for new ships comprised 854 ships of 86.6 million DWT, or 9.9% of the present fleet. Of these, 55.6 million, or 64.2% of the total and 6.3% of the present fleet, are scheduled for delivery in 2020.

Also, according to Clarkson Research, world demand for shipping grew by 1.1%, with the tanker fleet decreasing 1.1% and the dry-bulk carrier growing by 1.1%. Thus, it was found that in both market segments the growth of the supply of shipping was greater than demand, and in the tanker market this difference was 6.8% and in the dry-bulk carrier market it was 2 9%.

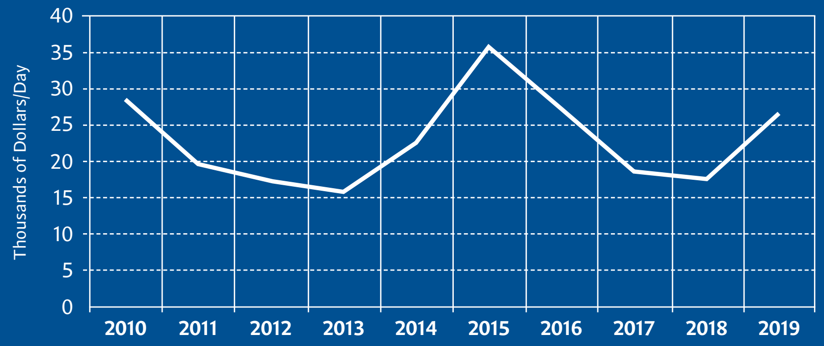
Although the performance of both market segments was similar – growth of the supply of shipping greater than that of demand – the freight rates performed differently.

In the tanker segment, the trend of reduction seen in the past three years reversed, to stand in 2019, in the case of the Modern Suezmax, at an average for one-year charters of about US$ 26,700 per day, a growth of about 50% compared to the average figure in 2018.

This reversal resulted from the sanctions imposed by the United States on those operators that did not respect its policy of sanctions against some countries and the need to adapt the fleet to the new pollution-abatement policies, which caused a reduction of the imbalance between shipping supply and demand.

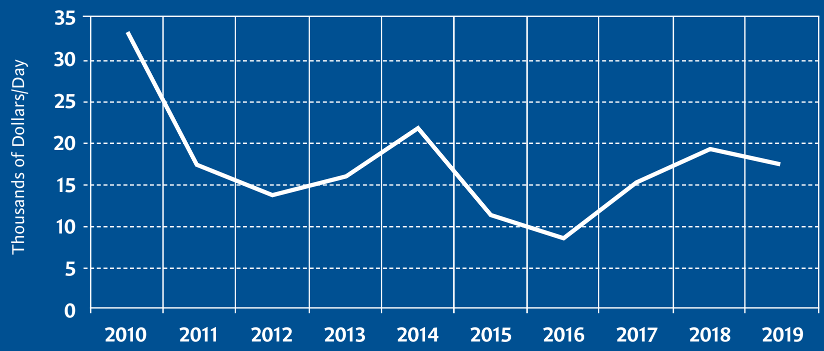
In the case of the dry-bulk fleet, the growth trend seen in 2017 and 2018 was reversed and in the case of the one-year Capesize charter the average rate was about US$ 17,400 per day, a reduction of about 10% compared to the 2018 average.

Freight Rates for Oil Tankers
Modern Suexmax



Yearly averages
Source: Clarkson

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



Yearly averages
Source: Clarkson

3 | Ship Repair / Maintenance Business

Demand

The different behaviour of freight rates resulted in different behaviours in their fleets.

Thus, in the tanker fleet the increase of freight rates resulted in an increase of the value of five-year-old ships in the second-hand market of about 15% and a reduction of about 82% in terms of tonnage of ships sold for scrap.

In the dry-bulk carrier fleet, the prices of five-year-old ships fell, in the case of the Capesize, by about 15% compared to 2018, the tonnage of such ships, sold for scrap, having increased by about 80%.

The uncertainties relating to the pollution-control systems mentioned in the previous report seem to have dissipated, as far as the ballast-water treatment systems are concerned, as did those of the exhaust-gas treatment systems, given the large number of these systems installed during 2019.

As in 2019, demand for ship repair at Lisnave, measured in number of enquiries, grew by 6% compared to 2018. This growth resulted from the increase in demand other than in LISNAVE'S traditional markets, such as dredgers, liquefied-gas carriers and container carriers.

The negotiations of these enquiries generated 82 orders, about 4% less than in 2018, the success rate standing at 18%.

Headings	2019	2018	2017	2016	2015
Enquires	467	439	478	407	549
Orders	82	85	77	71	115
Success Rate (%)	18	20	17	17	21

The Business

During 2019, 72 ships completed their repair/maintenance, 68 of which in dock. The reduction of demand for shipping in the tanker market, which has traditionally been LISNAVE's main market, fell from around 51% of ships repaired in 2018 to 33% in 2019, despite the rise of freight rates mentioned above.

In the major-repairs market segment a ship of the pipe laying type and a dredger were subject to repair/maintenance.

As had already happened in 2018, LISNAVE was also very active during 2019 in the installation of new ballast-water treatment systems, having installed sixteen in ships belonging to shipowners of Singapore, Japan, Greece, Belgium and Cyprus.

Its traditional market segments – tankers and dry-bulk carriers – by number account for about 36% of the business and attention is drawn to the move into other market segments, such as gas carriers accounting for 17%, container ships accounting for 15% and dredgers accounting for 10%.

Years	National	Foreign	Total	In Dock
2019	2	70	72	68
2018	2	83	85	83
2017	0	78	78	77
2016	1	66	67	64
2015	1	106	107	105

Given the globalisation of LISNAVE's market, ships repaired in 2019 belonged to 54 customers located in 19 countries. In terms of number of ships repaired, the more significant markets were Singapore with 10 ships, Greece with 9, and the Netherlands with 8.

4 | Investment / Other

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 about €780k during the year, with a focus on the cumulative amounts of investments since 2000, now amounting to about €37 million, of which €26.88 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 bearded further costs of €730k 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 €16.1 million.

In terms of new investments, one should underscore, in addition to the maintenance and restoration of some buildings and parks, the environmental improvement in the resizing of the fixed sources, the acquisition of miscellaneous IT and communications equipment, the enlargement of the optical fibre network, the acquisition of new equipment and tools in the production area, in particular the updating of fixed and mobile electrical equipment, scaffolding and anti-pollution material, the construction of new steel and reinforced-concrete chocks, the interconnection of the fire-detection and fire-fighting centres of buildings with the Central Fire Station and the manufacture of a facility for training in VHL manoeuvres.

In terms of major repairs, attention is drawn to the dredging of the trench of the lock gates of docks 21 and22 and the cleaning the trench of the lock, the major repair of the main drainage pump of docks 20/21 and 22, renovation of the Charraz barge, maintenance of the mobile electrical equipment, repair of transport equipment, mechanical tools and piping and 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 Hydrolift Lock, the repair of the Hydrolift filling and draining valves, the work on extending the life of the dock arms of the Hydrolift and the lock gate of Dock 21, the structural rehabilitation of various cranes, the work involving the updating of the 500 tonne gantry, the continuation of the structural rehabilitation of the Pumping Centre and the repair of the concrete of the slabs in Docks 21 and 22, and the rehabilitation of the fluids network, about €2.31 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 €23.7 million.

Environmental Protection

Lisnave carries on its business in strict compliance with the regulations and with due regard for the surrounding community, in all its fields of intervention.

By including the new international requirements and maritime regulations that promote the modernisation of vessels, ship maintenance and repair contributes to the ecological protection of the seas and oceans and of the marine species that live in them, never neglecting the wellbeing of those who work at its facilities.

The Company is guided by the use of best available techniques in the field of surface treatment with use of organic solvents, as well by sustainable use of resources.

Noteworthy is the efficiency of the waste-water treatment plants, which process all the effluents generated within the facility, including those from the work carried out in dock.

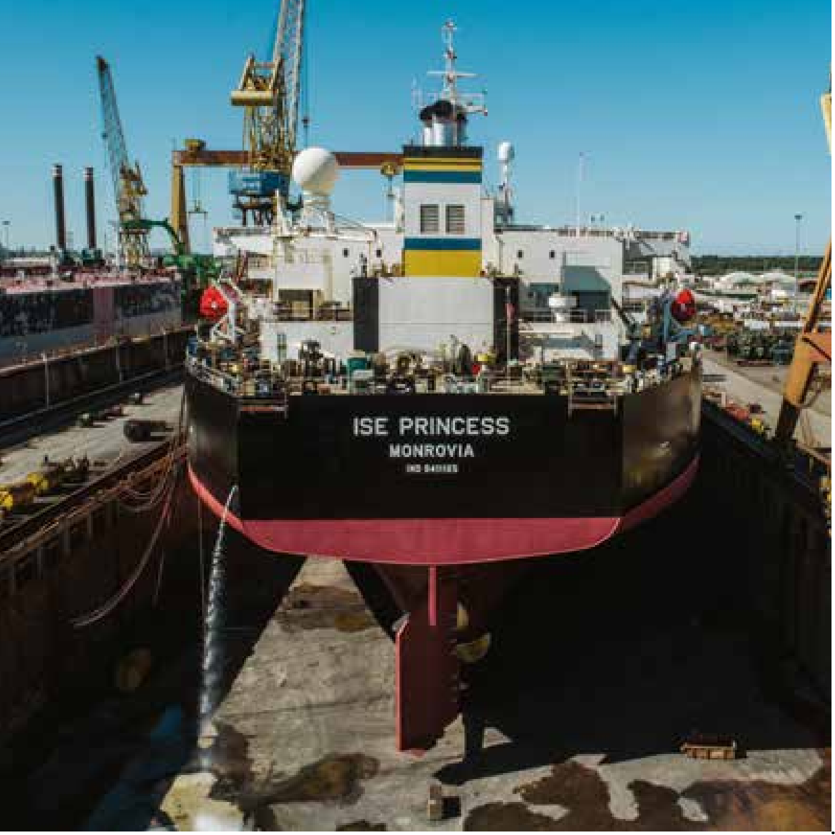
In relation to waste, and from a standpoint of the circular economy, in 2019 more than 90 % were recycled or recovered, an example of which is the forwarding of the used blasting grit to the national cement industry, covering practically all the units existing in Portugal.

