NOVABASE

2017

ANNUAL REPORT

2017 NOVABASE ANNUAL REPORT

Management Report

2017
IN THE SPOTLIGHT

Dear Shareholders,

The 2017 results show that we have achieved the goals laid out for the year, and bear out **the transformations we are making to our business**.

First, we are **replacing business in more volatile regions subject to exchange rate difficulties with a greater presence in Europe**, which now accounts for around 70% of international operations. Second, we have **intensified our focus on specialized products and services** as a solid leverage to the digitalization of our customers' businesses - you can learn about some of the solutions at *www.novabase.com*.

We have achieved this through major R&D investments and **methodologies centered on people**, such as design thinking and gamification. We have also used these types of approaches successfully within the company, with NOVA being just one example. Developed by Novabase, this platform will accelerate the development of our employees – mostly millennials – and give us an advantage in a **market which has become extremely competitive in terms of technology talent**.

The major changes in EBITDA and Net Profits, +85% and -50% respectively, are due to the unusual circumstances of 2016: extraordinary costs from a project, and capital gains from the sale of the Infrastructures & Managed Services business. The latter also resulted in a **record year for cash generation: more than €31 million**. Without it (€41 million), and without dividends paid (€-20 million), the cash generated was €10 million.

Novabase renewed its appraisal of Maturity Level 3 in the Capability Maturity Model Integration (CMMI), keeping us in the restrict group of companies in Portugal that have this certification. The CMMI is the international benchmark that measures the maturity and capacity of an organization's processes, certifying its expertise in product and service development in the areas of systems and software engineering. Novabase has signed a strategic partnership with Instituto Superior Técnico (IST) to support the transfer of knowledge and innovation. Celfocus and Novabase Business Solutions achieved respectively the first and second place, in the Innovation Services category, in the ranking published by Star Company magazine for the 1000 largest companies operating in Portugal. Collab has been awarded the Gold Award in Global Technology by Associação Portuguesa de Contact Centres (Portuguese Association of Contact Centres).

2017 was once again a **year of investment in innovation and dissemination of Novabase** offerings in events with large exposure, namely: conference of Gamification Europe, held in the UK, where Novabase presented its NOVA platform; Platinum sponsor of the Receivables Finance International 2017 (RFIx) conference, held in London, the world's main event in the area of factoring, that bring together financial institutions, technology innovators; Celfocus presented its Celfocus Omnichannel solution at the Mobile World

Conference, which is considered the most important telecommunications trade show worldwide; Partner of Web Summit 2017, where we presented the Wizzio Digital Platform; Participation in the APDC Congress, whose central theme was the transformation of the businesses in order to meet the digital demand, where Novabase presented our most innovative solutions.

With regard to new companies, in the Venture Capital area, it was decided to establish a new **venture capital fund 'Novabase Capital + Inovação', with a total capital of 7 M€**. The referred fund is held in 53.1% by Novabase Capital SCR, S.A. and 46.9% by Fundo de Capital e Quase Capital (FC&QC). Through this Fund, Novabase Capital intends to respond to the constraints on SME financing in the ICT market and to contribute to the stimulation and orientation of business investment and job creation, in line with the investment objectives and priorities defined in the Portugal 2020. We sold part of our investment in the company Feedzai, to the North American companies Sapphire Ventures and Sapphire Sap, obtaining a 3 M€ gain. Feedzai works in the area of data science and is one of the fintechs in the list of Forbes for 2018.

Over the course of the year we hired more than 100 newly graduated students through Novabase Academy, a program that selects the best talent out of universities. Since its creation in 2006, we have already integrated more than 1,200 young talents into our workforce.

The year was also marked by Novabase's return to the PSI20, giving its stock more visibility. Novabase nearly tripled its transaction volume in **2017, which was up 48%, including the two dividends paid**.

Given the strong balance sheet of the company, we will propose a dividend payment of 15 cents per share at the 2018 General Meeting of Shareholders, corresponding nearly to a **100% payout and yield of around 5%**.

We will continue to pursue our business transformations in 2018, both from the standpoint of geographically diversifying risk as well as investing in products and services. In the short term, this decision will limit our growth and profitability; however, we believe it **will enable future access to higher-quality, more sustainable business**.

Luís Paulo Salvado

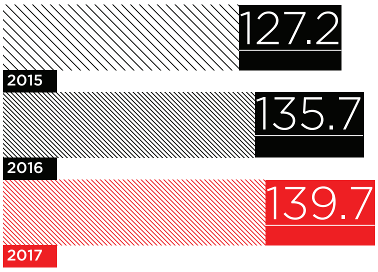
Chairman of the Board of Directors

02

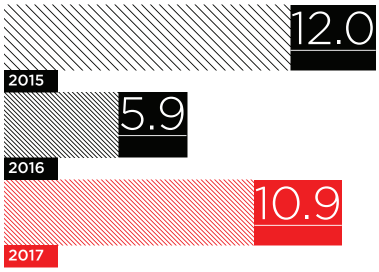
FINANCIAL HIGHLIGHTS

(Amounts in M€, except otherwise stated)

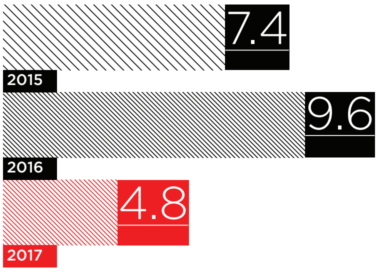
TURNOVER



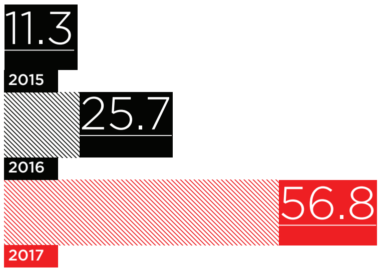
EBITDA



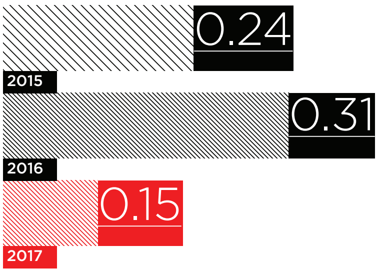
NET PROFIT



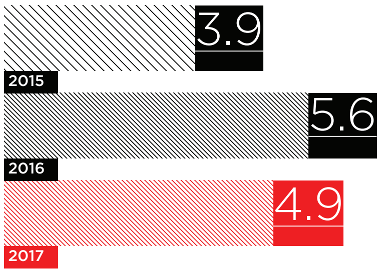
NET CASH



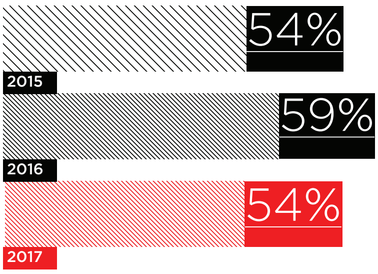
EARNINGS PER SHARE



R&D



INTERNATIONAL BUSINESS (%)



03

CORPORATE GOVERNANCE

Novabase is a listed Company since July 2000, working in compliance with a governance model regularly assessed by the Executive Board in terms of adequacy and performance, aiming at contributing to the performance optimization and to a more accurate alignment with all the stakeholders' interests. The stakeholders are entities whose interests involve the corporate activity and include Shareholders and Investors, Clients, Suppliers and other Business Partners, and Employees.

Given the growing challenges presented by the internationalization and competiveness of **Novabase's** activities, it became necessary to update the corporate governance implemented in the Company, in order to simplify and promote flexibility on the Company's bodies and procedures and to better adjust the existing solutions to the Company's size and operating circumstances.

Therefore, at the General Meeting held on 29 April, 2015, **Novabase** changed its Articles of Association and implemented a reinforced Latin governance model, which integrates a Board of Directors, an Audit Board and an Effective Chartered Accountant. In the context of this model, a more agile daily company management structure was implemented, including two managing directors - Luís Paulo Cardoso Salvado (CEO) and Francisco Paulo Figueiredo Morais Antunes (CFO). On the other hand, **Novabase** has a General Meeting board elected for three-year mandates, as well as a Remuneration Committee appointed by the General Meeting that shall set the remuneration of each member of the Corporate Bodies, considering their duties and the Companies' economic situation. The Company also appoints a Secretary and a deputy secretary, in accordance with article 446-A of the Commercial Companies Code, to exercise their competences under the law.

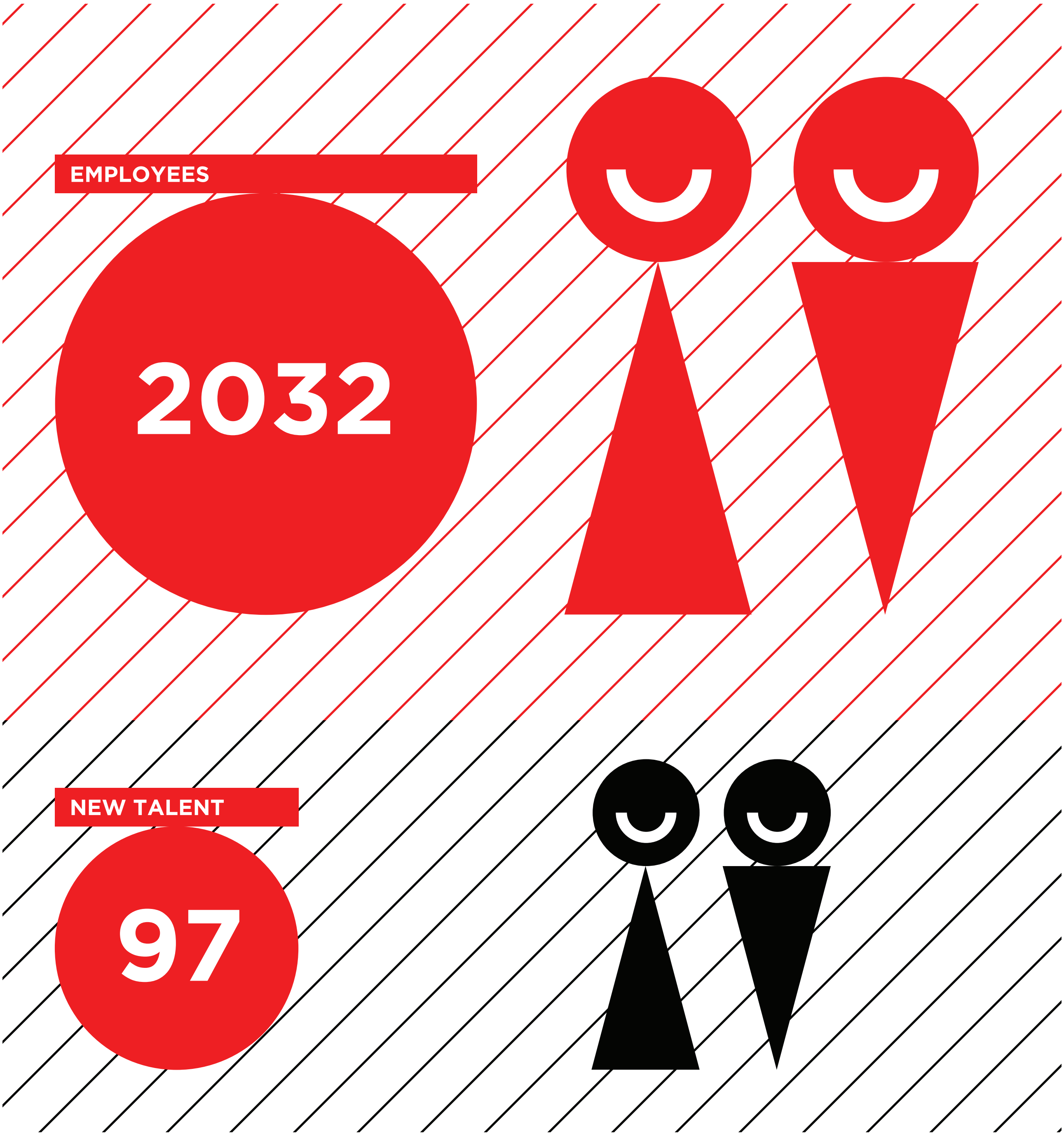
Novabase continuously analyses the implementation of this model, to improve, wherever possible, its corporate governance practices and better adjust the adopted model to the demands and challenges faced by the Company.

04 SUSTAINABILITY

CREATION OF VALUE FOR THE SHAREHOLDERS

Turnover	139.7 M€
EBITDA	10.9 M€
Atributtable Net Profit	4.8 M€
Turnover growth rate	3.0%
International turnover growth rate	-4.9%
EBITDA growth rate	84.8%
Atributtable Net Profit growth rate	-50.2%
Net Cash growth	31.1 M€
Return on Equity	7.1%
Return on Assets [1]	4.2%

[1] Return on Assets = Operating Profit (EBIT) / Total Assets



05

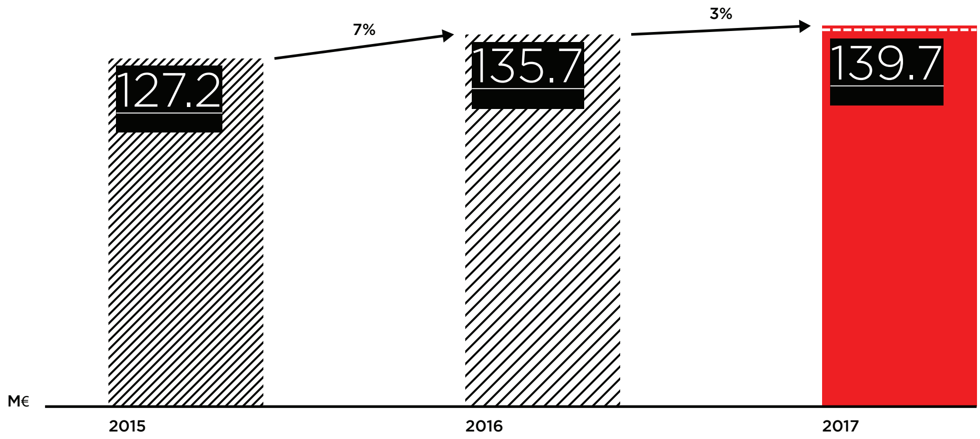
FINANCIAL AND STOCK PERFORMANCE

Changes in key indicators

Turnover

Novabase's Turnover in 2017 was 139.7 M€ (million euros), an increase of 3% compared to 135.7 M€ in 2016, in line with the Annual Guidance of 140 M€.

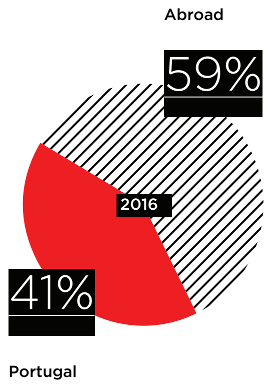
TURNOVER

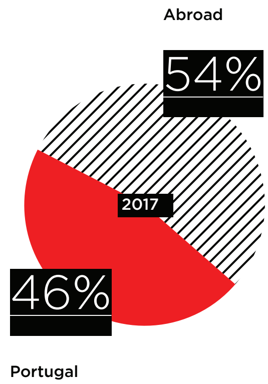


From the total Turnover, 75.5 M€ were generated outside Portugal, which compares to 79.4 M€ registered in 2016.

Business outside Portugal generated in the Business Solutions area decreased to 54% of the respective Turnover (59% in 2016) and in the Venture Capital area increased to 60% (42% in 2016). Europe was the continent with greater expression in 2017, accounting for 69% of international business.

TURNOVER BY GEOGRAPHY

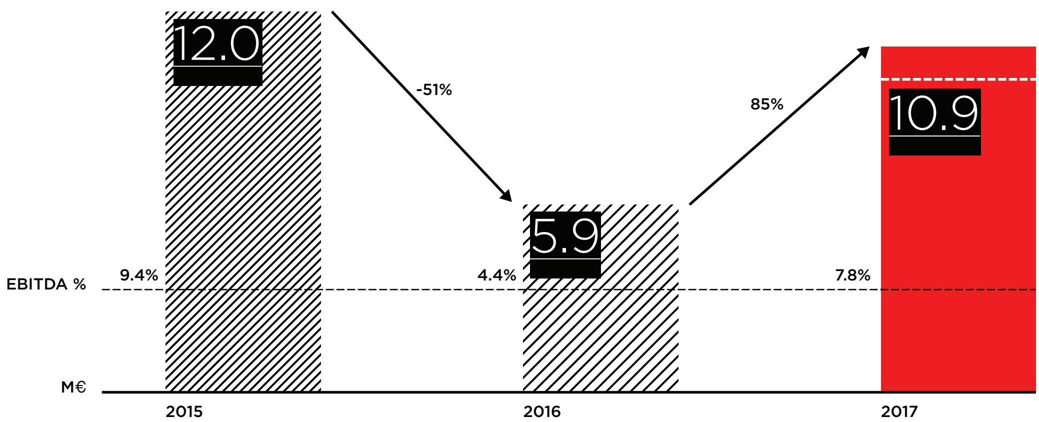




EBITDA

EBITDA reached 10.9 M€ in 2017, a 85% increase compared to the 5.9 M€ obtained in 2016, above the Annual Guidance (+9% in value and +0.7 percentage points). EBITDA's evolution was influenced by the extraordinary cost recorded in a project in 2016.

EBITDA

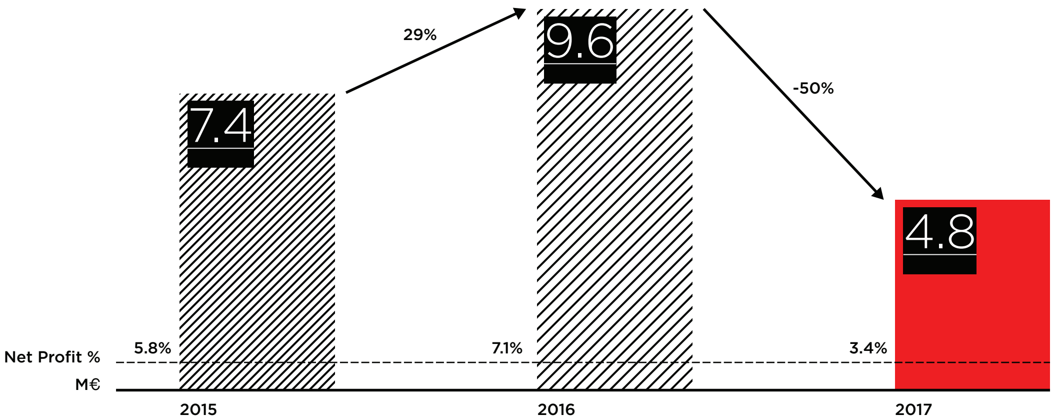


The EBITDA margin was 7.8%, above the 4.4% margin obtained in 2016.

Results

Consolidated Net Profit, after Non-Controlling interests, reached 4.8 M€, showing a 50% decrease compared to the 9.6 M€ registered in 2016. The evolution of Net Profit was impacted by the disposal of IMS Business in 2016.

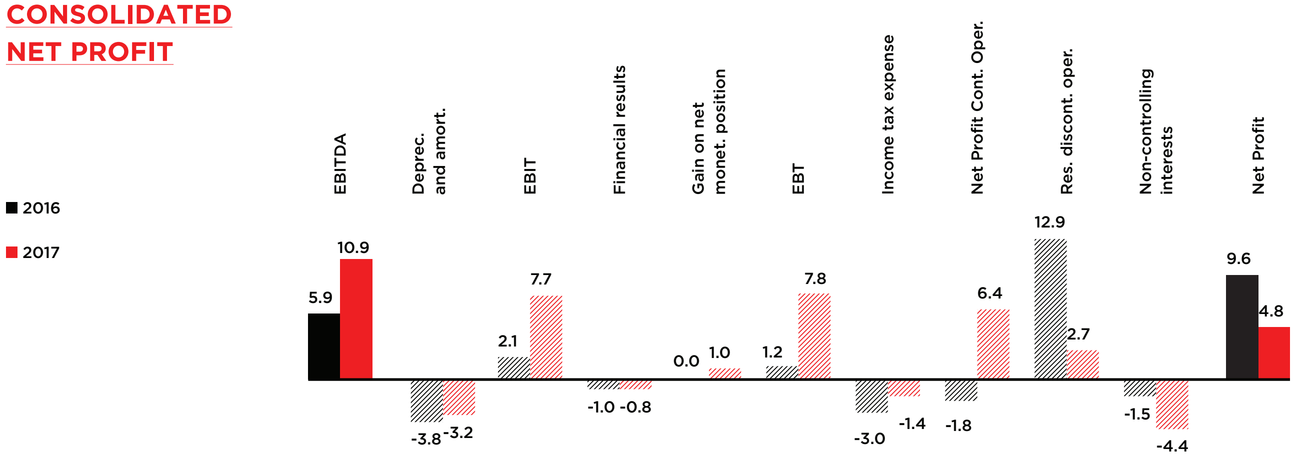
CONSOLIDATED NET PROFIT



Earnings per Share were 0.15 Euros in 2017, registering a decrease of 50% towards the Earnings per Share from the previous year of 0.31 Euros per share.

Trends in EBITDA to Net Profit were as follows:

CONSOLIDATED NET PROFIT



Depreciation and amortisation reached -3.2 M€, an increase towards the amount registered in 2016 (-3.8 M€).

Operating Profit (EBIT) was 7.7 M€, rising 263% compared to 2016 (2.1 M€).

The Financial results were negative in 0.8 M€, an increase of 0.2 M€ compared to 2016.

Earnings Before Taxes (EBT) in 2017 were 7.8 M€, registering a 569% increase compared to 1.2 M€ in 2016.

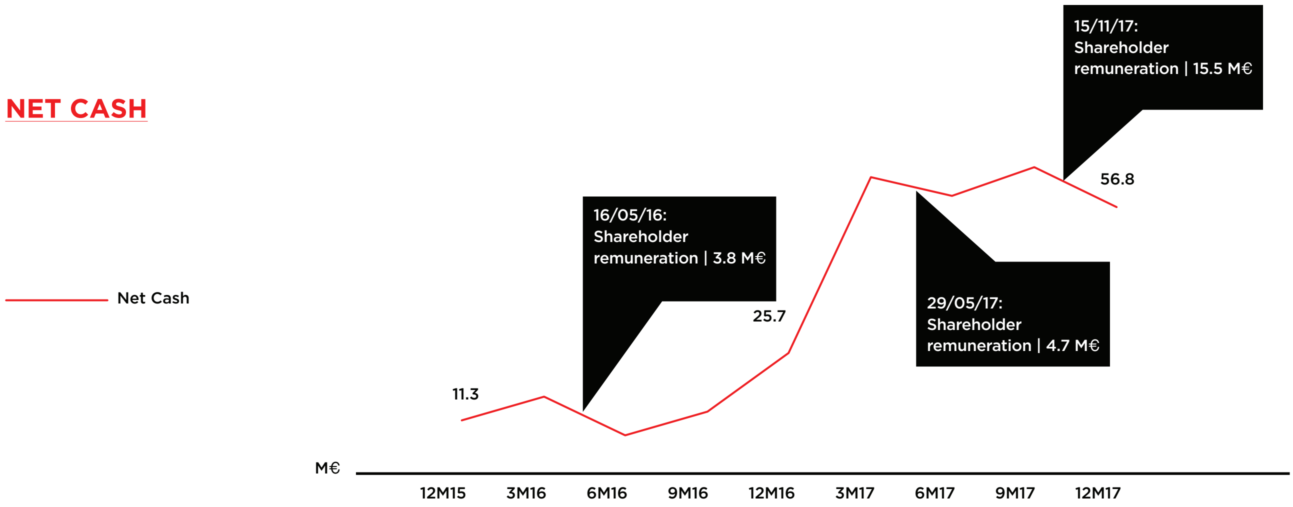
The Gain on net monetary position, amounting to 1.0 M€, derives from the application of IAS 29 to the financial statements of the subsidiary in Angola, after this economy was considered at the end of December 2017 as a hyperinflationary economy, in accordance with that standard. The calculated gain considers an inflation rate of 23.7% in Angola in 2017.

Results from discontinued operations reached a 2.7 M€ profit, which compares to 12.9 M€ in 2016, and correspond to the results attributable to IMS segment. In 2017, this value corresponds fully to the adjustment on the gain generated by the sale of the business, resulting from the final calculation of working capital and net debt, as established in the purchase and sale agreement.

Cash

In 2017, Novabase shows a positive evolution in cash generation, with a 31.1 M€ increase in the cash position in 2017. Thus, Novabase ended 2017 with 56.8 M€ in net cash, which compares to 25.7 M€ in 2016. This evolution mainly reflects the cash inflow from IMS Business disposal, in the amount of 41.1 M€.

NET CASH



On May 29, 2017, **Novabase** paid its shareholders a total amount of 4.7 M€ (0.15€/share). Additionally, on November 15, 2017, occurred the payment of reserves and retained earnings to shareholders in a total amount of 15.5 M€, corresponding to 0.50€ per share. On July 3, 2017, the amount of 1.3 M€ was paid to Non-controlling interests.

With reference to the Notes to the Consolidated Financial Statements, the detail and description of Net Cash is analysed as follows:

AMOUNTS EXPRESSED IN THOUSAND OF EUROS	31.12.17	31.12.16
Cash and cash equivalents	56,136	35,703
Non-current Held-to-maturity investments	7,713	4,859
Current Held-to-maturity investments	7,353	4,441
Treasury shares held by the Company (*)	1,148	21
Non-current Bank borrowings	(10,563)	(13,907)
Current bank borrowings	(4,963)	(5,376)
	56,824	25,741

* The share price in the Stock Exchange in the last tradable day of 2017 was 3.049 Euros (2016: 2.490 Euros).

Capital Expenditure

Consolidated recurring investment reached 0.9 M€ in 2017. This amount, which corresponds to a cash write-off in the Statement of Financial Position, is divided into two parts: one pertaining to work in progress in the amount of 0.2 M€ related to the development of projects that are still under construction, and a second part, in the amount of 0.7 M€, related to other tangible assets, such as furnishings.

Non-recurring investment was positive, in the total amount of 1.5 M€, comprising extraordinary movements, write-offs and currency translation differences, and the application of the hyperinflation standard (IAS 29) to tangible assets of the subsidiary in Angola (non-cash items).

CAPITAL EXPENDITURE

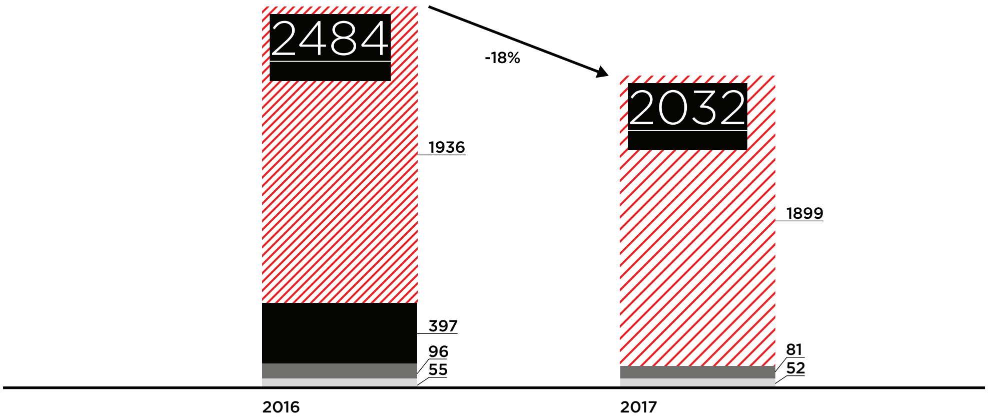
AMOUNTS EXPRESSED IN MILLIONS OF EUROS	NON-RECURRING	RECURRING	TOTAL
WORK IN PROGRESS			
Work in Progress		0.2	0.2
SUB-TOTAL (1)	0.0	0.2	0.2
INTANGIBLE ASSETS			
R&D	0.1		0.1
SUB-TOTAL (2)	0.1	0	0.1
TANGIBLE ASSETS			
Transport Equipment / Leasing / OR	1.7		1.7
Other Tangible Assets	-0.3	0.7	0.4
SUB-TOTAL (3)	1.4	0.7	2.1
TOTAL	1.5	0.9	2.4

Human Resources

In terms of human resources, Novabase had an average of 2032 employees in 2017, a decrease of 18% compared to 2484 in 2016, mainly reflecting the exit of the employees of IMS Business companies, which were sold at the end of 2016.

The following table shows the average number employee's breakdown, during 2017, among **Novabase**'s various business areas:

AVERAGE NUMBER OF EMPLOYEES



- Business Solutions
- IMS
- Shared Services*
- Venture Capital

* For the purpose of reporting by segment, Shared Services belongs to Business Solutions segment.

At the end of the year, the total number of employees was 1991, compared with 2138 at the end of 2016.

Worthy of note is that international employees represent 10% of the total number in 2017 (211), and the recruitment of 97 new university graduates through Novabase Academy program.

Business Summary

The 2017 results are aligned with the expectations laid out for the year and reflect the changes outlined for business.

In the new perimeter, Turnover increased by 3%, with the weight of the international business accounting for 54% of the total. Operations in Europe, which consolidated its leadership as the major market, represent 69% of non-domestic activity. Likewise, an improvement of operating competitiveness was verified, with EBITDA rising 85% up to 10.9 M€ and Net Profit reaching 4.8 M€.

Towards the Guidance, the 2017 results stood in line in Turnover and above in EBITDA (+9% in absolute terms and +0.7% in percentage points). In terms of international business weight, **Novabase** was below the 60% target, influenced by the domestic business growth.

We highlight in 2017, in the Venture Capital segment, that Collab has been awarded the Gold Award in Global Technology by Associação Portuguesa de Contact Centres (Portuguese Association of Contact Centres). The award was announced at the 13th International Conference of the association, an event that brings together the Portuguese contact centre industry.

In the Business Solutions area, Celfocus and Novabase Business Solutions achieved the leadership of the Innovation – Services category, in the ranking published by Star Company magazine for the 1000 largest companies operating in Portugal, occupying the first and second place, respectively.

Additionally, **Novabase** renewed its appraisal of Maturity Level 3 in the CMMI (Capability Maturity Model Integration) model in Portugal. This international benchmark measures the maturity and capacity of an organization's processes, certifying its expertise in product and service development in the areas of systems and software engineering. This appraisal, once again given by the Spanish consultant PROQUA, keeps **Novabase** in the élite group of certified software companies headquartered in Portugal.

With regard to new partnerships, **Novabase** has signed a protocol with Instituto Superior Técnico (IST) to join its network of strategic partners. This agreement will allow Novabase to support the transfer of knowledge and innovation, resulting from the research activity of the University to the Industry and vice versa, and fall under **Novabase**'s strategy to specialise its offerings and make them more suitable for the most sophisticated markets.

Highlights also include the re-entry of **Novabase** to the main index of the Lisbon stock exchange. The return to PSI20 increases the visibility of **Novabase** and may lead to an increase of the liquidity of its stock, which recorded a 48% appreciation during the year, after adjusting the regular and extraordinary dividends paid in 2017.

2017 was also a year of investment in innovation and dissemination of **Novabase** offerings in events with large exposure, namely:

- Novabase participated in the conference of Gamification Europe, aimed at those who use gamification to encourage behavioural change within their companies. The conference was launched in the UK and was attended by the largest gamification specialists, where Novabase presented its NOVA project, a plataform for promoting the growth of Novabase's employees;

- Novabase was the platinum sponsor of the Receivables Finance International 2017 (RFLx) conference, held in London, the world's main event in the area of factoring, that bring together financial institutions, technology innovators, companies and specialists for an in-depth discussion on the industry's future;

- Celfocus presented its Celfocus Omnichannel solution at the Mobile World Conference, which is considered the most important telecommunications trade show worldwide;

- Novabase was a partner of Web Summit 2017, considered one of the world's most important events in entrepreneurship, technology and innovation. The event took place once again in Lisbon and was the stage chosen for the presentation of the Wizzio Digital Plataform, developed by the Financial Services area of Novabase;

- Novabase participated in the APDC Congress, whose central theme was the transformation of the businesses in order to meet the digital demand. Novabase unveiled its innovative methodologies such as Gamification and Design Thinking.

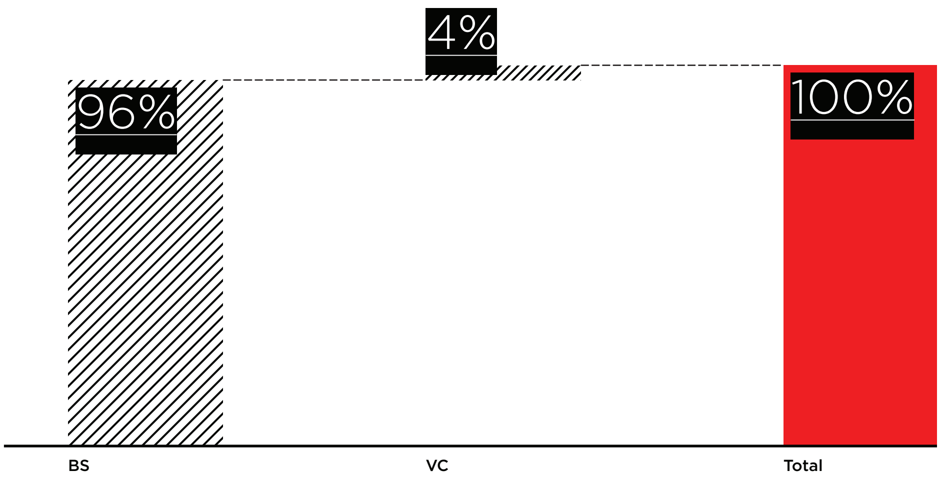
These world reference events reflect **Novabase**'s focus on innovation and provide excellent showcases for the dissemination of its offerings.

With regard to new companies, in the Venture Capital area, it was decided to establish a new venture capital fund 'Novabase Capital + Inovação', with a total share capital of 7 M€. The referred fund is held in 53.1% by Novabase Capital SCR, S.A. and 46.9% by Fundo de Capital e Quase Capital (FC&QC). Through this Fund, Novabase Capital intends to respond to the constraints on SME financing in the ICT market and to contribute to the stimulation and orientation of business investment and job creation, in line with the investment objectives and priorities defined in the Portugal 2020.

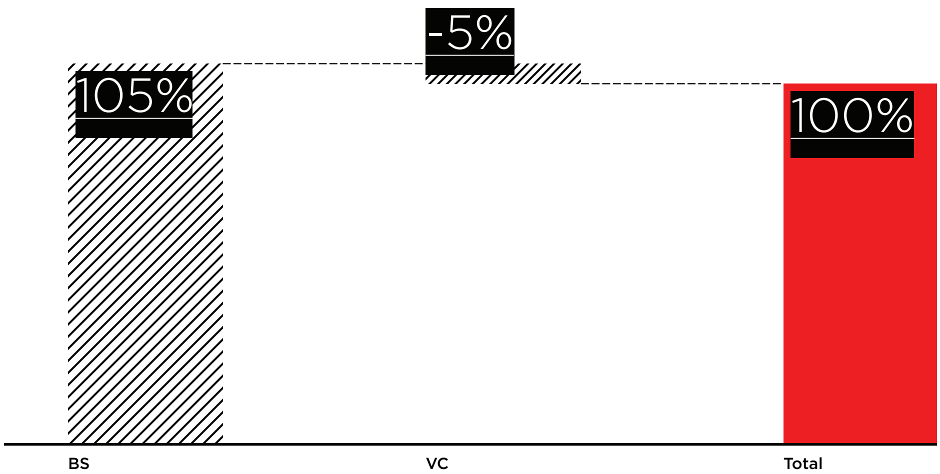
Still in this segment, the Venture Capital Fund Novabase Capital Inovação e Internacionalização sold part of its investment in the company Feedzai, to the North American companies Sapphire Ventures and Sapphire Sap, obtaining a 3 M€ gain. Feedzai works in the area of data science and is one of the references of innovation in Novabase Capital' portfolio.

The percent breakdown of Turnover and EBITDA, by business area, was as follows in 2017:

TURNOVER 2017



EBITDA 2017

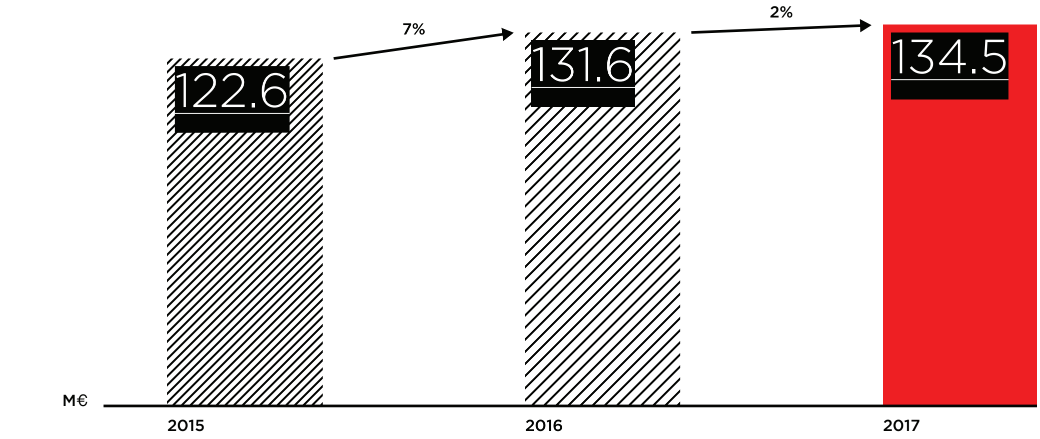


Business Solutions

In 2017, Business Solutions had in average a team of 1899 consultants, and generated 96% of Novabase's total Turnover and 105% of the total EBITDA.

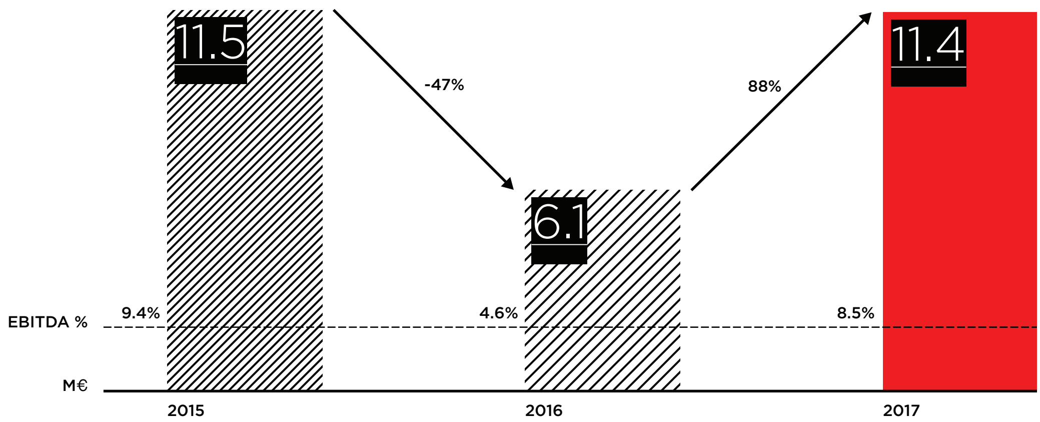
This business area's total Turnover was 134.5 M€, a 2% increase compared to 2016.

TURNOVER BUSINESS SOLUTIONS



Business Solutions EBITDA increased 88% in 2017 in equivalent terms (from 6.1 M€ to 11.4 M€), with an EBITDA margin of 8.5% (compared to 4.6% in 2016).

EBITDA BUSINESS SOLUTIONS



This evolution reflects top-line growth, in line with the expectations for the year, and a positive performance of the businesses.

Infrastructures & Managed Services

As at October 12, 2016, Novabase has entered into a purchase and sale agreement with VINCI Energies Portugal, SGPS, S.A., to sell its Infrastructures & Managed Services business ("IMS Business") by the agreed price of 38.365 million Euros, operation that was substantially completed by the end of that year, therefore a gain amounting to 17.6 M€ was recorded in 2016 accounts.

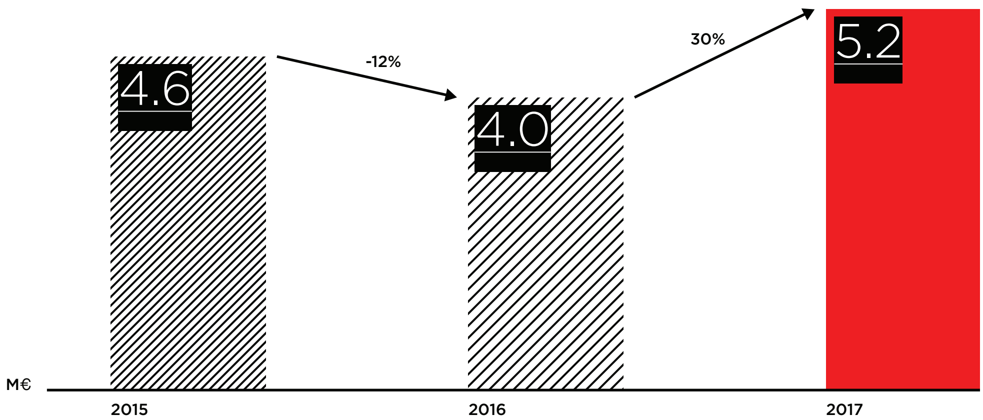
In the first half of 2017, the final calculation or working capital and net debt as established in the purchase and sale agreement took place, and the final price was revised to 41.061 million Euros, resulting in an adjustment to the gain on sale of 2.7 M€.

Venture Capital

Venture Capital had in average a critical mass of 52 employees in 2017, and generated 4% of Novabase's Turnover and -5% of the total EBITDA.

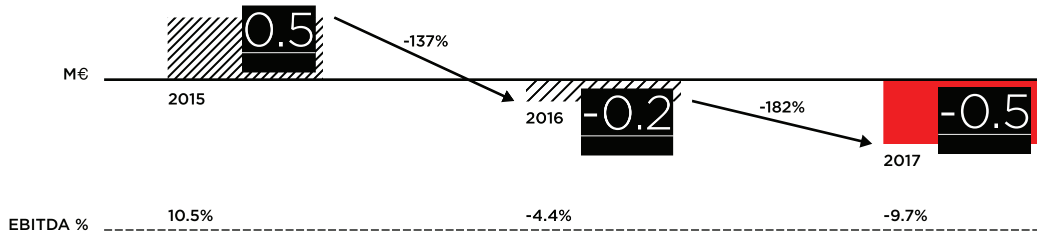
This business area's total Turnover reached 5.2 M€, a 30% increase compared to 2016.

TURNOVER VENTURE CAPITAL



Venture Capital's EBITDA decreased in 2017, in equivalent terms, from -0.2 M€ to -0.5 M€, with an EBITDA margin of -9.7%. This is a typical evolution of the development stage of the investments of the Funds.

EBITDA VENTURE CAPITAL



Stock Performance

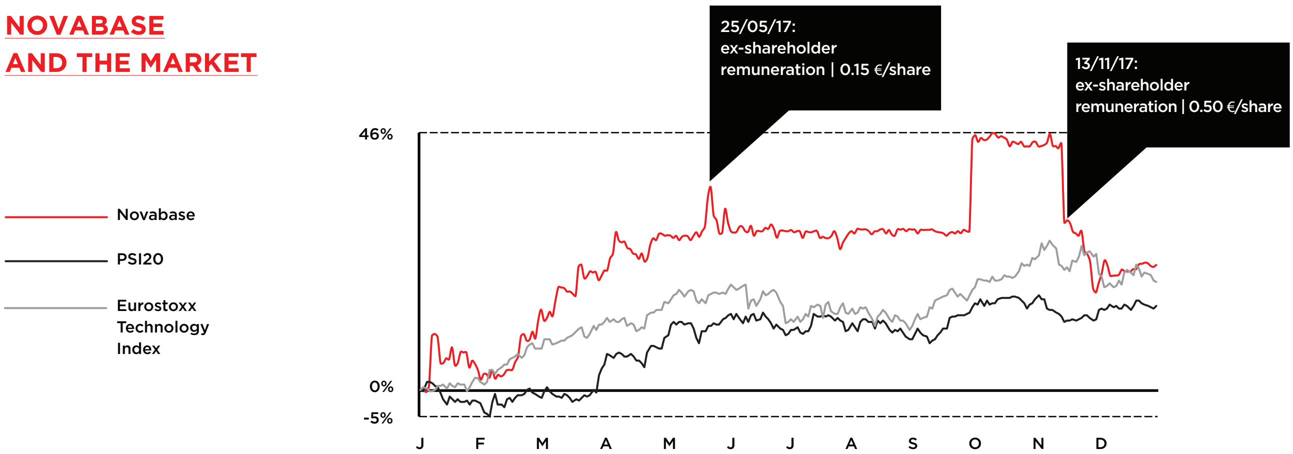
Novabase share price in 2017 appreciated 22%, comparing to a 15% gain in the PSI20 Index and a 19% gain in the EuroStoxx Technology Index. Excluding the shareholder remuneration, the gain on Novabase share price would have been 48%.

