2019 ANNUAL REPORT

NOVABASE®

MANAGEMENT REPORT

Page

CHAIRMAN'S MESSAGE

Dear Shareholders,

2019 was a landmark year for NOVABASE. We celebrated our 30th anniversary with the approval of a new strategic direction. We want to increase our investment in the disruptive technologies of the digital economy. Our goal is to develop and better leverage the potential of our staff and recent graduates coming out of Portuguese universities. We want to bring our solutions to more and larger clients in Europe and the Middle East.

It is still too early to assess the merits of this investment, but our latest results are encouraging. We have seen growth in our key indicators, namely turnover, profitability and talent. We would like to highlight two of them: we attained the best net results in the company's history – boosted by the capital gains from the sale of the Government, Transport and Energy business – and recorded the best shareholder return of Euronext Lisbon.

At the corporate level, we expanded policies to better respond to emerging requirements in areas that include risk management, cybersecurity and gender equality. We have bolstered our Board of Directors by appointing someone in charge of the new Next-Gen segment and we have approved a medium term incentive plan to attract and maintain the talent necessary for executing the new strategy.

I would like to conclude with two messages: one about the past, namely our 30-year anniversary, and one about the future.

Throughout the company's history over ten thousand people have passed through our employee ranks, accomplishing great feats and delivering extraordinary conquests. We have lived many magical moments together. However, we have also gone through some demanding and difficult times. All these events are part of our history. They have been the result of the hard work and inspiration of many. The result of those who gave their all, sometimes with enormous sacrifice. Those who made NOVABASE their home. Their contribution will never be forgotten. Thank you very much!

We entered 2020 prepared to face the challenges we knew we would face: growing competition to attract talent and attracting a new client base, particularly outside of Portugal. There was no way to predict what would also occur in the form of the pandemic caused by Covid-19. At the time that I write this, beginning of April, there is enormous uncertainty regarding the extent of the impact that will ensue from the current tragedy we are experiencing. It would be pointless to make predictions at this time. We can, however, talk about what we know today. NOVABASE can boast an enviable balance sheet and its main clients are financially solid. More importantly, we employ experienced teams dealing with situations of enormous adversity, and resilience is one of our main strong points.

All crises present opportunities. The crisis that we are facing will undoubtedly be a challenging one for all of us. It will require our best efforts and our ability to outdo ourselves. This will be our greatest challenge.

Luís Salvado

CEO'S MESSAGE

Dear Shareholders,

I am writing to you at a time of great uncertainty. After a remarkable year in NOVABASE's history, we were faced with a pandemic which has frozen the world economy, and whose impacts remain unclear. Although the times ahead will be challenging, we are motivated and ready to prevail.

In this period of crisis, protecting the present is critical, and preparing for the future is fundamental. However, we must never lose sight of our past triumphs.
For this reason, I will begin by talking about NOVABASE's state of readiness to tackle this crisis, followed by some reflections on the validity of our post-pandemic strategy, and finally some words on NOVABASE's main highlights from 2019.

About the present:

I am fully confident in our ability to overcome the difficult times we see ahead. We are prepared!

NOVABASE wrapped up 2019 with a strong balance sheet, including a net cash position of € 34.1 Million, not including revenues from the sale of the GTE business. Our business model is quick to react to lower demand. It holds employees accountable – and rewards them – for results, creating an incentive for the rapid adaptation of our production capacity and fixed structure.

In the past, our executive teams have successfully combated two major crises in this very century, and they are now motivated to win this battle.

About the future:

I am particularly excited about our future prospects. The strategic direction we announced in July 2019 remains valid, and in line with forecasts on the accelerating digital transformation in the post-pandemic world.

Digital and cognitive technologies will be in higher demand due to the need to bolster investments in channels/processes for remote assistance and service.
The "Near-Shore Agile" delivery model we have refined in recent years has proven to be resilient in this time of social distancing, which will cause more conservative customers to embrace it even faster.

A focus on larger-sized customers will ultimately be the right choice in a scenario of rebounding investment, where these organizations will be the first to capitalize on state incentives for economic recovery.

The telecommunications sector, which includes our biggest customers, has proven to be resilient in the current setting. We believe it will be one of the first to step up its investments after the crisis.

About 2019:

2019 was an outstanding year for NOVABASE. We have forged and conveyed a clear path, with noteworthy results.

In July 2019, we approved a new strategic direction for NOVABASE, laying the groundwork to align the entire company in executing a plan to create sustained value.

Operational performance reached an exceptional level, despite more intense competition for talent, resulting in a 9% increase in consolidated turnover and an EBITDA of 7.8%.

The sale of GTE contributed decisively towards transforming NOVABASE's business. In a single transaction, NOVABASE achieved two goals: it lowered its exposure to non-strategic regions; and it obtained a influx of cash to pursue its strategy and meet its announced commitments.

Thanks to the operating results, proceeds from the sale of the GTE business and the revaluation of the portfolio of financial holdings held by venture capital funds, NOVABASE's net profit was € 20.4 Million, or € 0.66 per share.

Following efforts of remarkable competence and persistence, € 9 Million in funds withheld in Angola were repatriated under highly favourable terms, reducing the risk tied to the balance sheet's exposure to this region.

To meet our announced commitments, we were able to distribute € 0.65 per share to our shareholders, contributing to a total shareholder return of 60% in 2019.

I now invite you to read this report and analyse the details of its accounts. Here you will find a financially sound company, with a clear strategic position and the potential to create extraordinary value.

NOVABASE is in great shape!

Cheers,
João Nuno

SUMMARY 2019 - ACTIVITY

NEW STRATEGY LAUNCHED

Approved by the Board and disclosed on July 2019.

GMS held on September 26, 2019, voted for a new executive Board Member to lead Next-Gen Segment, a Stock Options plan and a Share Buy-back program, and an extraordinary remuneration of 0.5 €/share.

NEXT-GEN HONOURED!

The FinTech & RegTech Global Awards recognised Symetria® as the best reporting and compliance data management solution.

Celfocus awarded an honourable mention at the World Agility Forum for the consistent dedication and collaboration in implementing agile transformation initiatives.

EURONEXT AWARD

NOVABASE was distinguished by the Euronext as the "SME Equity Champion" for delivering the highest TSR.

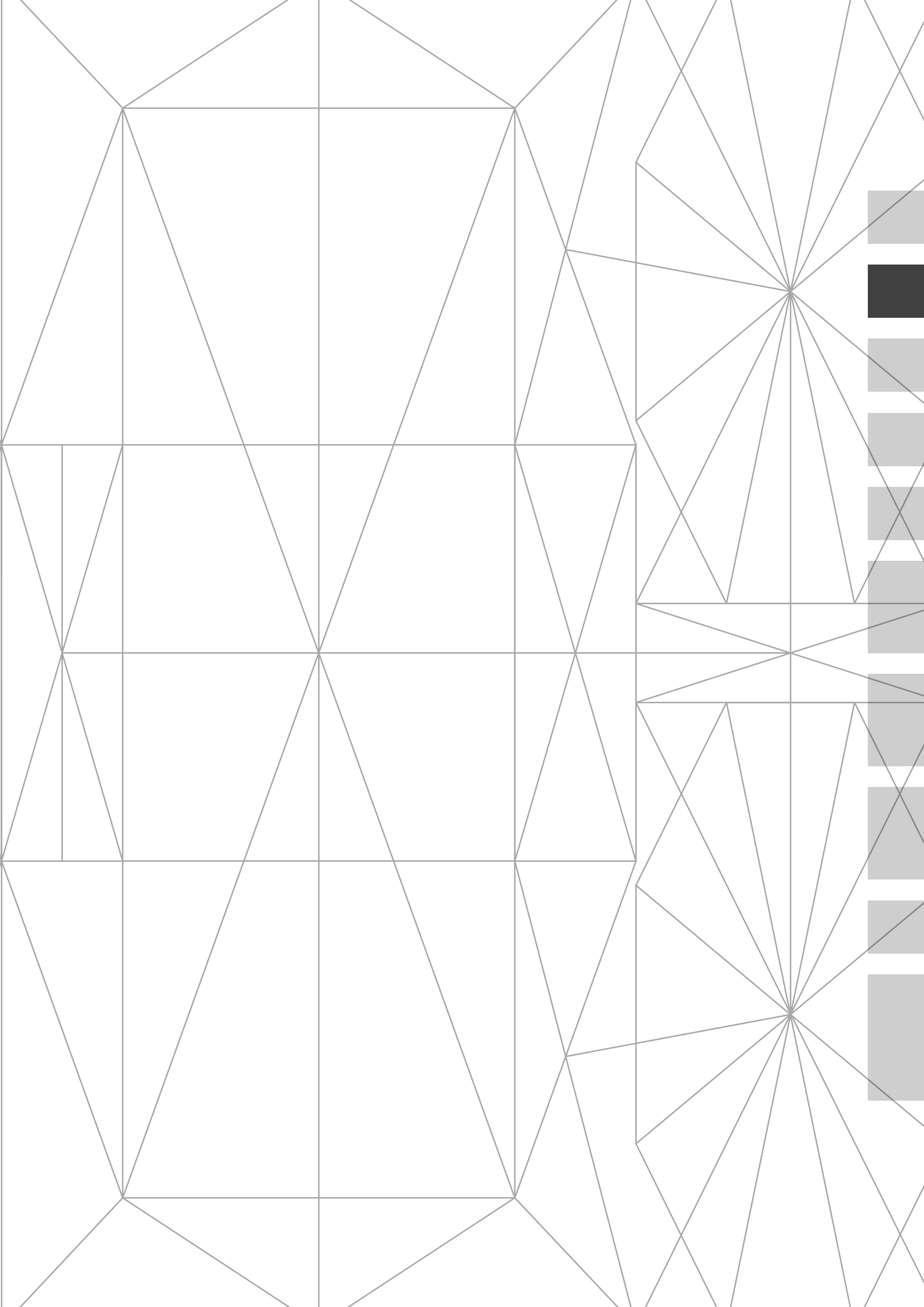
FOCUS ON TRANSFORMATION

Next-Gen working on growth through scaling up its Talent engine & developing structures to enlarge access to international clients.

Value Portfolio generating value to fund growth in Next-Gen: recent sale of "the Government, Transport and Energy business" to VINCI Energies for a Price to Sales 2019 multiple of 1x subject to final adjustments.

HAPPY BIRTHDAY TO US!

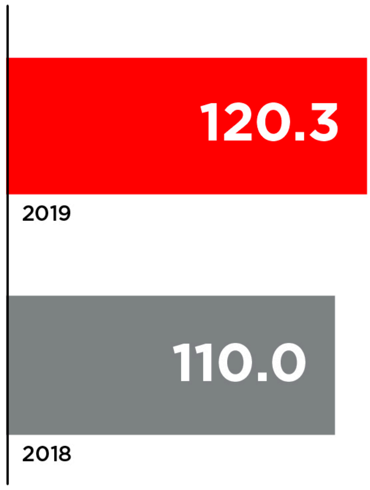
2019 was the year we celebrated 30 years of success and transformation. The first Alumni party was held, bringing together current and former employees.



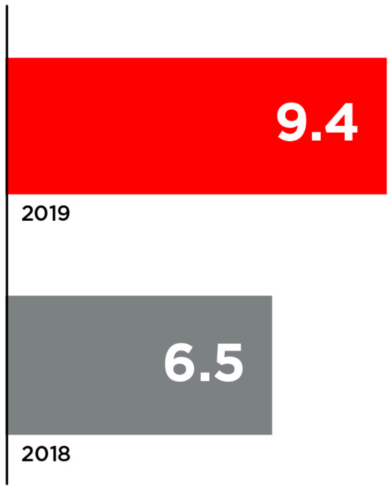
SUMMARY 2019 - FINANCIAL

AMOUNTS IN M€, EXCEPT OTHERWISE STATED
2018 RESTATED (NOT INCLUDE GTE)

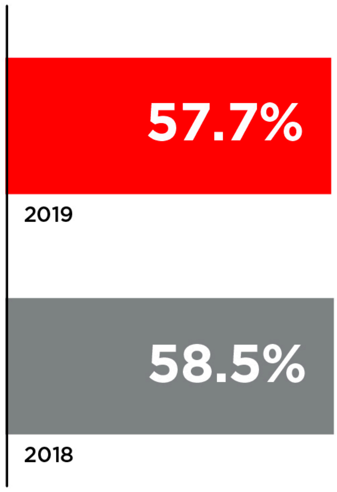
TURNOVER



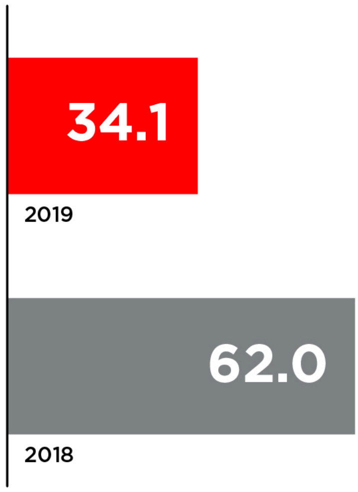
EBITDA



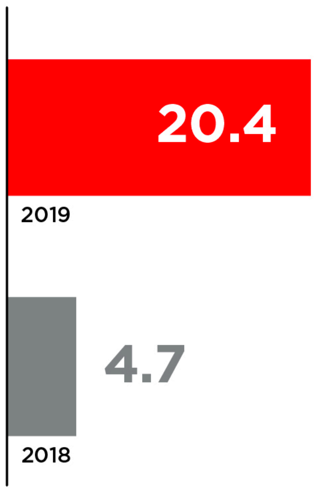
INTERNATIONAL BUSINESS (%)



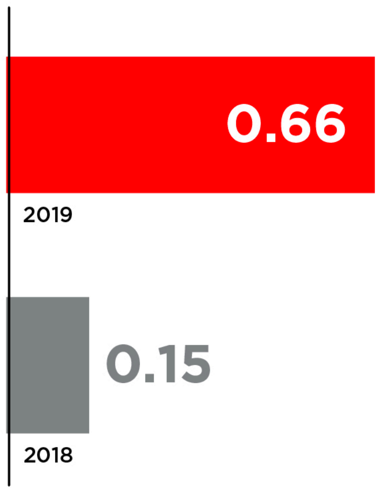
NET CASH



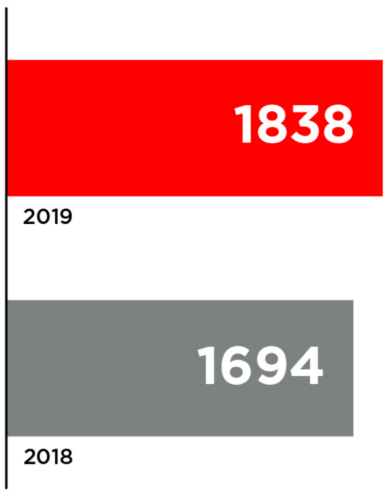
NET PROFIT



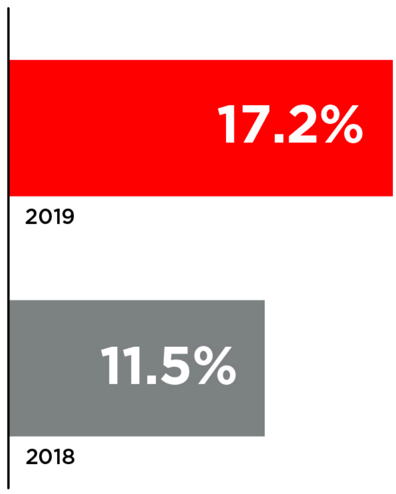
EPS (€/share)



EMPLOYEES (average No)



TSR (%)*



* Total Shareholder Return annualized (adjusted for Own Shares) for the Trailing 3 years.

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 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.

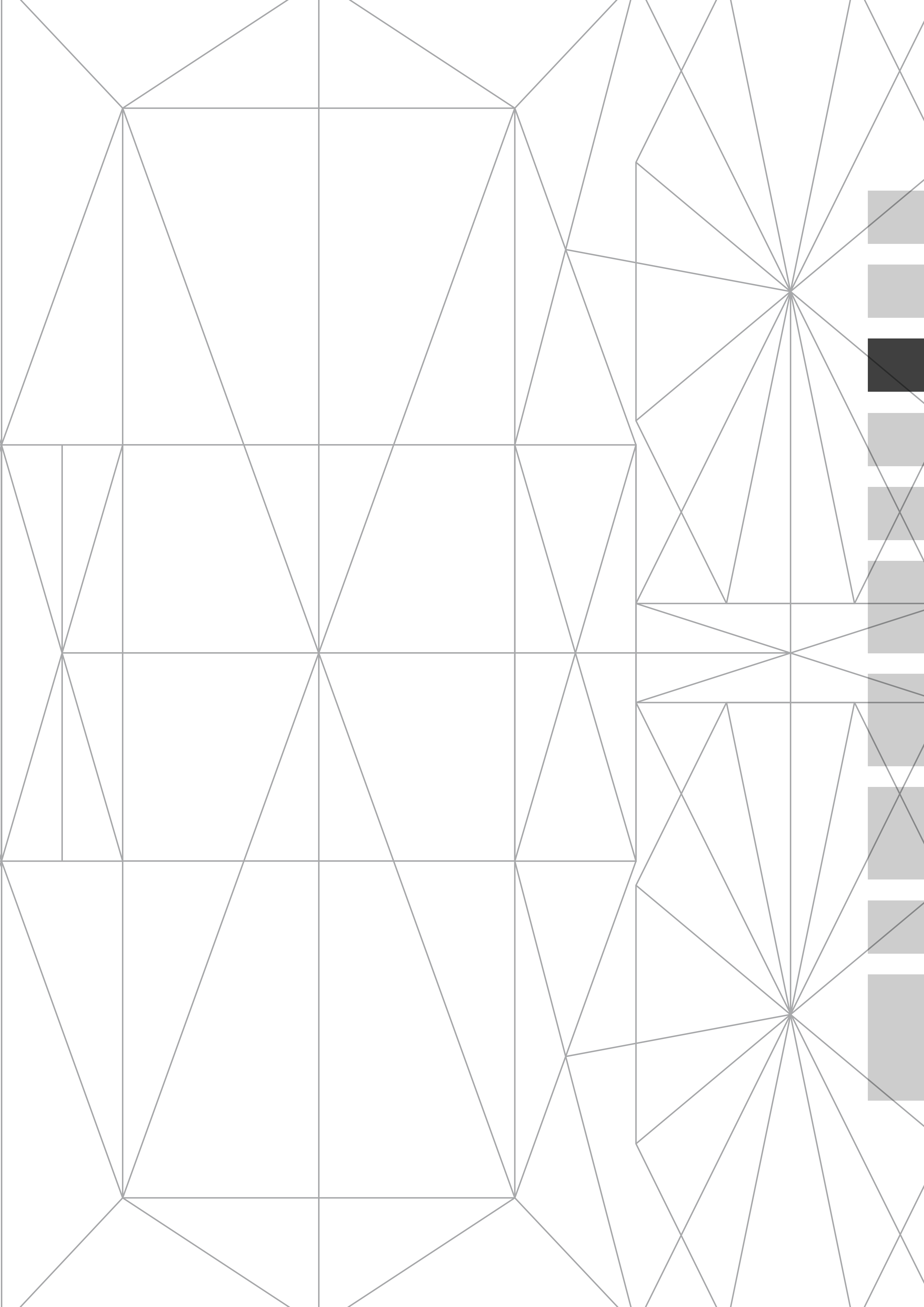
Therefore, beginning in 2015, NOVABASE adopted a reinforced Latin corporate governance model comprised of a Board of Directors, Audit Board and Statutory Auditor (ROC). In this model, a substantially more agile day-to-day management structure was implemented, with the Board of Directors able to delegate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

In 2019, the election of Paulo Jorge de Barros Pires Trigo as a new member of NOVABASE's Board of Directors, together with his inclusion on NOVABASE's Executive Committee, was approved in the General Meeting of Shareholders dated 26 September 2019. This election was proposed under NOVABASE's updated strategy for 2019 and beyond (2019+ Strategic Update) and as part of the company's reorganization into two new operating segments, given the urgent need to match the structure of NOVABASE's managing board to the 2019+ Strategic Update to reflect its focus on the Next-Gen segment.

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.



FINANCIAL AND STOCK PERFORMANCE

2019+ STRATEGY

2019 was marked by the culmination of a period of strategic reflection by NOVABASE and the consequent update of the strategic plan for the 2019-2023 horizon, disclosed to the market on July 2019.

Therefore, NOVABASE reorganised its activity in two new operating segments: Next-Gen and Value Portfolio.

Next-Gen segment aggregated the assets held in Financial Services and Telecommunications. Value Portfolio segment included the assets held in Government, Transportation and Energy [(1)], IT Staffing and Venture Capital.

STRATEGIC POSITIONING PROPELLED BY GREAT TALENT AND TECHNOLOGY	
TALENT ENGINE	TECHNOLOGY ENGINE
RECRUTING ON-BOARDING TECH TRAINING TALENT DEVELOPMENT	DIGITAL COGNITIVE AGILE / DEVOPS AUTOMATION

The essential features of the 2019+ strategy are the following:

- NOVABASE to become a “Next-Gen IT Services Company”:
  - » Primary goal is accelerating growth in Next-Gen to double Turnover with double digit operating margins by 2023;
  - » Value capture through sourcing scarce Talent in Portugal and deploying it in advanced projects in Europe & Middle East;
  - » Active M&A strategy to enhance client access.
- Bulk of Transformation will occur until 2021;
- Profitable Value Portfolio to fund transformation and growth in Next-Gen;
- Increased visibility with investors;
- Management alignment through a stock options plan supported by a own shares buy-back program;
- Return of any excess funds to shareholders (expected shareholder remuneration of 1.5 €/share in 2019-2023 [(2)]).

(1) Disposed at the end of 2019.

(2) Including values payed since 01.01.2019.

RELEVANT INFORMATION

SALE OF GTE BUSINESS

2019 was also marked by the sale of the "Application and Data Analytics" business for the Government, Transport and Energy ("GTE Business") to VINCI Energies Portugal, SGPS, S.A. ("VEP").

The sale of the GTE Business was a fundamental achievement under the 2019+ Strategy, allowing Management to focus on the Next-Gen Transformation.

The essential features of this sale are as follows:

- As at November 4, 2019, NOVABASE has entered into a sale and purchase agreement with VINCI Energies Portugal, SGPS, S.A. to sell its "Application and Data Analytics" business for the Government, Transport and Energy, through the sale of the shares representing the entire share capital of Novabase Digital S.A. as well as the transfer of the economic value and of employees assigned to the GTE Business in other companies of the Group;

- The agreed purchase price was 33 M€, to be paid on the completion date of the transaction, subject to certain adjustments, as foreseen in the sale and purchase agreement;

- A potential earn-out of 3 M€ may be added to the agreed purchase price, depending on the final performance of the GTE Business in the year of 2019.

The sale was substantially completed at the end of 2019 after verification of the relevant conditions precedent under the Agreement, and at January 9, 2020, the agreed purchase price was paid. The final price is still subject to positive and negative adjustments, resulting from the final calculation of price mechanisms clauses in the Agreement.

As a result, NOVABASE recorded, with reference to December 31, 2019, the gain on the sale of GTE Business to VEP, in the amount of 12.0 M€; the gain considers the achievement of 100% of the earn-out.

To be noted that GTE Business represented a Turnover of 35 M€ in 2019 and approximately 400 employees.

KEY RESULTS FIGURES

In the context of the new strategy for 2019+, NOVABASE reorganised its activity into two new operating segments: Next-Gen and Value Portfolio. Therefore, the YoY information was restated for reporting and comparability purposes.

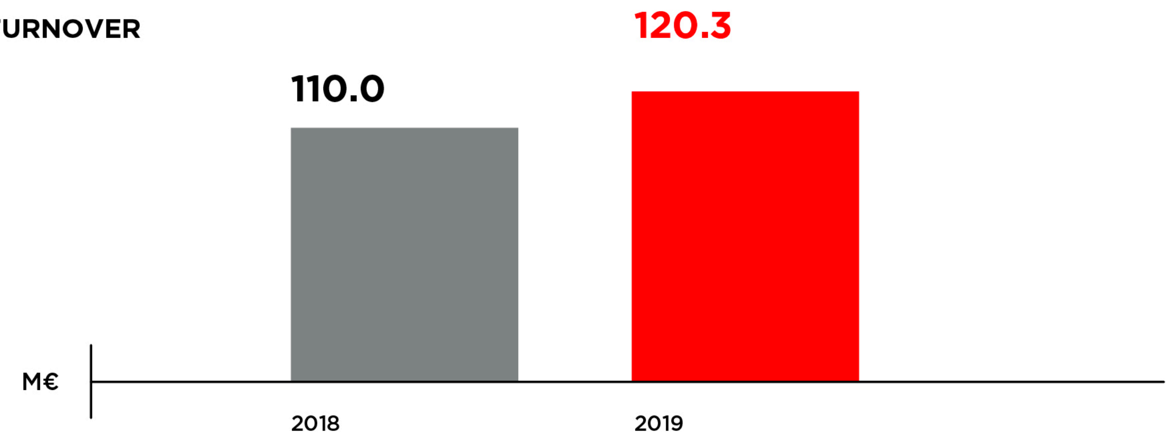
On the other hand, following the Agreement held on November 4, 2019, the GTE Business was discontinued. In this way, the profit and loss comparatives were restated to show continuing operations separately from discontinued operations.

As of 1 January 2019, NOVABASE has adopted IFRS16 – Leases, and has not restated comparative information, as provided by the standard. The main impacts of adopting IFRS16 are disclosed in this report.

TURNOVER

Turnover increased 9% YoY, with Next-Gen representing 68%

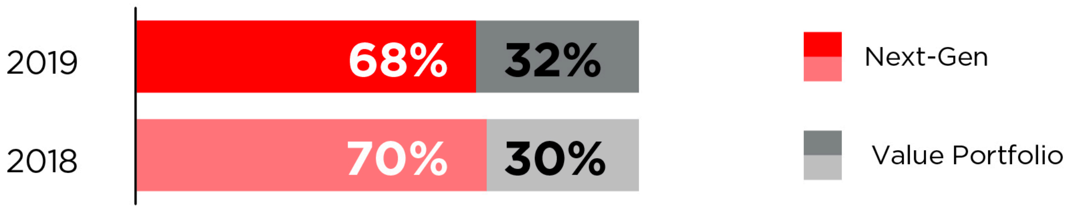
TURNOVER



BREAKDOWN BY GEOGRAPHY (%) [1]

PT **42.3%** Vs. 41.5% **WW** **57.7%** Vs. 58.5%

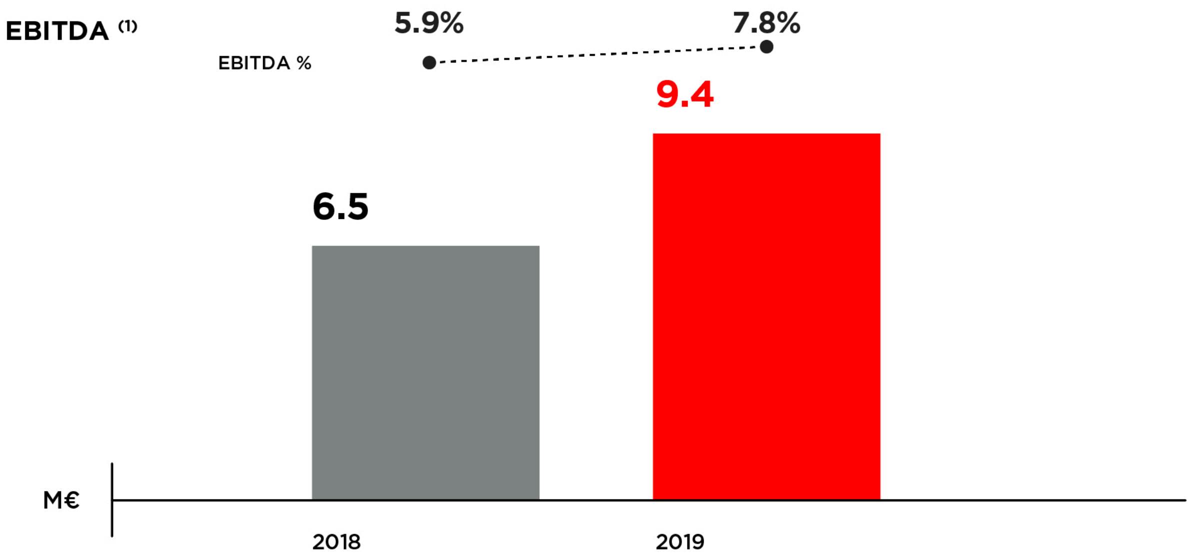
BREAKDOWN BY SEGMENT (%)

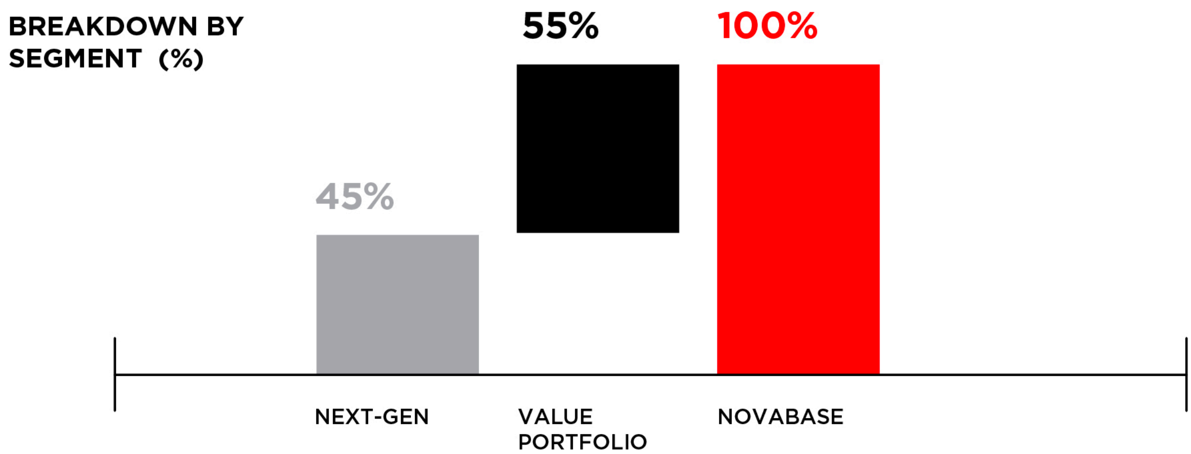


[1] The Turnover by Geography in 2019 was computed based on the executed project geography instead of the invoiced client geography, with 2018 restated.