The Company maintains its focus on employee training and awareness in the matter of the environment, and there is a clear evolution in the perception of what is to be protected. This year it sought to extend this interest in environmental concerns to the children and youths who took part in the summer camp organized by the Company. In addition to lectures and games in the field of environmental protection, a symbolic painting was made of some drains, with warning phrases that they selected.

Information Technologies

During 2019 Lisnave continued its activities of migration of the S/4 Hana to all Lisnave's environments, having successfully completed the migration of SAP GRC and, in relation to the ERP environment, implemented an upgrade of the Enhancement Package to version 8.0.

In July, a test was performed of the Recovery Plan (DRP) of the systems installed at Mitrena, the various redundancies installed in the local systems having been successfully validated, with a recovery time objective (RTO) of less than 20 minutes.



On the other hand, Lisnave maintained its concern as to information security, having organised several measures of broader scope, in particular the update of the e-mail flow control platform (Symantec Messaging Gateway), the update of the antivirus platform (Symantec Endpoint Protection) and inclusion of the servers of the companies Navivessel and Lisnave International at the Mitrena infrastructure, with significant gains in terms of the protection and safeguard of information and of the systems indispensable to the conducting of the business.

With regard to the internal communications network, at the yearend the dashboards of the Checkpoint firewall were provided, with the aim of ensuring, from a safety-assurance standpoint, the daily monitoring of all network communications, an important measure to ensure the effective security of the daily activities of the users, thus preventing possible security breaches in the Lisnave network.

Last but not least, Lisnave also promoted the redesign of its institutional site, which is expected to come into production at the start of 2020, not only in order to modernize it in the light of an ever increasingly digital world but, above all, seeking to ensure its protection in terms of cybersecurity.

Quality / Other Certifications

Lisnave's self-sustaining and effective Quality Management System ensures the competences of the Company, the reliability and effectiveness of its processes through ongoing improvement, seeks to permanently ensure the satisfaction of its customers and other stakeholders and maintains Lisnave's strategic objective of being leader in its market segment.

In this first certification cycle in accordance with the ISO 9001:2015 standard, it passed, with the customary success for which it is renowned, the monitoring and renovation audits conducted out by Lloyd's Register.

In 2019 Lisnave maintained the Protection Certificate of the International Ship & Port Facility Security Code and the Accreditation of the Calibration Laboratory.

Within the scope of the General Data Protection Regulation, Lisnave entered into a commitment to comply with the new rights of citizens related to privacy and protection of their personal data.

5 | Human Resources

As has been stated in recent 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 future survival and sustainability. The need for rejuvenation, for the fact that the reasonable 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 converge towards the contractual conditions of its most direct competitors in a highly competitive market such as ship repair, are absolutely decisive factors for the defined human resources strategy.

After the repeated rejection of the proposal presented in the meantime for the Company Agreement by the workers' representative bodies, Lisnave decided to redirect its strategy through the development of an extensive Youth Training Programme, the aim being to provide them with the technical skills indispensable for the future productivity challenges and thus 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 come to be, in keeping with requirements, the company that will hire all future workers.

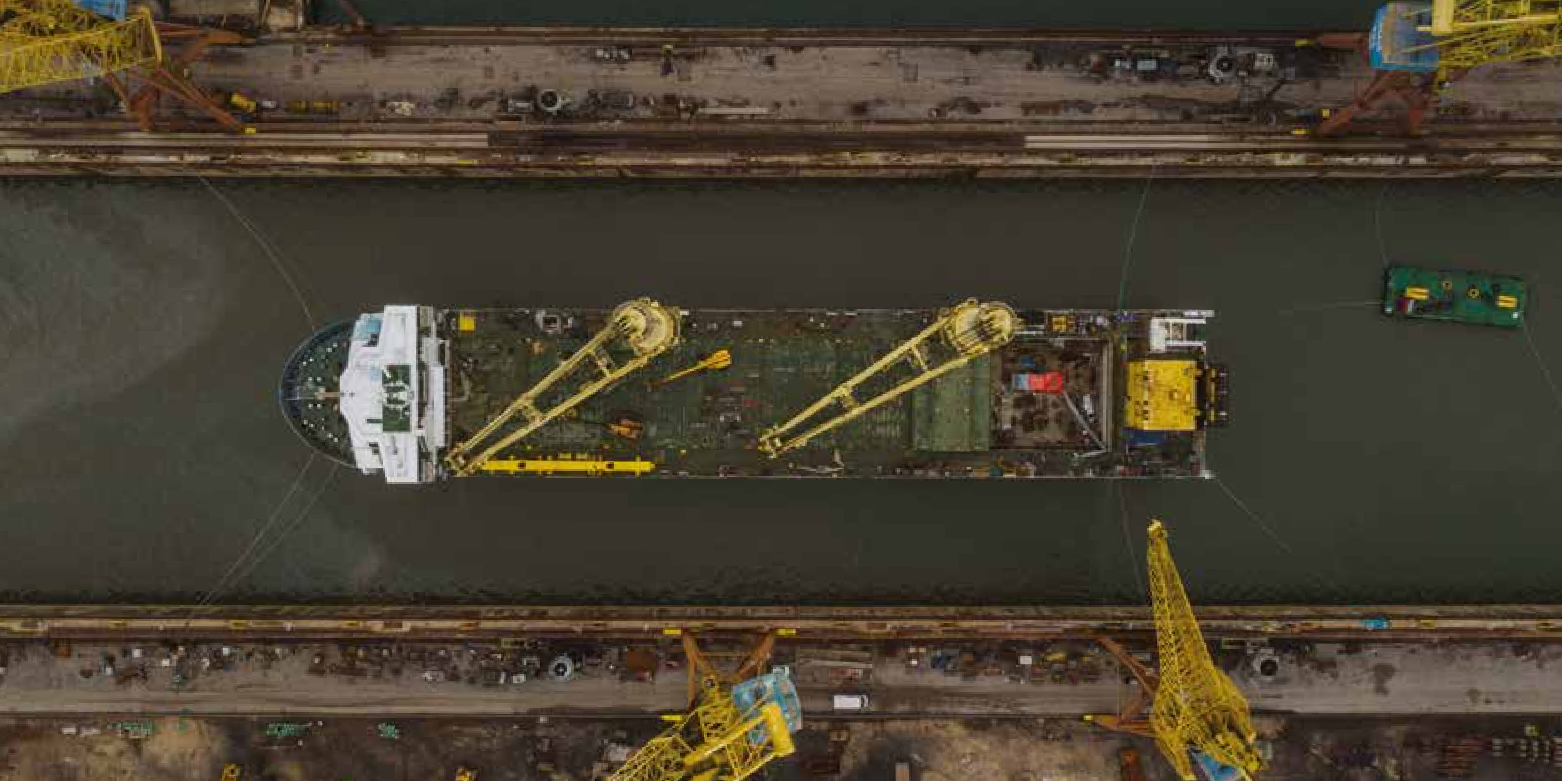
This new company, whose name is Lisnaveyards – Naval Services, Lda, was legally incorporated and has been providing services to Lisnave since February 2009.

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-disciplinary action.

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 ensuing the replacement of those more-experienced workers who naturally leave the Company on retirement.

In 2019 Lisnaveyards completed ten years in business, registering for the first time in its history a decrease of the number of workers, associated, on the one hand, with the departures resulting from the pressure that the market has exercised on the Company's own personnel, but also from the fact that the training courses for youths initially planned were not held and, consequently, no new direct workers were taken on.

In this way, as at December 31, 2018, LisnaveYards had a total of 270 workers of the various professions related to the business, 137 of whom direct workers. During the year it took on 8 workers, 1 technician, and 6 specialists, 4 of whom young engineers.



Remuneration Costs

Total staff costs stood at €9.4 million, as detailed in the following table.

Personnel Costs

Rubricas	2019	2018
Remunerations	5.781.941	6.742.195
Overtime	502.003	602.763
Bonuses, Subsidies and Other Remunerations	507.828	607.137
Subtotal	**6.791.772**	**7.952.095**
Social Security Contributions	2.561.438	3.459.898
Total	**9.353.209**	**11.411.993**

(Amounts in Euros)

The reduction under Remuneration is the result, first and foremost, of the natural departure of personnel through retirement throughout the year.

With regard to the Overtime and Bonuses, Subsidies and Other Remuneration headings, their reduction is related to the low level of business in a year in which the number of enquiries, stood at the second lowest level ever, involving the repair of just 72 ships.

The reduction under Social Charges was due mainly to issues relating to insurance and social action.

Also related to this topic, an agreement was entered into with the workers' representatives, under which a wage increase of 1.70% was agreed.

Training & Development

Despite the need for absolute control and containment of costs, in an extremely difficult year, as previously mentioned, the Company maintained its concern for the vocational training of its workers and organised various vocational training courses, considered priorities, involving more than 500 participants and covering key aspects for the performance of the activity, both for their technical component, and also for training and awareness in the areas of quality, safety, environment and protection.

Lending continuity to the project begun in 2016, thus seeking to bridge the departure of former workers who performed co-ordination and leadership duties, LISNAVE, in collaboration with ATEC and in the wake of the Assessment Centre held still in 2018, held another leadership training and development course with the aim of promoting the development of leadership skills and people-management of a group of ten workers previously selected, so that in keeping with the Company's needs they may come to perform co-ordination and leadership duties.