To be noted the re-entry of Novabase to the main index of the Lisbon stock exchange, the PSI 20, as at March, 20.

On May 2017, a dividend of 0.15€/share was distributed. Additionally, on November 2017, it was paid to the shareholders an amount of 0.50€ per share, corresponding to the distribution of reserves and retained earnings.

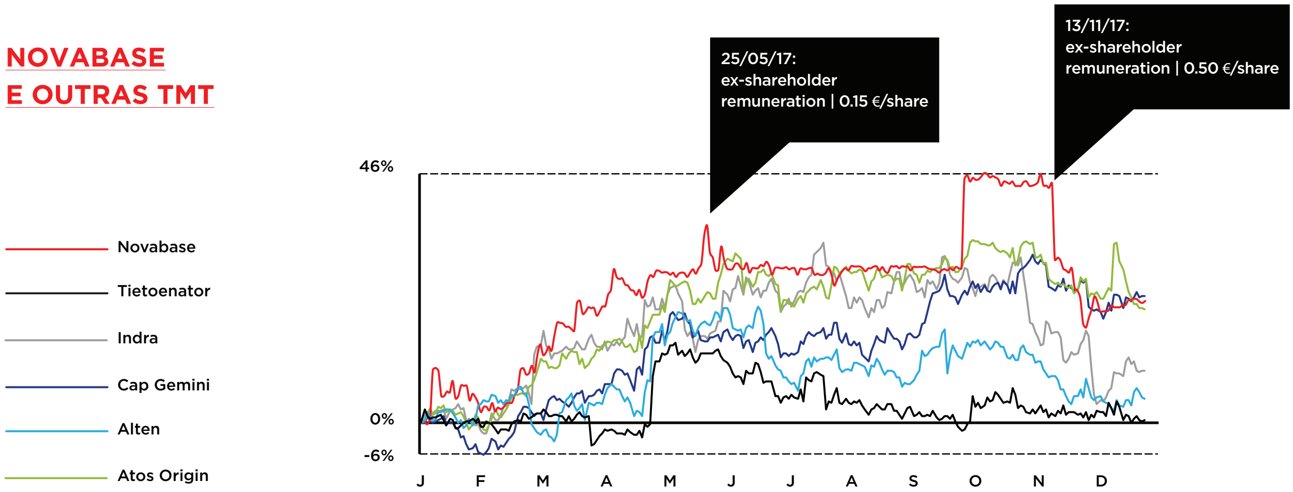
The Board of Directors will propose to the General Meeting of Shareholders to be held on May 10, 2018, the distribution of dividends in the amount of 4.7 M€, corresponding to 0.15€ per share.

NOVABASE AND THE MARKET



The evolution of **Novabase** share prices compared to other companies in the IT sector in Europe, in 2017, was as follows:

NOVABASE E OUTRAS TMT



The average price target disclosed by the analysts who cover **Novabase** is 3.40 Euros (average upside of 12%).

The average **Novabase** share price weighted by quantity in 2017 was 3.136 Euros per share. 8.2 million shares were traded in all 255 stock exchange sessions in 2017, corresponding to a trading value of 25.8 M€.

The daily average number of shares traded was 32.3 thousand shares, corresponding to a daily average value of approximately 0.1 M€.

The share price on the last tradable day of 2017, 29 December 2017, was 3.049 Euros, which represents a gain of 22% compared to the 2.490 Euros that **Novabase** shares registered at the end of 2016.

The maximum closing price achieved in 2017 was 3.639 Euros, while the minimum closing price recorded was 2.480 Euros. Market capitalization at the end of 2017 was 95.7 M€.

Share turnover accounted for 26% of **Novabase**'s capital, with 8.2 million shares traded, 2.9 times higher than the values recorded in 2016 (turnover of 9% of capital, with 2.8 million shares traded).

SUMMARY		2013	2014	2015	2016	2017
	Minimum price (€)	2.290	2.090	2.070	1.879	2.480
	Maximum price (€)	3.110	4.100	2.619	2.490	3.639
	Volume weighted average price (€)	2.790	3.183	2.350	2.145	3.136
	Last tradable day price (€)	2.610	2.214	2.114	2.490	3.049
	Nr. of shares traded (milions)	8.3	5.9	5.7	2.8	8.2
	Market cap. in the last day (M€)	82.0	69.5	66.4	78.2	95.7

Risks

The Group's activities expose it to a variety of financial risks, namely, Foreign exchange risk, Interest rate risk (Cash flows and fair value), Credit risk, Liquidity risk and Capital management risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

More information on each of the financial risks that Novabase is exposed to, listed below, including control mechanisms and sensitivity analysis, can be found in the note "Financial Risk Management Policy" included in the Accounts, which forms an integral part of this Consolidated Report and Accounts.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, mainly arising from U.S. Dollar, Kwanza and Metical exposures, since some subsidiaries perform transactions in these currencies.

The finance department is responsible for monitoring the evolution of the exchange rate of the currencies mentioned above, in order to reduce the impact of their fluctuations in consolidated results. The group uses derivative financial instruments to hedge certain risk exposures.

b) Interest rate risk (Cash flows and fair value)

Interest rate risk reflects the possibility of changes in future interest charges in loans obtained as a result of changes in market interest rate levels.

Novabase Group's financial liabilities are indexed to short-term reference interest rates, revised in periods shorter than one year plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Group's earnings.

The Group's exposure to interest rates is related to financial liabilities contracted with a fixed and/or floating rate. In the first case, the Group faces a risk of fair value variation in these assets or liabilities, since every change in market rates involves an opportunity cost. In the second case, such change has a direct impact on interest value, consequently causing cash variations.

Exposure to interest rate risk is monitored continuously by the finance department. The purpose of managing interest rate risk is to reduce the volatility of financial costs in the income statement.

c) Credit Risk

Credit risk is managed, simultaneously, on business unit's level, for the amounts of outstanding trade and other receivables, and on Group basis, for financial instruments. Credit risk arises from cash and cash equivalents, derivative financial instruments, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently well rated parties are accepted. Credit risk management of trade and other receivables is based in credit limits, taking into account the financial position of the customer and past experience.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn committed borrowing facilities and cash and cash equivalents) on the basis of expected cash flows, taking into account the analysis of the remaining contractual maturity of the financial liabilities and the expected date of financial assets inflows, and taking into account the cash transfer restrictions from Angola. Additionally, the maturity concentration of derivate financial instruments, borrowings and liabilities of the Group are regularly monitored.

e) Capital management risk

The Group's objectives when managing capital, which is a broader concept than 'equity' in the consolidated statement of financial position, are:

- To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;

- To maintain a solid capital structure to support the development of its business;

- To maintain an optimal capital structure to reduce the cost of capital.

Outlook for 2018

The 2017 results are in line with the strategic objectives set for the year.

The international activity accounts for 54% of the total business, and Europe consolidates its position as the major market, representing 69% of total. In this period, EBITDA margin reached 7.8% and Net Profit was 3.4%.

In 2018, **Novabase** will continue the transformations to its business, both from the standpoint of geographically diversifying risk as well as investing in products and services. In the short term, this strategy limits growth and profitability, but Novabase believes that it will enhance future access to higher-quality, more sustainable business.

Subsequent Events

The following relevant facts occurred in 2018 by the date of issue of this report, details of which have been adequately disclosed as privileged information via the Novabase SGPS and CMVM sites, or are public knowledge:

Dividend to Shareholders

Novabase informed the intention of the Board of Directors to propose, at the 2018 Annual General Meeting of Shareholders, the distribution of 4.7 Million Euros to shareholders. This payment, equal to 98.7% of the consolidated net profit, represents a dividend of 15 Euro cents per share.

Novabase exit from PSI20 Index as of 19 March

As part of the annual review of the national stock exchange index, Euronext - the managing entity of the Lisbon stock exchange - announced in a news item dated from March 6, 2018, that Novabase will leave the main index of the Lisbon Stock Exchange, PSI20, from March 19, where it was trading since March 20, 2017. The PSI20 index is revised quarterly in June, September and December, with the full annual review taking place in March ".

05

CORPORATE BOARDS

Board of Directors

Chairman
Luís Paulo Cardoso Salvado

Members
Francisco Paulo Figueiredo Morais Antunes
José Afonso Oom Ferreira de Sousa
Pedro Miguel Quinteiro Marques de Carvalho

Officers of the General Meeting of Shareholders

Chairman
António Manuel da Rocha e Menezes Cordeiro

Secretary
Madalena Paz Ferreira Perestrelo de Oliveira

Managing Directors

Luís Paulo Cardoso Salvado
Francisco Paulo Figueiredo Morais Antunes

Audit Board

Chairman
Paulo José Jubilado Soares de Pinho

Members
Fátima do Rosário Piteira Patinha Farinha
Nuno Miguel Dias Pires

Surrogate
Manuel Tavares Festas

Statutory Auditor

Statutory Auditor
KPMG & Associados - SROC, S.A. represented by Paulo Alexandre Martins Quintas Paixão

Surrogate
Maria Cristina Santos Ferreira

Remuneration Committee

Chairman
Francisco Luís Murteira Nabo

Members
Pedro Miguel Duarte Rebelo de Sousa
João Francisco Ferreira de Almada e Quadros Saldanha

Company's Secretary

Diogo Leónidas Ferreira da Rocha

Surrogate
Marta Isabel dos Reis G. Rodrigues do Nascimento

PROPOSAL FOR THE ALLOCATION OF PROFITS

In 2017, Novabase SGPS, SA had a consolidated net profit of €4,773,954.51 (four million, seven hundred and seventy three thousand, nine hundred and fifty four euros and fifty one cents) and a net profit of €16,995,280.48 (sixteen million, nine hundred and ninety five thousand, two hundred and eighty euros and forty eight cents) in the individual accounts.

In compliance with the provisions of law and the articles of association, 5% of the net profit for the year should be added to the statutory reserves until this balance reaches 20% of the share capital.

The individual statement of financial position of the Company, reported as at december 31, 2017, presents statutory reserves in the amount of €3,140,139.40 (three million, one hundred and forty thousand, one hundred and thirty nine euros and forty cents). This amount is equal to the minimum legally required, not becoming, on the other hand, as a result of the intended allocation of profits, the total equity inferior to the sum of the capital and reserves which may not be distributed to shareholders by the law or the contract.

On 22 february 2018, the company's Board of Directors informed on its intention to propose, at the 2018 annual General Meeting of shareholders, the distribution of €4.710 Million, corresponding to annual profits to be distributed by means of a resolution to allocate profits. This distribution, equal to 98.7% Of the consolidated net profit, will represent a dividend of €0.15 per share.

Pursuant to legal and statutory provisions, the Board of Directors proposes that the financial year individual net profit be allocated as follows:

1. From the net profit for the year above mentioned, an amount totaling €4,710,209.10 (four million, seven hundred and ten thousand, two hundred and nine euros and ten cents) is paid to shareholders, corresponding to €0.15 (fifteen euro cents) per share, as related to the total number of shares issued;

2. That, as it is not possible to accurately determine the number of own shares held in treasury on the date of the abovementioned payment without limiting the Company's intervention capacity, notably in the increase of liquidity in its securities, the overall sum of €4,710,209.10 (four million, seven hundred and ten thousand, two hundred and nine euros and ten cents) as provided for in the foregoing paragraph, based on an unit amount per issued share (in this case, €0.15), Be distributed as follows:

   a) that the unit amount of €0.15 be paid to each issued share;

   b) that the unit amount corresponding to the own shares held in treasury on the date of payment as referred to above not be paid, but transferred to retained earnings.

3. The remainder of net profit for the financial year in the amount of €12,285,071.38 (twelve million, two hundred and eighty five thousand, seventy one euros and thirty eight cents) is transferred to retained earnings.

Lisbon, 12 April 2018

Board of Directors

ANNEXES TO THE CONSOLIDATED BOARD OF DIRECTORS' REPORT

List of shareholders with qualifying stakes as at 31 December, 2017

(Under the terms of paragraph 4 of article 448º of the portuguese commercial companies code and article 16º of the portuguese securities code 'psc')

HOLDING UNDER THE SHAREHOLDERS AGREEMENT CONCERNING NOVABASE

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
HNB - SGPS, S.A.[1]	10,261,395	32.68%
Pedro Miguel Quinteiro Marques de Carvalho	2,289,068	7.29%
João Nuno da Silva Bento[1]	1	0.00%
Álvaro José da Silva Ferreira[1]	1	0.00%
Luís Paulo Cardoso Salvado[1]	1	0.00%
José Afonso Oom Ferreira de Sousa[1]	1	0.00%
TOTAL[2]	12,550,467	39.97%

1 José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are the only shareholders of HNB – SGPS, S.A., and have entered into a shareholders agreement concerning the whole of HNB – SGPS, S.A.'s share capital.

2 The total holding is attributed to José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento and Pedro Miguel Quinteiro Marques de Carvalho, under the terms of the Shareholders Agreement concerning Novabase. This agreement is described in item 6 of the Corporate Governance Report attached to this Management Report.

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Partbleu, Sociedade Gestora de Participações Sociais, S.A. [1]	3,180,444	10.13%

1 When Novabase was notified of this holding, it was informed that Partbleu, Sociedade Gestora de Participações Sociais, S.A. was indirectly held in 72% by Mr. Miguel Pais do Amaral, and therefore the corresponding voting rights were attributed to him.

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
IBIM2 Limited	3,144,217	10.01%

SANTANDER ASSET MANAGEMENT

Sociedade Gestora de Fundos de Investimento Mobiliário, SA

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	34,537	0.11%
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1,476,905	4.70%
TOTAL[1]	1,511,442	4.81%

1 When Novabase was notified of this holding, it was informed that the funds identified above were managed by Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Fernando Fonseca Santos	1,575,020	5.02%

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Maria Manuela de Oliveira Marques	1,043,924	3.32%

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Lazard Frères Gestion SAS	669,122	2.13%

The holdings identified above correspond to the last positions notified to the company with reference to 31 december 2017 or a previous date.

Information concerning stakes held in the company by members of the board of directors and supervisory bodies as at 31 December, 2017

(Under the terms of paragraph 5 of article 447 of the portuguese commercial companies code)

HOLDERS [1]		NO. SHARES [1]	% CAPITAL AND VOTING RIGHTS
	Luís Paulo Cardoso Salvado [2]	1	0.00%
	José Afonso Oom Ferreira de Sousa [2]	1	0.00%
	Pedro Miguel Quinteiro Marques de Carvalho	2,289,068	7.29%
	Francisco Paulo de Figueiredo Moreira Antunes	30,335	0.10%
	Paulo Soares de Pinho (member of the Supervisory Board)	0	0.00%
	Maria de Fátima Piteira Patinha Farinha (member of the Supervisory Board)	0	0.00%
	Nuno Miguel Dias Pires (member of the Supervisory Board)	0	0.00%
	KPMG – SROC, represented by Paulo Alexandre Martins Quintas Paixão (effective Statutory Auditor)	0	0.00%
	Maria Cristina Santos Ferreira (surrogate Statutory Auditor)	0	0.00%

1 The shareholding of each of these members of the corporate and supervisory boards corresponds to the last position notified to the company in reference to 31 december 2017 or a previous date.

2 José Afonso Oom Ferreira de sousa and Luís Paulo Cardoso Salvado are shareholders of HNB - SGPS, S.A., Where they hold management positions. HNB - SGPS, S.A. Holds 10,261,395 shares representing 32.68% Of novabase's share capital and respective voting rights.

Information on management transactions, in accordance with article 248-b of the Portuguese Securities Code, is described in the next section.

In addition to those mentioned above, no encumbrances or other acquisitions or changes in the ownership of shares representing the Company's share capital (or of a company in a control or group relationship with the Company) were undertaken by the Members of the Management and Supervisory Bodies, nor any promissory, option or repurchase agreements, nor other agreements with similar effects on such shares.

The type of transactions described above were also not carried out by any person falling under the scope of paragraphs 2, a) to d) of article 447 of the Portuguese Companies Code.

Finally, it should be clarified that neither the Company nor any company in a control or group relationship with it is an issuer of bonds.

List of management transactions

(Under the terms of paragraphs 6 and 7 of article 14 of the Portuguese Securities Market Commission – CMVM – Regulation nº. 5/2010)

LIST OF MANAGEMENT TRANSACTIONS

DIRECTOR [1]	TRANSACTION	DATE	LOCATION	NO. SHARES	PRICE PER SHARE (€)
Francisco Antunes	Acquisition	19/04/2017	Euronext Lisbon	1,500	3.100
Francisco Antunes	Acquisition	19/04/2017	Euronext Lisbon	1,300	3.100
Francisco Antunes	Acquisition	20/04/2017	Euronext Lisbon	10,000	3.100
Francisco Antunes	Acquisition	21/04/2017	Euronext Lisbon	2,200	3.100
Francisco Antunes	Disposal	19/04/2017	Euronext Lisbon	1,100	3.100
Francisco Antunes	Disposal	20/04/2017	Euronext Lisbon	13,900	3.100
Luís Paulo Salvado	Disposal	21/04/2017	Over-the-Counter	14,999	3.100
José Afonso de Sousa	Disposal	24/04/2017	Over-the-Counter	10,056	3.100
HNB - SGPS, SA (a)	Acquisition	21/04/2017	Over-the-Counter	14,999	3.100
HNB - SGPS, SA (a)	Acquisition	24/04/2017	Over-the-Counter	10,056	3.100
Luís Paulo Salvado	Acquisition	02/05/2017	Over-the-Counter	50,282	3.100
HNB - SGPS, SA (a)	Acquisition	02/05/2017	Over-the-Counter	50,282	3.100
HNB - SGPS, SA (a)	Acquisition	04/05/2017	Over-the-Counter	65,281	3.100
HNB - SGPS, SA (a)	Acquisition	12/10/2017	Over-the-Counter	338,609	3.200
HNB - SGPS, SA (a)	Acquisition	12/10/2017	Over-the-Counter	147,027	3.200
HNB - SGPS, SA (a)	Acquisition	16/10/2017	Over-the-Counter	1,079,122	3.300
HNB - SGPS, SA (a)	Acquisition	16/10/2017	Over-the-Counter	235,000	3.300

1 Transactions on novabase' shares by the persons referred to in article 447 of the Commercial Companies Code ("CSC").

(a) The company HNB - SGPS, SA, have José Afonso Oom Ferreira de Sousa and Luís Paulo Cardoso Salvado (along with álvaro José da Silva Ferreira and João Nuno da Silva Bento) as shareholders, therefore, it is considered as a closely associated person to a director of NOVABASE, under article 248-b, no. 3 And 4, of the Portuguese Securities Code.

Own shares transactions

(Under the terms of section d) of paragraph 5 of article 66º of the Portuguese Commercial Companies Code)

OWN SHARES TRANSACTIONS

TRANSACTION	DATE	LOCATION	NO. SHARES	PRICE PER SHARE (€)
Acquisition	10/01/2017	Euronext Lisbon	1,379	2.744
Acquisition	10/01/2017	Euronext Lisbon	108,621	2.745
Acquisition	11/01/2017	Euronext Lisbon	207,000	2.660
Acquisition	11/01/2017	Euronext Lisbon	1,000	2.660
Acquisition	21/04/2017	Euronext Lisbon	49,996	3.100

At 31 december 2016, Novabase SGPS held 8,615 own shares, representing 0.03% of its share capital.

During 2017, the company acquired on the market 367,996 own shares (1.17% of the subscribed capital) at the average net price of 2.745 Euros.

Own shares acquisitions were performed because they were considered to be in the company’s best interest.

At 31 december 2017, Novabase SGPS held 367,611 own shares, representing 1.20% of its share capital.

During the 2017 financial year, Novabase SGPS shares always had a nominal value of €0.5.

CONSOLIDATED NON-FINANCIAL STATEMENT

Scope

For the purposes of article 508-G of the Commercial Companies Code, in the wording introduced by Decree-Law No. 89/2017, of 28 July, which transposed Directive 2014/95/EU of the European Parliament and Council, of 22 October 2014, to the Portuguese Law, Novabase explicitly states in this [annex] the "sufficient information for the understanding of the progress, performance, position, and impact of the group's activities, at least, with regard to environmental, social and work-related issues, to equality between men and women, non-discrimination, respect for human rights, fight against corruption and bribery attempts" concerning Novabase Group in the financial year ended 31 December 2017.

Introduction Novabase Group

Information on the business activity and organization of Novabase Group can be found in the Annual Report and Accounts 2017 (Notes to the Consolidated Financial Statements for the financial year ended 31 December 2017, Section 1. General Information), as well as in the Report on the Governance Practices for the financial year 2017 (Part I, Section B., Point 21).

Reference Documents and Due Diligence Processes

Considering the dimension of Novabase Group, the nature of the activities pursued, the business model implemented and the industries in which the Group operates, no formal policies were approved regarding all the aspects listed in number 2, of article 508-G of the Commercial Companies Code. However, Novabase Group is governed in the different aspects of its activity by the applicable law and by the applicable regulations and recommendations of the Portuguese Securities Market Commission and other national and international entities. Novabase Group also adopted internally certain reference documents, systems and due diligence processes with regard to the practices to be adopted in certain areas, taking into account the Group and its needs, as well as its employees, professionals and other stakeholders, with the goal, in particular, to ensure sustainable growth. Novabase Group companies are also subject to internal and external audits of a different nature.

In this context, we highlight below the main aspects, practices and processes in Novabase Group which the Group considers as having an impact on non-financial issues relevant to the Group, namely environmental, social, labour-related, gender equality and non-discrimination, human rights and fight against corruption issues:

- Novabase's activity and the conduct of its employees and professionals is governed by the law applicable in the relevant jurisdictions and by the Novabase Code of Conduct (published on the corporate website), which is an internally approved document that has been in force since 2011 with the objective of guiding the conduct of the Novabase professionals according to the values supported by the Group, not only in its relationships with customers, but also with each other.

- The company's activity is managed according to the Integrated Management System.

- Novabase companies are audited by their financial auditors and their Quality (ISO 9001), Environmental Management (ISO 14001) and Health and Safety at Work (OHSAS 18001) certifications are renewed on an annual basis after internal and external audits, the latter being conducted by certifying bodies.

- The company regularly monitors its customer' satisfaction, as well as its employees and professionals satisfaction with regard to the internal services and other topics of interest to the management.

- In compliance with the recommendations of the Portuguese Securities Market Commission on the Governance of Listed Companies and with the objective of fostering a responsible and compliant culture, Novabase has adopted a system to report irregular practices (known as "SPI") that may have occurred within the Group. The reporting of irregular practices through the SPI is addressed to one of the members of the Auditing Committee specially appointed to this position.

- Although in 2017 Novabase does not have a formally approved diversity policy (the policy on the diversity in the administrative and supervisory bodies of S.G.P.S. S.A. was approved during the financial year 2018), the company is committed to the promotion of this aspect and the compliance with the applicable law with this regard. This effort is visible not only in the intentions of some shareholders, disclosed to the market during the financial year 2017 with regard to the proposal to be submitted to the General Meeting for the appointment of the governing bodies of Novabase S.G.P.S. S.A. for the 2018-2020 mandate – according to which the Board of Directors and the Executive Committee of this company shall have, at least, 25% of members of each gender – as well as in the improvement of the results of the key indicator related to this aspect, indicated in the following section.

- The company also has an "Internal Regulation on Business with Holders of Qualified Participation in Novabase, SGPS, S.A." in force.

Results and Key Indicators

In the financial year 2017 no occurrence related to human rights, corruption and bribery attempts was reported to Novabase SGPS, S.A. Board through the channels available for this purpose and, therefore, there are no indicators to report on this regard.

As for gender equality, the key indicator taken into account is that of the proportion of men and women in the total number of employees, which should tend to be balanced. This indicator has evolved positively (from 72% of men and 28% of women in 2016 to 70% of men and 30% of women in 2017), this gender unbalance following the trend of the information technology industry, in Portugal and abroad, which also reflects the choices of higher education courses by gender. In effect, in courses such as Computer Engineering, Electronic Engineering or Network Engineering, the number of graduates (men) is much higher than the number of graduates (women).

In turn, the key indicator related to environmental issues taken into account is the number of non-conformities identified in the annual audit of the Environmental Management System as a consequence of ISO14001certification. In 2017, as in 2016, the companies in the Novabase group had no-conformities under ISO14001 standard.

Other (operational, non-key) indicators monitored with regard to these topics include:

- Business: Investment in Research, Development and Innovation; Customer Satisfaction.

- Employee-related: Number of training actions, participants and hours; number of accidents at work; number of recent graduates received through the Novabase Academy integration program.

- Environment-related: consumption of electricity, thermal energy, water and diesel & gasoline; plastics recycling, cardboard & paper, glass; greenhouse gas emissions.

Risk management and Internal Control

Novabase Group is subject to normal market risks and to the specific risks of the activities it pursues. Novabase does not consider that the risks inherent to the issues addressed in this document are emphasized due to the type of activity pursued by the Group or the industries in which it operates.

Novabase also has internal control procedures and systems aimed at, namely, prevent and manage risks in the context of its organization and activities. Additional information with regard to Novabase's internal control and risk management can be found in Part I, Section III. "Internal Control and Risk Management" of the Report on Corporate Governance Practices for the financial year 2017.

FINANCIAL STATEMENTS

Turnover

139.7 M€

EBITDA

10.9 M€

Net Profit

4.8 M€

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

THOUSAND OF EUROS	31.12.17	31.12.16
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	10,019	8,899
Intangible assets	17,162	18,104
Investments in associates	314	575
Financial assets at fair value through profit or loss	2,796	4,353
Held-to-maturity investments	7,713	4,859
Deferred income tax assets	10,448	9,545
Other non-current assets	3,256	5,132
TOTAL NON-CURRENT ASSETS	51,708	51,467
CURRENT ASSETS		
Inventories	46	486
Trade and other receivables	49,745	92,712
Accrued income	16,356	15,081
Income tax receivable	1,318	3,394
Derivative financial instruments	18	19
Other current assets	1,546	1,886
Held-to-maturity investments	7,353	4,441
Cash and cash equivalents	56,136	35,703
TOTAL CURRENT ASSETS	132,518	153,722
TOTAL ASSETS	184,226	205,189
EQUITY		
Share capital	15,701	15,701
Treasury shares	(188)	(4)
Share premium	43,560	43,560
Reserves and retained earnings	3,722	16,071
Profit for the year	4,774	9,577
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	67,569	84,905
Non-controlling Interests	13,597	8,151
TOTAL EQUITY	81,166	93,056
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	16,837	18,897
Provisions	10,369	9,109
Other-non current liabilities	744	-
TOTAL NON-CURRENT LIABILITIES	27,950	28,006
CURRENT LIABILITIES		
Borrowings	6,907	6,916
Trade and other payables	41,619	47,414
Income tax payable	578	6
Derivative financial instruments	-	82
Deferred income and other current liabilities	25,103	27,709
TOTAL CURRENT LIABILITIES	74,207	82,127
Liabilities for discontinued operations	903	2,000
TOTAL LIABILITIES	103,060	112,133
TOTAL EQUITY AND LIABILITIES	184,226	205,189

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

THOUSAND OF EUROS	31.12.17 (12M*)	31.12.16 (12M*)
CONTINUING OPERATIONS		
Sales	159	101
Services rendered	139,563	135,553
Cost of sales	(31)	(25)
External supplies and services	(51,201)	(46,563)
Employee benefit expense	(82,155)	(79,050)
Other gains/(losses) - net	4,580	(4,111)
Depreciation and amortisation	(3,210)	(3,785)
OPERATING PROFIT	7,705	2,120
Finance income	6,199	3,816
Finance costs	(6,776)	(4,721)
Share of loss of associates	(261)	(46)
Gain on net monetary position	955	-
PROFIT BEFORE INCOME TAX	7,822	1,169
Income tax expense	(1,382)	(3,002)
PROFIT FROM CONTINUING OPERATIONS	6,440	(1,833)
DISCONTINUED OPERATIONS		
PROFIT FROM DISCONTINUED OPERATIONS	2,696	12,881
PROFIT FOR THE YEAR	9,136	11,048
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	4,774	9,577
Non-controlling interests	4,362	1,471
	9,136	11,048
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (EUROS PER SHARE)		
Basic earnings per share		
From continuing operations	0.07 Euros	-0.11 Euros
From discontinued operations	0.09 Euros	0.41 Euros
FROM PROFIT FOR THE YEAR	0.15 EUROS	0.31 EUROS
Diluted earnings per share		
From continuing operations	0.07 Euros	-0.11 Euros
From discontinued operations	0.09 Euros	0.41 Euros
FROM PROFIT FOR THE YEAR	0.15 EUROS	0.31 EUROS

12M * - period of 12 months ended

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THOUSAND OF EUROS	31.12.17 (12M*)	31.12.16 (12M*)
PROFIT FOR THE YEAR	9,136	11,048
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on foreign operations, net of income tax	(467)	(3,317)
OTHER COMPREHENSIVE INCOME	(467)	(3,317)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	8,669	7,731
Total comprehensive income attributable to:		
Owners of the parent	4,533	7,189
Non-controlling interests	4,136	542
	8,669	7,731

12M * - period of 12 months ended

11.

REPORT AND OPINION OF THE AUDIT BOARD AND AUDITOR'S REPORT

REPORT AND OPINION OF THE AUDIT BOARD ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NOVABASE – SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2017

To the Shareholders

INTRODUCTION

In compliance with the Law and for the purposes of paragraph g) of article 420 of the Portuguese Companies Code and the Company's bylaws, the Audit Board hereby presents for appreciation its Report on the supervising activity that was carried out and issues its Opinion on the Management Report and Consolidated Financial Statements of Novabase – Sociedade Gestora de Participações Sociais, S.A. for the financial year ended on December 31, 2017.

ACTIVITIES CARRIED OUT

Supervision of the Company

During the financial year, the Audit Board regularly followed up the evolution of the company's business and the business of its subsidiaries, ensuring compliance with the law and the relevant bylaws, and monitored the Company's management, the efficiency of the risk management and internal control systems and the preparation and disclosure of financial information, as well as the regularity of the accounting records, the accuracy of the consolidated financial statements and the accounting policies and metrical valuation criteria adopted by the company, in order to verify that they lead to an adequate expression of its consolidated assets, results and cash flows.

During the year, the Audit Board met eight times and the respective meetings were formally recorded in minutes. At these meetings there was always attendance of 100% of the respective members. In addition, the Audit Board took part in the meeting of the Board of Directors that approved the Management Report and the Consolidated Financial Statements for the 2017 financial year.

Within its duties, the Audit Board maintained the necessary contacts with the representatives of the Chartered Accountants Company and External Auditor, in order to monitor the planning and audit work that was carried out and to take note of the respective findings. The meetings held with the representatives of the Chartered Accountants Company and External Auditor enabled the Audit Board to reach a positive opinion on the integrity, rigor, skill, quality of work and objectivity with which they carried out their work, as well as the reliability of the financial information.

Relevant matters concerning auditing were also analyzed with the representatives of the Chartered Accountants Company and External Auditor; the Audit Board refers to their report on the consolidated financial statements for the description of the essential elements subject to analysis.

During the meetings of the Audit Board, the main risks affecting Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter were analyzed and discussed with Management and the Statutory Auditor, based on presentations prepared by these corporate bodies. The Audit Board considers that it has obtained the explanations and clarifications considered relevant.

Whistleblowing procedures

During 2017, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions

During the 2017 financial year, no related party transactions, in accordance with the regulation in force, were submitted to assessment by the Audit Board.

Independence of the External Auditor

The Audit Board received the statement by the Statutory Auditor confirming its independence in relation to the Company and communicating all relationships that may be perceived as a threat to its independence, as well as the safeguards that were implemented.

RESPONSIBILITY STATEMENT

Pursuant to paragraph 1/c) of article 245 of the Portuguese Securities Code, applicable by virtue of paragraph 1/a) of article 8 of the CMVM Regulation no. 5/2008 (Information Duties), we hereby declare that, to the best of our knowledge and belief, the aforementioned financial statements were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, giving a true and appropriate view of the assets and liabilities, financial position and results of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, and the management report faithfully describes the evolution of the business, performance and position of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, containing an adequate description of the main risks and uncertainties which they face.

OPINION

The Audit Board analyzed the Management Report and the Consolidated Financial Statements for the 2017 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2017, the Consolidated Income

Statement, the Consolidated Statement on Comprehensive Income, the Consolidated Statement on the Changes to Equity and the Consolidated Statement on the Cash Flows, as well as the accompanying notes, which were prepared in accordance with the International Financial Reporting Standards, as adopted in the European Union.

Within its duties the Audit Board has analyzed the Legal Certification of Accounts and the Audit Report on the Consolidated Financial Information for the 2017 financial year, prepared by the Statutory Auditor, document which does not present any reservation and with which the Audit Board agrees.

The Audit Board further analyzed the Corporate Governance Report for the 2017 financial year, which is attached to the Management Report prepared by the Board of Directors in compliance with the CMVM Regulation no. 4/2013 (Corporate Governance of Listed Companies), and the Audit Board certifies that it includes all the elements referred to in article 245-A of the Portuguese Securities Code.

In this context, it is the Audit Board's opinion that:

- There are no objections to the approval of the Management Report for the 2017 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2017 financial year.

Lisbon, April 12, 2018

The Audit Board

Paulo Soares de Pinho – Chairman

Fátima Farinha – Member

Nuno Pires – Member

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STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation to English from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Novabase, SGPS, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 (showing a total of 184,226 thousand euros and equity of 81,166 thousand euros, including non-controlling interests of 13,597 thousand euros and a net profit attributable to the shareholders of Novabase of 4,774 thousand euros), the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Novabase, SGPS, S.A. as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

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

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Response
The revenue recognition policy regarding turnkey consulting projects, which represent a significant part of the Group's business, requires judgment as disclosed in note 4(d) of the notes to the consolidated financial statements. The recognition of such projects in accordance with the percentage of completion method, as described in note 2.19(b), involves a number of qualitative factors such as estimated billing, estimated costs, including contingency values for contractual risks, which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards. Our audit procedures included, among others, the following: ▪ We have tested the relevant controls, including application controls and general IT controls, related to the revenue recognition process; ▪ Critical analysis of estimates and assumptions made by management, namely regarding estimated billing, estimated costs and contingencies; ▪ Substantive analytical procedures and tests of detail regarding the accounting records in order to identify and test the risk of fraud and eventual override of controls implemented; and, ▪ Assessment of the Group's disclosure adequacy over revenue recognition considering the applicable accounting standards.

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International exposure

Risk	Response
The Group's operations outside Portugal represented more than 50% of total consolidated revenue in 2017. The internationalization process exposes the Group to the risk of foreign exchange fluctuation, mainly to the dollar, kwanza and metical. As disclosed in notes 3(a) and 3(d), increased exposure to these currencies and geographies results in increased risks for the Group, mainly: ▪ Foreign exchange risk, in result of the strong devaluation of local currencies against the euro; and, ▪ Liquidity risk, in result of the difficulty of capital repatriation from those geographies; which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	Our audit procedures included, among others, the following: ▪ We have assessed the degree of exposure to geographies of high exchange and liquidity risks, namely at the level of receivables impairment and going concern; ▪ We have critically assessed estimates and assumptions performed by management, particularly regarding the impairment of receivables and the feasibility of implementing the business plans associated with these geographies units; ▪ We have analyzed the valuation of financial instruments used by the Group to hedge the exchange rate risk; ▪ We have analyzed the currency translation of the financial statements of the subsidiaries located in these geographies by reference to the applicable accounting standards; and, ▪ We have assessed the adequacy of the Group's disclosure over financial risk management policy, considering the applicable accounting standards.

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Valuation of intangible assets and goodwill

Risk	Response
As disclosed in note 8, as at 31 December 2017, the net book value of intangible assets amounted to 17,162 thousand euros of which 14,886 thousand euros related to the goodwill of the Business Solutions segment. The determination of the recoverable value of these assets is subjective due to the uncertainty inherent to the financial projections and to the discount of future cash flows, since many key assumptions are based on management expectations, not observable in the market. The Group performs, on an annual basis, goodwill impairment tests based on the discounted cash flows method, considering a 5-year business plan estimated by management, as mentioned in notes 2.6(1), 4(a) and 8. In addition, the Group has been capitalizing expenses with the development of software projects based on expectations of future revenues, as mentioned in notes 2.6(2) and 8. The complexity and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure regarding the recognition of deferred tax assets considering the applicable accounting standards.

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Recoverability of deferred tax assets

Risk	Response
As disclosed in note 11, as at 31 December 2017, the amount of deferred tax assets was of 10,448 thousand euros, of which 9,754 thousand euros related to tax benefits arising from Research and Development projects presented under the SIFIDE incentive scheme. The deferred tax assets recorded by management are based on its best estimate on the timing and future amounts required for its recovery, using assumptions that require judgment, as mentioned in notes 2.15 and 4(c). The level of uncertainty associated and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

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Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report and the corporate governance report, in accordance with applicable laws;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor´s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 override 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 the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of 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 the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body 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;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement, that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451, nr. 3, e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and, the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

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On the corporate governance report

Pursuant to article 451, nr. 4, of the Portuguese Companies Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under the article 245 – A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance, with paragraphs c), d) , f), h), i) and m) of that article.

On the non-financial information defined in the article 508-G of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has included in its management report the non-financial statement defined in article 508-G of the Portuguese Companies' Code.

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

— We were appointed auditors of Novabase, SGPS, S.A. for the first time at the shareholders' meeting held on 29 April 2015 for the current term from 2015 to 2017;

— The Executive Board of Directors confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;

— We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the Group's supervisory body on 12 April 2018; and,

— We declare that we have not provided any prohibited services as described in article nr. 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas' statutes, and we have maintained independent of the Group in conducting the audit.

Lisbon, 12 April 2018

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

2017 NOVABASE ANNUAL REPORT

Corporate Governance Report

Contents

PART I – INFORMATION ON SHAREHOLDER STRUCTURE, ORGANIZATION AND CORPORATE GOVERNANCE

Shareholder Structure

I. Capital Structure

1. Shareholder base (share capital, number of shares, share distribution to shareholders), including indication of shares not admitted to trading, different categories of shares, underlying rights and duties and the percentage of capital that each category represents (article 245.-A, paragraph 1, sub-paragraph a)).

General Information on Capital Structure

Share capital on 31 December 2017 (€)	15,700,697.00
Total shares	31,401,394
Number of unlisted shares	0
Different categories of shares	Only ordinary shares exist

The company's share capital is paid up in full.

Ordinary shares grant general rights such as the right to vote, to participate in general meetings of shareholders, to receive information, profit sharing and pre-emptive rights in capital increases, as well as the generally applicable obligations of capital contributions and loyalty.

No categories of shares with special rights exist.

Shareholdings

Holding covered by Novabase Shareholders' Agreement	No. of shares	% share capital and voting rights
HNB - SGPS, S.A. [1]	10,261,395	32.68%
Pedro Miguel Quinteiro Marques Carvalho	2,289,068	7.29%
João Nuno da Silva Bento [1]	1	0.00%
Álvaro José da Silva Ferreira [1]	1	0.00%
Luís Paulo Cardoso Salvado [1]	1	0.00%
José Afonso Oom Ferreira de Sousa [1]	1	0.00%
TOTAL [2]	12,550,467	39.97%

[1] José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are the only shareholders of HNB — SGPS, S.A., having signed a shareholders' agreement for all of this company's share capital.

[2] The entire holding is attributable to shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento and Pedro Miguel Quinteiro Marques de Carvalho, pursuant to the Novabase Shareholders' Agreement described in point 6 of this report.

	No. of shares	% share capital and voting rights
Partbleu, Sociedade Gestora de Participações Sociais, S.A. [1]	3,180,444	10.13%

[1] At the time of receiving notice of the qualified holding, Novabase was informed that 72% of this company was indirectly held by Miguel Pais do Amaral, thereby allocating these voting rights to him.

	No. of shares	% share capital and voting rights
IBIM2 Limited	3,144,217	10.01%

Santander Asset Management — Sociedade Gestora de Fundos de Investimento Mobiliário, SA	No. of shares	% share capital and voting rights
Fundo de Investimento Mobiliário Aberto Poupança Acções Santander PPA	34,537	0.11%
Fundo de Investimento Mobiliário Aberto Santander Acções Portugal	1,476,905	4.70%
TOTAL[1]	1,511,442	4.81%

[1] At the time of receiving notice of the qualified holding, Novabase was informed that the above funds are managed by Santander Asset Management — Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

	No. of shares	% share capital and voting rights
Fernando Fonseca Santos	1,575,020	5.02%

	No. of shares	% share capital and voting rights
Maria Manuela de Oliveira Marques	1,043,924	3.32%

	No. of shares	% share capital and voting rights
Lazard Frères Gestion SAS	669,122	2.13%

The above shareholdings correspond to the last positions notified to the company in reference to 31 December 2017 or earlier.

2. Restrictions on the transferability of shares, such as consent of sale clauses or restrictions on ownership of shares (article 245-A, paragraph 1, sub-paragraph b).

The articles of association do not limit the transferability or ownership of Novabase shares.

3. Number of treasury shares, percentage of corresponding share capital and percentage of corresponding voting rights (article 245-A, paragraph 1, sub-paragraph a).

On 31 December 2017, Novabase had 376,611 treasury shares representing 1.2% of share capital and corresponding voting rights for the treasury shares held.

4. *Significant agreements that the company is a party to and will come into force in the future which can be altered or terminated in the event of a change in the control of the company resulting from a tender offer, along with the respective effects, unless, by their very nature, their disclosure is seriously harmful to the company, except if the company is specifically obliged to disclose such information as a result of legal requirements (article 245-A, paragraph 1, sub-paragraph j).*

These do not exist.

5. *Applicable scheme for the renewal or revocation of defensive measures, in particular those aimed at limiting the number of votes that can be held or exercised by a single shareholder individually or in conjunction with other shareholders.*

As a public company, Novabase has not implemented any defensive measure for unsolicited takeover bids.

6. *Shareholders' agreements that are known to the company and which may lead to restrictions in terms of transferring securities or voting rights (article 245-A, paragraph 1, sub-paragraph g).*

On 16 October 2017, Novabase announced to the market that it was notified by its shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, João Nuno da Silva Bento, Rogério dos Santos Carapuça, Álvaro José da Silva Ferreira and Pedro Miguel Quinteiro Marques de Carvalho of a new shareholders' agreement and qualified holding.

Information on the terms and conditions of the shareholders' agreement and on the updated qualified holding in the announcement reads as follows:

"1. New Novabase Shareholders' Agreement

Pursuant to and for the purposes of article 1, sub-paragraph c) and article 2 of CMVM Regulation no. 5/2008, and in compliance with the provisions of articles 17 and 19 of the Securities Code and applicable Community provisions, a new Novabase shareholders' agreement ("Shareholders' Agreement") has been signed on today's date, with a view to ensuring shareholder stability through the end of the next 2018-2020 term of office of Novabase's corporate boards.

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The new Shareholders' Agreement has been signed between shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Pedro Miguel Quinteiro Marques de Carvalho, João Nuno da Silva Bento and Álvaro José da Silva Ferreira (hereinafter called the "Shareholders") for 10,488,068 Novabase shares (hereinafter called "Restricted Shares") directly or indirectly held by them and corresponding to 33.40% of this company's share capital. Rogério dos Santos Carapuça has withdrawn from the Shareholders' Agreement, and no longer has any holdings in Novabase.

Shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are controlling shareholders of the company HNB – SGPS, S.A. (hereinafter called "HNB"), pursuant to the HNB shareholders' agreement signed between these Shareholders.

The company HNB is an indirect vehicle for owning Novabase shares ("Vehicle"), pursuant to the terms of the Shareholders' Agreement.

This new Shareholders' Agreement has entered immediately into force, and shall be valid until 30 April 2021, replacing the shareholders' agreement previously in force (announced to the market on 13 May 2015), although reproducing its key terms and conditions.

