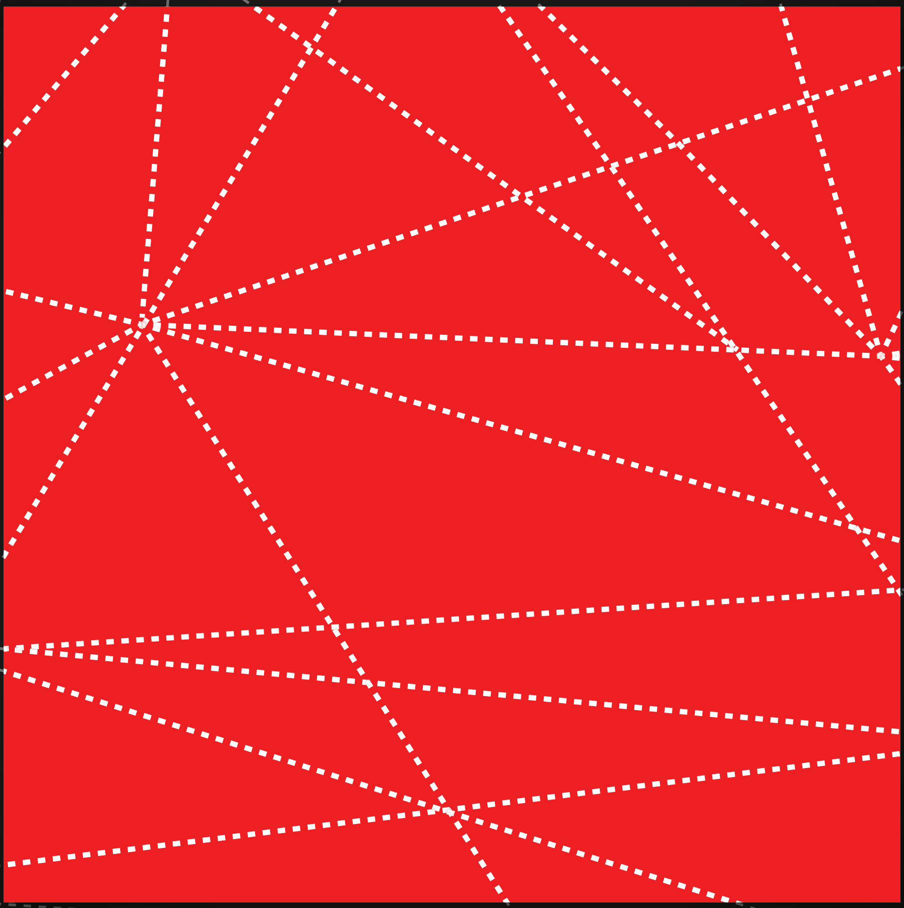


ANNUAL REPORT 2018

NOVABASE

MANAGEMENT REPORT

Page

2018 IN THE SPOTLIGHT

CHAIRMAN'S MESSAGE

Dear Shareholders,

In 2018, we began a new chapter at **NOVABASE**.

This transition means changes, starting with the company's corporate boards. We have appointed a new CEO, and have bolstered the Board of Directors' composition with profiles better suited to our new challenges and current market setting.

There are also major developments in the area of corporate policies. We have approved and disseminated diversity and harassment policies to help consolidate practices and a vision more closely aligned with the interests of our company. With regard to risk management – an area of paramount importance in a sector as dynamic and disruptive as ours – we have approved a new system and have disseminated a new policy to help create a more transparent, conscientious and responsible company culture.

Our sector has never impacted the world as much as it does today. We are living in exciting times! But the difficulty of our mission and the uncertainties we face are also tremendous.

Once again, we will have to reinvent ourselves to be successful. In the past, we have always been able to navigate the waves of innovation and take advantage of disruptions. Today's world wants us to become increasingly more global. It wants our products and services to play a central, differentiated role in the new digital value chains. It wants us to find new ways of attracting and motivating talent, whose demand has become increasingly more competitive. It wants us to create a new work culture where creativity, accountability and independence are accessible, and are demanded and assumed by all of our employees.

These are the challenges we have given ourselves, and we have gotten off to a good start. We boast an enviable position serving the future to which we aspire. More than half our business is outside of Portugal, with a major international track record. A story, a brand and an undertaking which we will have to make even more appealing to the technology talent we will need. Our experimental practices and cutting-edge ways of organizing work can be a competitive advantage.

Being the world's biggest technology company headquartered in Lisbon is just one way of summarising these arguments, giving us the inspiration and confidence for this new chapter we now embrace. It is also an ongoing point of pride and motivation.

Thanks to everyone for being part of this undertaking!

Luís Salvado,

CHAIRMAN NOVABASE

2018 IN THE SPOTLIGHT

CEO'S MESSAGE

Dear Shareholders,

On its 30-year anniversary, **NOVABASE** is today a financially sound company focused on creating value, with geographical diversification and resiliency in its operations.

Its strategy of sustaining value with a strong focus on profitability is well-matched to the adverse market environment seen in recent years. Note that, despite its discipline and efforts towards efficiency, the company still made major investments in the innovation of its products and services and in sales efforts outside of the domestic market, as reflected by its international turnover.

Key 2018 financial indicators confirm the company's ability to maintain a stable flow of results. **NOVABASE** has proven the resiliency of its business model in reacting to the sporadic adversities so characteristic of the IT service business, finishing the period with outstanding results.

Some of these include:

• Growth in Turnover: overall, this indicator was up 6.4% at €148.7 million, including 7.1% growth in the international business.

• Net Cash position: at the end of the period, it hit a record of €62.0 million after a distribution of €5.5 million to shareholders and non-controlling interests.

• Operating Profit (EBITDA): €10.3 million, after a solid recovery in the second half of the year.

Thinking and building the future is now our priority. In our business sector, those who fail to reinvent themselves will wither away.

Information technologies – particularly software – are today's main ingredient in building digital business platforms and systems. According to Gartner and IDC analysts, the IT services sector will grow at an overall annual rate of around 6% until 2020, with all of this growth occurring in the digital segment at a rate of 13% per year, which is estimated to represent approximately half the total market by 2020.

The opportunities and threats are clear. So are the challenges faced by **NOVABASE**:

- Market demand for high-quality talent – especially in the Portuguese market, where we recruit nearly all our employees – is high, with a sharp rise in labour costs, making retention more difficult.

- The digital revolution in our customers' businesses will transform how software is delivered, requiring not only a mass-requalification of technology expertise, but also a redefinition of project delivery methods to our customers. To leverage these dynamics, **NOVABASE** is in a process of in-depth strategic reflection, which it will announce to shareholders and the general market in due course.

It is a time of transformations. Once again, **NOVABASE** will be reinventing itself.

João Nuno Bento

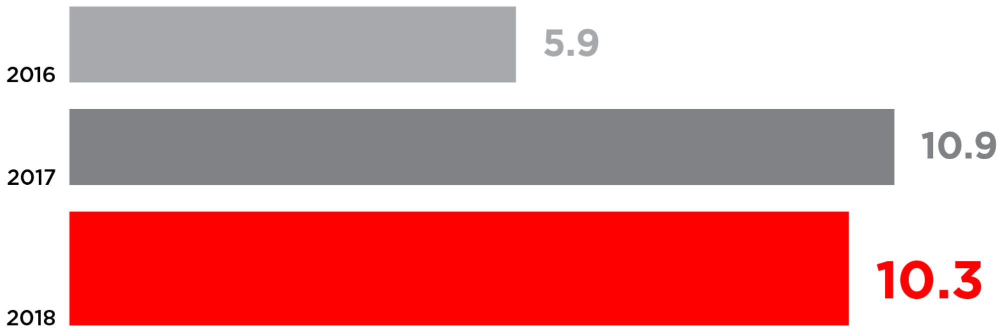
CEO NOVABASE

FINANCIAL HIGHLIGHTS

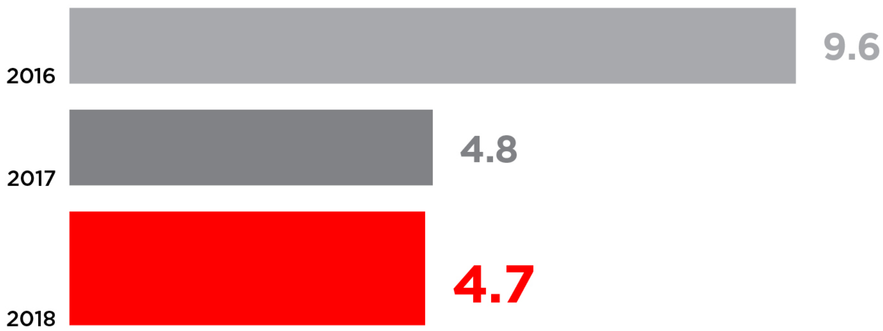
AMOUNTS IN M€, EXCEPT OTHERWISE STATED

TURNOVER

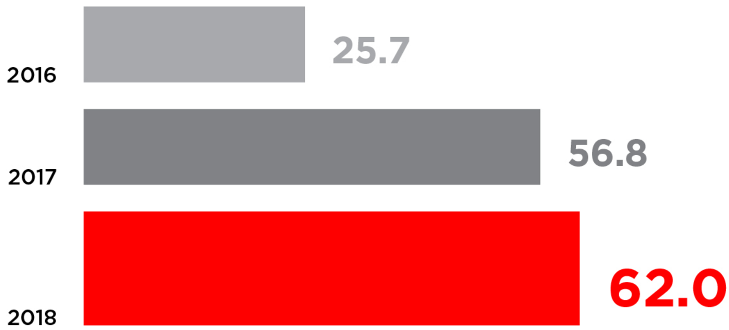
EBITDA



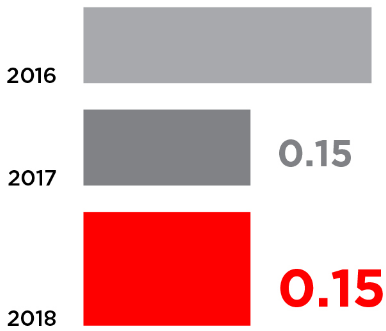
NET PROFIT



NET CASH



EPS (€/share)



R&D EXPENSE

INTERNATIONAL BUSINESS (%)

CORPORATE GOVERNANCE

NOVABASE has been a publicly-traded company since July 2000. It operates according to a governance model whose suitability and performance are assessed regularly by the Board of Directors to help optimise its performance in closer alignment with the interests of all stakeholders – those interested in NOVABASE's corporate activities, namely shareholders, investors, customers, suppliers, other business partners and employees.

In view of the mounting challenges of internationalization and competition revolving around NOVABASE's business, the corporate governance system in place at the company needed to be brought up to date by simplifying and streamlining company bodies and procedures, so as to tailor existing solutions to the company's size and specific circumstances.

Therefore, beginning in 2015, NOVABASE adopted a reinforced Latin corporate governance model comprised of a Board of Directors, Audit Board and Statutory Auditor (ROC). In this model, a substantially more agile day-to-day management structure was implemented, with the Board of Directors able to 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.

Following the General Meeting of Shareholders of 10 May 2018 (which, among other decisions, elected the members of the corporate boards and Remuneration Committee for the three-year period of 2018-2020), the elected Board of Directors delegated NOVABASE's daily management to an Executive Committee supervised by the non-executive directors.

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.

NOVABASE constantly analyses the implementation of this model in order to refine its corporate governance practices, whenever possible, and tailor the model to the demands and challenges faced by the Company.

SUSTAINABILITY

CREATION OF VALUE FOR THE SHAREHOLDERS		
	Turnover	148.7 M€
	EBITDA	10.3 M€
	Atributtable Net Profit	4.7 M€
	Turnover growth rate	6.4%
	International Turnover growth rate	7.1%
	EBITDA growth rate	-5.6%
	Atributtable Net Profit growth rate	-0.8%
	Net Cash growth	5.2 M€
	Return on Equity	7.1%
	Return on Assets [1]	4.3%

[1] Return on Assets = Operating Profit / Total Assets

AVERAGE NUMBER EMPLOYEES	2085

NEW TALENT	+152

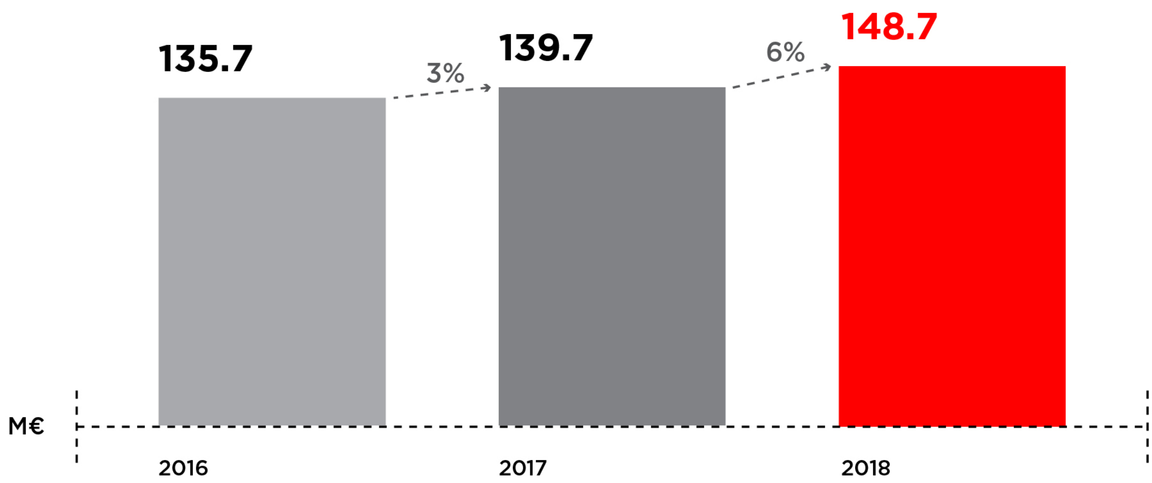
FINANCIAL AND STOCK PERFORMANCE

CHANGES IN KEY INDICATORS

As of 1 January 2018, **NOVABASE** adopted IFRS 9 - Financial Instruments and IFRS 15 - Revenue from contracts with customers, and has not restated comparative information, as provided by the standards, with the cumulative effect of the initial application recognised in Equity at 1/1/18.

TURNOVER

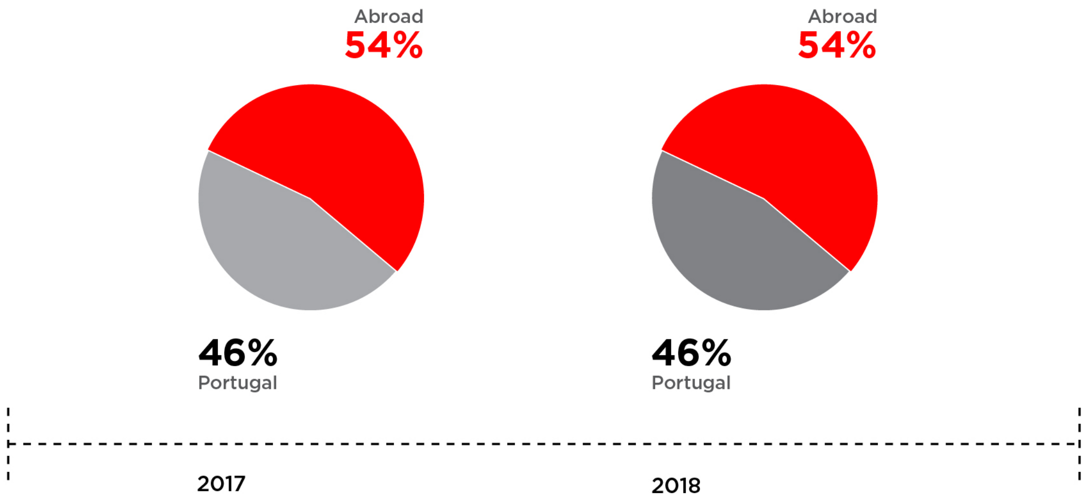
NOVABASE's Turnover in 2018 was 148.7 M€ (million euros), an increase of 6% compared to 139.7 M€ in 2017. The evolution of Turnover was positively impacted by the recognition in 2018 of 6.5 M€ in accordance with IFRS 15. Even so, excluding this effect, Turnover stood above the annual Guidance (of 140 M€) by 2%.



From the total Turnover, 80.9 M€ were generated outside Portugal, which compares to 75.5 M€ registered in 2017.

It is to be noted that the total Turnover for 2018 includes 6.5 M€ by the entry into force of the international accounting standard IFRS 15, however, the International Turnover ratio does not change significantly if we exclude this impact (53%).

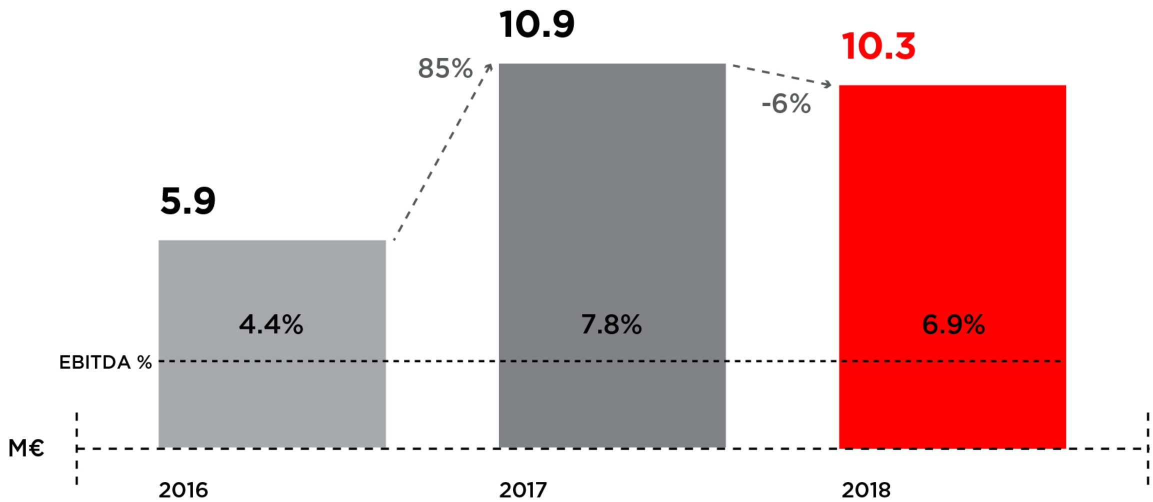
Europe was the continent with greater expression in 2018, consolidating its leadership as the major market which reflects **NOVABASE**'s strategy to limit its activity in geographies with greater volatility. Europe contributed with 55.6 M€ for the total Turnover (which represents 69% of international business), a 7% increase over the previous year.



By segment, business outside Portugal generated in the Business Solutions area remained at 54% of the respective Turnover (54% in 2017) and in the Venture Capital area increased to 66% (60% in 2017).

EBITDA

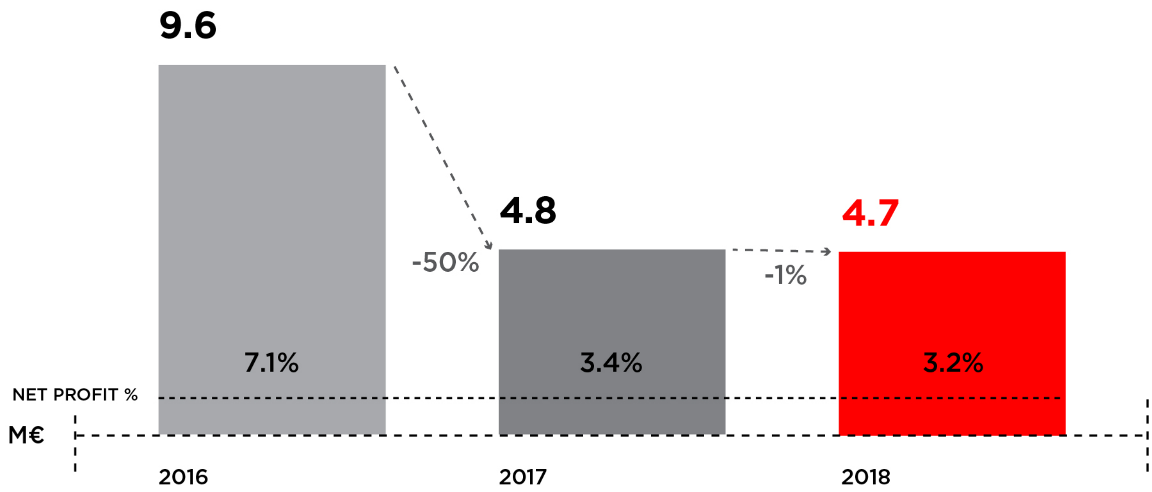
EBITDA reached 10.3 M€ in 2018, a 6% decrease compared to the 10.9 M€ obtained in 2017. Excluding the positive effect of IFRS 15 amounting to 2.1 M€, EBITDA stood in line with the annual Guidance of 8.0 M€ (+2% in value and nil percentage points).



The EBITDA margin was 6.9%, below the 7.8% of margin obtained in 2017.

RESULTS

Consolidated Net Profit, after Non-Controlling Interests, reached 4.7 M€, showing a decrease of 1% compared to the 4.8 M€ registered in 2017. However, Net Profit increased by 47% YoY, excluding the one-off effects recorded in 2017 and 2018, of the adjustment to the gain on sale of the IMS Business and IFRS 15 (net of tax), respectively.



Earnings per Share in 2018 reached 0.15 Euros per share, in line with the Earnings per Share from the previous year of 0.15 Euros per share.

Trends in EBITDA to Net Profit were as follows:

Depreciation and amortisation reached -2.9 M€, an improvement towards the amount registered in 2017 (-3.2 M€).

Operating Profit (EBIT) was 7.4 M€, a decrease of 4% compared to the previous year (7.7 M€).

Financial results were negative in 1.6 M€, which compares to -0.8 M€ in 2017.

Earnings Before Taxes (EBT) in 2018 were 6.1 M€, registering a 22% decrease versus the 7.8 M€ recorded in 2017.

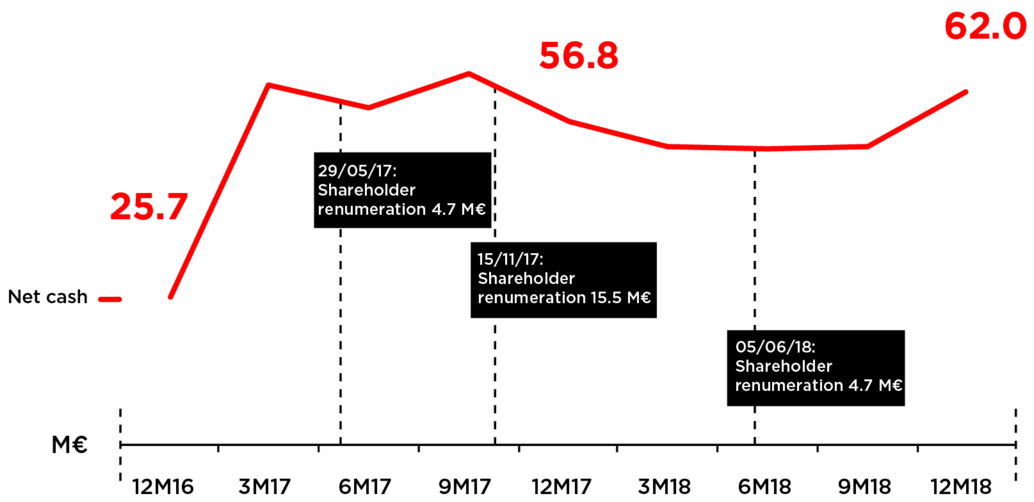
The Gain on net monetary position, amounting to 0.3 M€, derives from the application of IAS 29 to the financial statements of the subsidiary in Angola, after this economy has been considered as a hyperinflationary economy, in accordance with that standard, since December 2017. The 2018 computed gain considers an inflation rate of 18.6% in Angola.

Results from Discontinued Operations in 2018 are nil, which compares to 2.7 M€ in 2017, value that corresponds fully to the adjustment on the gain generated by the sale of the IMS business, arising from the final calculation of working capital and net debt, as established in the purchase and sale agreement.

Non-controlling interests amounted to -0.3 M€ in 2018, which compares to -4.4 M€ in 2017. This difference is mainly explained by the evolution of the results of subsidiaries focused on international expansion.

CASH

In 2018, **NOVABASE** shows a positive evolution in cash generation, with a 5.2 M€ increase in the cash position in 2018. Thus, **NOVABASE** ended 2018 with 62.0 M€ in Net Cash, which compares to 56.8 M€ in 2017. This cash generation includes the payment of dividends to shareholders and Non-controlling interests referred below, and a significant release of working capital.



On June 5, 2018, **NOVABASE** paid its shareholders a total amount of 4.7 M€ (0.15€/share). Additionally, on December, 2018, the amount of 0.8 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 THOUSANDS OF EUROS	31.12.18	31.12.17
Cash and cash equivalents	63,614	56,136
Held-to-maturity invest. / Invest. securities - Non-current *	7,680	7,713
Held-to-maturity invest. / Invest. securities - Current *	1,198	7,353
Treasury shares held by the Company **	761	1,148
Bank borrowings - Non-current	(6,294)	(10,563)
Bank borrowings - Current	(4,959)	(4,963)
	62,000	56,824

* The Group adopted IFRS 9 on 1/1/2018 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period are not restated. Accordingly, the amounts currently shown in the caption "Investment securities" are shown, in the comparative period, under "Held-to-maturity investments" caption.

** The share price in the Stock Exchange in the last tradable day of 2018 was 2.020 Euros (2017: 3.049 Euros).

CAPITAL EXPENDITURE

Consolidated recurring investment reached 1.1 M€ in 2018. 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 0.9 M€, related to other tangible assets, such as furnishings.

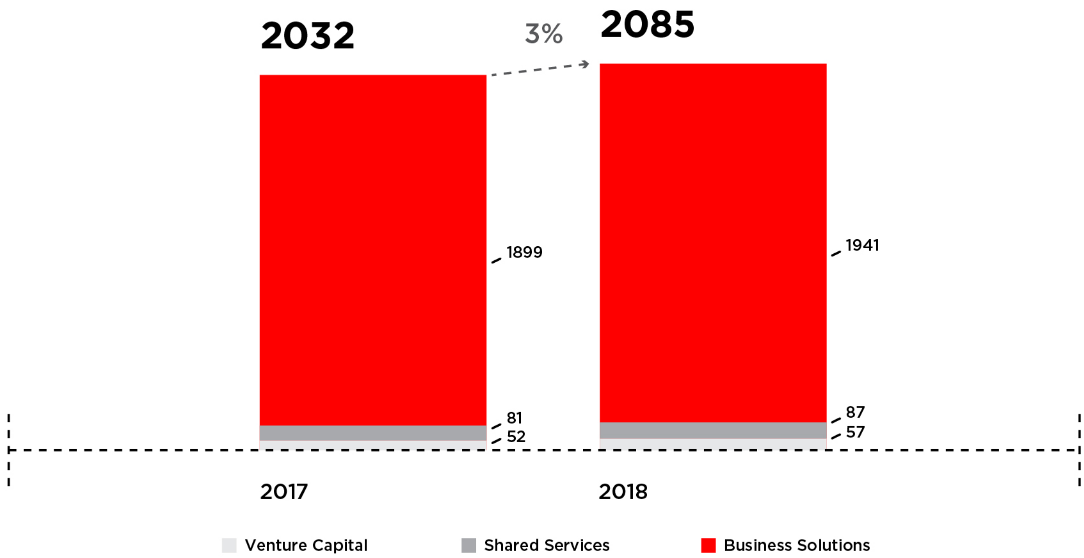
Non-recurring investment was negative, in the total amount of -0.4 M€, comprising extraordinary movements, write-offs and currency translation differences, and the application of the hyperinflation standard (IAS 29) to the tangible assets of the subsidiary in Angola (non-cash items).

	NON-RECURRING	RECURRING	TOTAL
WORK IN PROGRESS			
Work in Progress		0.2	0.2
Transfer to Intangible Assets	-0.4		-0.4
SUB-TOTAL (1)	**-0.4**	**0.2**	**-0.2**
INTANGIBLE ASSETS			
R&D	0.4		0.4
Industrial Property and Other Rights	0.0		0.0
Goodwill	0.0		0.0
SUB-TOTAL (2)	**0.4**	**0.0**	**0.4**
TANGIBLE ASSETS			
Transport Equipment / Leasing / OR	-0.3		-0.3
Other Tangible Assets	-0.1	0.9	0.8
SUB-TOTAL (3)	**-0.4**	**0.9**	**0.5**
TOTAL	**-0.4**	**1.1**	**0.7**

HUMAN RESOURCES

In terms of Human Resources, **NOVABASE** had, on average, 2085 employees in 2018, an increase of 3% compared to 2017 (2032).

The following table shows the average number employee's breakdown, during 2018, among **NOVABASE**'s various business areas:



At the end of the year, the total number of employees was 2157, which compares to 1991 at the end of 2017.

Worthy of note is that international employees accounts for 11% of the total number in 2018 (231), a 9% growth YoY in line with **NOVABASE**'s focus on markets outside Portugal, and the recruitment of 152 new university graduates through Novabase Academy program.

BUSINESS SUMMARY

The 2018 results were in line with expectations in terms of Turnover and EBITDA. In effect, the year was marked by a second half in which we observed an acceleration of the activity, and a recovery in terms of profitability, which had been penalized in the first months of the year due to operational difficulties limited to an international project in the Business Solutions area.

Compared to the same period of last year, Turnover increased by 6% (or 2%, excluding the impact of the change on the revenue recognition accounting policy), with the international business accounting for 54% of the total. Europe continues to lead as the major market, with operations in this geography rising to 69% of non-domestic activity.

EBITDA has evolved as anticipated in the Management Plans for 2018, registering a decrease of 6% YoY, to 10.3 M€. It is worth noting that the Guidance included the anticipation of costs, by means of R&D investment, associated to a strategy of transformation of the business model. Net Profit reached 4.7 M€, a 47% increase over the previous year if we exclude the one-off effects of 2018 and 2017 (impact of IFRS 15 and correction of the gain on sale of the IMS Business, respectively).

Towards the Guidance, and excluding the positive effects of the IFRS 15 adoption, this year's results were above in Turnover (+2%) and in EBITDA (+2% in value and same EBITDA margin).

The year of 2018 marks the beginning of a new cycle in the Novabase Group, with João Nuno Bento taking over the chair of the Executive Committee for the mandate corresponding to the 2018-2020 triennium. João Nuno Bento replaces Luís Paulo Salvado – who remains as Chairman of the Board of Directors - as CEO, at a time when **NOVABASE** has a strategic reflection in course.

We highlight in 2018:

- The Symetria product was chosen by multiple Financial Institutions as a reporting tool for Banco de Portugal's new Credit Responsibility Central. This solution simplifies reporting and compliance obligations by ensuring that obligations are met under the new regulatory framework, while also providing risk management and analysis tools;

- **NOVABASE** was the company in charge of developing account opening system with authentication by video call for two Portuguese Banks, using Wizzio. We recall that this Digital Platform, developed by the Financial Services area of **NOVABASE**, was presented at the 2017 Web Summit;

- **NOVABASE** developed the solution that supports the "Escola 360" project, whose objective is to centralize in a single platform all the modules of management of pre-school, basic and secondary school students, within the scope of the new paradigms for Education resulting from Digital Transformation in course.

Given the importance of Talent in technological innovation process, **NOVABASE** has taken several initiatives aimed at enhancing People and Knowledge.

On the one hand, **NOVABASE** has hired 152 university graduates in 2018, through its Novabase Academy Program. Since its creation in 2006, more than 1500 young people have been hired under the Novabase Academy, which has also been held in two more countries besides Portugal.

On the other hand, and in addition to this program, **NOVABASE** now has strong ties with universities and scientific ecosystems, with strategic partnerships and involvement in numerous joint initiatives.
To highlight, in this period:

- **NOVABASE** joined the Data Science Portugal group by supporting the meetups promoted by this community of Data Science enthusiasts. The goal is to share knowledge on topics such as Data Science, Machine Learning and Artificial Intelligence;

• **NOVABASE** was the main sponsor of IMSHARE, the largest Portuguese conference on data management and analysis. With four speakers on the panel, **NOVABASE** shared over the three-day conference, knowledge on topics such as Security, IOT and AI, among others;

• Novabase Academy was at FCT-UNL's Hackathon, where about 15 teams worked 24 hours straight with the goal of developing projects focused on desktop, web and mobile platforms;

• **NOVABASE** is on the list of companies that are part of the Instituto Superior Técnico Network of Partnerships, a program whose objective is to coordinate the actions of the institution with some of the more relevant organizations of the Portuguese business community;

• Additionally, **NOVABASE** participated in the APDC Congress, where it has presented its partnership with Instituto Superior Técnico (IST) in the definition and creation of the programmatic contents of a new Machine Learning course.

With regard to the promotion of the offerings, **NOVABASE** participated in the Receivables Finance International (RFIx) conference, in the context of the "Intelligent Receivables - The Rise of AI" panel and presented its Rely solution. The RFIx, held in London, is one of the the world's main event in the area of banking, that bring together financial institutions, companies and specialists for an in-depth discussion about the industry's future.

Also, **NOVABASE** once again supported the Web Summit 2018, considered one of the world's most important events in entrepreneurship, technology and innovation. The company's focus this year was its Financial Services offering, with emphasis on the Wizzio product.

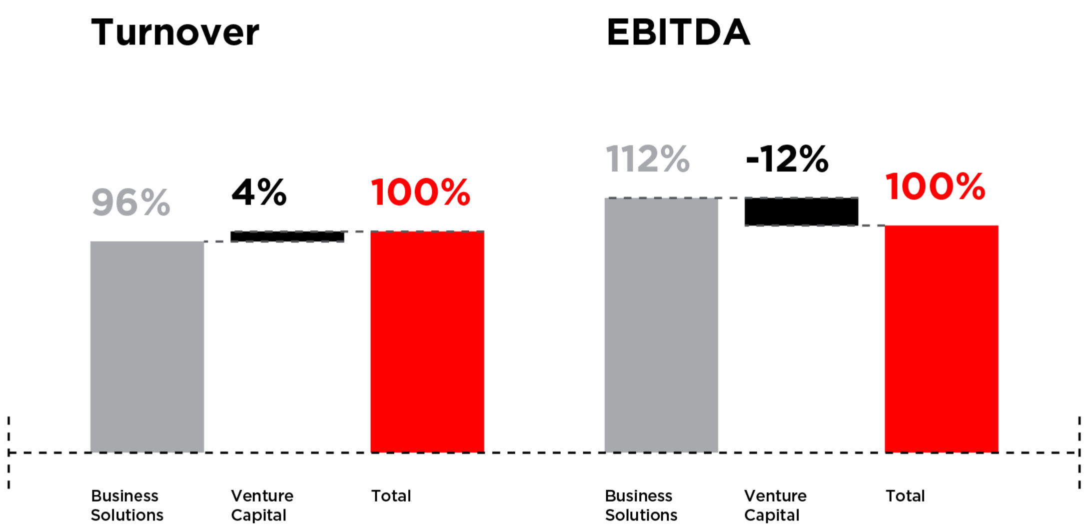
In the Venture Capital area, the most recent Venture Capital Fund 'Novabase Capital +Inovação', established at the end of last year, made its first investments. Venture Capital strengthened its portfolio in 2018 with innovative technology-based SME's, in an overall investment of 0.5 M€, by acquiring stakes in companies Probely, Lda., a company focused on cybersecurity, in CBTalents Global, S.A., a start-up specialised in the international recruitment of IT professionals, and in Aixtel Technologies, S.A., a Portuguese start-up that developed FIBERCLOUD, a network management platform for the global market.

These investments were made through the Lisbon 2020, COMPETE (included in the National Strategic Reference Framework - QREN) and COMPETE 2020 programs, with co-funding from the ERDF.

In terms of awards and distinctions, it is also worth noting that **NOVABASE** was distinguished by the British embassy's Department for International Trade (DIT) with the International Expansion Award for its investments in the United Kingdom.

Finally, we also highlight in 2018, that **NOVABASE** was again distinguished as an innovative European company by Euronext, to join the Tech 40, an index which distinguishes European listed companies for their focus on innovation and development. The companies that integrate this restricted group have access to a special roadshows program and greater visibility in some world reference events in the sector.

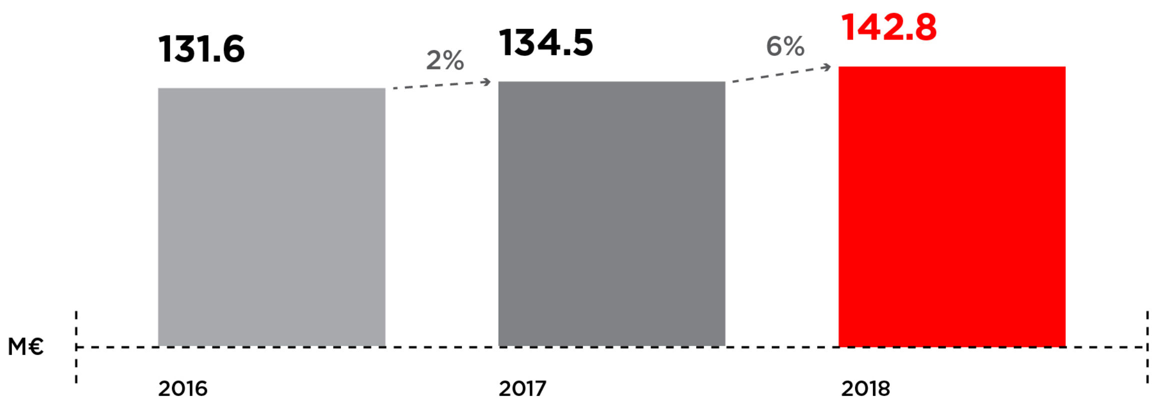
The percentage breakdown of Turnover and EBITDA by the different businesses, in 2018, is as follows:



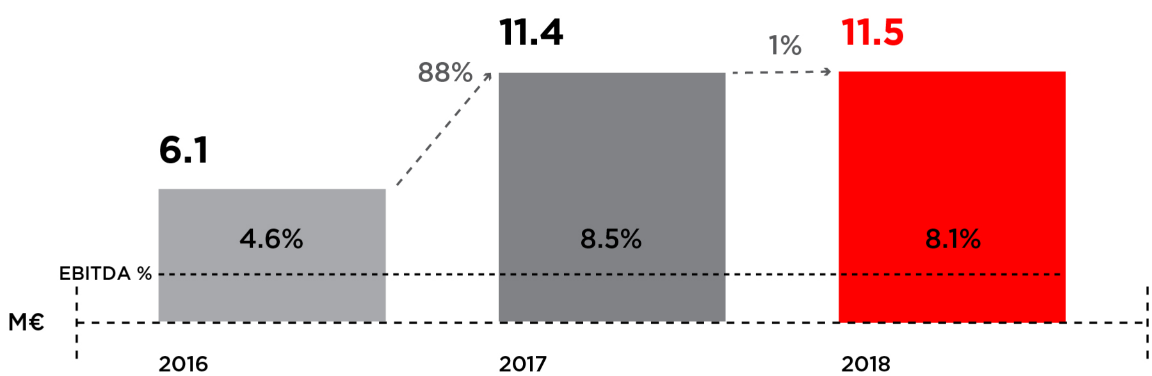
BUSINESS SOLUTIONS

In 2018, Business Solutions had, on average, a team of 1941 consultants, and generated 96% of **NOVABASE**'s total Turnover and 112% of the total EBITDA.

