

MANAGEMENT REPORT AND ACCOUNTS

2020



LISNAVE | ESTALEIROS NAVAIS, S.A.

Share Capital: 5 000 000 Euros

Registered Office: Mitrena – 2910-738 Setúbal

Setúbal Commercial Registration Office

Matricula N.º 503 847 151

Company Number 503 847 151

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2020

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Management Report and Accounts 2020

Design

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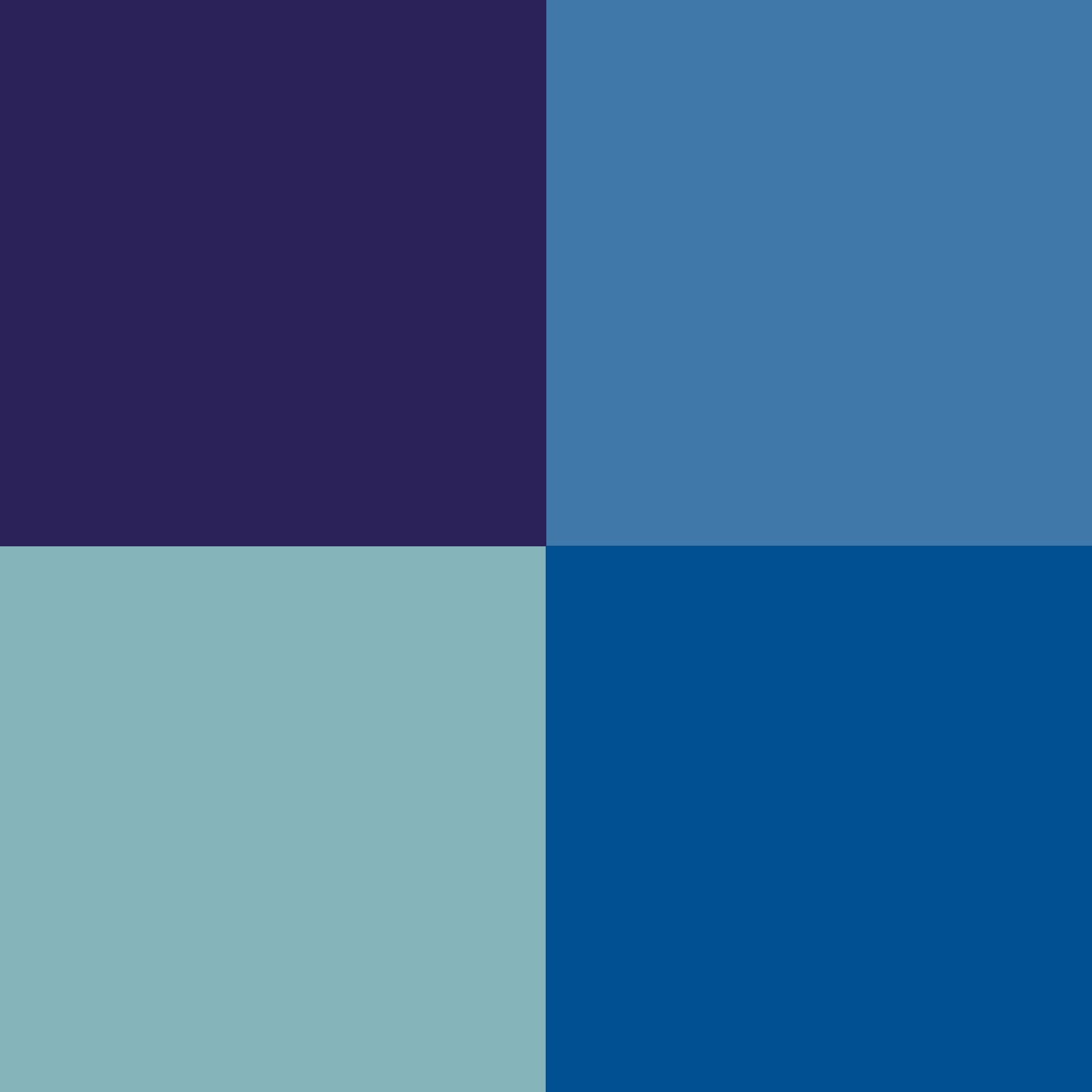
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April 2021

INDEX

Members of Corporate Bodies	7
Notice of the Annual General Meeting of Shareholders	9
Board of Directors Report	13
▶ 1 Introduction	13
▶ 2 General Comments about the Market	19
▶ 3 Ship Repair/Maintenance	22
▶ 4 Investments/Others	23
▶ 5 Human Resources	26
▶ 6 Economic and Financial Situation	31
▶ 7 Business Outlook for 2017	36
▶ 8 Proposal for the Appropriation of Profits	38
▶ 9 Closing Remarks	39
Balance	44
Statement of Changes in Equity	46
Profit and Loss Statement	47
Cash Flow Statement	48
Annex	49
Auditing Committee Report and Advice	90
Legal Certification of Accounts	93
Extract of the Minute of the Annual General Meeting of Shareholders held on 25th March 2021 relating to the Approval of Documents Reporting the Accounts for the 2020 Financial Year	96
Delegations and Representative Office	100



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

– represented by Joaquim Patrício da Silva (Roc n° 320)

Alternate:

Dr. António José Lino do Patrocínio Santos (Roc n° 840)

Company Secretary

Dr. Carlos Fernando Soares Pinheiro

Remuneration Committee

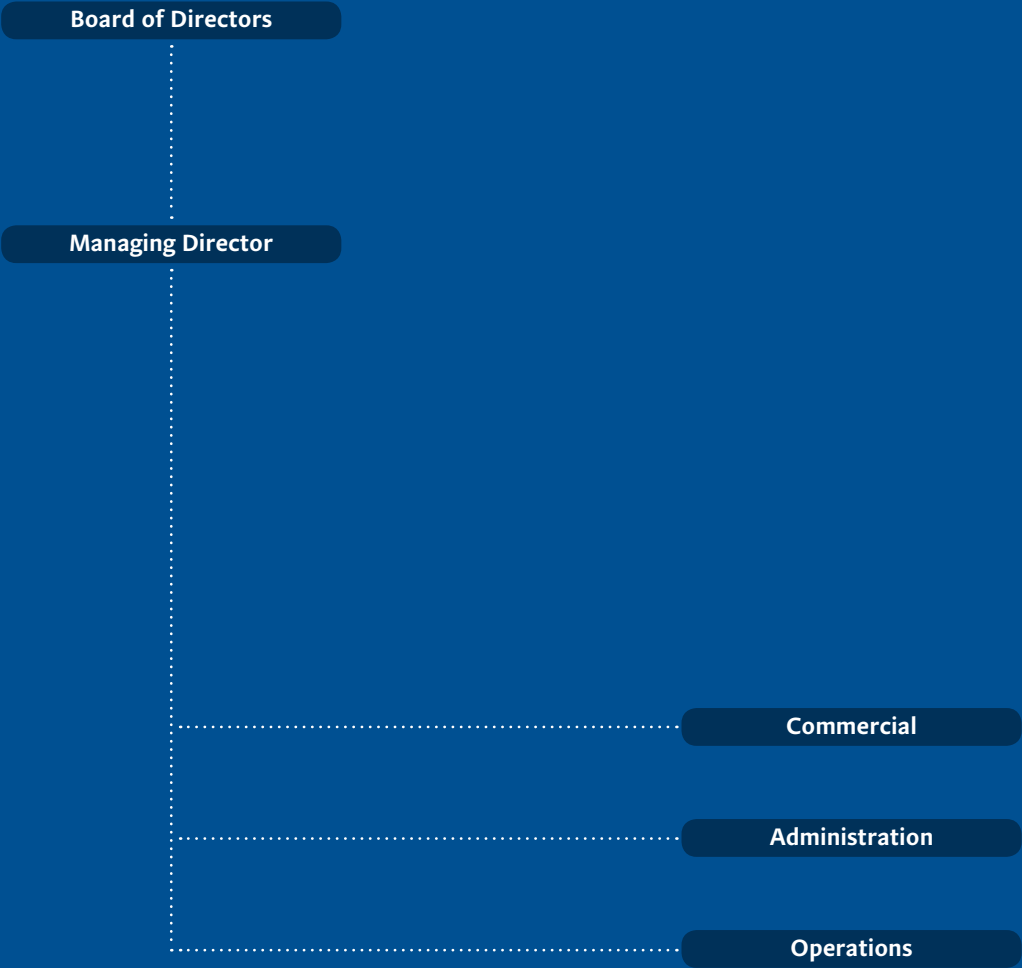
President:

Dr. Luís Miguel Nogueira Freire Cortes Martins

Secretary:

Dr. Hanspeter Hartmann

COMPANY STRUCTURE



ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice

In accordance with the law and the Articles of Association, the Annual General Meeting of the Shareholders of LISNAVE – ESTALEIROS NAVAIS, S.A., is convened to meet, by telematic means, through use of the “Teams” platform, on 25 March 2021, at 11:00 am, with the following Agenda:

- 1 — Decide on the MANAGEMENT REPORT AND THE ACCOUNTS FOR 2020;
- 2 — Decide on the REPORT OF THE AUDIT BOARD;
- 3 — Decide on the Proposal for the Application of Results;
- 4 — Make a general appraisal of the Administration and Supervision of the Company;
- 5 — Ratify the appointment, by co-option, of the Director Eng. Nuno Miguel Ferreira de Almeida Antunes dos Santos, in replacement of Eng Petrus Charles Maria Luijckx;
- 6 — Rule on the amendment to Article Twenty of the Company's Articles of Association;
- 7 — Elect the Members of the Governing Bodies for the four-year period 2021-2024.

In the legal period, the information referred to in Article 289 of the Commercial Companies Code and the information relating to the items on the Agenda are at the disposal of the Shareholders at the Company's registered office and on the respective website.

In accordance with the law and the Articles of Association, the General Meeting comprises the Shareholders entitled to vote who have, at least, one hundred shares duly registered in their name up to ten days before the date of the General Meeting. Each one hundred shares shall correspond to one vote.

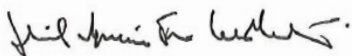
For the purpose, Shareholders who want to be present at that meeting should inform the Chair of the Board of the General Meeting, by letter, with the signature notarised or certified by the Company, and should in this case ask the financial institutions where the shares are registered to notify the Chair of the Board of the General Meeting of the existence of such record, up to five working days before the date of the General Meeting. Given that the meeting will be held via audiovisual platform. in the said communication the Shareholders should notify the e-mail address which they will use to connect to the meeting.

The General Meeting will only be able to meet, on first call, with Shareholders representing at least fifty per cent of the share capital present or represented.

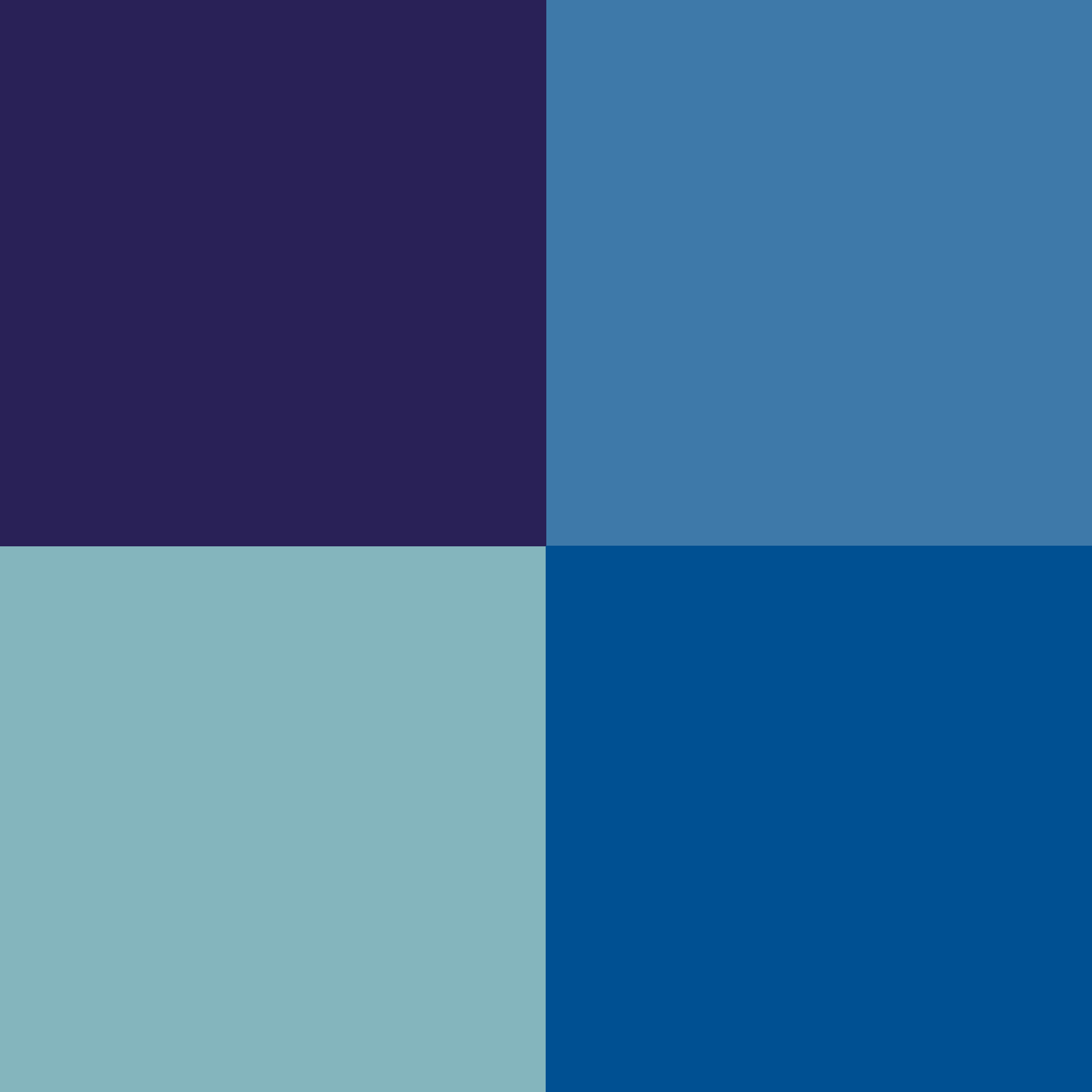
Shareholders who do not have the right to vote may not attend the General Meeting.