2. Qualified holding – allocation changes

Novabase was also informed of changes to the allocation of the qualified holding held by Shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento, because of:

1. The signing of the above-mentioned Shareholders' Agreement and termination of the agreement previously in force;

2. The transfer, on 13 October 2017, by Shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento, of HNB shares directly owned by them, to the following vehicles:

   a) The company Xistroban, S.A., controlled by Shareholder José Afonso Oom Ferreira de Sousa, which assumed direct ownership of all HNB shares previously owned directly by José Afonso Oom Ferreira de Sousa;
   b) The company Turtlewalk Unipessoal Lda, controlled by Shareholder Luís Paulo Cardoso Salvado, which assumed direct ownership of all HNB shares previously owned directly by Luís Paulo Cardoso Salvado;

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c) The company Pragmatic Proton - Unipessoal Lda, controlled by Shareholder Álvaro José da Silva Ferreira, which assumed direct ownership of all HNB shares previously owned directly by Álvaro José da Silva Ferreira;

d) The company Mediaries - Serviços de Consultoria e Gestão Lda, controlled by Shareholder João Nuno da Silva Bento, which assumed direct ownership of all HNB shares previously owned directly by João Nuno da Silva Bento.

In the wake of these changes, Shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Pedro Miguel Quinteiro Marques de Carvalho, Álvaro José da Silva Ferreira and João Nuno da Silva Bento continue to have a qualified holding, currently totalling 12,550,467 shares representing 39.97% of Novabase's share capital and voting rights, pursuant to the following terms:

Restricted Shares

Shareholder		No. Shares (Restricted)	% of Shareholders' Agreement	% Voting Rights Total
Held through HNB				
	José Afonso Oom Ferreira de Sousa	2,180,558	20.79%	6.94%
	Luís Paulo Cardoso Salvado	2,180,558	20.79%	6.94%
	Álvaro José da Silva Ferreira	2,180,558	20.79%	6.94%
	João Nuno da Silva Bento	1,848,781	17.63%	5.89%
	Total HNB	**8,390,455**	**80.00%**	**26.72%**
José Afonso Oom Ferreira de Sousa		**1**	**-**	**-**
Luís Paulo Cardoso Salvado		**1**	**-**	**-**
Álvaro José da Silva Ferreira		**1**	**-**	**-**
João Nuno da Silva Bento		**1**	**-**	**-**
Pedro Miguel Quinteiro Marques Carvalho		**2,097,613**	**20.00%**	**6.68%**
TOTAL		**10,488,072**	**100%**	**33.40%**

Unrestricted Shares

Shareholder	No of Shares not Restricted		% Voting Rights Total
Held through HNB			

	José Afonso Oom Ferreira de Sousa	1,023,591		3.26%
	Luís Paulo Cardoso Salvado	631,932		2.01%
	Álvaro José da Silva Ferreira	215,417		0.69%
	João Nuno da Silva Bento	0		0.00%
	Total HNB	**1,870,940**		**5.96%**
José Afonso Oom Ferreira de Sousa		**0**		**-**
Luís Paulo Cardoso Salvado		**0**		**-**
Álvaro José da Silva Ferreira		**0**		**-**
João Nuno da Silva Bento		**0**		**-**
Pedro Miguel Quinteiro Marques Carvalho		**191.455**		**0.61%**
TOTAL		**2,062,395**		**6.57%**

Total (Restricted Shares + Unrestricted Shares)

Shareholder		Total shares (Restricted + not restricted)		% Total Voting Rights
Held through HNB				
	José Afonso Oom Ferreira de Sousa	3,204,149		10.20%
	Luís Paulo Cardoso Salvado	2,812,490		8.96%
	Álvaro José da Silva Ferreira	2,395,975		7.63%
	João Nuno da Silva Bento	1,848,781		5.89%
	Total HNB	**10,261,395**		**32.68%**
José Afonso Oom Ferreira de Sousa		**1**		**-**
Luís Paulo Cardoso Salvado		**1**		**-**
Álvaro José da Silva Ferreira		**1**		**-**
João Nuno da Silva Bento		**1**		**-**
Pedro Miguel Quinteiro Marques Carvalho		**2,289,068**		**7.29%**
TOTAL		**12,550,467**		**39.97%**

In view of the number of treasury shares currently in Novabase's portfolio, the total holding in question would correspond to 40.45% of Novabase's voting rights.

3. Terms and Conditions of Shareholders' Agreement

The following content of the Novabase shareholders' agreement is noteworthy:

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A) The need for agreement by a majority equal to or greater than two thirds of votes corresponding to restricted shares to establish terms by which these shares may be sold, together with the potential purchase of Novabase restricted shares by the shareholders, with shareholders agreeing not to initiate sales or purchases of any kind outside of this agreement;
B) Need for unanimity of all shareholders to acquire Novabase shares or sign agreements giving these shareholders or a vehicle qualified holdings exceeding one-third or 50% of Novabase's voting rights, as envisaged in article 20 of the Securities Code, according to whether the shareholders' immediately prior shareholdings are less or more than one-third of these voting rights;
C) Notwithstanding the above, each of the Shareholders is authorized to acquire Novabase shares not considered Restricted Shares up to a maximum of 1.90% of the voting rights, per Signatory, provided that such acquisitions do not give the Shareholders or a Vehicle more than 50% of the voting rights corresponding to the company's share capital. Novabase shares acquired in this manner will not be considered restricted shares, unless agreed so by unanimous decision;
D) The shareholders undertake to ensure that their descendants in the first degree (who have not yet reached legal age) will not acquire any Novabase shares in return for payment;
E) If, due to a breach of the Shareholders' Agreement, a qualified shareholding exceeding one third or 50% of Novabase's voting rights is allocated to the Shareholders or to a Vehicle, pursuant to article 20 of the Securities Code, the procedure to suspend the tender offer obligation, as provided for in article 190 of the Securities Code, must be immediately initiated. Any shareholder responsible for allocating such voting rights, and who fails to execute the proper procedures to suspend and terminate the obligation for a tender offer, will be obliged to launch the tender offer individually;
F) In all of the following matters, the Shareholders must exercise their voting right at Novabase's General Meetings of Shareholders, directly or through a Vehicle, by a strict majority equal to or greater than two-thirds of votes corresponding to Restricted Shares: dividend policy to be adopted, management compensation and bonus policy for Novabase directors, increases and decreases in share capital, elimination of the pre-emptive right in increases in capital, composition of corporate boards, Novabase mergers and divisions, and amendments to the articles of association;
G) Commitment, subject to applicable legal and market conditions, to propose a dividend policy for the 2017-2020 financial years with an annual dividend payment of at least 30% of the consolidated net profit for the year;

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H) Obligation to draw up, together with all Shareholders before the elections at the General Meeting of Shareholders, proposals to appoint members to Novabase's corporate boards;

I) Obligation of Shareholders to vote, or to vote through a Vehicle, at General Meetings of Shareholders exclusively in favour of decisions previously passed by a two-thirds or greater majority of Shareholders having voting rights corresponding to Restricted Shares;

J) Any Shareholder who is dismissed without just cause from his/her management duties at Novabase, or at a company directly or indirectly owned by Novabase, as applicable, while the Shareholders' Agreement is in force may opt to terminate his/her participation in the agreement. In the remaining cases, and except in specific situations of death, interdiction, incapacity or disability governed by the agreement, shareholders may only terminate their participation in the shareholders' agreement with approval by a majority at least equal to or greater than two-thirds of votes corresponding to restricted shares;

K) Any party in breach of its obligations arising from the shareholders' agreement shall be subject to the respective provisions concerning penalties for the non-performance of this agreement.

Under the terms of new Shareholders' Agreement, the rights and obligations described above must be exercised and fulfilled directly by the Shareholders or, when applicable, through the actions of a Vehicle.

The Novabase Shareholders' Agreement is valid until 30 April 2021.

II. Shareholdings and Bonds

7. Identification of legal or natural persons who directly or indirectly own qualified holdings (article 245-A, paragraph 1, sub-paragraphs c) and d) and article 16), with specific percentages of capital and votes attributed, and the source and causes of the attribution.

9

Shareholdings

Holding covered by Novabase Shareholders' Agreement	No. of shares	% share capital and voting rights
HNB - SGPS, S.A. [1]	10,261,395	32.68%
Pedro Miguel Quinteiro Marques Carvalho	2,289,068	7.29%
João Nuno da Silva Bento [1]	1	0.00%
Álvaro José da Silva Ferreira [1]	1	0.00%
Luís Paulo Cardoso Salvado [1]	1	0.00%
José Afonso Oom Ferreira de Sousa [1]	1	0.00%
TOTAL[3]	12,550,467	39.97%

[1] José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are the only shareholders of HNB — SGPS, S.A., having signed a shareholders' agreement for all of this company's share capital.

[3] The entire holding is attributable to shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento and Pedro Miguel Quinteiro Marques de Carvalho, pursuant to the Novabase Shareholders' Agreement described in point 6 of this report.

	No. of shares	% share capital and voting rights
Partbleu, Sociedade Gestora de Participações Sociais, S.A. [1]	3,180,444	10.13%

[1] At the time of receiving notice of the qualified holding, Novabase was informed that 72% of this company was indirectly held by Miguel Pais do Amaral, thereby allocating these voting rights to him.

	No. of shares	% share capital and voting rights
IBIM2 Limited	3,144,217	10.01%

Santander Asset Management — Sociedade Gestora de Fundos de Investimento Mobiliário, SA	No. of shares	% share capital and voting rights
Fundo de Investimento Mobiliário Aberto Poupança Acções Santander PPA	34,537	0.11%
Fundo de Investimento Mobiliário Aberto Santander Acções Portugal	1,476,905	4.70%
TOTAL[1]	1,511,442	4.81%

[1] At the time of receiving notice of the qualified holding, Novabase was informed that the above funds are managed by Santander Asset Management — Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.

	No. of shares	% share capital and voting rights
Fernando Fonseca Santos	1,575,020	5.02%

	No. of shares	% share capital and voting rights
Maria Manuela de Oliveira Marques	1,043,924	3.32%

	No. of shares	% share capital and voting rights
Lazard Frères Gestion SAS	669,122	2.13%

The above shareholdings correspond to the last positions notified to the company in reference to 31 December 2017 or earlier.

As mentioned in point 1, there are no categories of shares with special rights.

8. *Number of shares and bonds held by members of managing and supervisory boards. [NOTE: the information should be presented in accordance with the provisions of article 447, paragraph 5 of the Commercial Companies Code]*

Holdings of Members of the Managing and Supervisory Boards (article 447, paragraph 5 of the Commercial Companies Code)[1]

Owner	#	%
	Shares[1]	Capital and Voting Rights
Luís Paulo Cardoso Salvado[2]	1	0.00%
José Afonso Oom Ferreira de Sousa[2]	1	0.00%
Pedro Miguel Quinteiro Marques Carvalho	2,289,068	7.29%
Francisco Paulo de Figueiredo Morais Antunes	30,335	0.10%
Paulo Soares de Pinho (member of the Audit Board)	0	0.00%
Fátima Piteira Patinha Farinha (member of the Audit Board)	0	0.00%
Nuno Miguel Dias Pires (member of the Audit Board)	0	0.00%
KPMG & Associados - SROC, S.A. represented by Paulo Alexandre Martins Quintas Paixão (acting Statutory Auditor and representative)	0	0.00%
Maria Cristina Santos Ferreira (substitute Statutory Auditor)	0	0.00%

[1] The shareholding of each of these corporate board members corresponds to the last position notified to the company in reference to 31 December 2017 or earlier.

[2] José Afonso Oom Ferreira de Sousa and Luís Paulo Cardoso Salvado are shareholders of the company HNB — SGPS, S.A., where they serve as directors. HNB — SGPS, S.A. holds 10,261,395 shares representing 32.68% of Novabase's share capital and respective voting rights.

In addition, the following transactions of Novabase shares were made in 2017 by the persons referred to in article 447 of the Commercial Companies Code (“CSC”):

Entity	Transaction	Date	Place	Number of shares	Unit price (€)
Francisco Antunes	Purchase	19/04/2017	NYSE Euronext Lisbon	1,500	3.100
Francisco Antunes	Purchase	19/04/2017	NYSE Euronext Lisbon	1,300	3.100
Francisco Antunes	Purchase	20/04/2017	NYSE Euronext Lisbon	10,000	3.100
Francisco Antunes	Purchase	21/04/2017	NYSE Euronext Lisbon	2,200	3.100
Francisco Antunes	Sale	19/04/2017	NYSE Euronext Lisbon	1,100	3.100
Francisco Antunes	Sale	20/04/2017	NYSE Euronext Lisbon	13,900	3.100
Luís Paulo Salvado	Sale	21/04/2017	Outside of regulated market	14,999	3.100
José Afonso Sousa	Sale	24/04/2017	Outside of regulated market	10,056	3.100
HNB	Purchase	21/04/2017	Outside of regulated market	14,999	3.100
HNB	Purchase	24/04/2017	Outside of regulated market	10,056	3.100
Luís Paulo Salvado	Sale	02/05/2017	Outside of regulated market	50,282	3.100
HNB	Purchase	02/05/2017	Outside of regulated market	50,282	3.100
HNB	Purchase	04/05/2017	Outside of regulated market	65,281	3.100
HNB	Purchase	12/10/2017	Outside of regulated market	338,609	3.200
HNB	Purchase	12/10/2017	Outside of regulated market	147,027	3.200
HNB	Purchase	16/10/2017	Outside of regulated market	1,079,122	3.300
HNB	Purchase	16/10/2017	Outside of regulated market	235,000	3.300

There were no encumbrances, acquisitions or disposals of shares representing the share capital of the company or companies in a control or group relationship, nor any promissory agreements, option contracts, repurchase or other agreements with similar effects on these shares.

Furthermore, none of the above transactions were performed by the persons referred to in article 447, paragraph 2, sub-paragraphs a) through d) of the Commercial Companies Code.

Finally, it should be noted that neither the company nor any company in a control or group relationship issues bonds.

9. Special powers of the board of directors, namely with respect to decisions to increase capital (article 245-A, paragraph 1, sub-paragraph i), specifying, in this regard, the date on which they were given, the date until which they can be exercised, the maximum ceiling of the capital increase, the amount already issued under the allocation of powers and the means of implementing the powers granted.

Novabase's managing board has no special powers vis-à-vis those granted by law, except as described below.

Regarding decisions to increase capital, the Board of Directors can, by a two-thirds majority of the votes of its members, increase the share capital one or more times by cash payments, up to a ceiling of twenty-eight million, two hundred thousand euros, setting the terms and conditions of each increase of capital and the form and time limits for subscribing.

This power of the board of directors was renewed for an additional period of three years at the Annual General Meeting of Shareholders of 29 April 2015.

Pursuant to applicable law: (i) the shares to be issued must be ordinary shares; and (ii) the managing board's decision to increase capital is submitted to the supervisory board, with the ability to resubmit it to the general meeting of shareholders if denied by the supervisory board.

Since this renewal, no share capital has been issued under this provision of the articles of association.

10. Information on the existence of significant business relationships between the holders of qualified holdings and the company.

In 2017, Novabase had no significant business relationships with owners of qualified holdings, or entities in any way related to them, to the company's best knowledge, presently or in the past.

B. CORPORATE BOARDS AND COMMITTEES

I. GENERAL MEETING OF SHAREHOLDERS

a) Composition of the general meeting board

11. Identification, position and term of office (beginning and end) of the general meeting board

The officers of the Novabase General Meeting of Shareholders, elected in the general meeting held on 29 April 2015 for the three-year period of 2015-2017, are Chairman António Manuel da Rocha e Menezes Cordeiro and Secretary Madalena Paz Ferreira Perestrelo de Oliveira.

The Chairman of the General Meeting of Shareholders has the necessary and appropriate means to exercise his duties, having access to a work room and secretarial services at the company. In addition, the Chairman of the General Meeting of Shareholders has 10 people (7 of whom belong to the company's staff) at his disposal dedicated to working specifically on the organization and management of the General Meeting of Shareholders.

b) Exercising of voting rights

12. Possible restrictions on voting rights, such as limitations on exercising voting rights based on ownership of a number or percentage of shares, deadlines for exercising a voting right or special systems for equity rights (article 245-A, paragraph 1, sub-paragraph f).

Novabase has no restrictions on voting rights, nor any limitations on voting based on a number or percentage of shares. Furthermore, there are no special systems for equity rights.

Shareholders may be represented in General Meetings of Shareholders, pursuant to the law.

Shareholders requiring representation may send a letter addressed to the chairperson of the General Meeting of Shareholders at least three days before the date set for the meeting.

If the shares are jointly owned, only a common representative, or his/her representative, may participate in the General Meeting of Shareholders.

Postal voting is permitted, provided that the following are observed:

a) Shareholders with a voting right may exercise this right by post, by means of a signed statement clearly indicating their voting intention for each point on the meeting's agenda. Shareholders may use the postal voting form which will be made available at the company's website in a timely fashion.

A legible photocopy of the shareholder's identity card or citizen's card must accompany the voting form. If the shareholder is a legal person, the voting form must be signed by one of its representatives and his or her signature should be notarized in that capacity.

c) Voting forms, together with the items specified in the preceding sub-paragraphs, must be placed in a sealed envelope addressed to the Chairman of the General Meeting, delivered by hand to the Company's registered office, or delivered to this office by registered mail by the third working day preceding the date of the General Meeting. However, individuals who submit voting forms accompanied only by a legible photocopy of the shareholder's identity card or citizen's card may, alternatively, use the email address indicated in the meeting notice for this purpose.

d) The Chairman of the General Meeting must ensure the authenticity and confidentiality of postal votes until the time of voting.

e) If the shareholder or his/her representative attends the General Meeting in person, his/her respective postal vote will be annulled.

f) Postal votes will be counted as 'No' votes in relation to items for discussion submitted after these votes' date of issue.

Although not specifically mentioned in the articles of association, electronic voting is referred to in meeting notices, and follows the same principles as those of postal voting.

The remaining deadlines and requirements for exercising voting rights are exclusively those established by law and in CMVM recommendations.

13. Maximum percentage of voting rights that can be exercised by a single shareholder or by shareholders having any of the relationships referred to in article 20, paragraph 1 with that shareholder.

No such limitation exists

14. Shareholder decisions which, pursuant to the articles of association, can only be made by a qualified majority, in addition to those provided for by law, specifying these majorities.

No Shareholder decisions which, pursuant to the articles of association, can only be made by a qualified majority, in addition to those provided for by law, specifying these majorities.

II. MANAGEMENT AND SUPERVISION
(Board of Directors, Executive Board of Directors and General and Supervisory Board)

a) Composition

Board of Directors on 31 December 2017.

Luís Paulo Cardoso Salvado
José Afonso Oom Ferreira de Sousa
Pedro Miguel Quinteiro Marques Carvalho
Francisco Paulo Figueiredo Morais Antunes

15. Identification of governance model used.

Novabase has been a publicly-traded company since July 2000. It operates according to a corporate governance model which is regularly assessed by the Board of Directors with regard to its adequacy and performance, aimed at optimizing its performance in closer alignment with the interests of all of its stakeholders - those interested in its corporate activities, namely shareholders, investors, customers, suppliers, other business partners and employees.

In view of the mounting challenges of internationalization and competitiveness which have shaped Novabase's business, the company's corporate governance system needed to be updated by simplifying and streamlining company bodies and procedures, thereby tailoring existing solutions to the company's size and individual circumstances.

At the General Meeting of Shareholders held on 29 April 2015, Novabase modified its articles of association and implemented a reinforced Latin corporate governance model including a Board of Directors, Audit Board and Statutory Auditor. In this model, a substantially more agile structure was implemented for the day-to-day running of the company, with two managing directors (Luís Paulo Cardoso Salvado (CEO) and Francisco Paulo Figueiredo Morais Antunes (CFO)). Moreover, Novabase has a general meeting board elected for three-year terms of office, along with a Remuneration Committee appointed by the General Meeting of Shareholders to establish the remuneration of each corporate board member based on the duties performed and the company’s financial status. The company also designates a secretary and respective substitute, under the terms of article 446-A of the Commercial Companies code, to perform the duties established by law.

In order to improve its governance practices whenever possible and tailor the model to the company’s demands and challenges, Novabase constantly analyses its implementation.

16. Article of association rules on procedural requirements and matters applicable to the appointment and replacement of members, as applicable, of the Board of Directors, Executive Board of Directors and General and Supervisory Board (article 245-A, paragraph 1, sub-paragraph h).

The members of Novabase's Board of Directors are appointed and replaced under the terms of the law, namely the provisions of articles 390 and following of the Commercial Companies Code. Article 14, paragraph 1 of the company's articles of association state that a Board of Directors shall be responsible for managing the company's business, with full and exclusive powers of representation, comprised of at least three and at most nineteen members elected by the General Meeting of Shareholders.

Furthermore, pursuant to article 14 paragraph 2 of the company's articles of association, the General Meeting of Shareholders is responsible for appointing the Chairman of the Board of Directors, which will elect its own chairman if the General Meeting of Shareholders fails to do so.

With regard to the absence and substitution of directors, pursuant to the articles of association, directors who fail to attend over one third of the meetings held in a financial year, without justification approved by the Board of Directors, shall be considered permanently absent and subject to replacement pursuant to the law and the Board of Directors' Regulations.

Article 8 of the articles of association states that directors are elected by the General Meeting of Shareholders for three-year terms, subject to re-election one or more times, and that, at the end of their terms, they may keep their positions until the appointment of new directors.

17. Composition, as applicable, of the Board of Directors, Executive Board of Directors and General and Supervisory Board, stating the minimum and maximum number of members, term of office, number of full members, inauguration date and end date of each member's term of office, in accordance with the articles of association.

As previously stated, article 8 of the company's articles of association states that members of the Board of Directors are elected by the General Meeting of Shareholders for three-year terms, subject to re-election one or more times, and that these directors shall keep their positions during their respective terms of office until the appointment of new members.

Novabase's articles of association also state that the Board of Directors may be comprised of at least three and at most nineteen members.

On 31 December 2017, the Board of Directors had four full members, as shown in the following table:

Director	Inauguration date	End of term of office
Luís Paulo Cardoso Salvado	18/03/1998	31/12/2017
José Afonso Oom Ferreira de Sousa	24/01/1991	31/12/2017
Pedro Miguel Quinteiro Marques Carvalho	24/01/1991	31/12/2017
Francisco Paulo Figueiredo Morais Antunes	28/04/2009	31/12/2017

Under the terms of article 14 of the articles of association, the Board of Directors may delegate the everyday running of the company to one or more managing directors or to an executive committee consisting of three to nine directors.

On 08 May 2015, the Board of Directors delegated the day-to-day running of the company to directors Luís Paulo Cardoso Salvado and Francisco Paulo Figueiredo Morais Antunes, in the capacity of managing directors.

On 16 October 2017, Novabase announced to the market that it was notified by its shareholders José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, Pedro Miguel Quinteiro Marques de Carvalho and João Nuno da Silva Bento on their intent to propose, at Novabase's General Meeting of Shareholders scheduled for the first half of 2018, a change to the structure and composition of Novabase's managing board.

The announcement's information on the terms of this change to the structure and composition of Novabase's managing board reads as follows:

"a) Adoption of a managing board structure comprised of a Board of Directors including executive and non-executive members;

b) Delegation of the day-to-day running of Novabase to an Executive Committee.

The proposed management duties of Novabase for the new 2018-2020 term of office are as follows:

- Chairman of the Board of Directors: Luís Paulo Cardoso Salvado
- Chairman of the Executive Committee: João Nuno da Silva Bento
- Member of the Executive Committee: Álvaro José da Silva Ferreira
- Member of the Executive Committee: Francisco Paulo Figueiredo Morais Antunes
- Member of the Executive Committee: María del Carmen Gil Marín
- Non-executive member of the Board of Directors: José Afonso Oom Ferreira de Sousa
- Non-executive member of the Board of Directors: Pedro Miguel Quinteiro Marques Carvalho
- Non-executive member of the Board of Directors: Marta Isabel dos Reis Graça Rodrigues do Nascimento"

18. Distinction between executive and non-executive members of the Board of Directors and, for the latter, identification of members who can be considered independent or, when applicable, identification of independent members of the General and Supervisory Board.

Member of the Board of Directors	Category	Independence[1]
Luís Paulo Cardoso Salvado	Executive (Managing Director)	No
José Afonso Oom Ferreira de Sousa	Non-executive	No
Pedro Miguel Quinteiro Marques Carvalho	Non-executive	No
Francisco Paulo Figueiredo Morais Antunes	Executive (Managing Director)	No

[1] Under the terms of CMVM Regulation no. 4/2013, Annex I, point 18.1.

In view of the low number of directors (four), the Board of Directors' two non-executive members are sufficient in number to effectively monitor, supervise and evaluate the activities of the remaining board members (see point 24 of this report with regard to the evaluation of the remaining directors).

In view of the company's size, the need for agility and efficiency in management, the shareholder structure and the respective free float, together with various levels of internal control (including supervisory boards comprised entirely of independent people vis-à-vis the management and owners of qualified holdings, although it should be noted that, under the company's previous Anglo Saxon corporate governance model, only directors performing duties in the Auditing Committee were independent), coupled with the wide range of decisions made to benefit shareholders and the exercising of their rights, Novabase does not believe independent directors are necessary for protecting the interests of all stakeholders.

19. Professional qualifications and other relevant background information of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors.

Director	Professional Qualifications	Other relevant background[1]
Luís Paulo Cardoso Salvado	• MBA in Information Management from Universidade Católica Portuguesa • Graduate in Electrotechnical and Computer Engineering from IST	• Chairman of the Board of Directors and Managing Director (CEO); • Specific responsibilities: Business Areas: Business Solutions (including Celfocus and Neotalent), Venture Capital, Infrastructures and Managed Services Corporate Duties: Marketing — Marketing / Business Design / Corporate Development / Human Resources / Investor Relations Regions: Angola / Brussels / European Commission / Mozambique • Director of various Novabase Group companies Formerly: • CEO • Member of the Board of Directors Performance Assessment Committee • Member of the Corporate Governance Assessment Committee • CFO, CHRO and CLO of Novabase Group and CEO of Novabase Consulting
José Afonso Oom Ferreira de Sousa	• MBA from Universidade Nova de Lisboa • Masters in Electrotechnical and Computer Engineering from IST • Graduate in Electrotechnical and Computer Engineering from IST • Graduate in Philosophy from Universidade Católica de Lisboa	• Director without specific oversight Formerly: • Member of the Board of Directors Performance Assessment Committee • Member of the Corporate Governance Assessment Committee • CLO and CFO of Novabase Group • Director of various Novabase Group companies
Pedro Miguel Quinteiro Marques Carvalho	• Graduate in Applied Mathematics from Universidade de Lisboa	• Director without specific oversight Formerly: • Member of the Board of Directors Performance Assessment Committee • Director responsible for the administrative and logistics area • CIO of Novabase Group • Director of various Novabase Group companies
Francisco Paulo Figueiredo Morais Antunes	• Master's in Finance from ISCTE • Graduate in Management from ISCTE	• Managing Director; • Specific responsibilities: Corporate Duties: CFO / CRO / Information Systems / International Task Force / Legal • Director of various Novabase Group companies Formerly: • Financial Director of Novabase Group

1 Professional activities performed in the past five years, namely in terms of positions at other companies or the company itself (article 289 of the Commercial Companies Code).

20. Regular and significant family, professional or business relationships of members, as applicable, of the Board of Directors, General and Supervisory Board and Executive

20

Board of Directors with shareholders to whom a qualified shareholding exceeding 2% of voting rights may be attributed.

Directors Luís Paulo Cardoso Salvado, José Afonso Oom Ferreira de Sousa and Pedro Miguel Quinteiro Marques Carvalho are simultaneously shareholders and parties to the shareholders' agreement referred to in point 6 of this report. The parties to this shareholders' agreement are allocated a qualified holding of 12,550,467 shares representing 39.97% of Novabase's share capital and voting rights.

There are no other regular or significant relationships between the directors and owners of qualified holdings.

21. Organizational structure and functional chart relating to the division of powers among the various boards, committees and/or departments within the company, including information on the scope of the delegation of powers, particularly with regard to the delegation of day-to-day management of the company.

Novabase was organized into two business areas on 31 December 2017:

- Business Solutions[1]
- Neotalent[2] (included in the Business Solutions area in financial reporting)

In addition, Novabase carries out its specialized venture capital business through the company Novabase Capital, SCR, SA (Venture Capital area in financial reporting). Novabase has a business model which includes the existence of executives responsible for the main industries, the respective specialized products and services and the various competencies.

The industries in 2017 were as follows:

- *Energy*
- *Government*
- *Financial Services*
- *Telecommunications*
- *Transportation*

NOVABASE SGPS[3] / NOVABASE Serviços[4]

Novabase SGPS and Novabase Services control the central functional areas: *Human Resources*, *Finance & Administration*, *IT*, *Marketing* e *Legal*. Novabase SGPS directly controls the investor relations function, including the Investor Relations Office.

Information on the Investor Relations Office can be found in point 56 of this report.

[1] Corresponding to the company NOVABASE Business Solutions - Soluções de Consultoria, Desenvolvimento, Integração, Outsourcing, Manutenção e Operação de Sistemas de Informação, S.A.
[2] Corresponding to the company NOVABASE Neotalent, S.A., Novabase Sistemas de Información, S.A. and part of the NBASIT business

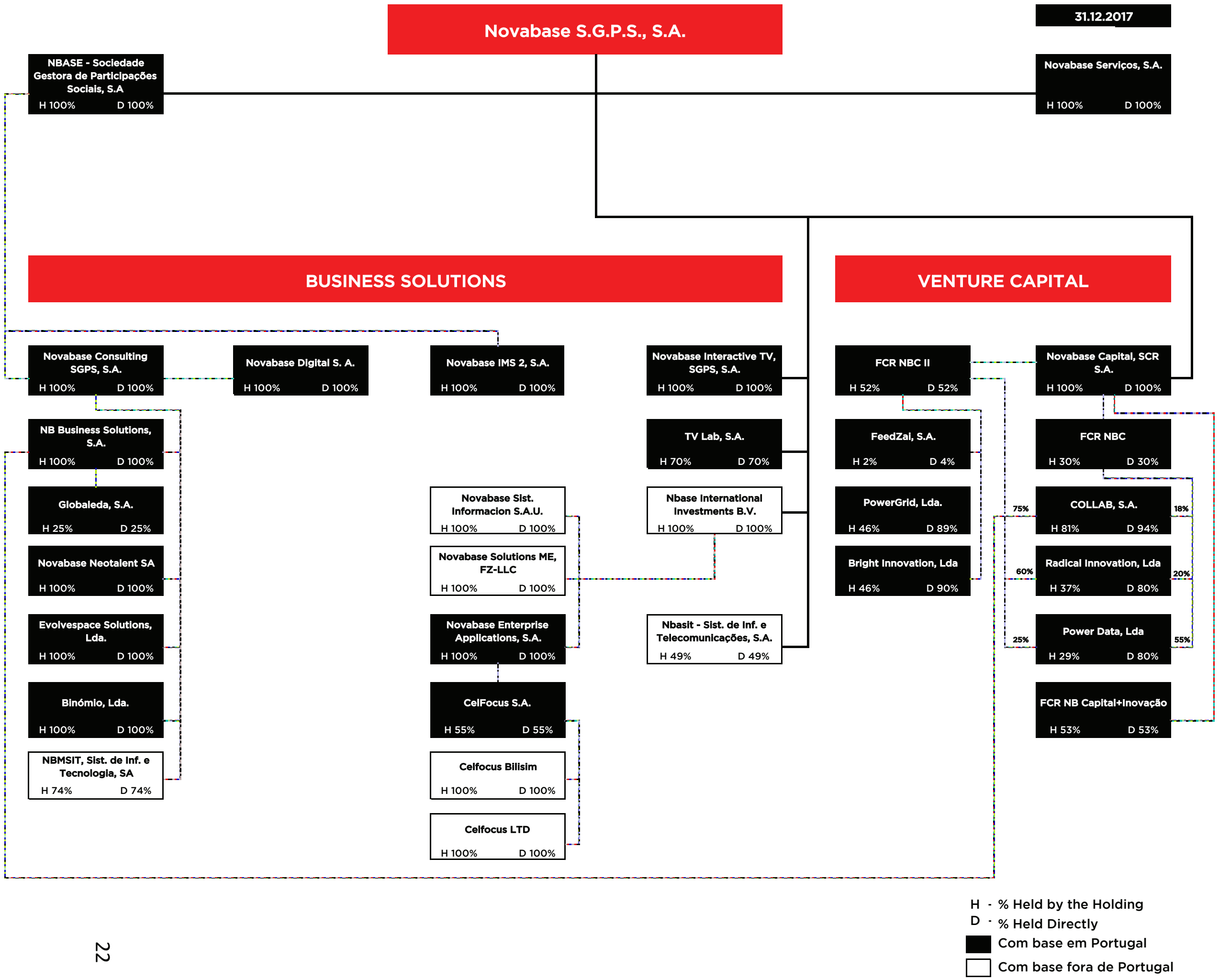
[3] NOVABASE – Sociedade Gestora de Participações Sociais, S.A.

[4] NOVABASE Serviços – Serviços de Gestão e Consultoria, S.A.

Organizational Chart

Each of the aforementioned organizational units corresponds to a company or a group of companies.

The attached organizational chart includes all the companies within the consolidation perimeter of Novabase.



As stated in point II. A) 15. In view of the mounting challenges of internationalization and competitiveness which have shaped Novabase's business, the company's corporate governance system needed to be updated by simplifying and streamlining company bodies and procedures, thereby tailoring existing solutions to the company's size and individual circumstances.

At the General Meeting of Shareholders held on 29 April 2015, Novabase modified its articles of association and implemented a reinforced Latin corporate governance model including a Board of Directors, Audit Board and Statutory Auditor. In this model, a substantially more agile structure was implemented for the day-to-day running of the company, with two managing directors (Luís Paulo Cardoso Salvado (CEO) and Francisco Paulo Figueiredo Morais Antunes (CFO)).

Moreover, Novabase has a general meeting board elected for three-year terms of office, along with a Remuneration Committee appointed by the General Meeting of Shareholders to establish the remuneration of each corporate board member based on the duties performed and the company's financial status. The company also designates a secretary and respective substitute, under the terms of article 446-A of the Commercial Companies code, to perform the duties established by law.

Under the terms of article 14 of Novabase's articles of association, a Board of Directors with full and exclusive representation powers is responsible for managing the company's business.

The Board of Directors has general powers to act in pursuit of the company's corporate and business interests, within the confines of the law, the articles of association and the decisions of the General Meeting of Shareholders and, in particular, to:

a) Acquire, encumber and sell any rights or movable property as well as to acquire, encumber and sell immovable property, whenever it is deemed appropriate for the company;

b) Take out loans and carry out any other financing operations in the interest of the company, under such terms and conditions that it deems fit;

c) Appoint representatives of the company;

d) Delegate powers to its members;

e) Hire employees, set their conditions of employment and exercise disciplinary power;

f) Represent the company in and out of court, as plaintiff or defendant, file lawsuits, and make admissions, compromise in them and withdraw from them, and engage in arbitration;

g) Open, operate and close any of the company's bank accounts, deposit and withdraw money, issue, accept, draw and endorse cheques, bills and promissory notes, invoice statements and any other securities;

h) Decide on investments in the capital of other companies or on participating in other businesses;

and

i) Run the company's businesses and carry out any acts and transactions relating to the corporate purpose that do not fall within the jurisdiction of other company bodies;

Under the terms of its regulations, the Board of Directors is responsible for setting a policy for reporting irregularities in compliance with goals laid out in this regard by law, by applicable regulations or by the General Meeting of Shareholders.

The Board of Directors' articles of association and regulations also state that it may delegate to one director certain specific management duties or the execution of the Board of Directors' decisions, or may delegate the day-to-day running of the company to one or more directors (managing directors) or to an Executive Committee of 3 to 9 members. The delegated powers must be recorded in meeting minutes. The Board of Directors shall establish the powers of each managing director or of the Executive Committee, as applicable, in the everyday running of the company, delegating to the Executive Committee, when necessary, all the powers that are not forbidden by article 407, paragraph 4 of the Commercial Companies Code.

Pursuant to the provisions of article 407, paragraph 4 of the Commercial Companies Code and the regulations of Novabase's Board of Directors, the Board of Directors may not delegate the following for the day-to-day running of the company:

a) Selection of the Chairman of the Board of Directors;

b) Co-option of directors;;

c) Requests to call general meetings;

e) Drawing up of annual reports and accounts;

f) Decide that Novabase may provide collateral, personal guarantees and security in rem;

g) Change of registered office and capital increases;

h) Deliberate projects to merge, divide and transform Novabase;

i) Approval of strategy;

and

j) Definition of the Group's corporate structure.

On 05 February 2016, the Board of Directors delegated the day-to-day running of the company to directors Luís Paulo Cardoso Salvado and Francisco Paulo Figueiredo Morais Antunes, in the capacity of managing directors. Powers were delegated for the following areas of responsibility:

Luís Paulo Cardoso Salvado	Business Areas: Business Solutions (including Celfocus and Neotalent), Venture Capital, Infrastructures and Managed Services Corporate Duties: Marketing — Marketing, Business Design, Corporate Development, Human Resources, Investor Relations Regions: Angola, Brussels/European Commission, Mozambique
Francisco Paulo Figueiredo Morais Antunes	Corporate Duties: CFO, CRO, Information Systems, International Task Force, Legal

Powers for the day-to-day running of the company were also delegated to director Luís Paulo Cardoso Salvado for all daily management issues not specifically stated in the decision, nor excluded from the scope of the delegation under the law.

Notwithstanding the above, in any case, decisions involving the day-to-day running of the company whose value exceeds €5,000,000.00 may only be made by mutual agreement of the managing directors.

Members of the Board of Directors who are not managing directors are responsible for overseeing the managing directors' activities, together with any damages caused by their acts or omissions when, being aware of these acts or omissions or of their underlying intent, do not involve the Board of Directors to take the appropriate measures. Together with the power to submit issues for the Board of Directors' assessment and decision, and with a view to fully carrying out their duties of monitoring and overseeing Novabase's activities, non-executive directors who are not managing directors may directly request that the managing directors clarify specific issues within the scope of delegated matters.

As a result of the above, no powers were delegated in 2017 for issues where the Board of Directors must ensure that the company acts consistently with its goals, namely with regard to: i) defining the strategy and general policies of the company, ii) defining the business structure of the group; and iii) decisions considered strategic due to the amount, risk and particular characteristics involved.

- **Operation**

Under the terms of Novabase's articles of association, the Board of Directors shall meet whenever it is summoned by its chairperson or by two of its members. It must meet at least once per quarter.

The Board of Directors cannot function without a majority of its active members present; under urgent circumstances, the Chairman may waive this majority when it can be achieved via postal or proxy voting, passed to another director.

One or more members of the board may participate via teleconferencing, when duly recorded in the minutes. In this case, directors attending remotely via teleconferencing are considered present at the meeting.

Except when a qualified majority is required by law, the decisions of the Board of Directors are made by simple majority. The Chairman of the Board of Directors has the casting vote in the event of a tie.

Pursuant to the Board of Directors' regulations, the Chairman is also responsible for: a) coordinating the work of the Board of Directors; b) calling and running the meetings of the Board of Directors, ensuring that the meeting minutes are drawn up; c) making the casting vote; and d) ensuring the execution of decisions made.

Pursuant to CMVM recommendation II.1.10., if the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.

However, since there are only two non-executive directors, it is not necessary for one of them to be specifically responsible for running work involving only two people. Given the agile and flexible structure which Novabase assumed in the General Meeting of Shareholders dated 29 April 2015, the non-executive directors have been able to adequately coordinate their duties with no need for formal meetings called and run by one of these directors.

Members of the Board of Directors may not vote on issues where they have a conflict of interest with Novabase, whether directly or through third parties.

While being obliged to inform the Chairman of the Board of Directors about the conflict of interest, the board member in question may participate in the meeting where the issue will be discussed, but without the ability to vote.

Unless decided otherwise, this member may be asked to give an opinion, but without the ability to vote.

22. Existence and location of operating regulations, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors.

The regulations of the Board of Directors are available at Novabase's website.

23. Number of meetings held and attendance of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors.

Board of Directors	
Number of meeting: 11	
Member	**Attendance (%)**
Luís Paulo Cardoso Salvado	100.00
José Afonso Oom Ferreira de Sousa	100.00

Pedro Miguel Quinteiro Marques Carvalho	100.00
Francisco Paulo Figueiredo Morais Antunes	100.00

24. The corporate bodies responsible for assessing the performance of executive members.

The activities of the managing directors are constantly overseen by the Board of Directors on the whole, and specifically by the non-executive directors, using the required information on the company's business to monitor its day-to-day running. The monitoring of the managing directors' activities by the non-executive directors was a practice already in place prior to the publication of corporate governance recommendations on specific committees with assessment powers, and continues to be a practice employed by Novabase.

On 31 December 2017, the Board of Directors' non-executive members were José Afonso Oom Ferreira de Sousa and Pedro Miguel Quinteiro de Marques Carvalho.

In addition, the Remuneration Committee has the responsibility of assessing the managing directors' performance, specifically for the purpose of the evaluation criteria described in point 25 below.

25. The pre-established criteria for assessing the performance of executive members.

The performance assessment of directors (including executive directors) takes into account the organization's performance in the year in question, measured by the net profits generated, and is aimed at correlating the remuneration's variable cash component with the responsibility and performance of each director in particular (as stated in point 69.).

26. Availability of each member, as applicable, of the Board of Directors, General and Supervisory Board and Executive Board of Directors, indicating positions held simultaneously at other companies, both in and outside of the group, and other relevant activities performed by the members of these boards over the year.

Director (availability)	Group companies	Other companies and activities
Luís Paulo Cardoso Salvado (Full time)	• Director of the following companies: ○ Novabase Consulting SGPS, S.A. ○ Novabase Serviços S.A. ○ Novabase Business Solutions, S.A. ○ NOVABASE Neotalent, S.A. ○ NBASE, SGPS	• Director of HNB — SGPS, SA • Managing partner of Turtlewalk, Lda.

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José Afonso Oom Ferreira de Sousa (Part time)	• Chairman of the General Meeting of Shareholders of the following companies: ○ NOVABASE Interactive TV SGPS, S.A. ○ NOVABASE IMS2, S.A. ○ TV Lab, S.A. ○ NOVABASE Neotalent, S.A: ○ Nbase SGPS, S.A.	• Director of HNB – SGPS, SA • Director of Fundação Maria Dias Ferreira • Director of PROMANUSS – Investimentos e Consultadoria, SA. • Director of Xistroban, SA • Director of Aprove – Investimentos e Projetos Imobiliários, SA • Managing partner of S2i – Sociedade de Investimento Imobiliário, Lda.
Pedro Miguel Quinteiro Marques Carvalho (Part time)	• Chairman of the General Meeting of Shareholders of the following companies: ○ Novabase Serviços S.A. ○ Novabase Consulting SGPS, S.A. ○ Novabase Business Solutions, S.A. ○ Novabase Digital, S.A. ○ Novabase Capital S.A. ○ Collab, S.A.	•

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Francisco Paulo Figueiredo Morais Antunes (Full time)	• Director of the following companies: ◦ Novabase Interactive TV SGPS, S.A. ◦ Novabase Consulting SGPS, S.A. ◦ Novabase Serviços S.A. ◦ Novabase Enterprise Applications, S.A. ◦ Novabase Business Solutions S.A. ◦ Collab, S.A. ◦ Novabase Digital, S.A. ◦ NOVABASE IMS2, S.A. ◦ TVLAB, S.A. ◦ NBASIT, S.A. ◦ Evolvespace Solutions, Lda. ◦ Novabase Capital S.A. ◦ NBMSIT, S.A. ◦ NOVABASE Neotalent, S.A. ◦ NB Sistemas de Información, S.A.U. ◦ Binómio, Lda. ◦ Celfocus, S.A. ◦ NBASE, SGPS S.A. ◦ NB Middle East, FZ-LLC ◦ Nbase International Investments, B.V.	• Managing partner of Commostock, Lda.

- **Committees within the managing or supervisory board and managing directors**

27. Committees created within, as applicable, the Board of Directors, General and Supervisory Board and Executive Board of Directors, and location of operating regulations.

As stated in point 15 of this report, in view of the mounting challenges of internationalization and competitiveness which have shaped Novabase's business, the company's corporate governance system needed to be updated by simplifying and streamlining company bodies and procedures, thereby tailoring existing solutions to the company's size and individual circumstances.