This business area's Turnover was 142.8 M€, a 6% increase compared to the amount recorded in 2017.



Business Solutions EBITDA increased 1% in 2018 in equivalent terms (from 11.4 M€ to 11.5 M€), with an EBITDA margin of 8.1% (which compares to 8.5% in 2017).

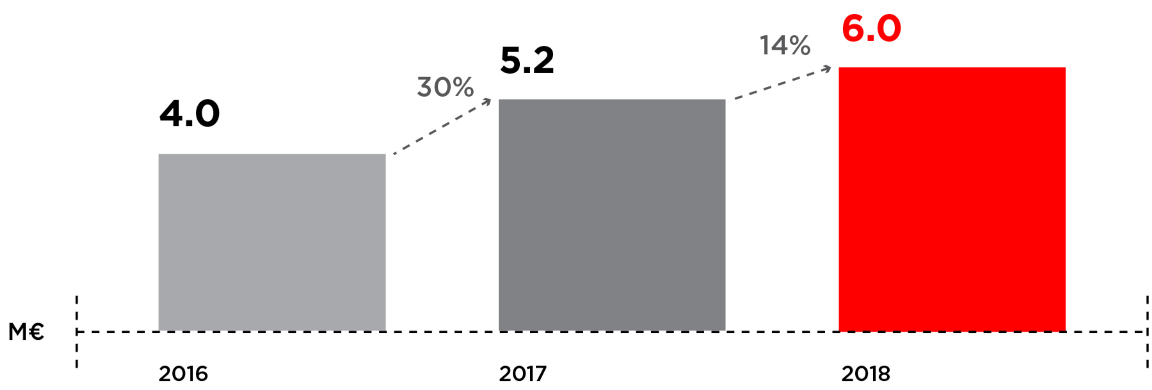


Excluding the positive effect of adopting IFRS 15 in 2018, Business Solutions' Turnover would have been 136.3 M€, with an EBITDA of 9.4 M€.

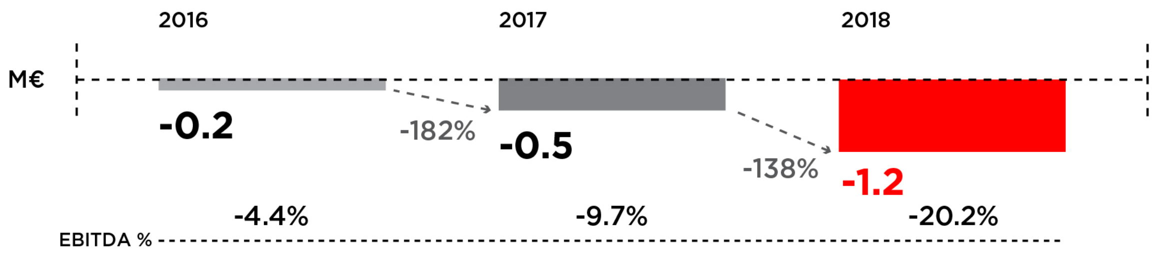
VENTURE CAPITAL

Venture Capital had, on average, a critical mass of 57 employees in 2018, and generated 4% of **NOVABASE**'s Turnover and -12% of the total EBITDA.

This business area's Turnover reached 6.0 M€, a 14% increase compared to the amount recorded in 2017.



Venture Capital's EBITDA decreased in 2018, in equivalent terms, from -0.5 M€ to -1.2 M€, with an EBITDA margin of -20.2%. This evolution mainly reflects the investment in marketing and international sales structure of one of its subsidiaries.



STOCK PERFORMANCE

In 2018, **NOVABASE** share price lost 34%, comparing to a 12% loss in the PSI20 Index and an 11% loss in the EuroStoxx Technology Index.

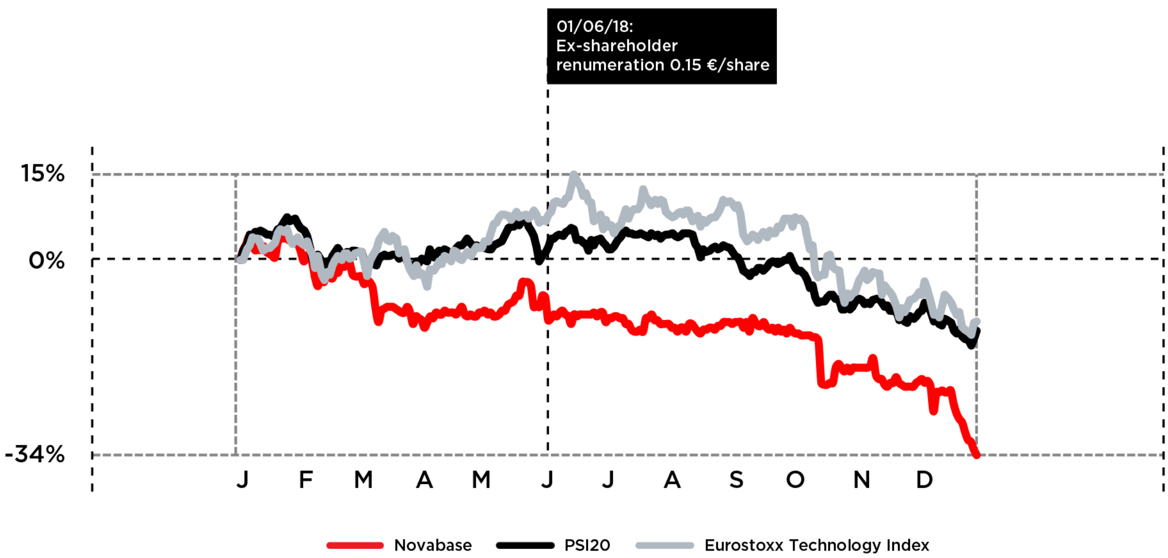
The annual review of the composition of the PSI20 Index, in March 2018, established the exit of **NOVABASE** as of March, 19, where it was trading since March 20, 2017.

On April 2018, Euronext has once again chosen **NOVABASE** to join the Tech 40, an index which distinguishes European listed companies for their focus on innovation and development.

In this period, a dividend of 0.15 €/share was distributed.

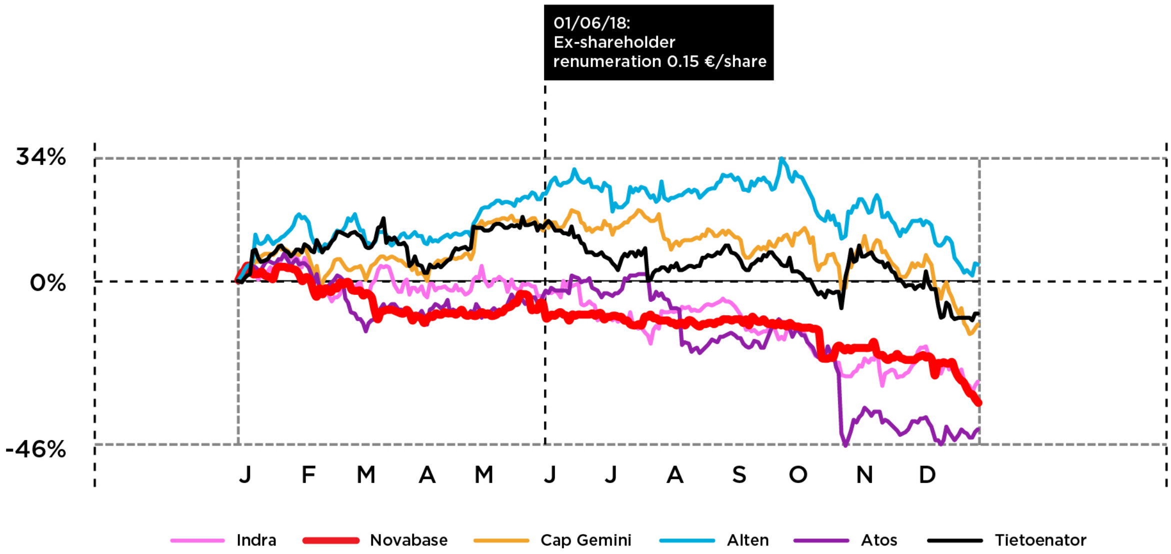
The Board of Directors will propose to the General Meeting of Shareholders to be held on 7 May 2019, the distribution of dividends in the amount of 4.7 M€, corresponding to 0.15€ per share. This dividend proposal corresponds nearly to a 100% payout and yield of around 7%.

NOVABASE AND THE MARKET



The evolution of **NOVABASE** share prices compared to other companies in the IT sector in Europe, in 2018, was as follows:

NOVABASE AND OTHER TMT



The average price target disclosed by the research that cover **NOVABASE** is 2.75 Euros (average upside of 36%).

The average **NOVABASE** share price weighted by quantity in 2018 was 2.815 Euros per share. 3.8 million shares were traded in all 255 stock exchange sessions in 2018, corresponding to a trading value of 10.6 M€.

The daily average number of shares traded was 14.8 thousand shares, corresponding to a daily average value of approximately 0.04 M€.

Share price on the last tradable day of 2018, 31 December 2018, was 2.020 Euros, which represents a loss of 34% compared to the 3.049 Euros that **NOVABASE** shares registered at the end of 2017.

The maximum closing price achieved in 2018 was 3.170 Euros, while the minimum closing price recorded was 2.020 Euros. Market capitalization at the end of 2018 was 63.4 M€.

Share turnover accounted for 12% of **NOVABASE**'s capital, with 3.8 million shares traded, 2.2 times lower than the values recorded in 2017 (turnover of 26% of capital, with 8.2 million shares traded).

SUMMARY	2014	2015	2016	2017	2018
Minimum price (€)	2.090	2.070	1.879	2.480	2.020
Maximum price (€)	4.100	2.619	2.490	3.639	3.170
Volume weighted average price (€)	3.183	2.350	2.145	3.136	2.815
Last tradable day price (€)	2.214	2.114	2.490	3.049	2.020
No. of shares traded (millions)	5.9	5.7	2.8	8.2	3.8
Market cap. in the last day (M€)	69.5	66.4	78.2	95.7	63.4

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 "Financial Risk Management Policy" note included in the Accounts, an integral part of this Consolidated Report and Accounts, and for which reading is advised.

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 minimise the impact of their fluctuations in consolidated results. Whenever expectations of changes in exchange rates justify it, the Group uses derivative financial instruments to hedge those exposures.

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

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

The 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 results.

NOVABASE's exposure to interest rates is related to financial assets and 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 amount, 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 interest expenses.

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:

(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.

OUTLOOK FOR 2019

The 2018 results are positive and aligned with the goals laid out for the year and incorporated in the Guidance of Turnover and EBITDA (+2% in both cases, after excluding the accounting effects of the IFRS 15 adoption).

The international business accounts for 54% of the total activity, with Europe consolidating its position as the major market, having increased its weight to 69%. In this period, EBITDA margin was 6.9% and Net Profit reached 3.2%. The Cash position evolved favourably, with a generation of 5.2 M€ in the year.

In 2018, **NOVABASE** reaffirmed the priority of business adequacy, especially in relation to investments to enable skills in higher-quality more sustainable areas.

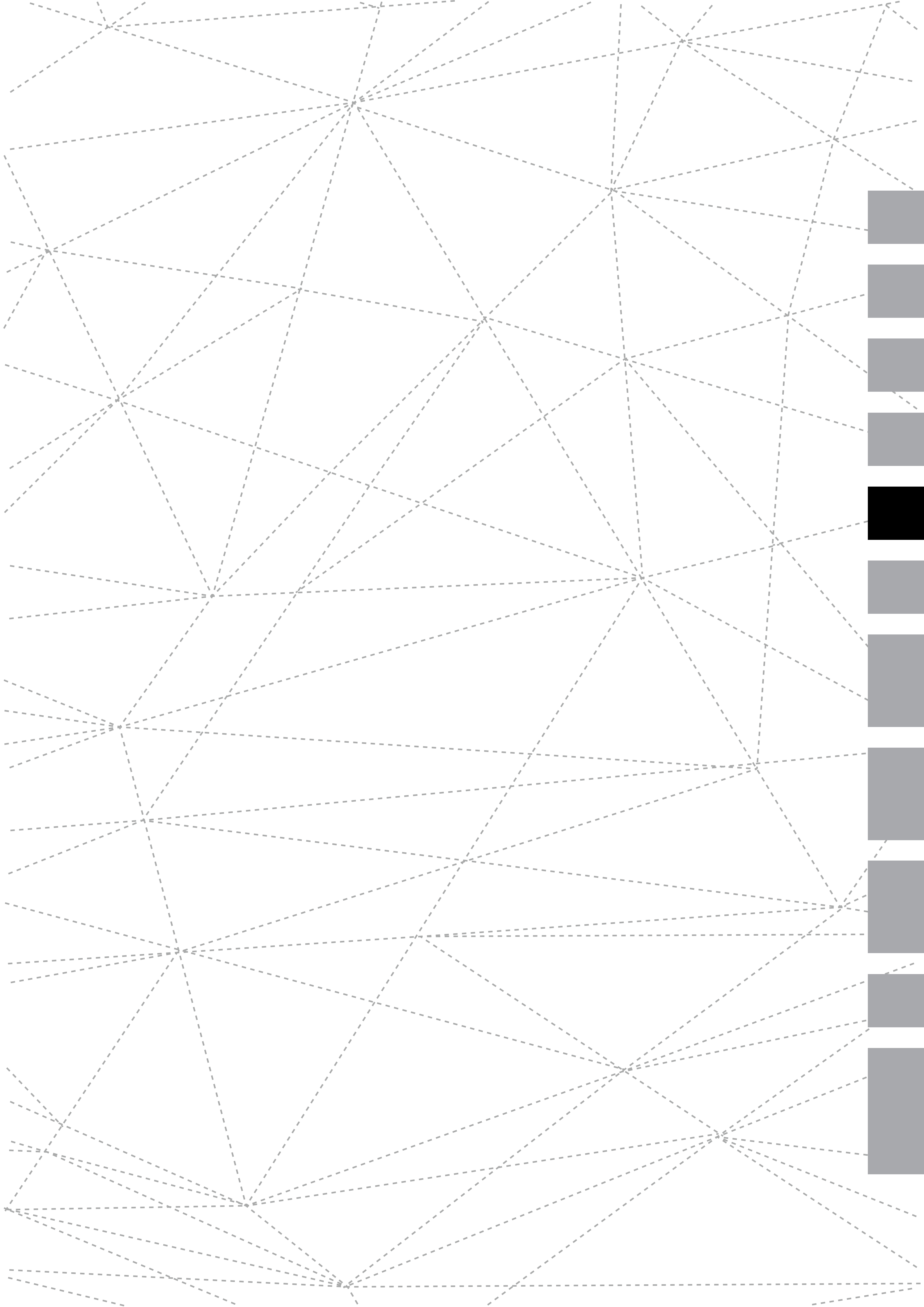
Indeed, **NOVABASE** is currently concluding a strategic reflection period, and in due time the main guidelines will be released.

SUBSEQUENT EVENTS

The following relevant facts occurred in 2019 by the date of issue of this report:

Dividend to shareholders

NOVABASE informed the intention of its Board of Directors to propose, at the 2019 Annual General Meeting of Shareholders, the distribution of 4.7 Million Euros to shareholders. This payment, equal to 99.4% of the consolidated net profit, represents a dividend of 15 Euro cents per share.



CORPORATE BOARDS

BOARD OF DIRECTORS

Chairman
Luís Paulo Cardoso Salvado

Members
João Nuno da Silva Bento
Álvaro José da Silva Ferreira
Francisco Paulo Figueiredo Morais Antunes
María del Carmen Gíl Marin
José Afonso Oom Ferreira de Sousa
Pedro Miguel Quinteiro Marques Carvalho
Marta Isabel dos Reis Graça Rodrigues do Nascimento

OFFICERS OF THE GENERAL MEETING

Chairman
António Manuel da Rocha e Menezes Cordeiro

Secretary
Madalena Paz Ferreira Perestrelo de Oliveira

EXECUTIVE COMMITTEE

Chairman
João Nuno da Silva Bento

Members
Álvaro José da Silva Ferreira
Francisco Paulo Figueiredo Morais Antunes
María del Carmen Gil Marín

AUDIT BOARD

Chairman
Álvaro José Barrigas do Nascimento

Members
Fátima do Rosário Piteira Patinha Farinha
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Surrogate
Manuel Saldanha Tavares Festas

STATUTORY AUDITOR

Effective Statutory Auditor
KPMG & Associados - S.R.O.C., S.A. represented by Paulo Alexandre Martins Quintas Paixão

Surrogate Statutory Auditor
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
Marta Isabel dos Reis G. Rodrigues do Nascimento (Surrogate)

PROPOSAL FOR THE ALLOCATION OF PROFITS

In 2018, Novabase S.G.P.S., S.A. recorded a consolidated net profit of € 4,736,600.14 (four million, seven hundred and thirty six thousand, six hundred euros and fourteen cents) and a net profit of €1,208,534.87 (one million, two hundred and eight thousand, five hundred and thirty-four euros and eighty-seven cents) in the individual accounts .

In compliance with the provisions of law and the articles of association, 5% of the net profit for the financial year should be added to the statutory reserves until such statutory reserves represent at least 20% of the share capital. In addition, and in accordance with subparagraph b) of paragraph 1 of article 324 of the Companies Code, Novabase S.G.P.S. creates a non-distributable reserve with an amount equal to the amount recorded in treasury shares.

The individual statement of financial position of the Company, reported as at December 31, 2018, 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 reaches the minimum legally required, not becoming, on the other hand, as a result of the intended allocation of profits and distribution of retained earnings, 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.

The individual statement of financial position of the Company, reported as at December 31, 2018, presents, moreover, reserves and retained earnings in the amount of € 18,184,578.45 (eighteen million, one hundred and eighty four thousand, five hundred and seventy eight euros and forty-five cents) of which, as mentioned above, only the following amounts may not be distributed: (i) € 3,140,139.40 (three million, one hundred and forty thousand, one hundred and thirty nine euros and forty cents) corresponding to the legal reserve, and (ii) € 188,305.50 (one hundred and eighty eight thousand, three hundred and five euros and fifty cents) corresponding to the reserve for treasury shares.

On 14 February 2019, the Company's Board of Directors informed on its intention to propose, at the 2019 Annual General Meeting of Shareholders, the distribution of a global amount of € 4,7 million, equivalent to 99.4% of the consolidated net profit, corresponding to a payment to the shareholders of €0.15 per share, subject to the General Meeting's approval.

Pursuant to legal and statutory provisions, the Board of Directors proposes the following distribution of results:

1. Payment to the shareholders of the entirety of the net profit for the financial year above mentioned, in the amount of €1,208,534.87 (one million, two hundred and eight thousand, five hundred and thirty-four euros and eighty-seven cents), plus € 3,501,674.23 (three million, five hundred and one thousand, six hundred and seventy four euros and twenty-three cents) from the abovementioned distributable reserves and retained earnings, in a total amount of €4,710,209.10 (four million, seven hundred and ten thousand, two hundred and nine euros and ten cents) corresponding to a payment of € 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 (fifteen euro cents)), 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.

Lisbon, 28 March 2019

Board of Directors

ANNEXES TO THE MANAGEMENT REPORT

LIST OF SHAREHOLDERS WITH QUALIFYING STAKES AS AT 31 DECEMBER, 2018

(Under the terms of paragraph 4 of Article 448.º of the Portuguese Commercial Companies Code and Article 16º of the Portuguese Securities Code)

HOLDING UNDER THE SHAREHOLDERS AGREEMENT CONCERNING NOVABASE	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
HNB - S.G.P.S., S.A. [1]	10,501,589	33.44%
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613	6.68%
Luís Paulo Cardoso Salvado [1]	1	0.00%
João Nuno da Silva Bento [1]	1	0.00%
Álvaro José da Silva Ferreira [1]	1	0.00%
José Afonso Oom Ferreira de Sousa [1]	1	0.00%
TOTAL [2]	**12,599,206**	**40.12%**

[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 - S.G.P.S., S.A., and have entered into a shareholders agreement concerning the whole of HNB - S.G.P.S., 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%

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Lazard Frères Gestion SAS	1,570,870	5.00%

Santander Asset Management Sociedade Gestora de Fundos de Investimento Mobiliário, S.A.	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1,476,905	4.70%
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	34,537	0.11%
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
Maria Manuela de Oliveira Marques	1,043,924	3.32%

The holdings identified above correspond to the last positions notified to the Company with reference to 31 December 2018 or a previous date.

There are no categories of shares with special rights.

INFORMATION CONCERNING STAKES HELD IN THE COMPANY BY MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BODIES AS AT 31 DECEMBER, 2018

(Under the terms of paragraph 5 of Article 447 of the Portuguese Commercial Companies Code)

HOLDERS [1]	NO. SHARES [1]	% OF SHARE CAPITAL AND VOTING RIGHTS
Pedro Miguel Quinteiro Marques de Carvalho (Non-Executive member of the Board of Directors)	2,097,613	6.68%
Manuel Saldanha Tavares Festas (Deputy member of the Audit Board)	74,986	0.24%
Francisco Paulo de Figueiredo Morais Antunes (Executive member of the Board of Directors and CFO)	30,335	0.10%
María del Carmen Gil Marín (Executive member of the Board of Directors)	23,001	0.07%
Luís Paulo Cardoso Salvado [2] (Chairman of the Board of Directors)	1	0.00%
João Nuno da Silva Bento [2] (Executive member of the Board of Directors and CEO)	1	0.00%
Álvaro José da Silva Ferreira [2] (Executive member of the Board of Directors)	1	0.00%
José Afonso Oom Ferreira de Sousa [2] (Non-Executive member of the Board of Directors)	1	0.00%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento (Non-Executive member of the Board of Directors)	0	0.00%
Álvaro José Barrigas do Nascimento (Chairman of the Audit Board)	0	0.00%
Fátima do Rosário Piteira Patinha Farinha (Effective member of the Audit Board)	0	0.00%
Miguel Tiago Perestrelo Ribeiro Ferreira (Effective member of the Audit Board)	0	0.00%
KPMG & Associados – S.R.O.C., represented by Paulo Alexandre Martins Quintas Paixão (Effective Chartered Accountant)	0	0.00%
Maria Cristina Santos Ferreira (Deputy Chartered Accountant)	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 2018 or a previous date.

[2] José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are shareholders of HNB – S.G.P.S., S.A., where they hold management positions. HNB – S.G.P.S., S.A. holds 10,501,589 shares representing 33.44% 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)

DIRECTOR / CLOSELY ASSOCIATED PERSON [1]	TRANSACTION	DATE	LOCATION	NO. SHARES	PRICE PER SHARE (€)
Pedro Miguel Quinteiro Marques de Carvalho	Disposal	04/01/18	Over-the-Counter	191,455	3.130
HNB - S.G.P.S., S.A. (a)	Acquisition	05/11/18	NYSE Euronext Lisbon	4,719	2.490
HNB - S.G.P.S., S.A. (a)	Acquisition	05/11/18	NYSE Euronext Lisbon	235,475	2.490

[1] Transactions on Novabase' shares by the persons referred to in Article 447 of the Commercial Companies Code.

(a) The company HNB – S.G.P.S., S.A. have José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, 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 66.º of the Portuguese Commercial Companies Code)

At 31 December 2017, Novabase S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.

During 2018, there were no own shares transactions.

Thus, at 31 December 2018, Novabase S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.

During the 2018 financial year, Novabase S.G.P.S. shares always had a nominal value of €0.5.

NON-FINANCIAL STATEMENTS

SCOPE

Pursuant to article 508.-G of the Commercial Companies Code, as amended by Decree Law no. 89/2017 of 28 July, which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 into Portuguese legislation, **NOVABASE** explains in this document the "information for a sufficient understanding of the developments, performance, position and impact of the group's activities, at minimum with regard to environmental, social and employee-related issues, equality between men and women, non-discrimination, respect for human rights and fighting corruption and attempted bribery" in relation to the Novabase Group for the year ending 31 December 2018.

INTRODUCTION | NOVABASE GROUP

Information on the Novabase Group's business and corporate structure is available in the 2018 Annual Report and Accounts (Notes to the Consolidated Financial Statements for the year ending 31 December 2018, Section 1. General Information), as well as in the 2018 Corporate Governance Report (Part I, Section B., Point 21).

REFERENCE DOCUMENTS AND DILIGENCE PROCEEDINGS

In view of the Novabase Group's size, the nature of its business, its business model and the industries in which it operates, no formal policies have been approved for all of the items referred to in article 508.-G (2) of the Commercial Companies Code. Nonetheless, various aspects of the Novabase Group's business are governed by applicable legislation, and by applicable regulations and recommendations of the Portuguese Securities Market Commission and other domestic and international entities. In addition, the Novabase Group internally uses a number of reference documents, diligence proceedings and systems regarding practices to be employed in certain areas, taking the Group and its needs into account, together with its employees, professionals and other stakeholders, with a view to ensuring sustainable growth. Novabase Group companies are also subject to a number of different internal and external audits.

In this context, the main aspects, documents, practices and processes in place at the Novabase Group, which it believes have an impact on non-financial issues relevant to the Group (namely involving the environment, society, labour, gender equality, non-discrimination, human rights and the fight against corruption), are listed below:

• **NOVABASE**'s business and the conduct of its employees and professionals are governed by applicable law in relevant jurisdictions, and by **NOVABASE**'s Code of Conduct (published at its corporate website), an internally approved document in effect at the Group since 2011 aimed at guiding the conduct of **NOVABASE**'s professionals through values cultivated by the Group in its customer and interpersonal relations.

• The company's business is managed in accordance with the Integrated Management System.

• **NOVABASE**'s companies are audited by its financial auditors; its certifications in quality (ISO 9001), environmental management (ISO 14001) and occupational health and safety (ISO 45001) are renewed each year after internal and external audits, the latter conducted by certifying entities.

• The company regularly monitors customer satisfaction, along with its employees' and professionals' satisfaction with company services and other issues of interest to the management.

• In compliance with Portuguese Securities Market Commission recommendations regarding the governance of listed companies, 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 the SPI is directed to a member of the Auditing Committee specifically designated for this purpose.

• The company is committed to promoting diversity. In the first quarter of 2018 (see point below), it approved a diversity policy for the managing and supervisory boards of Novabase S.G.P.S., S.A., reflecting shareholders' efforts to appoint a Board of Directors represented by at least 25% of members from each gender, likewise reflected in the Executive Committee.

• The company also has "Internal Regulations on Business Dealings with Qualified Novabase, S.G.P.S., S.A. Shareholders" in effect."

MANAGING AND SUPERVISORY BOARD DIVERSITY POLICY

At **NOVABASE**, we believe in equal opportunities and mutual respect regardless of ethnicity, gender, religion, beliefs, social background or sexual orientation. These differences tend to enhance the quality of decision-making processes through multiple perspectives, greater intellectual and cultural richness and a better representation of reality and of those involved.

For this reason, we also believe that diversity in our corporate boards helps to improve **NOVABASE**'s performance and competitiveness. As such, we are committed to the following policy:

- Compliance with Law no. 62/2017 of 01 August, since gender diversity provides different management styles and complementary approaches;

- With regard to age, there must be a balance between experience and maturity and the youth and energy needed for the fast-paced innovation of our highly dynamic sector (information technologies);

- With regard to qualifications and education, in addition to areas associated with technology, various other areas of knowledge must also be represented, in view of the mounting importance of multidisciplinarity in team performance.

NOVABASE will monitor this policy's implementation, in accordance with its corporate governance model, and will review it whenever deemed appropriate.

RESULTS AND KEY INDICATORS

Since no matters involving human rights, corruption or attempted bribery were reported in 2018 to the management of Novabase SGPS, S.A. through the available channels for this purpose, there are no indicators to report in this regard.

As regards gender equality, the key indicator considered is the proportion of men and women vis-à-vis all employees, which should tend to be balanced. This indicator has evolved positively (from 70% men and 30% women in 2017 to 68% men and 32% women in 2018). The gender imbalance is in line with trends in the IT industry in Portugal and abroad, and also reflects the higher education choices of each gender. In fact, in degree courses such as computer engineering, electrical engineering and network engineering, the number of male graduates far exceeds the number of female graduates.

In turn, the key indicator used for environmental issues is the number of non-conformities found in the annual Environmental Management System audit, as a result of certification in standard ISO14001. In 2018, much like in 2017, the Novabase Group's companies had no non-conformities under this standard.

Other indicators (operating, not key) monitored with regard to these issues include:

• Business: investment in research, development and innovation; customer satisfaction.

• Employee-related: number of training initiatives, participants and hours; number of occupational accidents; number of recent graduates welcomed through the Novabase Academy integration program.

• Environment: consumption of electricity, thermal energy, water, diesel and gas; recycling of plastic, cardboard, paper and glass; emission of greenhouse gases.

RISK MANAGEMENT AND INTERNAL CONTROL

The Novabase Group is subject to both standard market risks and specific risks related to its business. **NOVABASE** believes that the risk management policy is of vital importance in running and developing a business which has historically had a higher risk appetite profile, since this is intrinsically necessary in such a dynamic and disruptive sector.

NOVABASE also has internal control systems and procedures to prevent and manage risks within the context of its organization and activities. Additional information on **NOVABASE**'s internal control and risk management can be found in Part I, Section III. "Internal Control and Risk Management" of the 2018 Corporate Governance Report.

FINANCIAL STATEMENTS

TURNOVER	148.7 M€
EBITDA	10.3 M€
NET PROFIT	4.7 M€

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31.12.18	31.12.17
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	10,235	10,019
Intangible assets	16,065	17,162
Investments in associates	252	314
Financial assets at fair value through profit or loss	3,868	2,796
Held-to-maturity investments	-	7,713
Investment securities	7,680	-
Deferred tax assets	10,048	10,448
Other non-current assets	1,644	3,256
TOTAL NON-CURRENT ASSETS	49,792	51,708
CURRENT ASSETS		
Inventories	33	46
Trade and other receivables	45,658	49,745
Accrued income	5,464	16,356
Income tax receivable	2,619	1,318
Derivative financial instruments	26	18
Other current assets	3,851	1,546
Held-to-maturity investments	-	7,353
Investment securities	1,198	-
Cash and cash equivalents	63,614	56,136
TOTAL CURRENT ASSETS	122,463	132,518
Assets from discontinued operations	-	-
TOTAL ASSETS	172,255	184,226
EQUITY		
Share capital	15,701	15,701
Treasury shares	(188)	(188)
Share premium	43,560	43,560
Reserves and retained earnings	3,016	3,722
Profit for the year	4,737	4,774
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	66,826	67,569
Non-controlling interests	**13,754**	**13,597**
TOTAL EQUITY	80,580	81,166
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	13,360	16,837
Provisions	8,252	10,369
Other non-current liabilities	990	744
TOTAL NON-CURRENT LIABILITIES	22,602	27,950
CURRENT LIABILITIES		
Borrowings	6,320	6,907
Trade and other payables	40,399	41,619
Income tax payable	-	578
Derivative financial instruments	24	-
Deferred income and other current liabilities	22,267	25,103
TOTAL CURRENT LIABILITIES	69,010	74,207
Liabilities from discontinued operations	63	903
TOTAL LIABILITIES	91,675	103,060
TOTAL EQUITY AND LIABILITIES	172,255	184,226

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	12 M *	
	31.12.18	31.12.17
CONTINUING OPERATIONS		
Sales	894	159
Services rendered	147,829	139,563
Cost of sales	(848)	(31)
External supplies and services	(53,844)	(51,201)
Employee benefit expense	(86,468)	(82,155)
Net impairment losses on trade and other receivables	785	-
Other gains/(losses) - net	1,951	4,580
Depreciation and amortisation	(2,940)	(3,210)
OPERATING PROFIT	**7,359**	**7,705**
Finance income	2,548	6,199
Finance costs	(4,039)	(6,776)
Share of loss of associates	(62)	(261)
Gain on net monetary position	308	955
PROFIT BEFORE INCOME TAX	**6,114**	**7,822**
Income tax expense	(1,100)	(1,382)
PROFIT FROM CONTINUING OPERATIONS	**5,014**	**6,440**
DISCONTINUED OPERATIONS		
Profit from discontinued operations	-	2,696
PROFIT FOR THE YEAR	**5,014**	**9,136**
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	4,737	4,774
Non-controlling interests	277	4,362
	5,014	**9,136**
EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE PARENT (EUROS PER SHARE)		
BASIC EARNINGS PER SHARE		
From continuing operations	0.15 Euros	0.07 Euros
From discontinued operations	Zero Euros	0.09 Euros
FROM PROFIT FOR THE YEAR	**0.15 Euros**	**0.15 Euros**
DILUTED EARNINGS PER SHARE		
From continuing operations	0.15 Euros	0.07 Euros
From discontinued operations	Zero Euros	0.09 Euros
FROM PROFIT FOR THE YEAR	**0.15 Euros**	**0.15 Euros**

12 M * - period of 12 months ended

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	12 M *	
	31.12.18	31.12.17
PROFIT FOR THE YEAR	**5,014**	**9,136**
Other comprehensive income for the year		
Items that may be reclassified to profit or loss		
Exchange differences on foreign operations, net of tax	1,627	(467)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**1,627**	**(467)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,641**	**8,669**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	5,556	4,533
Non-controlling interests	1,085	4,136
	6,641	**8,669**

12 M * - period of 12 months ended

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, 2018

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, 2018.

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 five 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 2018 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 2018, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions

During the 2018 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 2018 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2018, 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 2018 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 2018 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 2018 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2018 financial year.

Lisbon, March 28, 2019

The Audit Board

Álvaro Nascimento – Chairman

Fátima Farinha – Member

Miguel Ribeiro Ferreira – Member

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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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 2018 (showing a total of 172,255 thousand euros and equity of 80,580 thousand euros, including non-controlling interests of 13,754 thousand euros and a net profit attributable to the shareholders of Novabase of 4,737 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 2018 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.

Key audit matters

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras consolidadas do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras consolidadas como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

KPMG

Revenue recognition

The Risk

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 overtime in accordance with IFRS 15, 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 2018.

Our response to the identified risk

Our audit procedures included, among others, the following:

— We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards;

— We have tested the relevant controls, including application controls and general IT controls, related to the revenue recognition process;

— We have critically analyzed the 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,

— We have assessed the adequacy of the Group's disclosures over revenue recognition considering the applicable accounting standards.

International exposure

The Risk

The Group's operations outside Portugal represented more than 54% of total consolidated revenue in 2018. In recent years, as a result of the assessment of business risks, the Group has limited its activity in more volatile geographies. Currently, the European market accounts for about 69% of the international business. The past 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 2018.

Our response to the identified risk

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.

Recoverability of goodwill

The Risk

As disclosed in note 8, as at 31 December 2018, the net book value of goodwill of the Business Solutions segment.amounted to 14,886 thousand euros.

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 2.7(1), 4(a) 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 2018.

Our response to the identified risk

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, and the integrity of the discounted cash flow model;
- We have compared the internal and external assumptions used and we have considered their reasonableness such as current business trends, market performance, inflation, projected economic growth and discount rates;
- We have involved specialists in the measurement of the average cost of capital ratio; and,
- We have assessed the adequacy of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

Recoverability of deferred tax assets

The Risk

As disclosed in note 11, as at 31 December 2018, the amount of deferred tax assets was of 10,048 thousand euros, of which 9,516 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 2018.

Our response to the identified risk

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 body 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 consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (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 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.

Sobre a informação não financeira prevista no artigo 508.º-G do Código das Sociedades Comerciais

Dando cumprimento ao artigo 451.º, n.º 6, do Código das Sociedades Comerciais, informamos que o Grupo incluiu no seu relatório de gestão a demonstração não financeira prevista no artigo 508.º-G do Código das Sociedades Comerciais.

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

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group inform that the Group included in its management report the non-financial information defined in article 508º-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 first appointed as auditors of Novabase, SGPS, S.A. (parent Entity of the Group) in the shareholders general assembly held on 29 April 2015 for a first mandate from 2015 to 2017. We were appointed in the shareholders general assembly held on 10 May 2018 for a second mandate from 2018 to 2020;
- Management as 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 28 March 2019; and,
- We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas' statutes, and we have remained independent of the Group in conducting the audit.

28 March 2019

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)

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Contents

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

A. 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 2018 (€)	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 fully paid up.

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.

There are no categories of shares with special rights.

Shareholdings

Holding subject to Novabase shareholders' agreement	Number of shares	% share capital and voting rights
HNB - SGPS, S.A.[1]	10,501,589	33.44%
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613	6.68%
Luís Paulo Cardoso Salvado[1]	1	0.00%
João Nuno da Silva Bento[1]	1	0.00%
Álvaro José da Silva Ferreira[1]	1	0.00%
José Afonso Oom Ferreira de Sousa[1]	1	0.00%
TOTAL[2]	12,599,206	40.12%

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

[2] Total holding 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.

	Number 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, who was attributed the corresponding voting rights.

	Number of shares	% share capital and voting rights
IBIM2 Limited	3,144,217	10.01%

	Number of shares	% share capital and voting rights
Lazard Frères Gestion SAS	1,570,870	5.00%

Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliário, SA	**Number of shares**	**% share capital and voting rights**
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1.476.905	4.70%
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	34.537	0.11%
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.

	Number of shares	% share capital and voting rights
Maria Manuela de Oliveira Marques	1,043,924	3.32%

The above holdings correspond to the last positions notified to the company in reference to 31 December 2018 or before.

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's clauses do not limit the transfer 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 2018, 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 with regard to 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, is shown below:

"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 articles 17 and 19 of the Securities Code and applicable Community provisions, it is now announced, on today's date, with a view to ensuring shareholder stability until the end of the next 2018-2020 term of office of

Novabase's corporate boards, that a new Novabase shareholders' agreement ("Shareholders' Agreement") has been signed.

The new Shareholders' Agreement was 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 the "Restricted Shares") directly or indirectly held between them, corresponding to 33.40% of Novabase's share capital, and with Rogério dos Santos Carapuça having withdrawn from the Shareholders' Agreement, with no further 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 them.

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

This new Shareholders' Agreement entered immediately into force, shall be valid until 30 April 2021, and replaces the shareholders' agreement previously in force (as duly announced to the market on 13 May 2015), whose essential terms and conditions have been reproduced.