EBITDA

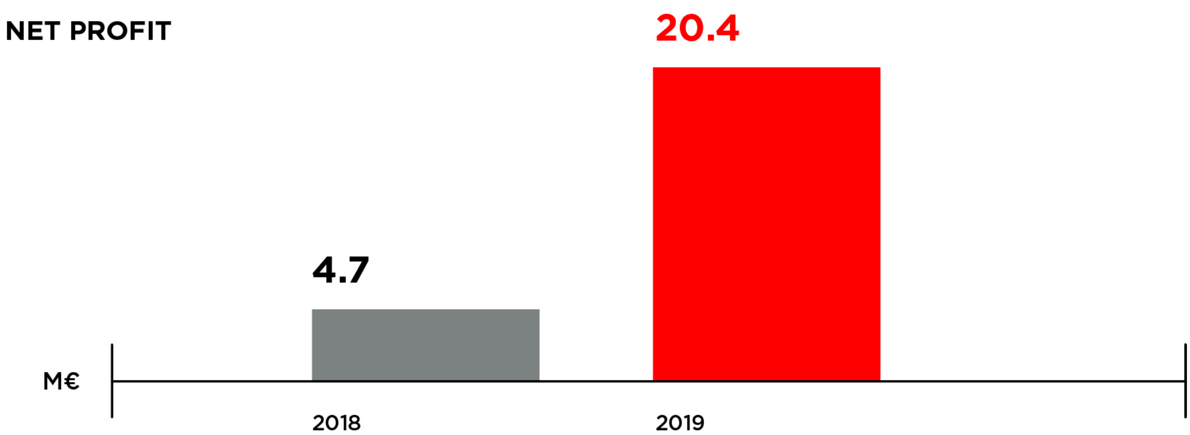
EBITDA of 9.4 M€, including the positive effect of IFRS16





NET PROFIT

Net Profit sets a new record, 20.4 M€

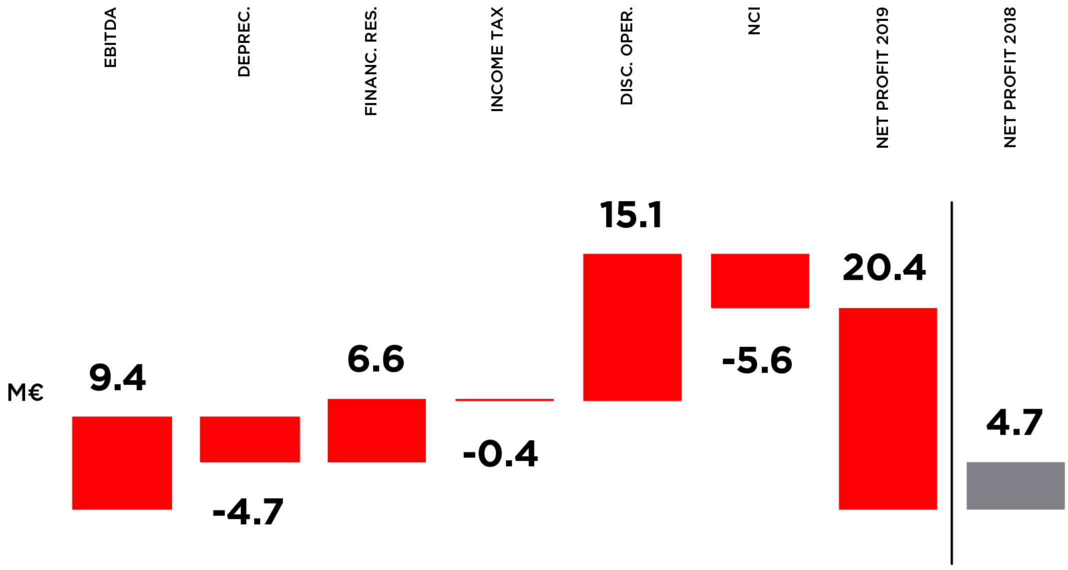


(1) Positive effect of IFRS16 in 2019 EBITDA of 3.0 M€.

EBITDA TO NET PROFIT

Total Earnings Per Share reached 0.66 euros (Vs. 0.15 euros in 2018)

EBITDA TO NET PROFIT



Depreciation and Amortisation expense increased 87% YoY, reflecting the entry into force of IFRS16 (1).

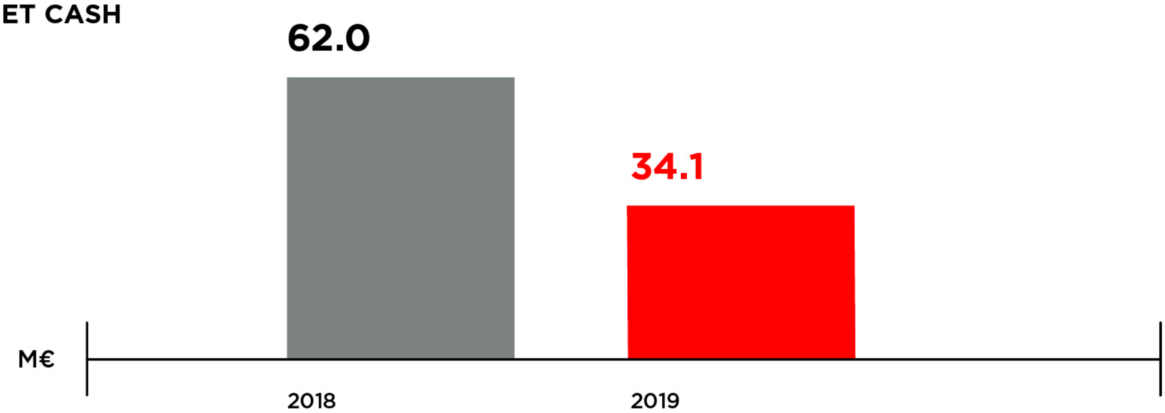
Financial Results (1) increased 8.2 M€ YoY, due to the re-evaluation of an investment in the venture capital business, also responsible for the evolution of Non-Controlling Interests (-5.6 M€ Vs. -0.3 M€ in 2018).

Discontinued Operations reached a 15.1 M€ profit (Vs. 3.3 M€ in 2018), which mainly refers to the results attributable to GTE. In 2019, also includes the gain on the sale of this business, amounting to 12.0 M€.

NET CASH

Net Cash position of 34.1 M€, does not yet reflect the cash inflow from GTE Business disposal

NET CASH



(1) Negative effect of IFRS16 in 2019 of 2.7 M€ in depreciation expense and 0.3 M€ in financial results.

Cash use of 0.2 M€ in 2019 excluding shareholders remuneration, the payment of dividends to Non-Controlling Interests, and the change in consolidation perimeter:

- 20.2 M€ to Shareholders, corresponding to a regular dividend of 0.15 €/share, paid in June 2019, and to an extraordinary remuneration of 0.5 €/share, paid in October 2019;

- 0.5 M€ to Non-Controlling Interests, paid in September 2019;

- 6.9 M€ of impact of exiting GTE Business.

From the 34.1 M€, 13.5 M€ refers to Non-Controlling Interests.

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

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	2018	2019
Cash and cash equivalents	63,614	48,755
Debt securities - Non-Current	7,680	403
Debt securities - Current	1,198	2,793
Own shares held by the Company [1]	761	972
Bank borrowings - Non-Current	(6,294)	(13,600)
Bank borrowings - Current	(4,959)	(5,194)
Net Cash	**62,000**	**34,129**

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	2018	2019
Own shares held by the Company	376,611	376,611
Closing price @ last tradable day (€)	2.020	2.580
Own shares held by the Company	**761**	**972**

[1] Is determined by multiplying the number of own shares held by the Company at the end of the period by the share price on the last tradable day.

CAPITAL EXPENDITURE

CAPEX of 1.9 M€ in 2019

Consolidated recurring investment (cash item), of 1.9 M€ in 2019, is divided into three parts:

- Work in progress, in the amount of 0.6 M€, related to the development of projects;
- Intangible assets, in the amount of 0.4 M€, concerning licenses and computer software; and
- Tangible assets, in the amount of 0.9 M€, related to furnishing and other equipment.

Non-recurring investment (non-cash item) was positive, in the total amount of 15.6 M€. This amount comprises extraordinary movements, write-offs, perimeter variation, and in 2019, also include a significant impact due to the entry into force of IFRS16.

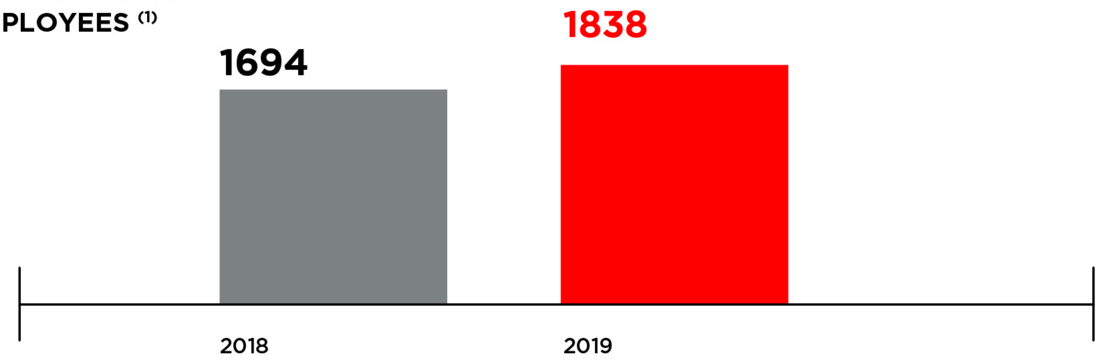
	NON-RECURRING	RECURRING	TOTAL
Work in progress	0.0	0.6	0.6
Transfer to Intangible Assets	-0.5	0.0	-0.5
WORK IN PROGRESS	-0.5	**0.6**	**0,1**
R&D	-0.8	0.0	-0.8
Industrial Property and Other Rights	0.0	0.4	0.4
Goodwill [1]	-3.4	0.0	-3.4
INTANGIBLE ASSETS	**-4.2**	**0.4**	**-3.8**
Transport equip. / Leasing / OR	-7.0	0.0	-7.0
Other Tangible Assets	27.3	0.9	28.2
TANGIBLE ASSETS	**20.3**	**0.9**	**21.2**
TOTAL	**15.6**	**1.9**	**17.5**

[1] Write-off of the Goodwill associated to GTE Business.

TALENT

Talent Pool of 1838 employees in 2019

AVERAGE NUMBER OF EMPLOYEES [1]



Talent pool increased 9% YoY, in line with Turnover.

At the end of 2019, the total number of employees [1] was 1899 (Vs. 1741 at the end of 2018).

Worthy of note is that international employees accounts for 15% of the total number in 2019 (271), and the recruitment of 105 new university graduates through Novabase Academy program.

[1] Excluding GTE Business.

SEGMENT INFORMATION

NOVABASE is organised into two operating segments: Next-Gen and Value Portfolio

- Next-Gen

With the ambition of Transforming NOVABASE into an “IT Services Company”, the Next-Gen segment intends to achieve a leading position to source scarce Talent in Portugal and deploy in advanced projects in Nearshore Agile, focused on Europe and Middle East and Multi Industry (starting with Telco and Financial Services, where it already has a strong track record).

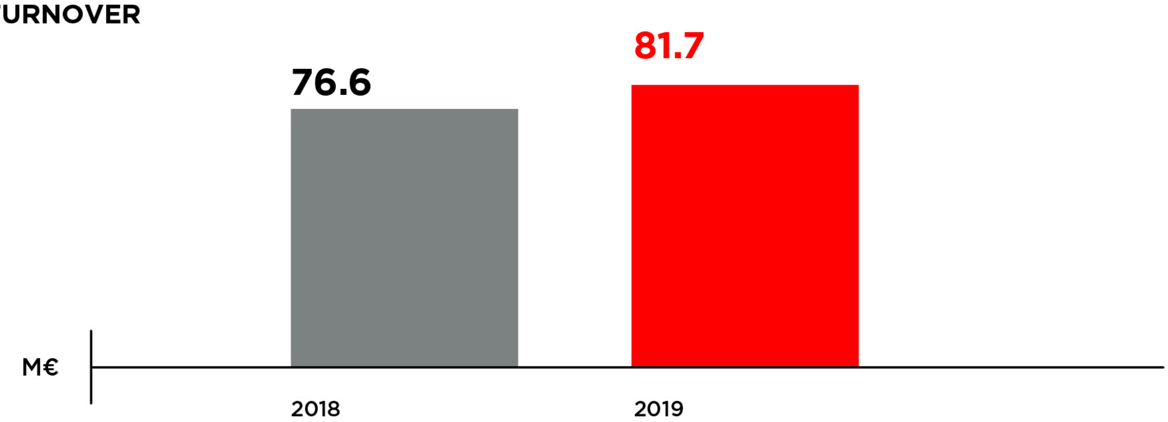
- Value Portfolio

This segment aims to generate funds to support Next-Gen growth and transformation.

- **NEXT-GEN**

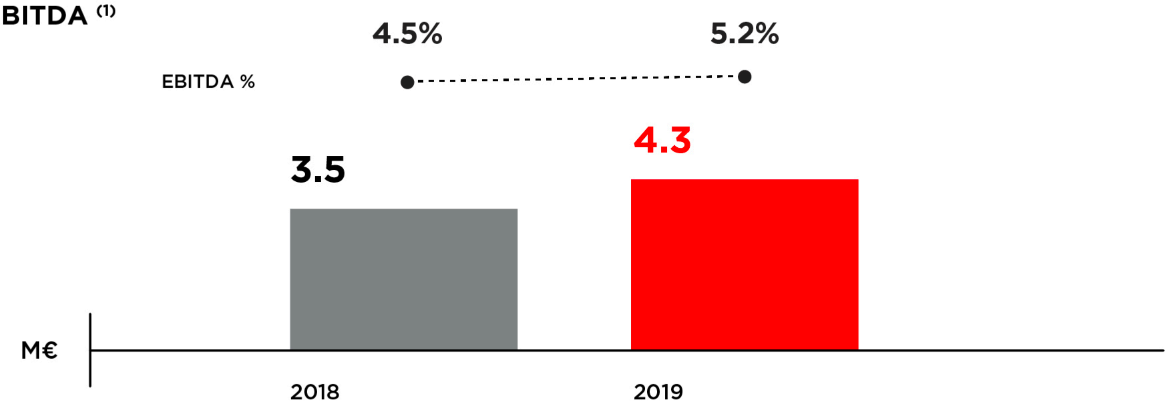
Next-Gen Turnover grows 7% YoY...

TURNOVER



... and working on strategic initiatives

EBITDA [1]

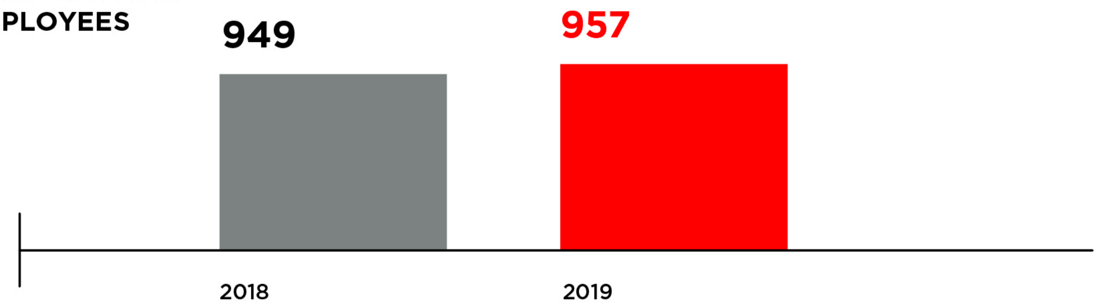


[1] Positive effect of IFRS16 in 2019 EBITDA of 1.1 M€.

Turnover per employee increased 6% YoY

Attrition rate was 21.1% in 2019, the same as the year before.

AVERAGE NUMBER OF EMPLOYEES



Next-Gen grows in target markets

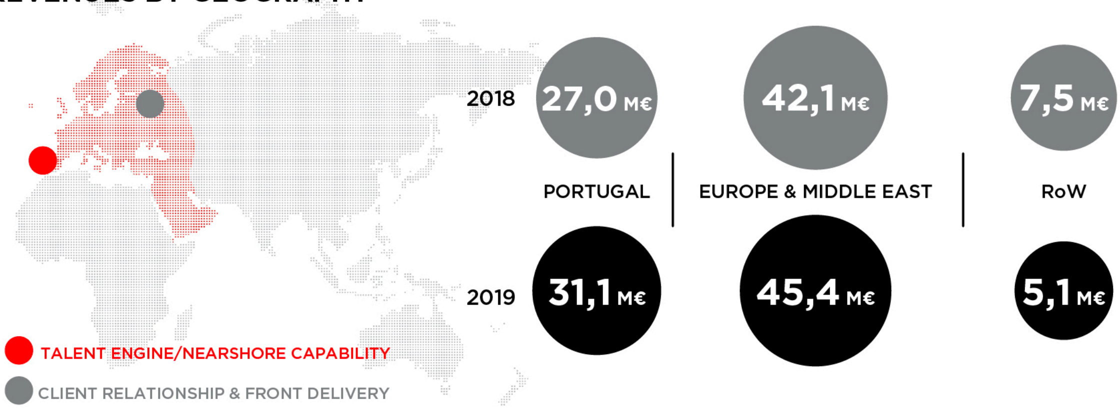
Multi Industry approach, with 2019 still focused in Telco.

% OF REVENUES BY INDUSTRY

International Turnover grows 2% YoY.

62% of Next-Gen Turnover generated outside Portugal, with Europe & ME accounting for 90% of it (85% in 2018).

REVENUES BY GEOGRAPHY



Exposure to geographies with greater volatility decreased by 23% YoY.

BUILDING LONG TERM RELATIONSHIPS

Large accounts registered a growth, both in number...

TOP TIER CLIENTS [1]

Total number of clients in 2019 was 102, same number as previous year.

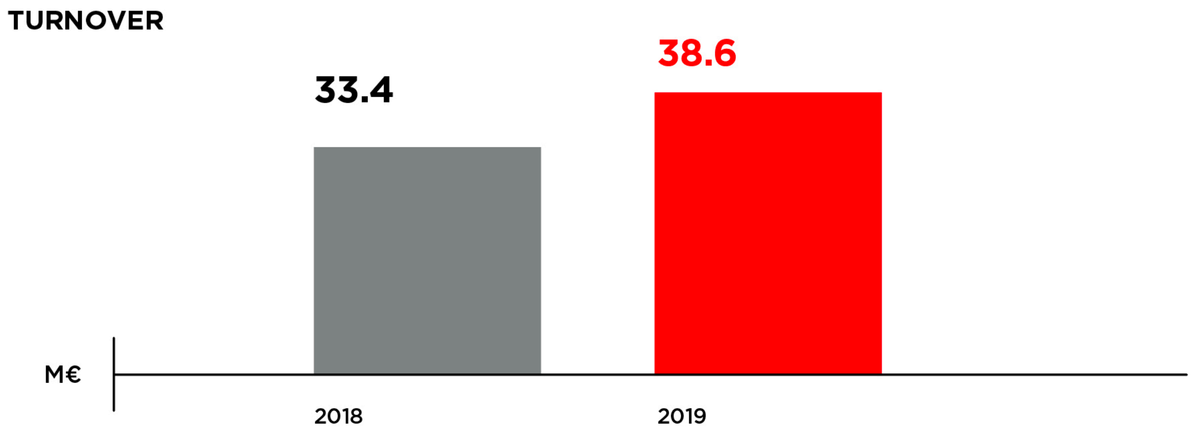
... and in Revenues (increasing 11% YoY).

% OF REVENUES FROM TOP TIER CLIENTS [1]

[1] Top Tier clients (>1 M€) considers the Trailing 12 months.

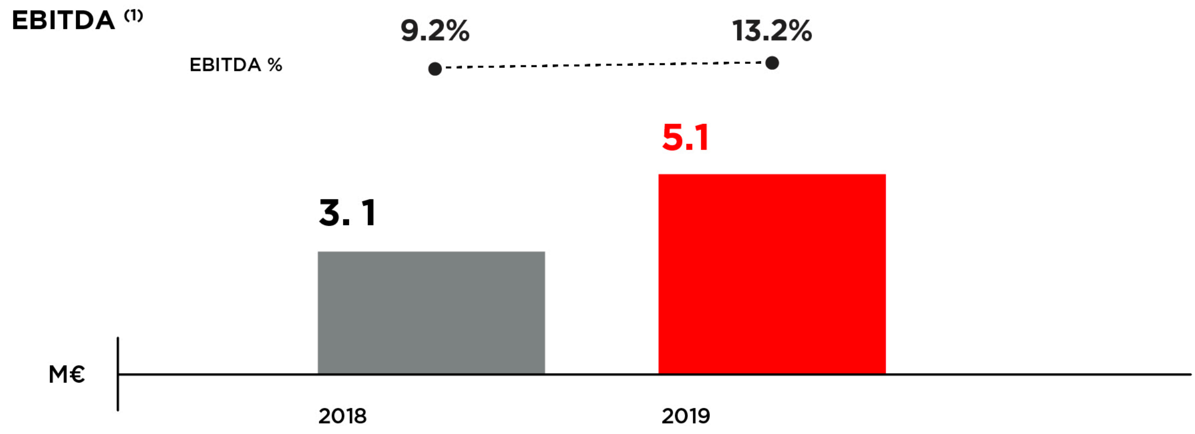
• VALUE PORTFOLIO

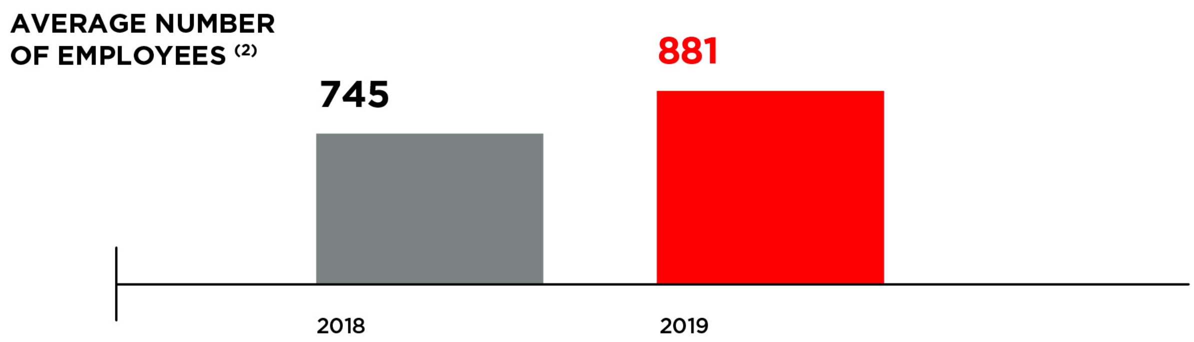
Turnover grows 15% YoY, and 49% is generated outside Portugal



Resilient performance

Positive performance of the IT Staffing Business.





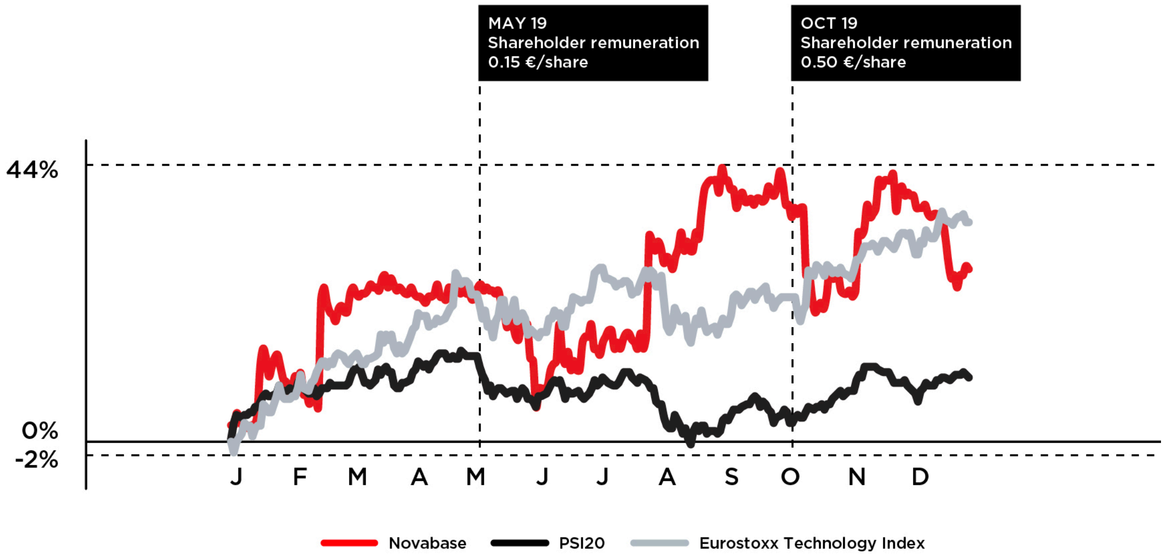
Including holding / shared services representing 89 employees in 2019 (87 in 2018).

(1) Positive effect of IFRS16 in 2019 EBITDA of 1.9 M€.
(2) Excluding GTE Business.

STOCK PERFORMANCE

Total Shareholder Return of 60% in 2019

NOVABASE AND THE MARKET



NOVABASE share price increased 28% in 2019, while PSI20 Index increased 10% and EuroStoxx Technology Index, 35%.

The average price target disclosed by the research that covers NOVABASE is 4.70 €, and the average upside is 82%.

Market Capitalization at the end 2019 is 81.0 M€, implying a ttm Price to Sales of 0.52x.

Free Float Velocity in 2019 represented 27% with a free float of 40% (1).

(1) Calculated according to Euronext criteria.

RISKS

FINANCIAL 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 from 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 limit ranges, 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, 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. Additionally, the maturity concentration of 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.

EMERGING RISKS

In addition to the financial risks inherent to its activity, the Group is also exposed to operational and business risks, which can be translated into threats and opportunities for the Group, and proactively develops adequate mitigation strategies. From those, we highlight:

a) Cyber-Risks

Exposure to several cyber-risks due to the growing sophistication and integration of technologies (such as large-scale cyber attacks, violation and destruction of data, etc.), with possible financial, operational and reputational losses.