In this context, there are currently no committees created within the company's Board of Directors, namely (i) to evaluate the performance of the executive directors and the Board of Directors, and (ii) with regard to reflecting and acting on corporate governance.

In particular, with regard to evaluating the management, it should be noted that the activities of the managing directors are constantly overseen by the Board of Directors on the whole, and specifically by the non-executive directors, using the required information on the company's business to monitor its day-to-day running. The monitoring of the managing directors' activities by the non-executive directors was a practice already in place prior to the publication of corporate governance recommendations on specific committees with assessment powers, and continues to be a practice employed by Novabase.

On 31 December 2017, the Board of Directors' non-executive members were José Afonso Oom Ferreira de Sousa and Pedro Miguel Quinteiro de Marques Carvalho.

In addition, the Remuneration Committee has the responsibility of assessing the managing directors' performance, specifically for the purpose of the evaluation criteria described in point 25.

Furthermore, given the relatively minor complexity of the current corporate governance structure, there seems to be no need to maintain or reintroduce a specific committee to reflect on corporate governance matters, since the company is assisted by outside consultants in this regard.

28. Composition, if applicable, of the executive committee and/or identification of managing director(s).

31 December 2017, the managing directors were:

Luís Paulo Cardoso Salvado
Francisco Paulo Figueiredo Morais Antunes

29. Powers of each of the committees created, and summary of activities carried out in exercising these powers.

As stated in point 27, there are currently no committees created within the company's Board of Directors.

The managing directors' powers are described in point 21 of this report.

In performing their duties in 2017, directors with delegated powers focused on priorities handed down from the Board of Directors: first, replacing business in regions with higher volatility and exchange difficulties with a larger presence in Europe and, secondly, intensifying the focus on specialized products and services to leverage the digitalization of customers' businesses.

The 2017 results reflect our achievement of the goals laid out. Europe has consolidated its position as the primary market, accounting for 69% of international business. The EBITDA profitability for the period was 7.8%, with a Net Profit of 3.4%. We have achieved this performance through major R&D investments as well as methodologies centred on people, such as design thinking and gamification. These types of approaches have also been used successfully within the company, with NOVA being just one example. Developed by Novabase, this platform will accelerate the development of employees – mostly millennials – and give us an advantage in a market which has become extremely competitive in terms of technology talent.

Novabase was added to the PSI20 index in 2017, giving its stock more visibility. During this year, Novabase nearly tripled its transaction volume, which was up 48%, including the two dividends paid (€0.15/share and €0.50/share).

Finally, it should be noted that 2017 was the third and last year of this management's current term. Its members believe that this period was challenging at every level, but that the work done during this time will leave the company better prepared to face future challenges.

III. SUPERVISION

a) Composition

30. Identification of supervisory body (Audit Board, Auditing Committee or General and Supervisory Board) in the model adopted.

Since it has adopted the reinforced Latin corporate governance model, Novabase has an Audit Board and a statutory auditor.

31. Composition, as applicable, of the Audit Board, Auditing Committee, General and Supervisory Board or Financial Matters Committee, stating the minimum and maximum number of members, term of office, number of full members, inauguration date and end date of each member's term of office, in accordance with the articles of association (reference may be made to the point where this information is already found in the report per no. 18).

Article 8 of the company's articles of association states that members of the Audit Board are elected by the General Meeting of Shareholders for three-year terms, subject to re-election one or more times, and that these members shall keep their positions during their respective terms of office until the appointment of new members.

Novabase's articles of association further state that the supervision of the company shall be the responsibility of the Audit Board, elected by the General Meeting of Shareholders and composed of at least 3 full members, one of whom shall be its Chairman, and at least 1 substitute.

At least one member of the Audit Board should have a higher education suited to the performance of his/her duties and a knowledge of auditing or accounting. The remaining members of the Audit Board may be law firms, statutory auditing firms or shareholders; in the latter case, they should be individuals with full legal capacity, and with professional experience and qualifications suited to the performance of their duties.

On 31 December 2017, the Audit Board had the following three full members:

Full Member	Inauguration date	End of Term of Office
Paulo Soares de Pinho	29/04/2015	31/12/2017
Fátima do Rosário Piteira Patinha Farinha	29/04/2015	31/12/2017
Nuno Miguel Dias Pires	29/04/2015	31/12/2017

The substitute member of the Audit Board is Manuel Tavares Festas.

32. Identification, as applicable, of the members of the Audit Board, Auditing Committee, General and Supervisory Board or Financial Matters Committee considered to be independent under the terms of article 414, paragraph 5 of the Commercial Companies Code (reference may be made to the point where this information is already found in the report per no. 19).

Member of the Audit Board	Independence[1]
Paulo Soares de Pinho	Yes
Fátima do Rosário Piteira Patinha Farinha	Yes
Nuno Miguel Dias Pires	Yes

[1] Pursuant to article 414, paragraph 5 of the Commercial Companies Code.

In addition, in 2017, all members of the Audit Board remained in compliance with the incompatibility rules provided for in article 414-A, paragraph 1 of the Commercial Companies Code, and with the requirements of independence provided for in Law no. 148/2015 of 09 September, since all of the board's members and its Chairman are independent pursuant to article 414, paragraph 5 of the Commercial Companies Code.

In addition, the Chairman and other members of the Audit Board are adequately capable of carrying out their duties.

33. Professional qualifications, as applicable, of the members of the Audit Board, Auditing Committee, General and Supervisory Board or Financial Matters Committee, and other relevant background information (reference may be made to the point where this information is already found in the report per no. 21).

Board of Auditors		
Member	**Professional Qualifications**	**Work experience**
Paulo Soares de Pinho	• Graduate in Economics from UNL • MBA from UNL. • PhD Banking and Finance (Cass)	• Director of Sonae Capital since 2008; • Director of Change Partners SCR (since 2009); • Director of REN (2004-2007); • Academic Director of Lisbon MBA (since 2016); • Professor at Nova School of Business and Economics; • Visiting professor at the Cass Business School in London.
Fátima do Rosário Piteira Patinha Farinha	• Graduate in Company Organization and Management from Instituto Superior de Economia e Gestão • Registered in the Portuguese Statutory Auditors' Association (OROC)	• Financial Director of Grupo Entreposto automobile retail • Assistant Financial Director of Grupo Entreposto (2002-2010); • Financial Director of NOVABASE Capital (2000-2002); • Financial Director of NOVABASE Sistemas de Informação e Bases de Dados (1991-2000).
Nuno Miguel Dias Pires	• Statutory Auditor • Graduate in Business Administration from UBI	Financial Director of Luz Saúde

b) Operation

The Audit Board is responsible for overseeing NOVABASE'S management and compliance with the law and memorandum of association.

In carrying out its duties, NOVABASE'S AUDIT BOARD IS RESPONSIBLE FOR :

a) Propose, at the General Meeting of Shareholders, the appointment of the Statutory Auditor;

b) Monitor the Statutory Auditor's independence, particularly with regard to the provision of additional services to NOVABASE or Novabase Group companies;

c) Oversee the review of accounts and other company accounting documents, namely the accounting policies and valuation criteria adopted by NOVABASE so that these documents lead to a correct appraisal of the assets and results;

d) Prepare an annual report on its oversight activities, and issue an opinion on the Annual Report and Accounts and proposals submitted by management;

e) Work with the Board of Directors in choosing external auditors, and supervise the work performed by these auditors, specifically bearing in mind the recommendations of the Portuguese Securities Market Commission in this regard[1];

f) Monitor the efficacy of the risk management system, internal control system and internal auditing system;

g) Monitor the preparation and disclosure of financial information;

h) Take whatever decisions it deems necessary, informing NOVABASE'S Chairman of the Board of Directors and director responsible for the financial function accordingly, with respect to information about any irregular practices which it receives from shareholders, Novabase employees or others, to the department created specifically for this purpose;

i) Prepare an annual report, to be submitted to the ordinary General Meeting of Shareholders, describing its activity in the previous financial year and its conclusions;

j) Comply with other competencies and duties provided for by law and the memorandum of association;

In addition, since 31 March 2011, the company's collegiate supervisory board has performed duties involving preliminary assessments of the business deals to be carried out between the company and the owners of qualified holdings or entity relationships with the former, as envisaged in article 20 of the Securities Code. These duties are described in point 91 of this report.

The Audit Board's internal regulations, available at Novabase's website, also detail some general duties and responsibilities, such as participating in the meetings of the Board of Directors, managing directors or Executive Committee, as applicable, to weigh up the accounts for the year, and in the General Meeting of Shareholders, or to maintain confidentiality with regard to facts and information disclosed to the Audit Board during the performance of their duties, notwithstanding the legal obligation to report criminal acts constituting public crimes, pursuant to article 422, paragraph 3 of the Commercial Companies Code.

The Audit Board held the compulsory number of meetings in 2017 as required by the articles of association and made all examinations of the accounts that it saw fit as part of its duties. It conducted analyses and made suggestions as deemed necessary.

The Audit Board holds ordinary meetings at least once every quarter, or whenever deemed necessary by its Chairman or requested by one of its members. The Chairman of the Audit Board is responsible for convening and running its meetings, and has a casting vote.

The decisions of the Audit Board are made by a majority of votes cast with a majority of active members present.

34. Existence and location of operating regulations, as applicable, of the members of the Audit Board, Auditing Committee, General and Supervisory Board or Financial Matters Committee (reference may be made to the point where this information is already found in the report per no. 24).

[1] CMVM recommendation II.2.2. states that the supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.
Furthermore, recommendation II.2.3. states that the supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.

The regulations of the Audit Board are available at Novabase's website.

35. Number of meetings held and attendance at each meeting, as applicable, of the members of the Audit Board, Auditing Committee, General and Supervisory Board or Financial Matters Committee (reference may be made to the point where this information is already found in the report per no. 25).

Board of Auditors	
Number of meeting: 8	
Member	**Attendance (%)**
Paulo Soares de Pinho	100.00
Fátima do Rosário Piteira Patinha Farinha	100.00
Nuno Miguel Dias Pires	100.00

36. Availability of each member, as applicable, of the Audit Board, Auditing Committee, General and Supervisory Board or Financial Matters Committee, indicating positions held simultaneously at other companies, both in and outside of the group, and other relevant activities performed by the members of these boards over the year (reference may be made to the point where this information is already found in the report per no. 26).

Board of Auditors		
Member (availability)	**Group companies**	**Other companies and activities**
Paulo Soares de Pinho (part time)	• He does not carry out any activities at other companies in the Group.	• Director of Sonae Capital since 2008; • Director of Change Partners SCR (since 2009); • Academic Director of Lisbon MBA (since 2016); • Professor at Nova School of Business and Economics; • Visiting professor at the Cass Business School in London.
Fátima do Rosário Piteira Patinha Farinha (part time)	• She does not carry out any activities at other companies in the Group.	• Financial Director of Grupo Entreposto automobile retail • Partner at MC Godinho & Associado SROC
Nuno Miguel Dias Pires (part time)	• He does not carry out any activities at other companies in the Group.	• Financial Director of Luz Saúde

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c) Powers and duties

37. Description of procedures and criteria applicable to the supervisory board's involvement in hiring the external auditor for additional services.

A procedure is in place by which all of the various auditing services are subject to the prior approval of the Audit Board. The procedure includes the submission of a proposal, by the Board of Directors to the Audit Board, to use the external auditor for the services in question, accompanied by information justifying this. The Audit Board must then approve the use of the auditor before the respective agreement between the company and the approved external auditor is signed.

Among other aspects, the Audit Board's evaluation of the proposal submitted by the Board of Directors weighs up the auditor's guarantee of independence in fulfilling its professional obligations and the functional advantages in using the proposed external auditor.

38. Other functions of the supervisory boards and, if applicable, of the Financial Matters Committee.

The powers of the Audit Board are described in section III.b) of this report.

In addition to the duties of overseeing the auditing of the company's accounts and accounting documents and those involving the use of the external auditor for services, of particular note, among other aspects described in more detail in section III.b), are the duties performed within the scope of risk management and internal control systems and the system for reporting irregularities.

IV.STATUTORY AUDITOR

39. Identification of the statutory auditor and partner statutory auditor representing it.

Statutory Auditor: responsible for examining the company's accounts (specifically, performing the duties laid out in article 420 (1) c), d), e) and f) of the Commercial Companies Code), together with supervisory duties involving the ongoing pursuit of the company's corporate purpose. On 31 December 2017, Novabase's acting Statutory Auditor was KPMG & Associados – SROC, S.A., represented by its partner Paulo Alexandre Martins Quintas Paixão, and with Maria Cristina Santos Ferreira as substitute Statutory Auditor.

40. Number of consecutive years that the statutory auditor has performed duties at the company and/or group.

The Statutory Auditor has performed auditing duties for Novabase (company and group) for more than 2 consecutive years. As stated in point 43, the partner currently representing the Statutory Auditor has performed duties for Novabase since June 2015.

41. Description of other services provided by the statutory auditor to the company.

The Statutory Auditor is also Novabase's external auditor, and did not provide other professional services to the company in 2017.

V. EXTERNAL AUDITOR

42. Identification of external auditor designated for the purposes of article 8 and the partner statutory auditor representing it in fulfilling these duties, together with the respective CMVM registry number.

On 31 December 2017, Novabase's acting external auditor was KPMG & Associados – SROC, S.A., registered with the Portuguese Securities Market Commission ("CMVM") as auditor no. 20161489, represented by its partner Paulo Alexandre Martins Quintas Paixão.

43. Number of years that the external auditor and the partner statutory auditor representing it in fulfilling these duties have performed these duties consecutively for the company and/or group.

The external auditor identified above has performed duties for Novabase (company and group) for more than 2 consecutive years. The partner currently representing the external auditor and Statutory Auditor has performed duties for Novabase since June 2015.

44. Policy and frequency for rotating the external auditor and statutory auditor representing it in fulfilling these duties.

Law no. 148/2015 of 09 September prescribes mandatory auditing rules applicable to Novabase as an “entity of public interest”.

With regard to rotating the statutory auditor and (external) auditor and partner in charge, the company considers the maximum time periods referred to in the bylaws of the Portuguese Bar Association (Ordem dos ROC).

In view of this policy, and given that KPMG was hired to carry out the duties of statutory auditor and (external) auditor beginning in 2015, the company is in compliance with CMVM Recommendation IV.3., together with the legal time period for rotating the partner in charge.

45. Board responsible for assessing the external auditor, and frequency of assessment.

The Audit Board is responsible for assessing the external auditor, which is done each year.

The evaluation of the external auditor includes verifying the implementation of remuneration policies and systems of the corporate boards, the efficiency and functioning of internal control mechanisms, and reporting of any shortcomings to the company's supervisory board.

46. Identification of work other than auditing done by the external auditor for the company and/or companies controlled by it, internal procedures for approving the hiring of these services and reasons for doing so.

In 2017, in addition to auditing services, the external auditor provided professional services to validate and certify Waste Electrical and Electronic Equipment (WEEE) declarations for 2007-2014 at one of the subsidiaries (Novabase Digital TV, SA).

Pursuant to the Audit Board's regulations, this supervisory board evaluates the independence of the statutory auditors, namely with regard to additional services (beyond auditing) provided to Novabase or Novabase Group companies, and oversees the work of the external auditors, taking CMVM recommendations in this regard into account.

47. Annual remuneration paid by the company, and/or by legal persons controlled by the company or part of its group, to the auditor and to other natural or legal persons belonging to the same network, with percentage breakdown for the following services (for the purposes of this information, the concept of "network" is that defined in European Commission Recommendation No C (2002) 1873, of 16 May):

	€ / %
By the company	
Statutory auditing services (€)	14.800 / 13,45
Compliance assurance services (€)	
Tax consulting services (€)	
Services other than statutory auditing	
By entities belonging to the group	
Statutory auditing services (€)	95.200 / 86,55
Compliance assurance services (€)	
Tax consulting services (€)	
Services other than statutory auditing	

C. INTERNAL ORGANIZATION

I. ARTICLES OF ASSOCIATION

48. Rules applicable to amendment of the company's articles of association (article 245-A, paragraph 1, sub-paragraph h).

Constitutive quorum for the General Meeting of Shareholders

When amendments to the articles of association are under consideration, the General Meeting of Shareholders can only decide on first notice if shareholders having stock corresponding to at least one-third of the share capital are present or represented. This requirement does not apply on second notice, and the General Meeting of Shareholders can then decide on any matter, regardless of how many shareholders are present.

Deliberating quorum for the General Meeting of Shareholders

When amendments to the articles of association are under consideration, the General Meeting of Shareholders decides by a two-thirds majority of the votes cast.

However, should shareholders representing at least half the share capital be present or represented on second notice, the decision on amendments to the memorandum and articles of association can be taken by an absolute majority of votes cast, and a two-thirds majority is not required.

II. REPORTING OF IRREGULARITIES

49. Means and policy for reporting irregularities at the company.

In compliance with the CMVM Recommendations published in the 2007 Corporate Governance Code, and in view of fostering a culture of responsibility and compliance, Novabase has adopted a system for reporting irregularities (known as "SPI") that may occur within its Group. Any report of irregularities made through SPI is directed to the Audit Board, which will appoint a person in charge of SPI to manage the reports received. The person in charge of SPI must act independently and autonomously (notwithstanding responsibility to the Audit Board for proper compliance with his/her duties) and will be subject to confidentiality requirements.

According to the implemented system, employees and other Novabase stakeholders have access to a direct and confidential channel for reporting to the Audit Board any practice that appears to be improper or irregular in any way, whatever it may be, which has occurred within the Novabase Group, regardless of any blame that may be attributed, and which may impact the financial statements or the information sent to the CMVM, or that may cause serious damage to Novabase or its stakeholders (employees, customers, partners and shareholders).

Reporting of irregular practices occurring within the Novabase Group by Novabase employees when they have such knowledge is a duty, regardless of the source of the practice or the person who has performed it.

The apparent irregularity must be reported in a secure and confidential manner to the person in charge of SPI, the independent member of the Audit Board Nuno Miguel Dias Pires, in two different manners:

- to the private e-mail address: nmdpires@hotmail.com; e
- by post in a letter addressed to Dr. Nuno Pires, marked "Confidential", to the address: Av. D. João II, nº 34, Parque das Nações, 1998-031 Lisbon.

Such reports will be processed by the person in charge of SPI according to the following procedure:

i) receipt and preliminary analysis of the report of the irregular practice;

ii) judgement of the consistency of the report received (with destruction of all inconsistent reports, the Audit Board being responsible for this destruction, subsequent to a proposal from the person in charge of SPI);

iii) investigation/report/archiving; and

iv) final forwarding.

Before proceeding to the final forwarding of the reports, the person responsible for SPI takes account of the reports for statistical purposes and maintains a record of the reports that exclusively covers the following aspects: (i) date on which the report was received; (ii) essence of the facts reported, eliminating all information that permits identification of any physical persons; and (iii) date on which the investigation was concluded.

Once the investigation has been concluded, reports with an underlying probability of an irregular practice are forwarded by the Audit Board to the Board of Directors so that it can take appropriate measures.

Whenever the report of irregular practices results in evidence of the practice of a crime or serious disciplinary infraction, the Audit Board must recommend that the company forwards the matter to (i) Novabase internal bodies for due process and (ii) to external investigation bodies, namely the police or the public prosecutor, in order to ascertain responsibilities.

General rules of conflict of interest apply to the decisions to be approved by the Audit Board or by the Board of Directors regarding reports made within the scope of SPI.

Whatever the circumstance, the confidentiality of the report will be guaranteed if so requested by its author, and the personal data of the physical persons involved will be protected, while any action taken against the person who has made the report will be considered a serious offence.

This policy is detailed at the Novabase website (www.novabase.pt) in the Investor Relations section.

In this way, Novabase complies with the provisions of the Commercial Companies Code. Its system has been approved by the Portuguese Data Protection Authority (CNPD) through authorization no. 4494/2009.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. Persons, boards or committees responsible for internal auditing and/or implementation of internal control systems.

The Audit Board, whose duties are described in section B III.b) of this report, is responsible for internal auditing.

Given the importance of a structured risk management model to the business, together with market regulatory requirements, the company's Board of Directors has been tasked with establishing risk management objectives, and implementing and monitoring a suitable internal control and risk management process, working towards its efficacy.

51. Explanation (with possible inclusion of organizational chart) of relationships of hierarchical and/or functional dependence vis-à-vis other company boards or committees.

The position of Chief Risk Officer ("CRO") has been created at Novabase. Internal auditing areas and areas that ensure compliance with norms applicable to the company (compliance services) report to the CRO with regard to risk prevention and management. The CRO is responsible for reporting to the Chairman of the Board of Directors, with regular meetings between the CRO and the Chairman of the Board of Directors, and between the CRO and the Audit Board. Director Francisco Paulo Figueiredo Morais Antunes holds the position of CRO.

The Audit Board, as an inspection body, monitors the activity of the external auditors, and may assess annual internal auditing plans, obtaining information about the actions performed by this team and providing an opinion regarding their conclusions.

In this context, this body also has powers involving the assessment of sufficient internal control mechanisms in order to understand and manage the inherent risks of Novabase's activities, suggesting policies and procedures to the Board of Directors to achieve these goals and refine these mechanisms.

52. Existence of other functional areas with risk control powers.

Novabase coordinates Internal Auditing teams, both in the areas of quality and shared services, responsible for conducting monitoring actions and improving internal control procedures essentially associated with the Group's central service areas, always in accordance with the strategic goals laid out in the integrated risk management model. Periodic, focused internal audits are thus performed,.

53. Identification and description of the major types of risk (economic, financial and legal) to which the company is exposed in pursuing its business activity.

Below is a description of some of the risks analysed by the company which deserve attention due to their relevance and business impact.

The Novabase Group is exposed to a number of financial risks in its business, namely exchange risk, cash flow and fair value risk, credit risk, liquidity risk and capital risk.

The unpredictability of financial markets is constantly analysed in accordance with the Group's risk management policy to minimize potential adverse effects on its financial performance.

a) Exchange risk

The Group is exposed to foreign exchange risk, mainly from the U.S. dollar, Angolan kwanza and Mozambican metical, since some subsidiaries perform transactions in these currencies.

The finance department is responsible for tracking the exchange rates of these currencies in order to reduce the impact of exchange fluctuation on the consolidated results. Whenever exchange rate expectations so justify, the Group uses derivative financial instruments to hedge against potential adverse trends.

b) Cash flow and fair value risk

Novabase's exposure to interest rate risk arises from investments in financial institutions, bonds and loans. Loans obtained at variable rates expose Novabase to cash flow risk due to changes in interest rates. Loans issued at fixed rates expose Novabase to fair value risk due to changes in interest rates.

c) Credit risk

Novabase's credit risk is managed both in terms of business units (customer receivables) and on a consolidated basis (all active positions of financial instruments). Credit risk originates from cash and cash equivalents, derivative financial instruments and exposure to customer credit, including accounts receivable and agreed transactions. With regard to banks and financial institutions, only reputable entities in the sector are approved. Customer credit risk is managed based on credit limits according to the customer's financial status and business history.

d) Liquidity risk

Carefully managing liquidity risk means keeping money and financial instruments sufficiently liquid, with sources of financing through an adequate amount of credit facilities, together with the ability to close market positions.

Novabase's management monitors rolling forecasts of the Group's liquidity reserve (which includes unused credit lines and cash and cash equivalents) on the basis of expected cash flows, taking into account the remaining contractual maturity of financial liabilities and the expected date of financial assets' inflows, together with capital transfer restrictions from Angola and Mozambique. In addition, the maturity concentration of the Group's loans is controlled regularly.

e) Capital risk

The Group's objectives when managing capital, which is a broader concept than the "capital" disclosed in the statement of consolidated financial position, are as follows:

(i) To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;

(ii) To maintain a solid capital structure to support the development of its business;

(iii) To maintain an optimal capital structure to reduce the cost of capital.

With these risks in mind, the teams tied to Novabase's primary markets analyse the industry in order to detect current trends and promote the development of internal skills to address these trends. In turn, the teams from Novabase's various areas control typical risks in the IT sector within their areas, such as technology obsolescence, the risk that solutions may not be suitable, and the timing of the development and proposal of new solutions not being right for the market.

54. Description of process for identifying, assessing, monitoring, controlling and managing risks.

The company has a working model – safeguarding the company's worth and encouraging transparency in its corporate governance – based on detecting and anticipating potential risks and risk factors, so as to manage them in a timely manner, via the delegation of responsibilities and appropriate internal communication channels in line with the company's strategic goals for assuming risks as defined under this system.

Under its non-delegable powers of defining the company's overall policies and strategy, the Board of Directors is responsible for defining Novabase's strategic objectives in the area of risk assumption, in accordance with the company's needs and business activities.

In addition, in the area of medium and long-term strategic planning, the Board of Directors is responsible for analysing risk, and does so regularly in relation to the annual operations plan and whenever potential businesses and markets are being evaluated, measuring each potential risk's impact and likelihood of occurrence.

This system's efficiency is due to the instituted internal procedure, which reinforces the communication channels between the Group's various departments and decision-making bodies, thereby allowing communication and information on various system components, and potential internal control problems to be analysed, and detecting potential risks in real time.

Novabase also has an Internal Auditing team responsible for conducting monitoring actions and improving internal control procedures essentially associated with the Group's central service areas, always in accordance with the strategic goals laid out in the integrated risk management model.

In 2017, the risk management and internal control model implemented allowed the risks and risk factors mentioned above to be identified, effectively helping to prevent them.

55. Main elements of the company's internal control and risk management systems regarding the process of disclosing financial information (article 245-A, paragraph 1, sub-paragraph m).

The Board of Directors is responsible for ensuring disclosure of accurate financial information that truthfully reflects the Group's situation at any given moment, in compliance with the norms issued by the applicable regulatory entities at any given moment.

As regards the quality of the financial information that is publicly disclosed by the Investor Relations Department, it should be pointed out that it is the result of a financial reporting process that is ensured by the central services areas of the Group, subject to the internal control system of the Group and monitored through the aforementioned methods. Nevertheless, this information is also subject to analysis and approval by the relevant bodies, including the Board of Directors itself.

IV. INVESTOR SUPPORT

56. Department responsible for investor support, composition, duties, information provided and contact information.

Novabase is particularly focused on its presence in the capital market. The Investor Relations Office is responsible for representing Novabase in its dealings with the CMVM and investors, while promoting contact with private and institutional, foreign and Portuguese investors. The office is comprised of María Gil Marín and Amália Parente.

The office provides information through Novabase's website (www.novabase.pt). Since 2002 Novabase has had a dedicated investor relations area on its company website at www.novabase.pt, providing access to a number of links containing information of interest to their profile. In terms of financial information, they have access to Annual Reports and Accounts for previous years, the Financial Calendar, reserved information, information on the composition and powers of the company's Corporate Boards, the names and e-mail addresses of the analysts covering the security, together with the price target, the market performance of Novabase's shares, Novabase's shareholders, a space reserved for the General Meetings of Shareholders for convening meetings and posting preparatory information for General Meetings of Shareholders, the form for postal votes and electronic voting (available since 2006), a Corporate Governance space in which Novabase publishes this report, CMVM Regulation No. 4/2013 on the Governance of Listed Companies and Corporate Governance Code, approved in 2013, and the procedure for reporting irregularities, frequently asked questions, and the contact details of Novabase's Investor Relations Office.

A summary of the decisions is published on the Novabase website and in the CMVM information disclosure system immediately after the General Meeting of Shareholders.

At its company website, Novabase maintains documents with content corresponding to extracts from the minutes, including information on the number of people present, number of shareholders and meeting agendas. Voting results have also been provided since 2010. Novabase has also established the necessary mechanisms to ensure that the above are disclosed as quickly as possible, and always within the 5 days following the General Meeting of Shareholders.

On its website, Novabase keeps a collection of information on meetings held over the past three years, including the number of people present, number of shareholders represented, meeting agendas, decisions taken and voting results.

The following up-to-date information is available in Portuguese and English at Novabase's website: a) The company, public company status, headquarters and remaining data provided for in article 171 of the Commercial Companies Code; b) Articles of Association; c) Credentials of the members of the Board of Directors and the Market Liaison Officer; d) Investor Assistance Unit – its functions and access tools; e) Accounts Reporting documents, accessible for 5 years; f) Half-Yearly Calendar on Company Events, published in the beginning of each period and including, among other information, general meetings and annual, semester and quarterly reports and accounts.

57. Identification of the market relations representative.

María Gil Marín

Market and Investor Relations

Phone: +351 213 836 300

Fax: +351 213 836 301

Email: investor.relations@novabase.pt

Address: Av. D. João II, nº 34, Parque das Nações, 1998-031 Lisbon, Portugal

58. Information on proportion and amount of time to respond to information requests submitted in the year or pending from previous years.

ON 31 DECEMBER 2017, NOVABASE had no pending information requests. Its average response time was 24 hours. 112 information requests were received in 2017.

V. WEBSITE

59. Address(es).

Novabase's WEBSITE is available at the following address: www.novabase.pt

60. Location where information on the company, public company status, headquarters and remaining data provided for in article 171 of the Commercial Companies Code is available.

This information is available on the page and links related to notices to the CMVM:

http://www.novabase.pt/pt/dp/informacao-a-cmvm

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61. Location of the articles of association and operating regulations of boards and/or committees.

This information is available at the following pages and links:

Articles of association

http://www.novabase.pt/pt/dp/estatutos

Regulations

http://www.novabase.pt/pt/dp/orgaos-sociais

62. Location of information on the identities of corporate board members, market relations representative, investor support office or equivalent, their respective duties and contact information.

This information is available at the following pages and links:

Corporate board members

http://www.novabase.pt/pt/dp/orgaos-sociais

Identification of the investor relations representative.

http://www.novabase.pt/pt/dp/gabinete-de-relacoes-com-investidores

63. Location of accounting documents (which should remain available for at least five years) and the bi-annual corporate events calendar published at the start of each half-yearly period, including general meetings of shareholders and disclosure of annual, half-yearly and quarterly results, if applicable.

This information is available at the following pages and links:

Accounting information

http://www.novabase.pt/pt/dp/relatorios-contas

Finance agenda

http://www.novabase.pt/pt/dp/agenda-financeira

64. Location of meeting notices for the general meeting of shareholders and all related preparatory and subsequent information.

This information on the general meetings of shareholders is available at the following pages and links:

http://www.novabase.pt/pt/dp/assembleias-gerais-843306

65. Location of a historical record of the resolutions passed at the company's General Meetings of Shareholders, share capital and voting results referring to the previous three years

This information on decisions made at general meetings of shareholders is available at the following pages and links:

http://www.novabase.pt/pt/dp/assembleias-gerais-843306

D. REMUNERATION

I. RESPONSIBILITY FOR DETERMINING REMUNERATION

66. Responsibility for determining the remuneration of corporate boards, members of the executive committee or managing director and managers of the company.

The Remuneration Committee decides upon the remuneration of corporate board members. More detail is provided in point 67 below.

It is important to point out that only the members of Novabase's Board of Directors, members of the Audit Board and the Statutory Auditor are considered managers, within the meaning of article 248-B of the Securities Code; as such, there is no separate information to be disclosed in this regard.

II. REMUNERATION COMMITTEE

67. Composition of the remuneration committee, with identification of the natural or legal persons hired to give it support, and statement on the independence of each member and advisor.

The Remuneration Committee members for the three-year period of 2015-2017 were decided in the Annual General Meeting of 29 April 2015. Francisco Luís Murteira Nabo presides over the Remuneration Committee, with Pedro Rebelo de Sousa and João Quadros Saldanha belonging to it as well.

All of the members of this committee are independent from the Board of Directors.

The Remuneration Committee acts with complete autonomy, and does not employ any natural or legal person to support it in performing its duties.

68. Knowledge and experience of the members of the remuneration committee in remuneration policy issues.

Remuneration Committee		
Member	**Academic qualifications**	**Work experience**
Francisco Luís Murteira Nabo	• Graduate in Economics from Instituto Superior de Ciências Económicas e Financeiras • Masters in Management from AESE (University of Barcelona). • Honorary Doctorate from the Macau University of Science and Technology	Member of several boards of directors, including: • Chairman of the Board of Directors and CEO of Portugal Telecom, SGPS, S.A. • Chairman of Galp Energia • Senior Partner of SaeR — Sociedade de Avaliação Estratégica e Risco, Lda.

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Pedro Rebelo de Sousa	• Graduate in Law from Universidade Clássica de Lisboa • Specialization (post-graduation) in Commercial and Corporate Law from Universidade Pontifica Católica, Brazil • Masters in Business Administration, Getúlio Vargas Foundation — Business Administration School, São Paulo, Brazil	Member of the board of directors at several financial institutions, including: • Chairman and CEO of BFB • CitiBank • Banif • Caixa Geral de Depósitos • Cimpor • Intesa SanPaolo Imi International • Chairman of IPCG • Partner of SRS Sociedade among others.
João Quadros Saldanha	• Graduate in Mining Engineering, Mining Planning from IST • MBA from Universidade Nova de Lisboa	Member of the board of directors at several companies, including: • IAPMEI — I.P. • Empordef, SGPS, S.A. • OGMA - S.A. • White Airways, S.A. among others

III. REMUNERATION STRUCTURE

69. Description of the remuneration policy of the board of directors and the supervisory board, as provided for in article 2 of Law 28/2009 of 19 June.

Attached to this report is a statement with regard to the remuneration policy laid out in Law 28/2009 of 19 June.

Novabase has no maximum potential amounts, whether individually or combined, in relation to the remuneration of members of the managing and supervisory boards. Specific remuneration is left to the discretion of the Remuneration Committee, comprised exclusively of members who are independent from the Board of Directors.

The Remuneration Committee has determined remuneration with a high degree of prudence, although remuneration in general has decreased in recent years.

As such, Novabase believes it is not appropriate to set maximum potential ceilings for remuneration payable to members of the managing and supervisory boards.

70. Information on the way the remuneration is structured so as to allow aligning the interests of the members of the board of directors with the long-term interests of the company as well as how it is based on the performance assessment and how it discourages excessive risk assumption.

The variable portion in cash of directors' remuneration is determined by the Remuneration Committee with a view to aligning this portion with the organization's performance in each year in question, measured by the net profits generated, and correlates with the responsibility and performance of each director in particular. A proper balance is also ensured between the fixed and variable portions of these remunerations.

Since, according to the remuneration policy, the payment of 50% of the variable remuneration in cash is deferred over three years and is conditional upon positive company performance during this time period, the company's long-term interests are served, and excessive risk assumption is discouraged.

Novabase believes, with regard to the variable components in cash of directors' remuneration which are not deferred for the complete term of office, that the company's medium-term interests must also be served, along with its economic interest of offering suitable incentives to optimize performance in terms of fulfilling obligations and short-term goals in management positions, and in balancing and distributing the inherent costs of directors' remuneration over the years of each term of office. Novabase does not believe it is appropriate to simply defer the entire payment of variable remuneration to the end of each term of office or afterwards.

Finally, it is noteworthy that the company has no knowledge of contracts celebrated by Members of the Board of Directors with the company or third parties that have the effect of mitigating the risk inherent in the variability of the remuneration established for them by the company.

71. Reference, if applicable, to the existence of a variable remuneration component and information on potential impact of performance assessment on this component.

As mentioned in the previous point, there is a variable cash component in directors' remuneration.

The variable portion in cash of directors' remuneration is determined by the Remuneration Committee with a view to aligning this portion with the organization's performance in each year in question, measured by the net profits generated, and correlates with the responsibility and performance of each director in particular. As such, the performance assessment does have an impact on this remuneration component. A proper balance is also ensured between the fixed and variable portions of these remunerations.

72. The deferred payment of the remuneration's variable component and the relevant deferral period;

The variable remuneration in cash paid in 2017 corresponds to 50% of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016, 1/6 of the amount allocated for 2014 in 2015 and 1/6 of the amount allocated for 2013 in 2014. The remaining 50% of the amount allocated for 2016 in 2017 is subject to deferred payments in the following 3 years (2018, 2019 and 2020) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

73. Criteria providing the basis for variable remuneration in shares and the executive directors' keeping of these shares, the signing of agreements involving these shares (i.e. hedging agreements) or the transfer of risk, the respective limit and its relationship to the amount of total annual remuneration.

On 31 December 2017, there was no remuneration through the direct allocation of shares.

74. Criteria whereon the allocation of variable remuneration on options is based as well as its deferral period and take-up price;

The company currently does not allocate any variable remuneration on options.

In the last General Meetings of Shareholders held on 29 April 2015, 03 May 2016, 04 May 2017 and 26 October 2017, no plans for options to allot, subscribe to and/or purchase shares were approved for the term of office underway.

75. The main factors and reasons for any annual bonus scheme and any other non-financial benefits;

No annual bonus scheme or other non-financial benefits exist.

In 2017, an additional amount of €6,782.00 was paid to the members of the Board of Directors in meal allowances.

There are no relevant amounts of non-monetary benefits considered as remuneration and not covered by the previous situations.

76. Main characteristics of supplementary early retirement or pension schemes for directors, and date on which they were approved by the general meeting of shareholders, in individual terms.

The supplementary pension scheme was approved, in the General Meeting of Shareholders dated 29 April 2015, for all directors entitled to variable remuneration. Its main characteristics are as follows:

a) Given to directors who, as decided by the Remuneration Committee, may receive non-fixed remuneration components and a variable remuneration component paid by the company or by a company controlled by or in a group relationship with it;

b) Amount of the supplement will correspond to the cumulative value of the annuities acquired through the successive premiums paid, increased by revaluations during the applicable period of establishment, as negotiated with the insurance company in question;

c) Financed through the company's payment of the corresponding insurance agreement's premiums, as defined by the Remuneration Committee;

d) In lieu of the above pension supplement, directors may opt to redeem the accrued capital, under the terms and limits provided for by law;

e) Under the terms and limits provided for by law, beneficiaries may be designated with entitlement to the accrued capital in the event of the director's death prior to retirement;

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f) Other terms and conditions to be defined jointly by the Remuneration Committee and Board of Directors.

IV. DISCLOSURE OF REMUNERATION

77. Indication on the amount concerning the annual remuneration paid collectively or individually to members of the managing boards of the company, including fixed and variable remuneration and as to the latter, mentioning the different components that gave rise to same.

Since 2003, Novabase has complied with the CMVM recommendation regarding disclosure of the remunerations of the members of the Board of Directors individually. In this report, Novabase discloses the remuneration received by each member of the Board of Directors and Audit Board in 2017, pursuant to the provisions of Law no. 28/2009 and CMVM Regulation no. 4/2013.

By unanimous decision of the Remuneration Committee, fixed remuneration components were set for members of the Novabase Board of Directors in 2017, along with annual variable remuneration, as shown in the chart below.

These remunerations are distributed among the members of the Board of Directors in accordance with the breakdown stipulated by the Remuneration Committee, whereby the directors earn (i) a fixed portion in cash, and (ii) a variable portion in cash. This remuneration is shared among the directors as indicated in the chart below, in accordance with the responsibilities assumed by them at Novabase, and as indicated by the Remuneration Committee.

The remuneration of non-executive, non-independent directors includes a variable component. The performance of remunerated duties by these members of the Board of Directors allows Novabase to continue to leverage their extensive know-how acquired as company founders and accumulated over more than 20 years, especially since these directors continue to play key roles in the Group.

The variable portion in cash of directors' remuneration is determined with a view to aligning this portion with the organization's performance in the year in question, measured by the net profits generated, and correlates with the responsibility and performance of each director in particular. A proper balance is also ensured between the fixed and variable portions of these remunerations. The variable remuneration in cash paid in 2017 corresponds to only 50% of the variable remuneration in cash due for 2016, plus 1/6 of the amount allocated for 2015 in 2016, 1/6 of the amount allocated for 2014 in 2015 and 1/6 of the amount allocated for 2013 in 2014. The remaining 50% of this 2016 component is subject to deferred payments in the following 3 years (2018, 2019 and 2020) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

Director	Remuneration Fixed Annual (€)	Annual variable remuneration in cash paid in 2017 (€)[2,3]	Partial Total (Fixed + Variable in cash paid in 2017 (€)	Variable in cash paid in 2017 /Partial Total (%)	Deferred annual variable remuneration (€)[4]
Luís Paulo Cardoso Salvado	267,000.00	301,909.00	568,909.00	53.07	322,134.00
Francisco Paulo Figueiredo Morais Antunes	114,000.00	146,426.00	260,426.00	56.23	159,726.00
Executives Total	**381,000.00**	**448,335.00**	**829,335.00**	**54.06**	**481,860.00**
Total	**90.07**	**79.53**	**84.05**		**79.60**
José Afonso Oom Ferreira de Sousa	21,000.00	57,704.00	78,704.00	73.32	61,754.00
Pedro Miguel Quinteiro Marques Carvalho	21,000.00	57,704.00	78,704.00	73.32	61,754.00
Non-executive total	**42,000.00**	**115,408.00**	**157,408.00**	**73.32**	**123,508.00**
Total	**9.93**	**20.47**	**15.95**		**20.40**
TOTAL	**423,000.00**	**563,743.00**	**986,743.00**	**57.13**	**605,368.00**

In 2017, an additional amount of €6,782 was paid to the members of the Board of Directors in meal allowances.

There are no relevant amounts of non-monetary benefits considered as remuneration and not covered by the previous situations.

78. Amounts paid on any basis by other companies in a group or controlling relationship or exercising control over the company

Novabase's current directors are paid exclusively by this entity, and do not receive additional remuneration of any kind from other companies that are controlled by or part of the Novabase Group, nor from any company exercising control over Novabase.

79. Remuneration paid in the form of a share in the profits and/or the payment of bonuses and the rationale behind the act of awarding such bonuses and/or share in profits.

In 2017 no additional remuneration was awarded in the form of profit sharing and/or payment of bonuses.

[2] The amount shown represents the total amount paid to each director in 2017. 50% of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016, 1/6 of the amount allocated for 2014 in 2015 and 1/6 of the amount allocated for 2013 in 2014. The remaining 50% of the amount allocated for 2016 in 2017 will be paid in the following 3 years (2018, 2019 and 2020) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.
[3] Amounts to increase contributions to capitalization insurance currently in effect at the company.
[4] Amounts allocated for 2016 in 2017 but deferred to the next 3 years. There are also deferrals for amounts allocated for 2015 in 2016 and allocated for 2014 in 2015 per the criteria in the Corporate Governance Reports for these years.

80. Compensation paid or owed to former executive directors in relation to early contract termination.

No compensations were paid, nor are any compensations owed, to former executive directors as a result of their duties no longer being performed in 2017.

81. Annual amount of remuneration received, collectively and individually, by members of the company's supervisory boards, for the purposes of Law no. 28/2009 of 19 June.

The remuneration of members of the supervisory boards, per CMVM Recommendation no. III.2 on corporate governance, includes no component dependent on the company's performance or its value.

As such, the following annual fixed remuneration was given to members of the Audit Board for 2017[1]:

Chairman of the Audit Board – Paulo Soares de Pinho – 8,000 (eight thousand euros)[2];

Member of the Audit Board – Fátima do Rosário Piteira Patinha Farinha – 6,000 (six thousand euros);

Member of the Audit Board – Nuno Miguel Dias Pires – 6,000 (six thousand euros)

([1] –In addition to the amounts shown here, and due to the significant increase in work volume from the new regulatory framework which entered into force in 2016, an additional one-time fixed payment of 1,100 (one thousand, one hundred euros) was made, on an exceptional basis, to each board member.

[2] This member's remuneration will be paid in 2018)

Furthermore, the company's Statutory Auditor is remunerated according to normal compensation conditions and practices for comparable services, in the wake of the signing of the service agreement and by proposal of the company's Audit Board.

82. Remuneration of the Chairman of the General Meeting of Shareholders

The Chairman of the General Meeting of Shareholders is remunerated according to attendance in the amount of €1,000 (one thousand euros) for each meeting. Two such payments were made in 2017.

V. AGREEMENTS WITH IMPLICATIONS ON REMUNERATION

83. Envisaged contractual restraints for compensation owed for undue dismissal of executive directors and its relation to the remunerations' variable component;

There are no contractual restraints for compensation owed for undue dismissal of executive directors, as per legal rules.

Pursuant to article 403 (5) of the Commercial Companies Code, if the dismissal lacks justified grounds, the director is entitled to compensation for damages incurred by the means specified in his/her contract or under the general terms of the law; this compensation may not exceed the remuneration he/she would presumably receive through the end of his/her appointed term.