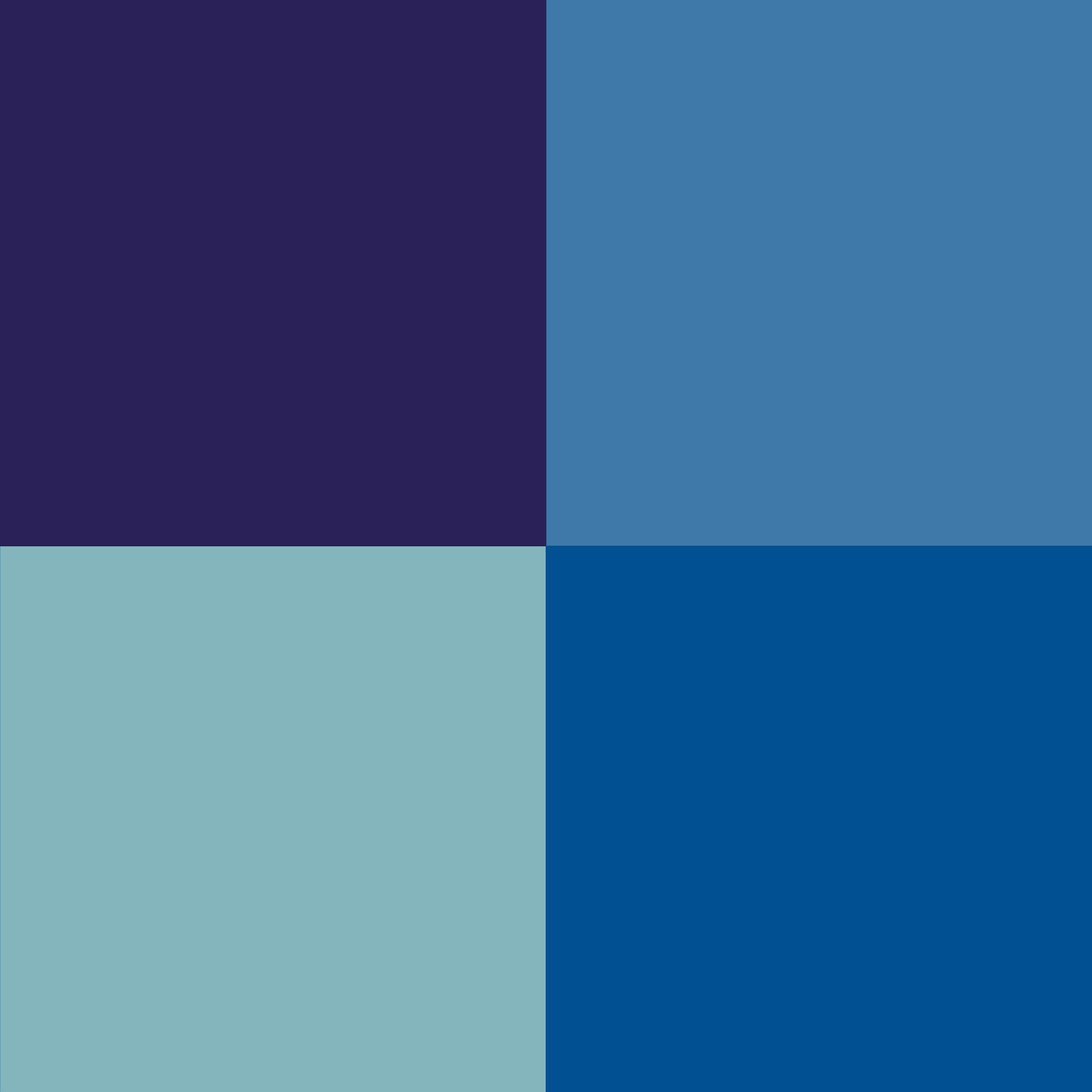
Setúbal, 14 February 2020

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., registered a good overall performance in 2020. This fact deserves to be highlighted, especially if one takes into account that business continues to be conditioned by the effects of the low level of growth of the world economy and that LISNAVE was particularly affected by the effects of the largest pandemic that the world has ever faced and that has led to the unprecedented intervention of the Authorities, with the implementation of extreme measures, namely confinements, quarantines and border closures.

In a global market, demand, measured by the number of enquiries, as a result of the strong commercial action taken in the second semester to compensate the negative effects of the pandemic felt from March onwards, reached the highest level since 2015, with 540 enquiries received, 73 more than in 2019, although the commercial success rate fell by 4 percentage points, compared to the previous year to stand at an unsatisfactory 14%.

The difficulties resulting from the pandemic situation mentioned above, together with the effect of the scarcity of manpower of the service providers, which was magnified by the effects of the pandemic, heavily conditioned the year's performance, but even so, they did not prevent us from surpassing the business goals initially assumed by LISNAVE in the Budget for 2020.

In this context, the Board of Directors cannot but express its satisfaction by LISNAVE's return to positive results and, although aware of the current difficulties of a market that continues to be a "seller's market", aggravated by the increasing aggressiveness of the competition and by the effects of the pandemic, the end of which cannot be predicted, also express its satisfaction at being able, albeit with due restraint, to once again share part of the results obtained with the Company's Employees and Shareholders.

Before focusing on a more detailed analysis of the year, as is customary, 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 on 2,624 vessels, from over five dozen countries from all over the world, which resulted in sales of 2.42 billion Euros, which include an expressive 2.27 billion, or rather, around 94%, for export.

With this business it proved possible to ensure payment of wages totalling 1,382 million Euros and also payments to the State by way of Social Security contributions, personal income tax (IRS) and other taxes totalling about 234 million Euros.

2020

As mentioned in the introduction to this Report, in addition to the difficulties that have been mentioned by the Board of Directors and that are inherent to the business itself, LISNAVE faced particularly adverse working conditions in 2020, arising from the measures that the Authorities established to contain the spread of the pandemic, which include quarantining ships, closing borders and making it impossible for technicians and shipowners' representatives to visit ships undergoing repair, making it impossible to carry out normal work, a situation aggravated by the infectious effects and

prophylactic isolation, both among the workers in general and the ships' crews, notwithstanding the careful management of the Contingency Plan, with the implementation of various health, control and protective measures, which, by itself, led to costs of over 600 thousand Euros.

These major limitations, compounded by the effects on cost and quality, resulting from the increasing scarcity and low qualifications of the available labour in the market, which resulted in consecutive planning changes with undesirable consequences on the level of customer satisfaction, did not, however, prevent LISNAVE, through intense commercial activity, from managing to recover from the effects of the cancellations and postponements of orders that occurred in the second quarter of the year, developing in the second semester, which allowed it to successfully surpass the targets set out in the 2020 Budget.

In fact, commercial activity developed and the level of so-called "Repeat Business" of loyal customers helped to minimise the serious effects of the pandemic mentioned above, and in the period under review LISNAVE carried out repairs/maintenance on 76 vessels.

The average workload per vessel, which has remained at very low levels in previous years, as a consequence of the low profitability of the business with which Shipowners continue to be faced - since the level of prices the market is willing to pay for their services is not sufficient to compensate for the high operating costs of the vessels - rose significantly. The average invoice stood at 1,145 thousand Euros, well above the 864 thousand and 949 thousand Euros for 2019 and 2018, respectively.

Among the reasons for the low profitability of the shipowners' business referred to in the previous paragraph, and in respect of LISNAVE's two traditional market sectors, the amount of average daily freight rates continues to stand out, which, - as a result of the lesser need for shipping, resulting

from the weak growth of the world economy, on the one hand and, on the other, from 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 - has been at very low levels, albeit with different trends as will be seen below.

With regard to the supply of oil tankers, it should be noted that in 2020, 233 new vessels were delivered (325 in 2019), with a capacity of 23.6 million DWT (38.1 in 2019), corresponding to 3.7% of the capacity of the existing fleet (6.1% in 2019), and, during the same period, only 48 ships were sold for scrap (52 in 2019) with a capacity of 3.4 million DWT (3.5 in 2019), corresponding to 0.5% of the capacity of the existing fleet (0.6% in 2019), resulting in a very slight downwards trend in supply compared with the previous year.

With regard to the dry-bulk carrier fleet, 480 new vessels were delivered (429 in 2019) with a capacity of 48.6 million DWT (41.1 in 2019), corresponding to 5.3% of the capacity of the existing fleet (4.7% in 2019), with only 141 vessels sold for scrap (81 in 2019) with a capacity of 15.3 million DWT (7.8 in 2019) corresponding to 1.7% of the capacity of the existing fleet (0.9% in 2019), resulting in a very slight downwards trend in supply compared with the previous year.

World demand for shipping decreased by 3.8%, with liquid bulk transport reducing by 7.4% and dry bulk transport reducing by 2.9%, while the growth in supply was higher than that of demand by 10.5% in the liquid bulk market and 6.7% in the dry bulk market.

With regard more specifically to freight rates, for reasons arising from confinement, among which storage on ships themselves and port congestion in the first semester, and the need for refineries to reduce their stocks in the second semester, record highs were reached in that case and record lows in the latter. As can be seen below in the tables in chapter 2, the daily average freight rates of a modern Suezmax



tanker maintained the positive trend seen in the previous year, although very moderately, standing at 27.8 thousand Dollars, or rather, only 1.1 thousand Dollars more than in 2019, but only around 77%, of the average daily rate of 35.9 thousand Dollars, of the same charter, in 2015, or only 59% of the same average rate of 47.5 thousand Dollars, in 2008.

A different evolution was observed in the freight rate of dry-bulk carriers, which maintained the downward trend which has been the case since 2018, with the average daily rate of a Capesize bulk carrier standing at around 14.8 thousand Dollars, or rather, around 2.6 thousand Dollars less than in 2019, a value that represents only around 46% of the average rate of 2010 or, more significantly, only around 15% of the more than US\$ 100,000 per day per day that these ships were able to obtain in charters in 2007 and 2008.

In this context, LISNAVE concluded 2020 with ship-repair sales of 86.99 million Euros, 24.8 million more than in the previous year.

Total operating income was 95.81 million Euros, or rather, around 23.27 million Euros more than in 2019, with Total operating costs at 87.74 million Euros, 13.13 million more than in the previous year.

Equity amounted to 36.9 million Euros, a figure that is around 7.4 times greater than the share capital. The Net results of the year were 5.81 million Euros.

LISNAVE, however, retained its traditional characteristic as a strong export-oriented company, having repaired only three ships carrying the Portuguese flag and sold, on the international market, around 93.3% of the total of its maintenance and repair services.

As regards employment, LISNAVE likewise maintained its customary high level of employability, involving costs of 54.85 million Euros, an amount that corresponds to an average job equivalent of more than 2,000 people per day.



It should be pointed out 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 were delivered on IRS, Contributions to the Social Security and Tax, around 3.97 million Euros was paid by way of personal income tax (IRS), Social Security contributions and taxes.

With regard to Fixed assets, investments during the year amounted to 1.13 million Euros, and the total amount of Investments made since 2000 now stand at 38.21 million Euros.

Also worth mentioning is the amount of costs incurred by LISNAVE, with major repairs of infrastructures and equipment, which amounted to about 473 thousand Euros during the year.

On the other hand, being although it is the responsibility of the Concessionaire, LISNAVE INFRAESTRUTURAS NAVAIS, S.A., it is worth mentioning the Investments related with maintaining the working conditions of the shipyard, totalling around 3 million Euros in the year. 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 26.7 million Euros.

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 1.9% was agreed.

It should be recalled, in the meantime, as the Board of Directors has pointed out since 2009, 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 LISNAVE YARDS.

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, LISNAVE-YARDS hired 5 Technicians, 2 Administrative staff and 7 Specialists, 6 of whom young engineers.

This company, whose corporate purpose is similar to that of LISNAVE, started, as is known, its service provision activity in February 2009, and has 270 workers in its service as at December 31, 131 of whom are direct workers. On that date LISNAVE had a workforce of 150 Workers.

LISNAVE maintained its Quality Certification System in accordance with 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 the Company, following the entry into force, on 25 May 2018, of Regulation EU 2016/679, relating to the Data Protection Regime and the protection of workers' personal data, 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.

On 31 December 2020 the shareholder structure was the following:

Navivessel, Estudos e Projectos Navais, S.A.	72,83%
Thyssenkrupp Technologies Beteiligungen GMBH	20,00%
Parpública, S.A.	2,97%
Outros Accionistas	4,20%

The Board of Directors, concluding the general appraisal of the year, wishes to express its satisfaction for the fact that it is again possible, after the interregnum in 2018 and 2019, to present for the fifteenth time to the General Meeting of Shareholders, a proposal for the remuneration of the capital invested by the more than 200 Shareholders of the company.

The Outlook for 2020

2021 will be naturally marked by the unforeseeability of the evolution of the pandemic and by the confinement measures imposed by governments in general and, on the other hand, by the expected effects of the results of the prolonged vaccination campaigns in progress.

As mentioned in more detail in chapter 7 of this Report, if, as estimated by the United Nations, there is a reduction in the infection rates as a result of the significant increase of the number of people vaccinated and companies and families adapt to the new rules on social distancing and other measures to prevent the spread of contagion, it is probable that after the sharp decline in demand for goods and services in 2020 and which resulted in a relevant decrease in the growth of the world economy and in a contraction of 7.6% in terms of trade, in 2021 we will see these grow by around 6.9% as a result of the reduction of the restrictions on circulation.

In this scenario, considering that the shipping market will press ahead with the installation of ballast water treatment systems and that, in relation to the installation of “scrubbers”, there are still many doubts, associated namely to the reduction in the price of low-sulphur fuels and, on the other hand, uncertainty as to the type of fuel to be used to meet carbon emission reduction targets, situations that are delaying Shipowners' decisions on whether to place orders for new ships, it is expected that these uncertainties will increase the value of second-hand vessels. It is also expected that there will be some demand for work on these older ships, for the replacement of materials that contain asbestos, namely in pipe joint seals, which, together, lead to the expectation that there will be an increase in demand for ship repair in the second half of the first semester of 2021.

Conversely, one should consider 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 help to mitigate the effects of the aggressiveness of the competition.

The competition from these shipyards will require LISNAVE to strategically reposition itself, both commercially and in terms of operations. To improve the efficiency and productivity of its operations it will be necessary to invest carefully in the maintenance and recovery of a variety of the company's equipment and infrastructures, and also in new technologies, processes and vocational training. Investments of this type have a secondary and positive effect in terms of quality, safety and environmental conditions, and so these actions regarding the operations will have to be articulated with commercial action, in the conquest of more demanding markets with higher added value.