From the point of view of information security, risk mitigation measures have been reinforced, accompanied directly by the Chief Information Security Officer, a new responsibility within Executive Committee assigned during 2019.

b) Talent Retention risk

NOVABASE's ability to successfully implement the strategy outlined depends on its ability to attract and retain top talent for each position.

Market demand for high-quality talent is increasing, especially in the Portuguese market where we recruit nearly all our employees, with a potential rise in labour costs and the consequent difficulty in retaining talent.

NOVABASE's human resources policies are aligned with these objectives, proof of that is the award received by this area in 2019 for "Innovation in People Management" attributed by Human Resources Portugal magazine. Additionally, NOVABASE invests in training as an essential vector for adapting talent to the new strategy in New-Generation Information Technologies.

c) Delivery risk

NOVABASE's policies to address delivery risk include, among others, the following:
- Analysis of each significant commercial proposal in order to reduce possible overselling, considering the available internal capacity;
- Permanent scrutiny of the quality of the team to be allocated to the projects;
- Maintenance of permanent training programs in technologies and project management methodologies.

d) Strategic and contextual risks

The Group also faces the so-called "strategic and contextual risks", which it seeks to manage and mitigate through practices of recurring discussion, at the level of the various management chains, on the risks that impact on society / business unit. These discussions address areas of investment / divestment, strategic bets and pending risks at all times, and where the risk appetite at the level of the organisation and its evolution is also discussed.

OUTLOOK

In 2019, NOVABASE disclosed to the market its Strategy Update for the 2019-2023 horizon, and has set clear targets for growth and efficiency, in particular to accelerate the growth in Next-Gen to double Turnover with double digit operating margins by 2023.

In this context, we ended the year with solid results and generating sustainable profitability. The Group's most relevant attainments in 2019 are:

- Solid results – Record Net Profit, benefiting from the gain on the sale of GTE Business, a fundamental achievement under the 2019+ Strategy;

- Transformation process – Investments in Talent Engine, reset on geographical focus and management overhaul;

- Activity growth – Next-Gen grew 7% YoY. This segment international business increased YoY, being 90% generated in target markets. Value Portfolio also presented a growth, of 15% YoY, highlighting the positive performance of the IT Staffing Business, which positively contributed to the strategic orientation of keeping the Value Portfolio profitable;

- Value creation for our shareholders – In 2019 it became one of our main priorities again. We started reporting to the market more regularly and conducting open webcasts. Total Shareholder Return was 60%. All of it positively impacted the share price, which appreciated 28% during the year.

For 2020 and following years, we will continue to implement the strategy defined:

- Transformation in a "Next-Gen IT Services Company", committed to Digital and emerging IT;

- Value capture through sourcing scarce Talent in Portugal;

- Deploying IT in advanced projects in Nearshore Agile, with focus on Europe and Middle East and Multi Industry;

- Active M&A strategy to enhance client access;

- Value Portfolio assets generating value to fund Next-Gen growth and transformation;

- Increased visibility with investors and creation of value for shareholders.

SUBSEQUENT EVENTS

The following relevant facts occurred in 2020 by the date of issue of this report:

- Completion of the GTE Business sale

As at January 9, 2020, NOVABASE disclosed the completion of the sale of the "Application and Data Analytics" business for the Government, Transport and Energy to VINCI Energies Portugal, SGPS, S.A., disclosed to the market on 4 November 2019. The agreed purchase price, paid on this date is subject still to positive and negative adjustments, resulting from the final calculation of price mechanisms clauses in the Agreement.

It is recalled that the agreed price was EUR 33 Million, to be paid on the date of completion of the transaction, subject to adjustments under the terms of the Contract, to which can be added a potential earn-out of EUR 3 Million, depending on the final performance of the GTE Business in 2019.

- Start of trading in the context of the buy-back programme of own shares

From January 14, 2020, NOVABASE started the trading in the context of the buy-back programme of own shares of the Company ("Buy-back programme"), in the terms and according to the limits set forth in the resolution adopted by the Extraordinary General Meeting of shareholders held on 26 September 2019.

Under this programme, and until the issue of this report, NOVABASE has acquired 160,198 shares. As a result of the transactions above mentioned, NOVABASE held a total of 536,809 own shares, representing 1.71% of the Company's share capital.

- NOVABASE is included in PSI20 Index as of March, 23

As part of the annual review of the national stock exchange index, Euronext - the Lisbon stock exchange's management entity, announced in the news of 11 March 2020, that NOVABASE will enter the main stock exchange index of Lisbon, PSI20, from 23 March. The PSI20 index is reviewed quarterly in June, September and December, with the full annual review in March.

- Sale of subsidiary Collab, S.A.

On 19 March 2020, NOVABASE and Netadmin System i Sverige AB entered into a purchase and sale agreement for all shares representing COLLAB – Sol. I. Com. e Colab., S.A. share capital, subsidiary held in 72.45% by Novabase Business Solutions, S.A. and in 17.75% by Fundo Capital Risco NB Capital. The completion of the purchase and sale also occurred on this date, with the delivery of the shares against payment of part of the price. The agreed initial purchase price is of EUR 6 Million, to which a potential annual earn-out may be accreted, up to a maximum of three annual periods, depending on COLLAB's performance, as set out in the agreement. Of the agreed initial purchase price, EUR 4.5 Million have been paid on this date, and the remaining EUR 1.5 Million will be temporarily held by the purchaser. The agreed purchase price is also subject to positive or negative price adjustment clauses agreed between the parties. This sale falls within the Group focus on Next-Gen's segment growth, freeing resources for the execution of the goals of the Strategic Update 2019+. This subsidiary represented a EUR 6.5 Million Turnover in 2019, employing approximately 60 employees.

- Covid-19

On 11 March 2020, the World Health Organization declared the outbreak of the Covid-19 to be a pandemic situation, and on 18 March 2020 the Portuguese president declared a state of emergency in an attempt to contain the spread of Covid-19, the disease caused by the new coronavirus.

The NOVABASE Board of Directors is closely and permanently monitoring all developments related to the Covid-19 pandemic that arrive by the relevant international authorities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Health Management Authority ('Direção Geral de Saúde'). In this context, a Contingency Coordinating Group (CCG) was created to manage this crisis, led by the CFO in alignment with the Management of each business, which has been working in a coordinated manner to ensure the necessary conditions to promptly address the recommendations and orders of the authorities. Having as absolute priority to assure the health and safety of all its personnel and their families, as well as to ensure its clients business operations continue to run without interruptions, the CCG has developed prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to central structures, across all the Group's businesses, namely the reinforcement of infrastructures to accommodate all employees to teleworking and the adaptation of all bureaucratic processes in order to eliminate or minimise travel.

As of the date of approval of the financial statements, the virus continues to spread in Portugal and overall in European countries. NOVABASE is not immune to the contingencies of the markets in which it operates, whether in delivering solutions to customers or in the talent market. Thus, this situation and its evolution could have impacts on the future financial performance. At this stage, it is not possible to quantify the magnitude of the impacts, namely on the Group's activity and profitability during the 2020 financial year. However, NOVABASE is implementing all the measures that consider appropriate to minimise the potential negative impacts of this situation, in line with the recommendations of the competent authorities and in the best interest of all its stakeholders. The Board of Directors considers that, in view of the information currently available, the liquidity situation and the capital levels will be sufficient to continue NOVABASE's activity.

- Resolution of the Board of Directors regarding the intention previously announced of presenting a shareholder remuneration proposal to the 2020 Annual General Meeting of Shareholders

On 30 March 2020, NOVABASE has informed that, due to the current context of great uncertainty, its Board of Directors has resolved to revert its intention of proposing to the 2020 Annual General Meeting the distribution of approximately EUR 26.7 Million to the shareholders through the reduction of the share capital of NOVABASE in the same amount, as previously disclosed to the market on 20 February, having resolved within this context not to propose the aforementioned remuneration to the Annual General Meeting of 2020. This resolution is taken in the context of the current prevention measures that aim at ensuring the financial resilience of the company and its competitiveness during and after the Covid-19 pandemic. This payment would represent a remuneration of 85 Euro cents per share.

The commitment assumed towards the shareholders, on 25 July 2019 upon disclosure of the Strategic Update 2019+, of distributing 1.5€/share in the period 2019-2023 remains, but will be postponed to a more suitable moment.

CORPORATE BOARDS

BOARD OF DIRECTORS

Chairman
Luís Paulo Cardoso Salvado

Members
João Nuno da Silva Bento
(Executive and CEO; Chief People Officer; Chief Marketing Officer)

Álvaro José da Silva Ferreira
(Executive and Value Portfolio COO)

Francisco Paulo Figueiredo Morais Antunes
(Executive and CFO; Chief Risk Officer; Chief Legal Officer)

María del Carmen Gil Marín
(Executive and Value Portfolio COO; Chief Investors Officer; Chief Information Security Officer)

Paulo Jorge de Barros Pires Trigo
(Executive and Next-Gen COO)

José Afonso Oom Ferreira de Sousa
(Non-executive)

Pedro Miguel Quinteiro Marques de Carvalho
(Non-executive)

Marta Isabel dos Reis da Graça Rodrigues do Nascimento
(Non-executive)

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
Paulo Jorge de Barros Pires Trigo

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 da Graça Rodrigues do Nascimento (Surrogate)

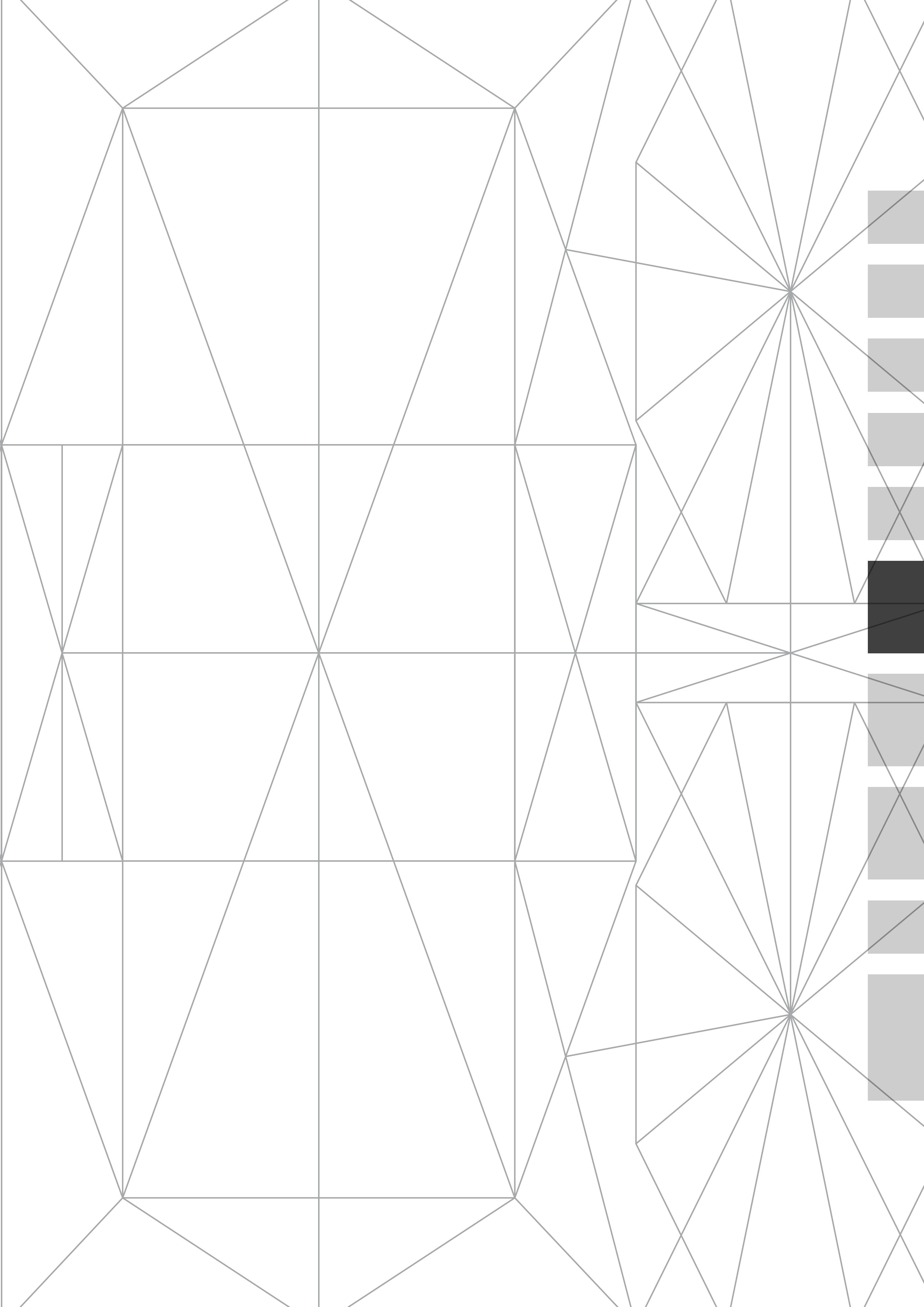
PROPOSAL FOR THE ALLOCATION OF PROFITS

Whereas, despite that the Company presented in 2019 financial year a consolidated net profit of € 20,400,118.18 (twenty million, four hundred thousand, one hundred and eighteen euros and eighteen cents), it recorded in the individual accounts a negative net profit of € 1,762,445.42 (one million, seven hundred and sixty two thousand, four hundred and forty five euros and forty two cents).

Pursuant to the legal and statutory provisions, the Board of Directors proposes that the negative net profit for the year to be transferred to retained earnings.

Lisbon, 16 April 2020

Board of Directors



ANNEXES TO THE MANAGEMENT REPORT

LIST OF SHAREHOLDERS WITH QUALIFYING STAKES AS AT 31 DECEMBER, 2019

(Under the terms of section b) of paragraph 1 of article 8.º of the Portuguese Securities Market Commission - CMVM – Regulation no. 5/2008, with the identification of the respective allocation of voting rights in accordance with paragraph 1 of article 20.º of the Portuguese Securities Code).

The holdings identified below correspond to the last positions notified to the Company with reference to 31 December 2019 or a previous date.

There are no categories of shares with special rights.

HOLDERS	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%
Holding under the Shareholders Agreement concerning NOVABASE (2)	**12,599,206**	**40.12%**
Partbleu, Sociedade Gestora de Participações Sociais, S.A. (3)	**3,180,444**	**10.13%**
IBIM2 Limited	**3,144,217**	**10.01%**
Lazard Frères Gestion SAS	**1,570,870**	**5.00%**
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%
Santander Asset Management - Soc. Gestora de Fundos de Investimento Mobiliário, S.A. (4)	**1,511,442**	**4.81%**
Maria Manuela de Oliveira Marques	**1,043,924**	**3.32%**
TOTAL	**23,050,103**	**73.40%**

[(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 described in item 6 of the Corporate Governance Report, attached to this Management Report.

[(3)] When NOVABASE was notified of this holding, it was informed that this company was indirectly held in 72% by Mr. Miguel Pais do Amaral, and therefore the corresponding voting rights were attributed to him.

[(4)] When NOVABASE was notified of this holding, it was informed that the funds identified were managed by Santander Asset Management – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A..

INFORMATION CONCERNING STAKES HELD IN THE COMPANY BY MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BODIES AS AT 31 DECEMBER, 2019

(Under the terms of paragraph 5 of article 447.º of the Portuguese Commercial Companies Code)

In addition to those mentioned here, 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 Board of Directors and Supervisory Bodies, nor any promissory, option or repurchase agreements, nor other agreements with similar effects on such shares.

The type of transactions described here 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.

HOLDERS [1]	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613	6.68%
Manuel Saldanha Tavares Festas	74,986	0.24%
Francisco Paulo Figueiredo Morais Antunes	30,335	0.10%
María del Carmen Gil Marín	23,001	0.07%
Luís Paulo Cardoso Salvado [(2)]	1	0.00%
João Nuno da Silva Bento [(2)]	1	0.00%
Álvaro José da Silva Ferreira [(2)]	1	0.00%
José Afonso Oom Ferreira de Sousa [(2)]	1	0.00%
Paulo Jorge de Barros Pires Trigo	0	0.00%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento	0	0.00%
Álvaro José Barrigas do Nascimento	0	0.00%
Fátima do Rosário Piteira Patinha Farinha	0	0.00%
Miguel Tiago Perestrelo Ribeiro Ferreira	0	0.00%
KPMG & Associados - S.R.O.C., represented by Paulo Alexandre Martins Quintas Paixão	0	0.00%
Maria Cristina Santos Ferreira	0	0.00%
TOTAL	**2,225,939**	**7.09%**

[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 2019 or a previous date. The functions of each of these corporate bodies are described in the CORPORATE BOARDS section of this Report.

[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.

LIST OF MANAGEMENT TRANSACTIONS

(Under the terms of article 248.º-B of the Portuguese Securities Code)

Information on management transactions, under the terms of the article mentioned above, is described below:

- NOVABASE reports as directors the company HNB - S.G.P.S., S.A. and the members of the board of directors of the Company.
- During 2019, there were no management transactions.

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 2018, NOVABASE S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.

During 2019, there were no own shares transactions.

Thus, at 31 December 2019, NOVABASE S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.

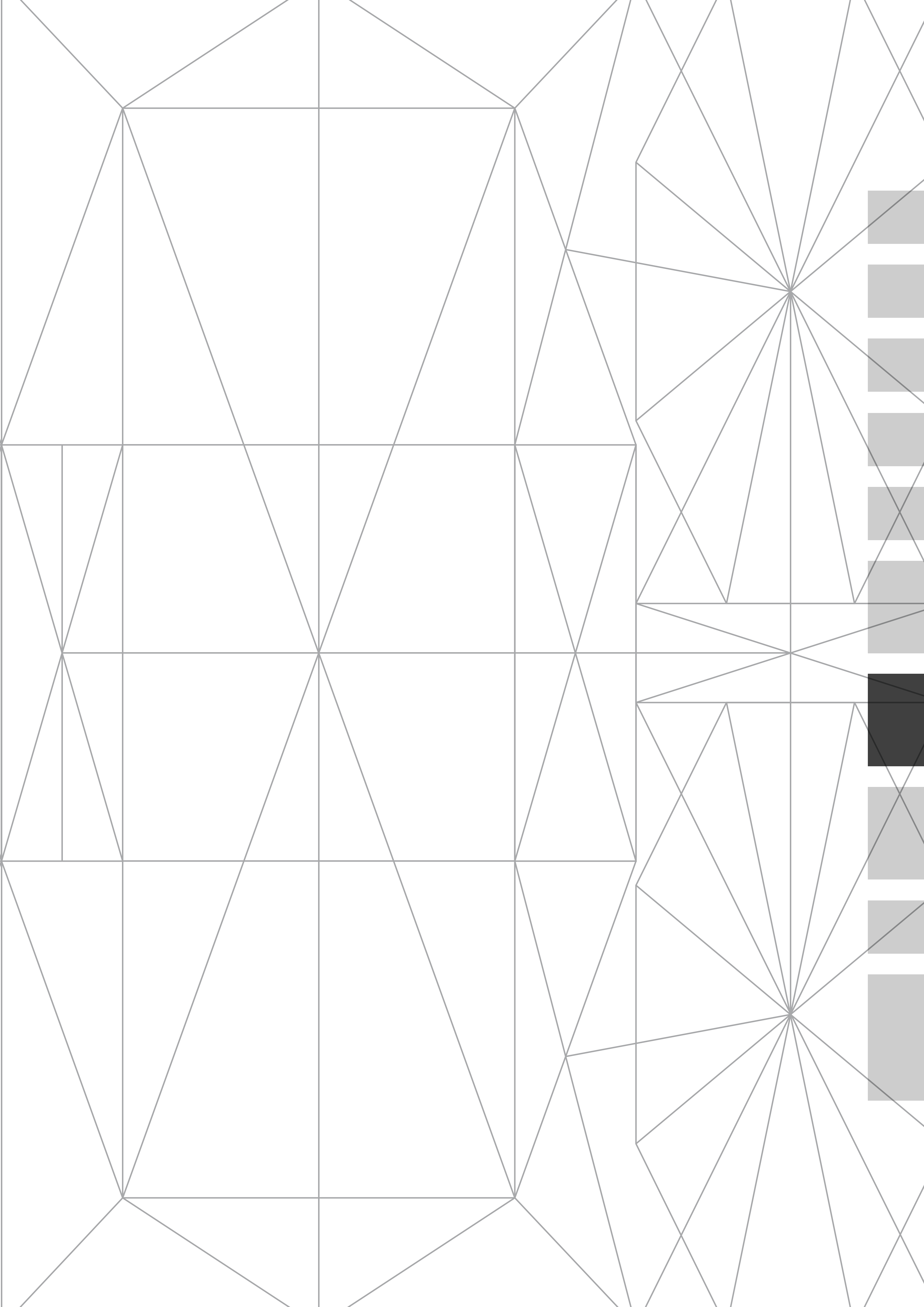
In the beginning of 2019, NOVABASE S.G.P.S. shares had a nominal value of € 0.5.

On 26 November 2019, NOVABASE executed a reduction of its share capital (for the release of excessive capital), followed by an increase of its share capital (by incorporation of the amount of the share premium reserve), in compliance with the resolutions taken by the Extraordinary General Meeting held on 26 September 2019.

As a result of the above mentioned operations, the nominal value of all shares representing the share capital of NOVABASE S.G.P.S. is € 1.74.

Finally, it should be mentioned that the General Meeting of Shareholders held on 26 September 2019 approved a buy-back programme of own shares of the Company ("Buy-Back programme"), in the context of the Stock Option Plan, approved in the same General Meeting of shareholders.

Until 31 December 2019, NOVABASE did not start trading in the context of the Buy-Back programme of own shares.



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 2019.

INTRODUCTION | NOVABASE GROUP

Information on the NOVABASE Group's business and corporate structure is available in the 2019 Annual Report and Accounts (Notes to the Consolidated Financial Statements for the year ending 31 December 2019, Note 1. General Information), as well as in the 2019 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 Corporate Governance Institute recommendations regarding the governance of listed companies, and in view of fostering a culture of responsibility and compliance, NOVABASE has adopted a whistleblowing system (known as "SPI") to report any irregularities that may occur within its Group. Any report of irregularities made through the SPI is directed to a member of the Audit Board specifically designated for this purpose.

- The company also has "Internal Regulations on Business Dealings with Qualified NOVABASE, SGPS, 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.

GENDER EQUALITY AND DIVERSITY PLAN

Council of Ministers Resolution no. 19/2012 of 8 March 2012 requires the mandatory adoption of an equality plan by all entities in the state corporate sector, with a view to achieving equal treatment and equal opportunities between men and women, eliminating discrimination and reconciling personal, family and professional life.

This obligation was extended to listed companies through Law no. 62/2017 of 1 August, which passed the scheme for equal representation between men and women in the managing and supervisory boards of entities from the corporate public sector and listed companies. Article 7 of this law establishes the obligation to prepare annual equality plans "aimed at effectively achieving equal treatment and equal opportunities between men and women, eliminating gender discrimination and reconciling personal, family and professional life".

Along these lines, on 15 September 2019, NOVABASE submitted its gender equality and diversity plan with measures and practices for the years 2019/2020.

The key indicator is the proportion of men and women vis-à-vis all employees, which should tend to be balanced. In 2019, this indicator had a proportion of 70% men and 30% women, unchanged from 2018, and in line with trends in the IT industry in Portugal and abroad, while also reflecting the higher education choices of each gender.

OTHER RESULTS AND KEY INDICATORS

Since no matters involving human rights, corruption or attempted bribery were reported in 2019 to the management of NOVABASE SGPS, S.A. through the channels available for this purpose, there are no indicators to report in this regard.

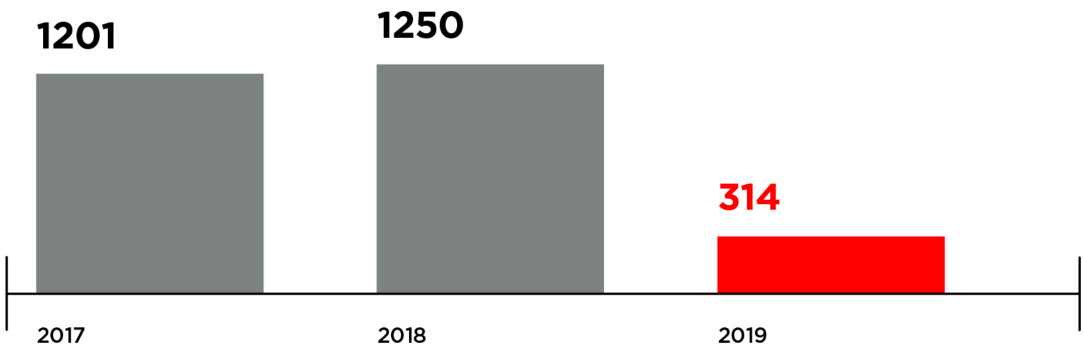
In turn, the key indicator used for environmental issues is the number of non-conformities found in the annual Environmental Management System audit, as a result of certification in standard ISO 14001. In 2019, much like in 2018, the NOVABASE Group's companies had no non-conformities under this standard.

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. With regard to employee well-being and the balance between work and personal life, various activities were carried out, including the following: Osteopathy consultations; Acupuncture and Tui Na; Eating disorder and glycemia screening; Massage therapy; Quick massage; Health Week; Healthy Breakfast.
- Environment: consumption of electricity, thermal energy, water, diesel and gas; recycling of plastic, cardboard, paper and glass; emission of greenhouse gases.

Of particular note this year was our plastic recycling indicator, which saw a major improvement following various measures taken in this regard:

PRODUCTION OF PLASTIC IN KG (BOTTLES, CUPS, STRAPS)



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, Item C, Section III. "Internal Control and Risk Management" of the 2019 Corporate Governance Report.