In Novabase's opinion, since management positions are remunerated, with a mandatory legal ceiling on compensation for dismissal without due cause, and given the protection of expectations principle which must be observed, there is no justification for contractual restraints that reduce the maximum legal compensation amount to a director with legal proof of damages incurred, when the dismissal occurs due to his/her inadequate performance without justified grounds.

Similarly, in view of the mandatory legal ceiling on compensation for undue dismissal, there is absolutely no foreseeable advantage in establishing contractual restraints to directors' compensation in the event of consensual termination of duties.

84. Reference to the existence and description, including amounts, of agreements between the company and members of the board of directors and administrators under article 248-B (3) of the Securities Code that provide for compensation in the event of resignation, termination without just cause or termination of the employment relationship following a change in the company's control. (article 245-A, paragraph 1, sub-paragraph l).

No such agreements exist.

VI. STOCK OR STOCK OPTION PLANS

85. Identification of plan and respective recipients.

The company currently does not allocate any variable remuneration on shares or options.

86. Description of plan (eligibility conditions, inalienability of shares clauses, criteria regarding share prices and the price for exercising options, time frame during which options can be exercised, characteristics of the shares or options to be attributed, existence of incentives to acquire shares and/or exercise options).

Not applicable.

87. Option rights given for the acquisition of shares (stock options) for which the company's employees and workers are the beneficiaries.

Not applicable.

88. Control mechanisms provided for in a possible employee investment scheme in which voting rights are not directly exercised by them (article 245-A, paragraph 1, sub-paragraph e).

There are no specific employee investment schemes in which voting rights are not directly exercised by them.

E. TRANSACTIONS WITH RELATED PARTIES

I. CONTROL MECHANISMS AND PROCEDURES

89. Mechanisms implemented by the company to control transactions with related parties (using the concept defined in IAS 24 for this purpose).

In addition to the rules laid out in the Commercial Companies Code for the signing of agreements between the company and its directors, Novabase has established Internal Regulations on Transactions with Qualified Shareholders, described in more detail in point 91 of this report.

Other transactions with related parties are controlled and disclosed under the terms of internationally accepted and applicable rules and standards for accounting and financial reporting.

90. Transactions subject to control during the reporting year.

Transactions subject to control under the terms described above are shown in point 10 of this report, with their locations shown in point 92.

91. Description of the procedures and criteria applicable to the supervisory body when same provides preliminary assessment of the business deals to be carried out between the company and the owners of qualifying holdings or entity-relationships with the former, as envisaged in article 20 of the Securities Code.

Pursuant to Recommendation No. IV.1.2 of the former Corporate Governance Code, significant business deals with qualified shareholders, or with entities in any way related to them, pursuant to article 20 of the Securities Code, must be subject to the prior opinion of the supervisory board. Further, there is the recommendation that the procedures and criteria required to define the relevant level of significance of these deals and other conditions must be established by the supervisory board. In practical terms, this recommendation is almost fully reiterated by recommendations V.1 and V.2 of the current CMVM Corporate Governance Code.

Taking these norms into account, on 31 March 2011, Novabase approved Internal Regulations on Translations with Qualified Shareholders, to which major company business deals with qualified shareholders are subject. These Internal Regulations underwent updating, as approved on 04 July 2016.

Pursuant to current company regulations, business deals with qualified shareholders include transactions by the company, by entities in a control or group relationship or entities within its consolidation perimeter, with qualified shareholders, or with entities related to them pursuant to article 20 of the Securities Code.

Significant business deals also include: (i) those whose cumulative combined total is equal to or greater than, in a given financial year, half-year or quarter, €100,000 (one hundred thousand euros), even when the amount of each individual transaction does not exceed this amount; or (ii) those not carried out in normal market conditions.

In any case, business deals involving remuneration for the performance of management or senior management positions at the company, at entities in a control or group relationship with it, or at entities included in Novabase, SGPS, S.A.'s consolidation perimeter have been excluded from the scope of these Internal Regulations. Such remuneration, however, must always be given under normal market conditions, and in accordance with the corporate governance model in force.

In cases of significant relevance as described above, Novabase's management, managing directors, bodies, committees and individuals in the Novabase Group with authorization to approve the transaction in question must notify the company's collegiate supervisory board as soon as possible, and never less than 5 consecutive days from the transaction's occurrence, of their intention to approve the transaction.

Such notification to Novabase's collegiate supervisory board must include the following: (a) identification of the body, committee or individual in the Novabase Group making the notification, together with the Novabase Group entity under which said body, committee or individual operates or is found; (b) parties to the transaction; (c) scheduled transaction date; (d) economic and financial terms of the transaction, and its total amount, which must always be specified, even if only an estimate; (e) reason for transaction between the Novabase Group and the entity in question; (f) reason for transaction specifically with customer or supplier in question; (g) assessment as to whether the business deal in question will be carried out under normal market conditions for similar transactions, and in compliance with the principle of equal treatment for Novabase Group customers and suppliers. In the event of digressions to these principles, the transaction's justifying circumstances must be given, such as the need to follow a higher company interest.

Once the above notification has been received, the collegiate supervisory board must issue its approval or disapproval of the transaction as soon as possible.

In issuing its opinion, the collegiate supervisory board must bear in mind whether the business deal in question will be carried out under normal market conditions for similar transactions, whether it is part of the company's day-to-day business and whether the principle of equal treatment of Novabase Group customers/suppliers will be respected, together with grounds justifying the transaction when digressions to these principles occur, i.e. the need to purpose a higher company interest.

In either case, the collegiate supervisory board must give immediate notification to Novabase's management of any prior opinion issued.

II. ITEMS RELATED TO THE BUSINESS

92. Location of accounting documents with access to information on transactions with related parties, in accordance with IAS 24 or, alternatively, a reproduction of this information.

This information is available in the 2017 Consolidated Accounts, an integral part to the Annual Report and Accounts, in Note 40 of the Notes to the Consolidated Financial Statements.

PART II - EVALUATION OF CORPORATE GOVERNANCE

1. Corporate governance code adopted

Identification of the corporate governance code to which the company is subject, or has voluntarily decided to be subject to, under the terms and for the purposes of article 2 of these Regulations.
The publicly accessible location of the texts of the corporate governance codes to which the issuer is subject should also be indicated (article 245-A, paragraph 1, sub-paragraph p).

With the entry into force of CMVM Regulation no. 4/2013, the use of governance codes other than the CMVM Code became admissible, with no need for prior assessment by this supervisory authority. Under the terms of the new legal regulatory framework, Novabase carefully analysed and reflected on the various possible alternatives, and concluded that all of the available solutions provide a set of recommendations suited to implementing good corporate governance practices.

However, in this analysis, Novabase specifically bore in mind that the new CMVM Governance Code essentially maintains the corporate governance principles that have been promoted in the various versions of the CMVM recommendations on this matter over time and, furthermore, the alternative existing solutions still have not been fully put to the test.

As such, Novabase believed it should continue to evaluate its corporate governance model vis-à-vis a set of recommendations showing continuity and stability, and consequently chose to adopt the CMVM's Corporate Governance Code. This option also has the clear advantage of providing a high degree of comparability between current and past corporate governance practices at Novabase.

Finally, since the corporate governance reporting model in Annex I to CMVM Regulation no. 4/2013 referred to above is largely aligned with the recommendations in the new CMVM Governance Code, the adoption of the latter facilitates investors' ability to assess the corporate governance decisions made by Novabase.

The current CMVM Governance Code is available at www.cmvm.pt .

2. Analysis of compliance with corporate governance code adopted

Under the terms of article 245-A, paragraph 1, sub-paragraph o), a statement should be included on the degree of compliance with the corporate governance code to which the issuer is subject, specifying any parts of this code from which it deviates, and the reasons for doing so.
The information presented should include the following for each recommendation:

a) Information to gauge compliance with the recommendation, or reference to the point in the report where the issue is described in more detail (chapter, title, point, page);
b) Justification for any failure to comply or partial compliance;
c) In the event of non-compliance or partial compliance, identification of any alternative means used by the company to achieve the same goal as the recommendation.

	Recommendation	Fulfilment	Remarks
	I. Voting and Corporate Control		
1	I.1. Companies shall encourage shareholders to attend and vote at general meetings and shall not set an excessively large number of shares required for the entitlement of one vote, and implement the means necessary to exercise the right to vote by mail and electronically.	Yes	Point 12
2	I.2. Companies shall not adopt mechanisms that hinder the passing of resolutions by shareholders, including fixing a quorum for resolutions greater than that provided for by law.	Yes	Point 14
3	I.3. Companies shall not establish mechanisms intended to cause mismatching between the right to receive dividends or the subscription of new securities and the voting right of each common share, unless duly justified in terms of long-term interests of shareholders.	Yes	Points 1, 12 and 13
4	I.4. The company's articles of association that provide for the restriction of the number of votes that may be held or exercised by a sole shareholder, either individually or in concert with other shareholders, shall also foresee for a resolution by the General Assembly (5 year intervals), on whether that statutory provision is to be amended or prevails — without super quorum requirements as to the one legally in force — and that in said resolution, all votes issued be counted, without applying said restriction.	Yes	Points 12 and 13
5	I.5. Measures that require payment or assumption of fees by the company in the event of change of control or change in the composition of the Board and that which appear likely to impair the free transfer of shares and free assessment by shareholders of the performance of Board members, shall not be adopted.	Yes	Points 4 and 84

	II. SUPERVISION, MANAGEMENT AND OVERSIGHT		
	II.1. SUPERVISION AND MANAGEMENT		
6	II.1.1. Within the limits established by law, and except for the small size of the company, the board of directors shall delegate the daily management of the company and said delegated powers shall be identified in the Annual Report on Corporate Governance.	Yes	Point 21
7	II.1.2. The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its responsibilities as regards the following: i) define the strategy and general policies of the company, ii) define business structure of the group iii) decisions considered strategic due to the amount, risk and particular characteristics involved.	Yes	Point 21
8	II.1.3. The General and Supervisory Board, in addition to its supervisory duties supervision, shall take full responsibility at corporate governance level, whereby through the statutory provision or by equivalent means, shall enshrine the requirement for this body to decide on the strategy and major policies of the company, the definition of the corporate structure of the group and the decisions that shall be considered strategic due to the amount or risk involved. This body shall also assess compliance with the strategic plan and the implementation of key policies of the company.	n/a	

9	II.1.4. Except for small-sized companies, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall create the necessary committees in order to: a) Ensure a competent and independent assessment of the performance of the executive directors and its own overall performance, as well as of other committees; b) Reflect on the system structure and governance practices adopted, verify its efficiency and propose to the competent bodies, measures to be implemented with a view to their improvement.	No	Point 27 In view of the mounting challenges of internationalization and competitiveness which have shaped Novabase's business, the company's corporate governance system needed to be updated by simplifying and streamlining company bodies and procedures, thereby tailoring existing solutions to the company's size and individual circumstances. In this context, there are currently no committees created within the company's Board of Directors. In particular, with regard to evaluating the management, it should be noted that the activities of the managing directors are constantly overseen by the Board of Directors on the whole, and specifically by the non-executive directors, using the required information on the company's business to monitor its day-to-day running. The monitoring of the managing directors' activities by the non-executive directors was a practice already in place prior to the publication of corporate governance recommendations on specific committees with assessment powers, and continues to be a practice employed by Novabase. In addition, the Remuneration Committee has the responsibility of assessing the managing directors' performance, specifically for the purpose of the evaluation criteria described in point 25 of the report. Furthermore, given the relatively minor complexity of the current corporate governance structure, there seems to be no need to maintain or reintroduce a specific committee to reflect on corporate governance matters, since the company is assisted by outside consultants in this regard.
10	II.1.5. The Board of Directors or the General and Supervisory Board, depending on the applicable model, should set goals in terms of risk-taking and create systems for their control to ensure that the risks effectively incurred are consistent with those goals.	Yes	Point 50
11	II.1.6. The Board of Directors shall include a number of non-executive members ensuring effective monitoring, supervision and assessment of the activity of the remaining members of the board.	Yes	Point 18

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12	II.1.7. Non-executive members shall include an appropriate number of independent members, taking into account the adopted governance model, the size of the company, its shareholder structure and the relevant free float. The independence of the members of the General and Supervisory Board and members of the Audit Committee shall be assessed as per the law in force. The other members of the Board of Directors are considered independent if the member is not associated with any specific group of interests in the company nor is under any circumstance likely to affect an exempt analysis or decision, particularly due to: a) Having been an employee at the company or at a company holding a controlling or group relationship within the last three years; b) Having, in the past three years, provided services or established commercial relationship with the company or company with which it is in a control or group relationship, either directly or as a partner, board member, manager or director of a legal entity; c) Being paid by the company or by a company with which it is in a control or group relationship besides the remuneration arising from the exercise of the functions of a board member; d) Living with a partner or a spouse, relative or any first degree next of kin and up to and including the third degree of collateral affinity of board members or natural persons that are direct and indirectly holders of qualifying holdings; e) Being a qualifying shareholder or representative of a qualifying shareholder.	No	Point 18 In view of the company's size, the need for agility and efficiency in management, the shareholder structure and the respective free float, together with various levels of internal control (including supervisory boards comprised entirely of independent people vis-à-vis the management and owners of qualified holdings, although it should be noted that, under the company's previous Anglo Saxon corporate governance model, only directors performing duties in the Auditing Committee were independent), coupled with the wide range of decisions made to benefit shareholders and the exercising of their rights, Novabase does not believe independent directors are necessary for protecting the interests of all stakeholders.
13	II.1.8. When board members that carry out executive duties are requested by other board members, said shall provide the information requested, in a timely and appropriate manner to the request.	Yes	Point 21
14	II.1.9. The Chair of the Executive Board or of the Executive Committee shall submit, as applicable, to the Chair of the Board of Directors, the Chair of the Supervisory Board, the Chair of the Audit Committee, the Chair of the General and Supervisory Board and the Chair of the Financial Matters Board, the convening notices and minutes of the relevant meetings.	n/a	The company does not have an Executive Committee.
15	II.1.10. If the chair of the board of directors carries out executive duties, said body shall appoint, from among its members, an independent member to ensure the coordination of the work of other non-executive members and the conditions so that said can make independent and informed decisions or to ensure the existence of an equivalent mechanism for such coordination.	No.	Point 21 Since there are only two non-executive directors, it is not necessary for one of them to be specifically responsible for running work involving only two people. Given the agile and flexible structure which Novabase assumed in the General Meeting of Shareholders dated 29 April 2015, the non-executive directors have been able to adequately coordinate their duties with no need for formal meetings called and run by one of these directors.

	II.2. SUPERVISION		
16	II.2.1. Depending on the applicable model, the Chair of the Supervisory Board, the Audit Committee or the Financial Matters Committee shall be independent in accordance with the applicable legal standard, and have the necessary skills to carry out their relevant duties.	Yes	Point 32
17	II.2.2. The supervisory body shall be the main representative of the external auditor and the first recipient of the relevant reports, and is responsible, inter alia, for proposing the relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Yes	Section B.III.b) and Point 37
18	II.2.3. The supervisory board shall assess the external auditor on an annual basis and propose to the competent body its dismissal or termination of the contract as to the provision of their services when there is a valid basis for said dismissal.	Yes	Audit Board Report (Annex to Annual Report and Accounts)
19	II.2.4. The supervisory board shall assess the functioning of the internal control systems and risk management and propose adjustments as may be deemed necessary.	Yes	Points 50 and 51
20	II.2.5. The Audit Committee, the General and Supervisory Board and the Audit Board shall decide on the work plans and resources concerning the internal audit services and services that ensure compliance with the rules applicable to the company (compliance services), and should be recipients of reports made by these services at least when it concerns matters related to accountability, identification or resolution of conflicts of interest and detection of potential improprieties.	Yes	Points 49, 50-55 and 89-91
	II.3. REMUNERATION SETTING		
21	II.3.1. All members of the Remuneration Committee or equivalent should be independent from the executive board members and include at least one member with knowledge and experience in matters of remuneration policy.	Yes	Point 67
22	II.3.2. Any natural or legal person that provides or has provided services in the past three years, to any structure under the board of directors, the board of directors of the company itself or who has a current relationship with the company or consultant of the company, shall not be hired to assist the Remuneration Committee in the performance of their duties. This recommendation also applies to any natural or legal person that is related by employment contract or provision of services with the above.	Yes	Point 67

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23	II.3.3. A statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009 of 19 June, shall also contain the following: a) Identification and details of the criteria for determining the remuneration paid to the members of the governing bodies; b) Information regarding the maximum potential, in individual terms and in aggregate form, to be paid to members of corporate bodies, and identify the circumstances whereby these maximum amounts may be payable; d) Information regarding the enforceability or unenforceability of payments for the dismissal or termination of appointment of board members.	Partial	Remuneration policy statement (Annex) and Point 69
24	II.3.4. Approval of plans for the allotment of shares and/or options to acquire shares or based on share price variation to board members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said plan.	n/a	Points 73 and 74
25	II.3.5. Approval of any retirement benefit scheme established for members of corporate members shall be submitted to the General Meeting. The proposal shall contain all the necessary information in order to correctly assess said system.	Yes	Point 76
	III. REMUNERATION		
26	III.1. The remuneration of the executive members of the board shall be based on actual performance and shall discourage taking on excessive risk.	Yes	Point 70
27	III.2. The remuneration of non-executive board members and the remuneration of the members of the supervisory board shall not include any component whose value depends on the performance of the company or of its value.	Partial	The remuneration of non-executive, non-independent directors who assume management responsibilities in the Group includes a variable component. The continued performance of remunerated duties by these non-independent, non-executive members of the Board of Directors allows Novabase to continue to leverage their extensive know-how acquired, in some cases as company founders and accumulated over more than 20 years, especially since these directors continue to play key roles in the Group, although without executive functions, thereby soundly justifying the said remuneration. With regard to the remuneration of members of the supervisory board, see point 81.

28	III.3. The variable component of the remuneration shall be reasonable overall as regard the fixed component of the remuneration, and maximum limits shall be set for all components.	No	The relative importance of directors' variable and fixed remuneration components is shown in the table in point 77. As stated in point 69, Novabase has no maximum potential amounts, whether individually or combined, in relation to the remuneration of members of the managing and supervisory boards. Specific remuneration is left to the discretion of the Remuneration Committee, comprised exclusively of members who are independent from the Board of Directors. The Remuneration Committee has determined remuneration with a high degree of prudence, although remuneration in general has decreased in recent years. As such, Novabase believes it is not appropriate to set maximum potential ceilings for remuneration payable to members of the managing and supervisory boards.
29	III.4. A significant part of the variable remuneration should be deferred for a period not less than three years, and the right of way payment shall depend on the continued positive performance of the company during that period.	Yes	Points 70 and 72
30	III.5. Members of the Board of Directors shall not enter into contracts with the company or third parties that will have the effect of mitigating the risk inherent in the variability of the remuneration established by the company.	Yes	Point 70
31	III.6. Executive board members shall maintain the company's shares that were allotted by virtue of variable remuneration schemes, up to twice the value of the total annual remuneration, except for those that need to be sold for paying taxes on the gains of said shares, until the end of their mandate.	n/a	Points 73 and 74
32	III.7. When the variable remuneration includes stock options, the period for exercising same shall be deferred for a period of not less than three years.	n/a	Point 74
33	III.8. When the removal of board member is not due to serious breach of their duties nor to their unfitness for the normal exercise of their functions but is yet due to inadequate performance, the company shall be endowed with the adequate and necessary legal instruments so that any damages or compensation, beyond that which is legally due, is unenforceable.	No	Novabase believes that the scope of this CMVM recommendation only applies to situations of directors' dismissal without justified grounds. In this regard, Novabase directors are presently not entitled to receive any kind of remedy or compensation beyond those provided for by law. Novabase believes that, in view of the interests at hand, any additional limits on remedies or compensation for such situations beyond those provided for by law would be unjustified and of limited utility, namely considering the provisions of article 403 of the Commercial Companies Code.
	IV. AUDITING		

Report of the Remunerations Committee

Report of the Remunerations Committee regarding the 2017 Financial Year and Recommendations for the Remunerations Policy for the 2018 Financial Year

The Remunerations Committee of Novabase SGPS (RC) met only once in the 2017 financial year, at the company's office, on May 18, 2017.

This Remunerations Committee (RC) is composed by Francisco Luís Murteira Nabo (Chairman) and the members Pedro Rebelo de Sousa and João Quadros Saldanha. All members were present at the meeting referred to above.

The RC's work was guided in this financial year by the remuneration policies applicable to the corporate bodies that were approved by the shareholders at the General Meetings.

This report summarizes the decisions of the remunerations committee taken during the 2017 financial year and includes the annual statement of the Remunerations Committee on the remuneration policy for the management and supervisory bodies of the company.

PART I
Remunerations Committee Report for the 2017 financial year

Prior Note:
As usual, the remunerations committee clarifies that the decisions regarding variable remunerations mentioned in this report relate to decisions taken by the RC in 2017 and, therefore, such decisions were taken with reference to the directors' performance in 2016.

After this clarification, below is a summary of the decisions taken by the RC in the meeting held on May 18, 2017.

1. The remuneration for the 2017 financial year of the members of the board of the General Meeting of Shareholders of Novabase SGPS

It was unanimously approved to maintain the usual attribution to the Chairman of the board of the General Meeting of Shareholders, Prof. António Menezes Cordeiro, and to the Secretary of the same board, Madalena Paz de Oliveira, of a remuneration corresponding to attendance fees per each General Meeting of Shareholders made. It was also unanimously approved to maintain the attendance fee in the amount of 1,000 (one thousand) euros for the Chairman and 750 (seven hundred and fifty) euros for the Secretary, for each meeting. These amounts were the same as those established for the previous financial year.

2. Fixed remuneration of the Directors of Novabase SGPS for the 2017 financial year

Given the context of uncertainty that the national market is facing and notwithstanding the growth of the international business (which already represents approximately 60% of the total activity), it was unanimously decided to maintain the fixed remunerations of the directors of Novabase SGPS for the 2017 financial year, without any change in relation to the individual remuneration received in respect of the 2016 financial year.

Thus, the following annual gross amounts were determined for each director, to be paid in 12 monthly installments, in light of the features of each director's functions:

Luis Paulo Cardoso Salvado (Chairman and CEO/delegated director) – 267,000 (two hundred and sixty-seven thousand euros);
Francisco Figueiredo Morais Antunes (CFO/delegated director for finance) - 114,000 (one hundred and fourteen thousand euros);
José Afonso Oom Ferreira de Sousa - 21,000 (twenty-one thousand euros);
Pedro Miguel Quinteiro Marques de Carvalho - 21,000 (twenty-one thousand euros).

3. Variable remuneration of the Directors of Novabase SGPS, related to performance in the 2016 financial year.

The General Meeting of April 2009 established the general conditions for the remuneration of the directors. This decision was reiterated in the several General Meetings held in the last years.

In this light, and given the net profits in the 2016 financial year of 9.6 Million Euros, compared to 7.4 Million Euros in the preceding financial year, the RC unanimously decided to grant to each of the following directors in office in 2016, and without prejudice to section five below, the following amounts:

Luis Paulo Cardoso Salvado (Chairman and CEO/delegated director) - 407,040 (four hundred seven thousand and forty euros);
Francisco Paulo Figueiredo Morais Antunes (CFO/delegated director for finance) - 203,520 (two hundred and three thousand, five hundred and twenty euros);
José Afonso Oom de Sousa - 81,408 (eighty-one thousand, four hundred and eight euros);
Pedro Miguel Quinteiro Marques de Carvalho - 81,408 (eighty-one thousand, four hundred and eight euros).

The total variable remuneration of the Directors of Novabase SGPS for their performance in the 2016 financial year corresponds, therefore, to € 773,376.

On the other hand, the Chairman of the RC reminded that, following the lack of presentation of a new stock option plan at the 2015 annual General Meeting, no variable remuneration in options or in shares will be due this financial year.

4. On differing of the payment of part of the amounts attributed as variable remuneration

The RC unanimously decided to pay this year only half of the amount granted to each director in office in 2016, as variable remuneration, and delay the remaining 50% for payment during the next three years (2018, 2019 and 2020). In each of these years, 1/3 of this second half of the amount now granted will be paid, subject to the positive performance of the company during such periods, in line with what was decided and implemented from 2011 to 2016.

5. On pension supplements for directors receiving variable remuneration

In light of the current and foreseeable economic environment for the national economy in the medium and long term, which shows that great difficulties will remain due to the weight of external private and public debt, in addition to, in the short term, a very significant demographic pressure, which will accentuate the viability and sustainability risks affecting national and European pensions systems, it is a prudent practice, and so on that basis it was unanimously approved, to channel the funds attributed under item three above (as well as those previously deferred) to the strengthening of the contributions to the capitalization insurance currently in force in the company, in substitution of the payment of the variable remuneration.

6. On the remuneration of the members of Novabase SGPS' Audit Board for the 2017 financial year

In line with the Portuguese Securities Commission recommendation III.2 as regards corporate governance, the remuneration of the members of the supervisory bodies should not include any component which amount would depend on the company's performance or on its value. Therefore, the following annual fixed remunerations are granted for the 2017 financial year:

Chairman of the Audit Board – Prof. Paulo Soares de Pinho – 8,000 (eight thousand euros);
Member of the Audit Board – Fátima do Rosário Piteira Patinha Farinha – 6,000 (six thousand euros);
Member of the Audit Board – Nuno Miguel Dias Pires – 6,000 (six thousand euros).

These amounts remained unchanged by comparison to the previous financial year.

Notwithstanding, in light of the significant increase in the workload resulting from the new legal framework which has entered in force in 2016, this committee grants, exceptionally, a sole, fixed, additional compensation, in the amount of 1,100 (one thousand and one hundred euros) to each member of the Audit Board.

7. On the remuneration of the Statutory Auditor for the 2017 financial year

The RC unanimously resolved that the Statutory Auditor was remunerated in accordance with normal market remuneration practices and conditions for the type of services in question, in accordance with the service agreement entered into with the Statutory Auditor following the proposal made for such purpose by the Company's Audit Board.

8. On the enforceability or unenforceability of payments related to dismissal or termination of the office of directors

In this context, as this matter is already duly foreseen and regulated by law, it was unanimously resolved not to grant to the Company's directors any right to receive compensation or indemnity beyond what is provided for by law, nor to set out any generic prohibition to the Company establishing such compensations in the future, if and when it deems convenient.

PART II
Declaration of the Remunerations Committee on the Remuneration Policy of the Corporate Bodies

Given the experience of the committee in the year now ending, the committee believes that the general principles guiding the remuneration of the management bodies of Novabase, as approved by the shareholders in several shareholders meetings, represent a good practice. This practice is in line with the Corporate Governance Model that has been implemented during the corporate bodies' term of office which now terminates.

<u>The next ordinary General Meeting which will occur in May 2018, will elect new corporate bodies for the next term of office. Therefore, the current remunerations committee understands that the general principles that have guided the remunerations policy aforementioned should be maintained, with adjustments in accordance with the Corporate Governance Model that the shareholders wish to approve.</u>

<u>In any case, the following basic directives shall be observed in the implementation of the remunerations policy for the 2018 financial year.</u>

a) The structure of the remunerations of executive directors and the structure of the remunerations of non-executive directors should be appropriate to the nature of the management responsibilities they undertake, with application of the following principles:

i) Promotion of alignment of the interests of members of the management body with those of the Company – this may be implemented through variable remuneration components, including through plans based on securities of the company;
ii) Individual performance should be a criterion for determining the variable remuneration component, if applicable, without prejudice to other criteria that may be relevant due to the application of this policy, including in particular the Company's own performance;
iii) The Remunerations Committee may determine, by reason of the duties performed, that all or part of a variable remuneration of a director, if it is attributed, takes place after the determination of the annual accounts corresponding to the entire term of office;
iv) When the Company's performance is a criterion for determining a variable remuneration, given specific circumstances, the deterioration in such performance could justify the limitation of such remuneration.

b) The members of the supervisory bodies and other corporate bodies should be remunerated in line with market practice, unless specific circumstances justify a different solution.

Lisbon, February 7, 2018

The Remunerations Committee

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Francisco Luís Murteira Nabo (Chairman)

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Pedro Rebelo de Sousa (Member)

____

João Quadros Saldanha (Member)

2017 NOVABASE ANNUAL REPORT

Consolidated Financial Statements

Consolidated Financial Statements
for the year ended 31 December 2017

NOVABASE S.G.P.S., S.A.

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I. CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2017

NOVABASE S.G.P.S., S.A.

Consolidated Statement of Financial Position as at 31 December 2017

(Amounts expressed in thousands of Euros)

	Note	31.12.17	31.12.16
Assets			
Non-Current Assets			
Property, plant and equipment	7	10,019	8,899
Intangible assets	8	17,162	18,104
Investments in associates	9	314	575
Financial assets at fair value through profit or loss	10	2,796	4,353
Held-to-maturity investments	19	7,713	4,859
Deferred tax assets	11	10,448	9,545
Other non-current assets	12	3,256	5,132
Total Non-Current Assets		**51,708**	**51,467**
Current Assets			
Inventories	13	46	486
Trade and other receivables	15	49,745	92,712
Accrued income	16	16,356	15,081
Income tax receivable		1,318	3,394
Derivative financial instruments	17	18	19
Other current assets	18	1,546	1,886
Held-to-maturity investments	19	7,353	4,441
Cash and cash equivalents	20	56,136	35,703
Total Current Assets		**132,518**	**153,722**
Assets from discontinued operations	41	-	-
Total Assets		**184,226**	**205,189**
Equity			
Share capital	21	15,701	15,701
Treasury shares	21	(188)	(4)
Share premium	21	43,560	43,560
Reserves and retained earnings		3,722	16,071
Profit for the year		4,774	9,577
Total Equity attributable to owners of the parent		67,569	84,905
Non-controlling interests	23	13,597	8,151
Total Equity		**81,166**	**93,056**
Liabilities			
Non-Current Liabilities			
Borrowings	24	16,837	18,897
Provisions	25	10,369	9,109
Other non-current liabilities	26	744	-
Total Non-Current Liabilities		**27,950**	**28,006**
Current Liabilities			
Borrowings	24	6,907	6,916
Trade and other payables	27	41,619	47,414
Income tax payable		578	6
Derivative financial instruments	17	-	82
Deferred income and other current liabilities	28	25,103	27,709
Total Current Liabilities		**74,207**	**82,127**
Liabilities from discontinued operations	41	903	2,000
Total Liabilities		**103,060**	**112,133**
Total Equity and Liabilities		**184,226**	**205,189**

THE CERTIFIED ACOUNTANT THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

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NOVABASE S.G.P.S., S.A.

Consolidated Statement of Profit and Loss
for the year ended 31 December 2017

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.17	12 M * 31.12.16
Continuing Operations			
Sales	5	159	101
Services rendered	5	139,563	135,553
Cost of sales		(31)	(25)
External supplies and services	29	(51,201)	(46,563)
Employee benefit expense	30	(82,155)	(79,050)
Other gains/(losses) - net	31	4,580	(4,111)
Depreciation and amortisation	32	(3,210)	(3,785)
Operating Profit		**7,705**	**2,120**
Finance income	33	6,199	3,816
Finance costs	34	(6,776)	(4,721)
Share of loss of associates	35	(261)	(46)
Gain on net monetary position	2	955	-
Profit Before Income Tax		**7,822**	**1,169**
Income tax expense	36	(1,382)	(3,002)
Profit from continuing operations		6,440	(1,833)
Discontinued operations			
Profit from discontinued operations	41	2,696	12,881
Profit for the Year		**9,136**	**11,048**
Profit attributable to:			
Owners of the parent		4,774	9,577
Non-controlling interests	23	4,362	1,471
		9,136	11,048
Earnings per share from continuing and discontinued operations attributable to owners of the parent (Euros per share)			
Basic earnings per share			
From continuing operations	37	**0.07 Euros**	**(0.11) Euros**
From discontinued operations	37	**0.09 Euros**	**0.41 Euros**
From profit for the year	37	**0.15 Euros**	**0.31 Euros**
Diluted earnings per share			
From continuing operations	37	**0.07 Euros**	**(0.11) Euros**
From discontinued operations	37	**0.09 Euros**	**0.41 Euros**
From profit for the year	37	**0.15 Euros**	**0.31 Euros**

12 M * - period of 12 months ended

THE CERTIFIED ACOUNTANT

THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.17	12 M * 31.12.16
Profit for the Year		9,136	11,048
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on foreign operations, net of tax	11	(467)	(3,317)
Other comprehensive income for the year		(467)	(3,317)
Total comprehensive income for the year		**8,669**	**7,731**
Total comprehensive income attributable to:			
Owners of the parent		4,533	7,189
Non-controlling interests		4,136	542
		8,669	7,731

12 M * - period of 12 months ended

THE CERTIFIED ACOUNTANT

THE BOARD OF DIRECTORS

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NOVABASE S.G.P.S., S.A.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

(Amounts expressed in thousands of Euros)

	Note	Attributable to owners of the parent							
		Share capital	Treasury shares	Share premium	Legal reserves	Exchange dif. on foreign operations	Reserves and retained earnings	Non--controlling interests	Total Equity
Balance at 1 January, 2016		**15,701**	**(6)**	**43,560**	**3,140**	**(6,268)**	**25,345**	**8,194**	**89,666**
Profit for the year		-	-	-	-	-	9,577	1,471	11,048
Other comprehensive income for the year	23	-	-	-	-	(2,388)	-	(929)	(3,317)
Total comprehensive income for the year		-	-	-	-	(2,388)	9,577	542	7,731
Transactions with owners									
Dividends	22, 23	-	-	-	-	-	(3,767)	(585)	(4,352)
Treasury shares movements	21	-	2	-	-	-	9	-	11
Transactions with owners		-	2	-	-	-	(3,758)	(585)	(4,341)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests		-	-	-	-	-	-	-	-
Balance at 31 December, 2016		**15,701**	**(4)**	**43,560**	**3,140**	**(8,656)**	**31,164**	**8,151**	**93,056**
Balance at 1 January, 2017		**15,701**	**(4)**	**43,560**	**3,140**	**(8,656)**	**31,164**	**8,151**	**93,056**
Impact accordingly IAS 29	2	-	-	-	-	-	(693)	(710)	(1,403)
Restated Balance at 1 January, 2017		**15,701**	**(4)**	**43,560**	**3,140**	**(8,656)**	**30,471**	**7,441**	**91,653**
Profit for the year		-	-	-	-	-	4,774	4,362	9,136
Other comprehensive income for the year	23	-	-	-	-	(241)	-	(226)	(467)
Total comprehensive income for the year		-	-	-	-	(241)	4,774	4,136	8,669
Transactions with owners									
Dividends	22, 23	-	-	-	-	-	(20,166)	(1,272)	(21,438)
Treasury shares movements	21	-	(184)	-	-	-	(826)	-	(1,010)
Change in consolidation perimeter	23	-	-	-	-	-	-	3,292	3,292
Transactions with owners		-	(184)	-	-	-	(20,992)	2,020	(19,156)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests		-	-	-	-	-	-	-	-
Balance at 31 December, 2017		**15,701**	**(188)**	**43,560**	**3,140**	**(8,897)**	**14,253**	**13,597**	**81,166**

THE CERTIFIED ACOUNTANT

THE BOARD OF DIRECTORS

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NOVABASE S.G.P.S., S.A.

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.17	12 M * 31.12.16
Cash flows from operating activities			
Cash receipts from customers		140,289	222,443
Cash paid to suppliers and employees		(135,426)	(194,936)
Cash generated from operations		4,863	27,507
Income taxes received / (paid)		2,016	(3,509)
Other operating proceeds / (payments)		643	(156)
		2,659	(3,665)
Net Cash from operating activities		**7,522**	**23,842**
Cash flows from investing activities			
Proceeds:			
Sale of subsidiaries, associates and other partic. companies	10, 41	45,636	77
Loans granted to associates and participated companies	40 iii)	2,154	-
Disposal of financial assets held-to-maturity	19	3,903	1,802
Sale of property, plant and equipment		140	113
Interest received		1,278	945
		53,111	2,937
Payments:			
Acquisition of subsidiaries, assoc. and other partic. companies	34	(371)	(28)
Purchases of financial assets held-to-maturity	19	(11,139)	(4,869)
Purchases of property, plant and equipment		(721)	(1,988)
Purchases of intangible assets		(324)	(189)
		(12,555)	(7,074)
Net Cash from / (used in) investing activities		**40,556**	**(4,137)**
Cash flows from financing activities			
Proceeds:			
Proceeds from borrowings	24 (a)	2,700	5,041
Capital contribution by non-controlling interests (i)		883	-
		3,583	5,041
Payments:			
Repayments of borrowings	24 (a)	(6,331)	(4,112)
Dividends paid	22, 23	(21,438)	(4,976)
Payment of finance lease liabilities	24 (a)	(788)	(1,077)
Interest paid		(884)	(1,013)
Purchase of treasury shares	21	(1,010)	(40)
		(30,451)	(11,218)
Net Cash used in financing activities		**(26,868)**	**(6,177)**
Cash and cash equivalents at the beginning of period	20	**35,703**	**24,293**
Net increase / (decrease) of cash and cash equivalents		**21,210**	**13,528**
Effects of change in consolidation perimeter		**-**	**(303)**
Effects of exchange rate changes on cash and cash equiv.		**(777)**	**(1,815)**
Cash and cash equivalents at the end of period	20	**56,136**	**35,703**

12 M * - period of 12 months ended

(i) Capital contribution by the NCI of the Venture Capital Fund created in 2017: FCR NB Capital + Inovação.

THE CERTIFIED ACOUNTANT THE BOARD OF DIRECTORS

The accompanying notes are an integral part of these consolidated financial statements

NOVABASE S.G.P.S., S.A.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2017

1. General information

Novabase, Sociedade Gestora de Participações Sociais, SA (hereinafter referred to as Novabase or Group), with its head office in Av. D. João II, 34, Parque das Nações, 1998-031 Lisbon, Portugal, holds and manages financial holdings in other companies as an indirect way of doing business, being the Holding Company of Novabase Group.

Novabase's activity is aggregated into 2 business areas:

(i) Business Solutions (BS) - This area of Novabase incorporates a number of competencies with technology, management, design and business expertise.

(ii) Venture Capital (VC) - This area develops a corporate venture capital activity throughout Novabase Capital, Sociedade de Capital de Risco, S.A., whose main purpose is to identify and support Portuguese ICT business projects, in early development or expanding, with high value potential and synergies with Novabase.

Novabase is listed on the Euronext Lisbon.

The share capital is represented by 31,401,394 shares (2016: 31,401,394 shares), and all shares have a nominal value of 0.5 Euros each.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 12, 2018. In the opinion of the Board of Directors these financial statements fairly present the Group operations, as well as its financial position, financial performance and cash flows.

These financial statements will be subject to approval at the Shareholders' General Meeting scheduled for May 10, 2018.

2. Significant accounting policies

At the end of 2017, Angola was considered a hyperinflationary economy, under IAS 29 - Financial Reporting in Hyperinflationary Economies, based on the inflation registered in the last three years. Thus, as of 31 December 2017, the cumulative inflation rate over the last three years is close to, or exceeds, 100%, depending on the index used, and there is also the expectation that it will continue to cumulatively exceed 100% in 2018, which is an objective quantitative condition that leads us to consider, in addition to the verification of other conditions set forth in IAS 29, that Angola is, as of 31 December 2017, a hyperinflationary economy.

This standard applies to the individual financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy, and is applicable from the beginning of the reporting period in which the entity identifies its functional currency as hyperinflationary. IAS 29 is applicable to non-monetary assets and liabilities, its application is retrospective and requires the use of a general price index that reflects changes in general purchasing power.

Considering the Group's exposure to Angola through its subsidiary NBASIT-Sist. de Inf. and Telecomunic., S.A., Novabase applied IAS 29 in its consolidated accounts, with the following impacts as at 31 December 2017:

	31.12.17
Assets	7
Share capital	721
Reserves and retained earnings	(2,125)
Exchange differences on foreign operations (included in OCI)	263
Profit for the Year	1,148
Of which : Gain on net monetary position	955

This standard states that comparatives should be restated in the measuring unit currency at the reporting date, however, if an entity's presentation currency is not hyperinflationary, then IAS 21 - The Effects of Changes in Foreign Exchange Rates requires the comparative amounts to be those that were presented as current-year amounts in prior-year financial statements.

Novabase did not restate its comparatives, having recognised directly in equity the loss on the net monetary position related to price changes in prior periods, in the total amount of EUR -1,403 thousand, of which EUR -693 thousand in 'Reserves and retained earnings' caption and EUR -710 thousand in 'Non-controlling interests'.

After measuring the impacts of IAS 29, Novabase carried out the translation of Angola subsidiary accounts in accordance with IAS 21.

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1. Basis of preparation

The consolidated financial statements of Novabase have been prepared in accordance with International Financial Reporting Standards - IFRS, as adopted by the European Union (EU) as at 31 December 2017.

These statements are presentend in thousands of euro (EUR thousand).

New standards, interpretations and amendments to existing standards, which became effective as of 1 January 2017

• **IAS 7 (amendment)**, 'Disclosure Initiative'. This amendment introduces an additional disclosure on the changes in the funding liabilities, disaggregated between transactions that gave rise to cash flows and those that did not, and how this information reconciles with the cash flows from the financing activities of the Statement of Cash Flows.

• IAS 12 (amendment), 'Recognition of Deferred Tax Assets for Unrealised Losses'. This amendment clarifies: i) how to account active deferred taxes related to assets measured at fair value; ii) how to estimate future taxable income when there are temporary deductible differences; and iii) and how to assess the recoverability of active deferred taxes when there are restrictions in the tax law.

• 2014 - 2016 Annual cycle of improvements. This cycle of improvements affects the following standard: IFRS 12 - Disclosure of Interests in Other Entities (clarification of the scope of the standard).

The Group adopted the above mentioned amendments, and had no significant impact on its consolidated financial statements.

New standards, interpretations and amendments to existing standards that have been published and are mandatory for the accounting periods beginning after 1 January 2017 or later periods, but that the Group has not yet adopted

• **IFRS 9 (new)**, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018). IFRS 9 replaces IAS 39 - Financial Instruments: Recognition and Measurement and brings fundamental change to: (i) classification and measurement of financial assets, introducing a logical approach for the classification driven by the business model in which an asset is held; (ii) recognition in equity of an entity's own credit risk on liabilities elected to be measured at fair value; (iii) impairment recognition on financial assets, by applying the expected credit loss model instead of incurred credit loss model; and (iv) hedge accounting, that aligns the accounting treatment with risk management activities.

• **IFRS 9 (amendment),** 'Prepayment features with negative compensation' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment enable companies to measure at amortised cost some prepayable financial assets with negative compensation, being an exemption from the requirements of IFRS 9. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. In addition, this amendment also clarifies that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

• **IFRS 15 (new)**, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). This new standard applies only to contracts for the delivery of products or services, and requires an entity to recognise revenue when the contractual obligation to deliver the goods or services is satisfied and for the amount that reflects the consideration the entity is entitled to, following a five-step model.

• **IFRS 15 (amendment)**, 'Revenue from contracts with customers - clarifications' (effective for annual periods beginning on or after 1 January 2018). This amendment comprises clarifications to IFRS 15 and provides guidance on: i) identification of the performance obligations in a contract; ii) determination of when revenue from a licence of intellectual property (IP) should be recognised; iii) identification of indicators for the classification of the principal versus agent guidance; and (iv) selection of the practical expedients on transition to IFRS 15.

• IFRS 16 (new), 'Leases' (effective for annual periods beginning on or after 1 January 2019). IFRS 16 replaces IAS 17 - Leases, with a significant impact on the accounting made by lessees that are required to recognise for all lease contracts, a lease liability, which reflects future lease payments and a "right of use" asset, except for certain short term leases (<12 months) and low value leases (<$ 5,000). The definition of a lease has also been changed, based on the "right to control the use of an identified asset".

• **IAS 40 (amendment),** 'Transfers of Investment Property' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies that assets can only be transferred to and from the investment property category when there is evidence of change in use. The sole change of management intention is not enough to make the transfer.

• **IFRS 2 (amendment)**, 'Classification and measurement of share-based payment transactions' (effective for annual periods beginning on or after 1 January 2018). This amendment is still subject to endorsement by the European Union. This amendment clarifies the measurement basis for cash-settled share-based payment transactions and the accounting for changes to a share-based payment plan that change its cash-settled classification to be settled with equity (equity-settled). In addition, it introduces an exception to the principles of IFRS 2, which requires that an action-based payment plan be treated as if it were fully equity-settled, when the employer is required to withhold an amount of tax from the employee and to pay that amount to the tax authorities.