Also to be underscored is that, notwithstanding the sharp decrease of the amount of training in 2019, about 45% of the previous year's amount, the increase in the number of training hours in the production techniques area, associated, on the one hand, with the training and development of young workers, who have been recruited under the said Rejuvenation Plan but, above all, a greater willingness of the workers to take part, in a year in which there was less 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 14,255 hours and an average of 29 hours of training per participant.

Training | 2019

Areas of training	Total Hours	N. of Participants
Personal Development	1.685	47
Financial, Tax and Accountancy Management	116	15
Hardware and Software	35	1
Quality, Safety, Environment and Protection	4.218	339
Qualifications /Retraining of Production Techniques	8.201	106
Total	**14.255**	**508**

Youth Training

Regarding the Rejuvenation Plan that LISNAVE has implemented since 2006, the youth training courses initially envisaged were not held during the year, and they have been postponed until 2020.

Strategic Succession Plan and Rejuvenation of Personnel

In addition to the training and recruitment mentioned earlier, LISNAVE sought to continue the Strategic Staff Succession and Rejuvenation of Plan, seeking, on the one hand, to ensure the succession and rejuvenation of the staff 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 4 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 598 examinations were organised, 358 of which of LISNAVEYARDS and 240 of

LISNAVE, subdivided into 19 induction, 300 periodic, and 279 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 maintained its concern with the collective and individual safety of all workers providing activity at the shipyard and, following the regime of sanctions for failure to comply with the rules on prevention in force at the shipyard, decided to introduce a policy of zero tolerance of the consumption of alcohol by the workers and organised various training and awareness activities regarding these matters, within the scope of the prevention and safety culture that it has implemented.

Indicators

NIn 2019 there was a significant decrease in the number of accidents involving time off compared to 2018. LISNAVE'S workers as a whole suffered no very serious accidents, which meant fewer working days lost.

With regard to the accident rate, 2019 had a Severity Index of 0.66, and a Frequency Index of 19.21, a worsening of these two indicators, compared to the 2018 figures.

Promotion of Occupational Safety and Health

Continuing the objective of further ongoing improvement of the said accident rates, LISNAVE organised yet another set 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 2,623 people in 2019, including, on the one hand, the intake of 1,378 new workers of service-provider companies and new trainees and, on the other, the refreshing of 1,245 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, 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 21 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 the people who daily enter the Company's and do not require safety training, such as sales persons, external technicians and other visitors, which in 2019 totalled 2,556 disclosures.

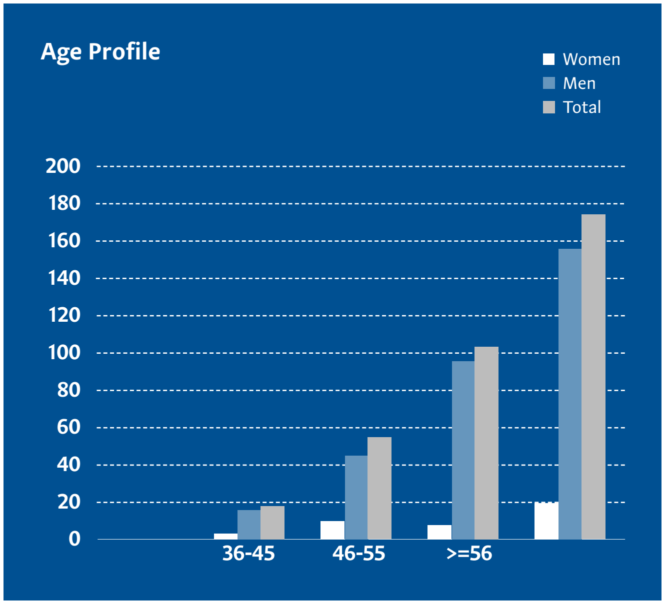
Within the scope of this policy, but in the health area in particular, LISNAVE organised the customary seasonal-flu vaccination campaign which involved 57 workers.

Other Indicators

The 2019 absenteeism rate improved compared to the previous year.

Compared to the personnel indicators at the end of 2018, LISNAVE had 37 fewer employees, mostly for reasons to do with retirement in accordance with the law.

As at December 31, 2019, LISNAVE's total personnel amounted to 174, their average age 56.95.



6 | Economic and Financial Situation

As mentioned earlier, LISNAVE repaired 72 ships during 2019, generating total billing in the sum of about €62.2 million.

As can be seen in the following table, total billing fell sharply by 22.9% compared to the previous year and was accompanied by a 15.3% reduction with regard to the number of ships repaired.

Average billing per ship, in the sum of €864k also reflects a decrease of 9% compared to last time. This downward trend continues to be associated with the reduction of the work content requested per ship, and in the year under review, as a result of the strong competition seen, it is also influenced by the increase of the amount of discounts granted to customers.

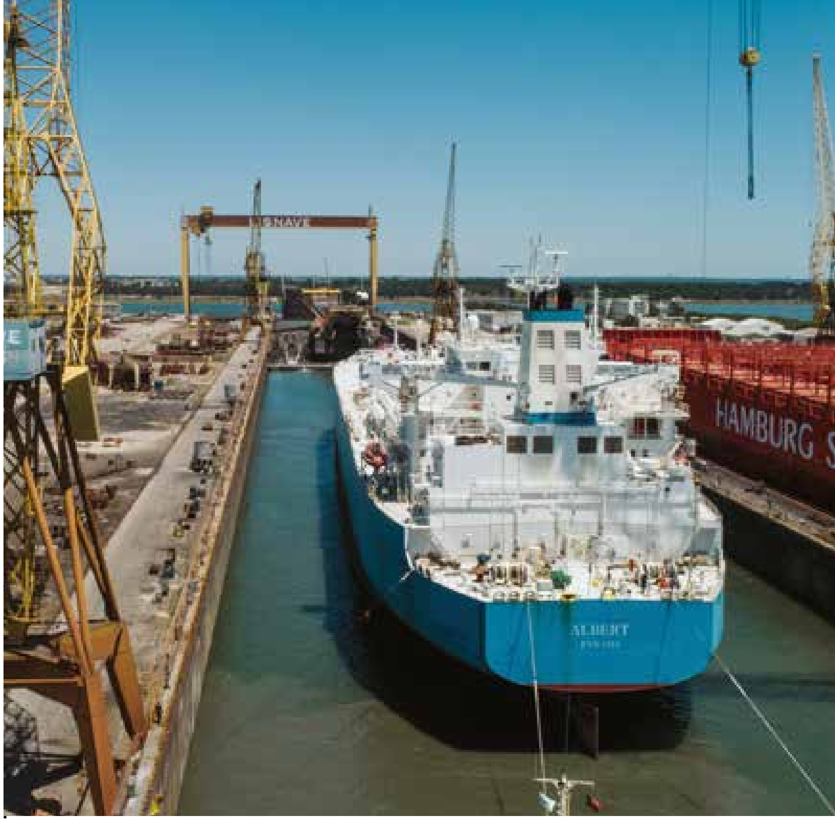
Number of Ships and Invoicing

Headings	2019	2018	2017	2016	2015
Number of Repaired Ships	72	85	78	67	107
Total Invoicing	62,2	80,7	87,5	95,7	113,2
Average Invoicing per Ship	0,864	0,949	1,122	1,429	1,05

(Amounts in Millions of €)

The number of ships repaired during the year, in addition to the aforesaid reduction compared to 2018, was also lower than the average of 76.7 vessels seen in the 2016/2018 three-year period.

Despite these results, demand, measured in number of enquiries received, was higher than in the previous year by 6.4% and then the average for the 2016/2018 three-year period by 7.4%. However, notwithstanding the continuation of a more aggressive marketing strategy, the success rate was 17.9%, lower than in the previous year by 1.9pp and by 0.2pp compared with the average for the 2016/2018 three-year period, a situation associated with strong international competition that characterizes business of this type.

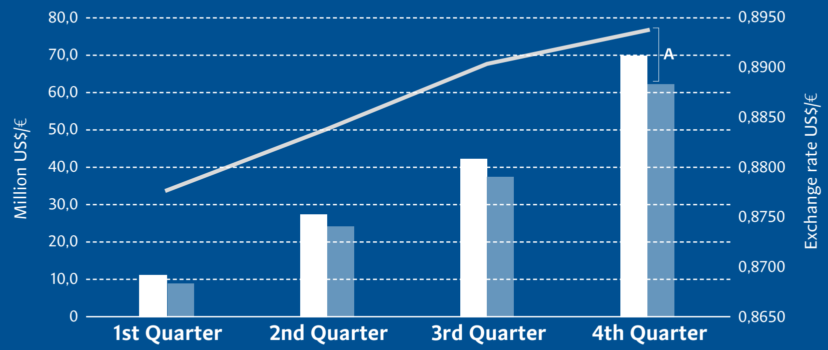


The negative evolution of some of these indicators is closely related with low average freight rates seen since 2008, following the international financial and economic crisis and the oversupply in the shipping market, the result of the growth of the world merchant fleet.

It should be noted, on the other hand, that LISNAVE's main customers still use the US dollar in their commercial transactions, which during 2019 appreciated against the Euro by about 2.6%.

The following table illustrates the impact that the evolution of the dollar had throughout 2019 on the accumulated invoicing of the repairs, standing at an annual average rate of 0.8935.