2. Qualified holding – changes to composition

Novabase was also informed of changes to the composition 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, due to the following:

1. Signing of the new Shareholders' Agreement referred to above, and termination of the shareholders' agreement previously in force

2. Transmission, 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 shares representing HNB's share capital directly held by them, to the following vehicles:

   a) The company Xistroban, S.A., which is controlled by Shareholder José Afonso Oom Ferreira de Sousa, and assumed direct ownership of all shares representing the share capital of HNB previously held directly by José Afonso Oom Ferreira de Sousa;

b) The company Turtlewalk Unipessoal Lda, which is controlled by Shareholder Luís Paulo Cardoso Salvado, and assumed direct ownership of all shares representing the share capital of HNB previously held directly by Luís Paulo Cardoso Salvado;

c) The company Pragmatic Proton - Unipessoal Lda, which is controlled by Shareholder Álvaro José da Silva Ferreira, and assumed direct ownership of all shares representing the share capital of HNB previously held directly by Álvaro José da Silva Ferreira;

d) The company Mediaries - Serviços de Consultoria e Gestão Lda, which is controlled by Shareholder João Nuno da Silva Bento, and assumed direct ownership of all shares representing the share capital of HNB previously held 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, which currently totals 12,550,467 shares representing 39.97% of Novabase's share capital and voting rights, as follows:

Restricted Shares

Shareholders		Number of Restricted Shares	% of Shareholders' Agreement	% Total Voting Rights
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%
	HNB Total	**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 de Carvalho	**2,097,613**	**20.00%**	**6.68%**
Total	**10,488,072**	**100%**	**33.40%**

Non-Restricted Shares

Shareholders		Number of Non-Restricted Shares		% Total Voting Rights
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%
	HNB Total	**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 de Carvalho		**191,455**		**0.61%**
Total		**2,062,395**		**6.57%**

Total (Restricted Shares + Non-Restricted Shares)

Shareholders		Total Number of Shares (Restricted + Non-		% 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%
	HNB Total	**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 de Carvalho	**2,289,068**		**7.29%**
Total	**12,550,467**		**39.97%**

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

3. Terms and conditions of the Shareholders' Agreement

The following content of the Novabase Shareholders' Agreement is noteworthy:

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 bought and sold, 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, pursuant to 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 Shareholder is authorized to acquire Novabase shares not considered Restricted Shares up to a maximum of 1.90% of all voting rights, per Shareholder, provided that such acquisitions do not give the Shareholders or a Vehicle more than 50% of the voting rights corresponding to Novabase'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 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, directly or through a Vehicle, if applicable, their voting rights at Novabase's General Meetings of Shareholders 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 corporate board members, increases and decreases in share capital, elimination of the right of preference in increases in capital, composition of corporate boards, Novabase mergers and spin-offs, and changes to the articles of association.

G) Commitment, subject to market conditions and applicable law, 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;

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 make a Vehicle vote, 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 held 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."

[end of transcription of announcement]

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

In addition, on 12 November 2018, Novabase announced to the market that it had received, from its shareholder HNB - SGPS, S.A. ("HNB"), a notice of changes to the composition of its qualified holding, whose relevant content is reproduced below:

"**Re:** Notice of changes to the composition of a qualified holding in Novabase - Sociedade Gestora de Participações Sociais, S.A.

To whom it may concern,

Pursuant to and for the purposes of article 16 of the Securities Code and article 2 of CMVM Regulation no. 5/2008, the company HNB, SGPS, S.A., with its registered office at Rua Sarmento de Beires, n.º 45, 13B, 1900-411 Lisbon, parish of Areeiro, municipality of Lisbon, with share capital of €50,000.00, sole legal entity/Lisbon Commercial Registry number 510697127, whose share capital is fully paid up in the amount of €5,000.00 ("**HNB**"), already having a qualified holding of 39.36% of the share capital of Novabase, Sociedade Gestora de Participações Sociais, S.A. ("**Novabase**") corresponding to the ownership, directly or through its controlling shareholders and other signatories to the shareholders' agreement currently in force at Novabase, of 12,359,012 shares of this company, hereby announces that, due to the acquisition of 240,194 shares representing Novabase's share capital and voting rights, on 05 November 2018, it now holds 10,501,589 representing 33.44% of the company's share capital.

Note that this qualified holding is attributable to HNB due to its direct ownership of shares, in addition to the voting rights held by the respective directors who are also its controlling shareholders, and the voting rights attributable to them under the Novabase shareholders' agreement to which they are signatories, pursuant to and for the purposes of article 20, paragraph 1 of the Securities Code and, specifically, sub- paragraphs d), h) and j) of this provision.

Furthermore, on 05 November 2018, the Novabase shareholders who are signatories to the Shareholders' Agreement in force at Novabase (including HNB and its directors and controlling shareholders) now hold a total of 12,599,206 Novabase shares, representing 40.12% of Novabase's share capital and corresponding voting rights, as follows:

Shareholders	**Number of Shares**		**% Voting Rights**
Held through HNB[1]	10,501,589		33.44%
José Afonso Oom Ferreira de Sousa[1]	1		-
Luís Paulo Cardoso Salvado[1]	1		-
Álvaro José da Silva Ferreira[1]	1		-
João Nuno da Silva Bento[1]	1		-

Pedro Miguel Quinteiro Marques de Carvalho	2,097,613		6.68%
Total [2]	**12,599,206**		**40.12%**

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

[2] Total holding 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."

[end of transcription of announcement]

In this regard, Novabase also announced to the market that, pursuant to this notice of changes to the composition of the qualified holding of HNB, on 05 November 2018, the Novabase shareholders who were signatories to the Shareholders' Agreement in force at this company (including HNB and its directors and controlling shareholders) now held a total of 12,599,206 Novabase shares, representing 40.12% of Novabase's share capital and corresponding voting rights, as follows:

Shareholders	**Number of Shares**		**% Voting Rights**
Held through HNB[1]	10,501,589		33.44%
José Afonso Oom Ferreira de Sousa[1]	1		-
Luís Paulo Cardoso Salvado[1]	1		-
Álvaro José da Silva Ferreira[1]	1		-
João Nuno da Silva Bento[1]	1		-
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613		6.68%
Total [2]	12,599,206		40.12%

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

2 Total holding 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.

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.

Shareholdings

Holding subject to Novabase Shareholders' Agreement	Number of shares	% share capital and voting rights
HNB - SGPS, S.A.[1]	10,501,589	33.44%
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613	6.68%
Luís Paulo Cardoso Salvado[1]	1	0.00%
João Nuno da Silva Bento[1]	1	0.00%
Álvaro José da Silva Ferreira[1]	1	0.00%
José Afonso Oom Ferreira de Sousa[1]	1	0.00%
TOTAL[2]	12,599,206	40.12%

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

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

	Number 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, who was attributed the corresponding voting rights.

	Number of shares	% share capital and voting rights
IBIM2 Limited	3,144,217	10.01%

	Number of shares	% share capital and voting rights
Lazard Frères Gestion SAS	1,570,870	5.00%

Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliário, SA	Number of shares	% share capital and voting rights
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1,476,905	4.70%
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	34,537	0.11%

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.

	Number of shares	% share capital and voting rights
Maria Manuela de Oliveira Marques	1,043,924	3.32%

The above holdings correspond to the last positions notified to the company in reference to 31 December 2018 or before.

As stated 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
Pedro Miguel Quinteiro Marques de Carvalho (non-executive member of the Board of Directors)	2,097,613	6.68%
Manuel Saldanha Tavares Festas (substitute member of the Audit Board)	74,986	0.24%
Francisco Paulo de Figueiredo Morais Antunes (executive member of the Board of Directors – CFO)	30,335	0.10%
María del Carmen Gil Marín (executive member of the Board of Directors)	23,001	0.07%
Luís Paulo Cardoso Salvado[2] (Chairman of the Board of Directors)	1	0.00%
João Nuno da Silva Bento[2] (Chairman of the Executive Committee – CEO)	1	0.00%
Álvaro José da Silva Ferreira[2] (executive member of the Board of Directors)	1	0.00%
José Afonso Oom Ferreira de Sousa[2] (non-executive member of the Board of Directors)	1	0.00%
Marta Isabel dos Reis Graça Rodrigues do Nascimento (non-executive member of the Board of Directors)	0	0.00%

Álvaro José Barrigas do Nascimento (Chairman of the Audit Board)	0	0.00%
Fátima do Rosário Piteira Patinha Farinha (full member of the Audit Board)	0	0.00%
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira (full 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 2018 or before.

[2] Luís Paulo Cardoso Salvado, João Nuno da Silva Bento, Álvaro José da Silva Ferreira and José Afonso Oom Ferreira de Sousa are shareholders of HNB – SGPS, S.A., where they hold management positions. HNB – SGPS, S.A. holds 10,501,589 shares representing 33.44% of Novabase's share capital and voting rights.

In addition, the following transactions of Novabase shares were made in 2018 by the persons referred to in article 447 of the Commercial Companies Code ("CSC"):

Entity	Transaction	Date	Place	Number of Shares	Unit Price (€)
Pedro Carvalho	Disposal	04/01/2018	Outside of regulated market	191,455	3.130
HNB	Acquisition	05/11/2018	NYSE Euronext Lisbon	4,719	2.490
HNB	Acquisition	05/11/2018	NYSE Euronext Lisbon	235,475	2.490

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

Furthermore, no transactions of the type described above 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 group or control relationship with it is an issuer of 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 board of directors 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 10 May 2018.

Pursuant to the law: (i) the shares to be issued must be ordinary shares; and (ii) the Board of Directors' decision to increase capital must be submitted to the Audit Board (if not approved, the Board of Directors may submit the disagreement to the General Meeting of Shareholders for a decision).

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 2018, to the best the company's knowledge, Novabase had no significant business relationships with holders of qualified holdings or entities related or previously related to them.

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 members of the general meeting board.

The members of Novabase's general meeting board, elected in the General Meeting of Shareholders held on 10 May 2018 for the three-year period of 2018-2020, 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. Moreover, there are no systems related to asset content rights.

Shareholders may be represented at the General Meeting of Shareholders, pursuant to the law.

Shareholders may be represented by sending a letter addressed to the Chairman 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 under the articles of association, 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. For this purpose, shareholders may use the postal voting form which will be made available at the company's website in a timely fashion.

b) 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/her signature must be notarized in that capacity.

c) Voting forms, together with the items specified in the preceding subparagraphs, must be placed in a sealed envelope addressed to the Chairman of the General Meeting of Shareholders, 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 of Shareholders. However, individuals who submit a voting form accompanied only by a legible photocopy of the shareholder's identity card or citizen's card may, alternatively, use the email address specified for this purpose in the meeting notice.

d) The Chairman of the General Meeting of Shareholders 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 of Shareholders 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 by Portuguese Securities Market Commission (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.

The company has no mechanisms that hinder the passing of resolutions by shareholders. There are no shareholder decisions which, pursuant to the articles of association and beyond those provided for by law, can only be made by a qualified majority or a decision-making quorum greater than that provided for by law.

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

a) Composition

Board of Directors on 31 December 2018

Luís Paulo Cardoso Salvado
João Nuno da Silva Bento
Álvaro José da Silva Ferreira
Francisco Paulo Figueiredo Morais Antunes
María del Carmen Gil Marín
José Afonso Oom Ferreira de Sousa
Pedro Miguel Quinteiro Marques Carvalho
Marta Isabel dos Reis Graça Rodrigues do Nascimento

15. Identification of governance model used.

Novabase has been a publicly-traded company since July 2000. It operates according to a governance model whose suitability and performance are assessed regularly by the Board of Directors to help optimize its performance in closer alignment with the interests of all stakeholders – those interested in Novabase's corporate activities, namely shareholders, investors, customers, suppliers, other business partners and employees.

In view of the mounting challenges of internationalization and competition revolving around Novabase's business, the corporate governance system in place at the company needed to be brought up to date by simplifying and streamlining company bodies and procedures, so as to tailor existing solutions to the company's size and specific circumstances.

Therefore, beginning in 2015, Novabase adopted a reinforced Latin corporate governance model comprised of a Board of Directors, Audit Board and Statutory Auditor (ROC). In this model, a substantially more agile day-to-day management structure was implemented, with the Board of Directors able to 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.

Following the General Meeting of Shareholders of 10 May 2018 (which, among other decisions, elected the members of the corporate boards and Remuneration Committee for the three-year period of 2018-2020), the elected Board of Directors delegated Novabase's daily management to an Executive Committee supervised by the non-executive directors.

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.

Novabase constantly analyses the implementation of this model in order to refine its corporate governance practices, whenever possible, and tailor the model to the demands and challenges faced by the company.

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 regards to the absence and replacement 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 of office, they shall keep their positions until the appointment of new directors.

Novabase believes that the suitability of the governing board members' profile to their respective duties is essential for fostering a robust, effective corporate governance and proper composition of the interests of the company's various stakeholders. In weighing up the profile of the corporate board members to be elected, the election proposals approved by shareholders tend to be based not only on individual criteria (such as candidates' expertise, integrity, willingness and experience in the sectors where Novabase does business), but also on diversity requirements.

Pursuant to article 245-A, paragraph 1, sub-paragraph r) of the Securities Code (CVM), following is a summary of Novabase's diversity policy for its governing and supervisory boards, how this policy was applied and its results in the 2018 financial year.

Novabase believes that it employs an ongoing approach of diversity in the composition of its managing and supervisory boards, helping to improve the performance of the relevant boards and providing balance in their composition, with a particular focus on gender diversity.

On 12 April 2018, Novabase's Board of Directors approved a formal diversity policy for its managing and supervisory boards, which is available to the public at the company's website. The approved policy is primarily rooted in the following commitments on the part of Novabase:

- Compliance with Law no. 62/2017 of 01 August, since gender diversity allows for different management styles and complementary approaches;
- With regard to age, there must be a balance between experience and maturity and the youth and energy needed for the fast-paced innovation of Novabase's highly dynamic sector (information technologies);
- With regard to qualifications and education, in addition to areas associated with technology, various other areas of knowledge must also be represented, in view of the mounting importance of multidisciplinarity in team performance.

The following are noteworthy with regard to the application and results of Novabase's diversity policy in the 2018 financial year:

- On 10 May 2018, Novabase's annual General Meeting of Shareholders was held, during which the corporate board members for the three-year period of 2018-2020 were elected. Of the full members elected, who remained in their positions throughout 2018, Novabase's corporate boards had a total of 13 men and 4 women.
- Throughout 2018, Novabase's corporate board members ranged from 29 to 65 years in age. Their areas of core training included engineering, law, mathematics, economics, management and philosophy.
- Therefore, 25% of the current members of the Board of Directors for the three-year period of 2018-2020 are of female gender, thereby exceeding the minimum referred to in Law no. 62/2017 of 01 August, also including one female member on the Executive Committee.

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 stated above, 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, at the end of their terms of office, they shall keep their positions 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 2018, the Board of Directors had eight full members, as shown in the following table:

Director	Inauguration date	End of term of office
Luís Paulo Cardoso Salvado	18/03/1998	31/12/2020
João Nuno da Silva Bento	10/05/2018	31/12/2020
Álvaro José da Silva Ferreira	10/05/2018	31/12/2020
Francisco Paulo Figueiredo Morais Antunes	28/04/2009	31/12/2020
María del Carmen Gil Marín	10/05/2018	31/12/2020
José Afonso Oom Ferreira de Sousa	24/01/1991	31/12/2020
Pedro Miguel Quinteiro Marques Carvalho	24/01/1991	31/12/2020
Marta Isabel dos Reis Graça Rodrigues do Nascimento	10/05/2018	31/12/2020

Pursuant to article 14 of the articles of association, the Board of Directors may delegate the day-to-day running of the company to one or more directors (managing directors) or to an Executive Committee consisting of three to nine directors.

Following the General Meeting of Shareholders of 10 May 2018 (which, among other decisions, elected the members of the corporate boards and Remuneration Committee for the 2018-2020 term of office), the elected Board of Directors delegated, on this same date, Novabase's daily management to an Executive Committee supervised by the non-executive directors.

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	Non-executive (Chairman)	No
João Nuno da Silva Bento	Executive	No
Álvaro José da Silva Ferreira	Executive	No
Francisco Paulo Figueiredo Morais Antunes	Executive	No
María del Carmen Gil Marín	Executive	No
José Afonso Oom Ferreira de Sousa	Non-executive	No
Pedro Miguel Quinteiro Marques de Carvalho	Non-executive	No
Marta Isabel dos Reis Graça Rodrigues do Nascimento	Non-executive	No

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

In view of the number of directors (eight), the four non-executive members of the Board of Directors are sufficient in number to ensure effective monitoring, supervision and assessment of the activity of the remaining members of the Board (see points 24 and 27 of this report with regard to the assessment of the other directors).

In view of the company's size, its need for agility and efficient management, its shareholder structure and respective free float, its various levels of internal control (including supervisory boards completely comprised of persons independent from the management and qualified shareholders, with the important note that, under the Anglo Saxon corporate governance model previously in effect at the company, only those directors with positions on the Auditing Committee were independent), and the vast set of options benefiting shareholder participation and the exercising of rights, Novabase does not believe that independent directors are needed to ensure the protection of 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 curricular components [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 Formerly: • CEO • Member of the Board of Directors Performance Assessment Committee and the Corporate Governance Assessment Committee • CFO, CHRO and CLO of the Novabase Group • CEO of Novabase Consulting • Director of various Novabase Group companies
João Nuno da Silva Bento	• Advanced Management Program – Universidade Católica Portuguesa – Northwestern University – Kellog School of Management • MBA – Universidade Católica Portuguesa • Graduate in Electrotechnical Engineering (Systems and Computers) at Instituto Superior Técnico	• Chairman of the Executive Committee (CEO)
Álvaro José da Silva Ferreira	• Private Equity and Venture Capital Program - Harvard Business School Executive Education • MBA – Universidade Nova de Lisboa • Graduate in IT Engineering – Universidade Nova de Lisboa	• Business Areas: Neotalent • Regions: Angola and Mozambique • Novabase Capital, S.A. • Director of various Novabase Group companies

Francisco Paulo Figueiredo Morais Antunes	• Master's in Finance from ISCTE • Graduate in Management from ISCTE	• Corporate functions: CFO / CRO / Information Systems / Legal • Director of various Novabase Group companies Formerly: • Financial Director of Novabase Group
María del Carmen Gil Marín	• MBA – INSEAD • Academic cycle of PhD in the Environment and Alternative Energies – UNED • Higher Degree in Electronic Engineering - Universidade Pontificia de Comillas (I.C.A.I.)	• Executive Director Novabase SGPS, S.A. • Head of Investor Relations Novabase SGPS, S.A. • Director of Novabase Capital, S.C.R. • Director of various Novabase Group companies • Member of Advisory Committee of FCR Istart I • Member of Governing Board of Investor Relations Forum • Chairman of the General Meeting of Shareholders of GLOBALEDA – Telecomunicações e Sistemas de Informação, S.A. Formerly: • Member of the Audit Board of Associação de Emitentes de Mercado (A.E.M.) • Member of Audit Board of Investor Relations Forum
José Afonso Oom Ferreira de Sousa	• MBA from Universidade Nova de Lisboa • Master's in Electrotechnical Engineering from IST • Graduate in Electrotechnical Engineering from IST • Graduate in Philosophy from Universidade Católica de Lisboa	• Director without delegated areas 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 de Carvalho	• **Graduate in Applied Mathematics from Universidade de Lisboa**	• **Director without delegated areas** **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**
Marta Isabel dos Reis Graça Rodrigues do Nascimento	• **Post-graduate in Securities Law from the Securities Institute of the School of Law of Universidade Clássica de Lisboa** • **Graduate in Law from the School of Law of Universidade Católica de Lisboa**	• **Director without delegated areas**

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

Directors Luís Paulo Cardoso Salvado, João Nuno da Silva Bento, Álvaro José da Silva Ferreira, 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 have been attributed a qualified holding of 12,599.206 shares representing 40.12% of Novabase's share capital and voting rights.

There are no other regular and significant relationships between directors and qualified shareholders.

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 2018:

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

In addition, Novabase has a specialized venture capital business through the company Novabase Capital, SCR, S.A. (Venture Capital area in financial reporting). Novabase has a business model which includes executives in charge of the main industries, the respective specialized products and services and the various competencies.

In 2018, these industries were as follows:

- *Energy*
- *Government*
- *Financial Services*
- *Telecommunications*
- *Transport*

NOVABASE SGPS[3] / NOVABASE Serviços[4]

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

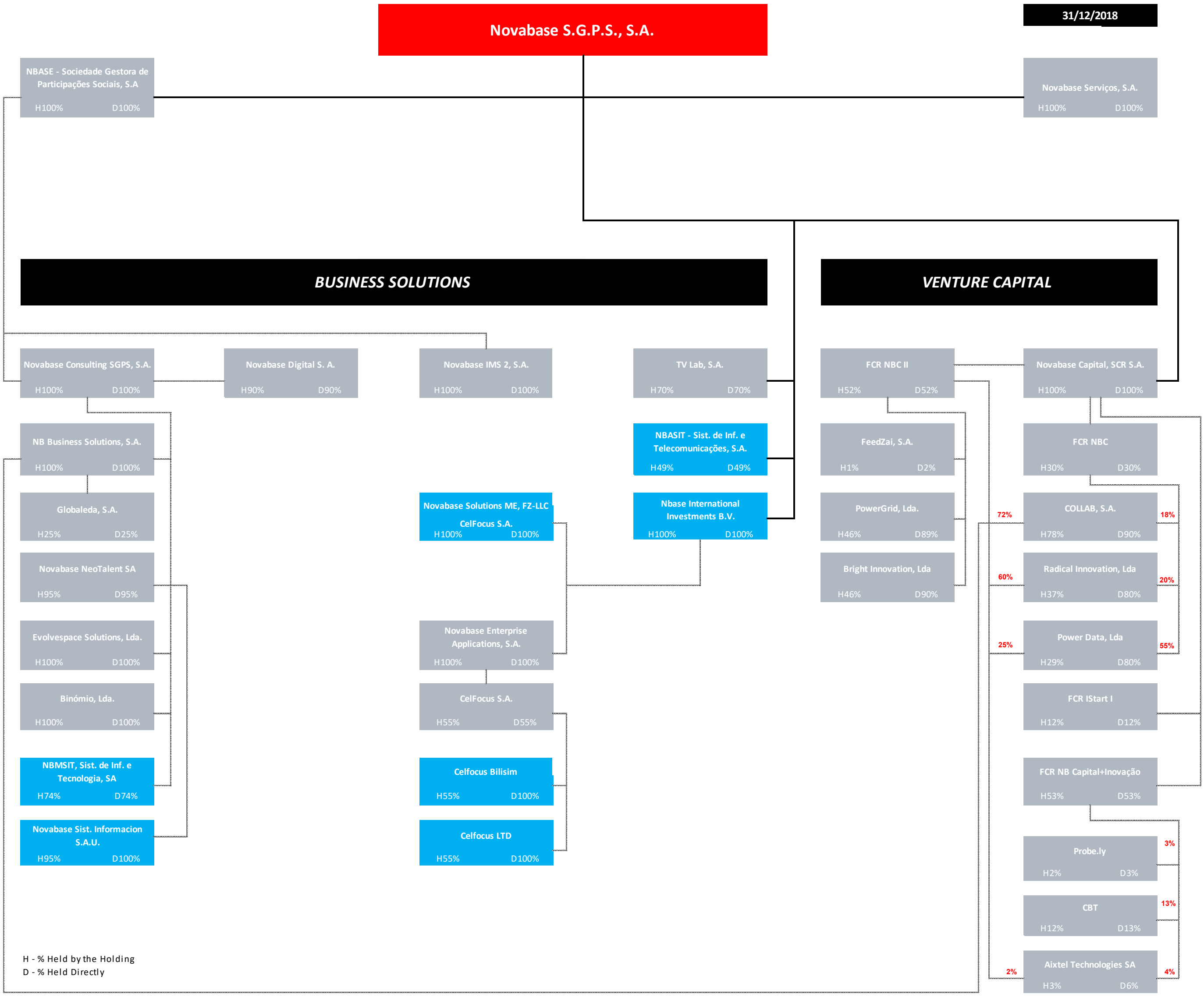
Information on the Investor Relations Office can be found in point 56 of this report.

Organizational Chart

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

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

[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 - Sistemas de Informação e Telecomunicações, S.A. business
[3] NOVABASE – Sociedade Gestora de Participações Sociais, S.A.
[4] NOVABASE Serviços – Serviços de Gestão e Consultoria, S.A.



As stated in point II. A) 15., in view of the mounting challenges of internationalization and competition revolving around Novabase's business, the corporate governance system in place at the company needed to be brought up to date by simplifying and streamlining company bodies and procedures, so as to tailor existing solutions to the company's size and specific circumstances.

Therefore, beginning in 2015, Novabase adopted a reinforced Latin corporate governance model comprised of a Board of Directors, Audit Board and Statutory Auditor (ROC). In this model, a substantially more agile day-to-day management structure was implemented, with the Board of Directors able to 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.

Following the General Meeting of Shareholders of 10 May 2018 (which, among other decisions, elected the members of the corporate boards and Remuneration Committee for three-year period of 2018-2020), the elected Board of Directors delegated, on this same date, Novabase's daily management to an Executive Committee supervised by the non-executive directors.

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' bylaws and regulations also state that it may delegate to one director certain specific management duties or the execution of the Board of Directors' decisions, and may also, as stated above, 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 drawn up in minutes. The Board of Directors will determine the powers of each managing director or of the Executive Committee, as applicable, in the day-to-day running of the company, delegating to the Executive Committee, when necessary, all of the powers not prohibited 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:

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

b) Co-option of directors;

c) Requests to call the General Meeting of Shareholders;

e) Drawing up of annual reports and accounts;

f) Provision of collateral, personal guarantees and security in rem by Novabase;

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.

Executive Committee

The Executive Committee is responsible for the day-to-day running of the company, and may perform all actions required to this end, respecting the powers of the Board of Directors with regard to actions which must be submitted for its approval. The Executive Committee defines the company's current organizational structure, appoints employees to perform management duties in the corporate boards of this structure and manages all of the company's operating areas.

In accordance with the delegation of powers approved by the Board of Directors on 10 May 2018, the performance of all actions required for the day-to-day running of the company has been delegated to Novabase's Executive Committee for the 2018-2020 term of office, including all powers needed or expedient for pursuing the company's corporate purpose and conducting its business, within the confines of the law, namely:

a) Carry out the annual business plans and corresponding budgets after their approval by Novabase's Board of Directors;
b) Approve changes to the budget, except when their cumulative impact on the company's consolidated net profit is expected to exceed €1 (one) million in the financial year;
c) Approve and carry out the Novabase's short, medium and long-term organic development and investment plans, and identify and make investments in existing or new business areas of Novabase and its affiliates, by means of a budget approved by Novabase's Board of Directors and/or, in the absence of this, provided that (i) individually, they do not exceed €1 (one) million; and (ii) together, €5 (five) million in a given financial year; or (iii) in the case of R&D (research and development) investments or investments with co-funding, covered by applicable tax incentives or subsidies, up to a combined amount of €20 (twenty) million per financial year;
d) Acquire, encumber and sell holdings in other companies, provided these transactions' general guidelines fall within the annual business plans and respective budgets, or, otherwise, with the prior approval of Novabase's Board of Directors;
e) Manage holdings in other companies, including affiliates, namely by appointing their representatives on corporate boards and laying out guidelines for these representatives' activities, together with approving and reorganizing these holdings according to the annual business plans, or by prior decision approved by Novabase's Board of Directors;
f) Notwithstanding legal provisions and formalities, buy and sell treasury shares within the framework and limits of the decision of the General Meeting of Shareholders;
g) Opening, transacting and closing bank accounts;
h) Approve short and medium-term financing agreements (12-36 months), including those which increase overall indebtedness, provided that their value is €5 (five) million or less per transaction, or cumulatively €20 (twenty) million per financial year, or of any amount with the prior approval of Novabase's Board of Directors;
i) Grant medium and short-term loans (and/or shareholder loans) to affiliates for cash-on-hand and other purposes allowed by law, up to the amount of €20 (twenty) million per financial year, or in any amount with the prior approval of Novabase's Board of Directors;
j) Acquire, sell and/or encumber Novabase's assets, individually up to €1 (one) million, or cumulatively up to €5 (five) million per financial year;
k) Take or give in lease, and manage the use of, immovable property allocated to the business of Novabase and/or its affiliates, partially or in whole, in accordance with the budget approved by Novabase's Board of Directors or, apart from a budget, up to a combined annual amount of €1 (one) million;
l) Manage and coordinate all of the company's operating and business support areas, including but not limited to Human Resources, Finance and Administration, Marketing and Communication, Information Systems, Legal, Organizational Development and Investor Relations, excluding internal auditing boards if/when they exist;
m) Recruit and dismiss employees, define human resources and occupational health and safety policies, define and implement plans for training, levels, categories, remuneration terms/conditions and other bonuses or salary supplements;
n) Perform standard activities involving powers as an employer, including but not limited to disciplinary authority and the application of legally admissible employee penalties;

o) Order/determine the presentation, negotiation and contracting of any supplies of goods and/or services by Novabase and/or its affiliates within the scope of their corporate purpose, individually up to €20 (twenty) million and/or (i) without a binding obligation of any kind exceeding 15 years; (ii) without terms/conditions deemed of considerable financial, legal and/or commercial risk, attributable to Novabase's Executive Committee, by those in the organization responsible for monitoring or otherwise assisting in the control of this risk;
p) Contract goods and services of any kind and by any means, as needed to pursue the corporate purpose, up to the amount of €1 (one) million per transaction, or in any amount with the prior approval of Novabase's Board of Directors or associated with the transactions referred to in o);
q) Take part in incorporated joint ventures and European Economic Interest Groupings, enter into consortium and equity partnership agreements, and establish or take part in any other forms of temporary or permanent association between companies and/or private or public entities, except when their purpose is to participate in projects whose anticipated turnover for the company exceeds €20 (twenty) million;
r) Represent the company in and out of court, as plaintiff or defendant, including the instituting, contesting and lodging of appeals in any legal or arbitration proceedings, as well as confessing, withdrawing from or coming to terms in any proceedings and engagement in arbitration. The Executive Committee must furnish information on any proceedings involving the company whose amount is equal to or exceeds €1 (one) million;
s) Appoint representatives to perform specific acts or categories of acts, defining the scope of their respective powers.

Under the terms of the Executive Committee's regulations, its Chairman is responsible for assigning positions and responsibilities to all of its members, and for establishing and monitoring goals.

As stated above, on 10 May 2018, the Board of Directors delegated the day-to-day running of the company to an Executive Committee. Along these lines, powers were delegated within the scope of the following areas:

João Nuno da Silva Bento	Chairman of the Executive Committee (CEO) Business Areas: Business Solutions (excluding Neotalent) Corporate functions: Human Resources, Brand
Álvaro José da Silva Bento	Business Areas: Neotalent Regions: Angola and Mozambique
Francisco Paulo Figueiredo Morais Antunes	Corporate functions: CFO, CRO, Information Systems, Logistics, Legal

María del Carmen Gil Marín	Business Areas: Venture Capital Corporate functions: Investor Relations

The Executive Committee may sub-delegate the exercising of delegated powers to one or more of its members. The committee or any two of its members may also appoint representatives with the powers deemed appropriate, with the signature of just one of its members in the case of legal proxy.

The members of the Board of Directors not belonging to the Executive Committee (called "non-executive directors") are in charge of overseeing the activities of the Executive Committee, and for any damages caused by the acts or omissions of this committee or its members when, being aware of such existing or intended acts or omissions, they fail to notify the Board of Directors to take the necessary measures. In addition to the power of submitting matters for the Board of Directors' assessment and decision, and with a view to fully carrying out their monitoring and oversight duties with regard to Novabase's business, undelegated non-executive directors may raise specific issues regarding delegated matters directly with executive directors.

In view of the above, no powers were delegated in 2018 involving matters where the Board of Directors must ensure that the company acts in accordance with its objectives, namely: i) definition of the company's strategy and general policies; ii) definition of the corporate structure of the group; and iii) decisions taken that are considered to be strategic due to the amounts, risk and particular characteristics involved.

- **Operation**

Under the terms of Novabase's articles of association, the Board of Directors shall meet whenever called by its Chairman or by two other directors. 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 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, its Chairman is also responsible for: a) coordinating the Board of Directors' work; b) calling and running the Board of Directors' meetings, ensuring that their minutes are drawn up; c) making casting votes; and d) ensuring the execution of decisions made.

Detailed minutes are drawn up for the meetings of Novabase's Board of Directors, pursuant to article 9 of the Board of Directors' internal regulations.

Pursuant to recommendation III.1. of the Portuguese Corporate Governance Institute (IPCG) Corporate Governance Code (2018), notwithstanding the legal functions of the Chairman of the Board of Directors, if the Chairman is not independent, the independent directors must designate a coordinator (lead independent director) from among themselves for the following purposes: (i) serving, whenever necessary, as a spokesperson with the Chairman of the Board of Directors and the other directors, (ii) ensuring that they have the necessary means and conditions to perform their duties; and (iii) coordinating them in assessing the performance by the board of directors, as provided for in recommendation V.1.1. of the above Governance Code.

In view of Novabase's corporate organizational model, which has several levels of internal control, the company does not believe that independent directors are necessary, as further explained in point 18. The designation of a lead independent director per this recommendation is therefore not possible.

With regard to the option of designating a lead non-executive director (in the absence of independent directors), in view of the company's size, the Board of Directors (comprised of 8 directors) and the number of non-executive directors (4), Novabase does not believe this position is necessary.

In fact, given Novabase's agile and flexible structure since 2015, the non-executive directors have adequately coordinated 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, and must provide all information and clarifications requested in this regard by the Board of Directors and/or its members. Pursuant to the Board of Directors' internal regulations, directors may obtain information deemed necessary or convenient for the performance of their functions, powers and duties, via request to the Chairman of the Board of Directors. Directors shall also be ensured access to the company's employees, as necessary, to assess Novabase's performance, status and future prospects.

Executive Committee

The Executive Committee sets the dates or frequency of its ordinary meetings, and holds extraordinary meetings whenever called by its Chairman or by two of its members, with a minimum of 12 meetings per year.

This committee cannot function without a majority of its active members present; under urgent circumstances, the Chairman may waive this majority, with approval of this decision at the Executive Committee's next meeting.

Notwithstanding the above, postal and proxy voting is permitted, although no member of the Executive Committee may represent more than another member of the committee.

Along these lines, one or more members of the Executive Committee may attend remotely via videoconferencing or conference call, so long as the meeting minutes specify this whenever it occurs.

It should also be noted that the Chairman of the Board of Directors is called to Executive Committee meetings under the same terms as its members and is always entitled to attend Executive Committee meetings without voting rights.

The Executive Committee makes decisions by a majority vote; its Chairman has a casting vote.

Rules involving conflicts of interest apply to the Executive Committee. In fact, Executive Committee members are required to notify the Chairman of the Executive Committee of any potential conflicts of interest with Novabase, whether directly or through third parties, involving issues under discussion and voting. In such cases, the members in question may not exercise their voting rights in decisions on issues with potential conflicts of interest and must provide all information and clarifications requested in this regard by the Executive Committee and/or its members.

Decisions made at Executive Committee meetings, and voting ballots, are recorded in meeting minutes.

In 2018, all the information requested by the various corporate boards was supplied by Novabase's executive directors in a timely and suitable fashion.

The minutes of the Executive Committee's meetings, meeting notices, support documentation and access to meeting archives are available to all members of the Board of Directors and Audit Board, within a time period to be determined by the Board of Directors.

The Executive Committee must provide, in a timely and suitable fashion, any information requested by the Board of Directors and/or Audit Board so that they may assess Novabase's performance, status and future prospects.

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 meetings: 11[1]	
Member	**Attendance (%)**
Luís Paulo Cardoso Salvado	100
João Nuno da Silva Bento	100
Álvaro José da Silva Ferreira	100
Francisco Paulo Figueiredo Morais Antunes	100
María del Carmen Gil Marín	100
José Afonso Oom Ferreira de Sousa	100
Pedro Miguel Quinteiro Marques de Carvalho	100
Marta Isabel dos Reis Graça Rodrigues do Nascimento	100

(1) Directors João Nuno da Silva Bento, Álvaro José da Silva Ferreira, María del Carmen Gil Marín and Marta Isabel dos Reis Graça Rodrigues do Nascimento were elected as new members of the Board of Directors in the General Meeting of Shareholders of 10 May 2018, and therefore only participated in 8 meetings. The remaining members were renewed, in the same meeting, for the 2018-2020 term of office, and therefore participated in all meetings in 2018.

Executive Committee	
Number of meetings: 29	
Member	**Attendance (%)**
João Nuno da Silva Bento	100
Álvaro José da Silva Ferreira	93.1
Francisco Paulo Figueiredo Morais Antunes	100
María del Carmen Gil Marín	100

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

The activities of the Executive Committee are monitored continuously by the Board of Directors on the whole and, specifically, by the non-executive directors, through the provision of information on the company's business as needed to monitor its day-to-day running. This monitoring of the Executive Committee by non-executive directors was a practice already in place prior to the publication of corporate governance recommendations on the existence of specific evaluation committees and continues to be an actual practice employed by Novabase.

Furthermore, in a meeting dated in May 2018, the Board of Directors approved new internal regulations for this board to embrace the recommendations of the IPCG Corporate Governance Code (2018).

Pursuant to article 10 of these regulations, to allow non-executive directors to carry out their duties of monitoring and overseeing Novabase's business, in addition to their ability to submit matters to the Board of Directors for assessment and decision, they may also, individually or jointly, request that members of the Executive Committee provide meeting minutes, support documentation for decisions made, meeting notices and access to meeting archives, requesting such information through the Chairman of the Board of Directors and/or Chairman of the Executive Committee, who must respond to the request in a timely and suitable fashion.

On 31 December 2018, the non-executive members of the Board of Directors were Luís Paulo Cardoso Salvado, José Afonso Oom Ferreira de Sousa, Pedro Miguel Quinteiro de Marques Carvalho and Marta Isabel dos Reis Graça Rodrigues do Nascimento.

Furthermore, in accordance with recommendation V.1.1. of the IPCG Corporate Governance Code (2018), the Board of Directors conducts an annual assessment of its performance and the performance of the managing directors or Executive Committee, as applicable, bearing in mind fulfilment of the company's strategic plan and budget, risk management, internal operation and each member's contribution in this regard, together with relationships between the company's boards and committees.

Along these lines, each year, the Board of Directors approves the following in a meeting in reference to the previous financial year: (i) performance assessment of the Board of Directors on the whole during the financial year in question, using a self-assessment process for this purpose based on the evaluation parameters in the above paragraph, with all members of the Board of Directors participating and voting in the decision to approve this assessment, and (ii) performance assessment of the managing directors or Executive Committee, as applicable, in the previous financial year, based on the same evaluation parameters and other relevant parameters considering the executive functions of this board, with only the non-executive members of the Board of Directors participating and voting in the decision to approve this assessment.

The overall performance assessment of the Board of Directors and Executive Committee in the 2018 financial year was approved by Novabase's Board of Directors on 07 February 2019.

In addition, the Remuneration Committee is responsible for assessing the performance of the Executive Committee and its members for the purposes of applying the evaluation criteria described in point 25 below.

Novabase's Board of Directors also ensures that the individual performance evaluations of each director are notified to the Remuneration Committee.

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 the policy in point 69 of this report).

More information on the evaluation parameters and assessment process of Novabase's directors can be found in point 24.

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	• Manager of Pluraldistance, Lda. • Director of HNB – SGPS, S.A. • Managing partner of Turtlewalk, Lda.
João Nuno da Silva Bento (Full time)	• Director of the following companies: ○ NOVABASE Consulting SGPS, S.A. ○ NOVABASE Serviços, S.A. ○ NOVABASE Enterprise Applications, S.A. ○ NOVABASE Business Solutions, S.A.	• Director of HNB – SGPS, S.A.