FINANCIAL STATEMENTS

TURNOVER	120.3 M€
EBITDA	9.4 M€
NET PROFIT	20.4 M€

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31.12.19	31.12.18
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11,965	10,235
Intangible assets	12,967	16,065
Investments in associates	169	252
Financial assets at fair value through profit or loss	12,175	3,868
Debt securities	403	7,680
Deferred tax assets	9,585	10,048
Other non-current assets	1,908	1,644
TOTAL NON-CURRENT ASSETS	**49,172**	**49,792**
CURRENT ASSETS		
Inventories	34	33
Trade and other receivables	78,428	45,658
Accrued income	3,843	5,464
Income tax receivable	2,168	2,619
Derivative financial instruments	24	26
Other current assets	6,211	3,851
Debt securities	2,793	1,198
Cash and cash equivalents	48,755	63,614
TOTAL CURRENT ASSETS	**142,256**	**122,463**
Assets from discontinued operations	460	-
TOTAL ASSETS	**191,888**	**172,255**
EQUITY		
Share capital	54,638	15,701
Treasury shares	(655)	(188)
Share premium	226	43,560
Reserves and retained earnings	(5,318)	3,016
Profit for the year	20,400	4,737
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**69,291**	**66,826**
Non-controlling interests	**18,329**	**13,754**
TOTAL EQUITY	**87,620**	**80,580**
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	21,281	13,360
Provisions	8,623	8,252
Other non-current liabilities	770	990
TOTAL NON-CURRENT LIABILITIES	**30,674**	**22,602**
CURRENT LIABILITIES		
Borrowings	9,081	6,320
Trade and other payables	39,635	40,399
Income tax payable	1,312	-
Derivative financial instruments	17	24
Deferred income and other current liabilities	14,854	22,267
TOTAL CURRENT LIABILITIES	**64,899**	**69,010**
Liabilities from discontinued operations	8,695	63
TOTAL LIABILITIES	**104,268**	**91,675**
TOTAL EQUITY AND LIABILITIES	**191,888**	**172,255**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	12 M *	
	31.12.19	31.12.18 [1]
CONTINUING OPERATIONS		
Sales	374	-
Services rendered	119,881	110,031
Cost of sales	(253)	-
External supplies and services	(33,353)	(32,962)
Employee benefit expense	(76,756)	(72,018)
Net impairment losses on trade and other receivables	253	675
Other gains/(losses) - net	(787)	806
Depreciation and amortisation	(4,715)	(2,517)
OPERATING PROFIT	**4,644**	**4,015**
Finance income	11,435	2,283
Finance costs	(4,770)	(3,802)
Share of loss of associates	(83)	(62)
Gain on net monetary position	-	308
PROFIT BEFORE INCOME TAX	**11,226**	**2,742**
Income tax expense	(353)	(994)
PROFIT FROM CONTINUING OPERATIONS	**10,873**	**1,748**
DISCONTINUED OPERATIONS		
Profit from discontinued operations	15,103	3,266
PROFIT FOR THE YEAR	**25,976**	**5,014**
PROFIT ATTRIBUTABLE TO:		
Owners of the parent	20,400	4,737
Non-controlling interests	5,576	277
	25,976	**5,014**
EARNINGS PER SHARE FROM CONTINUING AND DISCONTINUED OPERATIONS ATTRIBUTABLE TO OWNERS OF THE PARENT (EUROS PER SHARE)		
BASIC EARNINGS PER SHARE		
From continuing operations	0.17 Euros	0.05 Euros
From discontinued operations	0.49 Euros	0.11 Euros
FROM PROFIT FOR THE YEAR	**0.66 Euros**	**0.15 Euros**
DILUTED EARNINGS PER SHARE		
From continuing operations	0.17 Euros	0.05 Euros
From discontinued operations	0.48 Euros	0.11 Euros
FROM PROFIT FOR THE YEAR	**0.66 Euros**	**0.15 Euros**

12 M * - period of 12 months ended

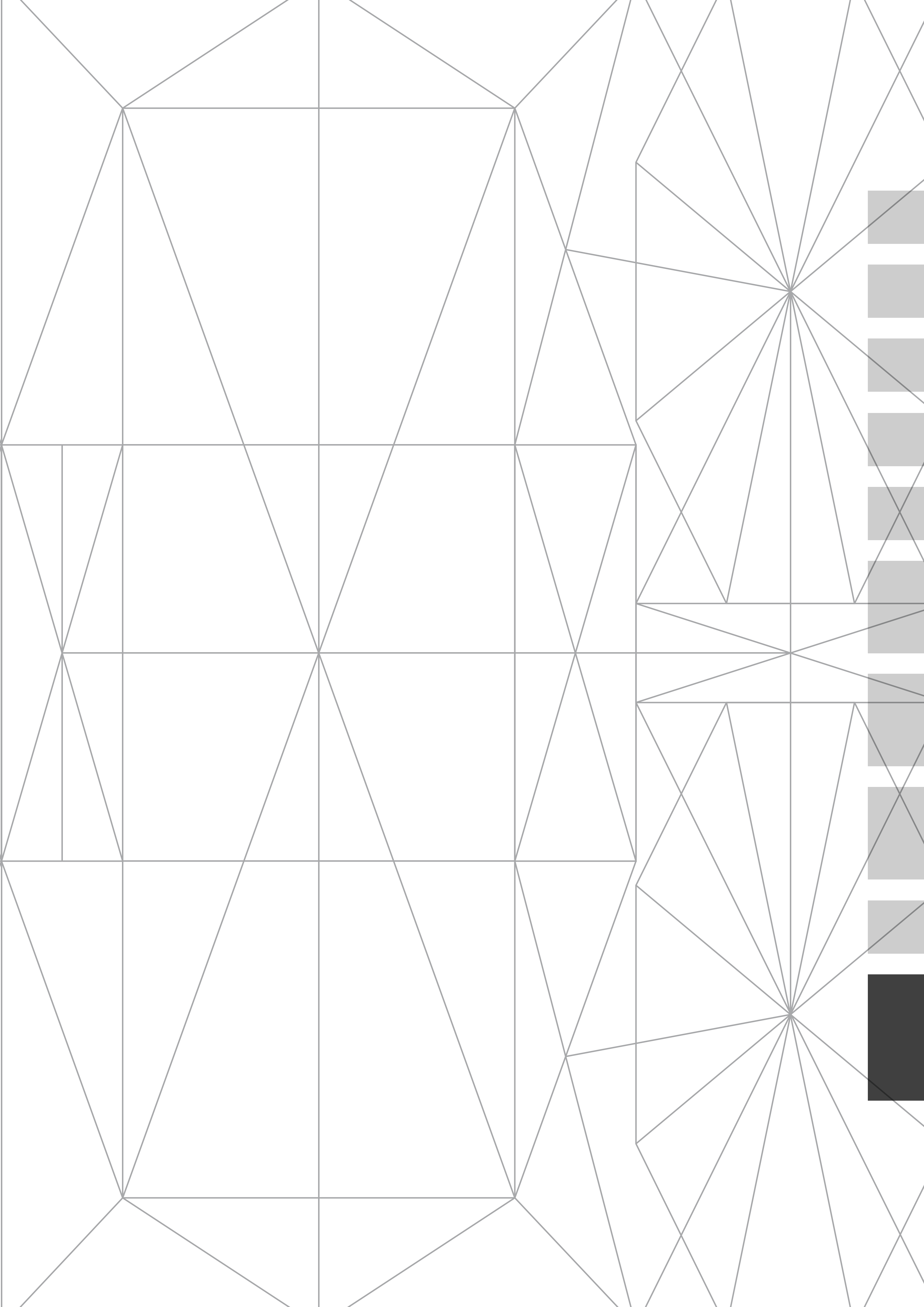
[1] Restated in accordance with the explanation in notes 2.24, 2.25 and 41 of the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	12 M *	
	31.12.19	31.12.18
PROFIT FOR THE YEAR	25,976	5,014
Other comprehensive income for the year		
Items that may be reclassified to profit or loss		
Exchange differences on foreign operations, net of tax	615	1,627
OTHER COMPREHENSIVE INCOME	615	1,627
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	26,591	6,641
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Owners of the parent	20,693	5,556
Non-controlling interests	5,898	1,085
	26,591	6,641

12 M * - period of 12 months ended

AUDIT BOARD AND STATUTORY AUDITOR REPORTS



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, 2019

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, 2019.

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 six times and the respective meetings were formally recorded in minutes. At these meetings there was an attendance of 100% by the Chairman and one of the members, and of 33.3% by the second member. 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 2019 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

We declare that during the financial year of 2019 we received, through the means defined for this purpose, a communication on irregularities, which was dealt with within the competent forums for this purpose. The process is in the final stage of resolution, and the Audit Board believes that there are no material implications relevant to Novabase's accounts.

Related Party Transactions

During the 2019 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 2019 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2019, 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 2019 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 2019 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 2019 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2019 financial year.

Lisbon, April 15, 2020

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 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, S.G.P.S., S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (showing a total of 191,888 thousand euros and equity of 87,620 thousand euros, including non-controlling interests of 18,329 thousand euros and a net profit attributable to the shareholders of Novabase of 20,400 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, S.G.P.S., S.A.** as at 31 December 2019 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.

Emphasis of matter

As described in note 44 to the consolidated financial statements, in 11 March 2020 the pandemic resulting from the spread of the "Covid-19" was declared by the World Health Organization, which is a non-adjustable event. This situation and its evolution will probably have negative effects on the Group's activity and profitability during 2020, however at this date it's still not possible to measure it. The Board of Directors considers that, in view of the information currently available, the liquidity situation and the capital levels will be sufficient to continue the operations of the Group. Our opinion is not modified with respect to this matter.

Key audit matters

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

Revenue recognition

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 2019.

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;
- Evaluation of the design and implementation of 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,
- Review of the Group's disclosures over revenue recognition considering the applicable accounting standards.

KPMG

Recoverability of goodwill

The Risk

As disclosed in note 8, as at 31 December 2019, the net book value of goodwill of Next-Gen and NeoTalent business units amounted to 11,501 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 2019.

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,
- Review 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 2019, the amount of deferred tax assets was of 9,585 thousand euros, of which 8,068 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 2019.

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,
- Review 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, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, 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.

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 508-G of the Portuguese Companies' Code.

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

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

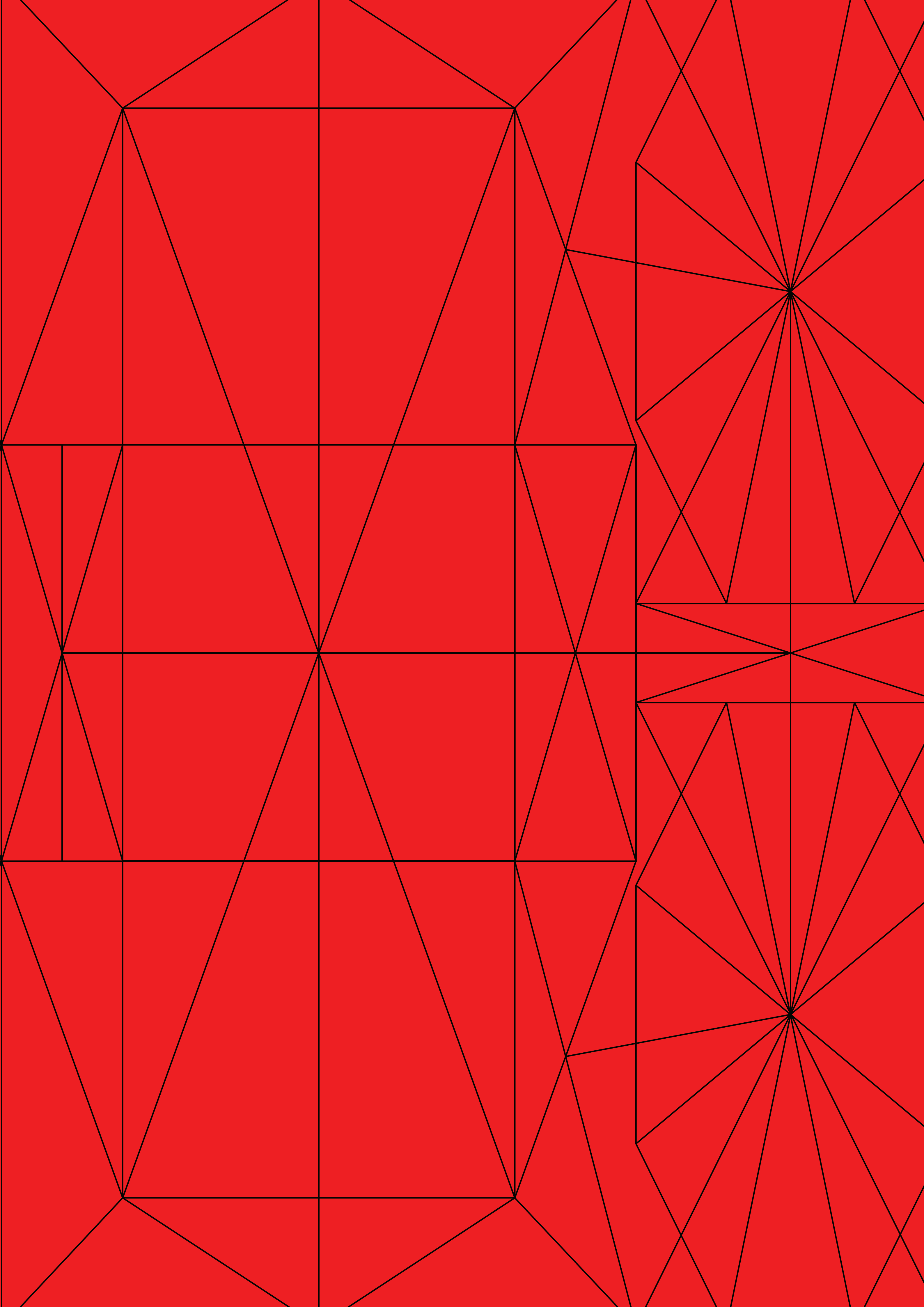
- We were first appointed as auditors of Novabase, S.G.P.S., S.A. in the shareholders general assembly held on 29 April 2015 for a first mandate from 2015 to 2017. We were appointed in the shareholders general assembly held on 10 May 2018 for a second mandate from 2018 to 2020;
- Management as confirmed 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 15 April 2020; 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.

16 April 2020

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 2019 (€)	54,638,425.66
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 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, S.A.	**Number of shares**	**% share capital and voting rights**
Fundo de Investimento Mobiliário Aberto Santander Acções Portugal	1,476,905	4.70%
Fundo de Investimento Mobiliário Aberto Poupança Acções 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 2019 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 2019, 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 the 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:

<u>Restricted Shares</u>

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 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 Carvalho		**191,455**		**0.61%**
TOTAL		**2,062,395**		**6.57%**

Total (Restricted Shares + Non-Restricted Shares)

Shareholders		Total Number of Shares (Restricted + Non-Restricted)		Total % Voting Rights
Held through HNB				
	José Afonso Oom Ferreira de Sousa	3,204,149		10.20%
	Luís Paulo Cardoso Salvado	2,812,490		8.96%
	Álvaro José da Silva Ferreira	2,395,975		7.63%
	João Nuno da Silva Bento	1,848,781		5.89%
	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 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 NOVABASE's 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 shares 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 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		0.00%
Luís Paulo Cardoso Salvado[1]	1		0.00%
Álvaro José da Silva Ferreira[1]	1		0.00%
João Nuno da Silva Bento[1]	1		0.00%
Pedro Miguel Quinteiro Marques 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 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 [3]	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.

[3] 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, S.A.	Number of shares	% share capital and voting rights
Fundo de Investimento Mobiliário Aberto Santander Acções Portugal	1,476,905	4.70%

Fundo de Investimento Mobiliário Aberto Poupança Acções 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 2019 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
Paulo Jorge de Barros Pires Trigo (executive member of the Board of Directors)	0	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

8 The shareholding of each of these corporate board members corresponds to the last position notified to the company in reference to 31 December 2019 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 respective voting rights.

In addition, no transactions of NOVABASE shares were made in 2019 by the persons referred to in article 447 of the Commercial Companies Code ("CSC"):

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

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

This power of the Board of Directors was renewed for an additional period of three years at the annual General Meeting of Shareholders of 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 2019, 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 2019

Luís Paulo Cardoso Salvado
João Nuno da Silva Bento
Álvaro José da Silva Ferreira
Francisco Paulo Figueiredo Morais Antunes
María del Carmen Gil Marín
Paulo Jorge de Barros Pires Trigo
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.

In 2019, the election of Paulo Jorge de Barros Pires Trigo as a new member of NOVABASE's Board of Directors (together with his inclusion on NOVABASE's Executive Committee) was approved in the General Meeting of Shareholders of 26 September 2019. This election was proposed under NOVABASE's updated strategy for 2019 and beyond (2019+ Strategic Update) and as part of the company's reorganization into two new operating segments (further explained in point 21.), given the urgent need to match the structure of NOVABASE's managing board to the 2019+ Strategic Update to reflect its focus on the Next-Gen segment.

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 2019 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 2019 financial year:

- With regard to full members on NOVABASE's corporate boards performing duties in 2019, NOVABASE's corporate boards had a total of 14 men and 4 women.
- Throughout 2019, NOVABASE's corporate board members ranged from 31 to 67 years in age. Their areas of core training included engineering, law, mathematics, economics, management and philosophy.
- Therefore, 22% 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 2019, the Board of Directors had nine 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
Paulo Jorge de Barros Pires Trigo	26/09/2019[1]	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	Independent[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
Paulo Jorge de Barros Pires Trigo	Executive	No
José Afonso Oom Ferreira de Sousa	Non-executive	No
Pedro Miguel Quinteiro Marques Carvalho	Non-executive	No
Marta Isabel dos Reis Graça Rodrigues do Nascimento	Non-executive	No

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

In view of the number of directors (nine), 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 managing 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 relevant background [1]
Luís Paulo Cardoso Salvado	• MBA in Information Management from Universidade Católica Portuguesa • Graduate in Electrotechnical and Computer Engineering at Instituto Superior Técnico (IST - Higher Technical Institute)	• 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	• Mergers and Acquisitions Program - Harvard Business School • Private Equity and Venture Capital Program - Harvard Business School Executive Education • MBA – Universidade Nova de Lisboa • Graduate in IT Engineering – Universidade Nova de Lisboa	• COO Value Portfolio • NOVABASE Capital S.A. • Director of various NOVABASE Group companies
Francisco Paulo Figueiredo Morais Antunes	• Master's in Finance from ISCTE	• Corporate functions: CFO / CRO / Information Systems / Legal

	• Graduate in Management from ISCTE	• 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.) Extensive executive training, including: Stanford University (Cyber Security), UCLA Anderson School of Management (Santander-UCLA W50), Nova School of Business & Economics (Boards Governance) and Harvard Business School (Leadership)	• Executive Director NOVABASE SGPS, S.A. • Director at NOVABASE Capital, S.C.R. and various Group companies • Chairman of the General Meeting of Shareholders of various NOVABASE Group companies • Member of Advisory Committee of FCR Istart I • Member of the management of the Investor Relations Forum Formerly: • Head of Investor Relations NOVABASE SGPS, S.A. • Member of the Audit Board of Associação de Emitentes de Mercado (A.E.M.) • Member of Audit Board of Investor Relations Forum • Strategic Marketing Professor at Universidad Pontificia de Comillas • Strategic consultant at The Boston Consulting Group • Corporate Finance - Investment Banker at Lehman Brothers
Paulo Jorge de Barros Pires Trigo	• Graduate in Electrotechnical and Computer Engineering from IST	• Director of various NOVABASE Group companies Formerly: • COO
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 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 segments on 31 December 2019:

- Next-Gen
- Value Portfolio

These two segments were announced to the market on 25 July 2019, in the wake of the disclosure of the 2019+ Strategic Update.

The Next-Gen segment aims to be a key player in an area of fast growth and considerable size, through a leadership position in attracting hard-to-find technology talent in Portugal, and in deploying advanced projects focusing on Europe and the Middle East. NOVABASE has a solid history in Nearshore Agile, and is already active in Telecommunications and Financial Services.

<u>NEXT-GEN, an IT service company focused on:</u>

- Design & UX
- Insights through data
- Native & scalable cloud
- Digital architecture
- Exposure to APIs
- AI / Analytics
- Automation of Tests & Engineering
- Continuous Delivery
- Intelligent Operations

The main purpose of the Value Portfolio segment is to generate funds to finance growth in the Next-Gen segment, through proactive management and by analysing potential strategic partnerships. It includes businesses with consolidated IT solutions for the sectors of Government, Health, Transports and Energy (the sale of this business was announced to the market on 04 November 2019 and completed on 09 January 2020), IT Staffing and Venture Capital

NOVABASE SGPS[1] / NOVABASE Serviços[2]

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

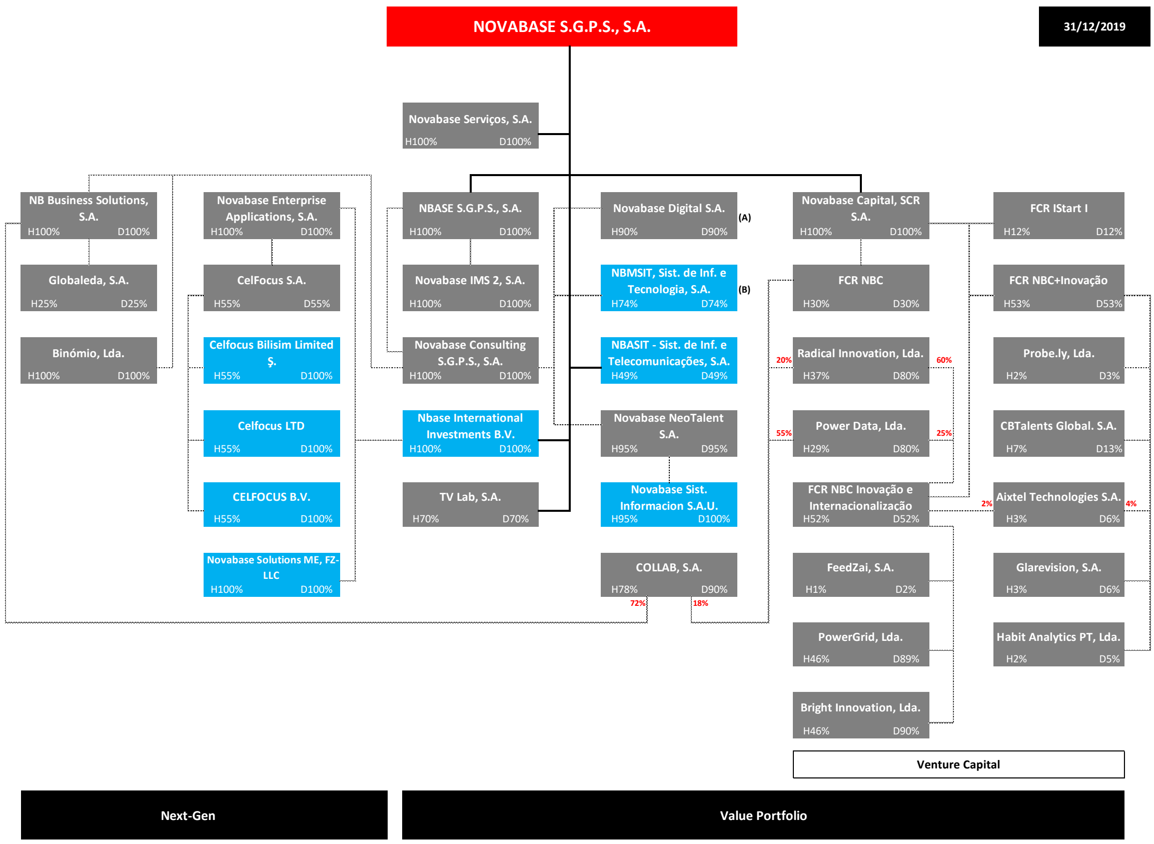
Information on the Investor Relations Office can be found in point 56 of this report.

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] NOVABASE – Sociedade Gestora de Participações Sociais, S.A.
[2] NOVABASE Serviços – Serviços de Gestão e Consultoria, S.A.



H - % Held by the Holding
D - % Held Directly
A - The sale of Novabase Digital was announced to the market on November 4th 2019 and completed on January 9th 2020
B - To be discontinued

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 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 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, career 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; and

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 announced to the market and in accordance with NOVABASE's updated strategy for 2019 and beyond (2019+ Strategic Update), in its meeting dated 25 July 2019, the Board of Directors approved the assignment of powers and responsibilities to members of the Executive Committee for the remainder of the 2018-2020 term of office. Along these lines, powers and responsibilities were delegated within the scope of the following areas:

João Nuno da Silva Bento	Chief Executive Officer Chief People Officer Chief Marketing Officer
Álvaro José da Silva Ferreira	Chief Operating Officer Value Portfolio
Francisco Paulo Figueiredo Morais Antunes	Chief Financial Officer, Chief Risk Officer Chief Legal Officer
María del Carmen Gil Marín	Chief Operating Officer Value Portfolio Chief Investors Officer Chief Information Security Officer
Paulo Jorge de Barros Pires Trigo	Chief Operating Officer Next-Gen [(1)]

(1) As of his election on 26/09/2019. Until then, these duties were performed by director João Nuno Bento

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 2019 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; 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 managing board, 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 9 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 2019, 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 stipulated 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	
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
Paulo Jorge de Barros Pires Trigo[1]	100
José Afonso Oom Ferreira de Sousa	100

Pedro Miguel Quinteiro Marques Carvalho	100
Marta Isabel dos Reis Graça Rodrigues do Nascimento	100

(1) Director Paulo Jorge de Barros Pires Trigo was elected as a new member of the Board of Directors in the Extraordinary General Meeting of Shareholders dated 26 September 2019. As such, he has only participated in three meetings.

Executive Committee	
Number of meetings: 39	
Member	**Attendance (%)**
João Nuno da Silva Bento	97.4
Álvaro José da Silva Ferreira	97.4
Francisco Paulo Figueiredo Morais Antunes	97.4
María del Carmen Gil Marín	97.4
Paulo Jorge de Barros Pires Trigo (2)	100

(2) Director Paulo Jorge de Barros Pires Trigo was appointed as a new member of the Executive Committee after his election in the Extraordinary General Meeting of Shareholders dated 26 September 2019. As such, he has only participated in 10 meetings.

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 2019, 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 2019 financial year was approved by NOVABASE's Board of Directors on 13 February 2020.

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.	• Manager of Pluraldistance, Lda. • Director of HNB – SGPS, S.A.

	◦ NOVABASE Business Solutions, S.A. ◦ NBASE, SGPS	• Managing partner of Turtlewalk, Unipessoal, 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. ◦ NOVABASE Digital, S.A. ◦ TVLAB, S.A. ◦ NOVABASE Capital S.A. ◦ Binómio, Lda. ◦ NBASE, SGPS S.A. ◦ NB Middle East, FZ-LLC	• Director of HNB – SGPS, S.A. • Managing partner of Mediaries – Serviços de Consultoria e Gestão, Lda.
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. ◦ NBASE, SGPS S.A.	• Director of HNB – SGPS, S.A. • Managing partner of Pragmatic Proton, Unipessoal, 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.	• Managing partner of Cosmostock, Lda.

	◦ Collab, S.A. ◦ NOVABASE Digital, S.A. ◦ NOVABASE IMS2, 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. ◦ 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 NOVABASE Group companies: ◦ Celfocus, S.A. ◦ NOVABASE Enterprise Applications, S.A. ◦ Globaleda – Telecomunicações e Sistemas de Informação, S.A. • Director or manager of the following NOVABASE Group companies: ◦ NOVABASE Serviços S.A. ◦ Collab, S.A. ◦ NOVABASE IMS2, S.A. ◦ NOVABASE Capital S.A. ◦ Bright Innovation, Lda ◦ Radical Innovation, Lda ◦ Tópico Sensível, Lda • Member of Advisory Committee – FCR IsartI	• Member of Advisory Committee of FCR Istart I • Member of Governing Board of Investor Relations Forum
Paulo Jorge de Barros Pires Trigo **(Full time)**	• Director of the following companies ◦ NOVABASE Business Solutions, S.A. ◦ Celfocus, S.A. ◦ NB Middle East, FZ-LLC ◦ Binómio, Lda. ◦ Celfocus LTD ◦ Celfocus B.V.	• No activities at other companies outside the Group.

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 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.**	• **No activities at other companies outside the Group.**
Marta Isabel dos Reis Graça Rodrigues do Nascimento **(Part time)**	• **No activities at other NOVABASE Group companies.**	• **Lawyer and partner at Garrigues S.L.P.**

- ## 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. Note that NOVABASE's governance model is assessed regularly by the Board of Directors in terms of its suitability and performance, to help optimize its performance in closer alignment with the interests of all stakeholders.

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 2019:

João Nuno da Silva Bento

Álvaro José da Silva Ferreira

Francisco Paulo Figueiredo Morais Antunes

María del Carmen Gil Marín

Paulo Jorge de Barros Pires Trigo

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.

In the wake of in-depth strategic reflection beginning in 2018 on the company's future, in 2019 the Board of Directors decided to approve an updated strategy for 2019 and beyond (2019+ Strategic Update), whose key features were announced to the market on 25 July 2019.

In the same Board of Directors meeting it was decided, by proposal of the Executive Committee and given the framework of the 2019+ Strategic Update, to discontinue NOVABASE's shareholder remuneration policy for the annual distribution of at least 30% of the NOVABASE Group's consolidated net profit for the year. The purpose of this change was to ensure flexibility in allocating available financial resources to serve initiatives under the 2019+ Strategic Update.

2019 was a noteworthy year for NOVABASE. A Strategic Update laying the groundwork for a clear, compelling plan to create value was approved by the Board of Directors and announced to the market in July. This strategic plan overhauled NOVABASE's business areas through two operating segments: Next-Gen and Value Portfolio. The main goal of this transformation was to make NOVABASE a next-generation IT service provider. The company began reporting on these two segments in its 2019 half-yearly disclosure.

In line with the new strategic plan, the General Meeting of Shareholders met on 26 September, by extraordinary meeting notice, and decided on the appointment of a new Executive Committee member focused on the Next-Gen segment, a stock option plan, a share buyback program and an extraordinary shareholder dividend of €0.5/share.

Another relevant occurrence in the year was the sale of the GTE business for €36 million (completed on 09 January 2020), a key victory allowing the management to focus on the agenda of the Next-Gen transformation.

The performance of the Value Portfolio's assets far exceeded expectations, with 15% growth in turnover from the standpoint of operations, generating a financial gain of €6.7 million, mostly due to the revaluation of Feedzai in the venture capital portfolio.

Next-Gen's results were in line with the Executive Committee's estimates, bearing in mind investments in the Talent Engine, the shift in geographic focus and the reorganization of management.

In 2019, NOVABASE was distinguished by the Euronext as an "SME Equity Champion" for generating the most shareholder returns. The Next-Gen segment also received two noteworthy awards: the FinTech & RegTech Global Awards chose Symetria® as the best data management solution for reporting and compliance, while Celfocus received an honourable mention in the World Agility Forum for its consistent cooperation and dedication in deploying Agile transformation initiatives.