Accumulated Sales and Exchange Rate US$/€
Year 2019



	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Sales US$ 2019	10,7	26,9	42,2	69,6
Sales € 2018	9,4	23,7	37,5	62,2
Exchange rate US$ / € 2018	0,8778	0,8837	0,8901	0,8935

A = More 10,2 Millions US$

Sales and Services Rendered

Headings	2019	2018	2017	2016	2015
Ship Repairs	62.189	80.657	87.506	95.744	113.152
Revenue of Ships in Progress	2.537	-970	-3.094	4.610	-3.294
O. Activities	5.705	2.817	1.433	561	3.490
Services Rendered	856	812	1.182	1.213	1.294
Total	**71.288**	**83.315**	**87.027**	**102.128**	**114.642**

(Amounts in Thousands of €)

The total value of Ship repairs and of Revenue of ships in progress accounted for 90.8% of the total value of Sales & Services Rendered, while Other Activities and Services Rendered together amounted to €6.6 million.

It should be pointed out that the amount of Other activities increased by 102.6% compared to the previous year, the result of the increase of sales of services to the firm Lisnave Infraestruturas Navais, holder of the Mitrena Shipyard concession agreement, related to the Shipyard Rehabilitation Investment Plan, and other services in the field of renewable energies.

With regard to the evolution of the Company's economic situation, the following table provides the income statements for 2015 to 2019, 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 Income Statement

	2019		2018		2017		2016		2015	
Headings	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Sales and services rendered	71 288		83 315		87 027		102 128		114 642	
Production variation	0		0		0		0		0	
Works for the company	2		1		2		0		0	
Other income and gains	1 247		1 005		2 641		1 917		1 541	
Total operating income	**72 538**	**100**	**84 320**	**100**	**89 669**	**100**	**104 045**	**100**	**116 183**	**100**
Costs of row materials consumed	4 461	6,2	5 540	6,6	6 009	6,7	8 945	8,6	6 187	5,3
Supplies and external services	59 641	82,2	65 746	78,0	61 397	68,5	68 893	66,2	74 392	64,0
Personal costs	9 353	12,9	11 412	13,5	11 703	13,1	12 389	11,9	14 049	12,1
Depreciations, impariments and provisions	674	0,9	-5 989	-7,1	6 048	6,7	1 579	1,5	1 815	1,6
Taxes	22	0,0	22	0,0	21	0,0	24	0,0	34	0,0
Other costs and losses	456	0,6	784	0,9	1 387	1,5	2 841	2,7	670	0,6
Total operating expenses	**74 608**	**102,9**	**77 515**	**91,9**	**86 564**	**96,5**	**94 671**	**91,0**	**97 147**	**83,6**
Operating profits	**-2 070**	**-2,9**	**6 805**	**8,1**	**3 105**	**3,5**	**9 374**	**9,0**	**19 035**	**16,4**
Financing results	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Profits before taxes	**-2 070**	**-2,9**	**6 805**	**8,1**	**3 105**	**3,5**	**9 374**	**9,0**	**19 035**	**16,4**
Taxes on income for the period (-)	113	0,2	-2 192	-2,6	-1 151	-1,3	-2 659	-2,6	-5 423	-4,7
Net income for the period	**-1 957**	**-2,7**	**4 613**	**5,5**	**1 954**	**2,2**	**6 715**	**6,5**	**13 612**	**11,7**

(Amounts in Thousands of €)

A brief analysis of the income statement shows that in 2019 the Company's economic situation deteriorated significantly in that, for the first time since 2003, it returned a net loss in the amount of €1.96 million.

Analysing the information in greater detail it can be concluded that the year's Operational results are strongly influenced by the aforesaid fall in the value of sales and by the 4.7 pp reduction of the gross margin of the projects, aspects that once again demonstrate the extremely difficult year that the Company faced.

However, lending continuity to the situation seen in previous years, LISNAVE did not carry any amount under borrowing costs since it did not 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 2019 were materially irrelevant.

Complementing the analysis of the Company's economic evolution over the period from 2015 to 2019, the following table provides a set of the more relevant economic indicators and ratios.

Economic Aggregates

Headings	2019	2018	2017	2016	2015
Overall Aggregates					
Gross Value of Production (GVP)	71 291	83 316	87 028	102 128	114 642
Gross Value Added (GVA)	8 330	13 302	22 355	27 334	38 851
Personnel Costs	9 353	11 412	11 703	12 389	14 049
Gross Cash Flow	-1 395	816	9 154	10 954	20 850
Average number of employeess	**188**	**229**	**253**	**261**	**285**
Ratios					
GVP per Capita	379,2	363,8	344,0	391,3	402,3
Personnel Costs per Capita	49,8	49,8	46,3	47,5	49,3
GVA / GVP	12%	16%	26%	27%	34%
Personnel Costs / GVA	112%	86%	52%	45%	36%

(Amounts in Thousands of €)

From its analysis it can be concluded that in 2019 the Global aggregates evolved negatively compared to those of the previous year, the gross value added (GVA) decreasing by €5 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, which, despite the difficulties encountered, allowed it to continue to operate in a market characterised by strong competition and great unpredictability.

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

Shareholder's Funds

Rubricas	2019	2018	2017	2016	2015
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	28.049	23.436	23.799	23.784	23.672
Net Profit of the Financial Year	-1.957	4.613	1.954	6.715	13.612
Total Shareholders' Funds	**31.092**	**33.049**	**30.753**	**35.499**	**42.284**

(Amounts in Thousands of €)

Equity stood at €31 million as at December 31, 2019. The book-value per share at the year-end was €31.09, an increase of 522% compared to the par value.

Through the analysis of the main balance-sheet headings as at December 31, 2019, for the past five years shown in the following table, the Company's financial structure can be appraised.

Comparative Summ. Balance Sheet

Headings	2019	2018	2017	2016	2017
Assets					
Non-current Assets	10 108	10 070	13 006	10 878	9 338
Inventories	1 988	1 962	1 985	2 077	1 851
Clients C/A (Net Prepayment)	20 417	16 955	10 596	14 714	13 005
Other Receivables	4 977	6 885	5 571	8 139	6 404
Cash and Banks	19 242	26 798	29 975	38 536	51 928
Deferrals	222	195	120	232	247
Total Assets	**56 953**	**62 864**	**61 253**	**74 577**	**82 774**
Liabilities					
Provisions	340	771	1 583	3 725	2 136
Other Non-current Payables	19	25	30	137	876
Suppliers C/A (Net Prepayment)	18 907	20 156	21 289	24 794	24 648
Other Payables	6 595	8 864	7 599	8 108	11 577
Deferrals	0	0	0	2 314	1 252
Total Liabilities	**25 861**	**29 816**	**30 500**	**39 079**	**40 490**
Shareholders Funds	**31 092**	**33 049**	**30 753**	**35 499**	**42 284**

(Valores em Milhares de Euros)

In order to assess the Company's liquidity and financial structure in the balance sheet at the end of the period under review, several indicators were analysed that help to characterise the Company's financial situation, as follows:

Liquidity

With a working capital in the order of €21.3 million, a quick ratio and a cash ratio of 1.84 and 1.75 respectively, the latter slightly higher than those of the preceding year, allow the assertion that the Company's short-term financial structure continues to be quite sound.

The factors associated with this situation remained unchanged, consisting, in particular, of the absence of short-term bank debt, the result of the absence of bank loans to cope with day-to-day cash requirements, given the cash-flow generated and the amount of cash-in-hand and bank deposits, which stood at €19.2 million at the yearend.

Financial Structure

With a non-current asset financing ratio of 3.08 and total solvency and self-financing ratios of 120.2% and 54.6% respectively, it can be concluded the financial structure of the balance sheet continues to be very comfortable and adequate to the Company's core business, which is carried on in a highly competitive market characterised by great unpredictability.

Lastly, and in keeping with legal requirements, it is hereby declared that, as at December 31, 2019, 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

After the 0.7% fall of the growth of the world economy in 2019, compared to 2018, when a 2.3% growth was achieved, the United Nations estimates that in 2020 the world economy will grow by an average of 2.5 %.

The uncertainties resulting from the trade war between the United States and China, which have spread in the meantime to almost all economies, generating protectionist measures, have reduced investor and consumer confidence, causing a decrease both of investment and of consumption.

In the United States, these uncertainties and weak employment growth may reduce domestic demand and lead to even lower growth than in 2019, which, weighted, will result in a reduction of the growth of the developed economies as a whole by about 0, 2%.

In the economy of the European Union the uncertainties detailed above, allied to those resulting from the departure of the United Kingdom, will result in modest growth of about 0.2% higher than in 2019. This increase will result from employment growth and from expected additional monetary stimulus to the European economy.

In Japan, economic growth will remain moderate, the result of tax increases that will reduce real wages, and of the slow evolution of exports to the economies of Southeast Asia.

Despite the threats, the Southeast Asian region will continue to be the largest contributor to the growth of the world economy. The average growth in this region is expected to remain stable. Despite the expected slowdown of the growth of the Chinese economy, this growth will still continue to be high compared with the other growths of the world economy.

Thus, the United Nations expect that the growth rate of world trade will reverse the downward trend seen in recent years and achieve a growth of 2.3% in 2020. This will be reflected in the growth rate of world shipping, which will help to improve the balance between supply and demand and thus provide shipowners more capacity to meet the challenges they are currently facing.

Among the challenges cited above, attention is drawn to the imbalance between supply and demand of transport that, in recent years, has kept freight rates at levels that do not always cover operating costs, now exacerbated by the new pollution-control systems.

If in the system of control of pollution of the waters the solution is already being implemented through the installation of ballast-water treatment systems, in the case of exhaust gases there is still uncertainty as to the solution to be used. For larger ships, the solution seems to be that of installation of scrubbers, and around 2,200 are estimated to have been installed and operational at the end of 2019, and it is expected that this number will be about 3,500 at the end of 2020. For smaller ships there are still doubts between the use of less polluting but more expensive fuel and the installation of scrubbers.

Since the ballast-water treatment systems started to be installed in 2019 and will end in 2024 and the exhaust-gas control system is already in place, be it through use of scrubbers or of less polluting fuels, the recommendation of the 2018 Report is already visible today.