So, in this context of expectations but of high uncertainty, LISNAVE will remain focused on seeking to increase productivity and diversify its markets and also on developing actions to recruit and train young Human Resources, essential for meeting its own needs.

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 the unforeseeability and aggressiveness of the competition, the Board of Directors expresses to the Shareholders, if in the meantime there is no substantial change in the prospects set out above or any unforeseen threats of another nature, its feeling of moderate expectation that business in 2021 will be at a level not much lower than in the year under review.

2 | General Comments on the Market

Context

2020 was marked by the start of the COVID-19 pandemic. This pandemic has had dramatic effects on the area of health, causing an enormous loss of human life and on the world economy, causing a contraction that, in the last one hundred and fifty years, was only surpassed by the contractions caused by the great depression of the 1920s and by that caused by the two world wars.

Uncertainties about this pandemic have paralysed most economic activities for months. The confinement of the population, which has occurred mainly in developed and developing countries, practically paralysed trade and tourism with the consequent negative impact on employment.

Thus, in global terms, the United Nations, in its World Economic Situation and Prospects 2021 report, estimates that the world economy contracted by 4.3% in 2020, after having grown by 2.5% in 2019.

The economies of developed countries were those that suffered most severely from the consequences resulting from this pandemic, with many of them suffering from the decisions to adopt very severe containment measures, resulting in their economies contracting by 5.6% compared to 2019.

In this group, the biggest contraction was in all the economies of the United Kingdom with a contraction of 9.5%, with the economies of the countries of the European Union having contracted by 7.4% and Japan 5.4%. The economy of the United States of America contracted less than the average for developed countries as a whole, reaching 3.9%.

In the economies of developing countries, a result of the pandemic having started later and of the containment measures not being as severe as in the developed countries,

the contraction of growth in their economies was lower than that of the developed countries, even so, reaching 2.5% in 2020.

However, there are big differences in the growth of the economies of this group of countries in 2020, with the economies of Latin American and Caribbean countries together with the economies of South Asian countries being the most affected – with a contraction of 8.0% and 8.6% respectively – in contrast with East Asian economies where, as a whole, these countries had positive growth of 1% in 2020. The growth positive of 2.4% achieved by the Chinese economy should be pointed out, resulting from the major export activity of products to combat the pandemic to Western countries.

As a whole, the economy of African countries contracted by 3.4%, and the biggest contraction occurred in South Africa where it reached 6.4%, with the economies of the Northern countries contracting 3.3% and those of Central Africa 4.3%.

As a consequence of the strong contraction of the world economy shown above, world trade contracted by 7.6% in 2020, after have reached a slight growth of 1% in 2019.

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 2.6% in 2020, following growth of 4.3% in 2019. At the end of 2020, this fleet had reached 641.6 million DWT, which corresponded to a growth of 3.1% in relation to the end of 2019, a year in which it had grown by 5.8%.

In terms of new construction, 233 vessels were delivered with a total carrying capacity of around 23.6 million DWT, corresponding to 3.7% of the current capacity of this fleet. With regard to scrapping, 48 vessels were sold for decommissioning, with a capacity of 3.4 million DWT corresponding to 0.5% of the capacity of the existing fleet.



On the basis of the same source, in 2020 the dry-bulk carrier fleet returned a 2.8% growth by number of ships and 3.7% in DWT terms, reaching 911.8 million DWT at the end of the year, with 480 ships having been handed over with a capacity of 48.6 million DWT, which corresponds to 5.3% of the current capacity of this fleet. In this same period, 141 vessels were sold for decommissioning with a capacity of 15.3 million DWT corresponding to 1.7% of the current capacity of this fleet.

The value of the steel of ships sold for scrap, which, on the Indian market, had dropped significantly during 2019 in relation to 2018, reaching US\$ 365, both for tankers and dry-bulk carriers, grew again in 2020, standing at around 400 US\$ per tonne, an increase of around 10%.

At the end of 2020, the order book for new tankers stood at 469 vessels with a carrying capacity of 54.2 million DWT, or rather, a tonnage corresponding to 8.4% of the tonnage of the

existing fleet. Of these 54.2 million, 28.4 million – corresponding to 52.4% of the total and 4.4% of the existing fleet – are scheduled for delivery during 2021.

In the dry-bulk carrier fleet, the order book for new ships comprised 617 vessels with a carrying capacity of 55.8 million DWT, which corresponds to 6.1% of the existing fleet, with 38.8 million, or rather, 69.5% of the total and 4.33% of the existing fleet being scheduled for delivery in 2021.

According to Clarkson Research, world demand for shipping reduced 3.8%, with the tanker fleet decreasing by 7.4% and dry bulk transport reducing 2.9%. 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 10.5% and in the dry-bulk carrier market it was 6.7%.

In the tanker segment, freight rates reached record highs and lows despite the growing imbalance between transport supply and demand mentioned above.

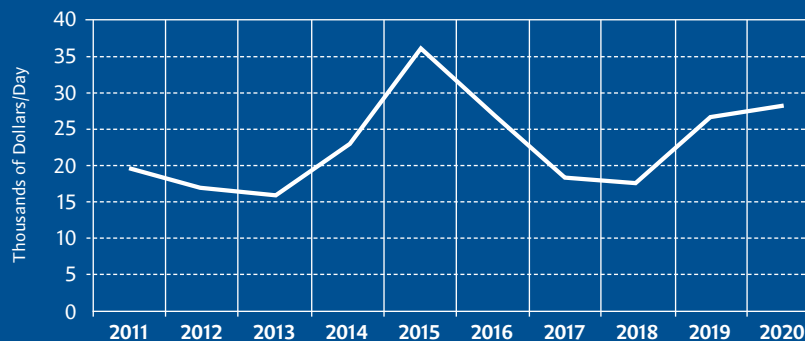
The increase in the fleet used for storage and the congestion in ports, caused by confinement and crew changes, have meant that on some routes, freight rates have reached record highs during the first semester. In the second semester, due to the need of the refineries to reduce their stocks, the demand for transport reduced and freight rates reached record lows.

So, on average, in the case of the Modern Suezmax, the average one-year charter rate was around 27,800 US\$ per day, a growth of around 5% in relation to the average value of 2019.

In the case of the dry-bulk fleet, despite the resumption of Chinese imports in the second semester, the one-year Capesize charter rates reached average values of around 14,800 US\$ per day – a reduction of around 15% in relation to the average value of 2019 – the lowest value since 2017.

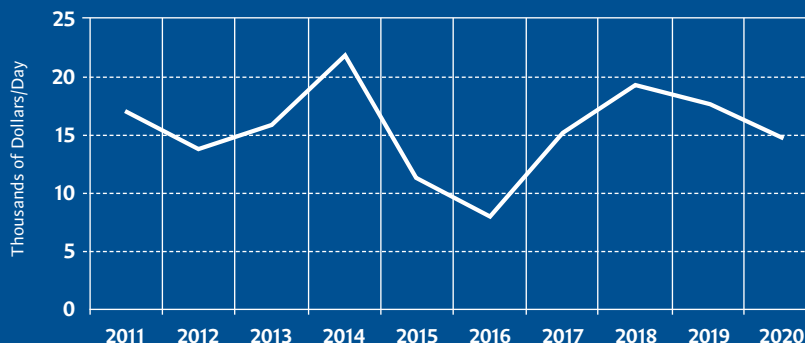
Freight Rates for Oil Tankers Modern Suexmax

Yearly averages
Source: Clarkson



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

Yearly averages
Source: Clarkson



3 | Ship Repair / Maintenance Business

Demand

Orders of new vessels reduced by around 29% in overall terms, with a reduction in the tanker fleet of 8% and 58% in the dry-bulk carrier fleet, which helped to attenuate the imbalance between the supply and demand for transportation. These reductions occurred in spite of the price of the new constructions having reduced between 5% and 10% in both markets, in annual average values.

2020 was an extremely volatile year in the world maritime transport market, the only positive indicator, in annual average terms, being the increase in the number of transactions in the second-hand market and also in their value, which in the case of tankers grew by around 9%, and around 4% for dry-bulk carriers.

This increase, even though slight, in the price of second-hand ships, reflects the Shipowners' confidence that the shipping market will pick up in the short term, which was already visible in the demand for ship repair during 2020.

So, in 2020, demand for ship repair at LISNAVE, measured in number of enquiries, grew by 16% compared to 2019. This growth resulted from the increase in demand in the tanker market with an increase of 22% compared to 2019 and also from the increase in demand outside of LISNAVE's traditional markets, such as dredgers, liquified-gas carriers and container carriers with an increase of 16%.

The negotiations of these enquiries generated 76 orders, around 7% less than in 2019, with a success rate of 14%. This reduction of the success rate, besides resulting from the reasons already referred to in previous years, including

increased competition by the shipyards with cheaper manual labour, is also a consequence of the confinement in the first semester of the year, which prevented the free circulation of people, meaning that the representatives of the Shipowners and equipment manufacturers could not travel, which caused repair times to increase substantially and to be postponed in other cases.

Headings	2020	2019	2018	2017	2016
Enquires	540	467	439	458	407
Orders	76	82	85	77	71
Success Rate (%)	14	18	19	17	17

The Business

During 2020, 76 ships completed their repair/maintenance, 72 of which in dock. In the major repairs market segment, one shuttle tanker and one dredger underwent repair/maintenance.

As has happened since 2018, in 2020 LISNAVE was very active in the installation of new ballast-water treatment systems, having installed twenty two of these systems in ships belonging to shipowners from eleven countries, with those from England, Denmark and Singapore being the most significant in terms of number of vessels.

Its traditional market segments – tankers and dry-bulk carriers – by number account for about 41% of the business and attention is drawn to the move into other market segments, such as gas carriers accounting for 20%, container ships with 14% and dredgers with 7% of the vessels repaired.



Years	National	Foreign	Total	In Dock
2020	3	73	76	72
2019	2	70	72	68
2018	2	83	85	83
2017	0	78	78	77
2016	1	66	67	64

Given the globalisation of LISNAVE's market, ships repaired in 2020 belonged to 46 customers located in 19 countries, the more significant markets in terms of number of vessels repaired being England with 9 vessels, Norway and Singapore both with 8 and also Germany and Belgium both also with 7 vessels.

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 1.13 million Euros during the year, with a focus on the cumulative amounts of investments since 2000, now amounting to about 38.21 million Euros, of which 28.1 million in new investments and around 10.11 million in major repairs in infrastructures and existing installations.

During the year under review, LISNAVE also bore further costs of 473 thousand Euros with major repairs of infrastructures 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 16.57 million Euros.

In terms of new investments, one should underscore, in addition to the maintenance and restoration of some buildings, including the rehabilitation and certification of equipment of the Training School, the acquisition of diverse IT and communication equipment, the acquisition of new equipment and tools in the production area, in particular the update of fixed and mobile electrical equipment, chocks and scaffolding material, and also the investment in new means of support for the repair of LNGs.

In terms of major repairs, we should highlight the major repairs of pumps in the plant between Docks 20/21 and 22, the renewal of barges, upgrading of electrical rolling stock, repair of transport equipment, mechanical tools and pipes and refurbishment works undertaken in the canteen and changing rooms.

It is also worth noting other Investments, such as the life extension work carried out on the dock arms of the of the Hydrolift and 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, the upgrading of the hauling winches of Dock 20 and the construction from scratch of the gas storage enclosure, having invested around 3 million Euros 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, the electrical rehabilitation of the shipyard and the waterproofing of the joints of the Hydrolift Lock, the

repair of the Hydrolift filling and draining valves, totalling around 26.7 million Euros.

For 2021, the previously indicated projects are planned to continue, in coordination with the Subconcessionaire, and also reinforcement in the production area.

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, in particular in environmental terms.

Accordingly, 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.

On the other hand, in order to reduce its ecological footprint, specifically by reducing CO₂ emissions, the Company has innovated with regard to the use of renewable energies, following the measures defined in its Energy Management System, also ensuring a prudent, efficient and rational use of natural resources.

On environmental protection, it is worth noting 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 2020 more than 80 % were recycled or recovered, an example of which is the forwarding of the used blasting grit to the cement industry, and, at the moment, practically all the existing units in the national territory are already supplied with this residue, as an additive in iron for the manufacture of cement.

The Company also maintains its focus on making its Employees more aware about protecting the environment.

Information Technologies

During 2020 LISNAVE continued the “S/4 Hana” migration for all LISNAVE ENVIRONMENTS, having successfully concluded the migration process for “SAP Success Factors” in the solutions “Learning Management Solution (LMS)” and “Performance & Goals (P&G)”, of the modules that ran on the SAP Portal, LSO and Performance Assessment, respectively, whose Go-live occurred on January 2021.

During the month of July and like the procedure followed in the previous year, a test of the Recovery Plan for the systems installed at Mitrena was carried out, with the various redundancies of the local systems having been successfully validated with recovery times of under 20 seconds.

On the other hand, looking to press ahead with the Information Technology Security Policy of LISNAVE and of the other Companies of the Navivessel Group, various actions were organised, specifically the update of the email flow (Symantec Messaging Gateway) and firewall (Checkpoint) platforms, the update of the antivirus platform (Symantec Endpoint Protection) and installation of the new platform (Sandblast) and integration of the servers of the companies Navivessel and Lisnave Internacional in 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.

In relation to the Virtual Server System important updates were also implemented, specifically, on the hardware, which supports the entire server infrastructure, workstations with the latest “Windows 10” and also the migration of the email platform to a hybrid environment (local /Cloud) in “Office 365”.

Following the project started in 2019, LISNAVE’s new institutional website came into production in a more modern and intuitive version, aiming to meet Customers’ expectations and needs, while not neglecting aspects related with cybersecurity however.

Last but not least, seeking to respond to the growing demands to ensure the necessary means for teleworking, the Company started a strategy of transitioning from Desktops to Laptops, under which it has already attributed 40 portable devices, intending to continue in 2021, with the acquisition of 30 more.

Quality / Other Certifications

In maintaining its self-sustaining and effective Quality Management System, in accordance with what has always been its strategic objective in maintaining the Company as Leader in its market segment, LISNAVE seeks to permanently ensure the satisfaction of its customers and other stakeholders.

Despite the difficult situation that we are going through, due to the pandemic context caused by the outbreak of SARS-CoV-2 (COVID-19), fulfilling the guidelines defined by the competent authorities, LISNAVE has maintained the company’s skills, the reliability and efficacy of its processes and, through continuous improvement, successfully passed the ISO 9001:2015 Follow-up Audit, conducted by Lloyd’s Register.