It was also a year to celebrate NOVABASE's 30 years of success and transformation with its first *alumni party*, which brought together current and former employees.

III. SUPERVISION

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 2019, 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 Farinha	29/04/2015	31/12/2020
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	Independent[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 2019, 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	• Associate Professor in Economics and Finance – Católica Porto Business School – Universidade Católica Portuguesa • Independent NORS director • Chairman of the Audit and Finance Committee of Sonae MC • Member of the Audit Board of Unicer • Manager of the Business Administrator Forum (FAE) • Chairman of the Advisory Committee of ERSAR • Manager of the Católica Porto Business School (2008-2013) • Chairman of the Board of Directors of CGD (2011-2013) • Member of management, Católica Luanda Business School • Chairman of the Audit Board of Banco Carregosa (2017-2018) • Dependent director of Euronext (2016-2018) • Manager of the Portuguese Corporate Governance Institute (2013-2019) • Manager of the Commercial Association of Porto (2013-2017) • Advisor to the Minister of Education of the XIV Constitutional Government (2002)
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	• 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 managing board; (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 managing board;
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, judgements, 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 2019 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: 6

Full Member	Attendance (%)
Álvaro José Barrigas do Nascimento	100
Fátima do Rosário Piteira Patinha Farinha	100
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira	33.33

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 • Independent NORS director • Chairman of the Audit and Finance Committee of Sonae MC • Member of the Audit Board of Unicer • Manager of the Business Administrator Forum (FAE) • Chairman of the Advisory Committee of ERSAR
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.

<u>Statutory Auditor (ROC):</u> 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 2019, 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 4 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 2019.

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 2019, 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 4 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 2019, 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 / 9.97
Compliance assurance services (€)	
Tax consulting services (€)	
Services other than statutory auditing (€)	
By entities belonging to the group	

Statutory auditing services (€)	99,350 / 90.03
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) Interest rate risk (fair value and cash flows)

Interest-rate risk entails the possibility of fluctuations in future financial charges on loans due to changes in market interest rate levels.

The cost of the Group's financial debt is indexed to short-term reference rates, adjusted at a frequency of less than one year, plus duly negotiated risk premiums. Therefore, changes in interest rates can affect the Group's results.

NOVABASE's exposure to interest rate risk originates from financial assets and liabilities with fixed and/or variable rates. In the case of fixed rates, the Group faces the risk of a variation in the fair value of these assets or liabilities, insofar as any change in market rates involves an opportunity cost. In the case of variable rates, such changes directly impact the amount of interest, thereby resulting in variations in cash.

Exposure to interest rate risk is constantly analysed by the financial department. Interest rate risk management is aimed at reducing the volatility of interest charges.

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.

f) Cyber-Risk

Mounting technology integration and sophistication have heightened companies' exposure to various types of cyber-risk (e.g. large-scale cyber-attacks, data breach and destruction, etc.), with potential financial, operational and reputation losses.

Risk mitigation measures have been reinforced from an information security standpoint, directly monitored by the Chief Information Security Officer, appointed in 2019 as a new area of responsibility under the Executive Committee.

g) Talent Retention Risk

NOVABASE's ability to successfully implement its strategy depends on attracting and retaining the best qualified, most competent employees for each job position. In view of the higher market demand for high-quality talent – especially in the Portuguese market, where NOVABASE recruits nearly all of its employees – there is the potential for labour costs to rise, making retention more difficult.

NOVABASE's human resource policies have been aligned to achieve these goals. In 2019, this part of the company received the "Innovation in People Management" award from the magazine Human Resources Portugal. In addition, NOVABASE focuses on training as a key aspect in tailoring talent to its new next-generation IT strategy.

h) Delivery risk

Some of NOVABASE's policies for addressing delivery risk include:

- Analysing each significant commercial proposal from the standpoint of reducing overselling, taking available company expertise into account;
- Constantly scrutinizing the quality of the team to be allocated to projects;
- Ongoing training programs in technologies and project management methodologies.

i) Strategic and context risks

The Group also faces so-called "strategic and context risks", which it aims to manage and mitigate through recurring discussions among various management chains on risks impacting the company/business unit. These discussions may include investment/disinvestment areas, strategic focuses and pending risks at any given time. Risk appetite is also discussed in terms of the organization and its developments.

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 25 July 2019, the Board of Directors approved an updated strategy for the years 2019 and beyond (2019+ Strategic Update).

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 2019, 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.com

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 2019, NOVABASE had no pending information requests. Its average response time was 24 hours. 248 information requests were received in 2019.

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:

https://www.novabase.pt/en/dp/cmvm-press-releases

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

https://www.novabase.pt/en/dp/articles-of-association

Regulations

https://www.novabase.pt/en/dp/corporate-bodies

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

https://www.novabase.pt/en/dp/corporate-bodies

Identification of the investor relations representative

https://www.novabase.pt/en/dp/investor-relations-office

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

https://www.novabase.pt/en/dp/reports-accounts-c4831f

Finance agenda

https://www.novabase.pt/en/dp/financial-calendar

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:

https://www.novabase.pt/en/dp/general-meetings-4e9d43

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:

https://www.novabase.pt/en/dp/general-meetings-4e9d43

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 Remuneration 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, ensuring that service providers are chosen following criteria of competence and independence. 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 2019 General Meeting of Shareholders dated 07 May 2019 to provide information and clarifications to shareholders.

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 • Master's in Management from AESE (University of Barcelona) • Honorary Doctorate from the Macau University of Science and Technology	Member of several boards of directors, including: • Chairman of the Board of Directors and CEO of Portugal Telecom, SGPS, S.A. • Chairman of Galp Energia • Senior Partner of SaeR – Sociedade de Avaliação Estratégica e Risco, Lda. • 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 General Board of the Portuguese Corporate Governance Institute (IPCG) • Managing partner of SRS Advogados 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.

	• Post-graduate in markets and financial risk from Universidade Nova	• 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.

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 managing 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 29 May 2019, set remuneration for the corporate boards for 2019, together with the variable remuneration of directors according to their performance in 2018. The content of the Remuneration Committee's decision in this regard is available in the 2019 Remuneration Committee Report, attached to this report. As part of its remuneration policy statement to be submitted to the 2020 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.

In view of the approval of the Plan for Options to Allot NOVABASE Shares at the company's General Meeting of Shareholders dated 26 September 2019, pursuant to the terms described below, the variable remuneration of NOVABASE directors may be comprised of the following components:

(i) Variable remuneration in cash tied to NOVABASE's performance;

(ii) Participation in the Plan for Options to Allot NOVABASE Shares.

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 afterwards.

With regard to the Plan for Options to Allot NOVABASE Shares, as described in greater detail in point 74 of this report, options attributed under this plan will comprise a single batch, and may be exercised once exactly two years after their date of attribution (maturity date), notwithstanding the ability to exercise them exactly one year after their date of attribution, at which time the participant may exercise 50% or 100% of the batch of options attributed to him/her.
Options attributed and actually exercised by a participant on their maturity date, or exactly one year after their date of attribution, will be settled as follows:

(a) via the attribution of NOVABASE shares (net share settlement) for 50% of the options subject to exercising;

(b) via the attribution of NOVABASE shares (net share settlement) or, alternatively, in cash (net cash settlement), by the participant's choice, for the remaining 50% of the options.

Under these terms, the variable component paid to directors under the plan does not exclusively serve NOVABASE's long-term interests, insofar as the start of the period for exercising options is not deferred for at least three years.

Even so, it should be noted that NOVABASE share options exercised by the participant pursuant to sub-paragraph (a) above (i.e. 50% of the options available for exercise) will be retained by NOVABASE for three years following the exercise date, and their ownership will not be transferred to the participant until the end of this period, conditional upon NOVABASE's positive performance during this time.

Furthermore, the number of NOVABASE shares to be attributed under the plan, or the corresponding amount in cash under the net cash settlement option, is dependent upon the price of NOVABASE shares on the relevant dates for participants to exercise options, thus making this remuneration component conditional upon the company's continued positive performance.

As such, NOVABASE believes that the company's long-term interests have also been served by this remuneration component, discouraging excessive risk assumption.

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, there is a variable cash component as well as a variable stock option component for directors' remuneration.

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

With regard to the variable stock option component, the attribution of options under the Plan for Options to Allot NOVABASE Shares is decided by the competent body pursuant to the plan's regulations, on a case-by-case basis in accordance with criteria to be set by this body, which will be NOVABASE's Board of Directors, or the Remuneration Committee in the case of options attributed to members of the Board of Directors.

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

The variable remuneration in cash paid in 2019 corresponds to 50% of the amount allocated for 2018 in 2019, and 1/6 of the amount allocated for 2017 in 2018, 1/6 of the amount allocated for 2016 in 2017 and 1/6 of the amount allocated for 2015 in 2016. The remaining 50% of the amount allocated for 2018 in 2019 is subject to deferred payments in the following 3 years (2020, 2021 and 2022) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

On 01 October 2019, the Remuneration Committee unanimously decided to make executive director Paulo Jorge de Barros Pires Trigo a participant in the Plan for Options to Allot NOVABASE Shares, attributing 400,000 (four hundred thousand) stock options to him. These options were attributed at a strike price of € 2.295 per share.

Pursuant to the plan's regulations, the options attributed under the contractual agreement signed with this participant on 01 October 2019 comprise a single batch, which may be exercised once exactly two years after their date of attribution (i.e. 01 October 2021) (maturity date), notwithstanding the ability to exercise them exactly one year later (i.e. 01 October 2020).

As stated above, the shares representing NOVABASE's share capital corresponding to 50% of the options which may be exercised by this participant will be retained by NOVABASE for three years following the exercise date, and their ownership will not be transferred to the participant until the end of this period, conditional upon NOVABASE's positive performance during this time.

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 2019, 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 NOVABASE General Meeting of Shareholders held on 26 September 2019 approved a medium or long-term plan for attributing variable remuneration to members of NOVABASE's Board of Directors and to employees from NOVABASE or from other NOVABASE Group companies, based on the performance of NOVABASE shares (Plan for Options to Allot Shares), together with this plan's regulations. This plan has the following goals:

- To retain NOVABASE and NOVABASE Group employees;
- To motivate and encourage their creativity and productivity;
- To retain and/or hire management staff and employees of high potential and strategic value to benefit the company's results.

Under this plan and its regulations, stock options representing NOVABASE's share capital may be attributed in the form of a performance bonus for the plan's participants.

Options are attributed by decision of the competent body pursuant to the plan's regulations, on a case-by-case basis in accordance with criteria to be set by this body, which will be NOVABASE's Board of Directors, or the Remuneration Committee in the case of options attributed to members of NOVABASE's Board of Directors.

The options attributed will comprise a single batch, and may be exercised once exactly two years after their date of attribution (maturity date), notwithstanding the ability to exercise them exactly one year after their date of attribution, at which time the participant may exercise 50% or 100% of the batch of options attributed to him/her.

Options from the same lot not exercised in full by their maturity date will automatically expire.

Options attributed and actually exercised by a participant on their maturity date, or exactly one year after their date of attribution, will be settled as follows:

(a) via the attribution of NOVABASE shares (net share settlement) for 50% of the options subject to exercising;

(b) via the attribution of NOVABASE shares (net share settlement) or, alternatively, in cash (net cash settlement), by the participant's choice, for the remaining 50% of the options.

NOVABASE share options exercised by the participant pursuant to sub-paragraph (a) (i.e. 50% of the options available for exercise) will be retained by NOVABASE for three years following the exercise date, and their ownership will not be transferred to the participant until the end of this period, conditional upon NOVABASE's positive performance during this time.

The options' strike price is defined before the date of attribution. It should correspond to the arithmetical average of the prices, weighted by the respective volumes, of the transactions of NOVABASE shares at sessions of the Euronext Lisbon regulated market occurring in the ninety days preceding 26 July 2019, adjusted by the shareholder remuneration distributed during this period, i.e. €2.295 per share.

Once the participant notifies the company of his/her intent to exercise options, the number of shares to be attributed (rounded down) to this participant, or the corresponding cash amount in the case of net cash settlement, is determined by the following formula:

No. of shares = no. of options exercised x [(exercise price – strike price / exercise price]

Where:

Strike price: the arithmetical average of the prices, weighted by the respective volumes, of the transactions of NOVABASE shares at trading sessions of the Euronext Lisbon occurring in the ninety days preceding 26 July 2019, adjusted by the shareholder remuneration distributed during this period, i.e. €2.295 per share; and

Exercise price: the arithmetical average of the prices, weighted by the respective volumes, of the transactions of NOVABASE's shares at trading sessions of the Euronext Lisbon occurring in the ninety days preceding the exercise date.

For the purposes of the net cash settlement option, the value of the shares determined as described above will be based on the arithmetical average of the prices, weighted by the respective volumes, of the transactions of NOVABASE's shares at trading sessions of the Euronext Lisbon occurring in the ninety days preceding these options' exercise date.

While the plan is in effect, stock options totalling more than 10% of NOVABASE's share capital may not be attributed.

Since the plan's approval, 400,000 (four hundred thousand) NOVABASE stock options have been attributed under the plan to executive director Paulo Jorge de Barros Pires Trigo, as described in more detail in point 72.

Finally, as decided in the General Meeting of Shareholders of 26 September 2019 and announced to the market, a buyback program for NOVABASE treasury shares is currently in effect to cover obligations to settle options attributed under the plan and under its direct dependency.

The regulations of the Plan for Options to Allot NOVABASE Shares are available at the company's website:

https://www.novabase.pt/manager/contentfiles/page/9b579fd3-5a9e-491e-bf1c-90dea1f1327e/fq02k2bc.biu_e70b8a2e_editorFile.pdf

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 2019, an additional amount of €12,376 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 managing boards 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 2019, 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 decisions of the Remuneration Committee, fixed remuneration components were set for members of the NOVABASE Board of Directors in 2019, 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 and a variable component based on stock options. This remuneration is broken down among directors as shown in the table below, in view of their responsibilities at NOVABASE, and as stipulated 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 a period of 30 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 2019 corresponds to only 50% of the variable remuneration in cash due for 2018 and 1/6 of the amount allocated for 2017 in 2018, 1/6 of the amount allocated for 2016 in 2017 and 1/6 of the amount allocated for 2015 in 2016. The remaining 50% of the amount allocated for 2019 is subject to deferred payments in the following 3 years (2020, 2021 and 2022) in equal parts (corresponding to 1/6 of each year's total), conditional upon positive company performance during this time period.

With regard to the option plan, since its approval, 400,000 (four hundred thousand) NOVABASE stock options have been attributed under the plan to executive director Paulo Jorge de Barros Pires Trigo, by decision of the Remuneration Committee.

Directors[1]	Fixed annual remuneration (€)	Annual variable remuneration in cash paid in 2019 (€)[2,3]	Partial Total (Fixed + Variable in cash paid in 2019) (€)	Variable in cash paid in 2019 /Partial Total (%)	Deferred annual variable remuneration (€)[4]	Variable Remuneration # options @2,295
João Nuno da Silva Bento	293,700.00	100,652.50	394,352.50	25.52	100,652.50	0
Álvaro José da Silva Ferreira	200,520.00	63,075.50	263,595.50	23.93	63,075.50	0
Francisco Paulo Figueiredo Morais Antunes	126,000.00	127,454.33	253,454.33	50.29	118,062.67	0
María del Carmen Gil Marín	144,420.00	50,326.00	194,746.00	25.84	50,326.00	0
Paulo Jorge de Barros Pires Trigo	25,248.68	0	25,248.68	0	0	400,000
Executives Total	**789,888.68**	**341,508.33**	**1,131,397.01**	**30,18**	**332,116.67**	**400,000**
Total	**65.30**	**48.90**	**59.30**	**0**	**0**	**0**
Luís Paulo Cardoso Salvado	293,700.00	254,909.17	548,609.17	46.46	236,125.83	0
José Afonso Oom Ferreira de Sousa	42,000.00	50,986.83	92,986.83	54.83	47,225.17	0
Pedro Miguel Quinteiro Marques Carvalho	42,000.00	50,986.83	92,986.83	54.83	47,225.17	0
Marta Isabel dos Reis Graça Rodrigues do Nascimento	42,000.00	0	42,000.00	0	0	0
Non-executives total	**419,700.00**	**356,882.83**	**776,582.83**	**45.96**	**330,576.17**	**0**
Total	**34.70**	**51.10**	**40.70**	**0**	**0**	**0**
TOTAL	**1,209,588.68**	**698,391.16**	**1,907,979.84**	**36.60**	**662,692.84**	**400,000**

In 2019, an additional amount of €12,376 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.

[1] Director Paulo Jorge de Barros Pires Trigo was elected at the Extraordinary General Meeting of Shareholders of 26 September 2019. The remuneration shown here in relation to this director refers only to the post-election period. The amounts received up until the election date from other group companies are shown in point 78.
[2] The amount shown is the total amount paid to each director in 2019: 50% of the amount allocated for 2018 in 2019, and 1/6 of the amount allocated for 2017 in 2018, 1/6 of the amount allocated for 2016 in 2017 and 1/6 of the amount allocated for 2015 in 2016. The remaining 50% of the amount allocated for 2018 in 2019 will be paid in the following 3 years (2020, 2021 and 2022) 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 in 2019 for 2018, and deferred to the next three years. There are also deferrals for amounts allocated in 2018 for 2017 and allocated in 2017 for 2016 in accordance with the criteria shown in the Corporate Governance Reports for the years in question.

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

In general 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 that are controlled by or part of the NOVABASE Group, nor from any company subject to shared control with NOVABASE, with the exception of the remunerations indicated in the following paragraph..

Even so, prior to his election as a director approved in the Extraordinary General Meeting of Shareholders of 26 September 2019, director Paulo Jorge de Barros Pires Trigo received the amounts shown in the table below through Celfocus, S.A., a company in which NOVABASE S.G.P.S., S.A. has a 55% stake. Also in relation to director María del Carmen Gil Marín, the amounts below have been and will be settled at NOVABASE Capital – Sociedade de Capital de Risco, S.A., a company fully owned by NOVABASE S.G.P.S., S.A.

Directors	Fixed annual remuneration (€)	Annual variable remuneration in cash paid in 2019 (€)[5,6]	Partial Total (Fixed + Variable in cash paid in 2019) (€)	Variable in cash paid in 2019 /Partial Total (%)	Deferred annual variable remuneration (€)[7]
María del Carmen Gil Marín	0.00	113,701.53	113,701.53	100.00	160,013.09
Paulo Jorge de Barros Pires Trigo	128,099.97	173,486.11	301,586.08	57.52	183,557.74

In 2019 an additional amount of €1,264 in meal allowances was paid to Paulo Jorge de Barros Pires Trigo by Celfocus, 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 2019, 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 2019.

[5] The amount shown is the total amount paid in 2019: 50% of the amount allocated for 2018 in 2019, and 1/6 of the amount allocated for 2017 in 2018, 1/6 of the amount allocated for 2016 in 2017 and 1/6 of the amount allocated for 2015 in 2016. The remaining 50% of the amount allocated for 2018 in 2019 will be paid in the following 3 years (2020, 2021 and 2022) 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 in 2019 for 2018, and deferred to the next three years. There are also deferrals for amounts allocated in 2018 for 2017 and allocated in 2017 for 2016 in accordance with the criteria shown in the Corporate Governance Reports for the years in question.

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 2019:

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

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).

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 €1,200 (one thousand and two hundred euros) for each meeting presided over. Two such payments were made in 2019.

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 NOVABASE General Meeting of Shareholders held on 26 September 2019 approved a medium or long-term plan for attributing variable remuneration to members of NOVABASE's Board of Directors and to employees from NOVABASE or from other NOVABASE Group companies, based on the performance of NOVABASE shares, together with this plan's regulations. This plan has the following goals:

- To retain NOVABASE and NOVABASE Group employees;
- To motivate and encourage their creativity and productivity;
- To retain and/or hire management staff and employees of high potential and strategic value to benefit the company's results.

Under this plan and its regulations, stock options representing NOVABASE's share capital may be attributed in the form of a performance bonus for the plan's participants.

More information on the plan and its regulations can be found in point 74 of this report.

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).

A description of the Plan for Options to Allot NOVABASE Shares – including its eligibility conditions, inalienability of shares clauses, criteria on the price for exercising options, time frame during which options can be exercised, characteristics of the shares or options to be attributed and the existence of incentives to acquire shares and/or exercise options – is available in point 74. of this report.

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

On 31 December 2019, no options had been attributed to the company's workers or employees; only the decision was made to attribute options to one of NOVABASE's executive directors.

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 2019 Consolidated Accounts, an integral part to the Annual Report and Accounts, in Note 40 of the Notes to the Consolidated Financial Statements.

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		
	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	I.1.1. 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 55 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 their internal committees should be disclosed in full at the company's website.	Yes	Points 22, 27, 34 and 61
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 managing board 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 managing board 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 managing board; (ii) also require the prior approval of the supervisory board due to their high value.	No	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 managing board should, at least every six months, notify the supervisory board of all business deals subject to Recommendation I.5.1.	n/a	
	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. Also note that, in recent years, shareholders' rate of participation in NOVABASE's General Meeting of Shareholders via postal or electronic voting has been low, demonstrating their preference to attend these meetings in person. In this context, NOVABASE also believes that shareholders' attendance in person is the most appropriate means of encouraging discussion on topics submitted and direct shareholder-to-shareholder interaction, while also avoiding potential issues involving the violation of privacy.
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 managing board, 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 Furthermore, 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 managing board, and which may impair the free transfer of shares and free assessment by shareholders of the performance of directors, shall not be adopted.

	Chapter III . NON-EXECUTIVE 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 necessary means and conditions to perform their duties; and (iii) coordinating them in assessing the performance by the managing board, as provided for in recommendation V.1.1.	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 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. Note also that, pursuant to the Board of Directors' regulations, there are various mechanisms in place for the efficient coordination and performance of its work, particularly for

			members with non-executive functions, by giving them access to information to sufficiently carry out their duties.
20	III.2. The number of non-executive members of the managing board, 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 NOVABASE has five executive directors and for non-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.
22	III.4 Companies should include a number not less than one third, but always multiple, of non-executive directors meeting independence requirements. For 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	No	Point 18 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.

	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.		
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 managing board's 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	Points 21, 23 and 24 The issues listed in this recommendation cannot be delegated. Consequently, the non-executive directors are involved in defining them. In NOVABASE's view, the assessment of their fulfilment is ensured by (i) the non-executive directors' constant participation in Board of Directors meetings where the implementation of previous decisions (namely those referred to in this recommendation) is reported by the executive directors, and (ii) the process of assessing the performance of the Board of Directors and Executive Committee.
25	III.7. The general and supervisory board should, based on its powers under the law and articles of association, work with the 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.	n/a	In view of the company's use of the reinforced Latin management and oversight 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 managing board.	Yes	Point 33 b) Pursuant to its regulations, the Audit Board has the power to assess the Board of Directors' risk management and give its opinion on work plans and

			resources allocated to internal control services, together with the power to monitor the efficacy of the risk management system, internal control system and internal auditing system. With regard to monitoring, assessing and giving its opinion on the company's strategic guidelines under this recommendation, NOVABASE believes this function is achieved through the Audit Board's oversight of the risk management system, which inevitably includes overseeing the risks assumed by the company vis-à-vis strategic guidelines in place. In view of the Audit Board's supervisory and oversight function, NOVABASE believes that this board's involvement in matters involving the company's strategic guidelines should be limited.
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.	No	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. Note that NOVABASE's governance model is assessed regularly by the Board of Directors in terms of its suitability and performance, to help optimize its performance in closer alignment with the interests of all stakeholders. In addition, in view of the company's size, NOVABASE believes it is unnecessary to have an internal committee specializing in remuneration, since it already has a Remuneration Committee with adequate communication channels with other company boards, and whose members are all independent, with experience and backgrounds suited to performing these types of duties. Finally, given the company's size and the breakdown of its corporate boards, NOVABASE believes it is unnecessary to have an internal committee specializing in appointments,

			since the Board of Directors is responsible for determining the composition of the Executive Committee and its assigned spheres of responsibility, the Audit Board is charged with hiring the Statutory Auditor and, finally, the General Meeting of Shareholders has the final say in electing members of the corporate boards. As such, it is NOVABASE's conviction that, notwithstanding the lack of formal committees to assess the aspects referred to in this recommendation, these duties are performed under NOVABASE's governance system by the Board of Directors itself, the General Meeting of Shareholders, the Remuneration Committee, the Statutory Auditor and the company's external auditors, in view of the functions carried out at the company by these bodies.
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	III.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	III.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 managing board's 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.	Partially adopted Since this recommendation has multiple facets, NOVABASE can confirm its adoption of the first sub-recommendation (approving the scheme for executives' activities), while it has not formally adopted the second sub-recommendation (approving the scheme for their performance of executive duties at entities outside the group), since the active executive directors have not performed any executive duties at entities outside the group.	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 in and 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, despite involving administrative functions, are not considered executive duties impacting 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 objectives, and shall not delegate powers with regard to the following: i) defining the strategy and general policies of the company; ii) organizing and coordinating the corporate structure; iii) matters considered strategic due to the	Yes	Point 21

	amount, risk or particular characteristics involved.		
33	IV.3. The managing board should set goals for the assumption of risks, and ensure that they are met.	Yes	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 approved risk management policy. Furthermore, pursuant to article 1, paragraph 4, sub-paragraph a) of its regulations, the NOVABASE Audit Board is responsible for assessing the Board of Directors' risk management, by implementing periodic control procedures and mechanisms to ensure that the risks actually taken by NOVABASE are consistent with the Board of Directors' goals.

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 managing board's goals.	Yes	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 implementing the risk policy and, in accordance with potential new 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 managing board and its specialized committees.		
35	V.1.1. The managing board should evaluate its performance each year, together with the performance of its committees and managing directors, 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.	Yes	Points 24 and 25
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 managing board and its committees, together with relationships between the company's boards and committees.	Yes	Point 31 NOVABASE believes that the means of accessing information on the activities and meetings of the Board of Directors and Executive Committee, as provided for in the Audit Board's regulations, allow this board to oversee and evaluate the internal functioning of the managing board and its relationship with the Executive Committee. The Audit Board has no formal evaluation process for the company's strategic plan, since NOVABASE believes that this recommendation's underlying goal is achieved through the Audit Board's annual assessment of the Board of Directors' risk management. In fact, as previously stated, in view of the Audit Board's supervisory and oversight function, NOVABASE believes that this board's involvement in matters involving the company's strategic guidelines should be limited. With regard to relationships between the company's boards and committees, the Audit Board has been charged with establishing adequate communication channels at NOVABASE, particularly between the Audit Board and the Statutory Auditor, thereby overseeing the relationship between them.
	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.	Yes	Point 69, 2019 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 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	Yes	2019 Remuneration Committee Report, remuneration policy statement (attached) and Point 69.

	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 when such attendance has been requested by shareholders.	Yes	Point 67 The Chairman of NOVABASE's Remuneration Committee was present at the 2019 General Meetings of Shareholders to provide information and clarifications to shareholders.
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.	Yes	Points 70, 72 and 74
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.	No	Points 70 and 74 NOVABASE stock options attributed under the Plan for Options to Allot Shares may be exercised once exactly two years after their date of attribution (maturity date), notwithstanding the ability to exercise them exactly one year after their date of attribution, at which time the participant may exercise 50% or 100% of the batch of options attributed to him/her. Even so, it should be noted that the number of NOVABASE shares to be attributed under the plan, or the corresponding amount in cash under the net cash settlement option, is dependent upon the price of NOVABASE shares on the relevant dates for participants to exercise options, thus making this remuneration component conditional upon the NOVABASE's continued positive performance. Furthermore, the shares representing NOVABASE's share capital corresponding to 50% of the options which may be exercised will be retained by NOVABASE for three years following the exercise date, and their ownership will not be transferred to the participant

			until the end of this period, conditional upon NOVABASE's positive performance during this time. As such, NOVABASE believes that, even though the options' exercise period is not deferred for at least three years, this remuneration component generally serves the company's long-term interests, and discourages excessive risk assumption.
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 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 NOVABASE, 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

<table>
<tr><td></td><td></td><td></td><td>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.</td></tr>
<tr><td></td><td colspan="3">V.4. Appointments</td></tr>
<tr><td></td><td colspan="3">Principle:

Regardless of the means of designation, the profile, knowledge and background of the members of corporate and managing boards should be suited to the duties to be performed.</td></tr>
<tr><td>48</td><td>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.</td><td>Yes

(with regard to the election held in the 2019 financial year)

No

(with regard to the 2018 elective General Meeting of Shareholders)</td><td>Point 16

Following the entry into force of the Portuguese Corporate Governance Institute (IPCG) Corporate Governance Code, NOVABASE held an elective General Meeting of Shareholders on 10 May 2018, which approved the election of NOVABASE’s corporate board members for the three-year period of 2018-2020. Also in 2019, the appointment of a new member to the Board of Directors was approved at the General Meeting of Shareholders held on 26 September 2019.