	○ NOVABASE Digital, S.A. ○ TVLAB, S.A. ○ NOVABASE Capital, S.A. ○ Binómio, Lda. ○ Celfocus, S.A. ○ NBASE, SGPS S.A. ○ NB Middle East, FZ-LLC	
Álvaro José da Silva Ferreira (Full time)	• Director of the following companies: ○ NOVABASE Consulting SGPS, S.A. ○ NOVABASE Serviços, S.A. ○ NOVABASE Enterprise Applications, S.A. ○ NOVABASE Business Solutions, S.A. ○ NOVABASE Digital, S.A. ○ NOVABASE IMS2, S.A. ○ Collab, S.A. ○ TVLAB, S.A. ○ NBASIT, S.A. ○ NOVABASE Capital, S.A. ○ NBMSIT, S.A. ○ NOVABASE Neotalent, S.A. ○ NB Sistemas de Información, S.A.U. ○ Celfocus, S.A. ○ NBASE, SGPS S.A.	• Director of HNB – SGPS, S.A. • Managing partner of Pragmatic Proton, Lda.
Francisco Paulo Figueiredo Morais Antunes (Full time)	• Director of the following companies: ○ 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.	• Managing partner of Commostock, Lda.

	○ 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.	
María del Carmen Gil Marín **(Full time)**	• Chairman of the General Meeting of Shareholders of the following companies: ○ Celfocus, S.A. ○ NOVABASE Enterprise Applications, S.A. ○ GLOBALEDA – Telecomunicações e Sistemas de Informação, S.A. • Director of the following companies: ○ NOVABASE Serviços, S.A. ○ Collab, S.A. ○ NOVABASE IMS2, S.A. ○ NOVABASE Capital, S.A. ○ Bright Innovation, Lda and its subsidiary Tópico Sensível, Lda ○ Radical Innovation, Lda	• Member of Advisory Committee of FCR Istart I • Member of Governing Board of Investor Relations Forum
José Afonso Oom Ferreira de Sousa **(Part time)**	• Chairman of the General Meeting of Shareholders of the following companies: ○ NOVABASE IMS2, S.A. ○ TV Lab, S.A. ○ Novabase Neotalent, S.A: ○ Nbase SGPS, S.A.	• Manager of Pluraldistance, Lda. • Director of HNB – SGPS, S.A. • Director of Fundação Maria Dias Ferreira • Director of PROMANUSS – Investimentos e Consultadoria, S.A. • Director of Xistroban, S.A. • Director of Aprove – Investimentos e Projetos Imobiliários, S.A. • Managing partner of S2i – Sociedade de

		Investimento Imobiliário, Lda.
Pedro Miguel Quinteiro Marques de 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.	
Marta Isabel dos Reis Graça Rodrigues do Nascimento **(Part time)**	• No activities at other Novabase Group companies.	

- **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 competition revolving around Novabase's business, the corporate governance system in place at the company needed to be brought up to date by simplifying and streamlining company bodies and procedures, so as to tailor existing solutions to the company's size and specific circumstances.

As explained in point 21 above, the Board of Directors created an Executive Committee to which it delegated the everyday running of the company. More information on the Executive Committee can be found in point 21 of this report. Beyond the Executive Committee, no other committees have currently been created within the company's Board of Directors, namely (i) to assess the performance of the executive directors and Board of Directors, and (ii) to reflect and act on issues involving corporate governance.

In particular, with regard to evaluating the management, it should be noted that the Board of Directors annually assesses its own performance, together with the performance of the managing directors or Executive Committee, as applicable, also ensuring that the individual performance evaluations of each director are notified to the Remuneration Committee.

The activities of the Executive Committee are monitored continuously by the Board of Directors on the whole and, specifically, by the non-executive directors, through the provision of information on the company's business as needed to monitor its day-to-day running. This monitoring of the Executive Committee by non-executive directors was a practice already in place prior to the publication of corporate governance recommendations on the existence of specific evaluation committees and continues to be an actual practice employed by Novabase.

In addition, the Remuneration Committee is responsible for assessing the performance of the Executive Committee and its members for the purposes of applying the evaluation criteria described in point 25.

More information on the annual evaluation process of Novabase's Board of Directors can be found in point 24 of this report.

Along these lines, given the relatively low complexity of the current corporate governance structure, maintaining or reintroducing a specific committee to reflect on issues involving corporate governance seems unnecessary, since the company is assisted by outside consultants in this regard.

The regulations of the Executive Committee are available at Novabase's website.

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

The Executive Committee had the following composition on 31 December 2018:

João Nuno da Silva Bento
Álvaro José da Silva Ferreira
Francisco Paulo Figueiredo Morais Antunes
María del Carmen Gil Marín

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

The scope of the Executive Committee's powers is described in point 21 above.

As stated in point 27, beyond the Executive Committee, no other committees have currently been created within the company's Board of Directors.

2018 marked the start of a new chapter at the Novabase Group, with João Nuno Bento chairing the Executive Committee for the 2018-2020 term of office, succeeding Luís Paulo Salvado as CEO.

In carrying out its duties in 2018, the Executive Committee focused on priorities set by the Board of Directors to transform the business – both from the standpoint of geographically diversifying risk as well as investing in products and services – to enable future access to higher-quality, more sustainable business.

The 2018 results were positive, surpassing the goals laid out for the year under the guidance for turnover and EBITDA (+2% in both cases, after purging the accounting impacts of the entry into force of standard IFRS 15).

The international business accounted for 54% of all business, with Europe consolidating its position as the primary market, increasing its contribution to 69%. EBITDA profitability for the period was 6.9%, with net profits of 3.2%. The cash position evolved favourably, generating €5.2 million in the year.

In April 2018, Euronext once again chose Novabase to join the Tech 40, an index which distinguishes European listed companies for their focus on innovation and development. In addition, on 01 June 2018, a dividend of €0.15/share was distributed.

Finally, in 2018 – as the first year of their terms of office – the Executive Committee and Board of Directors began strategically reflecting in great depth about the company's future. The members of these boards believe it was a challenging year at every level and that, after a difficult first half of the year from the standpoint of operations, efforts to recover in the second half of the year allowed the company to meet its goals.

III. OVERSIGHT

a) Composition

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

Novabase has adopted a reinforced Latin corporate governance model, which includes an Audit Board and 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, at the end of their terms of office, they shall keep their positions until the appointment of new members.

Novabase's articles of associations further establish that the supervision of the company shall be the responsibility of an Auditing Board, elected by the General Meeting and composed of at least 3 full members, one of whom shall be its Chairman, with at least one substitute.

At least one member of the Audit Board must have a higher education degree suited to his/her duties, as well as knowledge of auditing or accounting. The Audit Board's remaining members may be law firms, statutory auditing firms or shareholders, in the latter case individuals with full legal capacity, and with qualifications and professional experience suited to his/her duties. On the whole, the Audit Board's members must have prior experience and training in Novabase's business sector.

On 31 December 2018, the Audit Board had the following three full members:

Full Member	Inauguration date	End of term of office
Álvaro José Barrigas do Nascimento	10/05/2018	31/12/2020
Fátima do Rosário Piteira Patinha	29/04/2015	31/12/2020

Farinha		
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira	10/05/2018	31/12/2020

The Audit Board's substitute member 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).

Full Member of the Audit Board	Independence[1]
Álvaro José Barrigas do Nascimento Paulo	Yes
Fátima do Rosário Piteira Patinha Farinha	Yes
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira	Yes

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

In 2018, all members of the Audit Board were in compliance with the incompatibility rules of article 414-A, paragraph 1 of the Commercial Companies Code, together with the requirements for independence under Law no. 148/2015 of 09 September, since all of this board's members, including the Chairman, are independent in accordance with 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, as demonstrated by the background information in the following point.

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).

Audit Board		
Full Member	**Professional Qualifications**	**Work experience**
Álvaro José Barrigas do Nascimento	• PhD in Banking and Finance • Cass Business School, City University | London, United Kingdom • Master of Science in International Trade and Finance • The Management School, Lancaster University | Lancaster, United Kingdom • Degree in economics Porto School of Economics | Porto, Portugal	• Assistant Professor in Economics and Finance – Católica Porto Business School – Universidade Católica Portuguesa • Manager, Católica Porto Business School, 2008-2013 • Member of management, Católica Luanda Business School • Chairman of the Audit Board of Banco Carregosa • Member of the Audit Board of Unicer • Independent director of Euronext • Manager of the Portuguese Corporate Governance Institute (IPCG) • Chairman of the Board of Directors of Caixa Geral de Depósitos • Advisor to the Minister of Education of the XIV Constitutional Government
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 • Advanced Management Program' – Harvard Business School	• Financial Director of Grupo Entreposto automobile retail • Assistant Financial Director of Entreposto Group (2002-2010) • Financial Director of Novabase Capital (2000-2002) • Financial Director of Novabase Sistemas de Informação e Bases de Dados (1991-2000)

Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira	• Advanced Management Program' – Harvard Business School • Top Management Development Program' – senior management of EDP Group at INSEAD • Advanced Postgraduate in Corporate Finance from Universidade Católica Portuguesa (UCP) • 'Eureko International Management Development Program' with Eureko BV, INSEAD and the 'University of Edinburgh' • Graduate in Business Administration from Instituto Superior de Gestão	• Various positions, EDP Energias de Portugal Group, 2003 to the present • Financial Director – Novabase SGPS, S.A. (2001 – 2003) • Director, Financial Area, Banco BCP (1993-2001) • Auditing, PricewaterhouseCoopers (1991-1993) • Broker, Pedro Caldeira – Sociedade de Corretagem (1989-1990)

b) Operation

The Audit Board is responsible for overseeing Novabase's management and ensuring compliance with the law and memorandum of association.

In performing its duties, Novabase's Audit Board is responsible for the following:

a) Propose, at the General Meeting of Shareholders, the appointment of the Statutory Auditor ("ROC") or Statutory Auditing Firm ("SROC"), pursuant to the law;
b) Monitor the independence of the ROC/SROC, particularly with regard to the provision of additional services to Novabase or to companies in its group;
c) Oversee the review of accounts and other company accounting documents;
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) Monitor the efficacy of the risk management system, internal control system and internal auditing system;
f) Monitor the preparation and disclosure of financial information;
g) Annually assess the Board of Directors' and Executive Committee's compliance with the budget;
h) Take whatever decisions it deems necessary, informing the Chairman of the Board of Directors and director in charge of Novabase's financial area, 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) Issue a prior binding opinion on the type, scope and minimum individual or combined amount of business deals with related parties which (i) require the prior approval of the board of directors; (ii) require the prior approval of the supervisory board due to their high value;
j) Issue a prior opinion on business deals with related parties submitted by the board of directors;
k) Comply with other competencies and duties provided for by law and the memorandum of association;

In addition, since 31 March 2011, the company's 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 entities related with them, pursuant to article 20 of the Securities Code. These functions are described in point 91 of this report.

Furthermore, on 20 June 2018, the Audit Board approved new internal regulations aimed at incorporating legal provisions applicable to this board and its activities, namely those resulting from Law no. 148/2015 of 09 September, together with recommendations from the IPCG Corporate Governance Code (2018).

Along these lines, provisions aimed at establishing and implementing the Audit Board's duties within the scope of its powers were added to these regulations, particularly with regard to (i) the preparation of financial information, (ii) the supervision of systems for managing risks, control and (iii) statutory and external auditing.

In performing its duties regarding the preparation of financial information, the Audit Board is specifically responsible for:

a) Overseeing the adequacy of the process for preparing and disclosing financial information by Novabase's Board of Directors, including the suitability of accounting policies, estimates, judgments, relevant disclosures and their consistent application between years, in a duly documented and properly communicated manner; and
b) Certifying that the report disclosed on corporate governance practices and structure includes the items referred to in article 245-A of the Securities Code.

In addition, in performing its duties regarding the supervision of systems for risk management, internal control and internal auditing, the Audit Board is specifically responsible for:

a) Evaluating the Board of Directors' risk management, implementing periodic control procedures and mechanisms to ensure that the risks actually taken by Novabase are consistent with the Board of Directors' goals;
b) Issuing its opinion on the working plans and resources allocated to internal control areas, also receiving reports from these areas on matters involving the rendering of accounts, identifying or resolving conflicts of interest and the detection of potential irregularities.

Finally, in performing its duties regarding statutory and external auditing, the Audit Board is specifically responsible for:

a) Ensuring an organized selection process for ROCs/SROCs to be proposed to the General Meeting of Shareholders, pursuant to applicable legislation. This selection must include the following:
   (i) It must begin with a sufficient amount of lead time before the scheduled date of the Novabase General Meeting of Shareholders which will elect the ROC/SROC, so that the Audit Board may properly assess proposals received from applicants and select the ROCs/SROCs to be proposed at the meeting;
   (ii) It must be open to various applicants during a specific period of time; the Audit Board shall select and invite a group of applicants prior to its established proposal submission period;
   (iii) It must follow selection criteria of transparency, non-discrimination and impartiality; in analysing and appraising each proposal received, the Audit Board shall consider applicants' knowledge of the business sectors where Novabase

and the Novabase Group's companies do business, together with their resources, capacities and financial standing.

b) Selecting, in accordance with sub-paragraph a) above, the ROCs/SROCs to be proposed to the General Meeting of Shareholders for election and, as part of this proposal, recommending a preferred ROC/SROC on justified grounds, pursuant to the law;
c) Verifying, monitoring and overseeing the independence of Novabase's ROC/SROC, namely by means of the following:
   (i) Ensuring the receipt of information and communications pursuant to article 63 of the bylaws of the Portuguese Statutory Auditors' Association passed by Law no. 140/2015 of 07 September ("EOROC");
   (ii) Properly evaluating the threats to the independence of the ROC/SROC, together with existing or future safeguarding measures, and discussing these issues with the ROC/SROC when deemed necessary;
   (iii) Monitoring the services provided by the ROC/SROC, and ensuring that no services beyond auditing services ("prohibited services", listed in Annex I to the regulations) are provided, pursuant to article 77 of the EOROC;
   (iv) Annually evaluating the work done by the ROC/SROC, including its independence and suitability to perform its duties, proposing to the General Meeting of Shareholders that it be dismissed, or that its service provision agreement be terminated, whenever there are justified grounds for this purpose;
   (v) Implementing any other measures needed to ensure the independence of the ROC/SROC, pursuant to the law.
d) Establishing adequate communication channels between Novabase (and specifically the Audit Board) and the ROC, namely by:
   (i) Holding meetings, if and when necessary, between the ROC/SROC and Novabase's Audit Board and/or Board of Directors;
   (ii) Serving as Novabase's main spokesperson with the ROC/SROC.

Note that, within the scope of the powers in d) above, and as the primary spokesperson of the company's statutory auditor, the Audit Board proposes the remuneration of Novabase's statutory auditor and lays the proper groundwork for the provision of services within the company.

The Audit Board's powers have also been reinforced with a view to properly evaluating the performance, status and future prospects of Novabase. The Audit Board's regulations state that it may request any information deemed necessary from the Executive Committee or Board of Directors, together with their meeting minutes, meeting notices, support documentation or access to the meeting archives.

The Audit Board's internal regulations also detail some general duties and responsibilities, such as participating in meetings of the Board of Directors, managing directors or Executive Committee, as applicable, in which the annual accounts will be assessed, and the General Meeting of Shareholders, together with maintaining confidentiality with regard to facts and information disclosed to Audit Board members while performing 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 2018 as required by the articles of association and made all examinations of the accounts deemed necessary to fulfil its obligations, having conducted analyses and made suggestions as considered appropriate.

The Audit Board holds ordinary meetings at least once per 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. Detailed minutes are drawn up for the meetings of Novabase's Audit Board, pursuant to article 6, paragraph 4 of its internal regulations.

The Audit Board's decisions are made with a majority of its active members present, by majority vote. Pursuant to the Audit Board's internal regulations, for votes in which a member of the board has a conflict of interests, the board member in question must notify the others and abstain from voting.

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).

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).

Audit Board	
Number of meetings: 5[1]	
Full Member	**Attendance (%)**
Álvaro José Barrigas do Nascimento	100
Fátima do Rosário Piteira Patinha Farinha	100
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira	100

(1) Álvaro José Barrigas do Nascimento and Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira were elected as new members of the Audit Board in the General Meeting of Shareholders of 10 May 2018, and therefore only participated in 3 meetings. The remaining member was renewed, in the same meeting, for the 2018-2020 term of office, and therefore participated in all meetings.

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).

Audit Board		
Full Member (availability)	**Group companies**	**Other companies and activities**
Álvaro José Barrigas do Nascimento (Part time)	• No activities at other Novabase Group companies.	• Professor of Finance at Universidade Católica Portuguesa • Member of the Audit Board of Unicer • Chairman of the Audit Board of Banco Carregosa (until September 2018) • Non-executive Director of Euronext Lisbon (until September 2018) • Non-executive Director of Sonae MC (since October 2018) • Non-executive Director of NORS (since November 2018)
Fátima do Rosário Piteira Patinha Farinha (Part time)	• Member of the Audit Board of Novabase Capital – Sociedade de Capital de Risco, S.A.	• Financial Director of Grupo Entreposto automobile retail • Partner at MC Godinho & Associado SROC
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira (Part time)	• No activities at other Novabase Group companies.	• Member of Audit Board of Fundação EDP • Chairman of the Audit Board of Caritas Diocesana de Lisboa

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.

Pursuant to its internal regulations, the Audit Board is responsible for monitoring and overseeing the independence of Novabase's ROC/SROC and, in particular, monitoring the services it provides, ensuring that no services beyond auditing are provided. Services other than auditing are listed in the annex to the Audit Board's regulations, pursuant to applicable legislation.

In addition, 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 (ROC): The statutory auditor is 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 2018, 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 3 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 provided no other professional services to the company in 2018.

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 2018, 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 3 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 has mandatory auditing rules applicable to Novabase as an "entity of public interest".

With regard to rotating the statutory auditor, external auditor and responsible partner, the company takes the maximum periods in the bylaws of the Statutory Auditors' Association into account.

In view of this policy, and since KPMG has been hired to perform the duties of statutory auditor and (external) auditor as of 2015, the company is in legal compliance with the period for rotating the responsible partner.

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 external auditor's assessment includes verifying the implementation of remuneration policies and systems of the corporate boards, the efficiency and functioning of internal control mechanisms, and the 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 2018, the external auditor did not provide other professional services to the company.

Pursuant to the regulations of the Audit Board, this supervisory board evaluates the independence of statutory auditors, namely with regard to the provision of additional services (beyond auditing) to Novabase or companies in its group, and supervises the work done by external auditors, taking CMVM recommendations into account in this regard.

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 (€)	11,000 / 13.33
Compliance assurance services (€)	
Tax consulting services (€)	
Services other than statutory auditing (€)	
By entities belonging to the group	
Statutory auditing services (€)	71.500 / 86,67
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.

Pursuant to article 3, paragraph 2 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.

With a view to 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, having 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, an independent member of the Audit Board, Álvaro Nascimento, in two different manners:

- to the private e-mail address: NB.whistle@gmail.com; and
- by post in a letter addressed to Álvaro Nascimento, 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 forward 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, namely those referred to in points 21 and 33 of this report, 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 Investors 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. As detailed in this section, the Audit Board's internal regulations lay out its functions and duties with regard to supervising systems for risk management, internal control and 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.

In performing its duties regarding the supervision of systems for risk management, internal control and internal auditing, Novabase's Audit Board annually assesses the degree of internal compliance and performance of the risk management system, together with prospects for changing the risk framework described above.

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 a supervisory 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 its conclusions.

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

Along these lines, the Audit Board is also responsible for: (i) evaluating the Board of Directors' risk management, implementing periodic control procedures and mechanisms to ensure that the risks actually taken by Novabase are consistent with the Board of Directors' goals, and (ii) issuing its opinion on the working plans and resources allocated to internal control areas, also receiving reports from these areas on matters involving the rendering of accounts, identifying or resolving conflicts of interest and the detection of potential irregularities.

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

Novabase coordinates internal control teams, whether in the area of quality or 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 collection of financial risks resulting from its business, namely foreign exchange risk, cash flow and fair value risk, credit risk, liquidity risk and capital risk.

The unpredictability of financial markets is continuously analysed according to the Group's risk management policy to minimize potential adverse effects on its financial performance.

a) Foreign exchange risk

The Group is exposed to the risk of exchange fluctuation, mainly for the US dollar, Angolan kwanza and Mozambican metical, since some of its subsidiaries perform transactions in these currencies.

The financial department is responsible for monitoring exchange rate developments in these currencies to mitigate their impact on the consolidated results. Whenever exchange rate expectations so justify, the Group attempts to enter into hedging transactions against adverse changes by means of derivative financial instruments.

b) Cash flow and fair value risk

Novabase's exposure to interest rate risk originates from investments in financial institutions, bonds and loans. Variable-rate loans expose Novabase to cash flow risk due to changes in interest rates. Fixed-rate loans expose Novabase to fair value risk due to changes in interest rates.

c) Credit risk

Novabase manages credit risk both in terms of business units (for customer receivables) and on a consolidated basis (for all active positions of financial instruments). Credit risk originates from cash and cash equivalents, derivative financial instruments and customer credit exposure, including amounts receivable and previously agreed transactions. Only banks and institutions having credibility in the sector are accepted. Customer credit risk is managed based on credit limit ranges, based on the customer's financial position and historical business relations.

d) Liquidity risk

The prudent management of liquidity risk entails keeping cash or financial instruments sufficiently liquid, with sources of financing through an adequate number of credit facilities, together with the ability to close market positions.

The management monitors updated forecasts of the Group's liquidity reserve (unused credit lines, cash and cash equivalents) at the base of expected cash flows, by analysing the remaining contractual maturity of financial liabilities and the expected date of inflows from financial assets, also considering restrictions on transferring capital from Angola and Mozambique. In addition, the maturity concentration of the Group's loans is regularly controlled.

e) Capital risk

The Group's goals with regard to capital management – a broader concept than the capital shown on the face of the statement of the consolidated financial position – are as follows:

(i) Safeguarding the Group's ability to keep doing business, and therefore provide returns to shareholders and benefits to other stakeholders;

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

(iii) Maintaining a sound 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 sphere, 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.

In turn, the Audit Board is in charge of evaluating the Board of Directors' risk management.

Along these lines, as a company working in the information technology and digitalization market – a sector characterized by constantly shifting dynamics, innovation and agility – Novabase acknowledges that the risk management policy is of vital importance in running and developing a business which historically has had a higher risk appetite. For this reason, on 13 December 2018, Novabase's Board of Directors approved a formal risk policy for the company, which is available at the company's website. The principles of this policy have been defined and implemented by Novabase's Board of Directors, namely with regard to determining acceptable risk levels.

On 10 May 2018, the Board of Directors also approved the 2018 strategic guidelines.

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.

Furthermore, as better explained in section B III.b) of this report and the Audit Board's internal regulations, the Audit Board is responsible for supervising Novabase's systems for risk management, internal control and internal auditing.
In 2018, 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 time.

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 still subject to analysis and approval by the relevant boards, including the Board of Directors itself.

In addition, the Audit Board is in charge of overseeing the adequacy of the Board of Directors' process for preparing and disclosing financial information.

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. Investors have 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 shareholder structure, 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 Corporate Governance and the Corporate Governance Code of the Portuguese Corporate Governance Institute, which entered into force on 01 January 2018, 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 represented and General Meeting of Shareholders 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 published in Portuguese and English on Novabase's website: a) The company, public company status, registered office 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 Relations Office – its functions and means of access; e) accounting documents, accessible for 5 years; f) half-yearly calendar on company events, published at the beginning of each half year and including, among other information, General Meetings of Shareholders and annual and half-yearly reports and accounts.

57. Identification of the market relations representative.

María Gil Marín

Market and Investor Relations

Telephone: +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 2018, Novabase had no pending information requests. Its average response time was 24 hours. 183 information requests were received in 2018.

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, registered office 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

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, together with the number of annual meetings of the company's managing and supervisory boards and internal committees, is available at the following pages and links:

Corporate board members and number of meetings

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 is available at the following page and links on the General Meeting of Shareholders:

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.

Information on decisions taken is available at the following page and links on the General Meeting of Shareholders:

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 Statutory Auditor are considered managers, as defined in 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 Renumeration Committee members for the three-year period of 2018-2020 were decided in the General Meeting of Shareholders of 10 May 2018. 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 may freely decide on Novabase's hiring of consulting services, as needed or convenient for carrying out its duties. The Remuneration Committee did not employ any natural or legal person to support it in performing these duties.

The Chairman of Novabase's Remuneration Committee was present at the 2018 General Meeting of Shareholders to provide information and clarifications to shareholders. There were no other Novabase General Meetings of Shareholders in 2018.

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	Member of several boards of directors, including: • Chairman of the Board of Directors and CEO

	• Master's in Management from AESE (University of Barcelona) • Honorary Doctorate from the Macau University of Science and Technology	of Portugal Telecom, SGPS, S.A. • Chairman of Galp Energia • Senior Partner of SaeR – Sociedade de Avaliação Estratégica e Risco, Lda. • Vice-Chairman of the Board of Directors of SOREFAME • Vice-Chairman of the company Portugal e Colónias • Managing Chairman of IMOLEASING, CGD Group
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 • Master's 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 the Portuguese Corporate Governance Institute (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.

A statement on the remuneration policy, pursuant to Law no. 28/2009 of 19 June, which also contains the additional items per Recommendation no. V.2.3 of the IPCG Corporate Governance Code (2018), is attached to this report.

Novabase has no potential individual or combined ceilings for the remuneration of the members of its managing and supervisory boards. The setting of 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 a track record of setting remuneration with a high degree of soundness, although remuneration overall has gone down in recent years.

As such, Novabase believes it is inappropriate to have maximum potential ceilings for the remuneration to be paid to the members of its managing and supervisory boards.

Pursuant to recommendation V.2.2 of the IPCG Corporate Governance Code (2018), the remuneration committee must approve (at the start of each term of office) and enforce and confirm (annually) the remuneration policy for members of the company's boards and committees, under which the respective fixed components are determined and, with regard to executive directors or directors given sporadic executive tasks, if a variable remuneration component exists, the respective criteria for its awarding and measurement, mechanisms for its limitation, mechanisms for its deferred payment and remuneration mechanisms based on company shares or options.

Novabase's elective General Meeting of Shareholders was held on 10 May 2018 to appoint corporate boards and Remuneration Committee members for the 2018-2020 term of office. On this date, the IPCG Corporate Governance Code (2018) had just recently entered into force, putting companies in a transition period to adapt to the code and its recommendations.

Nonetheless, in this General Meeting of Shareholders, the Remuneration Committee submitted general guidelines for corporate board remuneration for the consideration of Novabase's shareholders, who approved them, including the general guiding principles of the remuneration policy for corporate board members for the three-year period of 2018-2020, similar to what was done in previous years. This same General Meeting of Shareholders also approved the remuneration of the Remuneration Committee for the term of office in question.

Although Novabase has no formal remuneration policy addressing every aspect of the above recommendation from the IPCG Corporate Governance Code, these general remuneration policy principles and guidelines – which have been approved by Novabase's shareholders in consecutive meetings – constitute, in broad terms, the remuneration policy currently in effect at Novabase.

The general guiding principles of the corporate board member remuneration policy for the three-year period of 2018-2020 address aspects to be borne in mind when structuring remuneration, along with ways of aligning board members' interests with those of the company.

Furthermore, based on these principles and Novabase's remuneration policy, the Remuneration Committee, in its meeting dated 17 May 2018, set remuneration for the corporate boards for 2018, together with the variable remuneration of directors according to their performance in 2017. The content of the Remuneration Committee's decision in this regard is available in the 2018 Remuneration Committee Report, attached to this report.

As part of its remuneration policy statement to be submitted to the 2019 annual General Meeting of Shareholders, also attached to this report, the Remuneration Committee confirms the remuneration policy in force at Novabase.

These practices have been employed by the Remuneration Committee over recent years, on an annual basis.

Within the scope of the remuneration policy, as described above, Novabase believes it is unnecessary to impose limits on variable remuneration, since the setting of remuneration is left to the discretion of the Remuneration Committee, which is comprised exclusively of members who are independent from the Board of Directors.

The general criteria for awarding and measuring directors' variable remuneration, together with its means of deferral, are addressed in points 70 and 72 of this report.

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, correlated 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, 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 directors' variable cash components which are not deferred for the entire term of office, that the company's medium-term interests must also be served, together with its economic interest in providing suitable performance optimization incentives to fulfil obligations and meet short-term goals for management positions, and in balancing and distributing the costs associated with directors' remuneration over term of office's three years, since it would not be appropriate to simply defer the entire variable remuneration component to the end of the term of office or afterward.

Finally, it is noteworthy that the company has no knowledge of contracts between members of the Board of Directors and 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, the remuneration of directors includes a variable cash component.

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 2018 corresponds to 50% of the amount allocated for 2017 in 2018, and 1/6 of the amount allocated for 2016 in 2017. The remaining 50% of the amount allocated for 2017 in 2018 is subject to deferred payments in the following 3 years (2019, 2020 and 2021) 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 2018, 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 has no variable remuneration in options or other financial instruments directly or indirectly dependent on the value of shares.

In the last General Meetings of Shareholders held on 29 April 2015, 03 May 2016, 04 May 2017, 26 October 2017 and 10 May 2018, no Stock Option Allocation, Subscription and/or Acquisition Plans were approved for the relevant terms of office, including for the term of office in progress.

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

There is no annual bonus scheme or any other non-financial benefits.

In 2018, an additional amount of €10,163.00 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.

A 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) Awarding to directors who, by decision of the Remuneration Committee, may receive remuneration components which are not fixed, paid by the company or by a company in a group or control relationship with it;

b) The amount of the supplement will correspond to the cumulative annuities acquired from the consecutive premiums paid, increased by revaluations during the applicable period of establishment, as negotiated with the insurance company in question;

c) Financing through the company's payment of relevant insurance agreement premiums, as determined by the Remuneration Committee;

d) Instead of the above pension supplement, directors may opt for the redemption of accumulated capital, pursuant to the law and within legal limits;

e) Pursuant to the law and within legal limits, beneficiaries with entitlement to the accumulated capital may be designated in the event of the director's death prior to retirement;

f) Other terms and conditions to be determined by the Remuneration Committee, in conjunction with the Board of Directors.

IV. DISCLOSURE OF REMUNERATION

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

In this report, Novabase discloses the remuneration received by each member of the Board of Directors and Audit Board in 2018, pursuant to Law no. 28/2009 and CMVM Regulation no. 4/2013, and in line with the recommendations of the IPCG Corporate Governance Code (2018) in this regard.

By unanimous decision of the Remuneration Committee, fixed remuneration components were set for members of the Novabase Board of Directors in 2018, along with annual variable remuneration, as shown in the chart below.

This remuneration is distributed among the members of the Board of Directors in accordance with the breakdown stipulated by the Remuneration Committee, whereby directors receive (i) fixed remuneration in cash, and (ii) variable remuneration in cash; this remuneration is distributed among the directors in accordance with the following table, in view of their responsibilities at Novabase and as indicated by the Remuneration Committee.

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

The variable component in cash of directors' remuneration is determined with a view to aligning this component 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 2018 corresponds to only 50% of the variable remuneration in cash due for 2017 and 1/6 of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016 and 1/6 of the amount allocated for 2014 in 2015. The remaining 50% of the amount allocated for 2017 is subject to deferred payments in the following 3 years (2019, 2020 and 2021) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

Director[1]	Fixed annual remuneration (€)	Annual variable remuneration in cash paid in 2018(€)[2,3]	Total partial (fixed + variable in cash paid in 2018) (€)	Variable in cash paid in 2018 /Partial Total (%)	Deferred annual variable remuneration (€)[4]
João Nuno da Silva Bento	188,458.00	13,414.00	201,872.00	6.64	
Álvaro José da Silva Ferreira	128,667,00	13,414.00	142,081.00	9.44	
Francisco Paulo Figueiredo Morais	121,700.00	116,311.00	238,011.00	48.87	144,865.00
María del Carmen Gil Marín	92,670.00	0.00	92,670.00	0.00	
Executives Total	531,494.00	143,139.00	674,633.00	21.22	144,865.00
(% total)	58.31	30.64	48.93		
Luís Paulo Cardoso Salvado	284,133.00	235,304.00	519,437.00	45.30	289,730.00
José Afonso Oom Ferreira de Sousa	34,475.00	44,383.00	78,858.00	56.28	57,951.00
Pedro Miguel Quinteiro de Marques Carvalho	34,475.00	44,383.00	78,858.00	56.28	57,951.00
Marta Isabel dos Reis Graça Rodrigues do Nascimento	26,950.00	0.00	26,950.00	0.00	0.00
Non-executives total	380,033.00	342,070.00	704,103.00	46.03	405,632.00
(% total)	41.69	69.36	51.07		
TOTAL	911,527.00	467,209.00	1,378,735.00	33.89	550,497.00

In 2018, an additional amount of €10,163 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 directors and the members of Novabase's Audit Board are paid exclusively by this entity, and do not receive additional remuneration of any kind from other companies

[1] Directors João Nuno da Silva Bento, Álvaro José da Silva Ferreira, María del Carmen Gil Marín and Marta Isabel dos Reis Graça Rodrigues do Nascimento were elected in the General Meeting of Shareholders of 10 May 2018. The remuneration shown here for these directors only refers to after the election. The amounts received up until the election date from other group companies are shown in point 78.
[2] The amount shown represents the total amount paid to each director in 2018: 50% of the total amount allocated for 2017 in 2018, and 1/6 of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016 and 1/6 of the amount allocated for 2014 in 2015. The remaining 50% of the amount allocated for 2017 in 2018 will be paid in the following 3 years (2019, 2020 and 2021) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.
[3] Amount used to reinforce capitalization insurance contributions currently in effect at the company
[4] Amounts allocated for 2018 in 2017 but deferred for the following 3 years. There are also deferred amounts referring to amounts allocated for 2017 in 2016, and allocated for 2016 in 2015 according to the results disclosed in the Corporate Governance Reports of the respective years.

that are controlled by or part of the Novabase Group, nor from any company subject to shared control with Novabase.

Even so, in 2018, prior to her election as a director, approved in the General Meeting of Shareholders dated 10 May, director María del Carmen Gil Marín received the following amounts from Novabase Capital – Sociedade de Capital de Risco, S.A., a company fully owned by Novabase S.G.P.S., S.A.:

Director	Fixed annual remuneration (€)	Annual variable remuneration in cash paid in 2018 (€)[5,6]	Total partial (Fixed + variable in cash paid in 2018) (€)	Variable in cash paid in 2018 /Partial Total (%)	Deferred annual variable remuneration (€)[7]
María del Carmen Gil Marín	47,297.00	270,334.00	317,632.00	85.11.00	273,715.00

In 2018, an additional amount of €601 in meal allowances was paid to this director by Novabase Capital – Sociedade de Capital de Risco, S.A.

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 2018, no additional remuneration was awarded in the form of profit sharing and/or payment of bonuses.

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 2018.

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 supervisory board members includes no component whose value depends on the performance or the value of the company.

As such, the following fixed annual remuneration was given to members of the Audit Board for 2018:

Chairman of the Audit Board – Álvaro José Barrigas do Nascimento – €9,000 (nine thousand euros);

[5] The amount shown represents the total amount paid in 2018: 50% of the total amount allocated for 2017 in 2018, and 1/6 of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016 and 1/6 of the amount allocated for 2014 in 2015. The remaining 50% of the amount allocated for 2017 in 2018 will be paid in the following 3 years (2019, 2020 and 2021) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.
[6] Amount used to reinforce capitalization insurance contributions currently in effect at the company
[7] Amounts allocated for 2018 in 2017 but deferred for the following 3 years. There are also deferred amounts referring to amounts allocated for 2017 in 2016, and allocated for 2016 in 2015 according to the results disclosed in the Corporate Governance Reports of the respective years.

Audit Board Member – Fátima do Rosário Piteira Patinha Farinha – €7,000 (seven thousand euros);

Audit Board Member – Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira – €7,000 (seven thousand euros) [1]

[1] this member's remuneration will be paid in 2019

Furthermore, the company's Statutory Auditor is remunerated according to standard remuneration practices and conditions for comparable services, following the signing of a service provision 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 paid according to attendance in the amount of €1,000 (one thousand euros) for each meeting presided over. One such payment was made in 2018.

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, paragraph 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.

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 has no variable remuneration in 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.

On 04 July 2016, Novabase approved Internal Regulations on Translations with Qualified Shareholders, under which business dealings by the company with qualified shareholders of significant relevance are subject to the scheme provided for therein. These internal regulations were updated and approved on 04 July 2016.

Under the current Internal Regulations, transactions with qualified shareholders are defined as those performed by the company, by entities in a control or group relationship with it, or by entities within its consolidation perimeter with holders of qualified shareholdings, or with entities in any way related to them pursuant to article 20 of the Securities Code.

Significant business deals also include: (i) those whose cumulative total is equivalent to or exceeds €100,000 (one hundred thousand euros) in a given financial year, half year or quarter, even when the value of each business deal does not exceed this amount when considered individually; or (ii) those not done under normal market conditions.

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

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

Such notification to Novabase's 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 transaction in question will be done under normal market conditions for similar transactions, complying with the principle of equitable treatment for the Novabase Group's customers and suppliers. In the event of deviations to these principles, justifying circumstances must be given to perform the transaction, namely the need to pursue a higher company interest.

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

In issuing its opinion, the supervisory board must bear in mind whether the business deal in question will be carried out under normal market conditions for comparable transactions, whether it is part of the company's day-to-day business and whether the principle of equitable treatment of Novabase Group customers and suppliers will be respected, together with circumstances justifying the transaction when deviations to these principles occur, namely the need to pursue a higher company interest.

In either case, the 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 2018 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).

Over the course of 2018, the Corporate Governance Code of the Portuguese Corporate Governance Institute (IPCG) entered into force in reference to 01 January 2018, thereby completing the transition process to a self-regulation model (soft law) in Portugal. This resulted in the revocation of the CMVM Corporate Governance Code (2013) as of the same date.

In this way, the IPCG Corporate Governance Code (2018) now represents the only corporate governance code in Portugal for the purposes of article 2, paragraph 1 of CMVM Regulation no. 4/2013.