In fact, the expected increase of activity as from the first half of 2019 has begun and is expected to continue over the coming years.

However, one cannot fail to bear in mind that the sustainability of the ship-repair industry in Europe is threatened by the increase of wages, the shortage of skilled labour and the tight European rules. Continuing to compete on the world market it cannot be expected that the recovery of prices will generate a satisfactory level of profitability. In this connection, Lisnave will continue to seek to diversify the markets in which it operates and to increase its competitiveness through better control of costs and increased productivity.

Thus, given that the competition of low-cost economies will continue to press for lower repair prices, it is expected, however, that the increase of business resulting from the installation of scrubbers in these countries will have an effect of reduction of their production capacity, with a positive impact on the shipyards of countries having higher costs but greater qualification. In this way, as a result these positive repercussions, it can be expected that LISNAVE'S repair business will remain at a similar level to that of the second half of 2019.

Human Resources

In 2020 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.

Seeking to take up, once again, the Rejuvenation Plan that the Company has been implementing since 2006, Lisnave intends to promote, on the one hand, implementation of two new youth training courses in the fields of naval and mechanical metalworking, for a total of 24 trainees and, on the other, the recruitment and training of five new Level IV Prevention and Safety Officers expected to be hired at the beginning of the new year.

In addition to youth training, LISNAVE will continue with the training of its workers and it has approved for purpose the 2020 Annual Training Plan within the scope of which it is expected that there will be 43 training courses, involving about 373 trainees, with a total of 12,855 training hours. On the other hand, LISNAVE will continue to promote the training of new leaders, as well as those measures considered necessary to implement the Company's Strategic Staff Succession and Rejuvenation 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 Negative Net Profit for the year in the sum of € 1,956,922.20 (One million, nine hundred and fifty-six thousand, nine hundred and twenty-two Euros and twenty Cents) be appropriated as follows:

Retained Earnings	- 1.956.922,20 Euros

9 | Losing Remarks

Lastly, in closing the Management Report in respect of the business in 2019, 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;

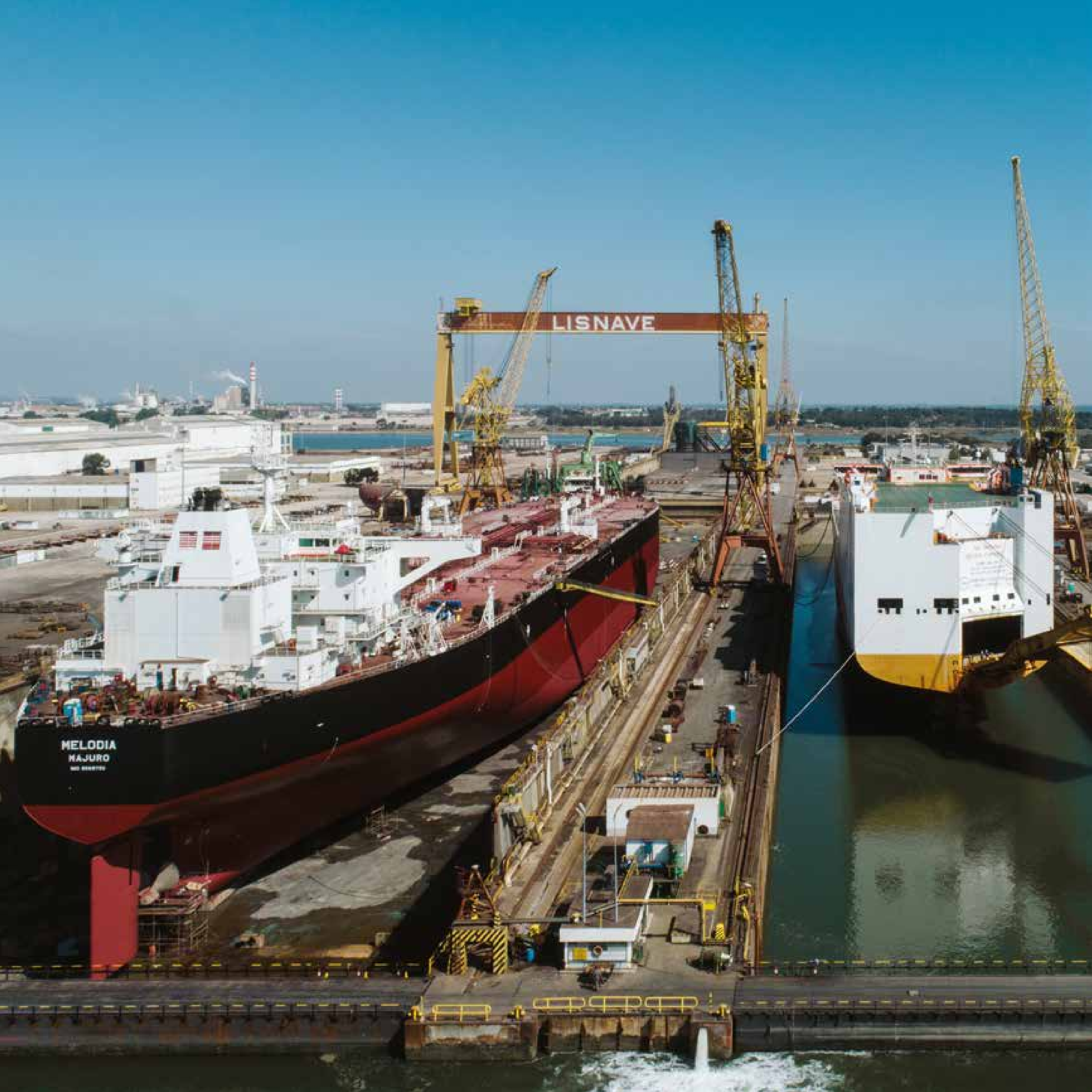
▶ To all the Company's Employees and their Representative Bodies for their willingness commitment and very considerable professionalism.

Setúbal, 20th February 2020

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


LISNAVE
MELODIA
MAJURO

Balance

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Auditing Committee Report and Advice

Legal Certification of Accounts

Extract of the Minute of the Annual General Meeting of Shareholders held on 25th June 2020 relating to the approval of documents reporting the Accounts for the 2019 Financial Year

BALANCE

Headings	Notes	31-DEC-2019	31-DEC-2018
Assets			
Non-current Assets			
Tangible Assets	8	6 356 768,37	6 668 662,17
Investment properties	7	2 567 100,00	2 567 100,00
Deferred tax Assets	14	647 319,65	273 669,64
Other accounts receivable	15	86 602,08	110 276,08
Non-current Assets held for sale	8	450 000,00	450 000,00
		10 107 790,10	**10 069 707,89**
Current Assets			
Inventories	10	1 988 193,43	1 961 617,54
Costumers	15.1	20 423 685,75	16 974 218,51
Advances to Suppliers	15.3	195 018,34	245 319,72
Sate and other Public Entities	14/17.1	2 199 454,66	3 615 484,37
Other accounts receivable	15.2	2 777 132,82	3 269 398,45
Deferrals	17.2	222 156,14	194 991,27
Cash and short-term deposits	4	19 241 950,54	26 798 056,41
		47 047 591,68	**53 059 086,27**
Total Assets		**57 155 381,78**	**63 128 794,16**

(Amounts in Euros)

Headings	Notas	31-DEZ-2019	31-DEZ-2018
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	26 650 515,25	22 037 335,95
		33 048 688,51	28 435 509,21
Net Profit / Loss for the Period	17.3	(1 956 922,20)	4 613 179,30
Total Equity		**31 091 766,31**	**33 048 688,51**
Liabilities			
Non-current Liabilities			
Provisions	12	340 389,57	771 122,79
Deferred Tax Liabilities	14	19 485,45	24 812,10
		359 875,02	**795 934,89**
Current Liabilities			
Suppliers	15.3	19 101 994,94	20 401 035,89
Advances to costumers	15	7 171,50	19 225,50
State and other public entities	14/17.1	574 461,54	411 396,14
Other debts payable	15.4	6 020 112,47	8 452 513,23
		25 703 740,45	**29 284 170,76**
Total Liabilities		**26 063 615,47**	**30 080 105,65**
Total Equity and Liabilities		**57 155 381,78**	**63 128 794,16**

(Valores em Euros)

STATEMENT OF CHANGES IN EQUITY

Description	Issued Capital	Legal Reserves	Earnings	Net Income	Total Equity
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**
Operations with equity owners					
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**
Position at 01/01/2019	**5 000 000,00**	**1 398 173,26**	**22 037 335,95**	**4 613 179,30**	**33 048 688,51**
Reminder of the distribution of the Net Income for the Period			4 613 179,30	(4 613 179,30)	0,00
Changes for the period					
		0,00	**0,00**	**0,00**	**0,00**
Net Income for the period				**(1 956 922,20)**	**(1 956 922,20)**
Operations with equity owners					
				(1 956 922,20)	(1 956 922,20)
Position at the end of 2019	**5 000 000,00**	**1 398 173,26**	**26 650 515,25**	**(1 956 922,20)**	**31 091 766,31**

(Amounts in Euros)

PROFIT AND LOSS STATEMENT

Income and Services	Notes	2019	2018
Sales of goods and services rendered	11	71 288 146,04	83 315 067,18
Works for the company		2 447,48	530,96
Costs of goods sold and materials consumption	10	(4 461 281,34)	(5 539 631,32)
External supplies and services	17.4	(59 640 662,36)	(65 746 480,05)
Personnel expenses	16	(9 353 209,42)	(11 411 992,73)
Impairment of inventories (losses / gains)	10	(74 978,44)	(30 812,06)
Impairment of debts receivable (losses / reversals)	15.1	50 321,56	6 485 092,64
Provisions (increases/reductions)	12	430 733,22	496 904,53
Other operating income	17.5	1 247 306,87	1 004 522,43
Other operating expenses	17.6	(478 079,27)	(805 857,00)
Earnings before Interest, Taxes, Depreciation and Amortization		**(989 255,66)**	**7 767 344,58**
Depreciation and amortization expenses / reversals	8/17.7	(1 080 472,22)	(962 262,70)
Earnings before Interest and Taxes		**(2 069 727,88)**	**6 805 081,88**
Earnings before Interest and Taxess		**(2 069 727,88)**	**6 805 081,88**
Earnings before Taxes	14	112 805,68	(2 191 902,58)
Profit for the Year		**(1 956 922,20)**	**4 613 179,30**
Profit by Share		**(1,96)**	**4,61**