In 2020, LISNAVE not only maintained the Protection Certificate of the International Ship and Port Facility Security Code, but also maintained the Accreditation of the Calibration Laboratory in accordance with standard NP EN ISO/IEC 17025:2018.

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

5 | Human Resources

As has been stated in recent years, LISNAVE decided, in good time, to rejuvenate the company and make some aspects of the employment contract more flexible, given the 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 around 500 Students up to 2020. These pro-

grammes 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.

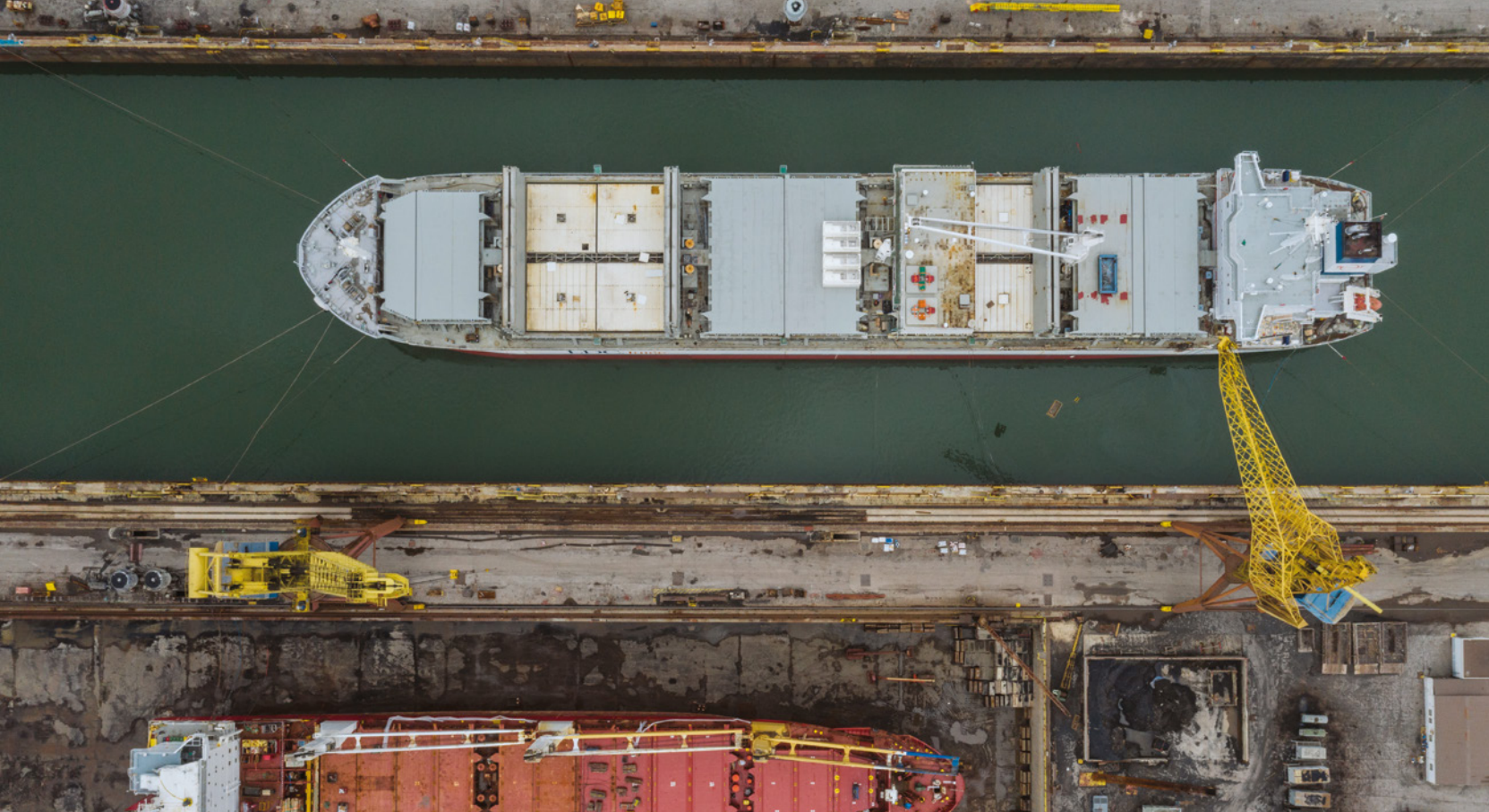
The organisation of these training programmes directed at “selecting young people with a suitable profile and providing them with training and basic skills in those areas of the Company in greater need of human resources”, has enabled LISNAVEYARDS, in the light of the final results, to be progressively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

In 2020, LISNAVEYARDS recorded a further decrease in the number of its employees, 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, on 31 December, LISNAVEYARDS had a total of 268 workers of the various professions related to the business, 131 of whom direct workers. During the year it took on 5 Technicians, 2 Administrative Staff and 7 Specialists, 6 of whom are engineers.

Remuneration Costs

Total staff costs stood at 9.6 million Euros, as detailed in the following table.



Personnel Costs

Rubricas	2020	2019
Remunerations	6.172.114	5.781.941
Overtime	480.647	502.003
Bonuses, Subsidies and Other Remunerations	422.236	507.828
Subtotal	7.074.997	6.791.772
Social Security Contributions	2.510.555	2.561.438
Total	9.585.552	9.353.209

(Amounts in Euros)

The increase under Remuneration is fundamentally the result of the establishment of a provision for gratuities.

With regard to the Overtime and Bonuses, Subsidies and Other Remuneration headings, their reduction is principally related with the “natural departure” of staff throughout the year.

The increase in Social Charges was essentially due to questions related with the Insurance caption.

Also related with this topic, it should be mentioned that an agreement was concluded with the workers’ representatives, under which a wage increase of 1.90% was agreed.

Training & Development

During 2020, the Company maintained its concern with the vocational training of its workers, although, for reasons

associated with the covid19 pandemic, it only held 14 vocational training courses, considered as priority, involving 38 participants, 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, the environment and protection.

For the reasons already mentioned, the leadership training project, started in 2016 with the collaboration of the ATEC, seeking to bridge the departure of former workers who performed co-ordination and leadership duties, ended up by being suspended, and no training courses for managers were held during 2020.

It should also be noted that, notwithstanding the sharp decrease of the amount of training, more than 64.4% of the number of hours of training were dedicated to the areas of Qualification/Recycling/Production Techniques.

During the year and regarding the Annual Training Plan, training courses were provided with a total of 368 hours in diverse areas of knowledge.

Training | 2020

Areas of training	Total Hours	N. of Participants
Personal Development	80	11
Financial, Tax and Accountancy Management	8	1
Hardware and Software	3	1
Quality, Safety, Environment and Protection	41	14
Qualifications / Retraining / Production Techniques	237	11
Total	368	38

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 2021.

Strategic Succession Plan and Rejuvenation of Personnel

Besides the Training and Recruitment already mentioned, 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, having, in this context, decided to create a new organic structure of the company, doing away with the Production and Logistics Departments, and on the other, reinforcing the Production and Sales sectors, for which purpose a total 8 Engineers were recruited internally and mobilised.

Health, Hygiene and Safety

During the year LISNAVE maintained its customary concern as to worker health. From this standpoint, besides occasional interventions, a total of 504 exams were conducted, of which 315 from LISNAVEYARDS and 189 from LISNAVE, subdivided into 26 induction, 260 periodic and 218 occasional exams.

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 who work in the Shipyard and, following the Policy of Zero Tolerance in relation to the consumption of alcohol implemented, the corresponding Control Regulation was drawn up regarding the culture of Prevention and Safety, which it has been seeking to implement.

Indicators

In 2020, the number of accidents remained unchanged and in 2019 had already dropped significantly, compared with 2018.



Also in this year and following on from last year, LISNAVE's workers as a whole suffered no very serious accidents.

With regard to the accident rate and in accordance with the calculation formula defined by the International Labour Organization, 2020 had a severity index of 997.70 and a frequency rate of 23.20, there thus being a slight worsening of both these indicators in relation to the values registered in 2019, associated, on the one hand, with the reduction of the Company's staff and, on the other, with its high average age, factors that naturally increase the occurrence of accidents with a greater number of days lost.

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 one 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 2,076 people in 2020, including, on the other, the induction of 1,590 new workers of service-provider companies. For the reasons already mentioned and in accordance with the guidelines of the Health Authorities, these actions were conducted through e-learning.

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 314 people, namely to direct foremen, project managers, safety-at-work technicians, and people involved in incidents.

Besides the information and training mentioned above, emphasis is also given to the distribution of information and basic safety rules to the people who daily enter the company's premises and do not require safety training, such as sales persons, external technicians and other visitors, which in 2020 totalled 2,040 disclosures.

For the reasons already mentioned and contrary to the policy that the Company has been following in this matter, it was not possible to carry out the habitual seasonal flu vaccination campaign in the year due to the unavailability of vaccines.

Covid19 – Contingency Plan

In accordance with the guidelines of the Directorate General of Health, in view of the current pandemic situation, LISNAVE has drawn up a Contingency Plan in due course, with the primary objective of promoting the health and safety of all its workers, who work daily in the Mitrena Shipyard, in relation to which it defined and implemented a set of measures and procedures, seeking to ensure the continuity of the Company's activity and its business.

The Contingency Plan, initially approved on 29 February 2020, has since been revised several times, and its Revision No. 8, dated 03 November, is in force in the company and available for consultation by the workers.

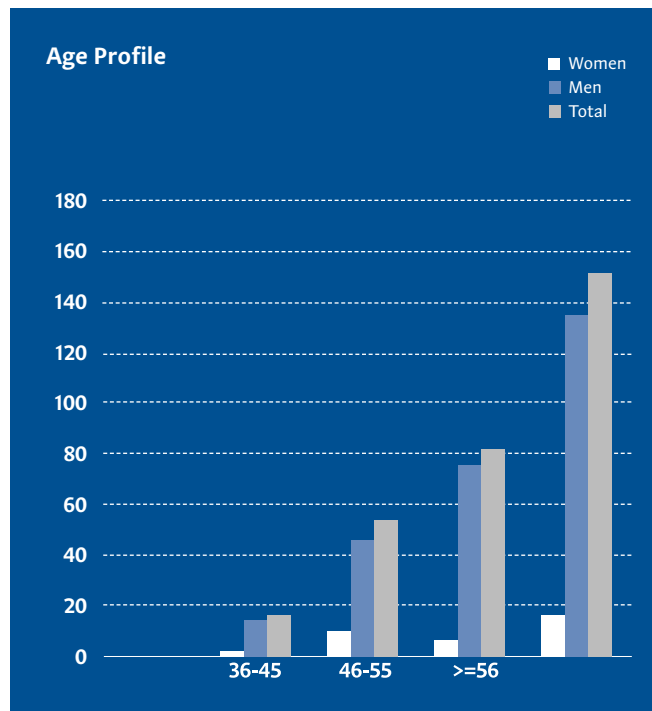
In this context, LISNAVE organised the implementation of diverse health protection measures, specifically the availability of alcohol gel in strategic locations of the shipyard, body temperature measurement, the placement of acrylic on the canteen tables, the adjustment of the transport capacity, the general reinforcement of the cleaning and disinfection of spaces, the supply of masks, the organization of workers in mirror teams and testing through the occupational health services, the cost of which exceeded 600 thousand Euros in 2020.

Besides the said Plan, LISNAVE also issued various service orders with the objective of, on the one hand, informing workers about the importance of the matter and, on the other, make them aware of the need to comply with the rules and procedures defined, and also prepared diverse information leaflets about the matter which were distributed among all the workers.

Other Indicators

The 2020 absenteeism rate increased over the previous year. Compared to the personnel indicators at the end of 2019, LISNAVE had 24 fewer employees, mostly for reasons to do with retirement in accordance with the law.

On 31 December 2020, LISNAVE's total personnel was 150 Workers with an average age of 56.43 years.



6 | Economic and Financial Situation

As mentioned above, in 2020 LISNAVE repaired a total 76 vessels, which corresponded to a total invoicing of 87 million Euros.

Analysing the following table, we can see that the value of Total Invoicing registered strong growth of 39.9%, when compared with the previous year, and was accompanied by an increase, although less accentuated, of 5.6%, with regard to the number of ships repaired.

Average billing per ship, of 1.145 thousand Euros, also reflects an increase of 32.5%, when compared with the same period of the previous year. This growth is associated, on the one hand, to the increase in work content requested per ship in the so-called routine repairs and, on the other, to the reduction in the value of discounts granted to customers, which even so still notched up a significant sum, associated with the highly competitive market in which LISNAVE operates.

Number of Ships and Invoicing

Headings	2020	2019	2018	2017	2016
Number of Repaired Ships	76	72	85	78	67
Total Invoicing	87,0	62,2	80,7	87,5	95,7
Average Invoicing per Ship	1,145	0,864	0,949	1,122	1,429

(Amounts in Millions of €)

The number of vessels repaired in the year increased in relation to the previous year, but when compared with the average of 78.3 vessels for the three year period of 2017/2019, it dropped by 3%.

On the other hand, the evolution of demand, measured in the number of enquiries received, was higher than in the previous year, at 15.6%, and than the average for the three year period of 2017/2019, at 18.8%. However and notwithstanding a more aggressive commercial strategy that has been adopted, the success rate of 14.1% registered its lowest value since the year 2000, lower than the previous year's



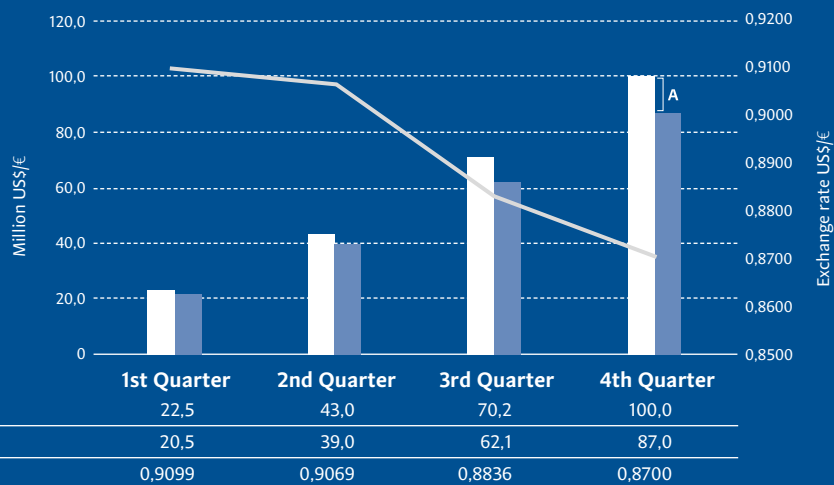
figure by 3.8 pp and 4.1 pp, when compared with the average for the three year period of 2017/2019, a situation which helps to highlight the sharp intensification of international competition.