Therefore, and in accordance with the above provision of CMVM Regulation no. 4/2013, Novabase has adopted the Corporate Governance Code of the Portuguese Corporate Governance Institute (2018), which is available for consultation at https://cgov.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
	Chapter I. GENERAL PROVISIONS		
	General principle: Corporate governance should promote and enhance the performance of companies and the capital market, and should establish the trust of investors, employees and the		

	general public in the quality of the managing and supervisory boards and the sustained development of companies.		
	I.1. Company's relation with investors and information		
	Principle: Companies and, in particular, their managers should treat shareholders and other investors equally, namely by assuring mechanisms and procedures for the suitable processing and disclosure of information.		
1	The company should establish mechanisms which, in a suitable and rigorous manner, ensure the processing and timely disclosure of information to corporate boards, shareholders, investors, other stakeholders, financial analysts and the market in general.	Yes	Points 56 to 65
	I.2. Diverse composition and functioning of the company's governing bodies		
	Principle: **I.2.A** Companies should ensure diversity in the composition of their governing boards and the use of criteria of individual merit within the respective designation procedures, which are of the exclusive power of the shareholders. **I.2.B** Companies should be equipped with clear, transparent decision-making structures, ensuring the utmost operating efficiency of their boards and committees.		
2	I.2.1. Companies should establish criteria and requirements for the profile of new members of their governing bodies which are suited to the function to be performed. Besides individual attributes (such as expertise, independence, integrity, willingness and experience), these profiles should take into consideration general diversity requirements, paying particular attention to gender diversity that could potentially enhance the governing body's performance and balance its composition.	Yes	Point 16 and 19
3	I.2.2. The governing and supervisory boards and their internal committees should have internal regulations – namely regarding the exercising of their respective powers, chairmanship, meeting frequency, operation and table of duties of their members – with detailed minutes of their meetings drawn up.	Yes	Points 21, 22, 27, 33 b) and 34
4	I.2.3. The internal regulations of the managing and supervisory boards and	Yes	Points 22, 27, 34 and 61

	their internal committees should be disclosed in full at the company's website.		
5	I.2.4. The composition and number of annual meetings of the managing and supervisory boards and their internal committees should be disclosed in full at the company's website.	Yes	Point 62
6	I.2.5. The company's internal regulations should provide for the existence of, and ensure the operation of, mechanisms for detecting and preventing irregularities, along with a policy for reporting irregularities (whistleblowing) ensuring the appropriate means for their communication and handling, safeguarding the confidentiality of information conveyed and the identity of the whistleblower whenever so requested.	Yes	Point 49
	I.3. Relationship between company boards		
	Principle: Corporate board members, above all directors, should lay the groundwork so that – to the extent of each board's responsibilities – judicious and efficient measures are taken, and the company's boards act in a harmonious, coordinated manner with information suited to the performance of their respective duties.		
7	I.3.1. The articles of association or equivalent instruments used by the company should have mechanisms to ensure that, within the limits of applicable legislation, members of the managing and supervisory boards have permanent access to all company information and employees to assess the performance, status and future prospects of the company, including meeting minutes, support documentation for decisions taken, meeting notices and the archives of executive board of directors meetings, notwithstanding access to any other documents or persons who may be asked to give clarifications.	Yes	Points 21, 24 and 33 b)
8	I.3.2. Each of the company's bodies and committees should ensure a timely, suitable flow of information, from meeting notices and meeting minutes, as needed for all other boards and committees to perform their duties under the law and articles of association.	Yes	Points 21, 24 and 33 b)

	I.4. Conflicts of interest		
	Principle: Conflicts of interest, whether actual or potential, should be prevented between the members of boards and commissions and the company. Members in conflict must not interfere in the decision-making process.		
9	I.4.1 Members of corporate boards and committees should be obliged to punctually notify the respective board or committee of any facts which may constitute or give rise to a conflict between their interests and those of the company.	Yes	Points 21 and 33 b)
10	I.4.2 Procedures should be in place to ensure that a member in conflict does not interfere with the decision-making process, notwithstanding the obligation to provide information and clarifications requested by the board, commission or its respective members.	Yes	Points 21 and 33 b)
	I.5. Transactions with related parties		
	Principle: Due to their potential risks, transactions with related parties must be justified by the company's interests and performed in normal market conditions, subject to the principles of transparency and proper oversight.		
11	I.5.1. The Board of Directors must determine, with a prior binding opinion from the supervisory board, the type, scope and minimum individual or combined amount of business deals with related parties which: (i) require the prior approval of the board of directors; (ii) also require the prior approval of the supervisory board due to their high value.	Partial	Points 89 and 91 Novabase has Internal Regulations on Transactions with Qualified Shareholders, whose terms define the type, scope and minimum individual or combined amount of business deals with related parties requiring a prior non-binding opinion of the Audit Board. There are no business deals with related parties requiring the approval of the Board of Directors. Even so, Novabase believes that the control mechanisms currently in place in this regard are sufficient to ensure that transactions with related parties are subject to the

			principles of transparency and proper oversight, since: (i) any transactions whose total cumulative amount is equivalent to or greater than €100,000 (one hundred thousand euros) in a given financial year, half year or quarter, or which are not done under normal market conditions, are subject to the prior opinion of the Audit Board, thereby encompassing a major part of the transactions with related parties that may occur, (ii) in recent years, there have been no business dealings with related parties subject to an unfavourable opinion of the Audit Board, and (iii) Novabase also complies with the rules of the Commercial Companies code for contractual agreements between the company and its directors, together with the rules for controlling and disclosing transactions with related parties, pursuant to internationally accepted and applicable financial reporting and accounting norms and standards.
12	I.5.2. The Board of Directors should, at least every six months, notify the Audit Board of all business deals subject to Recommendation I.5.1.	No	Point 33 b) 91 No formal obligation exists for the Board of Directors to notify the Audit Board, at least every six months, of all transactions with related parties (and subject to Recommendation I.5.1.). Even so, Novabase believes that the mechanisms in place are sufficient to ensure that transactions with related parties are subject to the principles of transparency and proper oversight, together with the proper flow of information between the company's boards, namely the Board of Directors and Audit Board.

	Chapter II. SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS		
	Principles: **II.A** The proper engagement of shareholders is a positive factor in corporate governance, as an instrument for the company's efficient functioning and achievement of its corporate purpose. **II.B** The company should encourage shareholders to participate in the General Meeting of Shareholders as a venue for them to communicate with company boards and committees and reflect on the company. **II.C** The company should also allow shareholders to participate in the General Meeting of Shareholders via telematic means, postal voting and, in particular, electronic voting, except when incommensurate due to associated costs.		
13	II.1. The company should not require an excessively high number of shares for entitlement to voting rights and should specify its choice in its corporate governance report when not following the principle of one share corresponding to one vote.	Yes	Point 12
14	**II.2.** The company should 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
15	**II.3.** The company should implement the means necessary to exercise the right to vote by mail and electronically.	Yes	Point 12
16	**II.4.** The company should implement suitable means for shareholders to participate in the General Meeting of Shareholders via telematic means.	No	To date, the means necessary for shareholders to participate in the General Meeting of Shareholders via telematic means have not been implemented. Even so, Novabase believes that various mechanisms are in place, and are sufficient, to encourage shareholders to participate in the General Meeting of Shareholders and exercise their voting rights. The company has no restrictions with regard to voting rights. Furthermore, Novabase's articles of association state that postal voting is allowed. 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. This practice has been in place at the company for several years.
17	**II.5.** 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 Meeting of Shareholders (5-year intervals) on whether that statutory provision is to be amended or prevails – without superior quorum requirements as to the one legally in force – and that in said resolution, all votes issued be counted, without applying said restriction.	n/a	Points 12 and 13
18	**II.6.** Measures that require payment or the assumption of fees by the company in the event of change of control or change in the composition of the board of directors, and which may impair the free transfer of shares and free assessment by shareholders of the performance of directors, shall not be adopted.	Yes	Points 4 and 84
	Chapter III. NON-ADMINISTRATIVE MANAGEMENT AND OVERSIGHT		
	Principles: **III.A** Corporate board members with non-executive management and supervisory functions should carry out effective, judicious oversight which challenges executive management to fully achieve the company's corporate purpose, supplemented by committees in central corporate governance areas. **III.B** The composition of the supervisory board and collection of non-executive directors should afford the company with balanced, proper diversity in terms of expertise, knowledge and professional backgrounds. **III.C** The supervisory board should constantly oversee the company's management, from a preventive standpoint as well, monitoring the company's activities and, in particular, decisions of central importance to the company.		
19	III.1. Notwithstanding the legal functions of the Chairman of the Board of Directors, if the Chairman is not independent, the independent directors must designate a coordinator (lead independent director) from among themselves for the following purposes: (i) serving, whenever necessary, as a spokesperson with the Chairman of the Board of Directors and the other directors, (ii) ensuring that they have the	No	Points 18 and 21 In view of Novabase's corporate organizational model, which has several levels of internal control, the company does not believe that independent directors are necessary, as further explained in the above points in Part I of

	necessary means and conditions to perform their duties; and (iii) coordinating them in assessing the performance by the board of directors, as provided for in recommendation V.1.1.		this report, together with the comments to recommendation III.3 below. The designation of a lead independent director per this recommendation is therefore not possible. With regard to the option of designating a lead non-executive director (in the absence of independent directors), in view of the size of the company, the Board of Directors and the number of non-executive directors, the company does not believe this position is necessary. In fact, given Novabase's agile and flexible structure since 2015, the non-executive directors have adequately coordinated their duties with no need for formal meetings called and run by one of these directors.
20	III.2. The number of non-executive members of the board of directors, together with the number of members of the supervisory board and number of members of the financial matters committee, should be suited to the company's size and the complexity of its business risks, but sufficient to effectively ensure the functions entrusted to them.	Yes	Points 18, 21 and 33
21	III.3. In any case, the number of non-executive directors should exceed the number of executive directors.	No	Points 24 and 27 The number of non-executive directors is the same as the number of executive directors. Nevertheless, in view of the company's oversight model, together with mechanisms for ensuring actual monitoring and supervision of the Executive Committee by non-executive directors (see point 24 of this report), Novabase does not believe that the number of non-executive members must exceed the number of executive members on the Board of Directors. In fact, the Board of Directors annually assesses its own performance, together with the performance of the managing directors or Executive Committee, as applicable, also ensuring that the individual performance evaluations of each director are

			notified to the Remuneration Committee. The activities of the Executive Committee are monitored continuously by the Board of Directors on the whole and, specifically, by the non-executive directors, through the provision of information on the company's business as needed to monitor its day-to-day running. Ensuring the actual monitoring and oversight of the activities of the Executive Committee by executive members is, in fact, a concern of Novabase and a practice followed by the company. Moreover, the Board of Directors' internal regulations have been revised to reinforce the information rights of directors and prerogatives to this end, as explained in points 21 and 24 of this report. This monitoring of the executive directors by non-executive directors was a practice already in place prior to the publication of corporate governance recommendations on the existence of specific evaluation committees and continues to be an actual practice employed by Novabase. In addition, the Remuneration Committee is responsible for assessing the performance of the executive directors, namely for the purposes of applying the evaluation criteria described in point 25. In this way, Novabase believes that the Board of Directors' non-executive members have been entrusted with the function of overseeing and challenging the executive management. Even so, note that the number of non-executive members has increased, in absolute terms, in 2018 compared to the previous year.
22	III.4 Companies should include a number not less than one third, but always multiple, of non-executive directors meeting independence requirements. For	No	Point 18 In view of the company's size, its need for agility and efficient

	the purposes of this recommendation, independent persons are defined as those not associated with any specific interest group at the company, nor under any circumstances that may affect their exemption from analysis or decision, namely because of: i. Having held a position on any company board, on a consecutive or non-consecutive basis, for more than twelve years; ii. Having been an employee at the company or at a company in a control or group relationship within the last three years; iii. Having, in the past three years, provided services or established a significant 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; iv. Receiving remuneration paid by the company or by a company with which it is in a control or group relationship, besides the remuneration arising from performing the duties of director; v. 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 directors of the company, directors of a legal person with a qualified holding in the company or natural persons with direct or indirect qualified holdings; vi. Being a qualifying shareholder or representative of a qualifying shareholder.		management, its shareholder structure and respective free float, its various levels of internal control (including supervisory boards completely comprised of persons independent from the management and qualified shareholders, with the important note that, under the Anglo Saxon corporate governance model previously in effect at the company, only those directors with positions on the Auditing Committee were independent), and the vast set of options benefiting shareholder participation and the exercising of rights, Novabase does not believe that independent directors are needed to ensure the protection of the interests of all stakeholders.
23	III.5. The provisions of paragraph (i) of recommendation III.4 shall not impair the qualification of a new director as independent if, between the termination of his/her duties at any company board and his/her new designation, at least three years have elapsed (cooling-off period).	n/a	Novabase's Board of Directors has no independent directors
24	III.6. Non-executive directors should participate in the board of directors determination of the strategy, policy principles, enterprise structure and decisions considered strategic to the company in view of their amount or risk, together with an evaluation of their fulfilment.	Yes	Point 21
25	III.7. The general and supervisory board should, based on its powers under the law and articles of association, work with the	n/a	In view of the company's use of the reinforced Latin management and oversight

	executive board of directors in determining the strategy, policy principles, enterprise structure and decisions considered strategic to the company in view of their amount or risk, together with an evaluation of their fulfilment.		model, the company has no general and supervisory board.
26	III.8. In accordance with the powers entrusted to it by law, the supervisory board should specifically monitor, evaluate and give its opinion on the strategic guidelines and risk policy defined by the board of directors.	Yes	Point 33 b)
27	III.9. Companies should have specialized internal committees suited to their size and complexity which handle, individually or collectively, matters involving corporate governance, remuneration, performance evaluation and appointments.	Partial	Point 27 In view of the mounting challenges of internationalization and competition revolving around Novabase's business, the corporate governance system in place at the company needed to be brought up to date by simplifying and streamlining company bodies and procedures, so as to tailor existing solutions to the company's size and specific circumstances. In this context, beyond the Executive Committee, no other committees have currently been created within the company's Board of Directors. In particular, with regard to evaluating the management, it should be noted that the Board of Directors annually assesses its own performance, together with the performance of the managing directors or Executive Committee, as applicable, also ensuring that the individual performance evaluations of each director are notified to the Remuneration Committee. The activities of the Executive Committee are monitored continuously by the Board of Directors on the whole and, specifically, by the non-executive directors, through the provision of information on the company's business as needed to monitor its day-to-day running. This monitoring of the Executive Committee by non-executive directors was a practice already in place prior to the publication of corporate governance recommendations

			on the existence of specific evaluation committees and continues to be an actual practice employed by Novabase. In addition, the Remuneration Committee is responsible for assessing the performance of the Executive Committee and its members for the purposes of applying the evaluation criteria described in point 25 of this report. Along these lines, given the relatively low complexity of the current corporate governance structure, maintaining or reintroducing a specific committee to reflect on issues involving corporate governance seems unnecessary, since the company is assisted by outside consultants in this regard.
28	III.10. The systems for risk management, internal control and internal auditing should be properly structured according to the company's size and the complexity of its business risks.	Yes	Points 50, 51 and 54
29	II.11. The supervisory board and financial matters committee should assess the effectiveness of the systems for risk management, internal control and internal auditing, and propose adjustments as may be deemed necessary.	Yes	Points 33, 50, 51 and 54
30	II.12. The supervisory board should give its opinion on the work plans and resources allocated to internal control services, including the control of compliance with the rules applicable to the company (compliance services) and internal auditing, and should be the recipient of reports done by these services, at least when concerning matters related to the rendering of accounts, identification or resolution of conflicts of interest and detection of potential irregularities.	Yes	Point 33

	Chapter IV. EXECUTIVE MANAGEMENT		
	Principles: **IV.A** As a means of boosting the board of directors efficiency and the quality of its performance, together with the adequate flow of information to this board, the day-to-day running of the company should be done by executive directors with suitable qualifications, expertise and experience. The executive management is in charge of managing the company, pursuing the company's goals and contributing towards its sustainable development. **IV.B** The company's size, the complexity of its business and its geographic dispersion – in addition to costs and the desired operating agility of the executive management – should be considered in determining the number of executive directors.		
31	IV.1 The governing board should approve, through internal regulations or comparable means, the scheme for executives' activities and their performance of executive duties at entities outside the group.	Partial	Point 21 and 26 On 10 May 2018, the Board of Directors approved the delegation of powers to the Executive Committee, together with this committee's regulations on this same date. The purpose of this documentation is to regulate and delineate this board's functioning and its respective powers. Novabase's active executive directors currently perform no other executive duties at entities outside the group. For this reason, and in view of current circumstances, Novabase believes there is no need to approve a scheme governing the performance of executive duties outside the group by executive directors, as such a scheme would have no practical application. Furthermore, with regard to the table in Point 26 of this report (on activities of directors outside the group), the duties shown for executive directors João Nuno da Silva Bento, Álvaro José da Silva Ferreira and Francisco Paulo Figueiredo Morais Antunes are not considered executive duties, and therefore do not impact their full availability to carry out their respective duties at Novabase.
32	IV.2 The board of directors shall ensure that the company acts in accordance with its goals, and should not delegate its powers, namely with regard to: i)	Yes	Point 21

	determination of the company's main policies and strategy; ii) organization and coordination of the enterprise structure; iii) matters that should be considered strategic due to their amount, risk or special characteristics.		
33	IV.3. The board of directors should set goals for the assumption of risks and ensure that they are met.	Partial	Points 50 and 54 Given the importance of a structured risk management model to the business, together with market regulatory requirements, Novabase'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. The company has a model in force – 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. Novabase's formal risk management policy was approved on 13 December 2018. Since this date, the Board of Directors has been involved in a process of reformulating Novabase's risk management system with a view to improving it, defining and implementing the policy approved at the end of 2018. Under this reformulation process, Novabase's Board of Directors will set goals for the assumption of risks in light of the recently approved risk management policy.
34	IV.4. The supervisory board should organize itself internally, implementing periodic control procedures and mechanisms to ensure that the risks actually taken by the company are consistent with the board of directors goals.	Partial	Points 33 and 51 Pursuant to its internal regulations, the Audit Board is responsible for evaluating the Board of Directors' risk management, implementing periodic control procedures

			and mechanisms to ensure that the risks actually taken by the company are consistent with the Board of Directors' goals. In fact, in performing its duties regarding the supervision of systems for risk management, internal control and internal auditing, Novabase's Audit Board annually assesses the degree of internal compliance and performance of the risk management system, together with prospects for changing the previously defined risk framework. Novabase's formal risk management policy was approved on 13 December 2018. Since this date, the Board of Directors has been involved in a process of reformulating Novabase's risk management system with a view to improving it, defining and implementing the policy approved at the end of 2018, namely with regard to defining risk levels considered acceptable. The Audit Board has monitored (and continues to monitor) this process of reformulating the risk policy and, in accordance with the risk management goals laid out by the Board of Directors, will establish adequate periodic control procedures and mechanisms in addition to those already in place.
	Chapter V. PERFORMANCE EVALUATION, REMUNERATION AND APPOINTMENTS		
	V.1 Annual Performance Evaluation		
	Principle: The company should evaluate the performance of the executive board and its individual members, together with the overall performance of the board of directors and its specialized committees.		
35	V.1.1. The board of directors should evaluate its performance each year, together with the performance of its committees and managing directors,	Yes	Points 24 and 25

	bearing in mind fulfilment of the company's strategic plan and budget, risk management, internal operation and each member's contribution in this regard, together with relationships between the company's boards and committees.		
36	V.1.2. The supervisory board should oversee the company's management and, in particular, annually assess fulfilment of the company's strategic plan and budget, risk management, the internal operation of the board of directors and its committees, together with relationships between the company's boards and committees.	Yes	Point 31
	V.2 Remuneration		
	Principle: The remuneration policy for members of the managing and supervisory boards should allow the company to attract qualified professionals, at a cost economically justified by the situation, align its interests with those of shareholders — taking into account the wealth actually created by the company, its economic position and that of the market — and build a company culture which is professional and promotes merit and transparency.		
37	V.2.1. The determination of remuneration should be the responsibility of a committee, whose composition ensures its independence vis-à-vis the management.	Yes	Points 66 and 67
38	V.2.2. The remuneration committee should approve (at the start of each term of office) and enforce and confirm (annually) the remuneration policy for members of the company's boards and committees, under which the respective fixed components are determined and, with regard to executive directors or directors given sporadic executive tasks, if a variable remuneration component exists, the respective criteria for its awarding and measurement, mechanisms for its limitation, mechanisms for its deferred payment and remuneration mechanisms based on company shares or options.	Partial	Point 69, 2018 Remuneration Committee Report and remuneration policy statement (attached).
39	V.2.3. The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law No. 28/2009 of 19 June should also contain the following: i. Total remuneration itemized by its different components, the proportions of fixed and variable remuneration, an	Yes	2018 Remuneration Committee Report, remuneration policy statement (attached) and Point 69.

	explanation of how total remuneration complies with the remuneration policy employed (including how it contributes towards the company's long-term performance) and information on how performance criteria have been applied; ii. Remuneration originating from companies belonging to the same group; iii. The number of shares and share options awarded or offered, and the main conditions for exercising rights, including the exercise date and price and any amendments to these conditions; iv. Information on the possibility of requesting reimbursement of variable remuneration; v. Information on any deviations from the approved remuneration policy, including an explanation of the exceptional circumstances and specific items subject to exemption; vi. Information on the enforceability or unenforceability of payments for the dismissal of directors.		
40	V.2.4. For each term of office, the remuneration committee must also approve directors' pension scheme, if the articles of association so allow, and the ceiling for all compensation to be paid to a member of any company board or committee for dismissal from his/her duties.	Does not apply to the first part of this recommendation. No, with regard to the second part of this recommendation.	Point 76 and 83 A supplementary pension scheme for all directors entitled to variable remuneration was approved in the General Meeting of Shareholders dated 29 April 2015, and still remains in effect. As such, Novabase believes that this part of the recommendation does not apply to it. Moreover, in view of the mandatory legal ceiling on compensation for undue dismissal, there is absolutely no practical advantage in establishing contractual restraints to the amount payable to a director in the event of consensual termination of duties.
41	V.2.5. With a view to providing information and clarifications to shareholders, the chairman of the remuneration committee, or another member of this committee in the event of his/her impediment, should attend the annual General Meeting of Shareholders and any other meetings whose agenda includes matters related to the remuneration of members of the company's boards and commissions, or	Yes	Point 67 The Chairman of Novabase's Remuneration Committee was present at the 2018 General Meeting of Shareholders to provide information and clarifications to shareholders. There were no other Novabase

	when such attendance has been requested by shareholders.		General Meetings of Shareholders in 2018.
42	V.2.6. Within the company's budgetary limits, the remuneration committee should be able to freely decide on the company's hiring of consulting services, as needed or convenient for carrying out its duties. The remuneration committee must ensure that the services are provided independently, and that the service providers in question will not be hired to provide other services to the company, or to other companies in a group or control relationship with it, without the committee's express authorization.	Yes	Point 67 Novabase's Remuneration Committee acts with complete autonomy and may freely decide on Novabase's hiring of consulting services, as needed or convenient for carrying out its duties. The Remuneration Committee did not employ any natural or legal person to support it in performing these duties.
	V.3 Remuneration of Directors		
	Principle: Directors should receive compensation: (i) which offers adequate remuneration for the responsibilities assumed, availability and expertise made available to the company; (ii) which ensures that actions are aligned with long-term shareholder interests and others expressly defined by them; and (iii) which rewards performance.		
43	V.3.1. With a view to aligning interests between the company and executive directors, part of their remuneration should be variable, reflecting the company's sustained performance and discouraging the assumption of excessive risks.	Yes	Points 70 and 71
44	V.3.2. A significant part of the variable remuneration component should be partially deferred for a period not less than three years, so as to associate it with sustainable performance, pursuant to the company's internal regulations.	Partial	Points 70 and 72 50% of the variable remuneration in cash is deferred over three years and is conditional upon Novabase's positive performance during this time period, serving the company's long-term interests and discouraging excessive risk assumption. The terms for deferring the variable remuneration component were decided and used from 2011 to 2016 by the Remuneration Committee, as described in the 2017 Novabase Remuneration Committee Report, approved by the annual General Meeting

			of Shareholders of 10 May 2018, although not included in internal company regulations. Under the remuneration policy in effect at Novabase, the company believes it is not necessary to establish terms for deferring the variable remuneration component in internal regulations. In fact, the partial deferral of variable remuneration for at least three years has already been a practice at Novabase for several years, while the determination of the variable component is left to the discretion of the Remuneration Committee, which is comprised exclusively of members who are independent from the Board of Directors.
45	V.3.4. When variable remuneration includes options or other instruments directly or indirectly dependent on the value of shares, the start of the exercise period should be deferred for at least three years.	n/a:	Point 74
46	V.3.5. The remuneration of non-executive directors should not include any component whose value is subject to the performance or the value of the company.	No	Point 77 The remuneration of non-executive, non-independent directors may include a variable component. The performance of remunerated duties by these members of the Board of Directors allows Novabase to leverage their extensive know-how acquired as company founders and accumulated over more than 20 years, especially since these directors continue to have major responsibilities in the Group. For this reason, this remuneration is fully justified.
47	V.3.6. The company should be equipped with adequate legal instruments so that dismissal during the term of office does not result, directly or indirectly, in the payment of any amounts to directors beyond those provided for by law. The legal instruments employed should be described in the company's corporate governance report.	No	Points 83 and 84 Novabase believes that this recommendation's scope includes dismissal/termination for any reason, particularly the dismissal of directors without justified grounds, insofar as the legal schemes for dismissal during the term of office generally assume the non-existence of any compensation; it is Novabase's view that, with regard to these, any limitations on compensation payable to

			directors would be unjustified and of limited utility. With regard to the dismissal of directors without justified grounds, Novabase's directors currently have no entitlement to compensation or remedy, except as provided for by law. In fact, Novabase believes that, in view of the interests at hand, any additional limitations to the compensation or remedy payable for the dismissal of directors without justified grounds is unjustified and of limited utility, except for those aspects provided for by general law, namely the provisions of article 403 of the Commercial Companies Code.
	V.4. Appointments		
	Principle: Regardless of the means of designation, the profile, knowledge and background of the members of corporate and board of directors should be suited to the duties to be performed.		
48	V.4.1. The company should, pursuant to terms deemed adequate and by demonstrable means, ensure that proposals for the election of company board members include a justification of the suitability of the profile, knowledge and background vis-à-vis the duties to be performed by each applicant.	Partial	Point 16 The annual General Meeting of Shareholders of 10 May 2018 elected Novabase's corporate board members for the three-year period of 2018-2020. Although proposals for the election of corporate board members were not accompanied by the justification referred to in this recommendation, these proposals nonetheless included the applicants' CVs, which are available at all times at Novabase's website. Furthermore, when the proposals for the election of corporate board members were submitted (13 April 2018), these recommendations from the IPCG Corporate Governance Code had only recently entered into force.

49	V.4.2. Unless not justified by the company's size, the function of monitoring and supporting management staff appointments should be allocated to an appointment committee.	No	Given the low number of directors (eight) and the company's size and shareholder structure, Novabase has no appointment committee with the powers of monitoring and supporting management staff appointments.
50	V.4.3. This committee includes a majority of non-executive independent members.	n/a	Since the company has no appointment committee, this recommendation does not apply to Novabase.
51	V.4.4. The appointment committee should provide its terms of reference and should have, to the extent of its powers, transparent selection processes with effective means of identifying potential applicants, choosing to propose those of most merit, best suited to the position's requirements and affording the organization with sufficient diversity, including gender diversity.	n/a	Since the company has no appointment committee, this recommendation does not apply to Novabase. Even so, bearing in mind the growing importance of equal opportunities, together with the corporate understanding of diversity's role in contributing towards improved performance and competitiveness, Novabase approved a diversity policy for its managing and supervisory boards so as to better match applicants to the demands of their positions and foster diversity in these boards. More information on this topic can be found in point 16.
	Chapter VI. RISK MANAGEMENT		
	Principle: Based on its medium and long-term strategy, the company should have a system for risk management and control and internal auditing to foresee and minimize the risks inherent to its business.		
52	VI.1. The board of directors should discuss and approve the company's strategic plan and risk policy, including the definition of risk levels considered acceptable.	Partial	Points 50 and 54 On 13 December 2018, Novabase's Board of Directors approved a formal risk policy for the company. On 10 May 2018, the Board of Directors also approved the 2018 strategic guidelines. The principles of this policy have been defined and implemented by Novabase's

			Board of Directors, namely with regard to determining acceptable risk levels.
53	VI.2. Based on its risk policy, the company should have a risk management system, identifying (i) the main risks to which it is exposed in its business, (ii) the likelihood of their occurrence and respective impacts, (iii) instruments and measures to mitigate them, (iv) procedures for monitoring them, and (v) the procedure for overseeing, periodically evaluating and adjusting the system.	Yes	Points 53 and 54
54	VI.3. The company should annually assess the degree of internal compliance and performance of the risk management system, together with prospects for changing the previously defined risk framework.	Yes	Points 50 and 54
	Chapter VII. FINANCIAL INFORMATION		
	VII.1 Financial information		
	VII.A. The supervisory board should, in an independent and diligent manner, ensure that the board of directors fulfils its responsibilities in choosing appropriate accounting criteria and policies, and in establishing adequate financial reporting systems for risk management, internal control and internal auditing. **VII.B.** The supervisory board should properly coordinate internal auditing work with the legal review of the accounts.		
55	VII.1.1. The supervisory board's internal regulations should require this board to oversee the adequacy of the process for preparing and disclosing financial information by the board of directors, including the suitability of accounting policies, estimates, judgments, relevant disclosures and their consistent application between years, in a duly documented and properly communicated manner.	Yes	Point 33 b)
	VII.2 Legal account review and oversight		
	Principle: The supervisory board is responsible for establishing and monitoring formal, clear and transparent procedures with regard to the means of selecting, and the company		

	relationship with, the statutory auditor, and with regard to overseeing the statutory auditor's fulfilment of rules for independence, as required by law and professional standards.		
56	VII.2.1. Through internal regulations, the supervisory board should determine: (i) the criteria and process for selecting the statutory auditor; (ii) the company's means of communicating with the statutory auditor; (iii) oversight procedures aimed at ensuring the independence of the statutory auditor; (iv) services other than auditing which cannot be provided by the statutory auditor.	Yes	Point 33 b)
57	VII.2.2. The supervisory board should be the main spokesperson of the company's statutory auditor and the first recipient of the relevant reports and is responsible for proposing relevant remuneration and ensuring that the proper conditions for the provision of services are provided within the company.	Yes	Point 33 b)
58	VII.2.3. The supervisory board should annually evaluate the work done by the statutory auditor, including its independence and suitability to perform its duties, proposing to the competent body that it be dismissed, or that its service provision agreement be terminated, whenever there are justified grounds for this purpose.	Yes	Point 33 b)
59	VII.2.4. The statutory auditor shall, within the scope of its duties, verify the implementation of remuneration policies and systems of the corporate boards and the efficiency and functioning of internal control mechanisms, and report any shortcomings to the supervisory board.	n/a	The recipient of this recommendation is the statutory auditor (ROC) and not the company, as expressly recognized by the Executive Monitoring Committee (CEAM), with the agreement of the Monitoring Committee (CAM), in its Note on the Interpretation of the IPCG Corporate Governance Code (2018) – Note no. 1 of May 2018
60	VII.2.5. The statutory auditor should cooperate with the supervisory board, immediately providing it with information on any irregularities it has found, as relevant to the performance of the	n/a	The recipient of this recommendation is the statutory auditor (ROC) and not the company, as expressly recognized by the Executive Monitoring Committee (CEAM), with the agreement of the

	supervisory board's duties, together with any difficulties it has come across in carrying out its duties.		Monitoring Committee (CAM), in its Note on the Interpretation of the IPCG Corporate Governance Code (2018) – Note no. 1 of May 2018

3. Other information

The company should provide any additional information or items not addressed in the above points and relevant to understanding the governance model and practices used.

Remuneration Committee Report

REPORT OF THE REMUNERATIONS COMMITTEE

<u>Report of the Remunerations Committee regarding the 2018 Financial Year and Declaration of the Remunerations Committee on the Remunerations Policy of the Corporate Bodies</u>

The Remunerations Committee of Novabase SGPS (RC) met twice times in the 2018 financial year, at the company's office, on May 17, 2018 and June 27, 2018.

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 meetings 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 2018 financial year and includes the annual statement of the Remunerations Committee on the remuneration policy for the management and supervisory bodies of the company.

It should be noted that this document – including Part I and Part II – should be read as a whole. Within this context, the report of the RC regarding the 2018 financial year shall be deemed as an integral part of the declaration regarding the remunerations policy which is included in Part II of this document and vice-versa, notably for the purposes of assessing the remunerations practices followed by Novabase and the compliance with the recommendations of the Corporate Governance Code of IPCG (2018) in this respect.

PART I
Remunerations Committee Report for the 2018 financial year

Prior Note:
<u>As usual, the remunerations committee clarifies that the decisions regarding variable remunerations mentioned in this report relate to decisions taken by the RC in 2018 and, therefore, such decisions were taken with reference to the directors' performance in 2017.</u>

After this clarification, below is a summary of the decisions taken by the RC.

1. <u>The remuneration for the 2018 financial year of the members of the board of the General Meeting of Shareholders of Novabase SGPS</u>

At the General Meeting of Novabase SGPS held on May 10, 2018, António Manuel da Rocha e Menezes Cordeiro and Madalena Paz Ferreira Perestrelo de Oliveira were appointed for the offices of Chairman of the board of the General Meeting of Shareholders and Secretary of the same board, respectively.

It was resolved to attribute to the members of the board of the General Meeting a remuneration corresponding to attendance fees per each General Meeting of Shareholders made. For the Chairman the amount determined was of 1,200 (one thousand and two hundred) euros. This amount was updated in relation to the previous financial year, considering that the same was not reviewed since 2006. Accordingly, the remuneration of the Secretary was updated to 900 (nine hundred) euros for each General Meeting of Shareholders. These resolutions were unanimously taken.

2. <u>Fixed remuneration of the Directors of Novabase SGPS for the 2018 financial year</u>

At the General Meeting of Novabase SGPS held on May 10, 2018, were appointed as members of the Board of Directors of the company: Luis Paulo Cardoso Salvado as Chairman and João Nuno da Silva Bento, Álvaro José da Silva Ferreira, Francisco Paulo Figueiredo Morais Antunes, María del Carmen Gil Marín, José Afonso Oom Ferreira de Sousa, Pedro Miguel Marques Quinteiro de Carvalho and Marta Isabel dos Reis Graça Rodrigues do Nascimento as members.

Afterwards, the Board of Directors held on the same day, May 10, 2018, resolved on the delegation of the day-to-day management of the company to an Executive Committee, composed of the following directors: João Nuno da Silva Bento (CEO) and Álvaro José da Silva Ferreira, Francisco Paulo Figueiredo Morais Antunes and María del Carmen Gil Marín as members.

Given the current context of the technologic sector and consequent increase in the competition for talent at all levels, especially at the most senior level, it was decided to update the fixed remuneration of the CEO in 10% for the term of office that has now begun. It should be noted that since 2010 this remuneration was updated only in 0.8% and the inflation since such date is of 10.8% and therefore, in practical terms, such devaluation is being restored.

In relation to the Chairman of the Board of Directors and since his function is performed on a full time basis, with a special focus, apart from the usual governance matters (which are particularly complex given the current model of autonomy among the various lines of business of Novabase), on Strategy and Risk matters, as a complement to and reinforcement of the Executive Committee work, it was determined a remuneration equal to the remuneration of the CEO.

In relation to the remaining non-executive directors, it was also determined an update, in line with the market practices for similar responsibilities.

Thus, it was unanimously resolved to determine the following annual gross amounts 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 of the Board of Directors on a full-time basis) – 293,700 (two hundred and ninety-three thousand and seven hundred euros);

João Nuno da Silva Bento (Chairman of the Executive Committee / CEO) – 293,700 (two hundred and ninety-three thousand and seven hundred euros);

Álvaro José da Silva Ferreira (executive director) – 200,520 (two hundred thousand and five hundred and twenty euros);

María del Carmen Gil Marín (executive director) – 144,420 (one hundred and forty four thousand, four hundred and twenty euros);

Francisco Figueiredo Morais Antunes (executive director) - 126,000 (one hundred and twenty six thousand euros);

José Afonso Oom Ferreira de Sousa - 42,000 (forty two thousand euros);

Pedro Miguel Quinteiro Marques de Carvalho - 42,000 (forty two thousand euros);

Marta Isabel dos Reis Graça Rodrigues do Nascimento – 42,000 (forty two thousand euros).

3. Variable remuneration of the Directors of Novabase SGPS, related to performance in the 2017 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 2017 financial year of 4.7 Million Euros, compared to 9.6 Million Euros in the preceding financial year, the RC unanimously decided to grant to each of the following directors in office in 2017, and without prejudice to sections four and five below, the following amounts:

Luis Paulo Cardoso Salvado (Chairman and CEO/delegated director) - 202,900 (two hundred and two thousand and nine hundred euros);

Francisco Paulo Figueiredo Morais Antunes (CFO/delegated director for finance) – 101,450 (one hundred and one thousand, four hundred and fifty euros);

José Afonso Oom Ferreira de Sousa – 40,580 (forty thousand, five hundred and eighty euros);

Pedro Miguel Quinteiro Marques de Carvalho - 40,580 (forty thousand, five hundred and eighty euros).

The total variable remuneration of the Directors of Novabase SGPS for their performance in the 2017 financial year corresponds, therefore, to € 385,510€, compared with the amount of 773,376€ of the previous financial year (regarding 2016) and 599,700€ regarding the financial year of 2015, in which net profits of 7.4 Million euros were registered.

On the other hand, the Chairman of the RC reminded that, following the lack of presentation of a new stock option plan at the 2018 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 2017, as variable remuneration, and delay the remaining 50% for payment during the next three years (2019, 2020 and 2021). 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 2017.

5. <u>On pension supplements for directors receiving variable remuneration</u>

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 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. This resolution was unanimously approved.

6. <u>On the remuneration of the members of Novabase SGPS' Audit Board for the 2018 financial year</u>

At the General Meeting held on May 10, 2018, were appointed as members of the Audit Board: Álvaro José Barrigas do Nascimento as Chairman and Fátima do Rosário Piteira Patinha Farinha and Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira as members.

In line with article 422.º-A of the Companies Code, the remuneration of the members of the supervisory bodies should correspond to a fixed amount. Therefore, the following annual fixed remunerations were granted for the 2018 financial year:

Chairman of the Audit Board – Álvaro José Barrigas do Nascimento – 9,000 (nine thousand euros);

Member of the Audit Board – Fátima do Rosário Piteira Patinha Farinha – 7,000 (seven thousand euros);

Member of the Audit Board – Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira – 7,000 (seven thousand euros).

These amounts have been updated in 1,000€ by comparison to the previous financial year.

7. <u>On the remuneration of the Statutory Auditor for the 2018 financial year</u>

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. <u>On the enforceability or unenforceability of payments related to dismissal or termination of the office of directors</u>

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.

Additionally, the Remunerations Committee analyzed other matters, notably the impact of the strategic guidance for the current term of office in the remunerations policy of Novabase SGPS, and also considered the impact of Directive 2017/828 of the European Parliament and of the Council, of May 17, 2017.

PART II

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

Whereas:

1. Pursuant to Law no. 28/2009, of 19 June ("Law on Remunerations "), the management body or the Remunerations Committee, if applicable, of companies with securities admitted to trading on a regulated market shall annually submit a statement on the remuneration policy of the members of the management and supervisory bodies to the approval of the General Meeting,

2. During the 2018 financial year, the IPCG Corporate Governance Code (2018) entered into force, as of 1 January 2018, with the consequent revocation of the CMVM Corporate Governance Code (2013), effective as of the same date,

3. In accordance with Recommendation V.2.3. of the IPCG Corporate Governance Code, the statement on the remunerations policy referred to in item 1, above should contain a set of additional information listed in the aforementioned recommendation,

4. At the General Meeting held on 10 May, 2018, the Remunerations Committee submitted for analyses of the shareholders of Novabase the general principles guiding the remuneration policy of the members of the corporate bodies for the 2018-2020 triennium, and has received the shareholders' approval in this respect,

the RC of Novabase SGPS hereby submits to the approval of the Annual General Meeting of Shareholders the statement on the remunerations policy of the management and supervisory bodies of Novabase, which intends to include, on the one hand, the general principles and guidelines for the remuneration policy in the 2019 financial year, under the terms and for the purposes of the Law on Remunerations and, on the other hand, the matters referred to in Recommendation V.2.3. of the IPCG Corporate Governance Code in respect not only to future orientations on the remunerations policy, but also to the execution of the remuneration policy during the past year.

1. General principles and guidelines for the remunerations policy for the 2019 financial year

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 current corporate bodies' term of office .

Therefore, the current remunerations committee understands that the general principles that have guided the remunerations policy aforementioned should be maintained, and that, without prejudice to item 2. below, the following basic directives shall be observed in the implementation of the remunerations policy for the 2019 financial year.

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.