(Amounts in Euros)

CASH FLOW STATEMENT

	Period	
Headings	**2019**	**2018**
Cash Flow from Operating Activities		
Receivable from costumers	69 123 190,33	83 522 683,35
Payments to suppliers	-79 870 374,04	-83 146 326,47
Payments to employees	-6 477 316,92	-7 779 239,78
Cash Generated by Operations	**-17 224 500,63**	**-7 402 882,90**
Income tax payments	1 485 831,74	-1 374 591,22
Other payments/receivable related to opertaing activity	8 940 043,92	8 777 715,29
	-6 798 624,97	241,17
Flow from Operating Activities (1)	**-6 798 624,97**	**241,17**
Payments Related with:		
Tangible assets	-777 043,71	-1 253 630,36
	-777 043,71	-1 253 630,36
Receivables Related with:		
Tangible assets	14 537,02	7 461,25
Interest and Similar Income	17 339,88	32 322,34
Flow from Investment Activities (2)	**-745 166,81**	**-1 213 846,77**
Payments Related with:		
Interest and Similar Expenses	-11 707,09	-12 633,40
Dividends	0,00	-1 950 000,00
Flow from Financing Activities (3)	**-11 707,09**	**-1 962 633,40**
Changes in Cash and Cash Equivalent (4) = (1) + (2) + (3)	**-7 555 498,87**	**-3 176 239,00**
Net Foreign Exchange Difference	**607,00**	**822,86**
Cash and Cash Equivalents at Beginnings of Period	**-26 798 056,41**	**-29 975 118,27**
Cash and Cash Equivalents at End of Period	**19 241 950,54**	**26 798 056,41**
	-7 555 498,87	**-3 176 239,00**

(Amounts in Euros)

ANEXO

(Quantias estão expressas em Euros excepto quando expressamente indicado de outra forma)

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 Parpúplica, 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 Nº.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, 2019.

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, 2019, 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:

	2019	2018
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 measure at the cost of acquisition, only being depreciated when they are available for use.

Impairment

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

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

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

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

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

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

b.1 Deferred Tax Assets and Liabilities

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

Deferred Tax Assets reflect:

▶ Timing differences which are deductible insofar as the existence of future taxable profits is probable with regard to which the deductible difference may be used;

- Unused tax losses and tax credits insofar as it is probable that future taxable profits are available against which they can be used.

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

Deferred Tax Liabilities reflect taxable timing differences.

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

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

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

The measurement of Deferred Tax Assets and liabilities:

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

b.2 Income tax

The Income tax for the Period encompasses the deferred and current taxes of the financial year.
Current Tax is determined in line with the accounting result adjusted in accordance with the tax legislation in force.

The Company is subject to income tax at the rate of 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 (article296 of the CSC)

h.3Results 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:

	2019	2018
Cash on hands	50.778,13	62.208,34
Short-term deposits	1.191.172,41	1.735.848,07
Other Bank Deposits	18.000.000,00	25.000.000,00
	19.241.950,54	**26.798.056,41**

5. Accounting policies, alterations to accounting estimates and errors

In the Financial Year 2019 no alterations occurred of accounting policies, accounting estimates or errors, passable to be reported in the present Note.

6. Related Parties

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

				Nature of Relationship	
Name	**Location**	**% Stake**	**% Votes**	**Services that Lisnave provides/ Transactions it carries out**	**Services that Lisnave receives/ Transactions it receives**
Navivessel, Estudos e Projectos Navais, S.A.	Portugal	72,83%	72,83%	Dividends	Consultancy Services
ThyssenKrupp 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	-	-	Recovery of shipyard	Shipyard Rent
Repropel	Portugal	-	-	Support to repairs and comissions	Propeller repair
Gaslimpo	Portugal	-	-	Support services	Gas research services
Rebocalis	Portugal	-	-	Support services	Seamanship services
Lisnave Internacional	Portugal	-	-		International services
Tecor	Portugal	-	-	Support services	Treatment of surfaces
NavalRocha	Portugal	-	-		
Navalset	Portugal	-	-		Support and Legal Advisory
LisnaveYards	Portugal	-	-	Support services	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:

Name	Year	Clients	Suppliers	Sales and rendering of Services	Purchases	Supplies and External Services
Navivessel, Estudos e projectos Navais, S.A.	2019	-	312.267,75		-	316.864,07
	2018	-	311.579,95	-	-	294.406,32
ThyssenKrupp Industrial Solutions AG	2019		-	-		-
	2018	-	-	-	-	-
Parpública, S.A. (Estado Português)	2019					-
	2018	-	-	-	-	-
Public (OPT)	2019	-	-	-	-	-
	2018	-	-	-	-	-
Lisnave Infraestruturas	2019	-			-	
	2018	-	3.047.282,53	1.852.941,93	-	1.692.425,73
Repropel	2019	35.359,74	1.488,30	95.495,46	-	22.110,00
	2018	48.745,73	-	94.383,00	-	22.440,00
Gáslimpo	2019	-				
	2018	-	227.699,20	18.579,57	123.428,81	714.998,85
Rebocalis	2019	-			-	
	2018	-	292.681,82	38.450,14	-	974.387,30
Lisnave Internacional	2019	-			-	
	2018	-	2.286,20	9.361,80	-	63.527,73
Tecor	2019				-	
	2018	81.375,90	3.178.752,62	225.832,01	-	9.161.195,06
NavalRocha	2019		-	-	-	-
	2018	885,60	-	-	-	-
Navalset	2019	-	5.185,00	-	-	
	2018	-	5.185,00	-	-	18.000,00
LisnaveYards	2019	-			-	
	2018	-	1.258.037,62	448.240,06	-	8.545.645,80
Dakarnave	2019	-	-	-	-	-
	2018	-	-	-	-	-

7. Investment Properties

The investment properties relate to the site of Quinta da Chanoca which is held for enhancement in the capital value. No movement occurred in the financial years of 2018 and 2019.

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:

	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
Costs							
January 1st 2018	**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	-	1.095987,80	12000,00	31.290,53	114.352,03	(1.253.630,36)	-
Write-Offs	-	-	(14.000,00)	-	(193,90)	-	(14.193,90)
Disposals	(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**
Increases	-	-	-	-	-	876.154,90	876.154,90
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	31.837,21	513.326,55	122.314,57	12.625,89	96.939,49	(777.043,71)	-
Disposals	-	-	(120.813,08)	(34,18)	-	-	(120.847,26)
Write-Offs	-	-	-	-	(9.079,10)	-	(520.900,90)
Exchange differences							
December 31st 2019	**1.811.296,59**	**10.004.342,24**	**148.737,73**	**1.472.678,11**	**8.066.365,88**	**796.447,53**	**22.299.868,08**

	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
Costs							
January 1st 2018	**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**
Increases	102.048,88	610.319,95	38.411,97	66.677,34	263.014,08	-	1.080.472,22
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Write-Offs	-	-	(120.813,08)	(34,18)	-	-	(120.847,26)
Disposals	-	-		-		-	-
Exchange differences	-	-	-	-	-	-	-
December 31st 2019	**1.227.684,90**	**6.108.030,68**	**58.835,13**	**1.214.033,29**	**7.334.515,71**	**-**	**15.943.099,71**
Net Book Value:							
As at December 31st 2019	**583.611,69**	**3.896.311,56**	**89.902,60**	**258.644,82**	**731.850,17**	**796.447,53**	**6.356.768,37**
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 January 1st 2018	**752.334,81**	**3.430.081,49**	**5.000,00**	**360.408,52**	**1.025.114,18**	**1.182388,28**	**6.755.327,28**

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

	2019	2018
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**

9. Impairment of Non-current Assets Held for Sale

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 2019, 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:

	2019	2018
Raw materials, subs. and consumption		
Gross	2.564.234,93	2.462.680,60
Impairments	(576.041,13)	(501.063,06)
	1.988.193,43	**1.961.617,54**

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

a) Cost of goods sold and materials consumed:

	Raw Material and consumable supplies
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
Inventories as at January 1st 2019	2.462.680,60
Purchases	4.562.835,67
Inventories as at December 31st 2019	2.564.234,93
	4.461.281,34

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

	2019	2018
Impairment losses		
Raw materials and consumable supplies	74.978,44	30.812,06
	74.978,44	**30.812,06**
Reversion of impairment losses		
Raw materials and consumable supplies	-	-
	74.978,44	**30.812,06**

11. Revenue

Revenue is itemised as follows:

	2019	2018
Sale of Goods		
By-products, waste and scrap		
Portugal	250.604,80	311.259,98
	250.604,80	**311.259,98**
Rendering of Services		
Services		
Total Europe	**41.550.477,58**	**37.937.531,54**
Portugal	10.699.598,62	8.514.636,15
E.U.	26.942.964,96	19.058.543,39
Others	3.907.914,00	10.364.352,00
Total Africa	**2.769.806,00**	**6.733.489,50**
Total America	**10.254.408,78**	**21.927.889,36**
Total Asia	**7.277.668,88**	**7.198.567,28**
Total Oceania	**9.185.180,00**	**9.206.329,52**
	71.037.541,24	**83.003.807,20**
	71.288.146,04	**83.315.067,18**