With regard to the 2018 General Meeting of Shareholders, 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.

The proposal to elect a new NOVABASE executive director, approved in the General Meeting of Shareholders held</td></tr>
</table>

			on 26 September 2019, was accompanied by an explanation of the background of the candidate's proposal. In addition, the company made an advance announcement to the market on his future job duties and segment of focus under NOVABASE's updated strategy (2019+ Strategic Update). These factors, combined with the candidate's CV accompanying the election proposal, were aimed at justifying the proposal pursuant to this recommendation.
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 (new) and the company's size and shareholder structure, NOVABASE has no appointment committee with the powers of monitoring and supporting management staff appointments. Furthermore, within the context of NOVABASE's corporate governance model, its various corporate boards contribute towards this function: the Board of Directors is responsible for determining the composition of the Executive Committee and its assigned spheres of responsibility, the Audit Board is charged with hiring the Statutory Auditor and, finally, the General Meeting of Shareholders has the final say in electing members of the corporate boards.
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 managing board should discuss and approve the company's strategic plan and risk policy, including the definition of risk levels considered acceptable.	Yes	Points 50 and 54 On 13 December 2018, NOVABASE's Board of Directors approved a formal risk policy for the company. In the wake of in-depth strategic reflection beginning in 2018 on the company's future, in 2019 the Board of Directors decided to approve an updated strategy for 2019 and beyond (2019+ Strategic Update), whose key features were announced to the market on 25 July 2019. 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	Yes	Points 50 and 54

	changing the previously defined risk framework.		
	Chapter VII . FINANCIAL INFORMATION		
	VII.1 Financial information		
	Principles: **VII.A.** The supervisory board should, in an independent and diligent manner, ensure that the managing board 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 managing board, including the suitability of accounting policies, estimates, judgements, 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;	Yes	Point 33 b)

	(iv) services other than auditing which cannot be provided by the statutory auditor.		
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 supervisory board's duties, together with any difficulties it has come across in carrying out its duties.	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

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.

Annexes:

Remuneration Committee Report

REPORT OF THE REMUNERATIONS COMMITTEE

<u>Report of the Remunerations Committee regarding the 2019 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 2019 financial year, at the company's office, on May 29, 2019 and October 1, 2019.

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 2019 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 2019 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 2019 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 2019 and, therefore, such decisions were taken with reference to the directors' performance in 2018.</u>

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

AT THE MEETING OF MAY 29,2019:

Before entering on the agenda for the RC meeting of May 29, 2019 the Chairman of the RC stated that, <u>in line with recommendation V.2 .2. of the Corporate Governance Code IPCG, within the scope of the statement of the RC on the remuneration policy of Novabase SGPS's corporate bodies, submitted to the appreciation of the General Shareholders Meeting held on May 7, 2019, the RC proposed the general principles and guidelines for the remuneration policy of Novabase SGPS for the year 2019, in accordance with the remuneration principles approved in successive General Shareholders Meetings, which were approved by the shareholders in the referred General Shareholders Meeting.</u>

<u>About the remuneration for the 2019 financial year of the members of the board of the General Meeting of Shareholders of Novabase SGPS</u>

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, António Menezes Cordeiro, the amount determined was of EUR 1,200 (one thousand and two hundred) euros and for the Secretary, Madalena Paz de Oliveira, EUR 900 (nine hundred) euros for each General Meeting of Shareholders. These values were not updated in comparison with the previous year. This resolution was unanimously taken.

<u>About the fixed remuneration of the Directors of Novabase SGPS for the 2019 financial year.</u>

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 unanimously decided to maintain the fixed remuneration of Novabase SGPS directors for the 2019 financial year, with no change from the remuneration received in the previous year.

In relation to the Chairman of the Board of Directors and since his has been performed on a full time basis (as was also the case in the previous financial year), 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.

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) – EUR 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) – EUR 200,520 (two hundred thousand and five hundred and twenty euros);
- María del Carmen Gil Marín (executive director) – EUR 144,420 (one hundred and forty four thousand, four hundred and twenty euros);
- Francisco Figueiredo Morais Antunes (executive director) – EUR 126,000 (one hundred and twenty six thousand euros);
- José Afonso Oom Ferreira de Sousa – EUR 42,000 (forty two thousand euros);
- Pedro Miguel Quinteiro Marques de Carvalho – EUR 42,000 (forty two thousand euros);
- Marta Isabel dos Reis Graça Rodrigues do Nascimento – EUR 42,000 (forty two thousand euros).

<u>Variable remuneration of the Directors of Novabase SGPS, related to performance in the 2018 financial year.</u>

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 2018 financial year of 4.7 Million Euros, compared to 4.7 Million Euros in the preceding financial year, the RC unanimously decided to grant to each of the following directors in office in 2018, and without prejudice to sections four and five below, the following amounts:

- Luis Paulo Cardoso Salvado (Full time Chairman) – EUR 201,305 (two hundred and one thousand and three hundred and five euros);

- João Nuno da Silva Bento (Chairman of the Executive Committee / CEO) - 201,305 (two hundred and one thousand and three hundred and five euros);
- Álvaro José da Silva Ferreira (executive director) – EUR 126,151 (one hundred and twenty-six thousand and one hundred and fifty-one euros);
- María del Carmen Gil Marín (executive director) – EUR 100,652 (one hundred and six hundred and fifty-two euros);
- Francisco Figueiredo Morais Antunes (executive director) – EUR 100,652 (one hundred and six hundred and fifty-two euros);
- José Afonso Oom Ferreira de Sousa – EUR 40,261 (forty thousand two hundred and sixty-one euros);
- Pedro Miguel Quinteiro Marques de Carvalho – EUR 40,261 (forty thousand two hundred and sixty-one euros).

The total variable remuneration of the Directors of Novabase SGPS for their performance in the 2018 financial year corresponds, therefore, to € 810,587.

On the other hand, the Chairman of the RC reminded that, following the lack of presentation of a new stock options plan at the 2019 annual General Meeting, no variable remuneration in options or in shares will be attributed this financial year, unless the implementation of such a plan is resolved.

<u>On differing of the payment of part of the amounts attributed as variable remuneration</u>

It was also unanimously decided to pay in 2019 only half of the amount granted to each director in office in 2018, as variable remuneration, and delay the remaining 50% for payment during the next three years (2020, 2021 and 2022). 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 resolved and implemented from 2011 to 2018.

<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 pensions systems (national and European), it is a prudent practice to channel the funds attributed under the abovementioned resolution <u>on the variable remuneration of the directors of Novabase SGPS</u> (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.

<u>On the remuneration of the members of Novabase SGPS' Audit Board for the 2019 financial year</u>

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 2019 financial year:

- Álvaro José Barrigas do Nascimento (Chairman) – EUR 9,000 (nine thousand euros);
- Fátima do Rosário Piteira Patinha Farinha – EUR 7, 000 (seven thousand euros);

- Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira – EUR 7,000 (seven thousand euros).

These values have not been updated compared to the previous financial year.

On the remuneration of the Statutory Auditor for the 2019 financial year

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

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

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

IN ADDITION, AT THE MEETING OF OCTOBER 1, 2019, THE FOLLOWING TOPICS WERE COVERED AND THE FOLLOWING RESOLUTIONS ADOPTED:

On the remuneration of the members of the Board of the General Meeting of Novabase SGPS

After an analysis of the values practiced in the market, namely in listed companies of comparable dimension, it was noted that there was a major discrepancy vis-à-vis with the values practiced by the company.

The remuneration of the members of the Board of the General Meeting of Novabase SGPS has remained practically unchanged over the last few years, having only been updated one year ago with the value of inflation. In recent years, both the complexity of this type of functions and the risk associated with them have considerably increased, which explains the discrepancy mentioned above.

It was also mentioned that the intention was to correct this situation by aligning it with good market practice. It was therefore resolved to grant 3,000 (three thousand) euros for each General Meeting to the Chairman of the Board of the General Meeting. For the Secretary the amount granted is of 2,000 (two thousand) euros for each General Meeting. These resolutions were adopted unanimously.

On the fixed remuneration of the Director of Novabase SGPS elected at the General Meeting of the company held on 26 September 2019

For the executive director Paulo Jorge de Barros Pires Trigo, responsible for the Next-Gen business segment, it was unanimously resolved to grant the gross annual amount of EUR 156,000 (one hundred and fifty-six thousand euros), paid in 12 monthly instalments. This amount is close to the average value of the remuneration of the remaining executive directors.

On the impact on the remuneration policy of the directors of Novabase SGPS, namely on the variable components, resulting from the update to the strategy for 2019 and subsequent years ("Strategic Update 2019+") communicated to the market at the end of

July and from the resolutions of the company's General Meeting held on 26 September 2019 and potential changes and evolution of this policy

The members of RC stated that they were aware of the recently approved Strategic Update 2019+ and communicated to the market. Given that this strategy aims at a profound transformation, over time, in the company, its predictable impacts on the current remuneration mechanisms were analysed, namely on the variable components, in order to ensure the alignment of management interests with the creation of value for shareholders and stakeholders in general.

After discussion and careful analysis and considering the specific nature of the Strategic Update 2019+ and the responsibilities and functions assigned to each director, the following was unanimously resolved:

- Change the variable remuneration policy for directors exclusively dedicated to the Next-Gen business segment in force at the time, given that the results of their work will only be visible in the medium and long term. In this regard, it was also mentioned that, currently, the only director of Novabase SGPS exclusively dedicated to the Next-Gen business segment is the executive director Paulo Jorge de Barros Pires Trigo. In this sense, it will be important to align the interests of this director (and, eventually, of other directors who in the future will be exclusively dedicated to the above mentioned segment) with the mechanism approved for this purpose in the last General Meeting - the medium or long term plan for the attribution of a variable remuneration to members of the Board of Directors of the Company and to employees of Novabase or other companies in the Novabase Group, based on the performance of Novabase shares - which consists of the granting of options over shares of the Company, in accordance with the regulation of this plan approved at the same General Meeting ("Stock Options Plan Regulation" or "Regulation");
- Maintain the current policy for the remaining directors, as it seems appropriate in view of their respective responsibilities and functions.

On the attribution of options over shares of the company, under the terms and in accordance with the Stock Options Plan Regulation approved at the General Meeting of the company held on September 26, 2019

As a preliminary point, it is clarified that all terms initiated by capital letters and not defined that are used afterwards shall have the same meaning ascribed to them in the Regulation.

Following the previous point, it was unanimously resolved to grant to Paulo Jorge de Barros Pires Trigo, executive director with responsibility for the Next-Gen business segment, the status of Plan Participant, and it was decided to grant him 400,000 (four hundred thousand) Options over the Shares of the company, under the Stock Option Plan Regulation approved at the General Meeting of the company held on September 26, 2019. It was further noted that the number of Options granted to this Participant took into consideration the fact that the director in question is currently the only director exclusively dedicated to this segment, given that the plan to transform the Next-Gen segment is still at an initial stage, this number representing 12.7% (twelve point seven per cent) of the maximum number of Options to be granted under the Plan, and the RC validated the reasonableness of the amount in question in relation to the fixed remuneration of this director.

The adherence of the above mentioned executive director to the Plan shall be effected through the execution of an agreement between him and the Company, under the terms of Clause 5.1 of the Regulation, and his participation in the Plan shall be governed by the provisions of said Regulation. The "Grant Date" of the Options now granted (400,000) is October 1, 2019, to the extent that on this date the agreement for adherence to the Plan will be entered into between the director and the Company.

Any additional attributions of Options to the same director were remitted to a future date, depending on his performance in executing the Strategic Update 2019+ of the company, as well as to other directors, as applicable and under the terms set forth in the Stock Options Plan Regulation.

<u>On the introduction of a retirement plan associated to the fixed component of the remuneration of the directors of Novabase SGPS, as discussed and analysed at the meeting of this RC on June 27, 2018 and in light of the new strategic context of the Company</u>

Given the new strategic context of the company, it was resolved not to take any decision on this matter at this stage, and the matter may be reassessed at the next administration mandate, if appropriate.

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. 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,
3. At the General Meeting held on May 10, 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 20120 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 2020 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 .

<u>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 2020 financial year.</u>

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

i) Promotion of alignment of the interests of members of the management body with those of the Company – this may be implemented through variable remuneration components, including through plans based on securities of the company;
ii) Individual performance should be a criterion for determining the variable remuneration component, if applicable, without prejudice to other criteria that may be relevant due to the application of this policy, including in particular the Company's own performance;
iii) The Remunerations Committee may determine, by reason of the duties performed, that all or part of a variable remuneration of a director, if it is

attributed, takes place after the determination of the annual accounts corresponding to the entire term of office;

iv) When the Company's performance is a criterion for determining a variable remuneration, given specific circumstances, the deterioration in such performance could justify the limitation of such remuneration.

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

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

(i) *<u>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</u>*

The total remuneration received by the members of the Board of Directors and the Audit Board in the 2019 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 72, 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 director Paulo Jorge de Barros Pires Trigo was appointed at the General Meeting of Shareholders held on September 26, 2019 and, therefore, with respect to this director, the remuneration presented within such context solely refers to the post-election period.

In relative terms, the variable remuneration paid to the members of the Board of Directors of Novabase in 2019 represented approximately 6% of the annual fixed remuneration earned by the members of the Board of directors concerning the 2019 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 meetings of 29 May, 2019, and 1 October, 2019, as set forth in the Report of the Remunerations Committee regarding the 2019 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.

Regarding variable remuneration, in general terms this is linked to the performance of the directors of Novabase and their duties, as well as to the performance of the Company.

In this context, and given the approval of the Novabase Stock Options Plan at the Company's General Meeting of September 26, 2019, the variable remuneration of Novabase SGPS's directors may comprise the following components:

(i) Variable remuneration associated with Novabase's performance;

(ii) Participation on the Stock Options Plan of Novabase.

With regard to the variable remuneration related to performance in 2018 financial year and paid in 2019, this was determined in order to align such variable component with Novabase's performance in 2018 financial year, and correlated with the responsibility and performance of each director in particular.

In addition, it was decided by the Remunerations Committee to pay in 2019 only half of the amount attributed to each director in office in 2018, as variable remuneration, the remaining 50% being deferred for payment in the following three years (2020, 2021 and 2022), as further explained in the Report of the Remunerations Committee for the 2019 financial year.

Also in terms of variable remuneration, and as mentioned above, the General Shareholders' Meeting of Novabase held on September 26, 2019 approved the implementation of a medium or long term plan for the attribution of variable remuneration to members of the Board of Directors of Novabase and to employees of Novabase or other companies of the Novabase Group, based on the performance of Novabase shares, as well as the regulation of the referred plan. The objectives of this plan are notably the following:

- Retaining employees of Novabase and Novabase group;
- Stimulate and encourage their creative ability and productivity;
- To favour the maintenance and/or hiring of managers and workers with high potential and strategic value by fostering business results.

Under the Plan and the Regulation, options over shares representing Novabase's share capital may be granted and these options are intended to form part of a performance bonus to be granted to participants in the Plan.

Considering that the number of Novabase shares to be attributed under the Plan, or the corresponding amount in cash in the case of cash settlement options, is dependent on the price of Novabase shares on the relevant dates of exercise of the options by participants in the Plan, it should be noted that this component of remuneration is conditioned by the continued positive performance of the Company.

It should also be noted that shares representing the share capital of Novabase corresponding to 50% of the options that may be exercised by the participant will be retained by Novabase for a period of three years from the respective exercise date; the ownership will only be transferred to the participant once such period has elapsed and conditioned to Novabase's positive performance during the same.

Additional information on the Stock Options Plan can be found in point 74 of the Corporate Governance Report.

Accordingly, the RC considers that the remuneration structure of directors with executive and non-executive functions complies with the remuneration policy in force at NOVABASE. This structure seems adequate to the nature of the responsibilities assumed by each of the directors and capable of contributing 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 that guide the definition of variable remunerations, as well as the mechanisms in force to defer the payment of such remunerations.

Regarding the Audit Board, the remuneration of its members is also structured in order to align their interests with those of the Company, following a rigid model in that it consists of a fixed annual remuneration, and no form of variable remuneration is foreseen.

Considering all the above, the RC considers that the total remuneration of the Board of Directors and the Supervisory Board for the 2019 financial year complies with the remuneration policy in force at NOVABASE.

In 2020, and under the terms of the remuneration policy in force, the general principles of remuneration practices adopted by Novabase in the 2019 financial year should continue to be followed.

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

Generally 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, with the exception of the remunerations indicated in the next paragraph and better detailed in the Corporate Governance Report regarding the financial year of 2019.

During the year of 2019, and before his appointment as member of the Board of Directors approved at the annual General Meeting held on September 26, 2019, the director Paulo Jorge de Barros Pires Trigo received certain amounts paid by Celfocus, S.A., a company 55 % held by Novabase S.G.P.S., S.A., which are better detailed in Part I, in item 78 of the Corporate Governance Report concerning to the 2019 financial year. Also in relation to the director María del Carmen Gil Marín, certain amounts were and will be in the future paid by Novabase Capital – Sociedade de Capital de Risco S.A., company 100% held by Novabase, which are also identified in the same item of the Corporate Governance Report regarding the 2019 financial year.

(iii) *Number of shares and options over 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*

During the 2019 financial year, the RC unanimously resolved to grant to the executive director Paulo Jorge de Barros Pires Trigo the status of participant in the Plan, and it was resolved to grant him 400,000 (four hundred thousand) options on the company's shares, under the terms of the Stock Options Plan Regulation. These options were attributed at a strike of EUR 2.295 per share.

Under the terms of the Regulation, the options granted under the adherence agreement entered into with this participant on October 1, 2019 comprise a single lot, and may be exercised at once on the date of the 2nd anniversary from the respective date of granting (i.e. October 1, 2021) ("Maturity Date"), without prejudice to the option for exercise on the 1st anniversary (i.e. October 1, 2020) under the terms of the Regulation.

Options granted that are effectively exercised by the participant on the Maturity Date or the first anniversary date after the granting date shall be settled: (i) for 50% of the options exercised, by means of attribution of Novabase shares (net share settlement); and (ii) for the remaining 50% of the referred options, by means of attribution of Novabase shares (net share settlement) or, alternatively, in cash (net cash settlement), at the option of the participant.

It should also be noted that the shares representing the share capital of Novabase corresponding to the options by the participant under the terms of sub-paragraph (i) above (i.e., 50% of the options subject to exercise) will be retained by Novabase for a period of three years from the respective exercise date, the ownership of which will only be transferred to the participant once such period has elapsed and conditioned to Novabase's positive performance during the same.

(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 2019 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 2019 financial year, to which this declaration is attached.

Lisbon, April 9, 2020

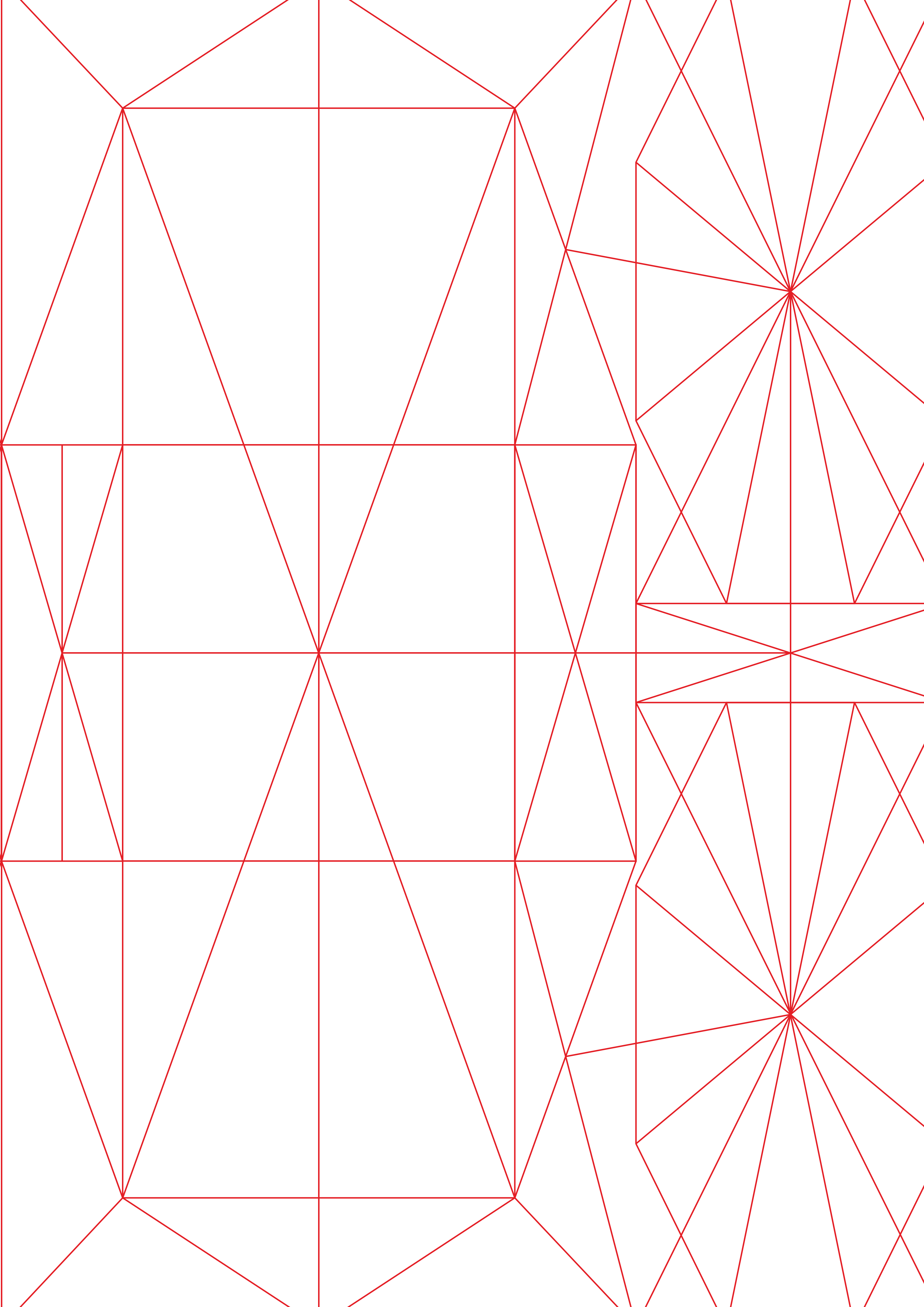
The Remunerations Committee

Francisco Luís Murteira Nabo (Chairman)

Pedro Rebelo de Sousa (Member)

João Quadros Saldanha (Member)

CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Financial Statements
for the year ended 31 December 2019

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

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I. CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31 December 2019

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

Consolidated Statement of Financial Position as at 31 December 2019

(Amounts expressed in thousands of Euros)

	Note	31.12.19	31.12.18
Assets			
Non-Current Assets			
Property, plant and equipment	7	11,965	10,235
Intangible assets	8	12,967	16,065
Investments in associates	9	169	252
Financial assets at fair value through profit or loss	10	12,175	3,868
Debt securities	19	403	7,680
Deferred tax assets	11	9,585	10,048
Other non-current assets	12	1,908	1,644
Total Non-Current Assets		**49,172**	**49,792**
Current Assets			
Inventories	13	34	33
Trade and other receivables	15	78,428	45,658
Accrued income	16	3,843	5,464
Income tax receivable		2,168	2,619
Derivative financial instruments	17	24	26
Other current assets	18	6,211	3,851
Debt securities	19	2,793	1,198
Cash and cash equivalents	20	48,755	63,614
Total Current Assets		**142,256**	**122,463**
Assets from discontinued operations	41	460	-
Total Assets		**191,888**	**172,255**
Equity			
Share capital	21	54,638	15,701
Treasury shares	21	(655)	(188)
Share premium	21	226	43,560
Reserves and retained earnings		(5,318)	3,016
Profit for the year		20,400	4,737
Total Equity attributable to owners of the parent		69,291	66,826
Non-controlling interests	23	18,329	13,754
Total Equity		**87,620**	**80,580**
Liabilities			
Non-Current Liabilities			
Borrowings	24	21,281	13,360
Provisions	25	8,623	8,252
Other non-current liabilities	26	770	990
Total Non-Current Liabilities		**30,674**	**22,602**
Current Liabilities			
Borrowings	24	9,081	6,320
Trade and other payables	27	39,635	40,399
Income tax payable		1,312	-
Derivative financial instruments	17	17	24
Deferred income and other current liabilities	28	14,854	22,267
Total Current Liabilities		**64,899**	**69,010**
Liabilities from discontinued operations	41	8,695	63
Total Liabilities		**104,268**	**91,675**
Total Equity and Liabilities		**191,888**	**172,255**

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 2019

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.19	12 M * 31.12.18 (*)
Continuing operations			
Sales	5	374	-
Services rendered	5	119,881	110,031
Cost of sales		(253)	-
External supplies and services	29	(33,353)	(32,962)
Employee benefit expense	30	(76,756)	(72,018)
Net impairment losses on trade and other receivables	15	253	675
Other gains/(losses) - net	31	(787)	806
Depreciation and amortisation	32	(4,715)	(2,517)
Operating Profit		**4,644**	**4,015**
Finance income	33	11,435	2,283
Finance costs	34	(4,770)	(3,802)
Share of loss of associates	35	(83)	(62)
Gain on net monetary position		-	308
Earnings Before Taxes (EBT)		**11,226**	**2,742**
Income tax expense	36	(353)	(994)
Profit from continuing operations		10,873	1,748
Discontinued operations			
Profit from discontinued operations	41	15,103	3,266
Profit for the Year		**25,976**	**5,014**
Profit attributable to:			
Owners of the parent		20,400	4,737
Non-controlling interests	23	5,576	277
		25,976	5,014
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	**0.17 Euros**	**0.05 Euros**
From discontinued operations	37	**0.49 Euros**	**0.11 Euros**
From profit for the year	37	**0.66 Euros**	**0.15 Euros**
Diluted earnings per share			
From continuing operations	37	**0.17 Euros**	**0.05 Euros**
From discontinued operations	37	**0.48 Euros**	**0.11 Euros**
From profit for the year	37	**0.66 Euros**	**0.15 Euros**

(*) Restated in accordance with the explanation in notes 2.24, 2.25 and 41.