2. Information under the terms and for the purposes of Recommendation V.2.3. of the IPCG Corporate Governance Code (2018)

i. The total remuneration amount itemized by each of its components, the relative proportion of fixed and variable remuneration, an explanation of how the total remuneration complies with the company's remuneration policy, including how it contributes to the company's performance in the long run, and information about how the performance requirements were applied

The total remuneration received by the members of the Board of Directors and the Audit Board in the 2018 financial year, itemized according to the different components applicable in the case of the members of the Board of Directors, may be consulted, respectively, in points 77 and 81 of the Corporate Governance Report relating to such financial year, to which this declaration is attached.

It is noted that, as referred to in the aforementioned report, the members of the Board of Directors João Nuno da Silva Bento, Álvaro José da Silva Ferreira, María del Carmen Gil Marín and Marta Isabel dos Reis da Graça Rodrigues do Nascimento were appointed at the General Meeting of Shareholders held on May 10, 2018 and, therefore, with respect to these members of the Board of Directors, the remunerations presented within such context solely refer to the post-election period.

In relative terms, the variable remuneration paid to the members of the Board of Directors of Novabase in 2018 represented approximately 51.3%

of the annual fixed remuneration earned by the members of the Board of directors concerning the 2018 financial year, thus ensuring a reasonable balance between the fixed and variable remuneration amounts.

The remunerations of the Board of Directors, in its various components, as well as the remuneration of the members of the Audit Board, are in line with the approved by the Remunerations Committee of NOVABASE at the meeting of 17 May, 2018, as set forth in the Report of the Remunerations Committee regarding the 2018 Financial Year.

With regard to the fixed remuneration of members of the Board of Directors, its determination has taken into account, on the one hand, the functions performed by each member of the Board of Directors and, on the other hand, the market practices for similar responsibilities. The fixed remuneration is defined by the Remunerations Committee and is generally paid in 12 monthly installments, without attendance fees. This remuneration should consider, among other factors deemed appropriate by the Remunerations Committee, the know-how and experience of the members of the Board of Directors taking into account the duties performed , the management functions, as well as the exercise of non-delegable powers.

In relation to the variable remuneration concerning the performance in the 2017 financial year and paid in 2018, such remuneration was determined with the goal of aligning such variable component with the performance of Novabase in the 2017 financial year, and correlated with the responsibility and performance of each member of the Board of Directors in particular.

In addition, it was decided by the Remunerations Committee to pay, in 2018, only half of the amount attributed to each member of the Board of Directors in office in 2017 as variable remuneration, deferring the remaining 50% for payment in the following three years (2019, 2020 and 2021), as better detailed in item 4 of the Report of the Remunerations Committee regarding the 2018 Financial Year.

Accordingly, the RC considers that the remunerations structure of the members of the Board of Directors with executive and non-executive functions complies with the remuneration policy in force at Novabase. This structure is suitable to the nature of the responsibilities assumed by each of the members of the Board of Directors and is able to contribute to the performance of Novabase in the long term, promoting the alignment of the interests of the members of the management body with the interests of the Company, considering, in particular, the general principles governing the definition of variable remunerations, as well as the mechanisms in force in order to defer the payment of these remunerations.

Regarding the Audit Board, the remuneration of its members is also structured in a way that allows the alignment of their interests with those of the Company, following a rigid model in the sense that it consists in a fixed annual remuneration, and no variable remuneration is provided.

In light of the aforementioned, the RC considers that the total remuneration of the Board of Directors and the Audit Board for the 2018 financial year complies with the remuneration policy in force at NOVABASE.

In the year of 2019, and in accordance with the remuneration policy in force, the general principles of the remuneration practices adopted by Novabase in 2018 should continue to be followed.

ii. *Remunerations from companies that belong to the same group as the company*

The members of the Board of Directors of Novabase and the members of the Audit Board are paid only by this entity and do not receive any other remuneration by any other company in a control of or in a group relationship with Novabase, or by a company subject to common control with Novabase.

Nevertheless, during the year of 2018, and before her appointment as member of the Board of Directors approved at the annual General Meeting held on May 10, the director María del Carmen Gil Marín received amounts paid by Novabase Capital - Sociedade de Capital de Risco, S.A., a company 100% held by Novabase S.G.P.S., S.A., which are better detailed in item 78 of the Corporate Governance Report concerning to the 2018 financial year, to which this declaration is attached.

iii. *Number of shares and options on shares granted or offered, and the main conditions for the exercise of those rights, including the price and the exercise date and any changes to those conditions*

Currently the Company does not grant any variable remuneration in stock options or in other financial instruments directly or indirectly dependent on the value of the shares.

In addition, at the last General Meetings held on April 29, 2015, May 3, 2016, May 4, 2017, October 26,2017 and May 10, 2018, no Stock Options Plans were approved for the relevant term of offices, including for the current term of office.

Nevertheless, the Remunerations Committee understands that, as part of the remuneration policy followed by Novabase and as a remuneration arrangement able to promote the alignment of the interests of the members of the management body with the interests of the Company, plans based on securities issued by NOVABASE may be approved and implemented in the future.

iv. *Information on the possibility to request the reimbursement of variable remuneration*

In relation to the possibility of requesting the reimbursement of the variable remuneration received by the members of the Board of Directors of Novabase, there are no formal arrangements in place for such purpose.

Notwithstanding, under the general governing principles of the remuneration policy of Novabase, in case the performance of the Company is a criteria for the determination of the variable remuneration, the deterioration of the performance may justify, in the light of specific circumstances, the limitation of such remuneration.

v. *Information on any deviation from the procedures for the application of the approved remuneration policies, including an explanation of the nature of the exceptional circumstances and the indication of the specific elements subject to derogation*

During the 2018 financial year, there was no deviation from the implementation procedures of the general principles guiding the remuneration policy of the managing bodies of Novabase, as approved by the shareholders in successive general meetings.

vi. *Information on the enforceability or non-enforceability of payments claimed in regard to the termination of office by directors*

Regarding payments due as a result of the termination of the offices of the members of the Board of Directors of Novabase, no special rules have been established by the Remunerations Committee in this respect or, as far as the Remunerations Committee is aware of, by Novabase – either internally or in any contractual arrangements entered into between Novabase and the members of the Board of Directors. The general legal framework applies in this respect, as this matter is already duly foreseen and regulated in the applicable law.

Likewise, the Remunerations Committee has not set forthany general prohibition applicable to the Company regarding the establishment of compensations to be paid to the members of the Board of Directors in the future, if and when it deems convenient.

Accordingly, payments in connection with the termination of the offices of the members of the Board of Directors of Novabase may only be required in cases of dismissal without justifiable grounds (*destituição sem justa causa*), notably pursuant to article 403, paragraph 5 of the Companies Code. Compensations may also be determined, on a case-by-case basis, in situations of termination by mutual agreement, in light of the circumstances under which such termination has occurred.

Further information on indemnities in connection with the termination of the offices of the members of the Board of Directors of Novabase may be consulted in Part I, item 80, as well as in Part II, on the comments to the

Recommendation V.3.6. of the Corporate Governance Report for the 2018 financial year, to which this declaration is attached.

Lisbon, March 15, 2019

The Remunerations Committee

____

Francisco Luís Murteira Nabo (Chairman)

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Pedro Rebelo de Sousa (Member)

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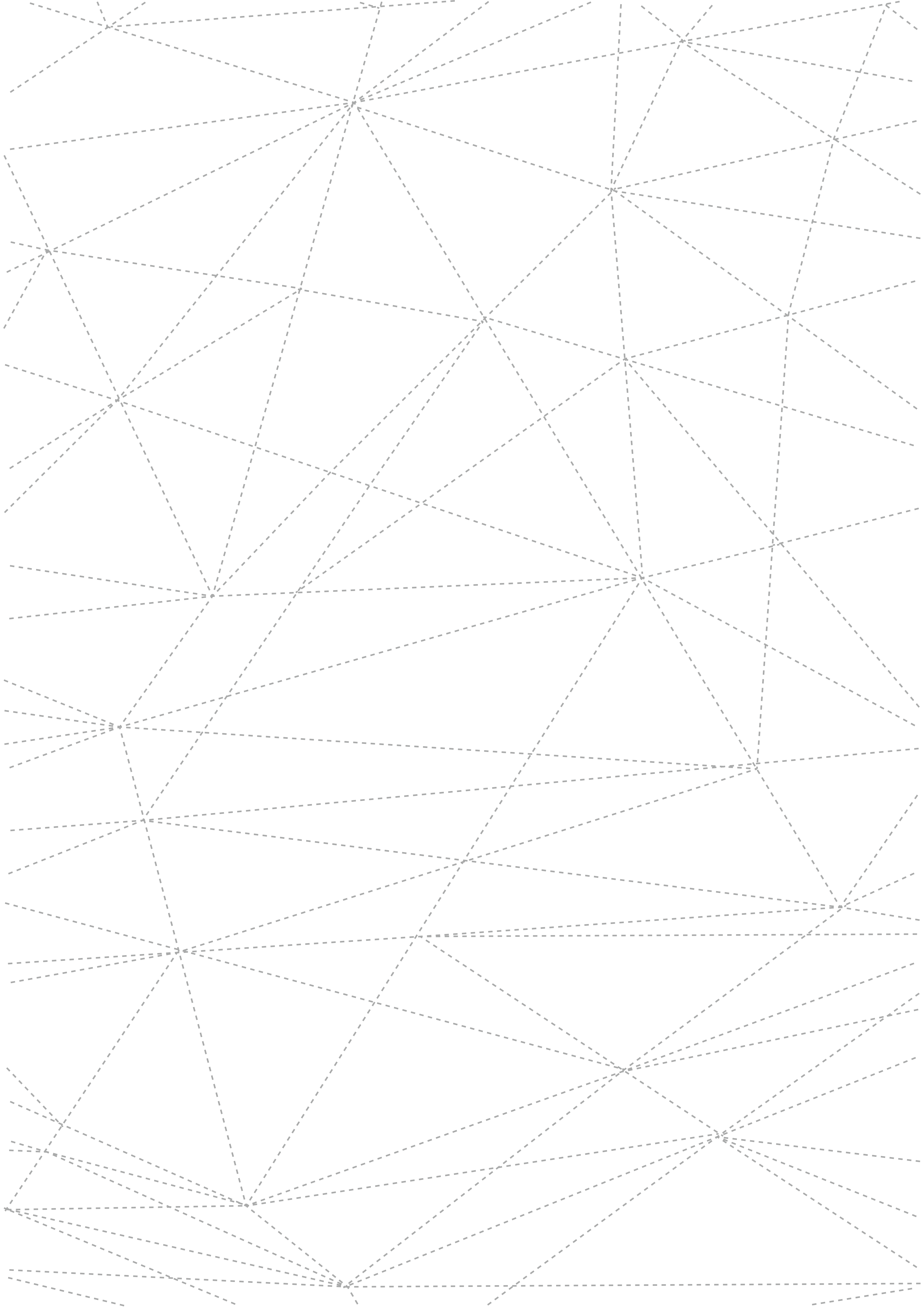
João Quadros Saldanha (Member)

CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Financial Statements
for the year ended 31 December 2018

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

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I. CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2018

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

Consolidated Statement of Financial Position as at 31 December 2018

(Amounts expressed in thousands of Euros)

	Note	31.12.18	31.12.17
Assets			
Non-Current Assets			
Property, plant and equipment	7	10,235	10,019
Intangible assets	8	16,065	17,162
Investments in associates	9	252	314
Financial assets at fair value through profit or loss	10	3,868	2,796
Held-to-maturity investments	19	-	7,713
Investment securities	19	7,680	-
Deferred tax assets	11	10,048	10,448
Other non-current assets	12	1,644	3,256
Total Non-Current Assets		**49,792**	**51,708**
Current Assets			
Inventories	13	33	46
Trade and other receivables	15	45,658	49,745
Accrued income	16	5,464	16,356
Income tax receivable		2,619	1,318
Derivative financial instruments	17	26	18
Other current assets	18	3,851	1,546
Held-to-maturity investments	19	-	7,353
Investment securities	19	1,198	-
Cash and cash equivalents	20	63,614	56,136
Total Current Assets		**122,463**	**132,518**
Assets from discontinued operations	41	-	-
Total Assets		**172,255**	**184,226**
Equity			
Share capital	21	15,701	15,701
Treasury shares	21	(188)	(188)
Share premium	21	43,560	43,560
Reserves and retained earnings		3,016	3,722
Profit for the year		4,737	4,774
Total Equity attributable to owners of the parent		66,826	67,569
Non-controlling interests	23	13,754	13,597
Total Equity		**80,580**	**81,166**
Liabilities			
Non-Current Liabilities			
Borrowings	24	13,360	16,837
Provisions	25	8,252	10,369
Other non-current liabilities	26	990	744
Total Non-Current Liabilities		**22,602**	**27,950**
Current Liabilities			
Borrowings	24	6,320	6,907
Trade and other payables	27	40,399	41,619
Income tax payable		-	578
Derivative financial instruments	17	24	-
Deferred income and other current liabilities	28	22,267	25,103
Total Current Liabilities		**69,010**	**74,207**
Liabilities from discontinued operations	41	63	903
Total Liabilities		**91,675**	**103,060**
Total Equity and Liabilities		**172,255**	**184,226**

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 Profit and Loss
for the year ended 31 December 2018

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.18	12 M * 31.12.17
Continuing operations			
Sales	5	894	159
Services rendered	5	147,829	139,563
Cost of sales		(848)	(31)
External supplies and services	29	(53,844)	(51,201)
Employee benefit expense	30	(86,468)	(82,155)
Net impairment losses on trade and other receivables	15	785	-
Other gains/(losses) - net	31	1,951	4,580
Depreciation and amortisation	32	(2,940)	(3,210)
Operating Profit		**7,359**	**7,705**
Finance income	33	2,548	6,199
Finance costs	34	(4,039)	(6,776)
Share of loss of associates	35	(62)	(261)
Gain on net monetary position		308	955
Earnings Before Taxes (EBT)		**6,114**	**7,822**
Income tax expense	36	(1,100)	(1,382)
Profit from continuing operations		5,014	6,440
Discontinued operations			
Profit from discontinued operations	41	-	2,696
Profit for the Year		**5,014**	**9,136**
Profit attributable to:			
Owners of the parent		4,737	4,774
Non-controlling interests	23	277	4,362
		5,014	9,136
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	**0.15 Euros**	**0.07 Euros**
From discontinued operations	37	**Zero Euros**	**0.09 Euros**
From profit for the year	37	**0.15 Euros**	**0.15 Euros**
Diluted earnings per share			
From continuing operations	37	**0.15 Euros**	**0.07 Euros**
From discontinued operations	37	**Zero Euros**	**0.09 Euros**
From profit for the year	37	**0.15 Euros**	**0.15 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 2018

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.18	12 M * 31.12.17
Profit for the Year		5,014	9,136
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on foreign operations, net of tax	11	1,627	(467)
Other comprehensive income for the year		1,627	(467)
Total comprehensive income for the year		**6,641**	**8,669**
Total comprehensive income attributable to:			
Owners of the parent		5,556	4,533
Non-controlling interests		1,085	4,136
		6,641	8,669

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 Changes in Equity
for the year ended 31 December 2018

(Amounts expressed in thousands of Euros)

		Attributable to owners of the parent							
	Note	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 2017		**15,701**	**(4)**	**43,560**	**3,140**	**(8,656)**	**31,164**	**8,151**	**93,056**
Adjustment on initial application of IAS 29	2.5.	-	-	-	-	-	(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**
Balance at 1 January 2018		**15,701**	**(188)**	**43,560**	**3,140**	**(8,897)**	**14,253**	**13,597**	**81,166**
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	2.2.	-	-	-	-	-	(1,769)	(736)	(2,505)
Restated balance at 1 January 2018		**15,701**	**(188)**	**43,560**	**3,140**	**(8,897)**	**12,484**	**12,861**	**78,661**
Profit for the year		-	-	-	-	-	4,737	277	5,014
Other comprehensive income for the year	23	-	-	-	-	1,067	(248)	808	1,627
Total comprehensive income for the year		-	-	-	-	1,067	4,489	1,085	6,641
Transactions with owners									
Dividends	22, 23	-	-	-	-	-	(4,654)	(821)	(5,475)
Treasury shares movements	21	-	-	-	-	-	-	-	-
Transactions with owners		-	-	-	-	-	(4,654)	(821)	(5,475)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interests	22	-	-	-	-	-	124	629	753
Balance at 31 December 2018		**15,701**	**(188)**	**43,560**	**3,140**	**(7,830)**	**12,443**	**13,754**	**80,580**

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 Cash Flows
for the year ended 31 December 2018

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.18	12 M * 31.12.17
Cash flows from operating activities			
Cash receipts from customers		153,600	140,289
Cash paid to suppliers and employees		(138,107)	(135,426)
Cash generated from operations		15,493	4,863
Income taxes received / (paid)		(618)	2,016
Other operating proceeds / (payments)		(772)	643
		(1,390)	2,659
Net Cash from operating activities		**14,103**	**7,522**
Cash flows from investing activities			
Proceeds:			
Sale of subsidiaries, associates and other partic. companies		8	45,636
Loans granted to associates and participated companies		164	2,154
Disposal of investment securities / held-to-maturity investments	19	11,236	3,903
Sale of property, plant and equipment		55	140
Interest received		1,351	1,278
		12,814	53,111
Payments:			
Acquisition of subsidiaries, assoc. and other partic. companies		(462)	(371)
Purchases of investment securities / held-to-maturity investments	19	(5,029)	(11,139)
Purchases of property, plant and equipment		(866)	(721)
Purchases of intangible assets		(237)	(324)
		(6,594)	(12,555)
Net Cash from investing activities		**6,220**	**40,556**
Cash flows from financing activities			
Proceeds:			
Proceeds from borrowings	24 (a)	-	2,700
Capital contribution by non-controlling interests (i)		(60)	883
Transactions with non-controlling interests	22	741	-
		681	3,583
Payments:			
Repayments of borrowings	24 (a)	(4,273)	(6,331)
Dividends paid	22, 23	(5,475)	(21,438)
Payment of finance lease liabilities	24 (a)	(805)	(788)
Interest paid		(891)	(884)
Purchase of treasury shares	21	-	(1,010)
		(11,444)	(30,451)
Net Cash used in financing activities		**(10,763)**	**(26,868)**
Cash and cash equivalents at 1 January	20	**56,136**	**35,703**
Net increase in cash and cash equivalents		**9,560**	**21,210**
Effects of exchange rate changes on cash and cash equiv.		**(2,053)**	**(777)**
Cash and cash equivalents at 31 December	20	**63,643**	**56,136**

12 M * - period of 12 months ended

(i) In 2018: Refund of capital contribution made in excess by the NCI of the Venture Capital Fund created in 2017: FCR NB Capital + Inovação. In 2017: Capital contribution by the NCI of the 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 2018

1. General information

Novabase, Sociedade Gestora de Participações Sociais, SA (hereinafter referred to as Novabase, Novabase Group 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 operating segments:

(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 (2017: 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 March 28, 2019. 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 consolidated financial statements will be subject to approval at the Shareholders' General Meeting scheduled for May 7, 2019.

2. Significant accounting policies

The most significant accounting policies applied in the preparation of these consolidated financial statements are described below. These accounting policies have been consistently applied to all years presented in these financial statements, except for the changes mentioned in section 2.2..

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 2018.

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

New standards, interpretations and amendments to existing standards, which became effective as of 1 January 2018

• **IFRS 9 (new)**, 'Financial instruments'. 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 15 (new)**, 'Revenue from contracts with customers'. 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'. 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 considerations; and (iv) selection of the practical expedients on transition to IFRS 15.

• **IFRS 2 (amendment)**, 'Classification and measurement of share-based payment transactions'. 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 a share-based payment plan should be treated as entirely equity-settled, when the employer is obliged by tax laws or regulations to withhold an amount for an employee's tax obligation associated with a share-based payment which the entity is then required to transfer to the tax authority on the employee's behalf.

• **IAS 40 (amendment)**, ‘Transfers of investment property’. This amendment clarifies that transfers to, or from, investment property can only be made when there is evidence of a change in use. A change in intention is not by itself sufficient to support a transfer.

• **2014 - 2016 Annual cycle of improvements**. This cycle of improvements affects the following standard: IFRS 1 - ‘First-time adoption of IFRSs’, IFRS 12 - ‘Disclosure of interests in other entities’ (clarification of the scope of the standard) and IAS 28 - ‘Investments in associates and joint ventures’.

• **IFRIC 22**, ‘Foreign currency transactions and advance consideration’. 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.

No standard, interpretation or amendment to existing standards adopted by the Group for the first time this year had a significant impact on the consolidated financial statements, except for the changes mentioned in note 2.2..

New standards, interpretations and amendments to existing standards that have been published and are mandatory for annual periods beginning on or after 1 January 2018, but that the Group has not early adopted

• **IFRS 9 (amendment)**, ‘Prepayment features with negative compensation’ (effective for annual periods beginning on or after 1 January 2019). This amendment enable companies to measure at amortised cost some prepayable financial assets with negative compensation, representing an exemption from the requirements of IFRS 9. 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 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 who are now 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 19 (amendment)**, ‘Plan amendment, curtailment or settlement’ (effective for annual periods beginning on or after 1 January 2019). This amendment is still subject to endorsement by the European Union. This amendment to IAS 19 requires an entity to: (i) use updated assumptions to determine the current service cost and net interest for the remaining reporting period after the change, reduction or settlement of the plan; ii) recognises in profit or loss for the period as part of the past service cost, or as a gain or loss on settlement, any reduction in the surplus of a defined benefit plan, even if that surplus has not previously been recognised due to the impact of the 'asset ceiling'. Changes on 'asset ceiling' is always recorded in other comprehensive income and can not be netted as a result of the year.

• **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 long-term investments in associates and joint ventures (components of the entity's interest in an associate or a joint venture) that are not being recognised using the equity-method are accounted for in accordance to IFRS 9. This amendment also clarifies that an entity applies the impairment requirements in IFRS 9 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.

• **2015 – 2017 Annual cycle of improvements** (effective 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 23**, ‘Uncertainty over income tax treatments’ (effective for annual periods beginning on or after 1 January 2019). 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 Tax Authorities. If there is uncertainty whether tax authorities 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.

• **'Amendments to the Conceptual Framework for Financial Reporting (IFRS)'** (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. As a result of the publication of the new Conceptual Framework, IASB introduced changes to various standards and interpretations: IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, SIC 32, in order to clarify the application of the new definitions of asset / liability and expense / income, as well as some of the qualitative characteristics of useful financial information.

• **Amendment to IFRS 3**, ‘Definition of a business’ (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. This amendment requires that an acquisition includes an input and a substantial process that together generate outputs. These are defined as goods and services that are provided to customers, which generate income from financial investments and other income, excluding returns in the form of cost reductions and other economic benefits to shareholders. 'Concentration tests' are allowed, which when positive exempt the additional valuation entity from whether it is the acquisition of an asset or business.

• **Amendment to IAS 1 and IAS 8**, ‘Definition of material’ (effective for annual periods beginning on or after 1 January 2020). This amendment is still subject to endorsement by the European Union. These changes introduce a modification to the material concept, being part of the wider design of the IASB 'Disclosure Initiative'. Clarifications are made as to the meaning of 'primary users of financial statements'.

It is not expected for new standards, interpretations and amendments to existing standards not yet mandatory and not early adopted, to have a significant impact on the consolidated financial statements, considering the mentioned below in note 2.2. on IFRS 16.

The Group's consolidated financial statements were prepared on a going concern basis, based on the historical cost principle except for 'Financial assets at fair value through profit or loss' and 'Derivative financial instruments', which were measured at fair value (notes 10 and 17).

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from those 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 involve significant risks that may, over the course of the coming financial year, cause material adjustments in the value of the assets and liabilities.

2.2. Changes in significant accounting policies

With reference to 1 January 2018, the accounting standards IFRS 9 - 'Financial Instruments' and IFRS 15 - 'Revenue from contracts with customers' came into force, and were adopted by Novabase in the preparation of its annual financial statements for 2018. In 2019, IFRS 16 - 'Leases' will take place, the last of the 'big 3', the so-called set of standards IFRS 9, IFRS 15 and IFRS 16.

The objective of this note is to give an overview of the impacts of these new standards, IFRS 9 and IFRS 15 in 2018, as well as the expected impact of adopting IFRS 16 in 2019.

Standards that became effective as of 1 January 2018

The following tables summarise the impacts, net of tax, of transition to IFRS 9 and IFRS 15 on reserves and retained earnings and non-controlling interests, and on the Group's financial position.

Summary of the impacts of adopting IFRS 9 and IFRS 15 on Equity as at 1 January 2018:

	IFRS 9	IFRS 15	Total
Reserves and retained earnings			
Services rendered	-	(1,473)	(1,473)
Recognition of expected credit losses	(764)	-	(764)
Related tax	159	309	468
Impact at 1 january 2018	(605)	(1,164)	(1,769)
Non-controlling interests			
Services rendered	-	(667)	(667)
Recognition of expected credit losses	(263)	-	(263)
Related tax	54	140	194
Impact at 1 january 2018	(209)	(527)	(736)

Summary of the impacts of adopting IFRS 9 and IFRS 15 on the Financial Position as at 1 January 2018:

	IFRS 9	IFRS 15	Total
Assets			
Non-Current Assets	(120)	449	329
Current Assets	(694)	(1,963)	(2,657)
Total Assets	(814)	(1,514)	(2,328)
Equity			
Equity attributable to owners of the parent	(605)	(1,164)	(1,769)
Non-controlling interests	(209)	(527)	(736)
Total Equity	(814)	(1,691)	(2,505)
Liabilities			
Non-Current Liabilities	-	-	-
Current Liabilities	-	177	177
Liabilities from discontinued operations	-	-	-
Total Liabilities	-	177	177
Total Equity and Liabilities	(814)	(1,514)	(2,328)

The following tables summarise the impacts of adopting IFRS 9 and IFRS 15 on the Group's Consolidated Statement of Financial Position as at 31 December 2018 and its Consolidated Statements of Profit and Loss for the year ended 31 December 2018. There was no material impact on the Consolidated Statement of Cash Flows for the year ended 31 December 2018.

Impact on Consolidated Statement of Financial Position as at 31 December 2018:

	As reported 31.12.18	IFRS 9	IFRS 15	Amounts without adoption of IFRS 9 and 15
Assets				
Non-Current Assets	49,792	(186)	-	49,978
Current Assets	122,463	(517)	-	122,980
Total Assets	172,255	(703)	-	172,958
Equity				
Equity attributable to owners of the parent	66,826	(502)	-	67,328
Non-controlling interests	13,754	(201)	-	13,955
Total Equity	80,580	(703)	-	81,283
Liabilities				
Non-Current Liabilities	22,602	-	-	22,602
Current Liabilities	69,010	-	-	69,010
Liabilities from discontinued operations	63	-	-	63
Total Liabilities	91,675	-	-	91,675
Total Equity and Liabilities	172,255	(703)	-	172,958

Impact on Consolidated Statement of Profit and Loss for the year ended 31 December 2018 (extract):**

	As reported 12 M * 31.12.18	IFRS 9	IFRS 15	Amounts without adoption of IFRS 9 and 15
Continuing operations				
Services rendered	147,829	-	6,493	141,336
External supplies and services	(53,844)	-	(1,814)	(52,030)
Employee benefit expense	(86,468)	-	(2,539)	(83,929)
Net impairment losses on trade and other receivables	785	93	-	692
Operating Profit	7,359	93	2,140	5,126
Earnings Before Taxes (EBT)	6,114	141	2,140	3,833
Income tax expense	(1,100)	(30)	(449)	(621)
Profit from continuing operations	5,014	111	1,691	3,212
Profit for the period	5,014	111	1,691	3,212
Profit attributable to:				
Owners of the parent	4,737	103	1,164	3,470
Non-controlling interests	277	8	527	(258)

12 M * - period of 12 months ended

** Line items that were not affected by the changes have not been included here. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

The adoption of these standards led to several changes in the Group accounting policies, models and procedures, as described below, as well as in disclosures.

IFRS 9 - 'Financial instruments'

On 24 July 2014, the International Accounting Standards Board (IASB) issued IFRS 9 - 'Financial Instruments', effective for annual 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'.

This standard brings together all three aspects of the accounting for financial instruments: classification and measurement of financial assets, impairment of financial assets and hedge accounting.

Novabase has adopted IFRS 9 on the required effective date, i.e. 1 January 2018, with the cumulative effect of the initial application of the standard recognised in Equity at the date of initial application, and has not restated comparative information, as provided by the standard.

According to the analysis performed, the main impacts on Novabase Group from the adoption of IFRS 9 were as follows:

(a) Classification and measurement

Under IFRS 9, the classification and measurement of financial assets shall be based on the business model used ('business model test') and on the characteristics of their contractual cash flows ('SPPI test'). In this context, a financial asset is 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, and the remaining 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 do not fall within any of the previous models and are, for example, managed based on their fair value). Regarding the classification and measurement of financial liabilities, amendments made to IAS 39 are residual.

Except for the following paragraph, Novabase had no impacts on applying the classification and measurement requirements of IFRS 9. On the one hand, the Group continues to measure at fair value all the financial assets that were already measured at fair value in accordance with IAS 39. On the other hand, since loans and trade receivables are held to collect contractual cash flows and these cash flows represent only payments of principal and interest, they meet the criteria for amortised cost measurement under IFRS 9.

Given the previous standard, the category of “Held-to-maturity investments” ceases to exist. Accordingly, the amounts recorded under this caption as at 31 December 2017 were reclassified to “Investment securities”.

The following table and the accompanying notes explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets and liabilities as at 1 January 2018 (see notes 2.8. and 14). The effect of adopting IFRS 9 on the carrying amounts at 1 January 2018 relates solely to the new impairment requirements.

	Original classification under IAS 39	New classification under IFRS 9	Amount under IAS 39 01.01.18	Amount under IFRS 9 01.01.18
Financial assets				
Financial assets at fair value through profit or loss	Fair value thr. P&L (FVTPL)	Fair value thr. P&L (FVTPL)	2,796	2,796
Held-to-maturity investments / Investment securities	Held-to-maturity	Amortised cost	15,066	14,617
Other non-current assets	Loans and receivables	Amortised cost	3,256	3,256
Trade and other receivables	Loans and receivables	Amortised cost	47,831	47,289
Accrued income	Loans and receivables	Amortised cost	16,356	16,356
Derivative financial instruments	Fair value thr. P&L (FVTPL)	Fair value thr. P&L (FVTPL)	18	18
Cash and cash equivalents	Loans and receivables	Amortised cost	56,136	56,100
Total financial assets			141,459	140,432
Financial liabilities				
Borrowings	Other financial liabilities	Other financial liabilities	23,744	23,744
Other non-current liabilities	Other financial liabilities	Other financial liabilities	744	744
Trade and other payables	Other financial liabilities	Other financial liabilities	41,619	41,619
Derivative financial instruments	Fair value thr. P&L (FVTPL)	Fair value thr. P&L (FVTPL)	-	-
Deferred income and other current liabilities	Other financial liabilities	Other financial liabilities	25,103	25,103
Total financial liabilities			91,210	91,210

(b) Impairment

IFRS 9 establishes a new impairment model based on the expected credit losses (ECLs), which replaces the previous impairment model based on the incurred credit losses set out in IAS 39. This model is the basis for the recognition of impairment losses on financial instruments that are measured at amortised cost or at fair value through other comprehensive income (which includes, namely, trade receivables, debt securities and bank balances).

Once the loss event occurs (previously defined in IAS 39 as 'objective evidence of impairment'), the accumulated impairment is allocated directly to the financial instrument concerned, which provides the existing accounting treatment, from that point, similar to the previous IAS 39, including the treatment of interest revenue.

One of the main changes resulting from the adoption of this standard is the recognition of impairment on the exposure to securities, bank deposits and other financial applications which was not required under IAS 39, provided that there was not objective evidence of impairment.

<u>Trade and other receivables</u>

Regarding accounts receivable, and since receivables are recorded by the various Group companies under IFRS 15, Novabase chose to apply the simplified approach and record lifetime expected losses. These losses were calculated based on the experience of actual losses over the period that, by business or type of customer, was considered statistically significant and representative of the specific characteristics of the underlying credit risk.

The key assumptions used by the Group in applying this model were the following:

• Preparation of an allowance matrix for Novabase's subsidiaries considering sales and losses for the year 2017, except for two entities (the Angolan and Mozambican subsidiaries) for which it was used the years 2016 and 2017, given that 2017 was not considered representative;

• The matrices were prepared by entity, and it has not been identified the need to differentiate types of clients;

• These matrices are applied to the outstanding balances of receivables for which Novabase expects to receive fully the amounts owed ('Healthy receivables'). Despite not expecting losses, the Group applied to these amounts the allowances matrices in order to apply the ECL model under IFRS 9;

• The expected credit loss was calculated by applying to the 'Exposure at default', the expected losses rates (or probability of default), which were based on the matrices;

• For receivables already with default events, that is, that the Group already classified as ‘Bad debts’, the impairment loss already recognised was maintained, and the simplified model was not applied.

The application of this model had a negative impact on total equity at 1 January 2018 amounting to EUR 542 thousand (before taxes). At 31 December 2018, the Group reassessed the expected credit losses, and reversed part of the initially recognised impairment in the amount of EUR 93 thousand.

Debt securities and bank balances

Regarding debt securities and bank balances, impairment is calculated by assigning (i) a Probability of Default (PD) arising from the rating of the issuer or counterparty, and (ii) a Loss Given Default (LGD) that results from market parameters. For these assets, loss allowances are measured at 12-month ECLs, provided that credit risk has not increased significantly since its initial recognition. Since the available PD corresponds to the expected losses within a 12-month period, Novabase applied to the debt securities and bank balances a PD adjusted for the maturity of the instrument on a 'pro rata' basis. LGD used were 62% for Portugal, 60% for Angola and 45% for Mozambique.

The application of the new standard had a negative impact on total equity at 1 January 2018 in the amount of EUR 485 thousand (before taxes). At 31 December 2018, the Group reassessed its exposure to debt securities and bank balances, recognising an impairment reversal of EUR 48 thousand.

Impact of the new impairment model and presentation on the financial statements

For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 resulted in an additional impairment allowance as follows:

Loss allowance at 31 December 2017 under IAS 39	4,007
Additional impairment recognised at 1 January 2018 on:	
Trade and other receivables	542
Debt securities	449
Cash and cash equivalents	36
Loss allowance at 1 January 2018 under IFRS 9	5,034

For the purposes of presenting the statement of financial position, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Regarding the statement of profit and loss, the Group has applied judgement in determining an appropriate presentation of impairment losses under IFRS 9, taking into account the specific requirements to present the effect of certain events or circumstances as a single amount in the statement of profit and loss, ensuring that the chosen presentation is relevant to the users’ understanding of its financial statements. Consequently, the Group has disaggregated the impairment loss amount into:

• Impairment related to trade and other receivables, which is presented separately in the statement of profit and loss. The standard does not explicitly requires the reclassification of the comparative impairment loss, and therefore the Group chose to present the impairment recorded in 2017 (recognised under IAS 39 - 'Financial instruments: recognition and measurement') in 'Other gains/(losses) - net' caption; and

• Impairment related to debt securities and bank balances, which is included under 'Finance costs' or 'Finance income' (for the reversals of impairment losses) due to materiality considerations.

(c) Hedge accounting

IFRS 9 introduces new requirements for hedge accounting, promoting a closer alignment of hedge accounting rules with companies’ risk management strategies. The new rules also establish a more principles-based approach to hedge accounting and eliminate inconsistencies and weaknesses in the hedge accounting model of IAS 39.

On initial application of IFRS 9, entities have an accounting policy choice to apply the IFRS 9 hedge accounting guidance or to continue applying the IAS 39 hedge accounting guidance. In order to avoid a partial application of IFRS 9 hedge accounting premises, Novabase Group decided to continue to apply IAS 39 until the ongoing project Dynamic Risk Management on the accounting for macro hedging is completed. Therefore, Novabase Group will maintain its accounting policy, as described in note 2.22..

Novabase uses derivative financial instruments (forward contracts) to hedge exchange rate risk to which is exposed to. At 31 December 2018 and 31 December 2017, these instruments do not meet the requirements of hedge accounting. Accordingly, there were no impacts to the Novabase Group arising from this component.

IFRS 15 – ‘Revenue from contracts with customers’

The International Accounting Standards Board (IASB) issued IFRS15 - ‘Revenue from contracts with customers’ on 28 May 2014, and amended it on 12 April 2016, effective for annual periods beginning on or after 1 January 2018.

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:

- 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 revenue when or as the entity satisfies a performance obligation.

According to this model, the revenue recognition depends on whether the performance obligations are satisfied over the period or, on the contrary, the control of the goods or services is transferred to the customer at a given point in time. The revenue should be recognised for the amount that the entity expects to be entitled to receive as consideration for the delivery of these goods or services.

Novabase adopted IFRS 15 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, i.e. 1 January 2018, therefore the amounts of the comparative period were not restated. Under this approach, Novabase applied IFRS 15 retrospectively only to contracts that were not completed at the date of initial application.

By the adoption of the new standard, the Group registered a decrease on shareholders' equity at 1 January 2018 of EUR 1,164 thousand and this impact was recognised in profit or loss for the period ended 31 December 2018 by the fulfillment of the defined performance obligations.

According to the analysis performed, the main impacts on the Novabase Group from the adoption of IFRS 15 were as follows:

(a) ‘Time and materials’ projects (T&M)

There were no significant impacts on the revenue recognition related to 'time and materials' projects, once the revenue inherent to these services continues to be recognised at the date the services are rendered according to IFRS 15 (except where there is evidence that the customer does not receive or consume goods and services over time, situations in which the revenue is recognised only when the performance obligation is satisfied), as it already happened under the previous standard.

(b) ‘Turn key’ projects (TK)

As anticipated in the last annual report and accounts, IFRS 15 had effects especially in the recognition of the revenue from 'turn key' projects (which represented, at the end of 2017, just over 1/3 of the total revenue and only 10% were related to ongoing projects). According to the new standard, revenues from the services rendered in 'turn key' projects are recognised, in each year, according to the performance obligation to which they comply, depending on the percentage of completion of these, that is, for each performance obligation, the Group recognises revenue over time by measuring progress towards full compliance with such performance obligation.

The main impact under IFRS 15 was related to the recognition of contract assets for amounts whose receipt was conditional to the completion of the services rendered, which were recognised in revenue according to the previous standard. Additionally, by the evaluation of the allocation of the transaction price to each performance obligation in accordance with IFRS 15 (which is made based on the stand-alone selling prices, therefore with impacts in the amount and timing of revenue recognition), the Group registered a slight deferral of revenue and its margin in some projects.

It should also be noted that during 2018 there was a change to Novabase revenue typology, with a decrease in the number of TK projects against T&M (for which, as mentioned above, revenue recognition is 'point in time'). Additionally, initiatives have been taken by Management to align business practices with the requirements of the standard, namely the reinforcement of contractual measures to guarantee the enforceability of the main contracts. Work-In-Progress (WIP) at the end of the year was reduced to 3% of total revenues.

No information is provided about remaining performance obligations at 31 December 2018 as they have an original expected duration of one year or less, as allowed by IFRS 15.

Standards that will become effective as of 1 January 2019, and which the Group has decided not to early adopt

IFRS 16 – ‘Leases’

The International Accounting Standards Board (IASB) issued, in January 2016, IFRS 16 - ‘Leases’, effective for annual periods beginning on or after 1 January 2019. 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.