• **IAS 28 (amendment)**, 'Long-term interests in associates and joint ventures' (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment clarifies that an entity should apply IFRS 9 to long-term interests in associates or joint ventures (components of the entity's interest in an associate or a joint venture) to which it does not apply the equity method. This amendment also clarifies that an entity applies the impairment requirements in IFRS 9 ('three-stage' model of expected losses) when indicators of impairment exist, to long-term interests, which, in substance, form part of the entity's net investment in an associate or joint venture, before applying the impairment requirements in IAS 28.

• **2014 - 2016 Annual cycle of improvements** (effective, in general, for annual periods beginning on or after 1 January 2018). This cycle of improvements is still subject to endorsement by the European Union and affects the following standards: IFRS 1 - First-time adoption of IFRS and IAS 28 - Investments in associates and joint ventures.

• **2015 – 2017 Annual cycle of improvements** (effective, in general, for annual periods beginning on or after 1 January 2019). This cycle of improvements is still subject to endorsement by the European Union and affects the following standards: IAS 23 - Borrowing costs, IAS 12 - Income taxes, and IFRS 3 - Business combinations and IFRS 11 - Joint agreements.

• **IFRIC 22**, 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018). This interpretation is still subject to endorsement by the European Union. This is an interpretation of IAS 21 - The effects of changes in foreign exchange rates and refers to the determination of the 'transaction date' when an entity pays or receives in advance the consideration of contracts denominated in foreign currency. The 'transaction date' determines the exchange rate to be used for currency translation of transactions in foreign currency.

• **IFRIC 23**, 'Uncertainty over income taxes treatments' (effective for annual periods beginning on or after 1 January 2019). This interpretation is still subject to endorsement by the European Union. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12 - Income Taxes when there is uncertainty on the acceptance of a certain tax treatment by the Tax Administration. If there is uncertainty whether the tax administration will accept tax treatment in a particular transaction, the entity shall make its best estimate and record the income tax assets or liabilities according to IAS 12 instead of IAS 37 - Provisions, contingent liabilities and contingent assets, based on the expected value or the most probable value. IFRIC 23 may be applied using a retrospective approach or a modified retrospective approach.

It is not expected for new standards, amendments to existing standards and interpretations not yet mandatory and not early adopted, to have a significant impact on the consolidated financial statements, considering the mentioned below on IFRS 9, IFRS 15 and IFRS 16.

IFRS 9

On 24 July 2014, the International Accounting Standards Board (IASB) issued IFRS 9 - Financial Instruments (endorsed by European Commission Regulation 2067/2016 of 22 November 2016), mandatorily effective for periods beginning on or after 1 January 2018. This standard introduces fundamental changes in accounting for financial instruments and replaces IAS 39 - Financial Instruments: recognition and measurement.

IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment of financial assets and hedge accounting.

Novabase will adopt the new standard on the required effective date and will not restate comparative information. Novabase is analysing both qualitative and quantitative impacts of this Standard adoption on all its aspects based on currently available information, and is also assessing the practical expedients according to the standard.

Novabase considers that IFRS 9 may change the way of recognition for impairment on receivables and the classification and measurement of financial assets. However, overall, Novabase expects no significant impacts on its consolidated and individual statement of financial position. This assessment may be subject to changes until its adoption, since new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

(a) Classification and measurement

IFRS 9 determines that the classification and measurement of financial assets shall be based on the business model used to manage them and on the characteristics of their contractual cash flows. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, being the remain financial assets measured at fair value recognised through other comprehensive income (if there is also an intention to sell the assets) or through profit or loss (if they are not classified in any of the previous models and are, for example, managed on the basis of their fair value). Regarding the classification and measurement of financial liabilities, the changes to IAS 39 introduced by IFRS 9 are residual.

Novabase does not expect a significant impact on its financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value mostly all financial assets currently held at fair value.

Loans and trade receivables are generally held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. From the analysis carried out up to this date to the contractual cash flow characteristics of these instruments, is expected for they to meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment

The most significant impact on the Group's income statement resulting from the implementation of IFRS 9 is expected to arise from the new impairment requirements.

Considering the relevance of the receivables resulting from transactions under IFRS15, Novabase will apply the simplified approach and record lifetime expected losses on all trade receivables. The estimated ECL's (expected credit losses) will be determined based on actual credit loss experience over a period that, per business or type of customers, is considered statistically relevant and representative of the specific characteristics of the underlying credit risk.

For held-to-maturity investments, Novabase estimates, at the time of adoption of IFRS 9 on 1 January 2018, a negative impact on shareholders' equity approximately between EUR 400 thousand and EUR 800 thousand.

At an individual level, concerning intercompany financial assets, there is no evidence of significant historical losses. Nevertheless, Novabase is assessing eventual impacts of the application of the expected credit loss model.

(c) Hedge accounting

Novabase uses derivative financial instruments to hedge exchange rate risk to which is exposed to. The financial instruments used are forward foreign exchange contracts. These instruments do not meet the requirements of hedge accounting. In this sense, Novabase does not expect impacts on its financial position or equity arising from this component.

IFRS 15

The International Accounting Standards Board (IASB) issued IFRS 15 - Revenue from contracts with customers on 28 May 2014, and clarifying amendments on 12 April 2016 (endorsed by European Commission Regulation 1905/2016 of 22 September 2016). This standard replaces the current requirements for revenue recognition and applies to annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

This new standard establishes the principles that an entity should apply in the reporting of useful information to the users of financial statements, on the nature, amount, term and uncertainty of revenue and cash flows arising from a contract with a customer. The basic principle of IFRS 15 is for an entity to recognise the revenue to reflect the transfer of goods and services contracted to customers, in an amount that reflects the consideration that the entity expects to be entitled to receive as consideration for the delivery of those goods or services, based on a five step model, namely:

• identify the contract with a customer;

• identify the performance obligations of a contract;

• determine the transaction price;

• allocate the transaction price to performance obligations; and

• recognise the revenue when or as the entity satisfies a performance obligation.

Novabase will adopt IFRS 15 in the consolidated financial statements for the year ended on 31 December 2018, using the modified retrospective approach, with the cumulative effect of the initial application of the standard recognised in Equity at the date of initial application. Under this approach, Novabase will apply IFRS 15 retrospectively only to contracts that are not completed at the date of initial application (1 January 2018).

As at 31 December 2017, Novabase's revenue breakdown by project typology is as follows: 48% refers to time and materials projects, 39% is related to turn-key projects, 8% are revenues in maintenance projects and the remaining 5% refers to others. Most turn-key projects are short-term, with Work In Progress (WIP) representing around 10% of total revenues. Thus, IFRS 15 will mainly impact the revenue recognition in turn-key projects, which represent just over 1/3 of total revenue and only 10% are related to ongoing projects.

The revenue recognition related with services rendered is currently based on the percentage of completion of the transaction at the reporting date. This occurs when (i) the amount of revenue can be reliably measured; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; (iii) tthe percentage of completion of the transaction at the reporting date can be reliably measured; and (iv) the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

For 'time and materials' projects, revenue inherent to the services will continue to be recognised over time, given that the customer simultaneously receives and consumes the benefits provided. In cases where it is verified that the customer does not receive or consume goods and services over time, the Group will recognise revenue when the performance obligation is met.

By applying the percentage of completion method, the Group currently recognises revenue and 'Trade and other receivables', even if receipt of the total consideration is conditional on successful completion of the rendered services. Under IFRS 15, earned consideration that is conditional should be recognised as a contract asset rather than receivable.

Additionally, the Group began evaluating the allocation of the transaction price to each performance obligation in accordance with IFRS 15, which must be made based on the stand-alone selling prices, therefore this allocation and, consequently, the amount of revenue and timing of revenue recognition is expected to involve a slight deferral of revenue and its margin.

Accordingly, based on the preliminary assessment under IFRS 15, the Group estimates a decrease on shareholders' equity at 1 January 2018 up to EUR 1,500 thousand.

IFRS 16

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - Leases, with effective date of mandatory application for periods beginning on or after 1 January 2019, with earlier adoption permitted for entities that have also adopted IFRS 15 - Revenue from Contracts with Customers.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases, and supersedes IAS 17 - Leases and its associated interpretative guidance. The objective is to ensure that lessors and lessees provide relevant information to the users of financial statements, namely about the effect that leases have on the financial position, financial performance and cash flows.

The most important aspects are as follows:

• introduction of some considerations in order to distinguish leases from service contracts, based on the existence of control of the underlying asset at the time that it is available for use by the lessee; and

• a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee recognises depreciation costs and interest costs separately in the income statement.

At the date of the publication of these consolidated financial statements, Novabase has already carried out an inventory of the existing lease contracts and is currently performing a technical analysis considering the principles of IFRS 16. Additionally, it is revising the existing information systems in order to assess to what extent will be necessary to adapt them to the requirements of this standard. At this stage, it is not possible to estimate the magnitude of the impacts inherent to the adoption of this standard.

The Group's consolidated financial statements have been prepared on a going concern basis, based on the historical cost convention except for 'Financial assets at fair value through profit or loss' and 'Derivative financial instruments', which are measured at its fair value (notes 10 and 17).

The preparation of financial statements in accordance with the accounting policies referred above requires the use of certain critical estimates and assumptions which impact on the reported values for assets and liabilities, and for income and expenses presented for the year. Although these estimates are based on the Management's best knowledge at the time of the decision, the final results can differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The Board of Directors believes that the estimates and assumptions adopted do not bear significant risks from which can result material adjustments to assets and liabilities value.

2.2. Consolidation

The consolidated financial statements, as of 31 December 2017, include assets, liabilities and results of the Group companies, understood as Novabase and its subsidiaries and associates, which are presented in note 6.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has the power to manage the relevant activities, that is, is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. These are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, and the fair value of the acquirer's previously held equity interest in the acquiree before control is transferred to the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the acquisition cost, the fair value of the acquirer's previously held equity interest in the acquiree before control is transferred to the Group and the fair value of non-controlling interest, over the net identifiable assets acquired and liabilities assumed is recorded as goodwill. If the acquisition cost, the fair value of the acquirer's previously held equity interest in the acquiree before control is transferred to the Group and the fair value of non-controlling interest, is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date, regardless of the probability of occurrence. Subsequent changes to the fair value of the contingent consideration do not affect goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are changed when necessary to ensure consistency with the policies adopted by the Group.

(2) Transactions with non-controlling interests

Non-controlling interests corresponds to the proportion of the fair value of assets, liabilities and contingent liabilities of acquired subsidiaries, which are not directly or indirectly attributable to Novabase. Transactions with non-controlling interests are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners.

The Group recognises any non-controlling interest in a business combination either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In any acquisition to non-controlling interests, the difference between any consideration paid and the carrying amount of the relevant share acquired is recorded in equity. Gains or losses on disposals to non-controlling interests that do not result in a loss of control are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured at its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset.

(3) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted by the equity method and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates are changed when necessary to ensure consistency with the policies adopted by the Group.

2.3. Segment reporting

Operating segments are reported consistently with the internal reporting provided to the Management.

An operating segment is a component or a set of components of the Group that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Management and for which discrete financial information is available.

Novabase monitors the performance of its operations according to the nature of the business, having identified its reportable operating segments based on the activity developed by each of them: the Business Solutions segment, which develops a consulting activity, and the Venture Capital segment, which develops a venture capital activity, and did not aggregate operating segments (see note 5).

General information on how Novabase identified its reportable operating segments, including the organizational basis, activities developed by each segment, as well as the types of products and services from which each operating segment derives its revenues are presented in note 5.

2.4. Foreign currency translation

(1) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of euros (EUR thousand). Euro is the Company's functional and presentation currency.

The subsidiaries included in consolidation with a functional currency different from the Group's presentation currency are those operating in Angola, in Mozambique, in Turkey and in the United Kingdom, as shown in the table of note 6.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss in the consolidated statement of profit and loss. Translation differences on monetary items are included in other comprehensive income in the consolidated statement of comprehensive income.

The main exchange rates applied on the reporting date are those listed below:

Euro foreign exchange reference rates	**Rate on**		**Average rate**	
(x foreign exchange units per 1 Euro)	**31.12.17**	**31.12.16**	**2017**	**2016**
• Angolan Kwanza (AOA)	205.9815	181.0204	196.9427	175.3945
• Mozambican Metical (MZN)	71.1905	75.2838	70.8421	74.1217
• Turkish Lira (TRY)	4.5464	3.7072	4.6086	3.3316
• US Dollar (USD)	1.1993	1.0541	1.1247	1.1091
• British Pound (GBP)	0.8872	0.8562	0.8999	0.7779

With the exception of AOA and MZN, all exchange rates used are the official EUR exchange rate at 31.12.17 as published on 'Banco de Portugal' website. Regarding the AOA and the MZN exchange rates, it was used the most appropriate exchange rate as if the transactions were settled at the reporting date, according to IAS 21.26.

(3) Group companies

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency that is not the currency of a hyperinflationary economy, are translated into the presentation currency as follows:

(i) assets and liabilities at the reporting date are translated at the closing exchange rate in force at the reporting date;

(ii) income and expenses in results are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

When an entity has foreign operations whose functional currency is the currency of a hyperinflationary economy, its financial statements are restated before being translated and included in the consolidated financial statements as described above. The assets, liabilities, equity, income and expenses are first restated in accordance with IAS 29, using a general price index that reflects changes in general purchasing power, as follows:

(i) monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period;

(ii) assets and liabilities linked by agreement to changes in prices are adjusted in accordance with the agreement in order to ascertain the amount outstanding at the end of the reporting period;

(iii) all other assets and liabilities are non-monetary and are restated (with the exception of some non-monetary items that are carried at amounts current at the end of the reporting period, such as net realisable value and market value);

(iv) all items of the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially recorded in the financial statements.

The gain or loss on the net monetary position is included in profit or loss and separately disclosed.

The Group applied this standard in the financial statements of its Angolan subsidiary NBASIT-Sist. de Inf. e Telecomunic., S.A. (which are based on a historical cost approach) to reflect the changes in general purchasing power of the respective functional currency, with the effects disclosed in the introductory part of note 2. The gain computed considers a 23.7% inflation rate in Angola in 2017.

The price index used was the National Consumer Price Index (NCPI) released by the National Statistics Institute of Angola (INE), in its Quick Information Sheet for the month of December 2017. The table below presents the price index and the cumulative percentage variation at the end of each of the periods presented:

	31.12.17	**31.12.16**
• Index (Base: dec. 2014 = 100)	195.63	158.19
• Cumulative percentage variation	23.7%	41.1%

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in results as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5. Property, plant and equipment

Property, plant and equipment comprise mainly buildings and other constructions (construction works done in 'Edifício Caribe', the Company's headquarter), basic and transport equipment. Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items (purchase price and all the expenses supported direct or indirectly to bring the asset to its current condition).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit and loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method, over their estimated useful lives, as follows:

	No. of years
• Buildings and other constructions	3 to 50
• Basic equipment	3 to 4
• Transport equipment	4
• Tools and utensils	4
• Furniture, fittings and equipment	3 to 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are included in profit or loss.

2.6. Intangible assets

(1) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'.

Goodwill (that has an undetermined useful life), is carried at cost less accumulated impairment losses, being tested annually for impairment, in the second half of the year. Impairment losses on Goodwill are recognised whenever its carrying amount exceeds its recoverable amount, and are not reversed. Gains and losses on the disposal of an entity include the carrying amount of Goodwill relating to the entity sold.

For the purpose of performing impairment tests, goodwiil is allocated to cash generating units (CGUs). Cash generating units represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

The cash generating units identified by Novabase represent the Group's investment in the operating segments in which Novabase operates: Business Solutions and Venture Capital. There is no Goodwill not allocated to those cash-generating units. Note 8 gives information on Goodwill's allocation to the CGU's.

(2) Internally generated intangible assets

Research expenses in the search for new technical or scientific knowledge are recognised in the statement of profit and loss as and when incurred. Development expenses are accounted as intangible fixed assets when: i) it is technically feasible to complete the asset or process; ii) the Group has the intention and capacity to complete its development; iii) market viability is assured and iv) its cost can be reliably measured.

These assets are recorded at its production or acquisition cost, which include the acquisition cost of the assets plus employee costs directly involved in the production or outsourcing costs incurred for the same purpose, as well as an appropriate portion of relevant overheads.

Amortisation is calculated using the straight-line method, for periods between 3 to 10 years. Impairment of internally generated assets in progress is tested at each reporting date.

(3) Industrial property and other rights

Industrial property and other rights are recorded at acquisition cost. These assets have a finite useful life and are recognised at cost less accumulated amortisation for a period between 3 to 10 years. Amortisation is calculated using the straight-line method to allocate the cost of the industrial property and other rights over their estimated useful lives.

(4) Work in progress

Intangible assets in progress refer to, mainly, the ongoing internal development of software products.

2.7. Financial assets and liabilities

Financial assets and liabilities are recognised on the date of the negotiation or contract, regardless of the date of their financial settlement.

A financial asset or financial liability is measured initially at fair value. The fair value is the amount that a determined asset or liability can be transferred or paid in an orderly transaction between market participants at the measurement date. In the contracted date, the fair value is usually the amount of the transaction.

The subsequent measurement depends on the category of the investment, Level 1, Level 2 or Level 3, which are described in note 14.

These assets are derecognised when i) contractual rights to receive cash flows have expired, ii) the Group has transferred substantially all risks and rewards of ownership or iii) nevertheless, retains a portion but not substantially all the risks and rewards of ownership, the Group has transferred the control of the assets.

The fair value is based in current bid prices, or in valuation methods and techniques (if the market for the financial asset is not active). A market is considered active if regular transactions occur.

The Group classifies its financial assets and liabilities in the following categories: (i) financial assets at fair value through profit or loss, (ii) loans and receivables and (iii) held-to-maturity financial assets. The classification depends on the intention inherent to the investment's acquisition. Management determines the classification of its investments at initial recognition and reappreciate this classification on each reporting date (considering the reclassification rules).

In what concerns to changes in fair value measurement from period to period, Novabase considers whether the inputs of the models initially used in its measurement became, for instance, observable and whether they have adherence to the financial assets and liabilities under analysis. If inputs are observable and representative, the entity reclassifies from Level 3 to Level 2.

(1) Financial assets and liabilities at fair value through profit or loss

A financial asset or financial liability at fair value through profit or loss is a financial asset that, at the time of initial recognition, is managed and its performance evaluated on a fair value basis, in accordance with a documented risk or investment management. Information about the group is provided internally to key elements in the Group management on that basis. Except in cases where fair value is observable in the market, the fair value is calculated using the method of discounted cash flows, with the changes in fair value recognised in profit or loss in the period in which they occur.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are subsequently measured at amortised cost accordingly to the effective interest method. These are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are included in the current assets in 'Trade and other receivables' and 'Accrued income' captions and in non-current assets in 'Other non-current assets' caption.

(3) Held-to-maturity financial assets

A held-to-maturity investment is a nonderivative financial asset that has either fixed or determinable payments and a fixed maturity, and for which an entity has the intention to collect the original principal, and not to sell or trade in the market. This class of financial instrument is recorded at amortised cost.

2.8. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and depreciation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The value in use is the present value of the estimated future cash flows from the continuous use of the asset and from its sale at the end of its useful life. In determining the value in use, estimated future cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the specific risks of the asset in question.

For the purposes of assessing impairment, assets are allocated by segment, given that it is at this level that management monitors its return on investment.

2.9. Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial or a group of financial assets is impaired.

(1) Trade receivables, other debtors and other financial assets

In the case of other financial assets that show objective impairment evidence, their present value is determined, and an impairment loss (which is considered the difference between the asset's present value of estimated future cash flows and the carrying amount) is recognised in the statement of profit and loss. Several indicators are used to identify if there is objective evidence of impairment, such as:

(i) the Group is not able to collect amounts according to the original terms of the receivables;
(ii) the Group is not able to collect amounts due over 6 months;
(iii) significant financial difficulties of the debtor;
(iv) it becomes probable that the debtor will enter bankruptcy or other financial reorganization.

The amount of the impairment allowance is measured as the difference between the asset's present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, and its carrying amount and is recognised in the statement of profit and loss within 'Other gains/(losses) - net'. The carrying amount of the asset is reduced through the use of an allowance account. When a trade receivable is unrecoverable, it is written off against the same allowance account. Subsequent recoveries of amounts previously written off are credited against 'Other gains/(losses) - net' in the statement of profit and loss.

2.10. Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses.

2.11. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less, which are subject to an insignificant risk of change in value.

For the purpose of presentation in the statement of cash flows, this caption also includes bank overdrafts. Bank overdrafts are shown within 'Borrowings' in current liabilities in the statement of financial position.

2.12. Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or stock options of the Company and its subsidiaries are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or stock options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Company or any Group companies acquire treasury shares of parent company, they are recorded at cost and the consideration paid is deducted from the equity attributable to owners of the parent until the shares are cancelled, reissued or sold. When such shares are subsequently sold or reissued, any consideration received is included in equity attributable to owners of the parent.

2.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Interest costs on borrowings are included in the statement of profit and loss under 'Finance costs' caption.

2.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit and loss, except to the extent that it relates to items recognised directly in equity. The current income tax charge is calculated on the basis of profit before income tax, adjusted according to the tax laws enacted at the reporting date.

Deferred tax is recognised, using the liability method at the reporting date, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from the recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

Personnel expenses are recognised when the service is rendered by employees regardless of their date of payment. Some specificities are disclosed below:

Bonus

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's employees after adjustments.

Obligations for holiday, holiday allowance and Christmas allowance

In accordance with Portuguese legislation, employees have, annually, the right to receive two months of salary, for a holiday period and a holiday allowance, right earned in the previous year to its settlement. The employees also have, annually, the right to a Christmas allowance, which is earned over the year and paid each December. These obligations are recorded in the respective period in which the right is earned, regardless its payment date.

Labor Compensation Fund (FCT) and Labour Compensation Guarantee Fund (FGCT)

Based on the publication of Law No. 70/2013 and subsequent regulation by Order No. 294-A /2013, entered into force on 1 October the Labor Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labor (FGCT). In this context, companies that hire a new employee are required to deduct a percentage of the respective salary for these two new funds (0.925% to FCT and 0.075% for FGCT), in order to ensure, in the future, the partial payment the compensation in the event of dismissal. Considering the characteristics of each Fund, the following is considered:

- the monthly deliveries to FGCT, made by Novabase, are recognised as an expense in the period to which they relate;
- the monthly deliveries to FCT, made by Novabase, are recognised as a financial asset, measured at fair value with changes recognised in the income statement.

Long term incentive (LTI)

Under its senior talent retention policies, the Group approved a LTI program (Long term incentive) where an executive may take an equity interest in the business under its management. Along with this interest, which tends to be residual, there is a plan for the development of the business under his direct responsibility. Such holding may be repurchased after a certain period and subject to certain conditions. At the closing date of these accounts, no executive had signed any agreement but two negotiations for signature were approved by the Management after the closing, and the expected impacts were provisioned.

2.16. Provisions

Provisions are recognised at the reporting date when: i) the Group has a present legal or constructive obligation as a result of past events; ii) it is probable that an outflow of resources will be required to settle the obligation and; iii) the amount has been reliably estimated. Provisions for restructuring include all liabilities to be paid, namely employee termination payments. These provisions do not include any estimated future operating losses or estimated profits from the disposal of assets.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any of the items included in the same class of obligations may be small. Note 25 gives information about the type of provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the best estimate at that date. Whenever possible, the time effect is taken into account in the annual adjustment of provisions. For those in which there is no predictability of the moment of reversal, the Group does not proceed with the financial update.

Onerous contracts

The Group recognises a provision for onerous contracts on the date on which it is established that the costs to be incurred to satisfy the obligation assumed exceed the future economic benefits. This analysis is made on an individual basis.

Legal claims in progress

Provisions relating to legal proceedings brought against Novabase and which essentially relate to contractual disagreements with third parties. Provisions for legal proceedings in progress are recorded for the amounts estimated to represent future outflows in accordance with the risk assessments made by Management based on the opinions of its legal and internal experts and counselors, based on success.

For legal proceedings where the probability of having an unfavorable outcome is less than probable, the Group does not recognise provisions, as described in note 42, unless the possibility of an outflow of resources is remote, in which case it is not disclosed. For each legal proceeding a brief description of the process is given, as well as an estimate of its financial effect, and when practicable an indication of the uncertainties that relate to the moment of any outflow. If any repayment is possible, this information is also included in the 'Contingencies' note.

2.17. Trade and other payables

Trade and other payables balances are obligations to pay goods or services that have been acquired in the ordinary course of the business. They are initially recognised at fair value and subsequently at amortised cost accordingly with the effective interest rate method.

2.18. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax (V.A.T.), rebates and discounts and after eliminating sales within the Group, when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the transaction/rendering of services can be measured reliably;
- the percentage of completion of the transaction/rendering of services at the end of the reporting period can be measured reliably, in situations in which the transaction/rendering of services is recognised based on the percentage of completion.

The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Novabase's revenues derive from: (a) sales of goods, (b) services rendered, (c) interest and (d) dividend income. The recognition of revenue is detailed below, by type of revenue:

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Software products are usually sold without a right of return. However, if there is any chance of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Services rendered

Revenue from consulting projects classified as “time and materials” is recognised in the accounting period in which the services are rendered.

In turn-key consulting projects, the Group recognises income and costs associated with contracts, on an individual basis, according to the percentage of completion method, which is understood as the ratio between costs incurred up to the financial position date and the total estimated contract costs. The assessment of the percentage of completion of each contract is reviewed periodically taking into account the most recent information available from project managers and subject to further review by the respective controllers. The differences between the amounts resulting from the application of the percentage of completion to the estimated income and the amounts invoiced are recorded under 'Accrued income' and 'Deferred income and other current liabilities' captions, respectively. When it is probable that the total estimated costs to complete the project exceed the income defined therein, the expected loss is immediately recognised in profit or loss.

Revenue from outsourcing and maintenance projects is recognised linearly over the period of the contract, where there are no significant and specific activities foreseen.

(c) Interest income

Interest received is recognised on the accrual basis, taking into account the outstanding balance and the effective rate during the period up to maturity. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount (estimated future cash flows, discounted at the original effective rate of the instrument), and records the discount as a financial gain.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.19. Grants

Government grants are recognised at fair value, when there is high likelihood that the grant will be received and the Group fulfils all the requirements to receive it.

Non-refundable grants to finance development projects are recorded as a liability at the reporting date, in 'Other non-current liabilities' caption, if the remaining maturity is greater than 12 months or under 'Deferred income and other current liabilities' if the maturity is less than 12 months, and are recognised in profit or loss of each period by the useful life of the financed assets.

Operating grants are aimed to recovering the costs, incurred and recorded, with training initiatives and projects of research for new technological or scientific knowledge, and are recognised in the statement of profit and loss as the related expenses are incurred, regardless of when the grant is received.

2.20. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed over the period of the lease.

Lease contracts for tangible assets where the Group has substantially all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are recorded under liabilities (current and non-current). The interest element of the finance cost is expensed over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period. Tangible assets acquired under finance leases are depreciated over the shorter of the useful life and the lease term.

2.21. Derivative financial instruments

Novabase uses derivative financial instruments to hedge foreign exchange risks to which is exposed. The financial instruments used to manage this risk are the forward foreign exchange contracts. Novabase does not take speculative positions. The treasury department is responsible for managing derivative financial instruments, under the guidance of the Executive Committee. Derivative financial instruments are measured initial and subsequently by its fair value. The method of recognising the resulting gain or loss depends on the nature and objective of the item being hedged.

(1) Hedging derivatives

The possibility of qualifying a derivative financial instrument as a hedging instrument meets the criteria of IAS 39, namely, in what respect to the documentation required and effectiveness assessment, which is performed at the inception of the hedge and on an ongoing basis.

For hedging relationships designated as a net investment in a foreign operation hedge and that are determined to be an effective hedge, the gain or loss in the fair value of the hedging instrument is recognised in other comprehensive income. The ineffective portion is recognised immediately as a financial result of the period.

The cumulative foreign exchange gains and losses relating to a net investment and its respective hedging operation, both registered in other comprehensive income, are included in the consolidated statement of profit and loss when the foreign operation is disposed of, liquidated or discontinued, as an integral part of the gain or loss on sale.

Where the hedging relationship fails to comply with the qualifying criteria to be designated as hedge accounting, the fair value changes of the hedging instrument are recognised in profit or loss.

(2) Trading derivatives

Regarding derivative financial instruments that, although complying with the Group’s financial risk management policies, do not comply with all the requirements of IAS 39 to qualify for hedge accounting, the respective changes in fair value are included in the consolidated statement of profit and loss, under financial results, in the period in which they occur.

2.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which dividends are approved by the Company's shareholders.

2.23 Discontinued operations

A discontinued operation is a component of the Group's business that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group, and:

- represents either a separate major line of business or a geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparatives of the statement of profit and loss and of the statement of other comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

In terms of income statement, the profit or loss is recognised in 'Profit from discontinued operations' and, in terms of the statement of financial position, under the captions 'Assets from discontinued operations' and 'Liabilities from discontinued operations'.

For the Group, discontinued operations correspond to the IMS segment, discontinued at the end of 2016, as the result of the sale agreement of the Infrastructures & Managed Services business to VINCI Energies Portugal, SGPS, S.A. - see note 41.

2.24 Comparatives

The consolidated financial statements for the year ended 31 December 2017, except as referred at the beginning of this note, are comparable in all material aspects with 2016, and no changes in accounting policies have occurred when compared to those used for preparation of the financial statements of the previous year, presented for comparative effects.

3. Financial risk management policy

The Group's activities expose it to a variety of financial risks, namely, Foreign exchange risk, Interest rate risk (cash flows and fair value), Credit Risk, Liquidity risk and Capital management risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, mainly arising from U.S. Dollar, Kwanza and Metical exposures, since some subsidiaries perform transactions in these currencies.

The finance department is responsible for monitoring the evolution of the exchange rate of the currencies mentioned above, in order to reduce the impact of their fluctuations in consolidated results. The Group uses derivative financial instruments to hedge certain risk exposures (see note 17). These financial instruments do not comply with hedge accounting requirements therefore being classified as trading derivatives, with changes in fair value recognised in profit or loss.

With reference to the rates disclosed in note 2.4. (2) Transactions and balances, the most significant changes observed after the reporting date were in the EUR/AOA and in the EUR/MZN exchange rates. From the reporting date until February 28, Kwanza depreciated against the Euro 22.51%, with the EUR/AOA exchange rate recording the highest value of the last 4 years. In the same direction, from the reporting date until February 28, Metical depreciated against the Euro 6.62%. This depreciation partially cancels a recovery that the MZN had been making since the end of the third quarter of 2016, when it reached its 4-year maximum value.

The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December based on the amounts of the consolidated statement of financial position of the Group's financial assets and liabilities:

At 31 December 2016	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Other non-current assets	5,132	-	-	-	-	5,132
Financial assets at fair value through profit or loss	4,353	-	-	-	-	4,353
Held-to-maturity investments - non-current	-	-	4,859	-	-	4,859
Trade and other receivables	72,587	6,397	7,312	3,431	31	89,758
Accrued income	14,460	-	248	253	120	15,081
Derivative financial instruments	19	-	-	-	-	19
Held-to-maturity investments - current	-	-	4,441	-	-	4,441
Cash and cash equivalents	22,791	27	9,722	2,696	467	35,703
	119,342	6,424	26,582	6,380	618	159,346
Liabilities						
Other non-current liabilities	-	-	-	-	-	-
Borrowings	24,772	-	1,041	-	-	25,813
Trade and other payables	40,319	708	5,027	1,104	256	47,414
Derivative financial instruments	82	-	-	-	-	82
Deferred income and other current liabilities	20,443	-	3,253	4,013	-	27,709
	85,616	708	9,321	5,117	256	101,018

At 31 December 2017	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Other non-current assets	3,256	-	-	-	-	3,256
Financial assets at fair value through profit or loss	2,796	-	-	-	-	2,796
Held-to-maturity investments - non-current	-	-	7,713	-	-	7,713
Trade and other receivables	38,384	2,513	358	6,564	12	47,831
Accrued income	15,809	-	492	-	55	16,356
Derivative financial instruments	18	-	-	-	-	18
Held-to-maturity investments - current	-	-	7,353	-	-	7,353
Cash and cash equivalents	51,667	27	3,814	365	263	56,136
	111,930	2,540	19,730	6,929	330	141,459
Liabilities						
Other non-current liabilities	744	-	-	-	-	744
Borrowings	23,744	-	-	-	-	23,744
Trade and other payables	36,468	523	2,870	1,402	356	41,619
Derivative financial instruments	-	-	-	-	-	-
Deferred income and other current liabilities	20,266	-	362	4,475	-	25,103
	81,222	523	3,232	5,877	356	91,210

The Group uses a sensitivity analysis technique that measures the estimated changes in profit or loss and shareholders' equity of either an instantaneous 10% strengthening or weakening in Euro against all other currencies, from the rates applicable at 31 December 2017, for each class of financial instrument with all other variables held constant. This analysis has illustrative purposes only, as in practice market rates rarely change alone.

Under this assumption, with a 10% strengthening or weakening of Euro against all exchange rates, profit before income tax (and inherent capital) would have increased or decreased, respectively, by EUR 1,954 thousand in 2017 (2016: EUR 2,460 thousand). There are no direct impacts on equity since the Group does not hold financial instruments with fair value changes recognised in equity nor is applying hedge accounting.

b) Interest rate risk (cash flows and fair value)

Interest rate risk reflects the possibility of changes in future interest charges in loans obtained as a result of changes in market interest rate levels.

Novabase Group's financial liabilities are indexed to short-term reference interest rates, revised in periods shorter than one year plus duly negotiated risk spreads. Hence, changes in interest rates can impact the Group's earnings.

The Group's exposure to interest rates is related to financial liabilities contracted with a fixed and/or floating rate. In the first case, the Group faces a risk of fair value variation in these assets or liabilities, since every change in market rates involves an opportunity cost. In the second case, such change has a direct impact on interest value, consequently causing cash variations.

Exposure to interest rate risk is monitored continuously by the finance department. The purpose of managing interest rate risk is to reduce the volatility of financial costs in the income statement.

Novabase's exposure to interest rate risk is currently very low, not only because of the expected maintenance of very low indexes but also because it is in a cash surplus position. As at 31 December 2017, approximately 13% of bank borrowings are contracted at fixed rates (2016: 15%). However, as a result of the negative indexes during the year, this amount rises to 43%, bearing in mind that some of the borrowings are negotiated at variable rates but with minimum index level conditions.

The Group uses a sensitivity analysis technique that measures the estimated changes in profit or loss and shareholders' equity of either an instantaneous increase or decrease of 0.5% (50 basis points) in market interest rates, from the rates applicable at 31 December 2017, for each class of financial instrument with all other variables held constant. This analysis has illustrative purposes only, as in practice market rates rarely change alone. The sensitivity analysis is based on the following assumptions:

(i) Changes in market interest rates affect the interest income or expense of variable interest financial instruments;

(ii) Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if these are recognised at their fair value;

(iii) Changes in market interest rates affect the fair value of derivative financial instruments and other financial assets and liabilities;

(iv) Changes in the fair values of derivative financial instruments and other financial assets and liabilities are estimated by discounting the future cash flows of net present values using appropriate market rates prevailing at the year end.

Under these assumptions, an increase or decrease of 0.5% in market interest rates, would impact respectively in an increase or decrease of profit before income tax of approximately EUR 80 thousand in 2017, and in an increase or decrease, respectively, of approximately EUR 63 thousand in 2016. There are no impacts on shareholders' equity without being those inherent to the impact on results.

c) *Credit Risk*

Credit risk is managed, simultaneously, on business units' level, for the amounts of outstanding trade and other receivables, and on Group basis, for financial instruments. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently well rated parties are accepted. Credit risk management of trade and other receivables is based in credit limits, taking into account the financial position of the customer and past experience.

At 31 December 2017, the 60 customers with greater balances of the Group represented approximately 82% of the total balance (2016: 90%).

The distribution by geographical market of those customers is shown in the table below:

	31.12.17	31.12.16
Portugal	38%	35%
Europe	31%	28%
Africa	27%	31%
Middle East	2%	4%
Asia	1%	2%
North America	1%	-
	100%	100%

The distribution by business sector of those customers is shown in the table below:

	31.12.17	31.12.16
Public Administration	32%	17%
Telecommunications	30%	33%
Financial Services	14%	26%
Information Technology	13%	7%
Energy	6%	9%
Transport	1%	1%
Aeronautics	1%	1%
Consumer electronics	-	1%
Other	3%	5%
	100%	100%

The table below shows the ratings attributed by Moody's Investors Services to the financial institutions and to the Government of Angola with whom the Group as higher balances of bank deposits at 31 December 2017 (note 20) and Treasury Bonds (note 19), respectively:

	31.12.17	31.12.16
A1	5,248	5,077
Baa1	3,218	-
Baa3	25,999	-
Ba3	-	5,978
B1	13,130	12,871
B2	15,066	-
Caa1	3,006	-
	65,667	23,926

All bank deposits are highly liquid, readily convertible to known amounts of cash.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions.

Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn committed borrowing facilities and cash and cash equivalents) on the basis of expected cash flows, taking into account the analysis of the remaining contractual maturity of the financial liabilities and the expected date of financial assets inflows, and taking into account the cash transfer restrictions from Angola (see also note 20). Additionally, the maturity concentration of derivative financial instruments, borrowings and liabilities of the Group are regularly monitored. Notes 17 and 24 present those Novabase's liabilities, respectively, by intervals of contractual residual maturity at 31 December 2017 and 31 December 2016.

The short term lines of credit contracted by the Group are shown in the table below:

	Borrowings	
	Euro	Kwanza
Novo Banco	7,000	-
Banco BPI (BPI)	13,000	-
Banco Europeu de Investimento (BEI)	9,000	-
Caixa Geral de Depósitos (CGD)	5,000	-
Banco Santander Totta (Santander)	4,000	-
Bankinter	7,000	-
Novo Banco ES	1,000	-
Banco de Fomento de Angola (BFA)	-	200,000
Banco Popular (POP) (*)	5,000	-
	51,000	200,000

(*) Since 28 December 2017, Banco Popular Portugal was bought and integrated into Santander Totta.

As stated in the consolidated statement of cash flows, Novabase finances itself through cash flows generated by its operations. Additionally, and as shown in the analysis of the table above, the Group maintains a diversified portfolio of loans and has access to credit amounts that are not fully used but that are at its disposal. These credits can cover all loans that are repayable in 12 months.

The available short term lines of credit that are not being used, amount to approximately EUR 36,445 thousand as at 31 December 2017 and are sufficient to meet any immediate demand. In addition to these credits, the Group has EUR 56,136 thousand of cash and cash equivalents as at 31 December 2017, as stated in the statement of financial position, which combined with the credit facilities amounts to EUR 92,581 thousand of liquidity.

e) Capital management risk

The Group's objectives when managing capital, which is a broader concept than 'equity' in the consolidated statement of financial position, are:

(i) To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;

(ii) Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if (ii) To maintain a solid capital structure to support the development of its business;

(iii) To maintain an optimal capital structure to reduce the cost of capital.

Management monitors the Return on Capital (ROC) ratio, which the Group defines as the 'Operating Profit' divided by 'Total Equity', to measure the Group ability to generate cash flows related to the capital invested in its business.

	31.12.17	31.12.16
Operating Profit	7,705	2,120
Total Equity	81,166	93,056
Return on Capital	9.5 %	2.3 %

The Group has the objective to maintain ROC above the cost of capital (measured by WACC - weighted average cost of capital), which allows the Group to add value. The Group's WACC in 2017 is around 7.4% (2016: 9.3%). In 2017, the objective was achieved.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates by the Management, that affect assets, liabilities, and the disclosure of assets and contingent liabilities at the reporting date in the financial statements, as well as income and expenses during the reporting period, consequently future results can differ from the estimated ones. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgments considered more relevant in the preparation of these financial statements are presented below.

a) Goodwill impairment analysis

The Group tests annually, on the second half of the year, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, to forecast the cash flows of each cash-generating units, and the choice of a discount rate and a perpetual grow rate (see note 8).

b) Financial instruments measured at fair value

The fair value of financial instruments not quoted on an active market is determined based on valuation methods and financial theories. The use of valuation methodologies requires using assumptions, with some assumptions requiring the use of estimates. Therefore, changes in those assumptions could result in a change in the fair value reported.

c) Income taxes and deferred taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes and the use of deferred tax assets and liabilities. Deferred tax assets and liabilities were determined based on tax legislation currently in effect for the Group's companies, or on legislation already published for future application. Changes in the tax legislation may influence the value of deferred taxes.

The Group recognises deferred tax assets related to tax incentives obtained under SIFIDE based on estimates. The final amount of these tax incentives is only known in future years based on the approval by the competent body of the Group's applications to these incentives. The booked amount of tax credits not yet approved reach EUR 3,796 thousand (2015: EUR 3,567 thousand).

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

d) Revenue recognition

Revenue recognition in respect of turn-key projects is made by Management recurring to analysis and estimates of the current and future developments of consulting projects in place. These projections could have a different development in the future, from the present estimates performed by Management.

Eventual changes in the estimates would be reflected under 'Accrued income' and 'Deferred income and other current liabilities' captions in the statement of financial position and under 'Services rendered' in the statement of profit and loss, however, historically there have been no material deviations in the estimates of costs to be incurred in ongoing projects from the year before (which represent around 10% in 2017 and in 2016) nor in the outcome of the transaction.

e) Provisions for impairment of trade and other receivables

Management maintains a provision for impairment of trade and other receivables, in order to reflect the estimated losses that result from clients' inability to make the required payments. When assuming the adequacy of an allowance for doubtful accounts, Management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the customer's financial conditions deteriorate, actual write-offs might be higher than expected.

f) Legal claims provisions

The Group exercises judgment in measuring and recognising provisions and its exposure to contingent liabilities related to legal proceedings, based on the assessment of its specialists and legal advisers (internal and/or external). This judgment is necessary to determine the probability of the outcome for each lawsuit. Provisions are recognised when the Group expects that the proceedings in progress will result in cash outflows or disclose it in the notes when the probability of having an unfavourable outcome is less than probable - unless the possibility of an outflow of resources is remote, where disclosure is not required. These estimates are subject to changes as new information becomes available. Due to the uncertainties inherent in the evaluation process, real losses may be different from those originally estimated.

The Group discloses in 'Contingencies' (note 42) all the legal proceedings in which it considers that there is a possibility of an outflow of resources, although it is not probable, reason why no liabilities have been recognised. The Management believes, based on the opinions of its specialists and legal advisors (internal and/or external), that there is sufficient substance for its defence in court and therefore considers that such actions will have a successful outcome.

g) Bonus

The Group recognises on a monthly basis an estimate for bonus and other variable remunerations, which considers the theoretical amounts agreed with employees, the monitoring of the expected objective's achievement rates and the general situation of the Company's business. The variable remuneration of the elements of the Board of Directors is set by the Remuneration Committee based on the evaluation of the previous year performance. Therefore, the cost estimate for the current exercise booked under 'Trade and other payables' caption, is prepared based on the Management's best estimate to the performance of the current year, where the actual final outcome is only known in the following exercise, after the Remuneration Committee's deliberation. More information about the Shareholders' remuneration can be found in the point regarding Remuneration, included in the Corporate Governance Report, which is an integral part of the Consolidated Annual Report, and in note 40.

5. Segment information

At the end of 2016, as the result of the sale of Infrastructures & Managed Services business, Novabase identified the following operating segments:

- Business Solutions
- Venture Capital

Operating segments are reported consistently with the internal reporting that is provided to the management, namely to the Board of Directors. Based on this report, the Management evaluates the performance of each segment and allocates the available resources. Novabase identified its reportable operating segments based on the activity developed by each segment and did not aggregate operating segments.

The Business Solutions segment develops an activity of consulting and services in the IT area. There is several business units included in this segment, set out based on the industries for which the solutions are oriented, that combine teams of specialists with a mix of competencies with technology, management, design and business expertise, as follows:

- Financial Services - Vertical business solutions for Banks, Insurance Companies and Stock Markets
- Government - Vertical business solutions for Government
- Transport - Vertical solutions for Transport
- Energy - Vertical solutions for Energy
- Telecommunications - Vertical solutions for Telecommunications Operators

These business units share structures, such as resources and technologies, but they do not represent an isolated segment. In fact, Management monitors the performance of the Business Solutions segment and allocates available resources as a single area, which is specialized in business process consulting and in the design and implementation of software solutions to support them. This segment derives its revenues mainly from time and materials consulting projects, turn-key consulting projects and outsourcing and maintenance projects, and may also include a small component of sales.