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 2019

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.19	12 M * 31.12.18
Profit for the Year		25,976	5,014
Other comprehensive income for the year			
Items that may be reclassified to profit or loss			
Exchange differences on foreign operations, net of tax	11	615	1,627
Other comprehensive income for the year		615	1,627
Total comprehensive income for the year		**26,591**	**6,641**
Total comprehensive income attributable to:			
Owners of the parent		20,693	5,556
Non-controlling interests		5,898	1,085
		26,591	6,641

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 2019

(Amounts expressed in thousands of Euros)

	Note	Attributable to owners of the parent								
	Note	Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Exchange dif. on foreign operations	Reserves and retained earnings	Non--controlling interests	Total Equity
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)		-	-	-	-	-	-	(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)
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		-	-	-	-	-	-	124	629	753
Balance at 31 December 2018		**15,701**	**(188)**	**43,560**	**3,140**	**-**	**(7,830)**	**12,443**	**13,754**	**80,580**
Balance at 1 January 2019		**15,701**	**(188)**	**43,560**	**3,140**	**-**	**(7,830)**	**12,443**	**13,754**	**80,580**
Adjustment on initial application of IFRS 16 (net of tax)	2.2.	-	-	-	-	-	-	(1,084)	(47)	(1,131)
Restated balance at 1 January 2019		**15,701**	**(188)**	**43,560**	**3,140**	**-**	**(7,830)**	**11,359**	**13,707**	**79,449**
Profit for the year		-	-	-	-	-	-	20,400	5,576	25,976
Other comprehensive income for the year	23	-	-	-	-	-	293	-	322	615
Total comprehensive income for the year		-	-	-	-	-	293	20,400	5,898	26,591
Transfer of exchanges differences on foreign operations to profit and loss due to the sale of GTE Business	41	-	-	-	-	-	3,016	-	-	3,016
Transactions with owners										
Share capital reduction	21, 22	(4,397)	-	-	-	-	-	53	-	(4,344)
Share capital increase	21, 22	43,334	(467)	(43,334)	-	-	-	467	-	-
Dividends	22, 23	-	-	-	-	-	-	(15,823)	(548)	(16,371)
Share-based payments	21	-	-	-	-	7	-	-	-	7
Change in consolidation perimeter	23, 41	-	-	-	-	-	-	-	(728)	(728)
Transactions with owners		38,937	(467)	(43,334)	-	7	-	(15,303)	(1,276)	(21,436)
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	-
Balance at 31 December 2019		**54,638**	**(655)**	**226**	**3,140**	**7**	**(4,521)**	**16,456**	**18,329**	**87,620**

THE CERTIFIED ACOUNTANT

THE BOARD OF DIRECTORS

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2019

(Amounts expressed in thousands of Euros)

	Note	12 M * 31.12.19	12 M * 31.12.18
Cash flows from operating activities			
Cash receipts from customers		144,176	153,600
Cash paid to suppliers and employees		(135,102)	(138,107)
Cash generated from operations		9,074	15,493
Income taxes received / (paid)		1,125	(618)
Other operating payments		(619)	(772)
		506	(1,390)
Net cash flows from operating activities		**9,580**	**14,103**
Cash flows from investing activities			
Proceeds:			
Sale of subsidiaries, associates and other partic. companies		9	8
Loans granted to associates and participated companies		-	164
Disposal of debt securities	19	4,498	11,236
Sale of property, plant and equipment		8	55
Interest received		675	1,351
		5,190	12,814
Payments:			
Acquisition of subsidiaries, assoc. and other partic. companies	10	(440)	(462)
Loans granted to associates and participated companies	40 iii)	(264)	-
Purchases of debt securities	19	-	(5,029)
Purchases of property, plant and equipment		(1,204)	(866)
Purchases of intangible assets		(918)	(237)
		(2,826)	(6,594)
Net cash flows from investing activities		**2,364**	**6,220**
Cash flows from financing activities			
Proceeds:			
Proceeds from borrowings	24 (a)	16,000	-
Capital contribution by non-controlling interests		-	(60)
Transactions with non-controlling interests	15	12	741
		16,012	681
Payments:			
Repayments of borrowings	24 (a)	(8,459)	(4,273)
Dividends paid and share capital reductions	22, 23	(20,714)	(5,475)
Payment of lease liabilities (i)	24 (a)	(3,406)	(805)
Interest paid		(1,124)	(891)
		(33,703)	(11,444)
Net cash flows from financing activities		**(17,691)**	**(10,763)**
Cash and cash equivalents at 1 January	20	**63,643**	**56,136**
Net increase / (decrease) of cash and cash equivalents		**(5,747)**	**9,560**
Effects of change in consolidation perimeter	41	**(6,935)**	**-**
Effects of exchange rate changes on cash and cash equiv.		**(2,179)**	**(2,053)**
Cash and cash equivalents at 31 December	20	**48,782**	**63,643**

12 M * - period of 12 months ended

(i) As at 1 January 2019, the Group adopted IFRS 16, so the amounts presented under 'Payment of lease liabilities' corresponded, in 2018, only to finance lease liabilities (see note 2.2.).

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 2019

1. General information

Novabase, Sociedade Gestora de Participações Sociais, S.A. - Public Company (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.

2019 was marked by the culmination of a period of strategic reflection by Novabase and the consequent update of the strategic plan for the 2019-2023 horizon, disclosed to the market on July 2019. Therefore, the Executive Committee reorganised the operating segments, in order to be aligned with this new business view, with effect from 1 January 2019 (see note 5). Novabase's activity is now aggregated into 2 operating segments:

(i) Next-Gen (NG) - This area of Novabase develops an activity of IT consulting and services with technology offerings that tend to be more advanced and targeted mainly to the Financial Services (Banks, Insurance and Capital Markets) and Telecommunications (Operators) industries;

(ii) Value Portfolio (VP) - This area of Novabase develops an activity of IT consulting and services with offerings targeted to the Government, Transportation and Energy industries, and IT Staffing. This segment also develops a venture capital activity through Novabase Capital, S.C.R., S.A..

2019 was also marked by the sale agreement of the Value Portfolio segment business area specialized in “Application and Data Analytics” solutions for the Government, Transport and Energy business - “GTE Business” - and the consequent discontinuation of its operations (see note 41). The sale was substantially completed at the end of 2019, after verification of the relevant conditions precedents under the sale agreement.

Novabase is listed on the Euronext Lisbon.

The share capital is represented by 31,401,394 shares (2018: 31,401,394 shares), and all shares have a nominal value of 1.74 Euros each (2018: 0.5 Euros) - see note 21.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on 16 April 2020. 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 12, 2020.

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 2019.

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 2019

• **IFRS 16 (new)**, ‘Leases’. 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 an asset under right of use, 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'.

• **IFRS 9 (amendment)**, ‘Prepayment features with negative compensation’. This amendment enables companies to measure at amortised cost some pre-payable 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.

• **IAS 19 (amendment)**, ‘Plan amendment, curtailment or settlement’. 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 recycled as a result of the year.

• **IAS 28 (amendment)**, 'Long-term interests in associates and joint ventures'. 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**. 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'. 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.

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 at the reporting date and are mandatory for annual periods beginning on or after 1 January 2020, but that the Group has not early adopted

• **Amendment to IAS 1 and IAS 8**, 'Definition of material' (effective for annual periods beginning on or after 1 January 2020). These changes introduce a modification to the material concept, being part of the wider design of the IASB 'Disclosure Initiative'. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

• **'Amendments to the Conceptual Framework for Financial Reporting (IFRS)'** (effective for annual periods beginning on or after 1 January 2020). 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, and constitutes a review of the definition of business for the purpose of accounting for the concentration of business activities. 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.

Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform' (effective for annual periods beginning on or after 1 January 2020). These amendments are still subject to endorsement by the European Union, and arise from the need of replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). Considering the uncertainty that such a process entails and in view of the numerous hedge structures based on reference interest rates in force, the IASB decided to provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. The main exemptions refer to: i) risk components; ii) "highly probable" requirement; iii) prospective assessment; iv) retrospective effectiveness test (if application of IAS 39); v) recycling of the cash flow hedging reserve in equity. Hedge inefficiencies should continue to be recorded in the statement of profit and loss.

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.

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

As at 1 January 2019, IFRS 16 – 'Leases' came into force, being adopted by Novabase in these annual consolidated financial statements for 2019.

IFRS 16 supersedes IAS 17 'Leases' and its associated interpretative guidance. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has no contracts in which acts as a lessor.

Novabase adopted IFRS 16 on the required effective date, i.e. 1 January 2019, using the modified retrospective approach, with the cumulative effect of the initial application of the standard recognised in Equity, and has not restated comparative information, as provided by the standard.

The adoption of this standard led to several changes in the Group accounting policies, detailed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - 'Determining whether an arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. According to IFRS 16, a contract is, or contains, a lease if the contract conveys a right to use an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether a lease exists. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(b) Summary of new accounting policies

The Group leases many assets, including properties and transport equipment. According to the previous standard, property leases were classified as operating leases and transport equipment leases as finance leases. This classification was based on the Group's assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the underlying asset.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (properties). In such cases, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Novabase presents right-of-use assets in 'Property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. Lease liabilities are presented under 'Borrowings' in the statement of financial position. The carrying amounts of right-of-use assets and lease liabilities, as well as movements during the period, are as follows:

	Right-of-use assets			Lease
	Buildings	**Transp. equip.**	**Total**	**Liabilities**
Balance at 31 December 2018	-	-	-	-
Recognition of operating leases	7,968	-	7,968	9,400
Reassignment of finance leases	-	8,084	8,084	8,427
Restated balance at 1 January 2019	**7,968**	**8,084**	**16,052**	**17,827**
Acquisitions	3,449	689	4,138	4,138
Write-offs	-	(84)	(84)	(84)
Changes in estimates of residual value guarantees	-	(6,907)	(6,907)	(6,907)
Depreciation	(2,737)	(677)	(3,414)	-
Interest expense	-	-	-	540
Lease payments	-	-	-	(3,946)
Balance at 31 December 2019	**8,680**	**1,105**	**9,785**	**11,568**

The new accounting policies of the Group upon adoption of IFRS 16 are presented in note 2.21..

(c) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These leases refer 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 renewal options after this period. Payments are updated annually, reflecting inflation and/or market valuation.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

Novabase used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discounted rate to a portfolio of leases with reasonably similar characteristics.
- Relied on previous assessments on whether leases are onerous according to IAS 37, immediately before the date of initial application of IFRS 16, instead of performing an impairment review under IAS 36.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group also leases several items of transport equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability as at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(d) Impacts on financial statements

- *Impacts on transition*

On transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities, recognising the difference in Equity. The impact on transition can be analysed as follows:

	1 January 2019
Right-of-use assets (included in 'Property, plant and equipment')	7,968
Deferred tax assets	301
Lease liabilities (included in 'Borrowings')	9,400
Equity attributable to owners of the parent	(1,084)
Non-controlling interests	(47)

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 2.48%.

	1 January 2019
Operating lease commitments at 31 December 2018, as disclosed in the Group's consolidated financial statements	9,261
Discounted using the incremental borrowing rate at 1 January 2019	8,752
Finance lease liabilities recognised as at 31 December 2018	8,427
- Recognition exemption for short-term leases	(41)
- Extension options reasonably certain to be exercised	689
Lease liabilities recognised at 1 January 2019	**17,827**
From which:	
Non-current	14,141
Current	3,686

- *Impacts for the period*

As a result of adopting IFRS 16 in 2019, in relation to the leases that were previously classified as operating leases, the Group recognised EUR 8,680 thousand of right-of-use assets and EUR 10,135 thousand of lease liabilities as at 31 December 2019.

Regarding those leases, the Group has recognised depreciation and interest costs according to IFRS 16, instead of rent expense. The impact on the Consolidated Statement of Profit and Loss, as well as on segment information, for the year ended 31 December 2019, can be analysed as follows:

	Value Portfolio	Next-Gen	NOVABASE
Rent expense (included in 'External supplies and services')	(1,856)	(1,103)	(2,959)
Depreciation expense of right-of-use assets (included in 'Depreciation and amortisation')	1,525	1,212	2,737
Operating Profit	**(331)**	**109**	**(222)**
Interest expense on lease liabilities (included in 'Finance costs')	196	61	257
Income tax expense	29	(36)	(7)
Profit for the year	**(106)**	**134**	**28**
Profit attributable to:			
Owners of the parent	(124)	(21)	(145)
Non-controlling interests	18	155	173

For leases considered in the short-term exemption at the date of initial application, the Group recognised, this year, the amount of EUR 267 thousand under ‘External supplies and services’ caption.

Lastly, regarding cash flows, the Group registered an increase in cash flows from operating activities and a decrease in cash flows from financing activities, as repayments of lease liabilities principal and interest are now classified as cash flows from financing activities. The impact can be analysed as follows:

	31 December 2019
Net cash flows from operating activities	2,959
Net cash flows from financing activities	(2,959)

2.3. *Consolidation*

The consolidated financial statements, with reference to 31 December 2019, 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 profit or losses is recognised in the statement of profit and 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 main guidelines of the strategic plan for the 2019-2023 horizon, disclosed to the market on July 2019. Therefore, Novabase identified new reportable operating segments: Next-Gen, the betting segment of Novabase, which has the ambition to become a "Next-Gen IT Services Company", and Value Portfolio, a segment that aims to generate the necessary funds to support the Next-Gen growth and transformation, and did not aggregate operating segments.

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)	**31.12.19**	**31.12.18**	**2019**	**2018**
• Angolan Kwanza (AOA)	558.1500	362.2335	450.9606	303.6640
• Mozambican Metical (MZN)	69.7182	71.0702	70.1985	75.3864
• Turkish Lira (TRY)	6.6843	6.0588	6.1324	5.8349
• US Dollar (USD)	1.1234	1.1450	1.1193	1.1830
• British Pound (GBP)	0.8508	0.8945	0.8710	0.9003

With the exception of AOA and MZN, all exchange rates used are the official EUR exchange rate at 31.12.19 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. For information on the most relevant changes observed after the reporting date in the exchange rates to which the Group is most exposed to, see note 3 a).

(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.

When an economy ceases to be hyperinflationary and an entity interrupts the preparation and presentation of financial statements prepared in accordance with IAS 29 - 'Financial reporting in hyperinflationary economies', it must address the amounts expressed in the current unit of measurement at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

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 the existence of 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. e Telecomunic., S.A., Novabase applied IAS 29 in its consolidated accounts with reference to the year ended 31 December 2017. In 2018, this economy continues to meet one of the main criteria to be considered hyperinflationary, since 3 year inflation exceeded 100% (it was approximately 108%).

In 2019, Novabase undertook a reassessment of the hyperinflationary situation of the Angolan economy, under IAS 29 - 'Financial reporting in hyperinflationary economies', and concluded that the conditions necessary for Angola to be considered a hyperinflationary economy were not met, namely due to the fact that it registered an accumulated inflation in the last three years of approximately 70%. Therefore, the Group no longer applies IAS 29 to the accounts of its subsidiary in Angola for the year ended 31 December 2019.

The table below presents the price index and the percentage variation at the end of 2018, the year in which IAS 29 was still applied. The price index used was the National Consumer Price Index (NCPI) released by the National Statistics Institute of Angola.

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

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.

Until the first half of 2019, the Group was 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 was 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.

Whereas the subsidiary NBASIT-Sist. de Inf. e Telecomunic., S.A. made payments in the first six months of 2019, after demobilizing amounts invested in OTA's, to settle part of the balances with Portuguese entities, the Group reassessed the prospect of receiving loans granted to its foreign subsidiaries and ceased the application of the net investment in foreign entities, with effect from July 2019, regarding exchange differences resulting from the remaining outstanding balances as well as regarding exchange differences and interest on OTA's.

Additionally, following the sale of the GTE Business at the end of 2019 (see note 41), the accumulated exchange differences arising from the application of the net investment in foreign entities in the subsidiary NBMSIT, Sist. de Inf. and Tecnol., S.A. were transferred to profit and loss and recognised as part of the gain on the sale.

2.6. Property, plant and equipment

As of 1 January 2019, with the entry into force of IFRS 16 - 'Leases', property plant and equipment assets comprise both own assets and right-of-use assets (see also notes 2.2. and 2.21.).

For Novabase, property, plant and equipment comprise mainly buildings and other constructions, 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.

Following the update of the strategic plan for the 2019-2023 horizon, Novabase reorganised its activity in two new operating segments (Next-Gen and Value Portfolio), consequently, for the purposes of impairment tests of goodwill, the Group reassessed its cash generating units, having identified new CGUs that represent the way the entity monitors its operations and makes its decisions on the continuation or disposal of its assets and operations.

Since IAS 36 requires goodwill to be reallocated to the affected units, the goodwill previously allocated to Business Solutions CGU was reallocated to Next-Gen, GTE and NeoTalent units. There is no goodwill not allocated to those cash generating units. In addition, at the end of 2019, the goodwill allocated to GTE CGU was considered in determining the capital gain generated on the sale of the subsidiary Novabase Digital, S.A. (see note 41). Note 8 gives information on Goodwill's allocation to the CGUs.

(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

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 (business model test) and the contractual characteristics in terms of the cash flows of the financial asset (SPPI test).

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 debt 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, except in cases where fair value is observable in the market, with the changes in fair value recognised in profit or loss in the period in which they occur.

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.

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 cash generating units, given that it is at this level that management monitors its return on investment.

2.10 Impairment of financial assets

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.

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.

Regarding the statement of profit and loss, the Group has applied judgement in determining an appropriate presentation of impairment losses under IFRS 9, considering 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 under the caption 'Net impairment losses on trade and other receivables'; and

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

(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 and representative of the specific characteristics of the underlying credit risk. 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, because it's in line with the entity's current credit risk management policies, as it corresponds to the period in which the sending of credit for litigation is triggered, and since its experience of actual losses before this maturity is reduced, apart from the fact that 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 considering 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, impairments are calculated by assigning i) a Probability of Default (PD) that derives from the rating of the issuer or counterparty, and ii) a Loss Given Default (LGD) that results from market parameters. Since the PD available on the market corresponds to the expected losses in the 12-month period, Novabase applied a PD adjusted to the maturity of the instrument on a 'pro rata' basis to the value of debt securities and bank balances. In 2019, the LGD used corresponded to 60% for Portugal and 59% for Angola (2018: 62% for Portugal, 60% for Angola and 50% for Mozambique).

For these assets 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) provided that the credit risk has not increased significantly since its initial recognition.

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.

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, or with contractual terms of immediate demobilization and 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

As of 1 January 2019, with the entry into force of IFRS 16 - 'Leases', borrowings comprise bank borrowings and lease liabilities (see also notes 2.2. and 2.21.).

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 year 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 considers 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.

Labour 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 Labour Compensation Fund schemes (FCT) and the Guarantee Fund Compensation of Labour (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.

Stock options
At the General Meeting of Shareholders held on 26 September 2019, it was approved the implementation of a medium or long-term plan to grant a variable remuneration to the members of the Board of Directors of the Company and to employees of Novabase, based on the performance of the Novabase's shares. According to this resolution, Novabase may approve the attribution of stock options plans, equity settled and cash settled, as a form of remuneration able to promote the alignment of interests of the members of the management bodies with the interests of the Company.

The fair value of the services received is recorded as a cost in the statement of profit and loss, against an increase in equity (equity settled portion) or liability (cash settled portion), over the period of acquisition of rights by the employee. The total amount to be recorded as a cost is determined based on the fair value of the options attributed, which was estimated only using market conditions. Acquisition conditions that are not market conditions were considered to estimate the number of options that at the end of the acquisition period will have acquired rights. At each reporting date, Novabase reviews the estimate of the number of options it expects to become exercisable and recognises the impact of the revision of the original estimate on profit or loss.

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

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.

According to this model, the recognition of revenue depends on whether performance obligations are satisfied over time ("over time") or whether, on the contrary, control over goods or services is transferred at a given time ("point in time"), being measured by the consideration that the entity expects to be entitled to receive in return for the delivery of these goods or services.

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.

In 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 considering 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.

Whenever the performance obligations at the reporting date have an estimated initial duration of 1 year or less, the Group does not disclose additional information about them, as permitted by IFRS 15.

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, considering 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.

2.20 Grants

Government grants are recognised at fair value, when there is highly likely 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

Policy applicable from 1 January 2019
According to the new definition of a Lease under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to use an identified asset for a period of time in exchange for consideration. Under this accounting standard, the Group recognises right-of-use assets and lease liabilities for most leases (leases that appear on the statement of financial position) with the exception of short-term leases and low-value leases, for which Novabase applies the exemption provided in the standard.

- *Right-of-use assets*

The Group recognises a right-of-use asset at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

• *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase or renewal options reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Subsequently, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, the revised lease payments are discounted using an unchanged discount rate, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

If there is a lease modification that do not qualifies to be accounted as a separate lease, Novabase remeasures the liability (and adjusts the corresponding right-of-use assets) by discounting the revised lease payments, using a revised discount rate at the effective date of the modification.

• *Short-term leases and leases of low-value assets*

Novabase applies the short-term lease recognition exemption to its short-term leases of facilities that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense under the straight-line method over the lease term. The Group has no low-value assets leases.

Policy applicable before 1 January 2019

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 is applying the hedge accounting requirements in IAS 39 until there is greater visibility of the Dynamic Risk Management project (macro-hedging) that is still in progress, 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 mainly to the GTE Business, discontinued at the end of 2019, as the result of the sale agreement of the "Application and Data Analytics" business for the Government, Transport and Energy industries to VINCI Energies Portugal, SGPS, S.A. - see note 41. It also comprises a marginal value of liabilities and results related to the IMS Business, discontinued at the end of 2016.

2.25 Comparatives

The consolidated financial statements for the year ended 31 December 2019, except as referred at the beginning of this note, are comparable in all material aspects with 2018, 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.

As a result of the discontinuation of GTE Business described in the general information note, and as indicated in note 2.24., the statement of profit and loss for 2018 was restated.

In what concerns to the segment information, due to the changes in the composition of the business segments as described in the general information note, the 2018 amounts were restated considering the new vision of analysis of the Group's business.

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/MZN exchange rate. From the reporting date until 29 February, the Metical depreciated 3.77% against the Euro, with the EUR/MZN exchange rate returning to the beginning of 2019. For its part, the EUR/USD exchange rate presented the second lowest value since April 2017, in what appears to be a return of volatility in the money markets and consequently in the foreign exchange market, with the US Dollar appreciating 2.34% against the Euro, from the reporting date until 29 February. Finally, it should be noted that the EUR/AOA exchange rate showed an almost zero variation, with the Kwanza appreciating against the Euro only 0.18%, since the reporting date until 29 February, so despite this currency maintaining a devaluation trend against the Euro, this has been happening at a lower pace.

It should also be noted that, until the issue of this report, final negotiations on the exit model of the United Kingdom from the EU were not concluded on 31 January 2020, as a result of the outcome of the referendum that led to Brexit. Any remaining uncertainty was removed after the "divorce" agreement was ratified by the British and European parliaments - legal requirements for its terms to take effect. The European Parliament approved the agreement on 29 January.

As a result, the United Kingdom ceased to be a member of the EU as of 1 February 2020, and is no longer part of the various community institutions. The exit came into force under the agreement signed by London and Brussels in October 2019, consisting of an exit Agreement on the terms of the exit, accompanied by a Political Declaration on future ties and covering issues such as the Kingdom's financial agreement. United Kingdom, provisions for Northern Ireland and safeguards for the rights of EU citizens living in the UK and Britons living on the continent. Under this agreement, a transitional period took effect after the UK left and will run until 31 December 2020, during which many existing agreements will remain in force.

Therefore, until a final agreement is reached, it remains a high degree of uncertainty regarding the evolution of the British economy and, consequently, of the British Pound. This scenario could be further aggravated if a trade agreement with the EU is not reached, as failure to do so would severely affect the UK economy and lead to a change in trade relations with the EU.

Novabase is following closely this topic, however, it does not expect significant impacts with the actual exit of the UK, whereby the Group's exposure to this currency is low, namely through its subsidiary Celfocus LTD, which presents, at 31 December 2019, financial assets and liabilities of EUR 176 thousand and EUR 180 thousand, respectively.

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 of the Group's continued operations:

At 31 December 2018	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Financial assets at fair value through profit or loss	3,868	-	-	-	-	3,868
Debt 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

At 31 December 2019	Euro	Dollar	Kwanza	Metical	Other	Total
Assets						
Financial assets at fair value through profit or loss	12,175	-	-	-	-	12,175
Debt securities	-	-	3,196	-	-	3,196
Other non-current assets	1,899	9	-	-	-	1,908
Trade and other receivables	71,667	2,041	206	-	33	73,947
Accrued income	3,823	-	20	-	-	3,843
Derivative financial instruments	24	-	-	-	-	24
Cash and cash equivalents	47,873	289	302	-	291	48,755
	137,461	2,339	3,724	-	324	143,848
Liabilities						
Borrowings	30,362	-	-	-	-	30,362
Other non-current liabilities	770	-	-	-	-	770
Trade and other payables	38,927	43	404	-	261	39,635
Derivative financial instruments	17	-	-	-	-	17
Deferred income and other current liabilities	14,853	-	1	-	-	14,854
	84,929	43	405	-	261	85,638

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 2019, 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 568 thousand in 2019 (2018: EUR 2,050 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 2019, approximately 29% of bank borrowings are contracted at fixed rates (2018: 11%). However, as a result of the negative indexes during the year, this amount rises to 100%, 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 2019, 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 15 thousand in 2019, and in an increase or decrease, respectively, of approximately EUR 89 thousand in 2018. 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, considering the financial position of the customer and past experience.

At 31 December 2019, the 60 customers with greater balances of the Group represented approximately 84% of the total balance (2018: 86%).

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

	31.12.19	**31.12.18**
Portugal	52%	51%
Europe	33%	33%
Africa	11%	12%
Middle East	4%	4%
	100%	100%

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

	31.12.19	**31.12.18**
Telecommunications	48%	44%
Financial Services	24%	11%
Energy	9%	6%
Public Administration	7%	25%
Information Technology	7%	7%
Transport	-	2%
Aeronautics	-	1%
Other	5%	4%
	100%	100%

The change by sector of activity is largely related to the sale of the subsidiary in the GTE Business, especially in the decrease in 'Public Administration' customers and the consequent adjustment of weights regarding other sectors.

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 2019 (note 20) and Treasury Bonds (note 19), respectively. These balances are shown before impairment losses recognised according to IFRS 9.

		31.12.19	**31.12.18**
	A2	3,136	4,079
	A3	10,134	-
	Baa1	18,012	18,652
	Baa2	-	12,490
	Baa3	8,248	-
	Ba3	-	14,026
	B2	7,666	-
	B3	3,333	9,286
	Caa1	-	4,866
(*)	B	-	3,956
		50,529	67,355

(*) 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. 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 2019 and 31 December 2018.

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

	31.12.19		31.12.18	
	Euro	**Kwanza**	**Euro**	**Kwanza**
Banco BPI (BPI)	15,000	-	10,000	-
Banco Europeu de Investimento (BEI)	-	-	5,300	-
Novo Banco	12,000	-	7,000	-
Banco Comercial Português (BCP)	5,000	-	-	-
Caixa Geral de Depósitos (CGD)	5,000	-	5,000	-
Banco Santander Totta (Santander)	400	-	1,200	-
Bankinter	894	-	1,563	-
Novo Banco ES	1,000	-	1,000	-
Banco de Fomento de Angola (BFA)	-	200,000	-	200,000
	39,294	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 not used amount to approximately EUR 20,858 thousand as at 31 December 2019 (31.12.18: EUR 20,362 thousand), being sufficient to meet any immediate demand. In addition to these credits, the Group has EUR 48,755 thousand of cash and cash equivalents as at 31 December 2019, as stated in the Consolidated Statement of Financial Position, which combined with the credit facilities amounts to EUR 69,613 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.

	31.12.19	**31.12.18**
Operating Profit (*)	4,644	4,015
Total Equity	87,620	80,580
Return on Capital	5.3 %	5.0 %

(*) The 2018 Operating Profit was restated in order to show the discontinuation of the GTE Business.

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 2019 is around 8.9% (2018: 7.7%). In 2019, the objective was not 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 1,553 thousand (2018: EUR 2,903 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 approximately 3% in 2019 and 3% in 2018) 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 uses 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.

h) Leases

The Group applies judgement to determine the lease term for some lease contracts that include renewal options, that is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The Group also applies judgement to determine the incremental borrowing rate to apply to each portfolio of leases identified and to measure residual value guarantees, which forms part of lease payments. In this case, according to IFRS 16, the Management considers in the measurement of the lease liabilities the amount that it expects to pay under a residual value guarantee.

5. Segment information

In 2019, Novabase reorganised its activity into two new segments, which were identified based on the main guidelines of the future strategy: becoming a “Next-Gen IT Services Company”. Therefore, as at 31 December 2019, in what concerns to operating segments, the Group is organised as follows:

- Next-Gen
- Value Portfolio

The “Next-Gen” segment comprise the assets held in Financial Services and Telecommunications. This segment aims to achieve an accelerated growth through focus on Next-Gen IT (Design & UX, Insights Through Data, Cloud native & scalable, Digital Architecture, API Exposure, AI / Analytics, Test Automation & Engineering, Continuous Delivery, Intelligent Operations) for the Telco and Financial Services industries and in Europe and Middle East geographies. This segment derives its revenues from time and materials consulting projects, turn-key consulting projects and outsourcing and maintenance projects, and may also include a small component of sales.

“Value Portfolio” segment comprise the assets held in Government, Transportation and Energy sectors, as well as IT Staffing, Novabase Capital and Collab. The main goal of this segment is to maximise its operating profitability in order to generate the necessary funds to support the focus on “Next-Gen” growth. This segment derives its revenues from time and materials consulting projects, turn-key consulting projects and outsourcing and maintenance projects, and may also include a small component of sales. Regarding the venture capital activity, this segment revenues also derives from the valuation and sale of Venture Capital Fund's investees and advisory services in purchase and sale and M&A processes.