The evolution of these indicators continues to be 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, given that LISNAVE's main customers still use the US dollar in their commercial transactions, the evolution of the US dollar exchange rate, which during 2020, contrary to the trend of recent years, devalued against the Euro by around 11.1%, essentially from the 2nd quarter.

The following table illustrates the impact that the evolution of the Dollar had throughout 2020, in relation to the accumulated invoicing of repairs, standing at an annual average rate of 0.8700.

Accumulated Sales and Exchange Rate US\$/€ Year 2020



Sales and Services Rendered

Headings	2020	2019	2018	2017	2016
Ship Repairs	86.995	62.189	80.657	87.506	95.744
Revenue of Ships in Progress	2.823	2.537	-970	-3.094	4.610
O. Activities	3.339	5.705	2.817	1.433	561
Services Rendered	1.062	856	812	1.182	1.213
Total	94.219	71.288	83.315	87.027	102.128

(Amounts in Thousands of €)

The total value of Ship repairs and of Revenue of ships in progress represented 95.3% of the total value of Sales & services rendered, while Other activities and services rendered together amounted to 4.4 million Euros.

It should be pointed out that the amount of Other activities decreased by 41.5% when compared with the previous year, resulting from the reduction of the Sales of “Other Services”, although the fact that in the component of Sale of Services to the LISNAVE Infraestruturas Navais, holder of the Mitrena

Shipyard concession agreement, related to the Shipyard Rehabilitation Investment Plan, there was an increase of 30% when compared with the previous year.

With regard to the evolution of the Company's economic situation, the following table provides the income statements for the years 2020/2016, 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.

Income Statement

	2020		2019		2018		2017		2016	
Headings	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Sales and services rendered	94 219		71 288		83 315		87 027		102 128	
Production variation	0		0		0		0		0	
Works for the company	7		2		1		2		0	
Other income and gains	1 582		1 247		1 005		2 641		1 917	
Total operating income	95 807	100	72 538	100	84 320	100	89 669	100	104 045	100
Costs of raw materials consumed	5 264	5,5	4 461	6,2	5 540	6,6	6 009	6,7	8 945	8,6
Supplies and external services	70 364	73,4	59 641	82,2	65 746	78,0	61 397	68,5	68 893	66,2
Personal Costs	9 586	10,0	9 353	12,9	11 412	13,5	11 703	13,1	12 389	11,9
Depreciations, impairment and provisions	2 017	2,1	674	0,9	-5 989	-7,1	6 048	6,7	1 579	1,5
Taxes	22	0,0	22	0,0	22	0,0	21	0,0	24	0,0
Other costs and losses	485	0,5	456	0,6	784	0,9	1 387	1,5	2 841	2,7
Total operating expenses	87 738	91,6	74 608	102,9	77 515	91,9	86 564	96,5	94 671	91,0
Operating profits	8 069	8,4	-2 070	-2,9	6 805	8,1	3 105	3,5	9 374	9,0
Financing results	0	0,0	0	0,0	0	0,0	0	0,0	0	0,0
Profits before taxes	8 069	8,4	-2 070	-2,9	6 805	8,1	3 105	3,5	9 374	9,0
Taxes on income for the period (-)	-2 258	-2,4	113	0,2	-2 192	-2,6	-1 151	-1,3	-2 659	-2,6
Net income for the period	5 811	6,1	-1 957	-2,7	4 613	5,5	1 954	2,2	6 715	6,5

(Amounts in Thousands of €)

A brief analysis of the income statement shows that in 2020, the Company's economic situation improved significantly, given that, after the negative result in 2019, it registered the best "Net result" of the last four years, amounting to 5.81 million Euros.

Analysing the information in greater detail it can be concluded that the year's Operational results are strongly influenced by the significant increase in the value of Sales, accompanied by the improvement in the Gross margin of the projects of 6.9 p.p..

On the other hand, lending continuity to the situation seen in previous years, LISNAVE did not carry any amount under Borrowing costs since it did not 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 2020 were materially irrelevant.

Complementing the analysis of the Company's economic evolution over the period from 2020 to 2016, the following table provides a set of the more relevant economic indicators and ratios.

Economic Aggregates

Headings	2020	2019	2018	2017	2016
Overall Aggregates					
Gross Value of Production (GVP)	94 226	71 291	83 316	87 028	102 128
Gross Value Added (GVA)	21 525	8 330	13 302	22 355	27 334
Personnel Costs	9 586	9 353	11 412	11 703	12 389
Gross Cash Flow	10 087	-1 395	816	9 154	10 954
Average number of employees	159	188	229	253	261
Ratios					
GVP per Capita	592,6	379,2	363,8	344,0	391,3
Personnel Costs per Capita	60,3	49,8	49,8	46,3	47,5
GVA / GVP	23%	12%	16%	26%	27%
Personnel Costs / GVA	45%	112%	86%	52%	45%

(Amounts in Thousands of €)

From their analysis it can be concluded that in 2020 the Global Aggregates and Ratios were very positive when compared with those of the previous year, with gross value added (GVA) growing 13.2 million Euros, as a result of the already mentioned increase in Sales and the Gross margin of the projects. This indicator is demonstrative of the good economic performance of the year and of the reinforcement

of the company's economic sustainability, which, despite an atypical and extremely difficult year in world terms, allowed us to continue to operate in a fiercely competitive and highly unpredictable market.

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

Shareholder's Funds

Rubricas	2020	2019	2018	2017	2016
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	26.092	28.049	23.436	23.799	23.784
Net Profit of the Financial Year	5.811	-1.957	4.613	1.954	6.715
Total Shareholders' Funds	36.903	31.092	33.049	30.753	35.499

(Amounts in Thousands of €)

On 31 December of 2020 Equity stood at 36.9 million Euros. The book value per share at the end of the year was 36.90€, representing an increase of 638% compared to its nominal value.

The Company's financial structure can be appraised through an analysis of the main balance-sheet headings as at December 31, 2020, for the past five years shown in the following table.

Comparative Summ. Balance Sheet

Headings	2020	2019	2018	2017	2016
Assets					
Non-current Assets	9 744	10 108	10 070	13 006	10 878
Inventories	1 947	1 988	1 962	1 985	2 077
Clients C/A (Net Prepayment)	20 220	20 417	16 955	10 596	14 714
Others Receivables	7 583	4 977	6 885	5 571	8 139
Cash and Banks	29 397	19 242	26 798	29 975	38 536
Deferrals	262	222	195	120	232
Total Assets	69 154	56 953	62 864	61 253	74 577
Liabilities					
Provisions	141	340	771	1 583	3 725
Other Non-current Payables	2	19	25	30	137
Suppliers C/A (Net Prepayment)	21 504	18 907	20 156	21 289	24 794
Other Payables	10 604	6 595	8 864	7 599	8 108
Deferrals	0	0	0	0	2 314
Total Liabilities	32 251	25 861	29 816	30 500	39 079
Sharholders Funds	36 903	31 092	33 049	30 753	35 499

(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

A working capital in the order of 27.3 million Euros and a quick ratio and a cash ratio of 1.85 and 1.79, 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 29.4 million Euros at the year end.

Financial Structure

A non-current asset financing ratio of 3.79 and total solvency and self-financing ratios of 114.4% and 53.4%, respectively, allow us to conclude that 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, 2020, LISNAVE held no treasury shares and there was no past-due debt to the State public sector, including Social Security.



7 | Business Outlook for 2021

The COVID-19 pandemic has highlighted the frailty of the world economy witnessed in recent years. What started as a health crisis quickly turned into a serious economic crisis, with a sharp fall in production and consumption and a significant increase in unemployment, with the United Nations estimating that the world economy has contracted 4.3% in 2020 and that in 2021 it will grow by 4.7%.

The United Nations also estimates that the economies of developed countries will grow by 4.0% in 2021, after having contracted 5.6% in 2020, the economies of developing countries will grow by 5.7%, after having contracted 2.5% in 2020 and the less developed countries will see growth of 4.9%, after having contracted 1.3% in 2020.

This growth scenario assumes that infection rates will reduce slowly over the first quarter of 2021, as a result of the increase in number of people vaccinated, and that companies and families will adapt to the new social distancing rules and the other measures necessary to prevent an increase in the rate of contagion.

On the other hand, it considers that the protection measures adopted by the various countries, by reducing or even prohibiting the circulation of people, caused the demand for goods and services to fall and changes in supply chains, the consequences of which had a strong impact on trade, causing a contraction of 7.6% in 2020 compared to 2019. For 2021, the United Nations estimate growth of 6.9%, as a result of the reduction of the restrictions on the circulation of people.

With regard to the shipping market in particular, the doubts relating to existing environmental issues are seriously constraining the future of the business. Although the solution for ballast water treatment already exists and the necessary systems, despite their cost, are being installed without major disturbances, doubts about the fuel systems to be used are such that they are conditioning investment in new construction.

If a year ago the discussion was about whether or not to install “scrubbers” in order to allow the use of high sulphur fuel, during 2020 these doubts increased given the reduction in the price difference between high and low content fuels. At the moment, there seems to be some consensus on the installation of this equipment in large high-consumption vessels and the use of lower sulphur fuel in vessels with lower consumption levels.

In this period of low freight rates, it seems to pay off to install this equipment in new constructions as its cost is lower than installing it in existing vessels, although this solution is being threatened by some countries which have already banned ships which are not equipped with scrubbers from their ports.

Added to the issue mentioned above, there is the discussion about the type of fuel to be used in order to comply with the objectives meet the targets to reduce carbon emissions by 40% by the year 2030 and by 70% by 2050 and greenhouse gas emissions by 50% by the year 2050, with reference to the year 2008.

This discussion is causing Shipowners to delay the contracting of new vessels, given the short space of time contemplated to comply with these objectives, compared with the average useful life of ships.

This postponement, however, will have a positive impact on the value of second-hand ships and, consequently, on the ship repair market which, combined with the continued installa-

tion of ballast treatment systems, will help to increase demand, as has already occurred at the end of 2019 and in 2020.

Another additional source of work may be the replacement of materials that still contain asbestos in their composition. In fact, in spite of some countries having banned the use of this material since the 1980s, some only banned it later and most never did. A worrying example is that of pipe flange gaskets, where asbestos is still present in a large proportion of ships in operation. Fearing unforeseeable legal consequences, some shipowners are already starting to provide for the replacement of all gaskets in all on-board systems, which represents a considerable volume of work for some types of vessels.

Although the “threats” referred to in previous reports remain – scarcity of qualified manual labour, competition of shipyards in low-cost countries and stringent European rules – LISNAVE will continue to seek to diversify the markets in which it carries on its business and to increase its competitiveness, through greater control of costs and the implementation of measures to increase productivity.

So, considering that the current state of the Covid-19 pandemic is controlled during the first quarter of the year, which will progressively increase the free circulation of people and goods, with the consequent positive effect on the economy, on world shipping and thus, on the ship repair business, in the second semester it is expected that LISNAVE could attain a level of activity that is not much lower than that of 2020.

Human Resources

In 2021 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, and at the same time compensate for the courses postponed in 2020, LISNAVE intends to organise five new youth training courses, in the areas of naval and mechanical metalworking, for a total 58 students, the recruitment and training of four new Level IV Prevention and Safety Officers, and the hiring of 17 new workers, among whom, 10 Engineers and 6 Specialists.

In addition to youth training, LISNAVE will continue with the training of its workers and it has, for the purpose, approved the Annual Training Plan for 2021, within the scope of which it is expected that there will be 49 training courses, involving about 446 students, totalling 14,772 hours of training. On the other hand, LISNAVE will continue to promote the training of new leaders, both internally and from external partners, as well as those measures considered necessary to implement the Company's Strategic Staff Succession and Rejuvenation Plan, whose departure date is expected soon.

8 | Proposal for the Appropriation of Profits

Since the Company's performance in 2020 produced a profit that warrants granting the Workers a bonus, the Board of Directors has decided to award a balance sheet bonus. It therefore proposes to the shareholders:

- 1 That the decision of the Board of Directors to award a balance sheet bonus to the company's workers as a whole, amounting to € 750.000,00 (Seven hundred and fifty thousand Euros) already included in the Net result of the year, be ratified and that,
- 2 The Net result of the year, amounting to € 5.811.294,17 (Five million, eight hundred and eleven thousand, two hundred ninety-four Euros and seventeen Cents), be applied as follows:

Dividends	4.000.000,00 Euros
Retained earnings	1.811.294,17 Euros

9 | Losing Remarks

Lastly, in closing the Management Report in respect of the business in 2020, 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, 25th February 2020