The Venture Capital segment develops a venture capital activity through Novabase Capital, Sociedade de Capital de Risco, S.A., which is substantially different from the rest of Novabase's activity, and whose operating results are monitored by Management as an isolated area for decision-making purposes, performance evaluation and resource allocation. Although this segment has immaterial expression in the total activity of the Group, Management considers that information on this operating segment is useful to the users of financial statements and should therefore be reportable and disclosed separately. Venture Capital segment derives its revenues mainly from the valuation and sale of Venture Capital Fund investees and advisory services in purchase and sale and M&A processes.

The companies considered in each operating segment are presented in note 6. Novabase SGPS, S.A. and Novabase Serviços, S.A. appear isolated in the referred note, to highlight the Parent Company which includes the top management of the Group and the company that includes the Group's shared services, respectively. However, for the purposes of preparing segment information, both belong to Business Solutions segment.

Revenues from operating segments, as well as other measures of profit or loss and material items within the consolidated income statement, can be analysed as follows:

At 31 December 2016	Business Solutions	Venture Capital	NOVABASE	Disc. operations IMS
Total segment sales and services rendered	193,086	4,828	197,914	80,751
Inter-segment sales and services rendered	61,457	803	62,260	8,834
Sales and services rendered	131,629	4,025	135,654	71,917
Depreciation and amortisation	(3,173)	(612)	(3,785)	(785)
Operating profit/(loss)	2,911	(791)	2,120	18,101
Finance costs – net	(1,040)	135	(905)	1,008
Share of loss of associates (note 35)	-	(46)	(46)	-
Income tax expense	(1,923)	(1,079)	(3,002)	(6,228)
Profit/(Loss) from operations	(52)	(1,781)	(1,833)	12,881
Other information:				
(Provisions) / Provisions reversal	640	(9)	631	1,330
Impairment of receivables	(5,581)	(21)	(5,602)	(3,608)
Inventory impairment	-	-	-	(120)

At 31 December 2017	Business Solutions	Venture Capital	NOVABASE	Disc. operations IMS
Total segment sales and services rendered	190,596	5,895	196,491	-
Inter-segment sales and services rendered	56,092	677	56,769	-
Sales and services rendered	134,504	5,218	139,722	-
Depreciation and amortisation	(2,821)	(389)	(3,210)	-
Operating profit/(loss)	8,598	(893)	7,705	2,696
Finance costs – net	(1,668)	1,091	(577)	-
Share of loss of associates (note 35)	-	(261)	(261)	-
Gain on net monetary position	955	-	955	-
Income tax expense	(1,310)	(72)	(1,382)	-
Profit/(Loss) from operations	6,575	(135)	6,440	2,696
Other information:				
(Provisions) / Provisions reversal	(1,241)	(19)	(1,260)	-
Impairment of receivables	7,758	(95)	7,663	-
Inventory impairment	30	-	30	-

In 2017, the amount recorded in the results from discontinued operations reflects the adjustment on gain generated by the sale of IMS Business (see note 41).

Novabase does not disclose information on assets and liabilities for each reportable segment since it does not provide such information to those responsible for operational decision making.

Management monitors Turnover in countries outside Portugal. These amounts are generally obtained through Portugal-based subsidiaries.

In 2016, Sales and services rendered to external clients, by destination geography, are analysed as follows:

	Portugal	Europe	Others	Novabase
Sales and services rendered	56,244	52,797	26,613	135,654

In 2017, Sales and services rendered to external clients, by destination geography, are analysed as follows:

	Portugal	Europe	Others	Novabase
Sales and services rendered	64,182	51,895	23,645	139,722

Novabase does not disclose geographical information of non-current assets since the cost of preparing this information, which is not used by the Management, would be excessive (see note 6 - A. Subsidiaries with material non-controlling interests, for some information on non-current assets in Angola and Mozambique).

6. Companies included in consolidation

The companies consolidated by the full method, as at 31 December 2017, were the following:

	Holding company and Subsidiaries	Principal place of business	Share capital 31.12.17	% Interest held 31.12.17	% Interest held 31.12.16
	Parent company:				
	Novabase S.G.P.S., S.A.	Portugal	15,700,697 €	-	-
	Business Solutions:				
	Novabase Business Solutions, S.A.	Portugal	3,366,000 €	100.0%	100.0%
	Novabase Neotalent, S.A.	Portugal	50,000 €	100.0%	100.0%
	Novabase Consulting SGPS, S.A.	Portugal	11,629,475 €	100.0%	100.0%
	Novabase E.A., S.A.	Portugal	150,000 €	100.0%	100.0%
	CelFocus, S.A.	Portugal	100,000 €	55.0%	55.0%
	Nbase International Investments B.V.	The Netherlands	1,220,800 €	100.0%	100.0%
	Novabase Solutions Middle East FZ-LLC	Dubai	699,670 €	100.0%	100.0%
(a1)	Novabase Digital, S.A.	Portugal	3,100,000 €	100.0%	100.0%
	Evolvespace Solutions, Lda.	Portugal	5,000 €	100.0%	100.0%
	Binómio, Lda.	Portugal	2,626 €	100.0%	100.0%
	NBMSIT, Sist. de Inf. e Tecnol., S.A.	Mozambique	8,235,000 MZN	74.0%	74.0%
	Celfocus B. T. T. H. T. Limited Ş.	Turkey	100,000 TRY	55.0%	55.0%
	NBASE SGPS	Portugal	50,000 €	100.0%	100.0%
	Celfocus LTD	UK	15,000 GBP	55.0%	55.0%
	Novabase Sistemas de Informacion, S.A.	Spain	1,000,000 €	100.0%	100.0%
(c1) (d1)	Novabase Infraestruturas, SGPS, S.A.	Portugal		-	100.0%
(c2) (d1)	Novabase Infr. Integracion S. Inf., S.A.	Spain		-	100.0%
(*) (d1)	NBASIT-Sist. de Inf. e Telecomunic., S.A.	Angola	47,500,000 AOA	49.4%	49.4%
(d1)	Novabase Interactive TV SGPS, S.A.	Portugal	278,125 €	100.0%	100.0%
(a2) (d1)	NOVABASE IMS 2, S.A.	Portugal	220,500 €	100.0%	100.0%
(d1)	TVLab, S.A.	Portugal	52,517 €	70.0%	70.0%
	Venture Capital:				
	Novabase Capital SCR, S.A.	Portugal	2,500,000 €	100.0%	100.0%
	COLLAB – Sol. I. Com. e Colab., S.A.	Portugal	61,333 €	81.0%	81.0%
	FCR NB Capital Inovação e Internacionalização	-	11,360,000 €	51.6%	51.6%
(b1)	FCR Novabase Capital +Inovação	-	7,021,278 €	53.1%	-
	Novabase Shared Services:				
	Novabase Serviços, S.A.	Portugal	€ 50,000	100.0%	100.0%

(*) Novabase has control of this company, as described in note 2.2, therefore it is fully consolidated.

In 2017, the following changes occurred in the consolidation perimeter:

a) Changes in social designations:

(a1) In 2016, this company had the designation of Octal - Engenharia de Sistemas, S.A ..

(a2) In 2016, this company had the designation of Novabase Digital TV E.S. Tel. Inter., S.A ..

b) Entries in the consolidation perimeter:

(b1) In the Venture Capital area, a new venture capital fund 'FCR Novabase Capital + Inovação' was established on October 3, 2017. This Fund is held in 53.1% by Novabase Capital SGCR, S.A. and in 46.9% by Fundo de Capital e Quase Capital (FC&QC) - see note 23. Through this Fund, Novabase Capital intends to respond to the constraints on SME financing in the ICT market and to contribute to the stimulation and orientation of business investment and job creation, in line with the investment objectives and priorities defined in the Portugal 2020.

c) Exits from the consolidation perimeter:

(c1) Novabase Infraestruturas, SGPS, S.A. was dissolved in the last quarter of 2017.

(c2) Novabase Infr. Integracion S. Inf., S.A. was dissolved in the last quarter of 2017.

d) Other changes in the consolidation perimeter:

(d1) As a result of the sale of the IMS Business at the end of 2016, this company is no longer reported in the IMS segment (where it was previously considered) and in 2017 it is reported in the Business Solutions segment, since the current recurring operations relate to BS business.

The companies consolidated using the equity method, as at 31 December 2017, were the following:

	Associates (see note 9)	Principal place of business	Share capital 31.12.17	% Interest held 31.12.17	% Interest held 31.12.16	Equity 31.12.17	Net Profit 31.12.17
	Fundo Capital Risco NB Capital	Portugal	€ 7,142,857	30.0%	30.0%	1,084	(871)
(**)	Novabase Digital TV Technologies GmbH	Germany	unavailable info	-	51.0%	unavailable info	unavailable info

(**) Novabase did not have control over Novabase Digital TV Technologies GmbH, as described in note 2.2., therefore it was considered an associate. In 2017, the company was sold (see note 9).

A. Subsidiaries with material non-controlling interests

Novabase considers that the principal subsidiaries with material non-controlling interests at 31 December 2017 are those set out below, which jointly account for 95% of the amount of Non-controlling interests of profit or loss. They have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Subsidiary	Principal activity
NBMSIT, Sist. de Inf. e Tecnol., S.A.	Consulting services and the development and implementation of information systems, applications, computer software and equipment
NBASIT-Sist. de Inf. e Telecomunic., S.A.	Production, commercialization, import and export of goods and IT services and related activities, and information systems
CelFocus, S.A.	Services and information systems solutions for the Telecommunications industry
COLLAB – Sol. I. Com. e Colab., S.A.	Design, production, commercialization and consulting services of communication systems and professional collaboration

Summarised financial information on subsidiaries with significant Non-controlling interests (amounts before inter-company eliminations):

Balance at 31 December 2016	NBMSIT S.A.	NBASIT S.A.	CelFocus, S.A.	Collab, S.A.
Total Non-Current Assets	658	90	3,310	3,932
Total Current Assets	6,965	30,782	38,636	4,885
Total Non-Current Liabilities	-	-	(1,477)	(1,334)
Total Current Liabilities	(10,894)	(36,208)	(23,877)	(2,080)
Net Assets	(3,271)	(5,336)	16,592	5,403
Net Assets attrib. to NCI	(1,087)	(3,570)	7,519	1,079
Sales and Services rendered	8,312	15,065	59,211	4,039
Profit for the year	(1,996)	(2,443)	6,081	(801)
Total Comprehensive Income	(1,996)	(2,443)	6,081	(801)
Comprehensive Income attrib. to NCI	295	(972)	2,737	197
Cash and cash equiv. at beg. of year	3,811	7,081	2,399	3
Cash and cash equiv. at end of year	2,708	9,812	7,984	1
Change in cash and cash equiv.	(1,103)	2,731	5,585	(2)
Dividends paid to NCI (i)	-	-	1,209	-

Balance at 31 December 2017	NBMSIT S.A.	NBASIT S.A.	CelFocus, S.A.	Collab, S.A.
Total Non-Current Assets	530	15	4,063	3,487
Total Current Assets	7,281	20,636	36,063	5,195
Total Non-Current Liabilities	-	(2)	(1,827)	(1,212)
Total Current Liabilities	(10,454)	(23,383)	(20,606)	(3,068)
Net Assets	(2,643)	(2,734)	17,693	4,402
Net Assets attrib. to NCI	(977)	(2,149)	8,031	954
Sales and Services rendered	6,724	7,143	54,597	5,040
Profit for the year	820	3,212	3,965	(505)
Total Comprehensive Income	820	3,212	3,965	(505)
Comprehensive Income attrib. to NCI	126	2,374	1,784	(124)
Cash and cash equiv. at beg. of year	2,708	9,812	7,984	1
Cash and cash equiv. at end of year	376	3,849	10,734	1,787
Change in cash and cash equiv.	(2,332)	(5,963)	2,750	1,786
Dividends paid to NCI (i)	-	-	1,272	-

(i) In 2016, the disclosure made under the caption 'Dividends paid to NCI' refers to the dividends attributed to non-controlling interests. In 2017, this disclosure was replaced by dividends paid to NCI, in a cash flow perspective.

B. Interests in associates that are material

Novabase considers that its 30% ownership interest in Fundo de Capital de Risco NB Capital is not a material interest to the Group (see note 9). However, in order to provide useful information to the users of the financial statements, some financial information on this associate is disclosed below, in addition to that presented in the table of the companies included in the consolidation by the equity method.

'Fundo de Capital de Risco NB Capital' presents in its financial statements as at 31 December 2017 a Total Non-Current Assets of EUR 705 thousand and a Total Current Assets of EUR 433 thousand. Liabilities (all Current) amounts to EUR 54 thousand, for a Total Net Asset of EUR 1,084 thousand. Given the venture capital activity developed by this associate, Turnover is nil, while Net Profit for the year is equal to Earnings Before Taxes, in the amount of EUR -871 thousand. In 2017, there was a Net increase in Cash and cash equivalents in the amount EUR 28 thousand, for a balance at the end of the period of EUR 372 thousand. This associate did not attribute or pay dividends in any of the periods of this report.

7. Property, plant and equipment

	31.12.17			31.12.16		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and other constructions	3,155	2,772	383	3,160	2,487	673
Basic equipment	6,517	5,103	1,414	6,095	4,629	1,466
Transport equipment	10,048	2,202	7,846	8,319	2,059	6,260
Furniture, fittings and equipment	1,807	1,432	375	1,826	1,329	497
Other tangible assets	12	11	1	17	14	3
	21,539	11,520	10,019	19,417	10,518	8,899

During 2016, movements in property, plant and equipment were as follows:

	Balance at 01.01.16	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	Balance at 31.12.16
Cost:						
Buildings and other constructions	4,082	172	(8)	-	(1,086)	3,160
Basic equipment	8,050	1,567	(58)	(13)	(3,451)	6,095
Transport equipment	7,788	1,955	(1,375)	(49)	-	8,319
Furniture, fittings and equipment	1,893	197	(18)	(7)	(239)	1,826
Other tangible assets	17	1	-	-	(1)	17
	21,830	3,892	(1,459)	(69)	(4,777)	19,417
Accumulated depreciation:						
Buildings and other constructions	2,832	364	(8)	-	(701)	2,487
Basic equipment	6,034	868	(54)	(7)	(2,212)	4,629
Transport equipment	1,874	734	(517)	(32)	-	2,059
Furniture, fittings and equipment	1,373	174	(17)	(3)	(198)	1,329
Other tangible assets	13	2	-	-	(1)	14
	12,126	2,142	(596)	(42)	(3,112)	10,518

During 2017, movements in property, plant and equipment were as follows:

	Balance at 01.01.17	Application IAS 29	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	Balance at 31.12.17
Cost:							
Buildings and other constructions	3,160	-	1	(6)	-	-	3,155
Basic equipment	6,095	28	648	(254)	-	-	6,517
Transport equipment	8,319	153	3,706	(2,087)	(43)	-	10,048
Furniture, fittings and equipment	1,826	6	72	(92)	(5)	-	1,807
Other tangible assets	17	-	-	(5)	-	-	12
	19,417	187	4,427	(2,444)	(48)	-	21,539
Accumulated depreciation:							
Buildings and other constructions	2,487	-	291	(6)	-	-	2,772
Basic equipment	4,629	27	649	(174)	(28)	-	5,103
Transport equipment	2,059	149	821	(741)	(86)	-	2,202
Furniture, fittings and equipment	1,329	4	181	(71)	(11)	-	1,432
Other tangible assets	14	-	2	(3)	(2)	-	11
	10,518	180	1,944	(995)	(127)	-	11,520

'Change in Consolidation Perimeter' column reflects the effect of the exit of the consolidation perimeter of the subsidiaries sold in the IMS Business in 2016.

In 2017, IAS 29 was applied to the financial statements of the subsidiary in Angola, before being translated into the presentation currency of the Group, as mentioned in note 2.4. (3) Group companies. The application of the hyperinflation standard to the Angolan accounts at 31 December 2017 had a net impact on property, plant and equipment of EUR +7 thousand (see note 2), with an increase both in gross assets and accumulated depreciation of EUR +187 thousand and EUR +180 thousand, respectively.

Property, plant and equipment increases during the year were mainly in the Group's fleet, which had an increase of 82 vehicles, representing a EUR 3.7 Million rise in the 'Transport equipment' class of assets.

In 2017, no events or circumstances that indicated that the carrying amount of tangible assets exceeded its recoverable amount were identified; consequently, no impairment tests have been carried out.

The amount of depreciation recognised in profit and loss and included in 'Depreciation and amortisation' is EUR 1,944 thousand (2016: EUR 1,599 thousand), and included in 'Profit from discontinued operations' is EUR 0,0 thousand (2016: EUR 543 thousand).

8. Intangible assets

	31.12.17			31.12.16		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Internally generated intangible assets	14,020	12,117	1,903	13,950	10,866	3,084
Industrial property and other rights	11,059	11,043	16	11,049	11,028	21
Work in progress	357	-	357	113	-	113
Goodwill	14,886	-	14,886	14,886	-	14,886
	40,322	23,160	17,162	39,998	21,894	18,104

During 2016, movements in intangible assets were as follows:

	Balance at 01.01.16	Acquisitions / increases	Impairm. ch. / Write-offs	Transfers	Change in consolidation perimeter	Balance at 31.12.16
Cost:						
Internally generated intangible assets	13,987	-	-	72	(109)	13,950
Industrial property and other rights	11,169	4	(77)	-	(47)	11,049
Work in progress	-	185	-	(72)	-	113
Goodwill	23,739	-	(8,853)	-	-	14,886
	48,895	189	(8,930)	-	(156)	39,998
Accumulated amortisation:						
Internally generated intangible assets	8,488	2,387	-	-	(9)	10,866
Industrial property and other rights	11,103	41	(77)	-	(39)	11,028
	19,591	2,428	(77)	-	(48)	21,894

During 2017, movements in intangible assets were as follows:

	Balance at 01.01.17	Acquisitions / increases	Impairm. ch. / Write-offs	Transfers	Change in consolidation perimeter	Balance at 31.12.17
Cost:						
Internally generated intangible assets	13,950	70	-	-	-	14,020
Industrial property and other rights	11,049	10	-	-	-	11,059
Work in progress	113	244	-	-	-	357
Goodwill	14,886	-	-	-	-	14,886
	39,998	324	-	-	-	40,322
Accumulated amortisation:						
Internally generated intangible assets	10,866	1,251	-	-	-	12,117
Industrial property and other rights	11,028	15	-	-	-	11,043
	21,894	1,266	-	-	-	23,160

'Change in Consolidation Perimeter' column reflects the effect of the exit of the consolidation perimeter of the subsidiaries sold in the IMS Business in 2016.

The amount of amortisation recognised in profit and loss and included in 'Depreciation and amortisation' is EUR 1,266 thousand (2016: EUR 2,186 thousand), and included in 'Profit from discontinued operations' is EUR 0,0 thousand (2016: EUR 242 thousand).

The captions 'Internally generated intangible assets' and 'Work in progress' include costs incurred in software development projects.

The amount with research and development recognised as a cost, related to the main research projects, reached EUR 4.9 Million (2016: EUR 5.6 Million).

Movements in **goodwill** were as follows:

	31.12.17	31.12.16
Balance at 1 January	16,413	25,358
Discontinued operations (IMS)	-	(8,945)
Balance at 31 December	16,413	16,413

Movements in **goodwill impairment** were as follows:

	31.12.17	31.12.16
Balance at 1 January	(1,527)	(1,619)
Discontinued operations (IMS)	-	92
Balance at 31 December	(1,527)	(1,527)

Impairment tests for goodwill

Goodwill is allocated to the Group's Cash-Generating Units (CGUs) identified according to operating segments.

	31.12.17	31.12.16
Business Solutions	14,886	14,886
	14,886	14,886

The impairment test for goodwill was performed based on the discounted cash flow method, using a 5 year business plan forecasted by Management, with the following key assumptions:

	Business Solutions
Discount rate (post-tax)	7.4%
Perpetual growth rate	2.0%
Annual growth rate of turnover	5.0%

The application of the previously described method generates a recoverable amount (determined by value in use) of assets that exceeds its carrying amount, concluding therefore that there is no need for an impairment charge to the goodwill allocated to the Cash-Generating Units. A possible increase or decrease of 1 percentage point in the WACC would result in an Enterprise Value of EUR 110 thousand and EUR 153 thousand, respectively, not becoming lower than the carrying amount of assets.

9. Investments in associates

		% Interest held directly		Amount	
		31.12.17	31.12.16	31.12.17	31.12.16
	Fundo Capital Risco NB Capital (notes 6 and 35)	30.0%	30.0%	314	575
(*)	Novabase Digital TV Technologies GmbH (note 6)	-	51.0%	-	-
				314	575

(*) Company sold at the end of 2017. This company was inactive and no additional contingencies were expected, so its fair value was nil for the Group.

10. Financial assets at fair value through profit or loss

		% Interest held directly		Amount	
		31.12.17	31.12.16	31.12.17	31.12.16
(i)	FCR IStart I	11.6%	11.6%	296	380
(ii)	Feedzai, S.A.	1.7%	3.6%	1,569	3,112
(iii)	Powergrid, Lda	88.9%	88.9%	-	-
(iv)	Bright Innovation, Lda ("BI")	90.0%	90.0%	23	80
(v)	Globaleda, S.A.	25.1%	25.1%	563	731
(vi)	Other			345	50
				2,796	4,353

(i) Venture Capital Fund established in 2011 and held by Novabase Capital SCR, S.A., focused on creating proofs-of-concept and prototypes and developing intellectual property and business models. This Fund is managed by Armilar Venture Partners SCR.

(ii) Company, held by FCR NB Capital Inovação e Internacionalização, dedicated to the development of solutions for processing large volumes of data in real time.

(iii) Company, held by FCR NB Capital Inovação e Internacionalização, focused on developing an application platform for SmartGrids.

(iv) Company specialized in incubate projects in the area of Information and Communication Technologies (ICT) and provide integrated services in the administrative and financial areas, training and assistance for ICT SMEs applications, supported by a multi-channel platform. This company is held by FCR NB Capital Inovação e Internacionalização.

(v) Held by Novabase Business Solutions S.A., this company is a technology-based company in the area of information systems and telecommunications engineering.

(vi) In 2017, the amount of this caption refers to FCT - Labor Compensation Fund. This item also includes the companies held by FCR NB Capital Inovação e Internacionalização, PowerData and Radical Innovation ("RI"), with a fair value of nil.

Novabase does not have control of the companies held by FCR NB Capital Inovação e Internacionalização, understood as the power to manage the relevant activities of an entity, being exposed to the risks of variation of the return obtained and having the capacity to affect those returns through its power over the entity, therefore they were not considered subsidiaries or associates.

Movements in this caption were as follows:

	31.12.17	31.12.16
Balance at 1 January	4,353	3,165
Transfers	345	-
Disposals / share capital decrease	(1,566)	(77)
Profit or loss charge (see notes 33 and 34)	(336)	1,265
Balance at 31 December	2,796	4,353

The item 'Transfers' relates to FCT - Labor Compensation Fund, reclassified from the caption 'Trade and other receivables' where it was considered in 2016 (see accounting policy in note 2.15.).

In September 2017, FCR Novabase Capital Inovação e Internacionalização sold part of its investment in the company Feedzai by the amount of EUR 4,564 thousand, to the North American companies Sapphire Ventures and Sapphire Sap, obtaining a gain of EUR 3,008 thousand (see note 33). The amount of the sale was fully received in the year.

In the year there was also the sale of shares held by Novabase Business Solutions in 'WRC' company and of its holding in 'ACE - SAP/Novabase', as well as the sale by FCR Novabase Capital Inovação e Internacionalização of its investee, SmartGeo, by a total amount of EUR 11 thousand. The companies Wizdee, Livian Technologies and City Pulse were also dissolved by this Fund. In aggregate, these operations generated a net gain on disposals of EUR 8 thousand (see notes 33 and 34).

A. Fair value measurements

Note 14 provides information on the fair value hierarchy of these financial assets.

There were no transfers between levels 3 and 2 for recurring fair value measurements during 2017, considering the below mentioned about Feedzai.

The transaction that took place on 18 September 2017, of the sale of 369,591 preferred shares of category A (representing 1.7% of the fully diluted capital) of the company Feedzai - Consultoria e Inovação Tecnológica, S.A., was not considered a transaction materially relevant for the purpose of valuation given that:

- It only involved a total of 3.93% of the capital of the company (fully diluted);
- The shareholder FCR Novabase Capital Inovação e Internacionalização, after the referred transaction and following a recent search of a new category C capital round, renounced relevant rights and lost priority in liquidation events faced with the new shares.

For the FCT valuation, the fair value was determined with reference to observable input data: the value of 'Participation Units' at the reporting date (level 1 in the fair value hierarchy).

For the valuation of the companies held by FCR NB Capital Inovação e Internacionalização, the discounted cash flow method was used, considering a 5-year business plan forecasted by Management, with the following key assumptions:

	Feedzai	Powergrid	BI	Powerdata	RI
Discount rate (post-tax)	14.4%	14.1%	13.0%	14.1%	13.0%
Perpetual growth rate	0.5%	0.5%	0.5%	0.5%	0.5%
Annual growth rate of turnover	16.4%	10.0%	3.0%	5.0%	3.0%

According to the sensitivity analysis performed on these companies, a possible increase or decrease of 1 percentage point in WACC would not result in a significant fair value change since most of them have a nil fair value as at 31 December 2017 (Powergrid, Powerdata and Radical Innovation) or immaterial (Bright Innovation). In Feedzai's case, a possible increase or decrease of 1 percentage point in the WACC would result in a fair value change of approximately EUR -70 thousand and EUR +81 thousand, respectively.

11. Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts were determined after its offsetting:

	31.12.17	31.12.16
Deferred tax assets		
To be recovered within 12 months	1,375	1,065
To be recovered after more than 12 months	9,073	8,480
	10,448	9,545
Deferred tax liabilities		
To be recovered within 12 months	-	-
To be recovered after more than 12 months	-	-
	-	-

The movement in the deferred tax assets was as follows:

	31.12.17	31.12.16
Balance at 1 January	9,545	16,352
Change in consolidation perimeter	-	(542)
Exchange differences	23	(478)
Other comprehensive income charge	302	-
Profit or loss charge (see note 36)	578	(5,787)
Balance at 31 December	10,448	9,545

The amount recognised in profit and loss and included in 'Income tax expense' is EUR 578 thousand (2016: EUR -1,364 thousand), and included in 'Profit from discontinued operations' is EUR 0,0 thousand (2016: EUR -4,423 thousand).

The amount recognised in other comprehensive income of EUR 302 thousand in 2017, refers to the tax related to the net investment accounting and to the economic hedge of the operations in Angola (see note 19).

The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax Losses / Other	Tax Incentives	Provisions / Adjustments	Total
Balance at 1 January 2016	3,993	9,867	2,492	16,352
Profit or loss charge	(2,845)	(3,467)	525	(5,787)
Change in consolidation perimeter	(542)	-	-	(542)
Exchange differences	(478)	-	-	(478)
Balance at 31 December 2016	128	6,400	3,017	9,545
Profit or loss charge	(1,276)	3,354	(1,500)	578
Other comprehensive income charge	302	-	-	302
Exchange differences	23	-	-	23
Balance at 31 December 2017	(823)	9,754	1,517	10,448

Deferred tax assets related to tax incentives result from projects of research and development submitted under the incentive program SIFIDE.

The expiry date of the deferred tax assets can be analysed as follows:

	Tax Losses / Other	Tax Incentives	Provisions / Adjustments	Total
No later than 1 year	-	-	-	-
Between 1 and 2 years	-	1,199	-	1,199
Between 2 and 3 years	-	-	-	-
Between 3 and 4 years	-	-	-	-
Between 4 and 5 years	109	2,382	-	2,491
Between 5 and 6 years	130	1,610	-	1,740
Over 6 years	5	4,563	-	4,568
With no defined date	(1,067)	-	1,517	450
	(823)	9,754	1,517	10,448

12. Other non-current assets

	31.12.17	31.12.16
Loans to related parties (note 40 iii)	4,769	8,570
Capital subscribers of Fundo de Capital de Risco NB Capital +Inovação	1,234	-
Provision for impairment of loans to related parties (note 40 iii)	(2,747)	(3,438)
	3,256	5,132

Under the conditions set out in Article 2 of the Management Regulation of the Fund established in 2017, 'Fundo de Capital de Risco NB Capital + Inovação' (see note 6), the capital subscribed was only partially paid (25%), with the remaining amount to be paid in two tranches upon request of the Fund's management company (Novabase Capital SCR, S.A.), after certain conditions are met (use of a certain percentage of the paid-up share capital in investments within the FCR investment policy). Based on expectations of the Fund's management company at the reporting date, the first tranche, in the amount of EUR 1,174 thousand in the non-controlling interests part, will be carried out within a maximum of one year, and is recognised in 'Trade and other receivables' caption (see note 15) and the second tranche, in the amount of EUR 1,234 thousand, will be paid after 31 December 2018, therefore being classified as non-current and presented in this note.

The fair value of 'Other non-current assets' balance approximates its carrying amount.

Movements in the provision for impairment of loans to related parties are analysed as follows:

	31.12.17	31.12.16
Balance at 1 January	3,438	2,292
Impairment (note 34)	1,753	1,756
Impairment reversal (note 33)	-	(610)
Usage / write-offs	(2,444)	-
Balance at 31 December	2,747	3,438

The amount of 'Usage / write-offs' is related to the dissolution and sale of the companies Livian Technologies, City Pulse and SmartGeo, held by FCR NB Capital Inovação e Internacionalização. This amount was considered in the computation of the gains or losses on disposal of these financial assets (disclosed in notes 33 and 34).

13. Inventories

	31.12.17	31.12.16
Merchandise	62	527
Raw materials, subsidiary goods and consumables	119	119
	181	646
Inventory impairment	(135)	(160)
	46	486

Movements in inventory impairment are analysed as follows:

	31.12.17	31.12.16
Balance at 1 January	160	406
Impairment (see note 31)	18	215
Impairment reversal (see note 31)	(48)	(95)
Change in consolidation perimeter	-	(366)
Exchange differences	5	-
Balance at 31 December	135	160

The amount of impairment and impairment reversal of inventories recognised in profit and loss and included in 'Other gains/(losses) - net' is EUR 30 thousand (2016: EUR 0 thousand), and included in 'Profit from discontinued operations' is EUR 0 thousand (2016: EUR -120 thousand).

14. Financial instruments by category

At 31 December 2016	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other non-current assets	5,132	-	-	-	5,132
Financial assets at fair value through profit or loss	-	4,353	-	-	4,353
Held-to-maturity investments - non-current	4,859	-	-	-	4,859
Trade and other receivables	89,758	-	-	2,954	92,712
Accrued income	15,081	-	-	-	15,081
Derivative financial instruments	-	19	-	-	19
Other current assets	-	-	-	1,886	1,886
Held-to-maturity investments - current	4,441	-	-	-	4,441
Cash and cash equivalents	35,703	-	-	-	35,703
	154,974	4,372	-	4,840	164,186
Liabilities					
Borrowings	-	-	25,813	-	25,813
Trade and other payables	-	-	47,414	-	47,414
Derivative financial instruments	-	82	-	-	82
Deferred income and other current liabilities	-	-	27,709	-	27,709
	-	82	100,936	-	101,018

At 31 December 2017	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Other non-current assets	3,256	-	-	-	3,256
Financial assets at fair value through profit or loss	-	2,796	-	-	2,796
Held-to-maturity investments - non-current	7,713	-	-	-	7,713
Trade and other receivables	47,831	-	-	1,914	49,745
Accrued income	16,356	-	-	-	16,356
Derivative financial instruments	-	18	-	-	18
Other current assets	-	-	-	1,546	1,546
Held-to-maturity investments - current	7,353	-	-	-	7,353
Cash and cash equivalents	56,136	-	-	-	56,136
	138,645	2,814	-	3,460	144,919
Liabilities					
Other non-current liabilities	-	-	744	-	744
Borrowings	-	-	23,744	-	23,744
Trade and other payables	-	-	41,619	-	41,619
Deferred income and other current liabilities	-	-	25,103	-	25,103
	-	-	91,210	-	91,210

The following table shows the Group's financial assets and liabilities that are measured at fair value according to the following hierarchy levels:

- **Level 1**: The fair value of financial instruments is based on quoted prices in active and liquid markets at reporting date.
- **Level 2**: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Main inputs used on these valuation models are based on observable market data.
- **Level 3**: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, and main inputs are not based on observable market data.

	31.12.17			31.12.16		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets at fair value						
(*) Financial assets at fair value through profit or loss	345	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	2,451	-	-	4,353
Derivative financial instruments	-	18	-	-	19	-
	345	18	2,451	-	19	4,353
Financial liabilities at fair value						
Derivative financial instruments	-	-	-	-	82	-
	-	-	-	-	82	-

(*) Refers to FCT - Labor Compensation Fund (see note 10).

15. Trade and other receivables

	31.12.17	31.12.16
Trade receivables	48,088	60,199
Provision for impairment of trade receivables	(2,802)	(11,160)
	45,286	49,039
Prepayments to suppliers	419	562
Employees	86	95
Value added tax	1,409	2,297
Receivables from related parties (note 40 iii)	15	1,215
Financial holdings disposal	-	38,365
Receivables from financed projects	1,660	1,449
Capital subscribers of Fundo de Capital de Risco NB Capital +Inovação	1,174	-
Other receivables	901	821
Provision for impairment of other receivables	(1,205)	(1,131)
	4,459	43,673
	49,745	92,712

At 31 December 2016, the balance of 'Financial holdings disposal' caption reflects the price agreed on the sale of IMS Business. At the beginning of 2017, the final price was revised to EUR 41,061 thousand, which was fully received - see notes 20 and 41.

The balance of 'Capital subscribers of Fundo de Capital de Risco NB Capital +Inovação' refers to the amount expected to be received until 31 December 2018, regarding the first tranche of the called-up share capital of this Fund, due for shares issued but not fully paid, as established in Article 2 of its Management Regulation (see note 12).

The fair value of 'Trade and other receivables' balance approximates its carrying amount.

The carrying amount of this caption plus the balance of 'Accrued income' (see note 16) and the amount of EUR 1,234 thousand included in 'Other non-current assets' (see note 12), represents the maximum exposure to credit risk.

The ageing analysis of the carrying amounts of trade receivables is as follows:

	31.12.17	31.12.16
Carrying amount of receivables not due	29,130	30,008
Carrying amount of receivables not impaired		
Past due for less than 6 months	15,454	13,164
Past due for more than 6 months	587	5,350
Carrying amount of receivables due and not impaired	16,041	18,514
Carrying amount of receivables impaired		
Past due for less than 6 months	-	833
Past due for more than 6 months	2,917	10,844
Carrying amount of receivables due and impaired	2,917	11,677
	48,088	60,199

80% of trade receivables not due and trade receivables past due and not impaired is owed by entities with which there is no past experience of default, although might have had some punctual delay in the invoices payment. The remaining 20% are distributed by 179 entities with an average balance of EUR 50 thousand, that the credit department has no information that leads to suppose that there is a high risk of default.

Movements in provisions for impairment of trade and other receivables are analysed as follows:

	Trade receivables		Other receivables		Total	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
Balance at 1 January	11,160	5,763	1,131	3,356	12,291	9,119
Change in consolidation perimeter	-	(1,835)	-	(5)	-	(1,840)
Impairment (note 31)	885	10,306	91	992	976	11,298
Impairment reversal (note 31)	(8,639)	(2,088)	-	-	(8,639)	(2,088)
Exchange differences	(115)	(2)	(17)	(6)	(132)	(8)
Write-offs	(489)	(984)	-	(3,206)	(489)	(4,190)
Balance at 31 December	2,802	11,160	1,205	1,131	4,007	12,291

The impairment and impairment reversal of trade and other receivables recognised in profit and loss and included in 'Other gains/(losses) - net' is EUR 7,663 thousand (2016: EUR -5,602 thousand), and included in 'Profit from discontinued operations' is EUR 0 thousand (2016: EUR -3,608 thousand). The main reason for the trade receivables impairment reversal recorded this year is set in note 31.

16. Accrued income

	31.12.17	31.12.16
- Ongoing projects	14,087	14,209
- Other accrued income	2,269	872
	16,356	15,081

In 2017, there were no situations that caused material misstatements in the estimated costs to be incurred to complete the previous year ongoing projects, nor in the outcome of the transaction.

17. Derivative financial instruments

The fair value of derivative financial instruments can be analysed as follows:

	Assets		Liabilities	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**
- Forward foreign exchange contracts	18	19	-	82
	18	19	-	82

The Group is exposed to foreign exchange risk in sales and purchases in various currencies, primarily with respect to the U.S. Dollar, Kwanza and Metical. Novabase's exposure to currency risk mainly results from the presence of several of its subsidiaries in various markets, namely, Angola and Mozambique.

The forward foreign exchange contracts are the financial instruments used to manage this risk, and they are contracted on the net exposure to currencies, according to the terms of receipts and payments agreed with third parties, in order to set the exchange rate associated with these operations. The nature of the hedged risk is the exchange variation recorded in foreign currency denominated transactions.

The fair value is classified as a non-current asset or liability if the remaining maturity is greater than 12 months and as current asset or liability if the remaining maturity is less than 12 months. In 2017, derivative financial instruments were classified as current assets. Although contracted with the purpose of economic hedge in accordance with the Group's risk management policies, changes in the fair value of these derivatives were recognised in profit or loss (see note 2.21. (2)). Note 14 provides information on the fair value hierarchy of these financial assets and liabilities.

At 31 December 2017, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 4,654,649 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 265,888.

18. Other current assets

The amounts recorded regarding prepayments of contracted services are as follows:

	31.12.17	**31.12.16**
- Rents	513	608
- Software licensing	40	90
- Hardware and software maintenance and specialized services	993	1,188
	1,546	1,886

In order to ensure the proper balancing of the services provided by third parties, expenses and revenues were deferred and will be recognised in profit or loss in the next period.

19. Held-to-maturity investments

	31.12.17	**31.12.16**
Non-Current		
Government of Angola treasury bonds	7,713	4,859
	7,713	4,859
Current		
Government of Angola treasury bonds	7,353	4,441
	7,353	4,441

The Group invests part of the cash surplus of its Angolan subsidiary in Government of Angola treasury bonds indexed to USD. At 31 December 2017, the Group has 17 Treasury Bonds, most of them purchased from BFA, in the total amount of EUR 15,066 thousand, with maturities in 2018 (EUR 7,353 thousands) and in 2020 (EUR 7,713 thousands).

As disclosed in note 2.4. (3) Group companies, the Group is applying the net investment in foreign entities. Since the purpose of contracting these Government of Angola treasury bonds is to provide economic hedge of the Angolan operation, the impact of this hedge was recognised in other comprehensive income, in the amount of EUR 586 thousand in 2017.

20. Cash and cash equivalents

With reference to the consolidated statement of cash flows, the detail and description of **Cash and cash equivalents** is analysed as follows:

	31.12.17	31.12.16
- Cash	13	8
- Short term bank deposits	56,123	35,695
Cash and cash equivalents	56,136	35,703
- Overdrafts	-	-
	56,136	35,703

'Cash and cash equivalents' evolution in 2017 reflects mainly two effects: the cash inflow from IMS Business disposal, in the amount of EUR 41,061 thousand (see notes 15 and 41) and the payment of dividends to shareholders and non-controlling interests, in a total amount of EUR 21,438 thousand (see notes 22 and 23).

53% of the balance of cash and cash equivalents refers to wholly-owned Novabase subsidiaries. Of the remainder, 17% is related to subsidiaries based outside Portugal.

As 31 December 2017 and 31 December 2016, no restrictions exist as to the usage of the amounts recorded in the caption 'Cash and cash equivalents', considering the text below about Angola.

'Short-term bank deposits' caption includes EUR 3,848 thousand from Novabase's Angola-based subsidiary which, due to the financial and foreign currency crisis in the country, are subject to restrictions on transfers out of Angola, with a slowdown in the repatriation of capital being observed. However, there are no restrictions on its usage.

The ratings attributed to the financial institutions with which the Group has higher balances of bank deposits are detailed in note 3 c).

The fair value of 'Cash and cash equivalents' balance approximates its carrying amount.

21. Share Capital, share premium, treasury shares and stock options

The share capital at 31 December 2017, fully subscribed and paid of 15,700,697 Euros, is represented by 31,401,394 shares with a nominal value of 0.5 Euros each.

	Number of shares (thousands)	Share capital	Treasury shares	Share premium	Total
Balance at 1 January 2016	31,401	15,701	(6)	43,560	59,255
Treasury shares purchased	-	-	(10)	-	(10)
Treasury shares transferred	-	-	12	-	12
Balance at 31 December 2016	31,401	15,701	(4)	43,560	59,257
Treasury shares purchased	-	-	(184)	-	(184)
Treasury shares transferred	-	-	-	-	-
Balance at 31 December 2017	31,401	15,701	(188)	43,560	59,073

'Treasury shares' caption reflects the number of shares held by the Group at its nominal value.

According to the legislation in force, by deliberation of the General Meeting of Shareholders held on 12 April 2007, the purchase of treasury shares by Novabase S.G.P.S. is permitted up to a maximum of 10% of its share capital.

At 31 December 2016, Novabase S.G.P.S. held 8,615 treasury shares, representing 0.03% of its share capital.

During 2017, the Company acquired on the market 367,996 shares (1.17% of the subscribed capital) at the average price of 2.745 Euros. Treasury shares acquisitions were performed because they were considered to be in the Company's best interest.

At 31 December 2017, Novabase S.G.P.S. held 376,611 treasury shares, representing 1.20% of its share capital.

Issuance share premiums resulted from gains obtained with share capital increases. According to the current legislation, the amounts included under this caption can be used only to increase share capital or to absorb losses carried forward (no need for prior use of other reserves), but it cannot be used for attribution of dividends or purchase of treasury shares.

22. Reserves and retained earnings

According to legislation in force, Portuguese based companies that integrate Novabase Group are required to transfer a minimum of 5% of annual net profit to legal reserves until this balance reaches at least 20% of the share capital. This reserve cannot be distributed to shareholders, though it may be used to absorb losses carried forward or to increase share capital.

There is also a reserve of an amount equal to the one by which the treasury shares are accounted for, which, in accordance with the article 324 (1) b) of the Portuguese Companies Code, is unavailable for distribution.

In the General Meeting of Shareholders held on May 2017, it was approved the payment to shareholders of an amount of EUR 4,710 thousand, corresponding to 0.15 Euros per share. The payment occurred in May 2017.

In the General Meeting of Shareholders held on 26 October 2017, it was approved the distribution to the shareholders of reserves and retained earnings in the amount of EUR 15,701 thousand, corresponding to 0.50 Euros per share. The payment occurred in November 2017.

	31.12.17	31.12.16
Payment to shareholders	20,166	3,767
Remuneration of the treasury shares held by the Company	245	1
	20,411	3,768

23. Non-controlling interests

		31.12.17	31.12.16
	Balance at 1 January	8,151	8,194
	Restated accordingly IAS 29 - see note 2	(710)	-
(*)	Change in consolidation perimeter	3,292	-
(**)	Distribution of dividends to non-controlling interests	(1,272)	(585)
	Exchange differences on foreign operations	(226)	(929)
	Profit attributable to non-controlling interests	4,362	1,471
	Balance at 31 December	13,597	8,151

(*) In 2017, it was established a new venture capital fund, 'FCR Novabase Capital +Inovação' (see note 6).

(**) In 2017 and 2016, Celfocus approved dividends to its shareholders. These dividends were paid in the year of their attribution (see note 6 - A. Subsidiaries with material non-controlling interests).