Under this accounting standard, most leases will be recognised in the balance sheet as a right-of-use asset and a financial liability. Subsequently, the right-of-use asset will be depreciated through the shortest of its economic useful life or the lease agreement term. The financial liability will consider interest based on the interest rate implicit in the lease or the entity’s incremental borrowing rate. Lease payments will be reflected as a reduction of lease liabilities.

Novabase will adopt IFRS 16 using the modified retrospective approach, with the cumulative effect of the initial application of the standard recognised in retained earnings at 1 January 2019, with no restatement of prior-period financial information. On transition to IFRS 16, the Group decided to “grandfather” the previous assessment made under IAS 17, that means, it will apply IFRS 16 only to contracts that were previously identified as leases under IAS 17 and IFRIC 4.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use assets and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date, therefore no impacts are expected.

As for leases classified as operating leases under IAS 17, they refer mainly to the lease of the Company's headquarter, which was renegotiated during 2018, and to lease agreements of other facilities where Novabase operates. The initial term of these contracts is between 1 and 5 years, with a renewal option after this period. Payments are updated annually, reflecting inflation and/or market valuation.

As at the reporting date, the Group has non-cancellable operating lease commitments in the amount of EUR 9,261 thousand (see note 39), of which EUR 42 thousand relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group will recognise right-of-use assets, measured as if the new rules had always been applied, discounted using the Group's incremental borrowing rate at the date of initial application, and lease liabilities. In addition, the Group elected not to apply the practical expedient that allows to account for a contract that contains both a lease and non-lease component as a single lease.

Based on the assessment under IFRS 16, the Group estimates a decrease on equity of approximately EUR 1.4 Million, which arises from the recognition of approximately EUR 8.0 Million in right-of-use assets and EUR 9.4 Million in additional lease liabilities. The Group expects that EBT will increase by approximately EUR 0.2 Million as a result of adopting the new requirements of IFRS 16. EBITDA, an indicator that Novabase defines as the 'Operating Profit' less 'Depreciation and amortisation' and which the Group generally uses to assess its performance, is expected to increase between approximately EUR 2.4 Million and EUR 2.5 Million, as the operating lease payments were included in EBITDA, but the depreciation of the right-of-use assets and interest on the lease liabilites are excluded from this measure. Operating cash flows will increase and financing cash flows will decrease as repayments of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group is still finalising the testing and assessment of controls over its new IT systems; and
- the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

2.3. Consolidation

The consolidated financial statements, with reference to 31 December 2018, 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. This option is performed separately for each transaction.

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.

2.4. 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.

2.5. 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)	**31.12.18**	**31.12.17**	**2018**	**2017**
• Angolan Kwanza (AOA)	362.2335	205.9815	303.6640	196.9427
• Mozambican Metical (MZN)	71.0702	71.1905	75.3864	70.8421
• Turkish Lira (TRY)	6.0588	4.5464	5.8349	4.6086
• US Dollar (USD)	1.1450	1.1993	1.1830	1.1247
• British Pound (GBP)	0.8945	0.8872	0.9003	0.8999

With the exception of AOA and MZN, all exchange rates used are the official EUR exchange rate at 31.12.18 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 in the statement of comprehensive income.

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.

In 2017, as a result of high levels of inflation in the last three years approaching 100% in cumulative terms, and analysing some qualitative aspects of the Angolan economy (the use of the USD as the reference currency), Angola was qualified as a hyperinflationary economy. This qualification, requires that entities that report in the Angolan currency (Kwanza) apply standard IAS 29 - 'Financial reporting in hyperinflationary economies' in the financial statements since the beginning of the reporting period in which hyperinflation is identified, which in this case means 1 January 2017.

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 reference to the year ended 31 December 2017, and recognised directly in Equity, in that year, the loss on the net monetary position related to price changes in prior periods, in the total amount of EUR -1,403 thousand. In 2018, this economy continues to meet one of the main criteria to be considered hyperinflationary, since 3-year inflation exceeded 100% (it was around 108%).

The price index used was the National Consumer Price Index (NCPI) released by the National Statistics Institute of Angola. The table below presents the price index and the cumulative percentage variation at the end of each of the periods presented:

	31.12.18	**31.12.17**
• Index (Base: Dec. 2014 = 100)	232.02	195.63
• Cumulative percentage variation	18.6%	23.7%

The Group is applying the net investment in foreign entities for loans without defined repayment term granted to its subsidiaries with a functional currency other than the Euro. This treatment is due to the fact that the settlement of the outstanding amount is neither planned nor likely to occur in a foreseeable future. In addition, investments in Government of Angola Treasury Bonds were considered as an integral part of the Group's net investment, since its contractual purpose is to provide the natural hedging of the Angolan operation.

In consolidation, exchange differences arising from the translation of net investments in foreign entities, i.e., exchange differences arising from the conversion of monetary items at rates other than those at which they were converted at their initial recognition, or in previous financial statements, are recognised in other comprehensive income in the line item 'Exchange differences on foreign operations'. Likewise, exchange differences arising from the early repayment of monetary items that are included in the net investment in foreign entities are recognised in other comprehensive income, remaining in reserves until the sale or liquidation of such foreign entities.

Once the criteria for continuing to classify the amount receivable (in part or all) as net investment in foreign entities are no longer met, the future foreign exchange gains and losses related thereto are recognised in statement of profit and loss, and the historical gains and losses recorded up to that time are not reclassified to results.

When a foreign entity is sold or liquidated, accumulated exchange differences are recognised in profit or loss 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.

2.6. 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.

2.7. 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.

2.8. Financial assets and liabilities

<u>Policy applicable from 1 January 2018</u>

Financial assets are recognised in the consolidated statement of financial position on the trade or contracting date.

At the initial recognition, except for trade accounts receivable, financial assets are recognised at fair value plus directly attributable transaction costs, except for assets at fair value through profit or loss in which transaction costs are recognised immediately in profit or loss. The subsequent measurement depends on the category of the investment, Level 1, Level 2 or Level 3, which are described in note 14.

Fair value is determined using the quoted price in an active market, or based in valuation methods and techniques (when there is no active market). A market is regarded as 'active', and therefore liquid, if transactions for the asset take place on a regular basis.

Trade accounts receivable, at the initial recognition, are recognised at their transaction price, as defined in IFRS 15.

Financial assets are derecognised when: (i) the contractual rights of the Group to receive their cash flows expire; (ii) the Group has transferred substantially all the risks and rewards of the ownership; or (iii) despite retaining a portion, but not substantially all the risks and rewards of the ownership, the Group has transferred control over the assets.

The Group classifies its financial assets into the following categories: (i) financial assets measured at amortised cost, (ii) financial assets at fair value through other comprehensive income, and iii) financial assets at fair value through profit or loss. Its classification depends on the entity's business model to manage the financial assets and the contractual characteristics in terms of the cash flows of the financial asset.

Management determines the classification of its investments at the date of acquisition and reassesses this classification at each reporting date. Regarding changes in the fair value measurement from period to period, the Group considers whether the inputs of the models initially used in its measurement became, for instance, observable and whether they have adherence to the financial instrument under analysis. If the inputs are observable and representative, Novabase changes the category from Level 3 to Level 2.

(i) Financial assets measured at amortised cost

Are those financial assets that are included in a business model whose purpose is to hold financial assets in order to collect the contractual cashflows, and these contractual cashflows represent solely payments of principal and interest.

(ii) Financial assets at fair value through other comprehensive income

Are those financial assets that are part of a business model whose objective is achieved through the collection of contractual cashflows and the sale of financial assets, these contractual cashflows being solely payments of principal and interest.

(iii) Financial assets at fair value through profit or loss

This category includes derivative financial instruments and equity instruments that the Group has not classified in category (ii). This category also includes all financial instruments whose contractual cashflows are not exclusively capital and interest.

The Group's financial assets are mostly classified in the category of 'Financial assets measured at amortised cost' and include investment securities, trade and other receivables, other assets, accrued income and cash and cash equivalents. These items are included in the statement of financial position in current assets, except for maturities greater than 12 months after the end of the reporting period that are classified as non-current assets.

The Group has also financial assets classified at fair value through profit or loss, such as derivative financial instruments and certain interests in companies mainly held through its Venture Capital Funds, NB Capital Inovação e Internacionalização e NB Capital +Inovação. In this category, 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, except in cases where fair value is observable in the market.

Financial liabilities are classified according to the contractual substance regardless of their legal form. They are derecognised only when they are extinguished, that is, when the obligation is settled, canceled or expired.

In accordance with IFRS 9, financial liabilities are subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, should subsequently be measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not meet the conditions for derecognition or when the continued involvement approach is applied;
- Financial guarantee contracts;
- Commitments to grant a loan at a lower interest rate than the market;
- The contingent consideration recognised in a business combination to which IFRS 3 applies, which shall be subsequently measured at fair value, with changes recognised in profit or loss.

The Group's financial liabilities include borrowings, trade and other payables, derivative financial instruments and other liabilities. They are classified in the statement of financial position as non-current liabilities if the remaining maturity is greater than 12 months and as current liabilities if their maturity is less than 12 months.

<u>Policy applicable before 1 January 2018</u>

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 contracting 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.

2.9. 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.

2.10. Impairment of financial assets

<u>Policy applicable from 1 January 2018</u>

At each reporting date, Novabase assesses whether financial assets carried at amortised cost are credit-impaired and recognise loss allowances for ECLs on: (1) Trade, debtors and other receivables, and (2) Debt securities and bank balances.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

(i) significant financial difficulties on the counterparty's side to settle its debts;

(ii) failure to meet payment obligations on the counterparty's side of loans granted by the Group;

(iii) high probability that the counterparty enters a process of bankruptcy or debt restructuring.

ECLs are a probability-weighted estimate of credit losses and are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset.

The objective of this impairment policy is to recognise expected credit losses over the respective duration of financial instruments that have undergone significant increases in credit risk since initial recognition, assessed on an individual or collective basis. If, at the reporting date, the credit risk associated with a financial instrument has not increased significantly since the initial recognition, the Group measures loss allowances relating to that financial instrument by an amount equivalent to the expected credit losses within a period of 12 months.

In terms of the presentation in the statement of financial position, loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(1) Trade, debtors and other receivables

With regard to trade and other receivables, Novabase measures loss allowances at an amount equal to lifetime ECLs. With receivables being recorded by the various group companies under IFRS 15, the Group applies the simplified approach to measure the expected credit losses, that means, it uses an allowance matrix per company, which is based on the past experience of actual losses over a period considered statistically relevant (see also note 2.2.) These allowance matrices are reviewed whenever there is a significant change in the company's credit risk, changes in the type of customers or significant changes in the business or macroeconomic environment.

When determining whether the credit risk of a financial asset has increased significantly, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort, which includes both quantitative and qualitative information and analysis, based on the Group's historical experience and forward-looking information. Novabase defines a financial asset relating to trade and other receivables to be in default when is more than 360 days past due.

Despite the 90 days past due presumption under IFRS 9, the Group considers 360 days past due to be a more appropriate default definition, since its experience of actual losses before this maturity is reduced, apart from being aligned with the entity's current credit risk management policies, namely because there are no sales / contracts with significant financing components in accordance with the principles of IFRS 15. It should be noted that the Group, based on balances and specific past events and taking into account counterparties historical information, its risk profile and other observable data, assesses whether there are objective indicators of impairment, and records impairment losses accordingly. Furthermore, the Group assessed the impact of considering 360 days of default over 90 days and concluded that the 'Expected Credit Losses' would not change significantly.

The impairment losses are recorded in profit or loss under 'Net impairment losses on trade and other receivables'. When an amount receivable from customers and debtors is considered unrecoverable, it is written off using the same caption in the income statement. The Group expects no significant recovery from the amounts written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries, if any, are recorded in profit or loss under 'Net impairment losses on trade and other receivables'.

(2) Debt securities and bank balances

Regarding debt securities and bank balances for which credit risk has not increased significantly since its initial recognition, the Group measures loss allowances at 12-month ECLs (or a shorter period if the expected life of the instrument is less than 12 months).

The Group considers a debt security or a short term bank deposit to have a low credit risk when its credit risk rating is equivalent to CCC or higher (weighted-average rating per various agencies, namely, Standard & Poor's and Moody's).

The impairment losses related to investment in debt securities and bank balances are recorded in profit or loss, under 'Finance costs' heading. If the Group's exposure declines or if the annual reassessment of the PD and LGD used to calculate the impairment leads to a reduction of the ECLs, the carrying amount of these assets is increased, against 'Finance income' in the statement of profit and loss.

Policy applicable before 1 January 2018

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.

2.11. 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.

2.12. 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.

2.17. 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.

2.18. 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.

2.19. Revenue recognition

Policy applicable from 1 January 2018

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 intra-group transactions.

The recognition of the Group's revenue is based on the five-step model established by IFRS 15:

- identification of the contract with the customer;
- identification of performance obligations;
- determination of the price of the transaction;
- allocation of transaction price to performance obligations; and
- recognition of revenue when or as the entity meets a performance obligation.

Thus, at the beginning of each contract, the Group evaluates the promised goods or services and identifies, as a performance obligation, every promise of transfer to the customer of any distinct good or service (alone or together). These promises in customer contracts may be explicit or implicit, since such promises create a valid expectation on the customer that the entity will transfer a good or service to the customer, based on the entity's published policies, specific statements, or customary business practices.

ln determining and allocating the transaction price of each performance obligation, the Group used the stand-alone prices of the promised products and services, at the date of conclusion of the contract with the customer.

The recognition of revenue occurs at the time of the fulfillment of each performance obligation.

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

Revenue from the sale of goods is recognised in the statement of profit and loss when all the following conditions have been satisfied: (i) the entity has transferred to the buyer the significant risks and rewards of ownership of the goods; ii) the entity retains neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be reliably measured; iv) it is probable that the economic benefits associated with the transaction will flow to the entity; and v) the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Software products are usually sold without a right of return. However, if there is any chance of return, the Group estimates an amount for such return at the time of sale.

(b) Services rendered

Revenue from services rendered is recognised in the statement of profit and loss when all the following conditions have been satisfied: i) the amount of revenue can be reliably measured; ii) it is probable that future economic benefits associated with the transaction will flow to the Group; iii) the stage of completion of the performance obligation at the reporting date can be reliably measured; and (iv) the costs incurred for the transaction and the costs to complete the transaction can be reliably measured. For Novabase Group, the revenue from services rendered relates to 'time and materials' projects, 'turn key' projects and outsourcing or maintenance projects.

Revenue from time and materials consulting projects is recognised at the date the services are rendered, given that is the time when the benefits of the performance obligation are transferred to the customer (the customer simultaneously receives and consumes the benefits of the goods and services provided). In cases where the customer does not receive or consume goods and services over time, Novabase does not recognise any revenue, recognising only when the performance obligation is satisfied.

Revenues from the services rendered in 'turn key' projects are recognised, in each year, according to the performance obligation to which they comply, depending on it percentage of completion. That is, for each performance obligation, the Group recognises revenue over time by measuring progress towards full compliance with such performance obligation. The assessment of the percentage of completion of each performance obligation is reviewed periodically taking into account the most recent information available from project managers and subject to further review by the respective controllers. The amount of the transaction whose receipt is conditional to the completion of the services rendered is recognised as a contract asset (included in accrued income) rather than a receivable.

Revenue from outsourcing or maintenance projects is recognised as a single performance obligation on a straight-line basis over the contract period.

(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

Dividends are recognised when the shareholders' rights to receive such amounts are appropriately established and communicated.

Policy applicable before 1 January 2018

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.

2.20. 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.

2.21. 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.

2.22. 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

Pursuant to IFRS 9, the Novabase Group chooses to continue to apply the hedge accounting requirements in IAS 39 until there is greater visibility of the current Dynamic Risk Management project (macro-hedging), in order to avoid a partial application of the hedge accounting premises of the new standard.

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.

2.23. 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.

2.24. 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.

2.25. Comparatives

The consolidated financial statements for the year ended 31 December 2018, except as referred at the beginning of this note, are comparable in all material aspects with 2017, and except for the accounting policies changes mentioned in note 2.2., no other changes 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 2.5. (2) Transactions and balances, the most significant changes observed after the reporting date were in the EUR/GBP exchange rate. From the reporting date until 28 February, the British Pound appreciated against the Euro 4.22%, with the EUR/GBP exchange rate returning to the level of two years ago. For its part, the EUR/AOA and EUR/MZN exchange rates presented slight variations, less than 2%, from the reporting date until 28 February, and the EUR/AOA exchange rate has maintained the depreciation trend recording the highest value of the last 5 years.

It should also be noted that, until the issue of this report, negotiations on the exit model of the United Kingdom from the EU were not concluded, as a result of the outcome of the referendum that led to Brexit. On 14 March 2019, the British Parliament approved the Government's proposal to prevent UK from leaving the EU without a deal on March 29, while also rejected the possibility of a second EU referendum to break the Brexit deadlock. Therefore, it remains a high degree of uncertainty regarding the evolution of the British economy and, consequently, of the British Pound. Novabase is following closely this topic, however, it does not expect significant impacts with the actual exit of the UK. On the one hand, the Group's exposure to this currency is low; on the other hand, sales and services rendered in this geography in 2018 represented less than 1% of total Turnover, so the Group does not have a dependence on the UK market, which is jeopardising the continuity of its activity in a scenario of total loss of this market.

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 2017	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Financial assets at fair value through profit or loss	2,796	-	-	-	-	2,796
Held-to-maturity investments	-	-	15,066	-	-	15,066
Investment securities	-	-	-	-	-	-
Other non-current assets	3,256	-	-	-	-	3,256
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
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						
Borrowings	23,744	-	-	-	-	23,744
Other non-current liabilities	744	-	-	-	-	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

At 31 December 2018	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Financial assets at fair value through profit or loss	3,868	-	-	-	-	3,868
Held-to-maturity investments	-	-	-	-	-	-
Investment securities	-	-	8,878	-	-	8,878
Other non-current assets	1,644	-	-	-	-	1,644
Trade and other receivables	36,856	4,697	1	40	31	41,625
Accrued income	5,344	-	108	12	-	5,464
Derivative financial instruments	26	-	-	-	-	26
Cash and cash equivalents	53,712	264	5,297	4,016	325	63,614
	101,450	4,961	14,284	4,068	356	125,119
Liabilities						
Borrowings	19,680	-	-	-	-	19,680
Other non-current liabilities	990	-	-	-	-	990
Trade and other payables	37,787	571	1,273	577	191	40,399
Derivative financial instruments	24	-	-	-	-	24
Deferred income and other current liabilities	21,707	-	38	522	-	22,267
	80,188	571	1,311	1,099	191	83,360

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 2018, 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 2,050 thousand in 2018 (2017: EUR 1,954 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 2018, approximately 11% of bank borrowings are contracted at fixed rates (2017: 13%). 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. All of the borrowings were denominated in Euros.

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 2018, 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 89 thousand in 2018, and in an increase or decrease, respectively, of approximately EUR 80 thousand in 2017. 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 2018, the 60 customers with greater balances of the Group represented approximately 86% of the total balance (2017: 82%).

The distribution by geographical market of those customers is shown in the table below:

	31.12.18	**31.12.17**
Portugal	51%	38%
Europe	33%	31%
Africa	12%	27%
Middle East	4%	2%
Asia	-	1%
North America	-	1%
	100%	100%

The distribution by business sector of those customers is shown in the table below:

	31.12.18	31.12.17
Telecommunications	44%	30%
Public Administration	25%	32%
Financial Services	11%	14%
Information Technology	7%	13%
Energy	6%	6%
Transport	2%	1%
Aeronautics	1%	1%
Other	4%	3%
	100%	100%

The table below shows the ratings attributed by Moody's Investors Services (unless otherwise stated) to the financial institutions and to the Government of Angola with whom the Group as higher balances of bank deposits at 31 December 2018 (note 20) and Treasury Bonds (note 19), respectively. These balances are shown before impairment losses recognised according to IFRS 9.

		31.12.18	31.12.17
	A1	-	5,248
	A2	4,079	-
	Baa1	18,652	3,218
	Baa2	12,490	-
	Baa3	-	25,999
	Ba3	14,026	-
	B1	-	13,130
	B2	-	15,066
	B3	9,286	-
	Caa1	4,866	3,006
(*)	B	3,956	-
		67,355	65,667

(*) Rating attributed by Standard & Poor's (for short term) to Banco BIM (Mozambique), as the Group did not obtain rating from Moody's.

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 2018 and 31 December 2017.

Details on the borrowings balances and short term lines of credit negotiated by Novabase Group, by financial institution, at 31 December 2018 are as follows:

	Borrowings	
	Euro	Kwanza
Banco BPI (BPI)	10,000	-
Banco Europeu de Investimento (BEI)	5,300	-
Novo Banco	7,000	-
Caixa Geral de Depósitos (CGD)	5,000	-
Banco Santander Totta (Santander)	1,200	-
Bankinter	1,563	-
Novo Banco ES	1,000	-
Banco de Fomento de Angola (BFA)	-	200,000
	31,063	200,000

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 20,362 thousand as at 31 December 2018 and are sufficient to meet any immediate demand. In addition to these credits, the Group has EUR 63,614 thousand of cash and cash equivalents as at 31 December 2018, as stated in the Consolidated Statement of Financial Position, which combined with the credit facilities amounts to EUR 83,976 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) 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.

	31.12.18	**31.12.17**
Operating Profit	7,359	7,705
Total Equity	80,580	81,166
Return on Capital	9.1 %	9.5 %

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 2018 is around 7.7% (2017: 7.4%). In 2018, 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 judgements 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 2.7.. 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 judgement 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 2,903 thousand (2017: EUR 3,796 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 requires the use of judgements, starting with the application of the five-step model established in IFRS 15, namely, in the identification of performance obligations and in the allocation of the transaction price to defined performance obligations, based on their relative stand-alone selling prices. In addition, Management carries out analysis and estimates of the current and future developments of consulting projects in place, which may have a different development in the future from the present estimates performed by project managers.

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 3% in 2018 and 10% in 2017) nor in the outcome of the transaction.

e) Impairment losses on financial assets

Loss allowances for trade and other receivables are based on risk default assumptions and expected loss rates. The Group makes judgements for these assumptions and selects the inputs to the impairment calculation, based on the group’s past history (such as the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms), existing market conditions and forward-looking estimates at the end of each reporting period. If the customer's financial conditions deteriorate, actual impairment losses and write-offs might be higher than expected. With regard to loss allowances for debt securities and bank balances, the Group also assesses whether credit risk has increased significantly since initial recognition.

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

Novabase activity is aggregated into two 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 its Venture Capital Fund's 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 S.G.P.S., 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:

	Business Solutions	Venture Capital	NOVABASE	Disc. operations IMS
At 31 December 2017				
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	-

	Business Solutions	Venture Capital	NOVABASE	Disc. operations IMS
At 31 December 2018				
Total segment sales and services rendered	203,327	6,791	210,118	-
Inter-segment sales and services rendered	60,554	841	61,395	-
Sales and services rendered	142,773	5,950	148,723	-
Depreciation and amortisation	(2,456)	(484)	(2,940)	-
Operating profit/(loss)	9,044	(1,685)	7,359	-
Finance costs – net	(1,572)	81	(1,491)	-
Share of loss of associates (note 35)	-	(62)	(62)	-
Gain on net monetary position	308	-	308	-
Income tax expense	(1,382)	282	(1,100)	-
Profit/(Loss) from operations	6,398	(1,384)	5,014	-
Other information:				
(Provisions) / Provisions reversal	2,132	(15)	2,117	-
Impairment of receivables	746	39	785	-
Inventory impairment	-	-	-	-

In 2017, the amount recorded in results from discontinued operations reflects the adjustment on the 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.

Sales and services rendered to external clients, by destination geography, in 2017, are analysed as follows:

	Portugal	Europe	Others	Novabase
Sales and services rendered	64,182	51,895	23,645	139,722

Sales and services rendered to external clients, by destination geography, in 2018, are analysed as follows:

	Portugal	Europe	Others	Novabase
Sales and services rendered	67,802	55,649	25,272	148,723

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 2018, were the following:

	Holding company and Subsidiaries	Principal place of business	Share capital 31.12.18	% Interest held 31.12.18	% Interest held 31.12.17
	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%
(a1)	Novabase Neotalent, S.A.	Portugal	52,630 €	95.0%	100.0%
	Novabase Consulting S.G.P.S., 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%
(a2)	Novabase Digital, S.A.	Portugal	500,000 €	90.1%	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%
(b1)	NBASE S.G.P.S., S.A.	Portugal	328,125 €	100.0%	100.0%
	Celfocus LTD	UK	15,000 GBP	55.0%	55.0%
(a1)	Novabase Sistemas de Informacion, S.A.	Spain	1,000,000 €	95.0%	100.0%
(*)	NBASIT-Sist. de Inf. e Telecomunic., S.A.	Angola	47,500,000 AOA	49.4%	49.4%
(b1)	Novabase Interactive TV S.G.P.S., S.A.	Portugal		-	100.0%
	NOVABASE IMS 2, S.A.	Portugal	220,500 €	100.0%	100.0%
	TVLab, S.A.	Portugal	52,517 €	70.0%	70.0%
	Venture Capital:				
	Novabase Capital S.C.R., S.A.	Portugal	2,500,000 €	100.0%	100.0%
(a3)	COLLAB – Sol. I. Com. e Colab., S.A.	Portugal	63,833 €	77.8%	81.0%
	FCR NB Capital Inovação e Internacionalização	-	11,360,000 €	51.6%	51.6%
	FCR Novabase Capital +Inovação	-	7,021,278 €	53.1%	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 2.3., therefore it is fully consolidated.

In 2018, the following changes occurred in the consolidation perimeter:

a) Transactions with non-controlling interests (see note 22):

(a1) Share capital increase in Novabase Neotalent, S.A. subscribed by a new shareholder, resulting in a dilution of the Group's interest in the company and, consequently, in Novabase Sistemas de Informacion, S.A..

(a2) Share capital increase in Novabase Digital, S.A. subscribed by a new shareholder, resulting in a dilution of the Group's interest in the company.

(a3) Share capital increase in COLLAB – Sol. I. Com. e Colab., S.A. subscribed by (i) a new shareholder and (ii) another shareholder already existing, resulting in a dilution of the Group's interest in the company.

b) Other changes in the consolidation perimeter:

(b1) With reference to 1 October 2018, a merger took place, and NBASE S.G.P.S., S.A. incorporated the assets and liabilities of the company Novabase Interactive TV S.G.P.S., S.A..

The companies consolidated using the equity method, as at 31 December 2018, were the following:

Associates (see note 9)	Principal place of business	Share capital 31.12.18	% Interest held 31.12.18	% Interest held 31.12.17	Equity 31.12.18	Net Profit 31.12.18
Fundo Capital Risco NB Capital	Portugal	7,142,857 €	30.0%	30.0%	879	(205)

A. Subsidiaries with material non-controlling interests

Novabase considers that the principal subsidiaries with material non-controlling interests at 31 December 2018 are those set out below, which jointly account for 68% (2017: 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):

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 (note 23)	-	-	1,272	-

At 31 December 2018	NBMSIT S.A.	NBASIT S.A.	CelFocus, S.A.	Collab, S.A.
Total Non-Current Assets	458	7,685	4,318	2,479
Total Current Assets	4,357	7,217	35,260	4,179
Total Non-Current Liabilities	(99)	(5)	(1,766)	(647)
Total Current Liabilities	(7,139)	(17,195)	(21,446)	(2,805)
Net Assets	(2,423)	(2,298)	16,366	3,206
Net Assets attrib. to NCI	(936)	(2,128)	7,654	761
Sales and Services rendered	6,465	1,105	55,690	5,782
Profit for the year	399	(54)	2,435	(1,194)
Total Comprehensive Income	399	(54)	2,435	(1,194)
Comprehensive Income attrib. to NCI	74	(508)	932	(311)
Cash and cash equiv. at beg. of year	376	3,849	10,734	1,787
Cash and cash equiv. at end of year	4,016	5,584	14,569	1,321
Change in cash and cash equiv.	3,640	1,735	3,835	(466)
Dividends paid to NCI (note 23)	-	-	821	-

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 2018 a Total Non-Current Assets of EUR 692 thousand and a Total Current Assets of EUR 191 thousand. Liabilities (all Current) amounts to EUR 4 thousand, for a Total Net Asset of EUR 879 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 -205 thousand. In 2018, there was a Net decrease in Cash and cash equivalents in the amount EUR -242 thousand, for a balance at the end of the period of EUR 130 thousand. This associate did not attribute or pay dividends in any of the periods of this report.

7. Property, plant and equipment

	31.12.18			31.12.17		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and other constructions	3,201	2,829	372	3,155	2,772	383
Basic equipment	7,237	5,763	1,474	6,517	5,103	1,414
Transport equipment	9,733	1,641	8,092	10,048	2,202	7,846
Furniture, fittings and equipment	1,830	1,533	297	1,807	1,432	375
Other tangible assets	12	12	-	12	11	1
	22,013	11,778	10,235	21,539	11,520	10,019

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	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

During 2018, movements in property, plant and equipment were as follows:

	Balance at 01.01.18	Application IAS 29	Acquisitions / increases	Write-offs	Exchange differences	Balance at 31.12.18
Cost:						
Buildings and other constructions	3,155	-	46	-	-	3,201
Basic equipment	6,517	8	769	(35)	(22)	7,237
Transport equipment	10,048	51	3,493	(3,718)	(141)	9,733
Furniture, fittings and equipment	1,807	2	37	(10)	(6)	1,830
Other tangible assets	12	-	-	-	-	12
	21,539	61	4,345	(3,763)	(169)	22,013
Accumulated depreciation:						
Buildings and other constructions	2,772	-	57	-	-	2,829
Basic equipment	5,103	8	700	(28)	(20)	5,763
Transport equipment	2,202	49	734	(1,205)	(139)	1,641
Furniture, fittings and equipment	1,432	1	114	(10)	(4)	1,533
Other tangible assets	11	-	1	-	-	12
	11,520	58	1,606	(1,243)	(163)	11,778

Since the year ended at 31 December 2017, Angola was considered as a hyperinflationary economy, therefore Novabase applied IAS 29 to the financial statements of its subsidiary in Angola, before being translated into the presentation currency of the Group, as mentioned in note 2.5. (3) Group companies. The application of the hyperinflation standard to the Angolan accounts had a net impact on property, plant and equipment, at 31 December 2018, of EUR +3 thousand (2017: EUR +7 thousand).

Property, plant and equipment increases in 2018 are primarily in 'Transport equipment' heading, which also showed a similar amount of write-offs. These acquisitions and write-offs are part of the normal renewal of the Group's fleet.

In 2018, 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.

Depreciation is included in 'Depreciation and amortisation' heading in the statement of profit and loss (note 32).

8. Intangible assets

	31.12.18			31.12.17		
	Cost	**Accumulated amortisation**	**Net book value**	**Cost**	**Accumulated amortisation**	**Net book value**
Internally generated intangible assets	14,431	13,439	992	14,020	12,117	1,903
Industrial property and other rights	11,059	11,055	4	11,059	11,043	16
Work in progress	183	-	183	357	-	357
Goodwill	14,886	-	14,886	14,886	-	14,886
	40,559	24,494	16,065	40,322	23,160	17,162

During 2017, movements in intangible assets were as follows:

	Balance at 01.01.17	**Acquisitions / increases**	**Impairm. ch. / Write-offs**	**Transfers**	**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

During 2018, movements in intangible assets were as follows:

	Balance at 01.01.18	**Acquisitions / increases**	**Impairm. ch. / Write-offs**	**Transfers**	**Balance at 31.12.18**
Cost:					
Internally generated intangible assets	14,020	-	-	411	14,431
Industrial property and other rights	11,059	-	-	-	11,059
Work in progress	357	237	-	(411)	183
Goodwill	14,886	-	-	-	14,886
	40,322	237	-	-	40,559
Accumulated amortisation:					
Internally generated intangible assets	12,117	1,322	-	-	13,439
Industrial property and other rights	11,043	12	-	-	11,055
	23,160	1,334	-	-	24,494

Amortisation is included in 'Depreciation and amortisation' heading in the statement of profit and loss (note 32).

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 4.0 Million (2017: EUR 4.9 Million).

Movements in **goodwill** were as follows:

	31.12.18	31.12.17
Balance at 1 January	16,413	16,413
Discontinued operations (IMS)	-	-
Balance at 31 December	16,413	16,413

Movements in **goodwill impairment** were as follows:

	31.12.18	31.12.17
Balance at 1 January	(1,527)	(1,527)
Discontinued operations (IMS)	-	-
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.

	31.12.18	31.12.17
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:

	31.12.18	31.12.17
Discount rate (post-tax)	7.7%	7.4%
Perpetual growth rate	2.0%	2.0%
Annual growth rate of turnover	7.3%	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 Equity Value of EUR 110 Million and EUR 149 Million, respectively, not becoming lower than the carrying amount of assets.

9. Investments in associates

	% Interest held directly		Amount	
	31.12.18	31.12.17	31.12.18	31.12.17
Fundo Capital Risco NB Capital (notes 6 and 35)	30.0%	30.0%	252	314
			252	314

10. Financial assets at fair value through profit or loss

		% Interest held directly		Amount	
		31.12.18	31.12.17	31.12.18	31.12.17
(i)	Feedzai, S.A.	1.7%	1.7%	1,926	1,569
(ii)	Globaleda, S.A.	25.1%	25.1%	598	563
(iii)	FCR IStart I	11.6%	11.6%	459	296
(iv)	CB Talents Global, S.A.	13.3%	-	200	-
(v)	Aixtel Technologies, S.A.	5.7%	-	188	-
(vi)	Probely, Lda.	3.3%	-	75	-
(vii)	Bright Innovation, Lda. ("BI")	90.0%	90.0%	-	23
(viii)	Powergrid, Lda.	88.9%	88.9%	-	-
(ix)	Other			422	345
				3,868	2,796

(i) Company held by FCR NB Capital Inovação e internacionalização, dedicated to the development of solutions for processing large volumes of data in real time.

(ii) Held by Novabase Business Solutions S.A., this company is a technology-based company in the area of information systems and telecommunications engineering.

(iii) Venture Capital Fund established in 2011 and held by Novabase Capital S.C.R., 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.

(iv) Company held by FCR NB Capital +Inovação (established in 2017), specialized in the international recruitment of IT professionals.

(v) Company held by FCR NB Capital Inovação e internacionalização and FCR NB Capital +Inovação, which developed FIBERCLOUD, a network management platform for the global market.

(vi) Company held by FCR NB Capital +Inovação, focused on cybersecurity.

(vii) 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.

(viii) Company, held by FCR NB Capital Inovação e Internacionalização, focused on developing an application platform for SmartGrids.

(ix) In 2018 and 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 and FCR NB Capital +Inovação, 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:

	31.12.18	31.12.17
Balance at 1 January	2,796	4,353
Acquisitions / share capital increase	531	-
Transfers	-	345
Disposals / share capital decrease	-	(1,566)
Profit or loss charge (see notes 33 and 34)	541	(336)
Balance at 31 December	3,868	2,796

In 2018, the change in this caption is mainly due to: i) the investments made by the recently created FCR Novabase Capital +Inovação, in Probely, Lda., CB Talents Global, S.A. and Aixtel Technologies, S.A.; and ii) the changes in fair value of the investees of the funds, mainly a valuation of Feedzai, S.A., in the amount of EUR 357 thousand. It is recalled that, in 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).

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 2018.

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. The key assumptions used in Feedzai, the main financial asset in this category (since Powergrid, Powerdata, Radical Innovation and Bright Innovation have a nil fair value at 31 December 2018) are set out below:

	Feedzai	
	31.12.18	**31.12.17**
Discount rate (post-tax)	13.6%	14.4%
Perpetual growth rate	0.5%	0.5%
Annual growth rate of turnover	16.8%	16.4%

According to the sensitivity analysis performed on Feedzai, a possible increase or decrease of 1 percentage point in WACC would result in a fair value change of approximately EUR -116 thousand and EUR +136 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:

	31.12.18	**31.12.17**
Deferred tax assets		
To be recovered within 12 months	349	1,375
To be recovered after more than 12 months	9,699	9,073
	10,048	10,448
Deferred tax liabilities		
To be recovered within 12 months	-	-
To be recovered after more than 12 months	-	-
	-	-

Movements in the deferred tax assets were as follows:

	31.12.18	**31.12.17**
Balance at 1 January	10,448	9,545
Adjustment on initial application of IFRS 9 and IFRS 15 (note 2.2.)	662	-
Exchange differences	(4)	23
Other comprehensive income charge	(147)	302
Profit or loss charge (see note 36)	(911)	578
Balance at 31 December	10,048	10,448

The amount recognised in other comprehensive income of EUR -147 thousand in 2018 (2017: EUR 302 thousand) 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 2017	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
Adjustment on initial application of IFRS 9 and IFRS 15	662	-	-	662
Profit or loss charge	(1,069)	362	(204)	(911)
Other comprehensive income charge	(147)	-	-	(147)
Reclassifications	600	(600)	-	-
Exchange differences	(4)	-	-	(4)
Balance at 31 December 2018	(781)	9,516	1,313	10,048

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	-	9	-	9
Between 1 and 2 years	-	-	-	-
Between 2 and 3 years	-	-	-	-
Between 3 and 4 years	52	2,382	-	2,434
Between 4 and 5 years	130	1,610	-	1,740
Between 5 and 6 years	-	2,396	-	2,396
Over 6 years	-	3,119	-	3,119
With no defined date	(963)	-	1,313	350
	(781)	9,516	1,313	10,048

12. Other non-current assets

	31.12.18	31.12.17
Loans to related parties (note 40 iii)	4,769	4,769
Capital subscribers of Fundo de Capital de Risco NB Capital +Inovação	-	1,234
Provision for impairment of loans to related parties (note 40 iii)	(3,125)	(2,747)
	1,644	3,256

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:

	31.12.18	31.12.17
Balance at 1 January	2,747	3,438
Impairment (note 34)	378	1,753
Impairment reversal (note 33)	-	-
Usage / write-offs	-	(2,444)
Balance at 31 December	3,125	2,747

In 2017, 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

	31.12.18	31.12.17
Merchandise	50	62
Raw materials, subsidiary goods and consumables	119	119
	169	181
Inventory impairment	(136)	(135)
	33	46

Movements in inventory impairment are analysed as follows:

	31.12.18	31.12.17
Balance at 1 January	135	160
Impairment (note 31)	-	18
Impairment reversal (note 31)	-	(48)
Exchange differences	1	5
Balance at 31 December	136	135

14. Financial instruments by category

At 31 December 2017	Loans and receivables	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Financial assets at fair value through profit or loss	-	2,796	-	-	2,796
Held-to-maturity investments	15,066	-	-	-	15,066
Investment securities	-	-	-	-	-
Other non-current assets	3,256	-	-	-	3,256
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
Cash and cash equivalents	56,136	-	-	-	56,136
	138,645	2,814	-	3,460	144,919
Liabilities					
Borrowings	-	-	23,744	-	23,744
Other non-current liabilities	-	-	744	-	744
Trade and other payables	-	-	41,619	-	41,619
Derivative financial instruments	-	-	-	-	-
Deferred income and other current liabilities	-	-	25,103	-	25,103
	-	-	91,210	-	91,210

At 31 December 2018	Financial assets at amortised cost	Assets/liabilit. at fair value through P&L	Other financial liabilities	Non-financial assets/ liabilities	Total
Assets					
Financial assets at fair value through profit or loss	-	3,868	-	-	3,868
Held-to-maturity investments	-	-	-	-	-
Investment securities	8,878	-	-	-	8,878
Other non-current assets	1,644	-	-	-	1,644
Trade and other receivables	41,625	-	-	4,033	45,658
Accrued income	5,464	-	-	-	5,464
Derivative financial instruments	-	26	-	-	26
Other current assets	-	-	-	3,851	3,851
Cash and cash equivalents	63,614	-	-	-	63,614
	121,225	3,894	-	7,884	133,003
Liabilities					
Borrowings	-	-	19,680	-	19,680
Other non-current liabilities	-	-	990	-	990
Trade and other payables	-	-	40,399	-	40,399
Derivative financial instruments	-	24	-	-	24
Deferred income and other current liabilities	-	-	22,267	-	22,267
	-	24	83,336	-	83,360

Except for the following paragraph, the application of the classification and measurement requirements of IFRS 9 had no impact on the Group, as described in note 2.2.. For more information about the categories of financial assets and liabilities, see policy in note 2.8..