The Board of Directors

Chairman

Eng. José António Leite Mendes Rodrigues

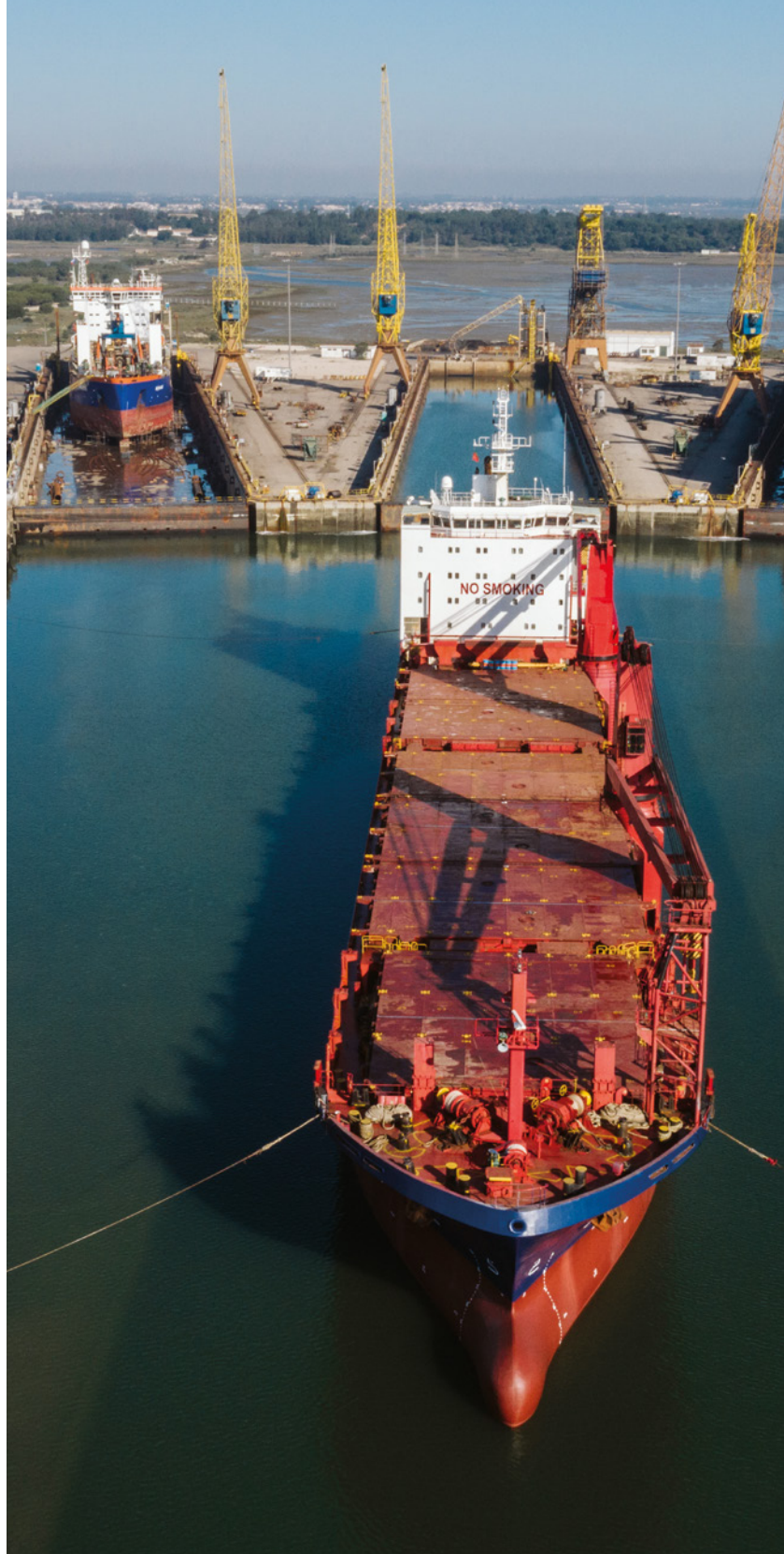
Members of the Board

Dr. Nelson Nunes Rodrigues

Dr. Luís Manuel dos Santos Silva Patrão

Nuno Miguel Ferreira de Almeida Antunes dos Santos

Dr. João Rui Carvalho dos Santos







ATLANTIC ORCHARD

MONROVIA
IMO 9638166

Balance

Statement of Changes in Equity

Statement of Profit and Loss by Activity

Cash Flow Statement

Annex

Auditing Committee Report and Advice

Legal Certification of Accounts

**Extract of the Minute of the Annual General Meeting
of Shareholders held on 25th March 2021 relating to the approval
of documents reporting the Accounts for the 2020 Financial Year**

BALANCE

Headings	Notes	31-DEC-2020	31-DEC-2019
Assets			
Non-current Assets			
Tangible Assets	8	6 480 683,87	6 356 768,37
Investment properties	7	2 567 100,00	2 567 100,00
Deferred tax Assets	14	236 133,21	647 319,65
Other accounts receivable	15	10 424,08	86 602,08
Non-current Assets held for sale	8	450 000,00	450 000,00
		9 744 341,16	10 107 790,10
Current Assets			
Inventories	10	1 946 908,83	1 988 193,43
Costumers	15.1	20 417 341,34	20 423 685,75
Advances to Suppliers	15.3	48 404,04	195 018,34
State and other Public Entities	14/17.1	2 611 418,18	2 199 454,66
Others accounts receivable	15.2	4 972 057,80	2 777 132,82
Deferrals	17.2	262 092,14	222 156,14
Cash and short-term deposits	4	29 397 102,76	19 241 950,54
		59 655 325,09	47 047 591,68
Total Assets		69 399 666,25	57 155 381,78

(Amounts in Euros)

Headings	Notas	31-DEZ-2020	31-DEZ-2019
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	24 693 593,05	26 650 515,25
		31 091 766,31	33 048 688,51
Net Profit/Loss for the Period	17.3	5 811 294,17	(1 956 922,20)
Total Equity		36 903 060,48	31 091 766,31
Liabilities			
Non-current Liabilities			
Provisions	12	140 731,23	340 389,57
Deferred Tax Liabilities	14	2 345,42	19 485,45
		143 076,65	359 875,02
Current Liabilities			
Suppliers	15.3	21 552 328,76	19 101 994,94
Advances to Costumers	15	197 020,02	7 171,50
State and other Public Entities	14/17.1	2 382 627,00	574 461,54
Others debts payable	15.4	8 221 553,34	6 020 112,47
		32 353 529,12	25 703 740,45
Total Liabilities		32 496 605,77	26 063 615,47
Total Equity and Liabilities		69 399 666,25	57 155 381,78

(Valores em Euros)

STATEMENT OF CHANGES IN EQUITY

Description	Issued Capital	Legal Reserves	Earnings	Net Income	Total Equity
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					
Dividends			0,00		0,00
Other Operations			0,00		0,00
	0,00	0,00	0,00	-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
Position at 01/01/2020	5 000 000,00	1 398 173,26	26 650 515,25	-1 956 922,20	31 091 766,31
Reminder of the distribution of the Net Income for the Period			-1 956 922,20	1 956 922,20	0,00
Changes for the period					
		0,00	0,00	0,00	0,00
Net Income for the period				5 811 294,17	5 811 294,17
Operations with equity owners					
				5 811 294,17	5 811 294,17
Position at the end of 2020	5 000 000,00	1 398 173,26	24 693 593,05	5 811 294,17	36 903 060,48

(Amounts in Euros)

PROFIT AND LOSS STATEMENT

Income and Services	Notes	2020	2019
Sales of Goods and Services rendered	11	94 219 010,05	71 288 146,04
Operating Subsidies		161,72	0,00
Works for the Company		6 642,33	2 447,48
Costs of Goods and materials consumption	10	(5 264 028,42)	(4 461 281,34)
Externals supplies and services	17.4	(70 363 812,14)	(59 640 662,36)
Personnel expenses	16	(9 585 552,01)	(9 353 209,42)
Impairment of inventories (losses / gains)	10	7 706,62	(74 978,44)
Impairment of debts receivable (losses / reversals)	15.1	(894 187,18)	50 321,56
Provisions (Increases / Reductions)	12	74 658,34	430 733,22
Other operating income	17.5	1 581 513,74	1 247 306,87
Other operating expenses	17.6	(507 228,85)	(478 079,27)
Earnings before Interest, Taxes, Depreciation and Amortization		9 274 884,20	(989 255,66)
Depreciation and amortization expenses / reversals	8/17.7	(1 205 406,29)	(1 080 472,22)
Earnings before Interest and Taxes		8 069 477,91	(2 069 727,88)
Earnings before Interest and Taxes		8 069 477,91	(2 069 727,88)
Earnings before Taxes	14	(2 258 183,74)	112 805,68
Profit for the Year		5 811 294,17	(1 956 922,20)
Profit by Share		5,81	-1,96

(Amounts in Euros)

CASH FLOW STATEMENT

Headings	Period	
	2020	2019
Cash Flow from Operating Activities		
Receivable from costumers	92 124 640,78	69 123 190,33
Payments to suppliers	-85 341 812,01	-79 870 374,04
Payments to employees	-5 872 484,52	-6 477 316,92
Cash Generated by Operations	910 344,25	-17 224 500,63
Income tax payments	-210 330,26	1 485 831,74
Other payments/receivable related to opertaing activity	10 593 983,23	8 940 043,92
	11 293 997,22	-6 798 624,97
Flow from Operating Activities (1)	11 293 997,22	-6 798 624,97
Payments Related with:		
Tangible assets	-1 132 210,45	-777 043,71
	-1 132 210,45	-777 043,71
Receivables Related with:		
Tangible assets	0,00	14 537,02
Interest and Similar Income	8 357,50	17 339,88
Flow from Investment Activities (2)	-1 123 852,95	-745 166,81
Payments Related with:		
Interest and Similar Expenses	-13 989,06	-11 707,09
Dividends	0,00	0,00
Flow from Financing Activities (3)	-13 989,06	-11 707,09
Changes in Cash and Cash Equivalent (4) = (1) + (2) + (3)	10 156 155,21	-7 555 498,87
Net Foreign Exchange Difference	1 002,99	607,00
Cash and Cash Equivalents at Beginnings of Period	-19 241 950,54	-26 798 056,41
Cash and Cash Equivalents at End of Period	29 397 102,76	19 241 950,54
	10 156 155,21	-7 555 498,87

(Amounts in Euros)

ANNEX

(Amounts are stated in Euros unless specifically indicated otherwise)

1. Corporate Information

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

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

Its registered offices are situated in Mitrena, 2910-738 Setúbal.

The Company capital is held mainly by NAVIVESSEL – ESTUDOS E PROJECTOS NAVAIS, S.A., which holds 72,83%, by THYSSENKRUPP TECHNOLOGIES BETEILIGUNGEN GMBH, which holds 20,00% of capital, by the Parpública, SGPS,S.A. with 2,97% and by Public (OPT) with 4,2%.

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

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

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

2.1 Basis of Preparation

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

	2020	2019
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 (article 296 of the CSC)

h.3 Results carried forward

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

i. Provisions

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

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

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

i1 Provisions for Court Proceedings

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

i.2 Other Provisions

This item includes, inter alia, the following provisions:

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

These provisions are recorded at their present value.

j. Other Financial Liabilities not included in the previous paragraphs

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

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

j.1 Suppliers

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

j.2 Client Advances

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

j.3 Other Debts Payable

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

k. Effect of alterations to exchange rates

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

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

l. Rendering of Services

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

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

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

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

l.1 Rendering of Services

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

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

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

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

m. Payroll Expenses

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

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

m.1 Holidays and Holiday Allowances

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

m.2 Distribution of Profits to Employees

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

m.3 Employment Severance Benefits

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

- ▶ Cease the employment of an employee or group of employees prior to the normal retirement date; or
- ▶ Provide severance benefits as a result of an offer made to encourage voluntary departure.

It is considered that the Company has already demonstrably committed when it has a detailed, formal plan as regards the severance and there is no realistic possibility of withdrawal and when the plan includes at least the following:

- ▶ The location, post and approximate number of employees whose services are to be severed;
- ▶ The severance benefit for each classification or post of employment; and
- ▶ The time when the plan is to be implemented.

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

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

n. Contingent Assets and liabilities

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

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

A Contingent Liability is:

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

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

3.2 Judgements applied to the accounting policies

a. Useful lives of Tangible and Intangible Fixed Assets

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

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

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

b. Deferred Tax Assets

The company records deferred taxes in accordance with NCRF 25.

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

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

c. Services Rendered Recognition

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

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

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

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

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

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

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

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

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

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

d. Provisions for Taxes

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

3.3 Main sources for the uncertainty of the estimates

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

a. Impairment of Non-financial Assets

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

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

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

The recoverable amount is particularly sensitive to:

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

b. Impairment of accounts receivable

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

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

c. Provisions

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

d. Leases

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

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

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

4. Cash and short-term deposits

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

	2020	2019
Cash on hands	30.574,99	50.778,13
Short-term deposits	1.366.527,77	1.191.172,41
Other Bank Deposits	28.000.000,00	18.000.000,00
	29.397.102,76	19.241.950,54

5. Accounting policies, alterations to accounting estimates and errors

In the Financial Year 2020 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 Tech. Beteiligungen GMBH	Germany	20,00%	20,00%	Dividends	
Parública, SGPS, S.A.	Portugal	2,97%	2,97%	Dividends	Member of the Statutory Audit Board and non- Executive Director
Other Shareholders		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.	2020	-	312.267,75	-	-	295.504,92
	2019	-	312.267,75	-	-	316.864,07
ThyssenKrupp Techn. Beteiligungen GmbH	2020	-	-	-	-	-
	2019	-	-	-	-	-
Parública, S.A. Estado Português	2019	-	-	-	-	-
	2020	-	-	-	-	-
Other Shareholders	2020	-	-	-	-	-
	2019	-	-	-	-	-
Lisnave Infraestruturas	2020	1.684.942,39	-	3.224.230,63	-	2.015.330,96
	2019	-	844.548,08	2.028.332,36	-	1.285.730,82
Repropel	2020	42.071,15	1.488,30	116.709,76	-	15.340,00
	2019	35.359,74	1.488,30	95.495,46	-	22.110,00
Gáslimpo	2020	-	185.222,23	17.558,07	67.778,41	436.663,28
	2019	-	246.196,83	15530,77	95.541,90	543.988,46
Rebocalis	2020	-	411.705,89	39.890,66	-	977.194,58
	2019	-	328.482,68	33.041,84	-	734.371,34
Lisnave Internacional	2020	-	-	2.917,20	-	-
	2019	3.082,38	-	2.506,00	-	15.651,30
Tecor	2020	-	3.317.578,13	206.946,67	-	7.865.409,31
	2019	-	2.625.207,05	205.140,37	-	7.060.953,45
NavalRocha	2020	-	-	185,00	-	-
	2019	15.744,00	-	12.965,00	-	-
Navalset	2020	-	5.535,00	-	-	18.000,00
	2019	-	5.535,00	-	-	18.000,00
LisnaveYards	2020	-	1.921.356,60	492.155,96	-	9.357.704,49
	2019	-	1.502.520,61	526.606,02	-	8.671.019,15
Dakarnave	2020	-	-	-	-	-
	2019	-	-	-	-	-

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 2019 and 2020.