24. Borrowings

	31.12.17	31.12.16
Non-current		
Bank borrowings	10,563	13,907
Finance lease liabilities	6,274	4,990
	16,837	18,897
Current		
Bank borrowings	4,963	5,376
Finance lease liabilities	1,944	1,540
	6,907	6,916
Total borrowings	23,744	25,813

The periods in which the current bank borrowings will be paid are as follows:

	31.12.17	31.12.16
6 months or less	2,831	3,006
6 to 12 months	2,132	2,370
	4,963	5,376

The maturity of non-current bank borrowings is as follows:

	31.12.17	31.12.16
Between 1 and 2 years	4,269	4,407
Between 2 and 5 years	6,294	9,100
Over 5 years	-	400
	10,563	13,907

The effective interest rates at the reporting date were as follows:

	31.12.17	31.12.16
Bank borrowings	2.092%	3.124%

Gross finance lease liabilities – minimum lease payments:

	31.12.17	31.12.16
No later than 1 year	2,182	1,770
Between 1 and 5 years	6,947	5,224
	9,129	6,994
Future finance charges on finance leases	(911)	(464)
Present value of finance lease liabilities	8,218	6,530

The present value of finance lease liabilities is analysed as follows:

	31.12.17	31.12.16
No later than 1 year	1,944	1,540
Between 1 and 5 years	6,274	4,990
	8,218	6,530

The covenants of the Group's bank borrowings are as follows:

- Solvability ratio ≥40%; Net Debt / EBITDA ≤3
- Solvability ratio ≥35%; Net Debt / EBITDA ≤2.5 ; Net Debt / Total Equity ≤0.5
- Solvability ratio ≥40%; Net Debt / EBITDA <2; Net Debt / Total Equity <0.5; EBIT / Interest paid >3
- An aggregate amount of Cash and Cash Equivalent Investments of at least EUR 15,000,000 (fifteen million euros)
- Bond seniority determined pari passu
- Cross Default
- Good standing with tax and social security authorities
- Published accounts
- Information disclosure obligations regarding court disputes
- Active insurance policies

At 31 December 2017, the Group was complying with the covenants.

(a) Net Debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	31.12.17	31.12.16
Cash and cash equivalents	56,136	35,703
Borrowings - repayable within one year (including overdraft)	(6,907)	(6,916)
Borrowings - repayable after one year	(16,837)	(18,897)
Net Debt	32,392	9,890

	Cash and Cash equivalents	Bank borrow. due within 1 year	Bank borrow. due after 1 year	Finance lease liab. due within 1 year	Finance lease liab. due after 1 year	Total
Net debt at 31 December 2016	35,703	(5,376)	(13,907)	(1,540)	(4,990)	9,890
Cash flows	21,210	413	3,218	788	-	25,629
Acquisitions - finance lease liabilities	-	-	-	-	(3,706)	(3,706)
Exchange rate changes	(777)	-	126	-	-	(651)
Change in consolidation perimeter	-	-	-	-	-	-
Other non-cash movements	-	-	-	(1,192)	2,422	1,230
Net debt at 31 December 2017	56,136	(4,963)	(10,563)	(1,944)	(6,274)	32,392

25. Provisions

Movements in provisions are analysed as follows:

	Warranties	Legal Claims	Restructuring	Other Risks and Charges	Total
Balance at 1 January 2016	199	50	60	11,188	11,497
Additional provisions (note 31)	4	130	-	2,475	2,609
Reversals / utilisations (note 31)	(148)	(50)	(60)	(4,373)	(4,631)
Change in consolidation perimeter	(55)	-	-	(312)	(367)
Exchange differences	-	-	-	1	1
Balance at 31 December 2016	-	130	-	8,979	9,109
Additional provisions (note 31)	-	-	-	4,917	4,917
Reversals / utilisations (note 31)	-	(130)	-	(3,527)	(3,657)
Exchange differences	-	-	-	-	-
Balance at 31 December 2017	-	-	-	10,369	10,369

Provisions balance includes, among others, the following matters:

Warranties - Liabilities related to third parties subcontracts in the supply of hardware for the TV business (previous IMS segment), to cover the clients' warranty period. Cash outflows relative to such liabilities occurs in the moment the guarantee is exercised.

Legal Claims - Responsibility with indemnities to third parties related to the legal processes in progress that are estimated to represent future disbursements, based on the assessment of the effectiveness of the probability of payment supported by the opinion of experts and legal counselors (internal and/or external). The payment of this liability depends on the outcome of the referred legal actions.

Restructuring - Responsibility with indemnities to employees, resulting from the restructuring process implemented in the end of 2014. This provision was totally canceled/used at the end of 2016.

Other Risks and Charges - Refers mainly to responsibilities with costs to be incurred with possible contractual penalties relative to ongoing projects and other probable risks. In 2017, it also includes the responsibilities with costs to be incurred related to the LTI Program (Long term incentive).

There were no movements in provisions for warranties in 2017, which were related to the IMS segment, discontinued and sold at the end of the previous year (in 2016, it was recognised EUR 144 thousand in 'Profit from discontinued operations') .

The amount of provision for legal claims recognised in profit or loss and included in 'Other gains/(losses) - net' is EUR 130 thousand (2016: EUR -80 thousand).

The amount of provisions for other risks and charges recognised in profit or loss and included in 'Other gains/(losses) - net' is EUR -1,390 thousand (2016: EUR 711 thousand), and included in 'Profit from discontinued operations' is EUR 0 thousand (2016: EUR 1,186 thousand).

26. Other non-current liabilities

	31.12.17	31.12.16
Research and development grants	744	-
	744	-

This caption corresponds to the amount of grants for research and development with a maturity of more than 12 months.

The fair value of 'Other non-current liabilities' balance approximates its carrying amount.

27. Trade and other payables

	31.12.17	31.12.16
Trade payables	5,616	7,242
Remunerations, holiday and holiday allowance	8,062	8,567
Bonus	9,684	8,583
Ongoing projects	3,841	3,335
Value added tax	3,394	3,334
Social security contributions	2,040	2,051
Income tax withholding	1,334	1,579
Amount to be paid to non-controlling interests	5	5
Employees	320	528
Prepayments from trade receivables	13	5
Other accrued expenses	6,943	6,835
Other payables	367	5,350
	41,619	47,414

The fair value of 'Trade and other payables' balance approximates its carrying amount.

The maturity of these liabilities is as follows:

	31.12.17	31.12.16
No later than 1 year	41,619	47,414
	41,619	47,414

28. Deferred income and other current liabilities

	31.12.17	31.12.16
Research and development grants	461	1,518
Consulting projects	24,642	26,191
	25,103	27,709

The table below shows the financial incentives for research and development at 31 December 2017, by type of incentive program:

	Contracted amount	Acum. received amount
Grants:		
- NSRF - National Strategic Reference Framework	293	201
- P2020 - Portugal 2020	635	53
- FAI - Innovation Support Fund	1,705	719
	2,633	973

29. External supplies and services

	31.12.17	31.12.16
Subcontracts	28,684	26,201
Supplies and services		
Commissions and consultancy fees	8,236	5,217
Transportation, travel and accommodation expenses	6,387	8,350
Rents	3,520	2,937
Freight	229	33
Advertising and promotion	947	1,038
Water, electricity and fuel	653	536
Communications	675	606
Insurance	417	332
Utensils, office supplies and technical documentation	424	206
Other supplies and services	1,029	1,107
	22,517	20,362
	51,201	46,563

30. Employee benefit expense

	31.12.17	31.12.16
Board members remuneration	4,379	3,073
Salaries and wages	61,559	62,060
Social security charges	11,238	11,350
Other personnel expenses	4,979	2,567
	82,155	79,050

Other personnel expenses include labour accident insurance, social responsibility costs, training costs, and indemnities.

Average number of personnel is analysed as follows:

	31.12.17	31.12.16
Business Solutions	1,899	1,936
IMS (Discontinued operations)	-	397
Venture Capital	52	55
Novabase Shared Services	81	96
	2,032	2,484

The average number of employee's evolution reflects mainly the disposal of the IMS business at the end of 2016.

The number of employees at the end of the year was 1,991 (2016: 2,138), 30% of whom are women (2016: 28%).

31. Other gains/(losses) - net

	31.12.17	31.12.16
Impairment and impairment reversal of trade and other receivables (note 15) (*)	7,663	(5,602)
Impairment and impairment reversal of inventories (note 13)	30	-
Warranties provision (note 25)	-	-
Legal claims provision (note 25)	130	(80)
Provisions for other risks and charges (note 25) (*)	(1,390)	711
Other operating income and expense (*)	(1,853)	860
	4,580	(4,111)

(*) In 2017, the caption 'Other operating income and expense' includes EUR -5,785 thousand of extraordinary costs associated with a project, for which provisions had been made at the end of 2016. On the other hand, the amounts of EUR 4,905 thousand of impairment of trade receivables and EUR 1,537 thousand of provisions for other risks and charges were reversed during the year, related to this client/project.

32. Depreciation and amortisation

	31.12.17	31.12.16
Property, plant and equipment (note 7):		
Buildings and other constructions	291	364
Basic equipment	649	612
Transport equipment	821	455
Furniture, fittings and equipment	181	167
Other tangible assets	2	1
	1,944	1,599
Intangible assets (note 8):		
Internally generated intangible assets	1,251	2,155
Industrial property and other rights	15	31
	1,266	2,186
	3,210	3,785

33. Finance income

	31.12.17	31.12.16
Interest received	438	419
Foreign exchange gains	2,300	1,268
Fair value of financial assets adjustment (note 10)	70	1,519
Provisions for loans to related parties (note 12)	-	610
Gain on disposal of financial assets (*)	3,391	-
	6,199	3,816

(*) Refers to the disposal by FCR NB Capital Inovação e Internacionalização of part of its investment in Feedzai (EUR 3,008 thousand), as well as the sale of SmartGeo (EUR 100 thousand) and the dissolution of Livian Technologies (EUR 283 thousand) - see note 10.

34. Finance costs

	31.12.17	31.12.16
Interest expenses		
- Borrowings	(446)	(485)
- Finance lease liabilities	(289)	(175)
- Other interest	(2)	(8)
Bank guarantees charges	(92)	(80)
Bank services	(186)	(112)
Foreign exchange losses	(3,141)	(1,851)
Fair value of financial assets adjustment (note 10)	(406)	(254)
Provisions for loans to related parties (note 12)	(1,753)	(1,756)
Loss on disposal of financial assets (*)	(375)	-
Fair value adjustment for contingent consideration (**)	(86)	-
	(6,776)	(4,721)

(*) Refers to the result of the dissolution of City Pulse (EUR -368 thousand) and the loss on the disposal of the shares held by Novabase Business Solutions in the company WRC (EUR -7 thousand) - see note 10.

(**) Corresponds to the final assessment of the contingent consideration for the acquisition of Binómio, Lda occurred in the first half of 2012, which provided an amount to be paid until 2017 depending on goals to be achieved by the subsidiary in terms of Free Cash Flow. The payment amounted to EUR 371 thousand.

35. Share of loss of associates

	31.12.17	31.12.16
Fundo Capital Risco NB Capital (notes 5 and 9)	(261)	(46)
	(261)	(46)

36. Income tax expense

Novabase and its subsidiaries with head offices in Portugal are subject to Corporate Income Tax at the nominal rate of 21%, which can be increased by a Municipal Surcharge up to a maximum rate of 1.5% of taxable income, resulting in a total tax rate of 22.5%. Additionally, taxable income exceeding EUR 1,500 thousand and up to EUR 7,500 thousand is subject to a State Surcharge at the rate of 3%, from EUR 7,500 thousand and up to EUR 35,000 thousand is subject to a State Surcharge at the rate of 5%, and the part of taxable income exceeding EUR 35,000 thousand is subject to a State Surcharge at the rate of 7%.

Since 1 January 2009, Novabase is being taxed in Corporate Income Tax under the Special Taxation Regime for Groups of Companies (Group taxation relief). For taxation purposes, this group includes companies detained in 75% or more by Novabase S.G.P.S. which comply with the further requirements under article 69º and following of the Corporate Income Tax Code.

The remaining subsidiaries, not contemplated by this mechanism, are taxed individually, based on their taxable profits and the tax rates applicable.

The net income generated by foreign subsidiaries is taxed at local tax rates, namely, those generated in Spain, in Angola, in Mozambique, in The Netherlands, in the United Kingdom and in Turkey are taxed at 25%, 30%, 32%, 20%, 19% and 20% respectively.

According to the current tax legislation, in general terms tax returns can be reviewed by the tax authorities during a subsequent period. In Portugal, this period is 4 years or, if any deduction is made or tax benefit granted, the exercise term of that right. Therefore, all annual tax returns for the year 2014 through 2017 are still open to such review.

Legislative changes that became effective on 1 January 2017

In Portugal, the 2016 State Budget (Law no. 7-A, of March 30) reduced the carry forward period for tax losses that are computed from fiscal year 2017 onwards, from 12 to 5 years.

In addition, the rules within the scope of the general regime for determining the taxable income (Article 52.15) and the Special Taxation Regime for Groups of Companies (Article 71.6) were suspended, which required to deduct, first, the longest-computed carried forward losses.

These changes had no impact on the Group's income tax expense.

Legislative changes introduced by 2018 State Budget

With regard to the changes introduced by 2018 State Budget, the Management considered that there were no changes with a significant impact on the income tax expense of Novabase's Group.

This caption is analysed as follows:

	31.12.17	31.12.16
Current tax	1,960	1,638
Deferred tax on temporary differences (note 11)	(578)	1,364
	1,382	3,002

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the consolidated entities as follows:

	31.12.17	31.12.16
Profit before income tax	7,822	1,169
Income tax expense at nominal rate (21% in 2017 and 2016)	1,643	245
Tax benefit on the net creation of employment for young and long term unemployed people	(274)	(312)
Provisions and amortisations not considered for tax purposes	718	1,300
Recognition of tax on the events of previous years	147	(11)
Associates' results reported net of tax	55	9
Autonomous taxation	515	621
Losses in companies where no deferred tax is recognised	(1,125)	(59)
Expenses not deductible for tax purposes	1,836	(242)
Differential tax rate on companies located abroad	408	(233)
Research & Development tax benefit	(3,253)	641
Municipal surcharge and State surcharge	346	267
Impairment of Special Payment on Account, tax losses and withholding taxes	366	862
Other	-	(86)
Income tax expense	1,382	3,002
Effective tax rate	17.7%	256.8%

37. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 21).

Diluted

Diluted earnings per share corresponds to basic earnings per share, since both in 2017 and in 2016 there are no dilutive potential ordinary shares.

Earnings per share are analysed as follows:

	31.12.17	31.12.16
Weighted average number of ordinary shares in issue	31,037,282	31,390,277
Profit attributable to owners of the parent	4,774	9,577
Basic earnings per share (Euros per share)	0.15 Euros	0.31 Euros
Diluted earnings per share (Euros per share)	0.15 Euros	0.31 Euros
Profit from continuing operations attributable to owners of the parent	2,078	(3,304)
Basic earnings per share (Euros per share)	0.07 Euros	(0.11) Euros
Diluted earnings per share (Euros per share)	0.07 Euros	(0.11) Euros
Profit from discontinued operations attributable to owners of the parent	2,696	12,881
Basic earnings per share (Euros per share)	0.09 Euros	0.41 Euros
Diluted earnings per share (Euros per share)	0.09 Euros	0.41 Euros

38. Dividends per share

The amounts distributed in 2017 and 2016 reached EUR 20,411 thousand (0.65 Euros per share), corresponding to a distribution of reserves amounting to EUR 4,710 thousand (0.15 Euros per share) and to an extraordinary shareholder remuneration in the amount of EUR 15,701 thousand (0.50 Euros per share), and EUR 3,768 thousand (0.12 Euros per share), respectively. These amounts differ from the ones shown in the consolidated statement of cash flows due to the remuneration of the treasury shares held by the Company, which remained in Novabase (note 22). In respect to the year 2017, the Board of Directors will propose to the Annual General Meeting of Shareholders of 2018, the payment of 0.15 Euros per share, that is, a total amount of EUR 4,710 thousand. These financial statements do not reflect this dividend payable.

39. Commitments

The financial commitments not included in the consolidated statement of financial position related with bank guarantees provided to third parties for ongoing projects, are detailed as follows:

	Bank	31.12.17	31.12.16
Novabase S.G.P.S., S.A.	BTA	5,000	-
Novabase Business Solutions, S.A.	BPI	33	33
Novabase Business Solutions, S.A.	Novo Banco	241	296
Novabase Business Solutions, S.A.	BCP	4,717	4,892
Novabase Business Solutions, S.A.	BAR	-	242
Novabase Business Solutions, S.A.	BTA	21	35
Novabase Serviços, S.A.	Novo Banco	484	485
CelFocus, S.A.	Novo Banco	27	27
CelFocus, S.A.	BAR	511	581
CelFocus, S.A.	POP	50	50
CelFocus, S.A.	BPI	72	72
Novabase Digital, S.A.	BCP	82	-
NOVABASE IMS 2, S.A.	BCP	4	12
Novabase Sistemas de Informacion, S.A.	Novo Banco	108	81
NBASIT-Sist. de Inf. e Telecomunic., S.A.	BFA	-	-
NBMSIT, Sist. de Inf. e Tecnol., S.A.	BIM	201	220
		11,551	7,026

Novabase Capital holds an option to purchase all the units held by IAPMEI in Fundo Capital de Risco NB Capital, and may exercise this option at any time after 31 December 2008, under the conditions established in Article 21 of its Management Regulation.

Novabase Capital holds an option to purchase all the units held by FINOVA in FCR NB Capital Inovação e Internacionalização, and may exercise this option at any time after 30 September 2015, under the conditions established in Article 22 of its Management Regulation.

Novabase Capital also holds an option to purchase all the units held by FC&QC in FCR Novabase Capital +Inovação, and may exercise this option during the first year of activity of this Fund, that is, until 17 October 2018, under the conditions established in article 21 of its Management Regulation.

EDA - Eletricidade dos Açores holds a call option to repurchase Globaleda shares held by NB Business Solutions, S.A. by its carrying amount, and may exercise this option until 30 days after 28 February 2018. The exercise term has expired prior to the issuance date of this report, and this option has not been exercised.

To ensure compliance with the responsibilities associated with the December 19, 2014 finance contract between the European Investment Bank (EIB) and Novabase SGPS, there is a Promissory Note signed by Novabase SGPS and endorsed by the remaining Guarantors in favour of EIB. At 31 December 2017, the guarantors are: Novabase Business Solutions, S.A.; Novabase Neotalent, S.A.; Novabase E.A., S.A.; NOVABASE IMS 2, S.A.; Novabase Serviços, S.A.; Novabase Digital, S.A.; and Binómio, Lda. (Novabase IMS Infr. & Manag. Services, SA ceased to be a guarantor at December 23, 2016, as a result of the sale of IMS Business, as established in the 1st Consent and Amendment Agreement relating to the Finance Contract and Guarantee and Indemnity Agreement).

Following the sale of IMS Business, Novabase undertook the following commitments:

- A Liability Cap of EUR 5 Million by irrevocable bank guarantee of equal amount for a period of 18 months (duration of guarantees), that is, between 5 January 2017 and 5 July 2018, and EUR 2.5 Million between 18 months and 5 years (expiry of tax and Social Security guarantees), that is, between 6 July 2018 and 5 January 2022;
- Constitution of a basket deductible for further corrections in the amount of EUR 400 thousand, minimis of EUR 40 thousand, until the end of the period, that is, 5 January 2022;
- Non-competition obligation for 3 years between VINCI Energies Portugal, SGPS, S.A. and Novabase in its core business areas, that is, until 5 January 2020.

In 2017, the Group had the following grouped credit line contracted:

Group of companies	Plafond
Novabase S.G.P.S.; NB Business Solutions, S.A.	EUR 5.0 Million
Novabase S.G.P.S.; Novabase Serviços, S.A.; Novabase Neotalent, S.A.; NB Business Solutions, S.A.	EUR 7.0 Million

There are commitments resulting from operating leases. These obligations refers mainly to the lease of the Company's headquarter, which is close to its term, and to lease agreements of other facilities where Novabase operates. The initial term of these contracts is between 1 and 5 years, with an option to renegotiate them after this period. The payments are updated annually, reflecting inflation and/or market valuation.

The future payments related to these operating lease agreements are as follows:

	31.12.17	31.12.16
No later than 1 year	2,081	2,049
Between 1 and 5 years	720	2,431
	2,801	4,480

40. Related parties

For reporting purposes, related parties include subsidiaries and associates (identified in note 6), other participated companies classified as financial assets at fair value through profit or loss (identified in note 10), shareholders and key elements in the management of the Group, and companies related to them that provide management services to the Group (Autonomy Mastery and Purpose, S.A. and Groovesnore Investimentos Imobiliários, Lda).

i) Key management compensation

Remuneration assigned to the Board of Directors, other key management personnel and related companies providing management services to the Group, during the years ended and 31 December 2016, are as follows:

	31.12.17	31.12.16
Short-term employee benefits	4,455	3,463
Other long-term benefits	1,238	859
	5,693	4,322

Of the total amount of short-term employee benefits, which includes remuneration, social security charges and other costs, EUR 4,759 thousand were recognised in 'Employee benefit expense' (2016: EUR 3,501 thousand) and EUR 934 thousand in 'External supplies and services' (2016: EUR 821 thousand).

'Other long-term benefits' caption corresponds to 50% of the variable remuneration recognised in the year on the accrual basis (the final amount is only known in the following exercise), with payment to be deferred for more than 1 year after the reporting date.

The total variable remuneration assigned to the Board of Directors of Novabase S.G.P.S. and other key management elements of the Group, regardless the year of allocation, which payment is deferred, amounts to EUR 1,661 thousand (2016: EUR 1,430 thousand).

In addition, there are outstanding current account balances with key management personnel in the amount of EUR 9 thousand at 31 December 2017 (31.12.16: EUR 3 thousand).

The remuneration policy of the Board of Directors and of the Supervisory Board of Novabase S.G.P.S. is stated in this Consolidated Report and Accounts, in the Remuneration Chapter of the Corporate Governance Report, which is reproduced below.

By unanimous decision of the Remuneration Committee, fixed remuneration components were set for members of the Novabase Board of Directors in 2017, along with annual variable remuneration, as shown in the chart below. These remunerations are distributed among the members of the Board of Directors in accordance with the breakdown stipulated by the Remuneration Committee, whereby the directors earn (i) a fixed portion in cash, and (ii) a variable portion in cash. This remuneration is shared among the directors as indicated in the chart below, in accordance with the responsibilities assumed by them at Novabase, and as indicated by the Remuneration Committee.

The remuneration of non-executive, non-independent directors includes a variable component. The performance of remunerated duties by these members of the Board of Directors allows Novabase to continue to leverage their extensive know-how acquired as company founders and accumulated over more than 20 years, especially since these directors continue to play key roles in the Group.

The variable portion in cash of directors' remuneration is determined with a view to align this portion with the organization's performance in the year concerned, measured by the net profits generated, and correlates with the responsibility and performance of each director in particular. A proper balance is also ensured between the fixed and variable portions of these remunerations. The variable remuneration in cash paid in 2017 corresponds to only 50% of the amount due for 2016, 1/6 of the amount allocated for 2015 in 2016, 1/6 of the amount allocated for 2014 in 2015 and 1/6 of the amount allocated for 2013 in 2014. The remaining 50% of the amount allocated for 2016 is subject to deferred payments in the following 3 years (2018, 2019 and 2020) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

Director	Fixed annual remuner. (€)	Annual variable remuner. in cash paid in 2017 (€)[1, 2]	Total Partial (Fixed + Variable in cash paid in 2017) (€)	Variable in cash paid in 2017 / Partial Total (%)	Deferred annual variable remuner. (€)[3]
Luís Paulo Cardoso Salvado	267,000	301,909	568,909	53.07	322,134
Francisco Paulo Figueiredo Morais Antunes	114,000	146,426	260,426	56.23	159,726
Executives Total	381,000	448,335	829,335	54.06	481,860
(% total)	90.07	79.53	84.05	-	79.60
José Afonso Oom Ferreira de Sousa	21,000	57,704	78,704	73.32	61,754
Pedro Miguel Quinteiro de Marques Carvalho	21,000	57,704	78,704	73.32	61,754
Non-executive Total	42,000	115,408	157,408	73.32	123,508
(% total)	9.93	20.47	15.95	-	20.40
TOTAL	423,000	563,743	986,743	57.13	605,368

1 The amount shown represents the total amount paid to each director in 2017: 50% of the amount allocated for 2016 in 2017, plus 1/6 of the amount allocated for 2015 in 2016, 1/6 of the amount allocated for 2014 in 2015 and 1/6 of the amount allocated for 2013 in 2014. The remaining 50% of the amount allocated for 2016 in 2017 will be paid in the following 3 years (2018, 2019 and 2020) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

2 Amount used to increase contributions of endowment policy currently in effect at the company.

3 Amounts allocated for 2016 in 2017 but deferred for the next 3 years. There are also deferrals for amounts allocated in 2015 for 2016 and allocated for 2014 in 2015, per the criteria shown in the Corporate Governance Reports for the years in question.

In 2017, an additional amount of EUR 6,782 thousand was paid to the members of the Board of Directors in meal allowances. There are no relevant amounts of non-monetary benefits considered as remuneration and not covered by the previous situations.

Novabase's current directors are paid exclusively by this entity, and do not receive additional remuneration of any kind from other companies that are controlled by or part of the Novabase Group, nor from any company exercising control over Novabase.

In 2017, no additional remuneration was awarded in the form of profit sharing and/or payment of bonuses.

No compensations were paid, nor are any compensations owed, to former executive directors as a result of their duties no longer being performed in 2017.

ii) Balances and transactions with related parties

Group companies have commercial relations with each other that qualify as related parties transactions. All of these transactions are performed on an arm's length basis, meaning, the transaction value corresponds to prices that would be applicable between non-related parties.

In consolidation all of these transactions are eliminated, since the consolidated financial statements disclose information regarding the holding company and its subsidiaries as if they were a single entity.

Balances and transactions of Group Companies with related parties are as follows:

	Trade and other receivables		Trade and other payables	
	31.12.17	31.12.16	31.12.17	31.12.16
Associates	47	56	-	-
Other participated companies	886	561	409	726
Shareholders and other entities	-	-	-	-
	933	617	409	726
Provision for impairment of trade and other receivables	-	(6)		
	933	611		

	Services rendered		Supplementary income		Interest received	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
Associates	198	214	-	-	-	-
Other participated companies	974	770	57	33	32	36
Shareholders and other entities	-	-	-	-	-	-
	1,172	984	57	33	32	36

	Purchases (*)	
	31.12.17	31.12.16
Associates	-	-
Other participated companies	2,651	2,569
Shareholders and other entities	-	-
	2,651	2,569

(*) In 2017, purchases include EUR 2,385 thousand of passing-through invoicing on behalf of Globaleda S.A. to external client. Once the Group acted as an agent on behalf of the principal, the purchases (and the associated turnover) were eliminated in the consolidated financial statements.

In addition to the balances and transactions described in the tables above and below, no other balances or transactions exist with the Group's related parties.

Outstanding balances of accounts receivable and payable between Group Companies and related parties will be cash settled and are not covered by any guarantees.

iii) Other balances with related parties

	Non-current (note 12)		Current (note 15)	
	31.12.17	31.12.16	31.12.17	31.12.16
Associates	-	-	-	-
Other participated companies				
Loan to Powergrid, Lda	2,050	2,050	-	-
Loan to Bright Innovation, Lda	1,477	1,477	-	-
Loan to Smartgeo Solutions, Lda	-	99	-	-
Loan to Radical Innovation, Lda	994	994	-	-
Loan to Power Data, Lda	248	248	-	-
Loan to City Pulse, Lda	-	2,410	-	-
Loan to Livian Technologies, Lda	-	1,292	-	1,200
Shareholders and other entities				
Loans to other shareholders	-	-	15	15
	4,769	8,570	15	1,215
Provisions for impairment of loans to related parties	(2,747)	(3,438)	-	-
	2,022	5,132	15	1,215

In 2017, the decrease in the balance of loans to related parties essentially refers to City Pulse and Livian Technologies. The amounts of EUR 750 thousand and EUR 1,404 thousand were received from these participated companies, respectively, and the remaining balance, net of the associated impairment, was canceled and considered in the computation of the gains or losses recorded by the occasion of the dissolution of these companies.

41. Discontinued operations

At October 12, 2016, Novabase has entered into a sale and purchase agreement with VINCI Energies Portugal, SGPS, S.A. ("VINCI Energies"), to sell its Infrastructures & Managed Services business ("IMS Business"), through the sale of the shares representing the whole share capital of Novabase IMS (further to the carve-out of the assets which were not part of the IMS Business), and two other companies to which the IMS Business developed by Novabase Digital TV (currently, NOVABASE IMS 2, S.A.) and by Novabase Serviços would be transferred. The price agreed was EUR 38,365 thousand, to be paid on the date of completion of the transaction, subject to certain adjustments, as established in the sale and purchase agreement.

The sale was substantially completed, namely through the approval of the Competition Authority, at the end of 2016. As a result, Novabase recorded, with reference to December 31, 2016, the gain generated by the sale of the IMS Business to VEP, in the amount of EUR 17,567 thousand.

In the first half of 2017, the final calculation of working capital and net debt as established in the purchase and sale agreement took place, and the final price was revised to EUR 41,061 thousand, resulting in an adjustment to the gain generated by the sale of the IMS business in the amount of EUR 2,696 thousand.

A. Results of discontinued operations

	31.12.17	31.12.16
Revenue	-	72,604
Expenses	-	(71,062)
Results from operating activities	-	1,542
Income tax	-	(6,228)
Results from operating activities, net of tax	-	(4,686)
Gain on sale of IMS Business	2,696	17,567
Income tax on gain on sale of IMS Business	-	-
Profit from discontinued operations, net of tax	2,696	12,881

B. Cash flows from (used in) discontinued operations

	31.12.17	31.12.16
Cash flows from (used in) operating activities	(1,036)	7,509
Cash flows used in investing activities	-	(3,087)
Cash flows used in financing activities	(61)	(307)
Net cash flows for the period from discontinued operations	(1,097)	4,115

At the end of 2016, a provision of EUR 2 Million was recorded for responsibilities associated with the disposal of the IMS Business, under the caption 'Liabilities from discontinued operations' in the consolidated statement of financial position. During the year 2017, it was used the amount of EUR 1,097 thousand, and 'Liabilities from discontinued operations' caption was reduced to EUR 0.9 thousand.

42. Contingencies

At 31 December 2017, the Group was part intervenient in the following legal process:

- Novabase Business Solutions has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions and interests of some months of 2014, 2015 and 2016, in the amount of 59,290 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.
- Novabase Digital has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions and interests of some months of the years 2012, 2013 and 2014, in the amount of 3,763 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.
- Novabase S.G.P.S. has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions of some months of 2015, in the amount of 25,758 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.

- Celfocus S.A. has been served with a procedure from the Instituto de Gestão Financeira da Segurança Social regarding the alleged absence of payment of social security contributions of some months of the years 2015 and 2016 in the total amount of 72,148 Euros. The company has filed opposition regarding the allegations demonstrating compliance with applicable laws, payment of all amounts due and providing documents to that respect. The procedure is pending analysis and decision from the IGFSS.

43. Additional information required by law

In accordance with article 508-F of the Portuguese Commercial Companies Code, we hereby inform of the following:

(i) In addition to all operations described in the notes above, as well as in the Management's Report, there are no other operations considered relevant which are not already contained either in the consolidated statement of financial position or its notes;

(ii) The total remuneration of the Statutory Auditor in 2017 was 110,000 Euros (2016: 110,000 Euros), which corresponds in full to the legal accounts audit services;

(iii) Note 40 of the Notes to the Consolidated Financial Statements includes all the related parties' disclosures, in accordance with the International Financial Reporting Standards.

44. Events after the reporting period

The following relevant facts occurred in 2018 by the date of issue of this report, details of which have been adequately disclosed as privileged information via Novabase S.G.P.S. and CMVM websites, or is public knowledge:

- **Dividend to shareholders**

Novabase informed the intention of the Board of Directors to propose, at the 2018 Annual General Meeting of Shareholders, the distribution of EUR 4.7 Million to shareholders. This payment, equal to 98.7% of the consolidated net profit, represents a dividend of 15 euro cents per share.

- **Novabase exit from PSI20 Index as of 19 March 2017**

As part of the annual review of the national stock exchange index, Euronext - the managing entity of the Lisbon stock exchange - announced in a news item dated from March 6, 2018, that Novabase will leave the main index of the Lisbon Stock Exchange, PSI20, from March 19, where it was trading since March 20, 2017. The PSI20 index is revised quarterly in June, September and December, with the full annual review taking place in March.

45. Note added for translation

These financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version will prevail.

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II. REPORTS ISSUED BY THE SUPERVISORY BOARD AND BY THE CMVM REGISTERED AUDITOR

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REPORT AND OPINION OF THE AUDIT BOARD ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NOVABASE – SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2017

To the Shareholders

INTRODUCTION

In compliance with the Law and for the purposes of paragraph g) of article 420 of the Portuguese Companies Code and the Company's bylaws, the Audit Board hereby presents for appreciation its Report on the supervising activity that was carried out and issues its Opinion on the Management Report and Consolidated Financial Statements of Novabase – Sociedade Gestora de Participações Sociais, S.A. for the financial year ended on December 31, 2017.

ACTIVITIES CARRIED OUT

Supervision of the Company

During the financial year, the Audit Board regularly followed up the evolution of the company's business and the business of its subsidiaries, ensuring compliance with the law and the relevant bylaws, and monitored the Company's management, the efficiency of the risk management and internal control systems and the preparation and disclosure of financial information, as well as the regularity of the accounting records, the accuracy of the consolidated financial statements and the accounting policies and metrical valuation criteria adopted by the company, in order to verify that they lead to an adequate expression of its consolidated assets, results and cash flows.

During the year, the Audit Board met eight times and the respective meetings were formally recorded in minutes. At these meetings there was always attendance of 100% of the respective members. In addition, the Audit Board took part in the meeting of the Board of Directors that approved the Management Report and the Consolidated Financial Statements for the 2017 financial year.

Within its duties, the Audit Board maintained the necessary contacts with the representatives of the Chartered Accountants Company and External Auditor, in order to monitor the planning and audit work that was carried out and to take note of the respective findings. The meetings held with the representatives of the Chartered Accountants Company and External Auditor enabled the Audit Board to reach a positive opinion on the integrity, rigor, skill, quality of work and objectivity with which they carried out their work, as well as the reliability of the financial information.

Relevant matters concerning auditing were also analyzed with the representatives of the Chartered Accountants Company and External Auditor; the Audit Board refers to their report on the consolidated financial statements for the description of the essential elements subject to analysis.

During the meetings of the Audit Board, the main risks affecting Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter were analyzed and discussed with Management and the Statutory Auditor, based on presentations prepared by these corporate bodies. The Audit Board considers that it has obtained the explanations and clarifications considered relevant.

Whistleblowing procedures

During 2017, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions

During the 2017 financial year, no related party transactions, in accordance with the regulation in force, were submitted to assessment by the Audit Board.

Independence of the External Auditor

The Audit Board received the statement by the Statutory Auditor confirming its independence in relation to the Company and communicating all relationships that may be perceived as a threat to its independence, as well as the safeguards that were implemented.

RESPONSIBILITY STATEMENT

Pursuant to paragraph 1/c) of article 245 of the Portuguese Securities Code, applicable by virtue of paragraph 1/a) of article 8 of the CMVM Regulation no. 5/2008 (Information Duties), we hereby declare that, to the best of our knowledge and belief, the aforementioned financial statements were prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, giving a true and appropriate view of the assets and liabilities, financial position and results of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, and the management report faithfully describes the evolution of the business, performance and position of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, containing an adequate description of the main risks and uncertainties which they face.

OPINION

The Audit Board analyzed the Management Report and the Consolidated Financial Statements for the 2017 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2017, the Consolidated Income

Statement, the Consolidated Statement on Comprehensive Income, the Consolidated Statement on the Changes to Equity and the Consolidated Statement on the Cash Flows, as well as the accompanying notes, which were prepared in accordance with the International Financial Reporting Standards, as adopted in the European Union.

Within its duties the Audit Board has analyzed the Legal Certification of Accounts and the Audit Report on the Consolidated Financial Information for the 2017 financial year, prepared by the Statutory Auditor, document which does not present any reservation and with which the Audit Board agrees.

The Audit Board further analyzed the Corporate Governance Report for the 2017 financial year, which is attached to the Management Report prepared by the Board of Directors in compliance with the CMVM Regulation no. 4/2013 (Corporate Governance of Listed Companies), and the Audit Board certifies that it includes all the elements referred to in article 245-A of the Portuguese Securities Code.

In this context, it is the Audit Board's opinion that:

- There are no objections to the approval of the Management Report for the 2017 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2017 financial year.

Lisbon, April 12, 2018

The Audit Board

Paulo Soares de Pinho – Chairman

Fátima Farinha – Member

Nuno Pires – Member

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STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation to English from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Novabase, SGPS, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2017 (showing a total of 184,226 thousand euros and equity of 81,166 thousand euros, including non-controlling interests of 13,597 thousand euros and a net profit attributable to the shareholders of Novabase of 4,774 thousand euros), the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Novabase, SGPS, S.A. as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas the Portuguese Institute of Statutory Auditors. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section below. We are independent of the entities that comprise the Group in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas' code of ethics.

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

KPMG

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Response
The revenue recognition policy regarding turnkey consulting projects, which represent a significant part of the Group's business, requires judgment as disclosed in note 4(d) of the notes to the consolidated financial statements. The recognition of such projects in accordance with the percentage of completion method, as described in note 2.19(b), involves a number of qualitative factors such as estimated billing, estimated costs, including contingency values for contractual risks, which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards. Our audit procedures included, among others, the following: ▪ We have tested the relevant controls, including application controls and general IT controls, related to the revenue recognition process; ▪ Critical analysis of estimates and assumptions made by management, namely regarding estimated billing, estimated costs and contingencies; ▪ Substantive analytical procedures and tests of detail regarding the accounting records in order to identify and test the risk of fraud and eventual override of controls implemented; and, ▪ Assessment of the Group's disclosure adequacy over revenue recognition considering the applicable accounting standards.

KPMG

International exposure

Risk	Response
The Group's operations outside Portugal represented more than 50% of total consolidated revenue in 2017. The internationalization process exposes the Group to the risk of foreign exchange fluctuation, mainly to the dollar, kwanza and metical. As disclosed in notes 3(a) and 3(d), increased exposure to these currencies and geographies results in increased risks for the Group, mainly: ▪ Foreign exchange risk, in result of the strong devaluation of local currencies against the euro; and, ▪ Liquidity risk, in result of the difficulty of capital repatriation from those geographies; which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	Our audit procedures included, among others, the following: ▪ We have assessed the degree of exposure to geographies of high exchange and liquidity risks, namely at the level of receivables impairment and going concern; ▪ We have critically assessed estimates and assumptions performed by management, particularly regarding the impairment of receivables and the feasibility of implementing the business plans associated with these geographies units; ▪ We have analyzed the valuation of financial instruments used by the Group to hedge the exchange rate risk; ▪ We have analyzed the currency translation of the financial statements of the subsidiaries located in these geographies by reference to the applicable accounting standards; and, ▪ We have assessed the adequacy of the Group's disclosure over financial risk management policy, considering the applicable accounting standards.

3

Valuation of intangible assets and goodwill

Risk	Response
As disclosed in note 8, as at 31 December 2017, the net book value of intangible assets amounted to 17,162 thousand euros of which 14,886 thousand euros related to the goodwill of the Business Solutions segment. The determination of the recoverable value of these assets is subjective due to the uncertainty inherent to the financial projections and to the discount of future cash flows, since many key assumptions are based on management expectations, not observable in the market. The Group performs, on an annual basis, goodwill impairment tests based on the discounted cash flows method, considering a 5-year business plan estimated by management, as mentioned in notes 2.6(1), 4(a) and 8. In addition, the Group has been capitalizing expenses with the development of software projects based on expectations of future revenues, as mentioned in notes 2.6(2) and 8. The complexity and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure regarding the recognition of deferred tax assets considering the applicable accounting standards.

4

KPMG

Recoverability of deferred tax assets

Risk	Response
As disclosed in note 11, as at 31 December 2017, the amount of deferred tax assets was of 10,448 thousand euros, of which 9,754 thousand euros related to tax benefits arising from Research and Development projects presented under the SIFIDE incentive scheme. The deferred tax assets recorded by management are based on its best estimate on the timing and future amounts required for its recovery, using assumptions that require judgment, as mentioned in notes 2.15 and 4(c). The level of uncertainty associated and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2017.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and the cash flows, in accordance with the International Financial Reporting Standards, as adopted by the European Union;
- the preparation of the management report and the corporate governance report, in accordance with applicable laws;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor´s responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those 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 override 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 the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of 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 the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body 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;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes their public disclosure; and,
- provide the supervisory body with a statement, that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451, nr. 3, e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and, the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the corporate governance report

Pursuant to article 451, nr. 4, of the Portuguese Companies Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under the article 245 – A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance, with paragraphs c), d) , f), h), i) and m) of that article.

On the non-financial information defined in the article 508-G of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group has included in its management report the non-financial statement defined in article 508-G of the Portuguese Companies' Code.

On the additional matters provided in article 10 of the Regulation (EU) nr. 537/2014

Pursuant to article 10 of the Regulation (EU) nr. 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

— We were appointed auditors of Novabase, SGPS, S.A. for the first time at the shareholders' meeting held on 29 April 2015 for the current term from 2015 to 2017;

— The Executive Board of Directors confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;

— We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the Group's supervisory body on 12 April 2018; and,

— We declare that we have not provided any prohibited services as described in article nr. 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas' statutes, and we have maintained independent of the Group in conducting the audit.

Lisbon, 12 April 2018

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

III. SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS

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DETAIL ON SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS OF NOVABASE S.G.P.S.

	Share Capital	Total Number of Shares / Quotas	Number of Shares / Quotas held by Board Members at 31.12.16	Transactions	Number of Shares / Quotas held by Board Members at 31.12.17	% held by Board Members at 31.12.17
Novabase S.G.P.S., S.A.	**15,700,697 €**	**31,401,394**	**10,715,761**	**1,865,039**	**12,580,800**	**40.1%**
José Afonso Oom Ferreira de Sousa			10,057	(10,056)	1	0.0%
Pedro Miguel Quinteiro Marques de Carvalho			2,289,068	0	2,289,068	7.3%
Luís Paulo Cardoso Salvado			65,282	(65,281)	1	0.0%
Francisco Antunes			30,335	0	30,335	0.1%
HNB - S.G.P.S., S.A. (a)			8,321,019	1,940,376	10,261,395	32.7%
NBASIT - Sist. Inf e Telecomunicações, S.A.	**47,500,000 AOA**	**100,000**	**400**	**0**	**400**	**0.4%**
Francisco Paulo Figueiredo Morais Antunes			200	0	200	0.2%
Luís Paulo Cardoso Salvado			200	0	200	0.2%
CelFocus, S.A.	**100,000 €**	**100,000**	**1**	**0**	**1**	**0.0%**
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
FeedZai, S.A.	**170,154 €**	**21,768,183**	**225,001**	**(112,501)**	**112,500**	**0.5%**
Pedro Miguel Quinteiro Marques de Carvalho			225,001	(112,501)	112,500	0.5%

(a) José Afonso Oom Ferreira de Sousa and Luís Paulo Cardoso Salvado are shareholders of this company.

Novabase reports as directors the company HNB - S.G.P.S., S.A. and the board members of the Company.

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STATEMENT OF COMPLIANCE

NOVABASE S.G.P.S., S.A.

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Statement of the Board of Directors

(Free translation from the original version in Portuguese)

SIGNED ON THE ORIGINAL

According to the terms of sub-paragraph c), paragraph 1 of article 245 of the Portuguese Securities Code, the undersigned below identified, as members of the Board of Directors of Novabase S.G.P.S., S.A., declare that to the best of their knowledge:

(i) the information contained in the management report, annual accounts, Auditors' Report and all other accounting documentation required by law or regulation, regarding the year ended 31 December 2017, was prepared in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, financial position and results of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter; and

(ii) the management report faithfully states the evolution of the businesses, performance and position of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter, containing (namely) an accurate description of the main risks and uncertainties which they face.

Lisbon, April 12, 2018

Luís Paulo Cardoso Salvado
Chairman and CEO

Francisco Paulo Figueiredo Morais Antunes
CFO

José Afonso Oom Ferreira de Sousa
Non-Executive member of the Board

Pedro Miguel Quinteiro Marques de Carvalho
Non-Executive member of the Board

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Statement by the members of the Audit Board under paragraph 1, c) of article 245 of the Portuguese Securities Code

Paulo Soares de Pinho, chairman of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of his knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 12, 2018

Fátima Farinha, member of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of her knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 12, 2018

Nuno Miguel Dias Pires, member of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of his knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 12, 2018

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