IFRS 9 eliminates the previous IAS 39 category of 'held to maturity'. Accordingly, the amounts recorded at 31 December 2017 in the caption 'Held-to-maturity investments' were reclassified at 1 January 2018 to the caption 'Investment securities'.

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. Key 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 key inputs are not based on observable market data.

		31.12.18			31.12.17	
	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	422	-	-	345	-	-
Financial assets at fair value through profit or loss	-	-	3,446	-	-	2,451
Derivative financial instruments	-	26	-	-	18	-
	422	26	3,446	345	18	2,451
Financial liabilities at fair value						
Derivative financial instruments	-	24	-	-	-	-
	-	24	-	-	-	-

(*) Refers to FCT - Labor Compensation Fund (see note 10).

15. Trade and other receivables

	31.12.18	31.12.17
Trade receivables	42,475	48,088
Impairment allowance of trade receivables	(2,212)	(2,802)
	40,263	45,286
Prepayments to suppliers	167	419
Employees	87	86
Value added tax	1,298	1,409
Receivables from related parties (note 40 iii)	-	15
Amount receivable from non-controlling interests (note 22)	12	-
Receivables from financed projects	1,946	1,660
Capital subscribers of Fundo de Capital de Risco NB Capital +Inovação	2,469	1,174
Other receivables	558	901
Impairment allowance of other receivables	(1,142)	(1,205)
	5,395	4,459
	45,658	49,745

The balance of 'Capital subscribers of Fundo de Capital de Risco NB Capital +Inovação' refers to the amount receivable expected within 1 year, regarding 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. The increase of this balance year-on-year is due to the classification as current of an amount that was considered in 'Other non-current assets' in the previous year.

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) represents the maximum exposure to credit risk.

An analysis of the credit quality of trade receivables not due and trade receivables due and not impaired, and the ageing of trade receivables due and not impaired and due and impaired as at 31 December 2017, under IAS 39, is as follows:

	31.12.17
Carrying amount of receivables not due	29,130
Carrying amount of receivables not impaired	
Past due for less than 6 months	15,454
Past due for more than 6 months	587
Carrying amount of receivables due and not impaired	16,041
Carrying amount of receivables impaired	
Past due for less than 6 months	-
Past due for more than 6 months	2,917
Carrying amount of receivables due and impaired	2,917
	48,088

80% of trade receivables not due and trade receivables past due and not impaired was owed by entities with which there is no past experience of default, and the remaining 20% were distributed by 179 entities with an average balance of EUR 50 thousand.

As of 1 January 2018, with the entry into force of IFRS 9, the Group uses an allowance matrix to measure the ECLs of trade receivables, which comprise a very large number of small balances. Loss rates are calculated using a method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The following table provides information about the exposure to credit risk and ECLs for the Group's trade receivables as at 31 December 2018.

At 31 December 2018	Weighted--average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.43%	32,946	140	No
1-180 days past due	2.37%	6,679	157	No
181-360 days past due	14.49%	882	128	No
More than 360 days past due	90.82%	1,968	1,787	Yes
		42,475	2,212	

Details on the customer concentration / dependency as well as the distribution of the customers with greater balances of the Group by geographical market and business sector can be found in note 3 c) about credit risk.

Movements in impairment allowances of trade and other receivables are analysed as follows:

	Trade receivables		Other receivables		Total	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Balance at 1 January	2,802	11,160	1,205	1,131	4,007	12,291
Adj. on initial application of IFRS 9 (note 2.2.)	542	-	-	-	542	-
Impairment	490	885	-	91	490	976
Impairment reversal	(1,267)	(8,639)	(8)	-	(1,275)	(8,639)
Recovery of bad debts	12	-	-	-	12	-
Exchange differences	(361)	(115)	(55)	(17)	(416)	(132)
Write-offs	(6)	(489)	-	-	(6)	(489)
Balance at 31 December	2,212	2,802	1,142	1,205	3,354	4,007

Impairment and impairment reversal of trade and other receivables recognised in results in accordance with IFRS 9 and included in 'Net impairment losses on trade and other receivables' is EUR 785 thousand (in 2017 an impairment reversal was recognised in amount of EUR 7,663 thousand, which is included under 'Other gains/(losses) - net' - see notes 2.2. and 31).

16. Accrued income

	31.12.18	31.12.17
- Ongoing projects	4,106	14,087
- Other accrued income	1,358	2,269
	5,464	16,356

17. Derivative financial instruments

The fair value of derivative financial instruments can be analysed as follows:

	Assets		Liabilities	
	31.12.18	31.12.17	31.12.18	31.12.17
- Forward foreign exchange contracts	26	18	24	-
	26	18	24	-

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, in 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 2018, derivative financial instruments were classified as current assets and liabilities. 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 2.22. (2)). Note 14 provides information on the fair value hierarchy of these financial assets and liabilities.

At 31 December 2018, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 6,422,270 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 899,063.

18. Other current assets

The amounts recorded regarding prepayments of contracted services are as follows:

	31.12.18	31.12.17
- Rents	294	513
- Software licensing	3	40
- Hardware and software maintenance and specialized services	3,554	993
	3,851	1,546

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. Investment securities and held-to-maturity investments

With reference to 1 January 2018, the Group adopted IFRS 9 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period are not restated (see note 2.2.). Accordingly, the amounts currently shown in the caption 'Investment securities' are shown under the caption 'Held-to-maturity investments' in 2017, as follows:

	Investment securities (*)		Held-to-maturity invest.	
	31.12.18	31.12.17	31.12.18	31.12.17
Non-Current				
Government of Angola Treasury Bonds	7,680	-	-	7,713
	7,680	-	-	7,713
Current				
Government of Angola Treasury Bonds	1,198	-	-	7,353
	1,198	-	-	7,353

(*) In 2018 includes accumulated impairment losses in the amount of EUR 408 thousand.

The Group invests part of the cash surplus of its Angolan subsidiary in Government of Angola Treasury Bonds indexed to USD. At 31 December 2018, the Group has 13 Treasury Bonds, most of them purchased from BFA during 2018, in the total amount net of impairment losses of EUR 8,878 thousand, with maturities in 2019 (EUR 1,198 thousands), in 2020 (EUR 6,581 thousands), in 2021 (EUR 701 thousands) and in 2022 (EUR 398 thousands).

As disclosed in note 2.5. (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 12,512 thousand in 2018.

Movements in impairment allowance of debt securities are analysed as follows:

	31.12.18
Balance at 1 January	-
Adjustment on initial application of IFRS 9 (note 2.2.)	449
Impairment (note 34)	-
Impairment reversal (note 33)	(41)
Balance at 31 December	408

20. Cash and cash equivalents

With reference to the statement of cash flows, the detail and description of **cash and cash equivalents** is analysed as follows:

	31.12.18	31.12.17
- Cash	35	13
- Short-term bank deposits	63,608	56,123
Cash and cash equivalents at 31 December	63,643	56,136
- Impairment allowance of short-term bank deposits	(29)	-
Cash and cash equivalents	63,614	56,136

'Cash and cash equivalents' evolution in 2018 reflects mainly two effects: a significant release of working capital and the payment of dividends to shareholders and non-controlling interests, in a total amount of EUR 5,475 thousand (see notes 22 and 23).

34% of the balance of cash and cash equivalents (net of impairment losses) refers to wholly-owned Novabase subsidiaries. Of the remainder, 24% is related to subsidiaries based outside Portugal.

At 31 December 2018 and 31 December 2017, 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 5,584 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.

Movements in impairment allowance of short-term bank deposits are analysed as follows:

	31.12.18
Balance at 1 January	-
Adjustment on initial application of IFRS 9 (note 2.2.)	36
Impairment (note 34)	7
Impairment reversal (note 33)	(14)
Balance at 31 December	29

21. Share Capital, share premium and treasury shares

The share capital at 31 December 2018, 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 2017	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 purchased	-	-	-	-	-
Treasury shares transferred	-	-	-	-	-
Balance at 31 December 2018	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 2017, Novabase S.G.P.S. held 376,611 treasury shares, representing 1.20% of its share capital.

During 2018 there were no treasury shares transactions. Thus, at 31 December 2018, 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 subparagraph b) of paragraph 1 of article 324 of the Portuguese Companies Code, is unavailable for distribution.

In the General Meeting of Shareholders held on May 2018, 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 June 2018.

	31.12.18	**31.12.17**
Payment to shareholders	4,654	20,166
Remuneration of the treasury shares held by the Company	56	245
	4,710	20,411

In 2018, the Group performed transactions with non-controlling interests (NCI), with the following impact (see note 6):

		31.12.18		
		Consideration to be received from NCI (in cash)	**Carrying amount of NCI disposed**	**Impact on equity attrib. to owners of the parent**
(i)	Share capital increase in Collab S.A.	50	130	(80)
(ii)	Share capital increase in Novabase Digital, S.A.	247	288	(41)
(iii)	Share capital increase in Novabase Neotalent, S.A.	456	211	245
		753	629	124

(i) Share capital increase in COLLAB – Sol. I. Com. e Colab., S.A. subscribed by (i) a new shareholder and (ii) another shareholder already existing, resulting in a dilution of the Group's interest in the company.

(ii) Share capital increase in Novabase Digital, S.A. subscribed by a new shareholder, resulting in a dilution of the Group's interest in the company.

(iii) Share capital increase in Novabase Neotalent, S.A. subscribed by a new shareholder, resulting in a dilution of the Group's interest in the company and, consequently, in Novabase Sistemas de Informacion, S.A..

As the operations described above were transactions with non-controlling interests in subsidiaries already controlled by the Group that did not result in loss of control, the difference between the consideration received and the carrying amount of net assets disposed of was recorded in equity attributable to owners of the parent, in the total amount of EUR 124 thousand. The non-controlling interests increased by EUR 629 thousand (note 23). The consideration, in cash, was received in 2018, with the exception of a EUR 12 thousand balance (see note 15).

23. Non-controlling interests

		31.12.18	**31.12.17**
	Balance at 1 January	13,597	8,151
	Adjustment on initial application of IAS 29	-	(710)
	Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax) - see note 2.2.	(736)	-
	Transactions with non-controlling interests (note 22)	629	-
(*)	Change in consolidation perimeter	-	3,292
(**)	Distribution of dividends to non-controlling interests	(821)	(1,272)
	Exchange differences on foreign operations	808	(226)
	Profit attributable to non-controlling interests	277	4,362
	Balance at 31 December	13,754	13,597

(*) In 2017, it was established a new venture capital fund, ‘FCR Novabase Capital +Inovação’.

(**) In 2018 and 2017, CelFocus, S.A. 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

	31.12.18	31.12.17
Non-current		
Bank borrowings	6,294	10,563
Finance lease liabilities	7,066	6,274
	13,360	16,837
Current		
Bank borrowings	4,959	4,963
Finance lease liabilities	1,361	1,944
	6,320	6,907
Total borrowings	19,680	23,744

The periods in which the current bank borrowings will be paid are as follows:

	31.12.18	31.12.17
6 months or less	2,824	2,831
6 to 12 months	2,135	2,132
	4,959	4,963

The maturity of non-current bank borrowings is as follows:

	31.12.18	31.12.17
Between 1 and 2 years	3,594	4,269
Between 2 and 5 years	2,700	6,294
	6,294	10,563

The effective interest rates at the reporting date were as follows:

	31.12.18	31.12.17
Bank borrowings	2.112%	2.092%

Gross finance lease liabilities – minimum lease payments:

	31.12.18	31.12.17
No later than 1 year	1,594	2,182
Between 1 and 5 years	7,426	6,947
	9,020	9,129
Future finance charges on finance leases	(593)	(911)
Present value of finance lease liabilities	8,427	8,218

The present value of finance lease liabilities is analysed as follows:

	31.12.18	31.12.17
No later than 1 year	1,361	1,944
Between 1 and 5 years	7,066	6,274
	8,427	8,218

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
- A consolidated amount of Cash and cash equivalents and other investments in bank deposits and in securities 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 2018, 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.

	31.12.18	31.12.17
Cash and cash equivalents (amount before impairment losses)	63,643	56,136
Borrowings - repayable within one year (including overdrafts)	(6,320)	(6,907)
Borrowings - repayable after one year	(13,360)	(16,837)
Net debt	43,963	32,392

	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	Net debt
Balance at 1 January 2017	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)
Other non-cash movements	-	-	-	(1,192)	2,422	1,230
Balance at 31 December 2017	56,136	(4,963)	(10,563)	(1,944)	(6,274)	32,392
Cash flows	9,560	4,273	-	805	-	14,638
Acquisitions - finance lease liabilities	-	-	-	-	(3,478)	(3,478)
Exchange rate changes	(2,053)	-	-	-	-	(2,053)
Other non-cash movements	-	(4,269)	4,269	(222)	2,686	2,464
Balance at 31 December 2018	63,643	(4,959)	(6,294)	(1,361)	(7,066)	43,963

25. Provisions

Movements in provisions are analysed as follows:

	Legal Claims	Other Risks and Charges	Total
Balance at 1 January 2017	130	8,979	9,109
Additional provisions (note 31)	-	4,917	4,917
Reversals / utilisations (note 31)	(130)	(3,527)	(3,657)
Balance at 31 December 2017	-	10,369	10,369
Additional provisions (note 31)	-	1,464	1,464
Reversals / utilisations (note 31)	-	(3,581)	(3,581)
Balance at 31 December 2018	-	8,252	8,252

The balance of 'Provisions' refers to liabilities with costs to be incurred with possible contractual penalties relating to ongoing projects and to risks related to miscellaneous events / disputes of various kinds, the settlement of which may result in cash outflows, and other probable liabilities related to several transactions from previous periods, and whose outflow of cash is probable, for which it is not possible to estimate reliably the time of occurrence of the expense. These risks related to miscellaneous events / disputes include, among others, contingencies of tax and labour natures, and involve customers, suppliers, business partners, employees or others.

26. Other non-current liabilities

	31.12.18	31.12.17
Research and development grants	990	744
	990	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

	31.12.18	31.12.17
Trade payables	5,469	5,616
Remunerations, holiday and holiday allowance	8,997	8,062
Bonus	8,256	9,684
Ongoing projects	4,551	3,841
Value added tax	3,106	3,394
Social security contributions	2,389	2,040
Income tax withholding	1,518	1,334
Employees	130	320
Amount to be paid to non-controlling interests	2	5
Prepayments from trade receivables	2	13
Other accrued expenses	5,748	6,943
Other payables	231	367
	40,399	41,619

The fair value of 'Trade and other payables' balance approximates its carrying amount.

The maturity of these liabilities is as follows:

	31.12.18	31.12.17
No later than 1 year	40,399	41,619
	40,399	41,619

28. Deferred income and other current liabilities

	31.12.18	31.12.17
Research and development grants	170	461
Consulting projects	22,097	24,642
	22,267	25,103

The table below shows the financial incentives for research and development at 31 December 2018, by type of incentive program:

	Contracted amount	Acum. received amount
Grants:		
- FAI - Innovation Support Fund	1,706	719
- P2020 - Portugal 2020	1,265	305
	2,971	1,024

29. External supplies and services

	31.12.18	31.12.17
Subcontracts	34,026	28,684
Supplies and services		
Commissions and consultancy fees	6,928	8,236
Transportation, travel and accommodation expenses	6,081	6,387
Rents	2,963	3,520
Freight	92	229
Advertising and promotion	916	947
Water, electricity and fuel	639	653
Communications	572	675
Insurance	324	417
Utensils, office supplies and technical documentation	554	424
Other supplies and services	749	1,029
	19,818	22,517
	53,844	51,201

30. Employee benefit expense

	31.12.18	31.12.17
Key management personnel compensation (note 40 i)	2,594	4,759
Wages and salaries of the employees	67,333	61,559
Employees social security contributions	12,078	10,906
Other employee expenses	4,463	4,931
	86,468	82,155

Other employee expenses include labour accident insurance, social responsibility costs, training costs and indemnities.

Average number of employees is analysed as follows:

	31.12.18	31.12.17
Business Solutions	1,941	1,899
Venture Capital	57	52
Novabase Shared Services	87	81
	2,085	2,032

At the end of the year, the number of employees was 2,157 (2017: 1,991).

At 31 December 2018, 32% of Novabase's employees are women (2017: 30%). This gender imbalance is in line with trends in the information technology industry in Portugal and abroad, and also reflects the higher education choices of each gender.

31. Other gains/(losses) - net

	31.12.18	31.12.17
Impairment and impairment reversal of trade and other receivables - IAS 39 (note 15)	-	7,663
Impairment and impairment reversal of inventories (note 13)	-	30
Legal claims provision (note 25)	-	130
Provisions for other risks and charges (note 25)	2,117	(1,390)
Other operating income and expense (*)	(166)	(1,853)
	1,951	4,580

(*) 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 that year, related to this client / project.

32. Depreciation and amortisation

	31.12.18	31.12.17
Property, plant and equipment (note 7):		
Buildings and other constructions	57	291
Basic equipment	700	649
Transport equipment	734	821
Furniture, fittings and equipment	114	181
Other tangible assets	1	2
	1,606	1,944
Intangible assets (note 8):		
Internally generated intangible assets	1,322	1,251
Industrial property and other rights	12	15
	1,334	1,266
	2,940	3,210

33. Finance income

	31.12.18	31.12.17
Interest received	326	438
Foreign exchange gains	1,604	2,300
Fair value of financial assets adjustment (note 10)	563	70
Gain on disposal of financial assets	-	3,391
Reversal of impairment losses on debt securities and bank balances (note 2.2.)	55	-
	2,548	6,199

The decrease in the 'Finance income' caption in 2018 is mainly due to the decrease of gains on disposal of financial assets compared to the previous year, which essentially reflected the gain on the sale of part of the investment in Feedzai (EUR 3,008 thousand) - see note 10.

34. Finance costs

	31.12.18	31.12.17
Interest expenses		
- Borrowings	(291)	(446)
- Finance lease liabilities	(293)	(289)
- Other interest	(21)	(2)
Bank guarantees charges	(81)	(92)
Bank services	(205)	(186)
Foreign exchange losses	(2,557)	(3,141)
Fair value of financial assets adjustment (note 10)	(22)	(406)
Provisions for loans to related parties (note 12)	(378)	(1,753)
Loss on disposal of financial assets	-	(375)
Fair value adjustment for contingent consideration	-	(86)
Impairment losses on debt securities and bank balances (note 2.2.)	(7)	-
Other financial losses	(184)	-
	(4,039)	(6,776)

The decrease in the 'Finance costs' caption in 2018 is mainly due to the decrease of the provisions for loans to related parties compared to the previous year. Foreign exchange losses also declined year-on-year, however, a joint reading with the foreign exchange gains presented in 'Finance income' caption, shows that the Group's results with foreign exchange differences have remained stable.

35. Share of loss of associates

	31.12.18	31.12.17
Fundo Capital Risco NB Capital (notes 5 and 9)	(62)	(261)
	(62)	(261)

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 69 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 22%, 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 2015 through 2018 are still open to such review.

Legislative changes that became effective on 1 January 2018

With regard to the changes introduced by 2018 State Budget (Law no. 114/2017 of 29 December), there were no impacts on the Group's income tax expense.

Legislative changes introduced by 2019 State Budget

Regarding the State Budget Law for 2019 (Law no. 71/2018), no significant changes were made. Worthy of note is the automatic waiver of the special payment on account for taxpayers that comply with the requirements.

Management considers that these changes will not have a significant impact on the income tax expense of Novabase's Group.

This caption is analysed as follows:

	31.12.18	**31.12.17**
Current tax	189	1,960
Deferred tax on temporary differences (note 11)	911	(578)
	1,100	1,382

The tax on the Group's earnings before taxes differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the consolidated entities as follows:

	31.12.18	**31.12.17**
Earnings before taxes	6,114	7,822
Income tax expense at nominal rate (21% in 2018 and 2017)	1,284	1,643
Tax benefit on the net creation of employment for young and long term unemployed people	-	(274)
Provisions and amortisations not considered for tax purposes	(64)	718
Provisions reversal	358	-
Recognition of tax on the events of previous years	-	147
Associates' results reported net of tax	13	55
Autonomous taxation	562	515
Losses in companies where no deferred tax is recognised	188	(1,125)
Expenses not deductible for tax purposes	(248)	1,836
Differential tax rate on companies located abroad	27	408
Research & Development tax benefit	(1,816)	(3,253)
Municipal surcharge and State surcharge	109	346
Impairment of SIFIDE R&D	591	-
Impairment of Special Payment on Account, tax losses and withholding taxes	96	366
Income tax expense	1,100	1,382
Effective tax rate	18.0%	17.7%

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 2018 and in 2017 there are no dilutive potential ordinary shares.

Earnings per share are analysed as follows:

	31.12.18	31.12.17
Weighted average number of ordinary shares in issue	31,024,783	31,037,282
Profit attributable to owners of the parent	4,737	4,774
Basic earnings per share (Euros per share)	0.15 Euros	0.15 Euros
Diluted earnings per share (Euros per share)	0.15 Euros	0.15 Euros
Profit from continuing operations attributable to owners of the parent	4,737	2,078
Basic earnings per share (Euros per share)	0.15 Euros	0.07 Euros
Diluted earnings per share (Euros per share)	0.15 Euros	0.07 Euros
Profit from discontinued operations attributable to owners of the parent	-	2,696
Basic earnings per share (Euros per share)	-	0.09 Euros
Diluted earnings per share (Euros per share)	-	0.09 Euros

38. Dividends per share

The amounts distributed in 2018 and 2017 reached EUR 4,710 thousand (0.15 Euros per share) and EUR 20,411 thousand (0.65 Euros per share, from which 0.15 Euros per share corresponding to a distribution of reserves and 0.50 Euros per share regarding to an extraordinary shareholder remuneration), 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, having been transferred to retained earnings (note 22). In respect to the year 2018, the Board of Directors will propose to the Annual General Meeting of Shareholders of 2019, 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 and operating leases, are detailed as follows:

	Bank	31.12.18	31.12.17
Novabase S.G.P.S., S.A.	Santander	2,500	-
Novabase S.G.P.S., S.A.	BTA	-	5,000
Novabase Business Solutions, S.A.	BCP	3,848	4,717
Novabase Business Solutions, S.A.	Santander	281	-
Novabase Business Solutions, S.A.	Novo Banco	48	241
Novabase Business Solutions, S.A.	BPI	33	33
Novabase Business Solutions, S.A.	Bankinter	12	-
Novabase Business Solutions, S.A.	BTA	-	21
Novabase Serviços, S.A.	Novo Banco	505	484
CelFocus, S.A.	BPI	72	72
CelFocus, S.A.	Santander	50	-
CelFocus, S.A.	BAR	-	511
CelFocus, S.A.	POP	-	50
CelFocus, S.A.	Novo Banco	-	27
Novabase Digital, S.A.	BCP	1,144	82
NOVABASE IMS 2, S.A.	BCP	4	4
Novabase Sistemas de Informacion, S.A.	Novo Banco	100	108
NBMSIT, Sist. de Inf. e Tecnol., S.A.	BIM	249	201
		8,846	11,551

To ensure compliance with the responsibilities associated with the December 19, 2014 finance contract between the European Investment Bank (EIB) and Novabase S.G.P.S., there is a Promissory Note signed by Novabase S.G.P.S. and endorsed by the remaining Guarantors in favour of EIB. At 31 December 2018, 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, S.A. 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 at the end of 2016, 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, S.G.P.S., S.A. and Novabase in its core business areas, that is, until 5 January 2020.

In 2018, 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 responsibilities refers mainly to the lease of the Company's headquarter and to lease agreements of other facilities where Novabase operates. The initial term of these contracts is between 1 and 5 years, with a renewal option after this period. Payments are updated annually, reflecting inflation and/or market valuation.

The minimum lease payments related to these operating lease agreements are as follows:

	31.12.18	**31.12.17**
No later than 1 year	2,425	2,081
Between 1 and 5 years	6,575	720
Over 5 years	261	-
	9,261	2,801

The increase of the liabilities under operating leases is mainly due to the renegotiation, during 2018, of the lease agreement of the Company's headquarter.

In the Group's next annual report and accounts, with the entry into force of IFRS 16 - 'Leases', commitments under operating lease contracts (with few exceptions for short-term and low-value leases) will be recognised in the statement of financial position, under the caption 'Finance lease liabilities'. For information about the impacts estimated by the Management on initial application of this standard, see note 2.2..

40. Related parties

For reporting purposes, related parties include subsidiaries and associates, other participated companies classified as financial assets at fair value through profit or loss, 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 personnel 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 31 December 2018 and 31 December 2017, are as follows:

	31.12.18	**31.12.17**
Short-term employee benefits	2,813	4,455
Other long-term benefits	690	1,238
	3,503	5,693

Of the total amount of short-term employee benefits, which includes remuneration, social security charges and other costs, EUR 2,594 thousand were recognised in 'Employee benefit expense' (2017: EUR 4,759 thousand) and EUR 909 thousand in 'External supplies and services' (2017: EUR 934 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 1,751 thousand (31.12.17: EUR 1,661 thousand).

In addition, there are outstanding current account balances with key management personnel in the amount of EUR 14 thousand at 31 December 2018 (31.12.17: EUR 9 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 2018, along with annual variable remuneration, as shown in the chart below. This remuneration is distributed among the members of the Board of Directors in accordance with the breakdown stipulated by the Remuneration Committee, whereby directors receive (i) fixed remuneration in cash, and (ii) variable remuneration in cash; this remuneration is distributed among the directors in accordance with the following table, in view of their responsibilities at Novabase and as indicated by the Remuneration Committee.

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

The variable component in cash of directors' remuneration is determined with a view to aligning this component 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 2018 corresponds to only 50% of the variable remuneration in cash due for 2017 and 1/6 of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016 and 1/6 of the amount allocated for 2014 in 2015. The remaining 50% of the amount allocated for 2017 is subject to deferred payments in the following 3 years (2019, 2020 and 2021) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

Director [1]	**Fixed annual remuner. (€)**	**Annual variable remuner. in cash paid in 2018 (€) [2, 3]**	**Total Partial (Fixed + Variable in cash paid in 2018) (€)**	**Variable in cash paid in 2018 / Partial Total (%)**	**Deferred annual variable remuner. (€) [4]**
João Nuno da Silva Bento	188,458	13,414	201,872	6.64	-
Álvaro José da Silva Ferreira	128,667	13,414	142,081	9.44	-
Francisco Paulo Figueiredo Morais Antunes	121,700	116,311	238,011	48.87	144,865
María del Carmen Gil Marín	92,670	-	92,670	-	-
Executives Total	531,494	143,139	674,633	21.22	144,865
(% total)	58.31	30.64	48.93		
Luís Paulo Cardoso Salvado	284,133	235,304	519,437	45.30	289,730
José Afonso Oom Ferreira de Sousa	34,475	44,383	78,858	56.28	57,951
Pedro Miguel Quinteiro de Marques Carvalho	34,475	44,383	78,858	56.28	57,951
Marta Isabel dos Reis Graça Rodrigues do Nascimento	26,950	-	26,950	-	-
Non-executive Total	380,033	324,070	704,103	46.03	405,632
(% total)	41.69	69.36	51.07		
TOTAL	911,527	467,209	1,378,735	33.89	550,497

[1] Directors João Nuno da Silva Bento, Álvaro José da Silva Ferreira, María del Carmen Gil Marín and Marta Isabel dos Reis Graça Rodrigues do Nascimento were elected in the General Meeting of Shareholders of 10 May 2018. The remuneration shown here for these directors only refers to after the election. The amounts received up until the election date from other group companies are shown below.

[2] The amount shown represents the total amount paid to each director in 2018: 50% of the total amount allocated for 2017 in 2018, and 1/6 of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016 and 1/6 of the amount allocated for 2014 in 2015. The remaining 50% of the amount allocated for 2017 in 2018 will be paid in the following 3 years (2019, 2020 and 2021) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

[3] Amount used to reinforce capitalization insurance contributions currently in effect at the company.

[4] Amounts allocated for 2018 in 2017 but deferred for the following 3 years. There are also deferred amounts referring to amounts allocated for 2017 in 2016, and allocated for 2016 in 2015 according to the results disclosed in the Corporate Governance Reports of the respective years.

In 2018, an additional amount of EUR 10,163 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.

In 2018, and prior to her election on May 10 as a director, the director María del Carmen Gil Marín, received the following amounts from Novabase Capital - Sociedade de Capital de Risco, S.A., a company fully owned by Novabase S.G.P.S., S.A.:

Director	Fixed annual remuner. (€)	Annual variable remuner. in cash paid in 2018 (€) [5, 6]	Total Partial (Fixed + Variable in cash paid in 2018) (€)	Variable in cash paid in 2018 / Partial Total (%)	Deferred annual variable remuner. (€) [7]
María del Carmen Gil Marín	47,297	270,334	317,632	85.11	273,715

[5] The amount shown represents the total amount paid in 2018: 50% of the amount allocated for 2017 in 2018, plus 1/6 of the amount allocated for 2016 in 2017, 1/6 of the amount allocated for 2015 in 2016 and 1/6 of the amount allocated for 2014 in 2015. The remaining 50% of the amount allocated for 2017 in 2018 will be paid in the following 3 years (2019, 2020 and 2021) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

[6] Amount used to reinforce capitalization insurance contributions currently in effect at the company.

[7] Amounts allocated for 2018 in 2017 but deferred for the following 3 years. There are also deferred amounts referring to amounts allocated for 2017 in 2016, and allocated for 2016 in 2015 according to the results disclosed in the Corporate Governance Reports of the respective years.

In 2018, an additional amount of EUR 601 thousand in meal allowances was paid to this director by Novabase Capital – Sociedade de Capital de Risco, S.A..

In 2018, 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 2018.

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 with related parties are as follows:

	Trade and other receivables		Trade and other payables	
	31.12.18	31.12.17	31.12.18	31.12.17
Associates	-	47	-	-
Other participated companies	489	886	95	409
Shareholders and other entities	-	-	-	-
	489	933	95	409
Provision for impairment of trade and other receivables	(31)	-		
	458	933		

	Services rendered		Supplementary income		Interest received	
	31.12.18	31.12.17	31.12.18	31.12.17	31.12.18	31.12.17
Associates	181	198	-	-	-	-
Other participated companies	635	974	-	57	-	32
Shareholders and other entities	-	-	-	-	-	-
	816	1,172	-	57	-	32

	Purchases (*)	
	31.12.18	31.12.17
Associates	-	-
Other participated companies	1,697	2,651
Shareholders and other entities	-	-
	1,697	2,651

(*) In 2018, purchases include EUR 1,034 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)	
	31.12.18	**31.12.17**	**31.12.18**	**31.12.17**
Associates	-	-	-	-
Other participated companies				
Loan to Powergrid, Lda.	2,050	2,050	-	-
Loan to Bright Innovation, Lda.	1,477	1,477	-	-
Loan to Radical Innovation, Lda.	994	994	-	-
Loan to Power Data, Lda.	248	248	-	-
Shareholders and other entities				
Loans to other shareholders	-	-	-	15
	4,769	4,769	-	15
Provisions for impairment of loans to related parties	(3,125)	(2,747)	-	-
	1,644	2,022	-	15

41. Discontinued operations

At 12 October 2016, Novabase has entered into a sale and purchase agreement with VINCI Energies Portugal, S.G.P.S., S.A. ("VINCI Energies") to sell its Infrastructures & Managed Services business ("IMS Business") by the amount of 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, and a gain of EUR 17,567 thousand was recognised in that year. In the first half of 2017, the final price was revised to EUR 41,061 thousand, with the final calculation of working capital and net debt under the terms of the agreement, resulting in a EUR 2,696 thousand adjustment to the gain generated by the sale of the IMS business.

At the end of 2016, it was also recorded a provision of EUR 2 Million for responsibilities associated with the disposal of the IMS Business, under the caption 'Liabilities from discontinued operations' in the consolidated statement of financial position, which was partially used in 2017, being reduced to the amount of EUR 0.9 Million. During 2018, there was an additional use of the provision in the amount of EUR 840 thousand, therefore, the liability was reduced to EUR 0.1 Million.

The cash flows for discontinued operations are detailed as follows:

	31.12.18	**31.12.17**
Cash flows used in operating activities	(816)	(1,036)
Cash flows used in investing activities	-	-
Cash flows used in financing activities	(23)	(61)
Net cash flows for the period from discontinued operations	(839)	(1,097)

42. Contingencies

At 31 December 2018, 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 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 authorities have analysed the Company's opposition and a ruling issued in favour of the Company.

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 2018 was 110,350 Euros (2017: 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

In 2019, until the issuance of this report, have occurred the following material events:

- **Dividend to shareholders**

Novabase informed the intention of the Board of Directors to propose, at the 2019 Annual General Meeting of Shareholders, the distribution of EUR 4.7 Million to shareholders. This payment, equal to 99.4% of the consolidated net profit, represents a dividend of 15 Euro cents per share.

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 prevails.

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, 2018

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, 2018.

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 five 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 2018 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 2018, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions

During the 2018 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 2018 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2018, 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 2018 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 2018 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 2018 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2018 financial year.

Lisbon, March 28, 2019

The Audit Board

Álvaro Nascimento – Chairman

Fátima Farinha – Member

Miguel Ribeiro Ferreira – 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 2018 (showing a total of 172,255 thousand euros and equity of 80,580 thousand euros, including non-controlling interests of 13,754 thousand euros and a net profit attributable to the shareholders of Novabase of 4,737 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 2018 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.

Key audit matters

As matérias relevantes de auditoria são as que, no nosso julgamento profissional, tiveram maior importância na auditoria das demonstrações financeiras consolidadas do ano corrente. Essas matérias foram consideradas no contexto da auditoria das demonstrações financeiras consolidadas como um todo, e na formação da opinião, e não emitimos uma opinião separada sobre essas matérias.

Revenue recognition

The Risk

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 overtime in accordance with IFRS 15, 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 2018.

Our response to the identified risk

Our audit procedures included, among others, the following:

- We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards;
- We have tested the relevant controls, including application controls and general IT controls, related to the revenue recognition process;
- We have critically analyzed the 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,
- We have assessed the adequacy of the Group's disclosures over revenue recognition considering the applicable accounting standards.

International exposure

The Risk

The Group's operations outside Portugal represented more than 54% of total consolidated revenue in 2018. In recent years, as a result of the assessment of business risks, the Group has limited its activity in more volatile geographies. Currently, the European market accounts for about 69% of the international business. The past 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 2018.

Our response to the identified risk

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.

KPMG

Recoverability of goodwill

The Risk

As disclosed in note 8, as at 31 December 2018, the net book value of goodwill of the Business Solutions segment.amounted to 14,886 thousand euros.

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 2.7(1), 4(a) 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 2018.

Our response to the identified risk

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, and the integrity of the discounted cash flow model;
- We have compared the internal and external assumptions used and we have considered their reasonableness such as current business trends, market performance, inflation, projected economic growth and discount rates;
- We have involved specialists in the measurement of the average cost of capital ratio; and,
- We have assessed the adequacy of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

Recoverability of deferred tax assets

The Risk

As disclosed in note 11, as at 31 December 2018, the amount of deferred tax assets was of 10,048 thousand euros, of which 9,516 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 2018.

Our response to the identified risk

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 body 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 consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (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 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.

Sobre a informação não financeira prevista no artigo 508.º-G do Código das Sociedades Comerciais

Dando cumprimento ao artigo 451.º, n.º 6, do Código das Sociedades Comerciais, informamos que o Grupo incluiu no seu relatório de gestão a demonstração não financeira prevista no artigo 508.º-G do Código das Sociedades Comerciais.

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

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group inform that the Group included in its management report the non-financial information defined in article 508º-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 first appointed as auditors of Novabase, SGPS, S.A. (parent Entity of the Group) in the shareholders general assembly held on 29 April 2015 for a first mandate from 2015 to 2017. We were appointed in the shareholders general assembly held on 10 May 2018 for a second mandate from 2018 to 2020;

— Management as 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 28 March 2019; and,

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

28 March 2019

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 31.12.17	Transactions	Number of Shares / Quotas held by Board Members at 31.12.18	% held by Board Members at 31.12.18
Novabase S.G.P.S., S.A.	**15,700,697 €**	**31,401,394**	**12,603,803**	**48,739**	**12,652,542**	**40.3%**
HNB - S.G.P.S., S.A. (a)			10,261,395	240,194	10,501,589	33.4%
Pedro Miguel Quinteiro Marques de Carvalho			2,289,068	(191,455)	2,097,613	6.7%
Francisco Paulo Figueiredo Morais Antunes			30,335	0	30,335	0.1%
María del Carmen Gil Marín (b)			23,001	0	23,001	0.1%
Luís Paulo Cardoso Salvado			1	0	1	0.0%
João Nuno da Silva Bento (b)			1	0	1	0.0%
Álvaro José da Silva Ferreira (b)			1	0	1	0.0%
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento (b)			0	0	0	0.0%
NBASIT - Sist. Inf e Telecomunicações, S.A.	**47,500,000 AOA**	**100,000**	**800**	**0**	**800**	**0.8%**
Álvaro José da Silva Ferreira (b)			400	0	400	0.4%
Luís Paulo Cardoso Salvado			200	0	200	0.2%
Francisco Paulo Figueiredo Morais Antunes			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**	**112,500**	**0**	**112,500**	**0.5%**
Pedro Miguel Quinteiro Marques de Carvalho			112,500	0	112,500	0.5%

(a) 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 - S.G.P.S., S.A., where they hold management positions.

(b) Designated as a member of the board of directors of the Company as of May 10, 2018.

Novabase reports as directors the company HNB - S.G.P.S., S.A. and the members of the board of directors 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 fullest extent 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 2018, 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, March 28, 2019

Luís Paulo Cardoso Salvado
Chairman of the Board of Directors

João Nuno Bento
Executive member of the Board of Directors and CEO

Álvaro José da Silva Ferreira
Executive member of the Board of Directors

Francisco Paulo Figueiredo Morais Antunes
Executive member of the Board of Directors and CFO

María del Carmen Gil Marín
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 de Carvalho
Non-Executive member of the Board of Directors

Marta Isabel dos Reis da Graça Rodrigues do Nascimento
Non-Executive member of the Board of Directors

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Statement by the members of the Audit Board under paragraph 1, c) of article 245 of the Portuguese Securities Code

Álvaro Nascimento, 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, March 28, 2019

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, March 28, 2019

Miguel Ribeiro Ferreira, 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, March 28, 2019

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