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 2019	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	-	-	-	-	-	768.578,42	768.578,42
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	31.837,21	513.326,55	122.314,57	12.625,89	96.939,49	(777.043,71)	-
Write-Offs	-	-	(14.000,00)	-	(193,90)	-	(14.193,90)
Disposals	-	-	(120.813,08)	(34,18)	-	-	(120.847,26)
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	22.299.668,08
Increases	-	-	-	-	-	1.329.321,79	1.329.321,79
Revaluations	-	-	-	-	-	-	-
Acquisition of the subsidiary	-	-	-	-	-	-	-
Transfers	338.870,49	-	166.194,85	12.625,89	627.145,11	(1.132.210,45)	-
Disposals	-	-	-	-	-	-	-
Write-Offs	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
December 31st 2020	1.811.296,59	10.343.212,73	148.737,73	1.638.872,96	8.693.510,99	993.558,87	23.629.189,87

	Buildings and other constructions	Basic Equipment	Transport Equipment	Administrative Equipment	Other Fixed Assets	Fixed Assets in Progress	Total Tangible Assets
Costs							
January 1st 2019	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	-	-	-	-	-	-	-
Disposals	-	-	(120.813,08)	(34,18)	-	-	(120.847,26)
Exchange differences	-	-	-	-	-	-	-
December 31st 2019	1.227.684,90	6.108.030,68	58.835,13	1.214.033,29	7.334.515,71	-	15.943.099,715
Increases	102.048,91	619.294,72	32.411,99	105.633,83	346.016,84	-	1.205.406,29
Revaluations	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Write-Offs	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-
December 31st 2020	1.329.733,81	6.727.325,40	91.247,12	1.319.667,12	7.680.532,55	-	17.148.506,00
Net Book Value:							
As at December 31st 2020	481.562,78	3.615.887,33	57.490,61	319.205,84	1.012.978,44	993.558,87	6.480.683,87
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 January 1st 2018	653.823,36	3.993.304,96	6.000,00	312.696,27	897.924,76	804.912,82	6.668.662,17

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

	2020	2019
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 2020, 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:

	2020	2019
Raw materials, subs. and consumption		
Gross	2.515.243,71	2.564.234,93
Impairments	(568.334,88)	(576.041,50)
	1.946.908,83	1.988.193,43

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 2019	2.462.680,60
Purchases	4.562.835,67
Inventories as at December 31st 2019	2.564.234,93
	4.461.281,34
Inventories as at January 1st 2020	2.564.234,93
Purchases	5.215.037,20
Inventories as at December 31st 2020	2.515.243,71
	5.264.028,42

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

	2020	2019
Impairment losses		
Raw materials and consumable supplies	-	74.978,44
	-	74.978,44
Reversion of impairment losses		
Raw materials and consumable supplies	7.706,62	-
	7.706,62	74.978,44

11. Revenue

Revenue is itemised as follows:

	2020	2019
Sale of Goods		
By-products, waste and scrap		
Portugal	601.719,87	250.604,80
	601.719,87	250.604,80
Rendering of Services		
Services		
Total Europe	63.801.199,84	41.550.477,58
Portugal	5.748.613,02	10.699.598,62
E.U.	40.340.826,05	26.942.964,96
Outros	17.711.760,77	3.907.914,00
Total Africa	3.936.454,00	2.769.806,00
Total America	15.117.447,36	10.254.408,78
Total Asia	9.507.543,98	7.277.668,88
Total Oceania	1.254.645,00	9.185.180,00
	93.617.290,18	71.037.541,24
	94.219.010,05	71.288.146,04

Years	By-products, waste and scrap	Ship repairing	Other activities	Rendering of services	Total
2020	601.719,87	89.818.004,16	3.339.473,66	459.812,36	94.219.010,05
2019	250.604,80	64.726.322,64	5.705.406,98	605.811,62	71.288.146,04

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 2019	230.234,80	525.967,69	14.920,30	771.122,79
Increases for the year	-	-	77314,70	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
On January 1st 2020	112.003,38	136.151,19	92.235,00	340.389,57
Increases for the year	- 30.000,00	-	30.000,00	-
Utilisation for the year	-	-	-	-
Revers. for the year	(44.286,34)	(125.000,00)	(60.372,00)	(229.658,34)
On Dec. 31st 2020	67.717,04	41.151,19	31.863,00	140.731,23

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:

	2020	2019
Exchange gains included under:		
Other income and gains	618,61	11.665,13
	618,61	11.665,13
Exchange losses included under:		
Other expenses and losses	1.468,41	13.816,97
	1.468,41	13.816,97

14. Income tax

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

	2020	2019
Current tax		
IRC (corporation tax) for the year	1.864.137,33	266.170,98
Deferred Tax		
Originating from, and the object of, reversion of timing differences	394.046,41	(378.976,66)
Other movements	-	-
	2.258.183,74	(112.805,68)

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

	2020	2019
Excess Tax Estimate	30.793,210	4,20
Insufficient Tax Estimate	(36.530,38)	(125.242,83)
	(5.737,17)	(125.238,63)

During the year 2020, there were no other changes in tax rates or imposition of new taxes.

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

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

	Tax Base		Rate of Tax	
	2020	2019	2020	2019
Pre-Tax result	8.069.477,91	(2.069.727,88)		
Rate of Income tax in Portugal	21%	21%		
Tax on profit at the nominal rate	1.694.590,36	0,00	0,00%	0,00%
Non-taxable income				
Non-taxable income				
Negative difference between capital gains and tax losses	-	1.322,43	-	-
Reversal of adjustments and impairment	153.754,52	71.498,40	-	-
Reversion of provisions taxed in previous years	229.658,34	508.047,92	-	-
Excellentia Insurance Policy	-	-	-	-
Negative equity variations	-	-	-	-
More accountings gains	-	51.030,09	-	-
Fiscal Benefits	67.190,00	54.840,00	-	-
	450.602,86	686.738,84	(1,17%)	(6,97%)
Costs not deductible for tax purposes				
Donations	3.900,00	1.500,00	-	-
Fines, administrative fines and compensatory interest	59,90	11,15	-	-
Undocumented expenses	10.566,07	122.832,10	-	-
Excellentia Insurance Policy	-	23.674,00	-	-
Depreciations not accepted for tax purposes	19.027,79	14.101,09	-	-
Provisions beyond legal limits	30.000,00	-	-	-
Recording of impairment losses	683.363,11	96.155,28	-	-
Bad Credits	5.376,00	-	-	-
Insufficiency Taxes Estimate	36.530,38	70.795,53	-	-
Positive assets variations	-	-	-	-
Corrections on previous Financial Years	242.454,70	38.298,30	-	-
Others	79.331,72	94.397,65	-	-
	1.110.609,67	461.765,10	(2,89%)	(4,69%)

	Tax Base		Rate of Tax	
	2020	2019	2020	2019
Taxable profit	6.655.451,48	-	-	-
Rate of Income tax in Portugal	21,00%	21,00%	-	-
Tax calculated	1.397.644,81	-	22,72%	2,28%
Autonomous taxation	94.076,018	266.170,98	1,17%	(12,86%)
Municipal Surcharge	130.942,27	-	1,62%	
State Surcharge	241.474,24	-	2,99%	-
Effect of increase/reversion of deferred taxes	394.046,41	(378.976,66)	4,88%	18,31%
	860.583,93	(112.805,68)	10,66%	5,45%
Income tax	2.258.183,74	(112.805,68)	33,38%	7,73%

Deferred taxes can be broken down as follows:

	Balance Sheet Accounts		Income Statement Accounts	
	2020	2019	2020	2019
Deferred Tax Assets				
Others	236.133,21	165.432,31	(108.237,33)	1.867.583,59
Tax losses	-	481.887,34	481.887,34	-
	236.133,21	647.319,65	373.650,01	1.867.583,59
Deferred Tax Liabilities				
Excellentia Insurance Policy	(2.345,42)	(19.485,45)	5.326,65	131.408,10
	(2.345,42)	(19.485,45)	5.326,65	131.408,10

15. Financial instruments

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

	2020	2019
Assets		
Non-current		
Other Financial Assets	-	-
Other Receivables	10.424,08	86.602,08
	10.424,08	86.602,08
Current		
Clients		
Gross amount	21.433.463,27	20.423.685,75
Impairments	(1.016.121,93)	-
Advances to Suppliers	249.426,42	483.116,91
Impairments	(201.022,38)	(288.098,57)
Other debts receivable	5.088.252,19	2.928.185,77
Impairments	(116.194,39)	(151.052,95)
	25.437.803,18	23.395.836,91
Liabilities		
Non-current		
Other accounts payable	-	-
Current		
Suppliers	21.552.328,76	19.101.994,40
Client advances	197.020,02	7.171,50
Other accounts payable	8.221.553,34	6.020.112,47
	29.970.902,12	25.114.935,37
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
2020	21.433.463,27	1.016.121,93	20.417.341,34
2019	20.423.685,75	-	20.423.685,75

	Debt due						
	Net Balance	Debt not due	< 30 Days	30-60 Days	61-90 Days	91-120 Days	> 120 Days
2020	20.417.341,34	16.428.872,46	363.893,57	3.193,36	143.467,87	69.473,05	3.408.441,03
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

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 2020					
Clients	-	1.016.121,93	-	-	1.016.121,93
Suppliers	288.098,57	24.113,15	-	111.189,34	201.022,38
Others Debtors	151.052,95	-	-	34.858,56	116.194,39
	439.151,52	1.040.235,08	-	146.047,90	317.216,77
Financial Year of 2019					
Clients	-	-	-	-	-
Suppliers	303.561,57	21.176,84	-	36.639,84	288.098,57
Others Debtors	185.911,51	-	-	34.858,56	151.052,95
	489.473,08	21.176,84	-	71.498,40	439.151,52

15.2 Others credits receivable

The others credits receivable can be broken down as follows:

	2020	2019
Other non-current credits receivable		
Other Financial Assets	10.424,08	86.602,08
Other current credits receivable		
Debtors for accrued income		
Revenue from orders in progress	4.720.854,76	2.508.916,67
Interest on Time Deposits	2.104,00	5.000,00
Others	153.381,89	171.639,00
Other debtors and creditors		
Staff	3.785,51	4.906,81
Court Proceedings	86.565,34	86.565,34
Others	121.560,69	151.157,95
Impairment	(116.194,39)	(151.052,95)
	4.972.057,80	2.777.132,82

In order to ensure the accounting treatment in accordance with NCRF 20 for repairs / works in progress ongoing for the Year 2021, 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 2021.

15.3 Suppliers

The suppliers balance can be broken down as follows:

	2020	2019
Suppliers Current Account		
National	14.447.692,18	12.317.168,58
Foreigners	246.732,22	163.825,07
Parent Company	5.535,00	5.535,00
Subsidiary Companies	6.149.618,50	5.860.711,30
Suppliers: receiving and conferring	702.750,86	754.754,99
	21.552.328,76	19.101.994,94
Advances to Suppliers		
National	246.764,32	481.527,67
Impairments	(201.022,38)	(288.098,57)
Foreigners	2.662,10	1.589,24
	48.404,04	195.018,34

15.4 Other accounts payable

Other accounts payable can be broken down as follows:

	2020	2019
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	961.169,94	1092.862,96
Rendering Services	-	-
Specialized Works	-	-
Yard Rent	912.201,37	-
Commissions	1.559.314,37	957.188,94
Brokers	1.52.991,27	1.885.781,16
Claims and Settlements	274.337,50	912.263,50
Internal Works	35.293,50	-
Costs Center	179.028,72	84767,41
Project Costs	1.436.489,89	427.668,39
Others	281.530,75	554.954,08
Agents	261.976,45	91.936,51
Other debtors and creditors		
Staff – Balance Sheet Bonuses	750.000,00	-
Miscellaneous	17.219,58	12.689523
	8.221.553,34	6.020.112,47

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:

	2020	2019
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.	3.641.885,00	3.641.745,00
THYSSENKRUPP TECHNOLOGIES BETEILIGUNGEN GMBH	1.000.000,00	1.000.000,00
PARPÚBLICA, PARTICIPAÇÕES PÚBLICAS, SGPS, S.A.	148.330,00	148.330,00
PÚBLICO (OPT)	209.785,00	209.925,00
	5.000.000,00	5.000.000,00
Capital to be paid up	-	-

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

15.6 Guarantees

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

Entities	Beneficiary	Currency	Amount
M/BCP	Alfândega de Lisboa	EUR	55.660,00
M/BCP	Alfândega de Setúbal	EUR	100.000,00
M/BCP	Alfândega de Lisboa	EUR	24.939,00
SANTANDER	Eaglestar Shipmanagement	EUR	164.058,00
SANTANDER	Eaglestar Shipmanagement	EUR	56.578,00
SANTANDER	Eaglestar Shipmanagement	EUR	64.138,00

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 debts 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:

	2020	2019
Remunerations of the Governing Bodies	670.587,60	680.087,60
Staff Remunerations	6.404.409,45	6.111.684,23
Other Remunerations		
Compensations	-	-
Charges on Remunerations	1.453.597,90	1.550.106,74
Accident at work and professional illness insurance	172.187,31	182.738,69
Social action expenses	717.127,26	762.623,35
Other staffing expenses	167.642,49	65.968,81
	9.585.552,01	9.353.209,42

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 10.424 Euros (2019: 86.602). The value of liability was adjusted by interest expenses and expenses of the current services, a net total of 76-178 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:

	2020	2019
Balance to be received		
Income tax	-	-
VAT	2.611.418,18	2.199.454,66
	2.611.418,18	2.199.454,66
Balance to be paid		
Income tax	1.844.001,80	-
Income Tax Withholdings	268.282,24	404.679,55
Social Security Contribution	270.342,96	169.781,99
	2.382.627,00	574.461,54

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:

	2020	2019
Expenses to be recognised		
Insurance policies	167.812,59	167.213,98
Software assistance	80.317,26	41.667,14
Advertising contract	3.482,00	12.191,69
Other Expenses	10.480,29	1.083,33
	262.092,14	222.156,14

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 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
Balance on January 1st 2020	1.398.173,26	26.650.515,25	(1.956.922,20)	26.091.766,31
Transfer to Legal Reserve	-	-	-	-
Dividends	-	-	-	-
Remainder of the distribution of the net income for the period	-	(1.956.922,20)	1.956.922,20	-
Net income for the period	-	-	5.811.294,17	5.811.294,17
Others	-	-	-	-
Balance on December 31st 2020	1.398.173,26	24.693.593,05	5.811.294,17	31.903.060,48

17.4 Supplies and External Services

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

	2020	2019
Subcontracts	45.263.202,37	36.684.479,79
Specialised works	3.871.246,47	3.710.995,28
Advertising	67.770,58	76.173,67
Surveillance and security	797.712,46	452.420,29
Fees	354.279,71	371.020,50
Commissions	2.824.218,84	1.869.329,35
Upkeep and repair	3.584.675,20	3.989.112,19
Tools and utensils	5.462,63	3.928,36
Books and technical documentation	16.403,60	17.549,83
Office material	49.139,61	52.250,01
Gifts to clients	31.940,22	41.221,82
Electricity	1.938.213,04	2.098.498,29
Fuels	1.170.203,84	1.155.067,98
Travel and accommodation	138.680,97	248.716,99
Staff transport	1.077.326,63	1.001.057,01
Rentals and hire	4.680.274,80	3.062.675,70
Communication	81.716,36	98.417,11
Insurance policies	1.379.620,01	1.424.223,23
Royalties	46.064,41	45.048,07
Litigation and notaries	401,18	1.047,96
Out-of-pocket expenses	44.800,06	92.165,47
Cleaning, hygiene and comfort	296.262,24	313.772,97
Others	2.644.196,91	2.831.490,49
	70.363.812,14	59.640.662,36