Years	By-products, waste and scrap	Ship repairing	Other activities	Rendering of services	Total
2019	250.604,80	64.726.322,64	5.705.406,98	605.811,62	**71.288.146,04**
2018	311.259,98	79.686.237,43	2.816.738,57	500.831,20	**83.315.067,18**

12. Provisions

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

	Provisions for Court Proceedings in progress	Provisions for Commissions / Claim	Other Provisions	Total
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**
On January 1st 2019	**230.234,80**	**525.967,69**	**14.920,30**	**771.122,79**
Increases for the year	-	-	77.314,70	77.314,70
Utilisation for the year	-	-	-	-
Revers. for the year	(118.231,42)	(389.816,50)	-	(508.047,92)
On Dec. 31st 2019	**112.003,38**	**136.151,19**	**92.235,00**	**340.389,57**

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:

	2019	2018
Exchange gains included under:		
Other income and gains	11.665,13	9.030,43
	11.665,13	**9.030,43**
Exchange losses included under:		
ther expenses and losses	13.816,97	1.502,39
	13.816,97	**1.502,39**

14. Income tax

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

	2019	2018
Current tax		
IRC (corporation tax) for the year	266.170,98	192.910,89
Deferred Tax		
Originating from, and the object of, reversion of timing differences	(378.976,66)	1.998.991,69
Other movements	-	-
	(112.805,68)	**2.191.902,58**

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

	2019	2018
Excess Tax Estimate	4,20	1.000,33
Insufficient Tax Estimate	(125.242,83)	(36.641,82)
	(125.238,63)	**(36.637,62)**

During the year 2019, there were no other changes in tax rates or imposition of new taxes.

The chang 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	
	2019	2018	2019	2018
Pre-Tax result	(2.069.727,88)	6.805.081,88		
Rate of Income tax in Portugal	21%	21%		
Tax on profit at the nominal rate	**0,00**	**1.429.067,19**	**0,00%**	**21,00%**
Non-taxable income				
Negative difference between capital gains and tax losses	1.322,43	-		
Reversal of adjustments and impairment	71.498,40	6.487.664,29		
Reversion of provisions taxed in previous years	508.047,92	1.177.610,07		
Excellentia Insurance Policy	-	979.042,89		
Negative equity variations	-	-		
More accountings gains	51.030,09	7.375,00		
Fiscal Benefits	54.840,00	56.915,00		
	686.738,84	**8.708.607,25**	**6,97%**	**(26,87%)**
Costs not deductible for tax purposes				
Donations	1.500,00	5.400,00		
Fines, administrative fines and compensatory interest	11,15	1.160,75		
Undocumented expenses	122.832,10	152.190,13		
Excellentia Insurance Policy	23.674,00	511.304,00		
Depreciations not accepted for tax purposes	14.101,09	1.607,31		
Provisions beyond legal limits	-	368.218,19		
Recording of impairment losses	96.155,28	30.812,06		
Bad Credits	-	24.436,39		
Insufficiency Taxes Estimate	70.795,53	36.641,82		
Positive assets variations	-	-		
Corrections on previous Financial Years	38.298,30	400.679,22		
Others	94.397,65	109856,53		
	461.765,10	**1.642.306,40**	**(4,69%)**	**5,07%**

	Tax Base		Rate of Tax	
	2019	2018	2019	2018
Taxable profit	-	-	-	-
Rate of Income tax in Portugal	21,00%	21,00%	-	-
Tax calculated	**-**	**-**	**2,28%**	**(0,81%)**
Autonomous taxation	266.170,98	192.910,89	(12,86%)	2,83%
Municipal Surcharge	-	-	-	-
State Surcharge	-	-	-	-
Effect of increase/reversion of deferred taxes	(378.976,66)	1.998.991,69	18,31%	29,37%
	(112.805,68)	**2.191.902,58**	**5,45%**	**32,21%**
Income tax	**(112.805,68)**	**2.191.902,58**	**7,73%**	**31,40%**

Deferred taxes can be broken down as follows:

	Balance Sheet Accounts		Income Statement Accounts	
	2019	2018	2019	2018
Deferred Tax Assets				
Others	165.432,31	273.669,64	(108.237,33)	1.867.583,59
Tax losses	481.887,34	-	481.887,34	-
	647.319,65	**273.669,64**	**373.650,01**	**1.867.583,59**
Deferred Tax Liabilities				
Excellentia Insurance Policy	(19.485,45)	(24.812,10)	5.326,65	131.408,10
	(19.485,45)	**(24.812,10)**	**5.326,65**	**131.408,10**

15. Financial instruments

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

	2019	2018
Assets		
Non-current		
Other Financial Assets	-	-
Other Receivables	86.602,08	110.276,08
	86.602,08	**110.276,08**
Current		
Clients		
Gross amount	20.423.685,75	16.974.218,51
Impairments	-	-
Advances to Suppliers	483.116,91	548.881,29
Impairments	(288.098,57)	(303.561,57)
Other debts receivable	2.928.185,77	3.455.309,96
Impairments	(151.052,95)	(185.911,51)
	23.395.836,91	**20.488.936,68**
Liabilities		
Non-current		
Other accounts payable	-	-
Current		
Suppliers	19.101.994,40	20.401.035,89
Client advances	7.171,50	19.255,50
Other accounts payable	6.020.112,47	8.452.513,23
	25.114.935,37	**28.872.804,62**
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
2019	20.423.685,75	-	20.423.685,75
2018	16.974.218,51	-	16.974.218,51

			Debt due				
	Net Balance	Debt not due	< 30 Days	30-60 Days	61-90 Days	91-120 Days	> 120 Days
2019	20.423.685,75	16.452.405,82	1.554.034,56	926.088,53	412.825,72	632.039,46	446.291,66
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

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

	Saldo Inicial	Reforço	Utilização	Reversão	Saldo Final
Financial Year of 2019					
Clients	-	-	-	-	-
Suppliers	303.561,57	21.176,84	-	36.639,84	288.098,57
Other Debtors	185.911,51	-	-	34.858,56	151.052,95
	489.473,08	**21.176,84**	**-**	**71.498,40**	**439.151,52**
Financial Year of 2018					
Clients	6.356.585,15	-	-	6.356.585,15	-
Suppliers	397.210,50	2.571,65	-	96.220,58	303.561,57
Other Debtors	220.770,07	-	-	34.858,56	185.911,51
	6.974.565,72	**2.571,65**	**-**	**6.487.664,29**	**489.473,08**

15.2 Others credits receivable

The others credits receivable can be broken down as follows:

	2019	2018
Other non-current credits receivable		
Other Financial Assets	86.602,08	110.276,08
Other current credits receivable		
Debtors for accrued income		
Revenue from orders in progress	2.508.916,67	3.001.574,02
Interest on Time Deposits	5.000,00	7.567,00
Others	171.639,00	162.441,97
Other debtors and creditors		
Staff	4.906,81	2.575,93
Court Proceedings	86.565,34	91.716,34
Others	151.157,95	189.434,70
Impairment	(151.052,95)	(185.911,51)
	2.777.132,82	**3.269.398,45**

In order to ensure the accounting treatment in accordance with NCRF 20 for repairs / works in progress ongoing for the Year 2020, 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 2020.

15.3 Suppliers

The suppliers balance can be broken down as follows:

	2019	2018
Suppliers Current Account		
National	12.317.168,58	10.761.181,73
Foreigners	163.825,07	129.283,95
Parent Company	5.535,00	5.185,00
Subsidiary Companies	5.860.711,30	8.318.319,94
Suppliers: receiving and conferring	**754.754,99**	**1.187.065,27**
	19.101.994,94	**20.401.035,89**
Advances to Suppliers		
National	481.527,67	352.604,63
Impairments	(288.098,57)	(303.561,57)
Foreigners	1.589,24	196.276,66
	195.018,34	**245.319,72**

15.4 Other accounts payable

Other accounts payable can be broken down as follows:

	2019	2018
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	1.092862,96	1.276.545,40
Rendering Services	-	-
Specialized Works	-	-
Yard Rent	-	144.028,14
Commissions	957.188,94	1.015.415,23
Brokers	1.885.781,16	3.175.064,43
Claims e Settlements	912.263,50	967.895,27
Internal Works	-	102.134,75
Costs Center	84.767,41	30.834,75
Project Costs	427.668,39	548.542,65
Others	554.954,08	523.272,47
Agents	91.936,51	654.031,31
Other debtors and creditors		
Staff – Balance Sheet Bonuses	-	-
Miscellaneous	12.689,52	14.748,83
	6.020.112,47	**8.452.513,23**

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:

	2019	2018
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
PUBLIC (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 Garantias

Os activos financeiros dados em garantia, em penhor ou promessa de penhor como colateral são os seguintes:

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:

	2019	2018
Remunerations of the Governing Bodies	680.087,60	680.935,40
Staff Remunerations	6.111.684,23	7.271.159,27
Other Remunerations		
Compensations	-	-
Charges on Remunerations	1.550.106,74	1.820.104,74
Accident at work and professional illness insurance	182.738,69	214.122,40
Social action expenses	762.623,35	912.160,75
Other staffing expenses	65.968,81	513.510,17
	9.353.209,42	**11.411.992,73**

The Company established in 2008, an Insurance Policy (OEXL103112067) which translates into a financial investment to 10 years.

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 86,602 Euros (2018: 110.276). The value of liability was adjusted by interest expenses and expenses of the current services, a net total of 23,674 Euros recognized under the heading of personal expenses and the actuarial losses and for the return of the assets of OEXL103112068 policy.

The actuarial gain is generated by the reduction of the population safe.

The financial gain in terms of the assets that financed the policy stems from the difference between the real profitability (3%) and the assumption of long-term profitability (1%).

The values indicated above, supported by a technical study prepared by an Independent Entity, 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:

	2019	2018
Balance to be received		
Income tax	-	1.555.667,27
VAT	2.199.454,66	2.059.817,10
	2.199.454,66	**3.615.484,37**
Balance to be paid		
Income tax		-
Income Tax Withholdings	404.679,55	205.172,71
Social Security Contribution	169.781,99	206.223,43
	574.461,54	**411.396,14**

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 2019.

17.2 Deferrals

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

	2019	2018
Expenses to be recognised		
Insurance policies	167.213,98	111.252,71
Software assistance	41.667,14	75.000,06
Advertising contract	12.191,69	6.972,67
Other Expenses	1.083,33	1.765,83
	222.156,14	**194.991,27**

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 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**
Balance on January 1st 2019	**1.398.173,26**	**22.037.335,95**	**4.613.179,30**	**28.048.688,51**
Transfer to Legal Reserve	-	-	-	-
Dividends	-	-	-	-
Remainder of the distribution of the net income for the period	-	4.613.179,30	(4.613.179,30)	-
Net income for the period	-		(1.956.922,20)	(1.956.922,20)
Others	-	-	-	-
Balance on December 31st 2019	**1.398.173,26**	**26.650.515,25**	**(1.956.922,20)**	**26.091.766,31**

17.4 Supplies and External Services

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

	2019	2018
Subcontracts	36.684.479,79	38.990.733,16
Specialised works	3.710.995,28	3.252.353,85
Advertising	76.173,67	109.569,20
Surveillance and security	452.420,29	471.070,67
Fees	371.020,50	288.139,57
Commissions	1.869.329,35	4.006.448,75
Upkeep and repair	3.989.112,19	4.833.663,50
Tools and utensils	3.928,36	432.751,60
Books and technical documentation	17.549,83	41.598,53
Office material	52.250,01	57.829,14
Gifts to clients	41.221,82	47.777,10
Electricity	2.098.498,29	2.373.203,71
Fuels	1.155.067,98	1.231.957,08
Travel and accommodation	248.716,99	349.809,06
Staff transport	1.001.057,01	1.069.070,16
Rentals and hire	3.062.675,70	3.354.103,07
Communication	98.417,11	114.655,30
Insurance policies	1.424.223,23	1.275.572,00
Royalties	45.048,07	44.096,66
Litigation and notaries	1.047,96	1.600,42
Out-of-pocket expenses	92.165,47	128.864,00
Cleaning, hygiene and comfort	313.772,97	402.213,40
Others	2.831.490,49	2.869.400,12
	59.640.662,36	**65.746.480,05**

Operating Leases

During the 2018 and 2019 exercises were recognized as costs the amounts of 152.649,74 and 159.740,14 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:

	2019	2018
Total of future minimum payments:		
No more than 1 year	130.156,77	155.371,94
More than 1 year and no more than 5 years	106.287,31	219.406,28
More than 5 years	-	-
	236.444,08	**374.778,22**

17.5 Other Income and Gains

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

	2019	2018
Supplementary Income		
Others	490.633,79	459.034,83
Discounts obtained for prompt payment	138.998,75	242.526,80
Inventory gains	56.308,92	55.709,18
Income and gains one remaining		
Exchange differences assets	11.665,13	9.030,43
Income and gains on Non-Financial Investments		
Disposals	51.030,09	7.375,00
Others	208.601,82	381,88
Others		
Corrections on previous periods	272.482,56	171.415,70
Excess tax estimate	4,20	4,20
Tax return		-
Other unspecified items	2.808,73	1.509,07
Interest earned		
Free Deposits	14.772,88	24.427,34
Other similar Income	**-**	**33.108,00**
	1.247.306,87	**1.004.522,43**

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. In 2018, this investment had a financial return of 33,108 Euros. This insurance earned interest of 3.5% per year.

17.6 Other Expenses and Losses

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

	2019	2018
Taxes	22.243,78	22.181,46
Bad debts	-	24.436,39
Cash discounts	-	-
Losses on inventories	4.531,23	5.012,17
Losses on Disposals / Write-offs	-	557,31
Outros		
Corrections related to prior periods	38.298,30	400.679,22
Donations	67.500,00	74.150,00
Membership fees	72.128,26	74.620,32
Insufficiency to estimate taxes	125.242,83	36.641,82
Undocumented expenses	122.832,10	152.190,13
Fines and penalties		
Not tax fines	11,15	1.160,75
Others	233,17	409,24
Interest paid		
Default and compensatory interests	-	-
Foreign exchange losses		
Others	13.816,97	1.502,39
Other Expenses and Losses		
Others	11.241,48	12.315,80
	478.079,27	**805.857,00**

17.7 Expenses / Reversions of Depreciation and Amortisation

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

	2019	2018
Depreciation and amortisation expenses		
Investment Properties	-	-
Tangible Fixed Assets	1.080.472,22	962.262,70
	1.080.472,22	**962.262,70**

18. 18. Events after the balance sheet date

The date whereupon the financial statements are authorised for issue was February 20th 2020.

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. 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 728.352 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 2018 and 2019, 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
	Dakarnave, S.A.	Chairman of Board of Directors
	Repropel, Lda	Director
	LisnaveYards, Lda.	Director
Dr. Luís Manuel dos Santos Silva Patrão	ANA, S.A.	Director N/Executive
	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	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

2019 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 2019 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 2019 within the context of:

I) adverse market conditions resulting from the effects of the low level of growth of the world economy in the ship repair sector

II) continued imbalance between supply and demand in the maritime transport market and its consequent effects on freight rates

III) reduction in the number of consultations and a low rate of commercial success

IV) low profitability for Shipowners due to the continued increase in the value of the average freight rates of ships transporting solid bulk and the tanker fleet combined with the growth in supply in view of the high number of new ships put into operation, with less need for repair

V) competition aggressiveness

VI) concentration of fleets with repercussions on negotiating capacity and

VII) scarcity and poor flexibility of labor resources available in the domestic market. There is still a record of demand for alternative markets, which has seen some commercial success in the sector of dredgers, liquefied gas transport vessels and container carriers, however it has not made it possible to compensate for the fall registered in traditional markets.

6. The activity of Lisnave in the exercise – which since 2009 has been exerted in adverse market conditions affecting mainly the market of shiprepair – with signs of recovery from the 2nd semester onwards, it registered a level of negative operational performance below the objectives established in the budget, express by:

▶ Commercial success rate of 18% - 82 orders, reflecting a reduction of consultation/rate/success rate compared to the previous year, of the order of 20% - 85 orders;

▶ Continuing the trend of reducing the average work content per vessel (864 thousands euros -2019; 949 thousand euros – 2018);

▶ 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 60,3 million euros, 14,2 million less than in 2018;

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 71 million euros, about 14,5% down on 2018;

▶ The weight of personnel costs in the region of 9,3 million euros, representing 12,5% of the total operating expenditure;

▶ The amount of negative Operating Results of 2,1 million euros;

▶ The cash flow generated by operations in the period, negative 988 thousands euros;

▶ Negative evolution in the year of management, economic and financial indicators compared to that recorded in the previous year, continuing, nevertheless, to translate a significant financial sustainability

▶ Negative net result of 1,957 thousand euros, influenced by the combine effects of the global market conditions in which the company operates, mainly due to the drop in sales value and the reduction in gross margin negative evolution in the year of management.

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 2020, 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 1.956.922,20 euros, submitted by the Board of Directors, should be approved.

Lisbon, 28th February 2020

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 nº 320)

LEGAL CERTIFICATION OF ACCOUNTS

2019 Financial Year

Opinion

We have audited the financial statements prepared by LISNAVE – ESTALEIROS NAVAIS, S.A., comprising the balance sheet as at 31 December 2019 (showing a total of 57.155.382,78 euros and a total equity of 31.091.766,31 euros, including a negative net profit of 1.956.922,20 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 2019, 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, 28th February 2020

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 25TH JUNE 2020 RELATING TO THE APPROVAL OF DOCUMENTS REPORTING THE ACCOUNTS FOR THE 2019 FINANCIAL YEAR

The Annual General Meeting of Lisnave, Estaleiros Navais S.A., was held by telematic means, through the use of the teams platform at 11.00 a.m. on the twenty-five day of June two thousand twenty.
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 Mr. Jan Krabbenhöft, 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;
- 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 2018 Annual Management Report and Accounts.
… the Chairman submitted the Report and Accounts for the year 2019. which was unanimously approved

Item 2 To discuss and approve the Auditing Committee Report.
… the Chairman submitted the Auditing Committee Report, which was unanimously approved.

Item 3 To discuss and approve the Proposal for the Appropriation of Profits
… , the Chairman declared that the Table had received a Proposal for the Appropriation of Profits presented by the Board of Directors, which he read out, the contents of which were as follows:

“Proposal for the Appropriation of Profits
The Board of Directors proposes to Equity holders that:

- The present Report and Accounts be approved;
- The Negative Net Profit for the year in the sum of € 1.956.922,20 (One million, nine hundred and fifteen thousand, nine hundred and twenty two Euros and twenty cents) be appropriated as follows:

Retained Earnings	-1.956.922,20 Euros.

Mitrena, June 25, 2020
The Board of Directors"

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

Item 1 To carry out a General Appraisal of the Management and Supervision of the Company.
..., the Chairman stated that the Table had received a Proposal subscribed by Shareholder Navivessel, Estudos e Projectos Navais, S.A., which he read out, the contents of which were as follows:

“Proposal
Considering the competent and efficient way in which the Company's Corporate Officers had performed their respective duties, especially during 2019, Navivessel, Estudos e Projectos Navais, S.A., proposes that the General Meeting approve a vote of praise for the Board of Directors and Audit Committee of Lisnave, Estaleiros Navais S.A..

Monte da Caparica, June 25, 2020
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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