Operating Leases

During the 2019 and 2020 exercises were recognized as costs the amounts of 159.740,14 and 148.482,00 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:

	2020	2019
Total of future minimum payments:		
No more than 1 year	108.857,87	130.156,77
More than 1 year and no more than 5 years	48.579,75	106.287,31
More than 5 years	-	-
	157.437,62	236.444,08

17.5 Other Income and Gains

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

	2020	2019
Supplementary Income		
Others	486.373,40	490.633,79
Discounts obtained for prompt payment	210.997,65	138.998,75
Inventory gains	46.987,67	56.308,92
Income and gains one remaining		
Exchange differences assets	618,61	11.665,13
Income and gains on Non-Financial Investments		
Disposals	-	51.030,09
Others	7.958,04	208.601,82
Others		
Corrections on previous periods	791.226,11	272.482,56
Excess tax estimate	30.793,21	4,20
Tax return	-	-
Other unspecified items	1.097,55	2.808,73
Interest earned		
Free Deposits	5.461,50	14.772,88
Other similar Income		
	-	-
	1.581.513,74	1.247.306,87

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:

	2020	2019
Taxes	21.863,70	22.243,78
Bad debts	5.376,00	-
Cash discounts	-	-
Losses on inventories	6.509,29	4.531,23
Losses on Disposals / Write-offs	-	-
Outros		
Corrections related to prior periods	242.454,70	38.298,30
Donations	75.900,10	67.500,00
Membership fees	91.859,96	72.128,26
Insufficiency to estimate taxes	36.530,38	125.242,83
Undocumented expenses	10.566,07	122.832,10
Fines and penalties		
Not tax fines	59,90	11,15
Others	1.594,83	233,17
Interest paid		
Default and compensatory interests	-	-
Foreign exchange losses		
Others	1.468,41	13.816,97
Other Expenses and Losses		
Others	131.045,51	11.241,48
	507.228,85	478.079,27

17.7 Expenses / Reversions of Depreciation and Amortisation

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

	2020	2019
Depreciation and amortisation expenses		
Investment Properties	-	-
Tangible Fixed Assets	1.205.406,29	1.080.472,22
	1.205.406,29	1.080.472,22

18. Events after the balance sheet date

The date whereupon the financial statements are authorised for issue was February 21th 2021.

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

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

19. Other information required by laws

Under the terms and for the purposes of the provisions of article 447 of the Company Trading Code, it is hereby informed that the members of the Board of Directors of the Company José António Leite Mendes Rodrigues and Nelson Nunes Rodrigues, are indirect holders and under the nº2 of the same article, 364.176 Shares each one, through the NAVIVESSEL - ESTUDOS E PROJECTOS NAVAIS, S.A. and of NAVALSET, SERVIÇOS INDUSTRIAIS E NAVAIS, S.A..

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

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

- ▶ NAVIVESSEL – ESTUDOS E PROJECTOS NAVAIS, S.A.
Holding 728.377 Shares.
- ▶ THYSSENKRUPP TECHNOLOGIES BETEILIGUNGEN GMBH
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 2019 and 2020, by the Statutory Auditors were 25.200,00 Euros and 32.400,00 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.
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
	Fename – Fed. Nacional do Metal	President of Aud. Committee
	AISSET – Assoc. Ind. Península Setúbal	President of Aud. Committee
	CPS – Comunidade Portuária Setúbal	President of Aud. Committee
	LisnaveYards, Lda.	Director
	TECOR – Tecnologia Anticorrosão, S.A.	Administrator
	Rebocalis – Reb. e Assist. Marítima, LDA.	Director

AUDITING COMMITTEE REPORT AND ADVICE

2020 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 2020 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.
- 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 2020 within the context of: (i) an adverse market climate which relies on the effects of the growth crisis in the world economy and also on the naval repair sector, particularly influenced by the effects of the pandemic that affected the world; (ii) the continuing imbalance between supply and demand in the sea transport market and its effects on freight rates, with different trends between oil tankers, positive and bulk carriers, negative; (iii) increase in demand expressed in the number of enquiries resulting from the strong commercial action developed in the second half of the year, which reached its best level after 2015, (iv) the continued low profitability for Shipowners due to the increase of the average freight rates of ships transporting solid bulk and of the tanker fleet combined with the growth in supply that reflects the high number of new ships

launched with less need for repair and the increase in ships sold to be decommissioned, albeit at a slower pace; (v) aggressiveness of competition in the market with respect to the offer of maritime transport in general and, in particular, in oil and bulk carriers; (vi) concentration of fleets with repercussions on negotiating capacity, (vii) effects of the scarcity of manpower resources made available by service providers; (viii) search for alternative markets with the continuation of some commercial successes in the sector of liquefied gas carriers, container ships and dredgers.

6. LISNAVE's activity, which since 2009 has been carried out under market conditions that tend to be unfavourable, affecting mainly the ship repair market, registered a good overall performance in 2020, exceeding the activity objectives established in the budget for 2020, expressed by:

- ▶ 14% commercial success rate, 76 orders, translating a reduction in the enquiries/orders/success rate compared to the previous year, of 18%, 82 orders;
- ▶ significant increase in average level of work achieved per ship, which remained at very low levels in previous years, and which in the year 2020 reached 1,145 million euros, above 864 thousand euros, in 2019 and 949 thousand euros, in 2018;
- ▶ maintenance of LISNAVE's prominent position in the world Naval Repair market and its essentially export vocation, translated into sales to the foreign market of 93.3% of the total Maintenance and Repair services.

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 94 million euros, an increase of about 32.2% compared to 2019 of 71 million euros;
- ▶ the weight of personnel costs in the region of 9.6 million euros, representing 10.9% of the total operating expenditure;
- ▶ the positive amount of Operating Results in the region of 8.1 million euros;
- ▶ result generated by operations (EBITDA) for the year, positive by 9.3 million euros;
- ▶ the positive evolution of the management, economic and financial indicators compared to the previous year;
- ▶ Positive net profit of 5,811 thousand euros, reflecting the satisfactory performance registered in the year, reinforcing the economic and financial sustainability of LISNAVE.

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, notwithstanding an expected positive market development in 2021, the context of uncertainties and conditions regarding the stability of the activity, concludes by issuing the following

OPINION

- 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 5,811,297.17 euros, submitted by the Board of Directors, should be approved.

Lisbon, 1st of March 2021

The Supervisory Board's

President

Manuel Serpa Leitão

Statutory Auditor

Tânia Sofia Luís Mineiro

Member of the Auditing Committee

RSM & ASSOCIADOS – Sroc, Lda., represented by Joaquim Patrício da Silva (Roc nº 320)

LEGAL CERTIFICATION OF ACCOUNTS

Report on the Audit of financial statements

Presentation

We have audited the financial statement prepared by LISNAVE – ESTALEIROS NAVAIS, S.A., comprising the balance sheet as at 31 December 2020 (showing a total of 69.399.666,25 euros and a total equity of 36.903.060,48 euros, including a negative net profit of 5.811.294,17 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 2020, 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 the Entity 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.

Emphasis

During the 2020 financial year, the World Health Organization (WHO) declared a global pandemic called COVID-19. This report and accounts 2020 of the Entity, considering that the current state of the COVID-19 pandemic is controlled during the first quarter of 2021, which will begin to progressively increase the free movement of persons and goods, with the consequent positive effect on the economy in world maritime transport and hence in the activity of ship repair, in the second half of the year, it is expected that Lisnave will achieve a level of activity that is not much lower than in 2020.

Our opinion is not changed in this regard.

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, 1st March 2021

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 MARCH 2021 RELATING TO THE APPROVAL OF DOCUMENTS REPORTING THE ACCOUNTS FOR THE 2020 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. at the Company's Registered Offices at 11.00 a.m. on the twenty-five day of March two thousand twenty one.

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 728.377 (Seven hundred and twenty-eight thousand three hundred and seventy seven) shares, representing 72,83% (Seventy-two point eighty-three percent) of the votes;
- ▶ THYSSENKRUPP INDUSTRIAL SOLUTIONS AG, represented by Engº. Jan Krabbenhöft hmann, 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;
- ▶ D. Maria Fátima J. Liberal Rodrigues, holder de 722 (Seven hundred and twenty two) shares, representing 0,07% (zero seven per cent) of the votes.

The Board of Directors and the Auditing Committee were presents.

Item 1 and 2 To discuss and approve the 2018 Annual Management Report and Accounts and Auditing Committee Report

... the Chairman submitted the Report and Accounts for the year 2020 and the Auditing Committee Report to the joint vote, which were unanimously approved.

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

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

“Proposal for the Appropriation of Profits

Since the Company’s performance in 2020 generated a profit that warrants granting the Workers a bonus, the Board of Directors has decided to award a Balance-sheet Bonus.

Therefore proposes to Equity holders that:

- ▶ The Board’s decision be ratified to award a Balance Sheet Bonus be awarded to the Company’s workers as a whole, in the sum of € 750.000,00 (Seven hundred fifty hundred thousand Euros) already included in the Net Profit for the year, and that
- ▶ The Net Profit for the year in the sum of € 5.811.294,17 (Five million, eight hundred eleven thousand and two hundred ninety four Euros and seventeen cents) be appropriated as follows:

Retained Earnings	1.811.294.17 Euros.
Dividends	4,000,000.00 Euros.

Mitrena, March 25, 2021

The Board of Directors”

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

Item 4 To carry out a General Appraisal of the Management and Supervision of the Company.

..., the Chairman stated that the Table had received a Proposal subscribed by Shareholder NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A., which he read out, the contents of which were as follows:

“Proposal

Considering the competent and efficient way in which the Company’s Corporate Officers had performed their respective duties, especially during 2020, NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A., proposes that the General Meeting approve a vote of praise for the Board of Directors and Audit Committee of LISNAVE, ESTALEIROS NAVAIS S.A..

Caparica, March 25, 2021

The Representative of Shareholder NAVIVESSEL”

Submitted to the vote, this proposal was approved unanimously.

Item 5 Proceed with the ratification of the appointment by co-option of Mr. Nuno Miguel Ferreira de Almeida Antunes dos Santos, replacing Mr. Petrus Charles Maria Luijckx

“Proposal

Ratification of the appointment by co-option of Mr. Nuno Miguel Ferreira de Almeida Antunes dos Santos, replacing Mr. Petrus Charles Maria Luijckx.

The Board of Directors of LISNAVE, ESTALEIROS NAVAIS S.A., considering that:

- a) Mr. Petrus Charles Maria Luijckx submitted his resignation from the position of Member of the Board of Directors of LISNAVE, ESTALEIROS NAVAIS S.A., having terminated on December 31st 2020 his contractual relationship with the Company;
- b) At a meeting of the Board of Directors of LISNAVE, ESTALEIROS NAVAIS S.A., held on December 31st 2020, the appointment of the Director Mr. Nuno Miguel Ferreira de Almeida Antunes dos Santos was unanimously approved by co-option, replacing Eng. Petrus Charles Maria Luijckx.

Proposes, in compliance with the provisions of nr. 4 of Article 393 of the “Código das Sociedades Comerciais” (Commercial Companies Code), that the co-option of the Director Mr. Nuno Miguel Ferreira de Almeida Antunes dos Santos be ratified, replacing Mr. Petrus Charles Maria Luijckx.

Mitrena, March 10th 2021

The Board of Directors”

(signatures from two Lisnave Directors)

Submitted to vote, this proposal was unanimously approved.

Item 6 To resolve on the amendment to Article Twenty of the Company’s statutes.

“Proposal

Considering that it is necessary to adapt the statutes of the company LISNAVE to the current legislative changes, the Board of Directors proposes to amend Article Twenty of the referred statutes as follows:

Article Twenty

One The supervision of corporate affairs is entrusted to a Fiscal Council, composed of three effective members and to a statutory auditor (revisor oficial de contas) or society of statutory auditors (sociedade de revisores oficiais) who is not a member of the Fiscal Council.

Two The General Meeting that elects the members of the Fiscal Council must also appoint its Chairman.

Mitrena, March 10th 2021
 The Board of Directors”
 (signatures from two Lisnave Directors)

Submitted to vote, this proposal was unanimously approved.

Item 7 Election of Members of the Bodies Corporate for the 2021 – 2024 four year period.

..., the Chairman declared that the Table had received a Proposal for the Appropriation of Profits presented by the Shareholder NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A., which he read out, the contents of which were as follows:

“Proposal

NAVIVESSEL, ESTUDOS E PROJECTOS NAVAIS, S.A., as majority shareholder of LISNAVE, ESTALEIROS NAVAIS, S.A., comes, in legal terms, to present the following list to the Members of the Corporate Bodies of LISNAVE, whose Holders will be elected for the four-year period 2021-2024.

MEMBERS OF THE BODIES CORPORATE | TERM: FOUR YEAR PERIOD 2021-2024

Chair of the General Meeting

Chairman: Dr. Luís Miguel Nogueira Freire Cortes Martins

Vice-President: Dr. Carlos Fernando Soares Pinheiro

Secretary: Dr. Manuel Joaquim Rodrigues

Board of Directors:

Chairman: Engº. José António Leite Mendes Rodrigues

Voting Members: Dr. Nelson Nunes Rodrigues

Dr. Luís Manuel dos Santos Silva Patrão

Engº. Nuno Miguel Ferreira de Almeida
 Antunes dos Santos

Dr. João Rui Carvalho dos Santos

Auditing Committee:

Chairman: Engº. Manuel Serpa Leitão

Voting Members: Dra. Tânia Sofia Luís Mineiro
 Dr. Mário Alexandre Guerreiro Antão

Firm of Official Inspectors of Accounts:

“RSM & Associados, SROC, Lda.” Nº 21 – Represented
 by Dr. Joaquim Patrício da Silva, ROC Nº 320

Company Secretary:

Dr. Carlos Fernando Soares Pinheiro

Remuneration Committee:

Chairman: Dr. Luís Miguel Nogueira Freire
 Cortes Martins

Secretary: Eng. Jan Krabbenhöft

Caparica, March 10th 2021
 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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