Operating segments are reported consistently with the internal reporting that is provided to the Management, based on which it evaluates the performance of each segment and allocates the available resources. Comparatives from the same period were restated considering the new internal reporting organization.

This reorganization of operations under the 2019+ Strategic Update also led to a reallocation of goodwill, based on the new CGU identified (see note 8).

Additionally, in the last quarter of 2019, as a result of the agreement for the sale of the “Application and Data Analytics” business to the Government, Transport and Energy (“GTE Business”) sectors signed with VINCI Energies Portugal, S.G.P.S., S.A., the GTE Business was discontinued (see notes 6 and 41). This situation led to the restatement of the amounts presented in 2018, to show continuing operations separately from discontinued operations.

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 "Value Portfolio" segment.

Revenues from operating segments, as well as other measures of profit or loss and material items within the consolidated statement of profit and loss, can be analysed as follows:

At 31 December 2018	**Value Portfolio**	**Next-Gen**	**Novabase**
Total segment sales and services rendered	55,508	113,058	168,566
Inter-segment sales and services rendered	22,102	36,433	58,535
Sales and services rendered	33,406	76,625	110,031
Depreciation and amortisation	(1,685)	(832)	(2,517)
Operating Profit / (Loss)	1,387	2,628	4,015
Finance results	(1,178)	(341)	(1,519)
Share of loss of associates (note 35)	(62)	-	(62)
Gain on net monetary position	308	-	308
Income tax expense	269	(1,263)	(994)
Profit from continuing operations	724	1,024	1,748
Profit from discontinued operations (note 41)	3,266	-	3,266
Other information:			
(Provisions) / Provisions reversal	749	487	1,236
Net impairment losses on trade and other receivables	344	331	675

At 31 December 2019	Value Portfolio	Next-Gen	Novabase
Total segment sales and services rendered	61,161	105,099	166,260
Inter-segment sales and services rendered	22,578	23,427	46,005
Sales and services rendered	38,583	81,672	120,255
Depreciation and amortisation	(3,041)	(1,674)	(4,715)
Operating Profit / (Loss)	2,065	2,579	4,644
Finance results	6,823	(158)	6,665
Share of loss of associates (note 35)	(83)	-	(83)
Gain on net monetary position	-	-	-
Income tax expense	(823)	470	(353)
Profit from continuing operations	7,982	2,891	10,873
Profit from discontinued operations (note 41)	15,103	-	15,103
Other information:			
(Provisions) / Provisions reversal	804	(1,761)	(957)
Net impairment losses on trade and other receivables	156	97	253

* As of 1 January 2019, Novabase adopted IFRS 16 – 'Leases', and has not restated comparative information, as provided by the standard. The impact of IFRS 16 on segment information, during this year, is detailed in note 2.2. (d).

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.

In line with the longstanding commitment to internationalization, Novabase Management was monitoring the Turnover in countries outside Portugal. In 2019, however, Management started to monitor this indicator based on the geography of the executed project instead of the geography of the invoiced customer, as it had done so far, considering that the former gives more relevant information in the scope of monitoring the execution of the new strategic plan, so the counterpart was restated.

Sales and services rendered, by project geography, in 2018, are analysed as follows:

	Portugal	Europe & Middle East	Others	Novabase
Sales and services rendered	45,686	52,584	11,761	110,031

Sales and services rendered, by project geography, in 2019, are analysed as follows:

	Portugal	Europe & Middle East	Others	Novabase
Sales and services rendered	50,855	60,456	8,944	120,255

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 2019, were the following:

	Holding company and Subsidiaries	Principal place of business	Share capital 31.12.19	% Interest held 31.12.19	% Interest held 31.12.18
	Parent company:				
	Novabase S.G.P.S., S.A.	Portugal	54,638,426 €	-	-
	Next-Gen:				
	Novabase E.A., S.A.	Portugal	150,000 €	100.0%	100.0%
	CelFocus, S.A.	Portugal	100,000 €	55.0%	55.0%
	Novabase Solutions Middle East FZ-LLC	Dubai	699,670 €	100.0%	100.0%
	Celfocus B. T. T. H. T. Limited Ş.	Turkey	100,000 TRY	55.0%	55.0%
	Celfocus LTD	UK	15,000 GBP	55.0%	55.0%
(i)	Celfocus B.V.	The Netherlands	20,000 €	55.0%	-
	Novabase Business Solutions, S.A.	Portugal	3,366,000 €	100.0%	100.0%
	Binómio, Lda.	Portugal	2,626 €	100.0%	100.0%
	Value Portfolio:				
(ii)	Novabase Digital, S.A.	Portugal		-	90.1%
(ii)	NBMSIT, Sist. de Inf. e Tecnol., S.A.	Mozambique	8,235,000 MZN	74.0%	74.0%
	Novabase Neotalent, S.A.	Portugal	52,630 €	95.0%	95.0%
	Novabase Sistemas de Informacion, S.A.	Spain	1,000,000 €	95.0%	95.0%
(*)	NBASIT-Sist. de Inf. e Telecomunic., S.A.	Angola	47,500,000 AOA	49.4%	49.4%
	Novabase Capital S.C.R., S.A.	Portugal	2,500,000 €	100.0%	100.0%
	FCR NB Capital Inovação e Internacionalização	-	11,360,000 €	51.6%	51.6%
	FCR Novabase Capital +Inovação	-	7,021,278 €	53.1%	53.1%
	COLLAB – Sol. I. Com. e Colab., S.A.	Portugal	63,833 €	77.8%	77.8%
	Novabase Consulting S.G.P.S., S.A.	Portugal	11,629,475 €	100.0%	100.0%
	NBASE S.G.P.S., S.A.	Portugal	328,125 €	100.0%	100.0%
	NOVABASE IMS 2, S.A.	Portugal	220,500 €	100.0%	100.0%
	TVLab, S.A.	Portugal	52,517 €	70.0%	70.0%
	Nbase International Investments B.V.	The Netherlands	1,220,800 €	100.0%	100.0%
(iii)	Evolvespace Solutions, Lda.	Portugal		-	100.0%
	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 the 2019, the following changes occurred in the consolidation perimeter:

(i) Celfocus, B.V., with headquarters in Amsterdam, The Netherlands, was incorporated. This company is dedicated to develop, to commercialize and to give training in the field of information systems for the Telecommunications industry.

(ii) Following the sale agreement with VINCI Energies Portugal, the Group discontinued the GTE Business, developed in the subsidiaries Novabase Digital, S.A. and NBMSIT, Sist. de Inf. e Tecnol., S.A., having sold 100% of the subsidiary Novabase Digital, S.A. as at 31 December 2019 (see note 41).

(iii) The subsidiary Evolvespace Solutions, Lda. was liquidated in December 2019.

The company included in the consolidation using the equity method, as at 31 December 2019, under the Value Portfolio segment, was the following:

Associates (see note 9 and 35)	Principal place of business	Share capital 31.12.19	% Interest held 31.12.19	% Interest held 31.12.18	Equity 31.12.19	Net Profit 31.12.19
Fundo Capital Risco NB Capital	Portugal	7,142,857 €	30.0%	30.0%	602	(277)

A. Subsidiaries with material non-controlling interests

Novabase considers that the main subsidiaries with material non-controlling interests at 31 December 2019 are those set out below, which jointly account for 30% (2018: 68%) of the amount of 'Non-controlling interests' of profit or loss. The decrease in representativeness in 2019 is related to a significant gain recorded in another subsidiary, FCR NB Capital Inovação e Internacionalização held by 51.6%, related to the revaluation of one of its investments (see note 10). Management did not change its judgment due to the non-recurring nature of this gain. 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 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	-

At 31 December 2019	NBMSIT S.A.	NBASIT S.A.	CelFocus, S.A.	Collab, S.A.
Total Non-Current Assets	6	405	7,233	2,456
Total Current Assets	505	3,544	39,070	4,650
Total Non-Current Liabilities	(24)	(3)	(3,222)	(757)
Total Current Liabilities	(3,399)	(6,875)	(23,901)	(3,451)
Net Assets	(2,912)	(2,929)	19,180	2,898
Net Assets attrib. to NCI	(758)	(2,159)	9,023	663
Sales and Services rendered	864	853	64,983	6,478
Profit for the year	(440)	(1,667)	4,026	(308)
Total Comprehensive Income	(440)	(1,667)	4,026	(308)
Comprehensive Income attrib. to NCI	188	(370)	1,965	(98)
Cash and cash equiv. at beg. of year	4,016	5,584	14,569	1,321
Cash and cash equiv. at end of year	211	346	16,109	1,972
Change in cash and cash equiv.	(3,805)	(5,238)	1,540	651
Dividends paid to NCI (note 23)	-	-	548	-

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 2019 a Total Non-Current Assets of EUR 609 thousand and a Total Current Assets of EUR 138 thousand. Liabilities (all Current) amounts to EUR 145 thousand, for a Total Net Asset of EUR 602 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 -277 thousand. In 2019, there was a variation in Cash and cash equivalents in the amount EUR -54 thousand, for a balance at the end of the period of EUR 77 thousand. This associate did not attribute or pay dividends in any of the periods of this report.

7. Property, plant and equipment

As at 1 January 2019, the Group adopted IFRS 16 in accordance with the modified retrospective approach, having not restated the figures for the comparative period presented (see note 2.2.). Accordingly, the amounts presented under 'Property, plant and equipment' caption comprise, since 1 January 2019, own assets and right of use assets.

The book values of right-of-use assets included in 'Property, plant and equipment' by asset class, as well as the movements occurred during the year, are detailed in note 2.2. (b).

	31.12.19			31.12.18		
	Cost	**Accumulated depreciation**	**Net book value**	**Cost**	**Accumulated depreciation**	**Net book value**
Buildings and other constructions	31,090	22,064	9,026	3,201	2,829	372
Basic equipment	7,661	6,083	1,578	7,237	5,763	1,474
Transport equipment	2,728	1,624	1,104	9,733	1,641	8,092
Furniture, fittings and equipment	1,771	1,514	257	1,830	1,533	297
Other tangible assets	11	11	-	12	12	-
	43,261	31,296	11,965	22,013	11,778	10,235

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

	Balance at 01.01.18	Application IFRS 16	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	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

During 2019, movements in property, plant and equipment were as follows:

	Balance at 01.01.19	Application IFRS 16	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	Balance at 31.12.19
Cost:							
Buildings and other constructions	3,201	24,410	3,707	-	-	(228)	31,090
Basic equipment	7,237	-	813	(202)	(7)	(180)	7,661
Transport equipment	9,733	(6,907)	689	(698)	(57)	(32)	2,728
Furniture, fittings and equipment	1,830	-	132	(30)	(1)	(160)	1,771
Other tangible assets	12	-	-	(1)	-	-	11
	22,013	17,503	5,341	(931)	(65)	(600)	43,261
Accumulated depreciation:							
Buildings and other constructions	2,829	16,442	2,801	-	-	(8)	22,064
Basic equipment	5,763	-	702	(197)	(7)	(178)	6,083
Transport equipment	1,641	-	685	(614)	(57)	(31)	1,624
Furniture, fittings and equipment	1,533	-	66	(27)	(2)	(56)	1,514
Other tangible assets	12	-	-	(1)	-	-	11
	11,778	16,442	4,254	(839)	(66)	(273)	31,296

'Application IFRS 16' includes the impact of the initial application of that standard, with the recognition of right-of-use assets related to building leases (which were previously classified as operating leases under IAS 17), in the gross amount of EUR 24,410 thousand and accumulated depreciation of EUR -16,442 thousand. It also includes the decrease of right-of-use assets after the initial application, in the amount of EUR 6,907 thousand, within the scope of the estimated residual value payable review of transport leases, which were previously classified as financial leases under IAS 17, since one of the factors that determined this classification was the existence of residual value guarantees that were being accumulated at its maximum value, having been reviewed to the amount that Management estimates to pay, according to IFRS 16 (see also note 24).

The acquisitions of property, plant and equipment that occurred in 2019 are essentially right-of-use of 'Buildings', in the amount of EUR 3,449 thousand, and refer to the accounting relevance of five new lease agreements with estimated durations between 35 and 60 months, and the extension of the term of existing lease agreements renegotiated during the year.

'Change in consolidation perimeter' reflects the effect of the discontinuation of the GTE Business, following the sale agreement entered into with VINCI Energies Portugal (see note 41).

Finally, it should be noted that the net impact on property, plant and equipment resulting from the application of the hyperinflation standard to Angola's accounts, reflected in 'Application IAS 29', was EUR +3 thousand in 2018. In 2019, the standard was no longer applied because this economy is no longer considered hyperinflationary (see note 5).

In 2019, 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 performed.

Depreciation recognised in profit and loss and included in 'Depreciation and amortisation' amounts to EUR 4,221 thousand (2018: EUR 1,418 thousand), and included in 'Profit from discontinued operations' amounts to EUR 33 thousand (2018: EUR 188 thousand).

8. Intangible assets

	31.12.19			31.12.18		
	Cost	**Accumulated amortisation**	**Net book value**	**Cost**	**Accumulated amortisation**	**Net book value**
Internally generated intangible assets	13,622	12,790	832	14,431	13,439	992
Industrial property and other rights	11,439	11,077	362	11,059	11,055	4
Work in progress	272	-	272	183	-	183
Goodwill	11,501	-	11,501	14,886	-	14,886
	36,834	23,867	12,967	40,559	24,494	16,065

During 2018, movements in intangible assets were as follows:

	Balance at 01.01.18	**Acquisitions / increases**	**Impairm. ch. / Write-offs**	**Transfers**	**Change in consolidation perimeter**	**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

During 2019, movements in intangible assets were as follows:

	Balance at 01.01.19	**Acquisitions / increases**	**Impairm. ch. / Write-offs**	**Transfers**	**Change in consolidation perimeter**	**Balance at 31.12.19**
Cost:						
Internally generated intangible assets	14,431	-	(126)	312	(995)	13,622
Industrial property and other rights	11,059	372	-	8	-	11,439
Work in progress	183	546	-	(320)	(137)	272
Goodwill	14,886	-	-	-	(3,385)	11,501
	40,559	918	(126)	-	(4,517)	36,834
Accumulated amortisation:						
Internally generated intangible assets	13,439	472	(126)	-	(995)	12,790
Industrial property and other rights	11,055	22	-	-	-	11,077
	24,494	494	(126)	-	(995)	23,867

Change in Consolidation Perimeter column reflects the effect of the discontinuation of the GTE Business, following the sale agreement entered into with VINCI Energies Portugal (see note 41).

The amount of amortisation recognised in profit and loss and included in 'Depreciation and amortisation' is EUR 494 thousand (2018: EUR 1,099 thousand), and included in 'Profit from discontinued operations' is EUR 0 thousand (2018: EUR 235 thousand).

The captions 'Internally generated intangible assets' and 'Work in progress' include costs incurred in software development projects.

The amount with research and development recognised as a cost, related to the main research projects, reached EUR 2.6 Million (2018: EUR 4.0 Million).

Movements in **goodwill** were as follows:

	31.12.19	31.12.18
Balance at 1 January	16,413	16,413
Discontinued operations (GTE)	(4,912)	-
Balance at 31 December	11,501	16,413

Movements in **goodwill impairment** were as follows:

	31.12.19	31.12.18
Balance at 1 January	(1,527)	(1,527)
Discontinued operations (GTE)	1,527	-
Balance at 31 December	-	(1,527)

Impairment tests for goodwill

In the context of the Group's Strategic Update disclosed to the market on July 2019, Novabase reorganised its activity into two new operating segments (Next-Gen and Value Portfolio), a fact that, in light of the IFRS, requires a goodwill reallocation. Given that the goodwill previously allocated to the Business Solutions CGU could not be allocated or associated in a non-arbitrary way to a lower level than the said CGU, the Group reallocated this goodwill to the affected units using the "relative fair value model" provided by IAS 36.

Consequently, for the purposes of impairment tests for goodwill, the Group revaluated its Cash Generating Units, so that goodwill previously allocated to the Business Solutions CGU, of EUR 14,886 thousand, was allocated by three new units: Next-Gen (EUR 8,115 thousand), GTE (EUR 3,385 thousand) and NeoTalent (EUR 3,386 thousand). After goodwill reallocation, impairment tests were performed on the CGU and it was concluded that there was no impairment. Additionally, at the end of 2019, with the sale of the GTE Business, goodwill associated with this CGU was written-off (see notes 5 and 41).

	31.12.19	31.12.18
Next-Gen	8,115	-
NeoTalent	3,386	-
Business Solutions (BS)	-	14,886
	11,501	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:

	31.12.19		31.12.18
	Next-Gen	NeoTalent	BS
Discount rate (post-tax)	8.7%	9.4%	7.7%
Perpetual growth rate	2.0%	2.0%	2.0%
Annual average growth rate of turnover	15.0%	9.8%	7.3%

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 Next-Gen CGU of EUR 58 Million and EUR 85 Million, respectively, and an Equity Value of Neotalent CGU of EUR 17 Million and EUR 23 Million, respectively, not becoming lower than the carrying amount of assets.

9. Investments in associates

	% Interest held directly		Amount	
	31.12.19	31.12.18	31.12.19	31.12.18
Fundo Capital Risco NB Capital (notes 6 and 35)	30.0%	30.0%	169	252
			169	252

10. Financial assets at fair value through profit or loss

		% Interest held directly		Amount	
		31.12.19	31.12.18	31.12.19	31.12.18
(i)	Feedzai, S.A.	1.7%	1.7%	10,034	1,926
(ii)	Globaleda, S.A.	25.1%	25.1%	598	598
(iii)	FCR IStart I	11.6%	11.6%	391	459
(iv)	CB Talents Global, S.A.	13.3%	13.3%	-	200
(v)	Aixtel Technologies, S.A.	5.7%	5.7%	218	188
(vi)	Probely, Lda.	3.3%	3.3%	-	75
(vii)	Bright Innovation, Lda. ("BI")	90.0%	90.0%	-	-
(viii)	Powergrid, Lda.	88.9%	88.9%	-	-
(ix)	Glarevision, S.A.	5.7%	-	120	-
(x)	Habit Analytics PT, Lda.	4.6%	-	320	-
(xi)	Other			494	422
				12,175	3,868

(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) Company, held by Fundo de Capital de Risco Novabase Capital +Inovação, focused on developing solutions based on augmented reality for industrial maintenance.

(x) Company, held by Fundo de Capital de Risco Novabase Capital +Inovação, focused on developing a real-time data platform that aggregates and analyses multiple sources of data, from Internet of Things ('IoT') devices.

(xi) In 2019 and 2018, the amount of this caption refers to FCT - Labour 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:

	31.12.19	31.12.18
Balance at 1 January	3,868	2,796
Acquisitions / share capital increase	598	531
Net fair value adjustments	7,810	541
Change in consolidation perimeter	(101)	-
Balance at 31 December	12,175	3,868

In 2019, the acquisitions are related to the investments made by 'FCR Novabase Capital +Inovação' in the companies Glarevision, S.A. and Habit Analytics PT, Lda., in the total amount of EUR 440 thousand. This amount was fully paid in this exercise.

In 2019, the net fair value adjustments mainly reflect a significant appreciation of Feedzai, S.A., in the amount of EUR 8,107 thousand (note 33). This Portuguese data science startup uses artificial intelligence to make banking and e-commerce secure, analysing large amounts of data to detect and prevent fraud in electronic transactions, and has been a case of global success, having already integrated the Tech Tour Growth 50 list, the index of the 50 companies with the highest growth potential in Europe. It is recalled that in the past, the Group obtained gains on the sale of part of its investment in this company, in the amount of EUR 3,008 thousand in 2017 and EUR 1,110 thousand in 2015.

The net fair value adjustments recognised in profit and loss and included in the 'Finance income' and 'Finance costs' captions are EUR 7,807 thousand (2018: EUR 540 thousand), and included in 'Profit from discontinued operations' is EUR 3 thousand (2018: EUR 1 thousand).

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 2019.

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 are set out below:

	Feedzai	
	31.12.19	**31.12.18**
Discount rate (post-tax)	16.3%	13.6%
Perpetual growth rate	0.5%	0.5%
Annual average growth rate of turnover	56.7%	16.8%

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 -727 thousand and EUR +832 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:

	31.12.19	**31.12.18**
Deferred tax assets		
To be recovered within 12 months	1,347	349
To be recovered after more than 12 months	8,238	9,699
	9,585	10,048
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:

	31.12.19	**31.12.18**
Balance at 1 January	10,048	10,448
Adjustment on initial application of IFRS 9 and IFRS 15	-	662
Adjustment on initial application of IFRS 16 (see note 2.2.)	301	-
Profit or loss charge	438	(911)
Other comprehensive income charge	136	(147)
Exchange differences	(4)	(4)
Tax related to net invest. in foreign entities of discont. op. (see note 41)	829	-
Change in consolidation perimeter	(2,163)	-
Balance at 31 December	9,585	10,048

The amount recognised in profit and loss and included in 'Income tax expense' is EUR 857 thousand (2018: EUR -1,289 thousand), and included in 'Profit from discontinued operations' is EUR -419 thousand (2018: EUR 378 thousand).

The amount recognised in other comprehensive income of EUR 136 thousand in 2019 (2018: EUR -147 thousand) refers to the tax related to the net investment in foreign entities of discontinued operations, which was terminated with effect from 1 July 2019, and to the economic hedge of the operations in Angola (see note 19).

The movement in deferred tax assets during the year, without considering the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax Losses / Other	Tax Incentives	Provisions / Adjustments	Total
Balance at 1 January 2018	(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
Adjustment on initial application of IFRS 16	301	-	-	301
Profit or loss charge	(487)	599	326	438
Other comprehensive income charge	136	-	-	136
Exchange differences	(4)	-	-	(4)
Tax related to net invest. in foreign entities of discont. op.	829	-	-	829
Change in consolidation perimeter	2	(2,047)	(118)	(2,163)
Balance at 31 December 2019	(4)	8,068	1,521	9,585

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
Between 2 and 3 years	-	1,793	-	1,793
Between 3 and 4 years	-	1,479	-	1,479
Between 4 and 5 years	-	1,731	-	1,731
Between 5 and 6 years	-	1,461	-	1,461
Over 6 years	-	1,604	-	1,604
With no defined date	(4)	-	1,521	1,517
	(4)	8,068	1,521	9,585

12. Other non-current assets

	31.12.19	31.12.18
Loans to related parties (note 40 iii)	5,033	4,769
Provision for impairment of loans to related parties (note 40 iii)	(3,125)	(3,125)
	1,908	1,644

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:

	31.12.19	31.12.18
Balance at 1 January	3,125	2,747
Impairment (note 34)	-	378
Balance at 31 December	3,125	3,125

13. Inventories

	31.12.19	31.12.18
Merchandise	43	50
Raw materials, subsidiary goods and consumables	-	119
	43	169
Inventory impairment	(9)	(136)
	34	33

Movements in inventory impairment are analysed as follows:

	31.12.19	31.12.18
Balance at 1 January	136	135
Exchange differences	-	1
Change in consolidation perimeter	(127)	-
Balance at 31 December	9	136

14. Financial instruments by category

At 31 December 2018	**Financial assets at amortised cost**	**Assets/ liabilities 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
Debt 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

At 31 December 2019	**Financial assets at amortised cost**	**Assets/ liabilities at fair value through P&L**	**Other financial liabilities**	**Non-financial assets/ liabilities**	**Total**
Assets					
Financial assets at fair value through profit or loss	-	12,175	-	-	12,175
Debt securities	3,196	-	-	-	3,196
Other non-current assets	1,908	-	-	-	1,908
Trade and other receivables	73,947	-	-	4,481	78,428
Accrued income	3,843	-	-	-	3,843
Derivative financial instruments	-	24	-	-	24
Other current assets	-	-	-	6,211	6,211
Cash and cash equivalents	48,755	-	-	-	48,755
	131,649	12,199	-	10,692	154,540
Liabilities					
Borrowings	-	-	30,362	-	30,362
Other non-current liabilities	-	-	770	-	770
Trade and other payables	-	-	39,635	-	39,635
Derivative financial instruments	-	17	-	-	17
Deferred income and other current liabilities	-	-	14,854	-	14,854
	-	17	85,621	-	85,638

For more information about the categories of financial assets and liabilities, see policy in note 2.8..

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.

	31.12.19			31.12.18		
	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	494	-	-	422	-	-
Financial assets at fair value through profit or loss	-	-	11,681	-	-	3,446
Derivative financial instruments	-	24	-	-	26	-
	494	24	11,681	422	26	3,446
Financial liabilities at fair value						
Derivative financial instruments	-	17	-	-	24	-
	-	17	-	-	24	-

(*) Refers to FCT - Labour Compensation Fund (see note 10).

15. Trade and other receivables

	31.12.19	31.12.18
Trade receivables	37,558	42,475
Impairment allowance of trade receivables	(1,154)	(2,212)
	36,404	40,263
Financial holdings disposal (see note 41)	36,000	-
Capital subscribers of 'Fundo de Capital de Risco NB Capital +Inovação'	2,469	2,469
Value added tax	1,789	1,298
Receivables from financed projects	1,663	1,946
Prepayments to suppliers	159	167
Employees	64	87
Amount receivable from non-controlling interests	-	12
Other receivables	941	558
Impairment allowance of other receivables	(1,061)	(1,142)
	42,024	5,395
	78,428	45,658

The decrease of trade receivables reflects mainly the exit of the consolidation perimeter of the subsidiaries sold in GTE Business.

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.

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 tables provides information about the exposure to credit risk and ECLs for the Group's trade receivables as at 31 December 2018 and 31 December 2019.

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	

At 31 December 2019	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
Current (not past due)	0.64%	26,468	38	No
1-180 days past due	3.78%	8,944	31	No
181-360 days past due	57.15%	833	31	No
More than 360 days past due	88.59%	1,313	1,054	Yes
		37,558	1,154	

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	
	31.12.19	31.12.18	31.12.19	31.12.18	31.12.19	31.12.18
Balance at 1 January	2,212	2,802	1,142	1,205	3,354	4,007
Adjustment on initial application of IFRS 9	-	542	-	-	-	542
Impairment	285	490	-	-	285	490
Impairment reversal	(794)	(1,267)	(9)	(8)	(803)	(1,275)
Recovery of bad debts	-	12	-	-	-	12
Exchange differences	(100)	(361)	(25)	(55)	(125)	(416)
Write-offs	(62)	(6)	(47)	-	(109)	(6)
Change in consolidation perimeter	(387)	-	-	-	(387)	-
Balance at 31 December	1,154	2,212	1,061	1,142	2,215	3,354

Impairment and impairment reversal of trade and other receivables recognised in results and included in 'Net impairment losses on trade and other receivables' is EUR 253 thousand (2018: EUR 675 thousand), and included in 'Profit from discontinued operations' is EUR 265 thousand (2018: EUR 110 thousand).

16. Accrued income

	31.12.19	31.12.18
- Ongoing projects	3,787	4,106
- Other accrued income	56	1,358
	3,843	5,464

17. Derivative financial instruments

The fair value of derivative financial instruments can be analysed as follows:

	Assets		Liabilities	
	31.12.19	31.12.18	31.12.19	31.12.18
- Forward foreign exchange contracts	24	26	17	24
	24	26	17	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, since some of its subsidiaries carry out transactions in these currencies. Novabase's exposure to currency risk also arises from its presence in various markets, namely, in Angola and Mozambique, although in 2019 the exposure to these geographies decreased considerably.

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 2019, 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 2019, the Group had forward foreign exchange contracts of EUR Call / USD Put with the notional amount of USD 3,751,947 and forward foreign exchange contracts of EUR Put / USD Call with the notional amount of USD 968,589.

18. Other current assets

The amounts recorded regarding prepayments of contracted services are as follows:

	31.12.19	31.12.18
- Rents	119	294
- Software licensing	18	3
- Hardware and software maintenance and specialized services	6,074	3,554
	6,211	3,851

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. Debt securities

	Debt securities (*)	
	31.12.19	31.12.18
Non-Current		
Government of Angola Treasury Bonds	403	7,680
	403	7,680
Current		
Government of Angola Treasury Bonds	2,793	1,198
	2,793	1,198

(*) In 2019 includes accumulated impairment losses in the amount of EUR 138 thousand (2018: EUR 408 thousand).

Since 2014, the Group has been investing part of the cash surplus of its Angolan subsidiary in Government of Angola Treasury Bonds indexed to USD. At 31 December 2019, the Group has 5 Treasury Bonds, for a universe of 3,108 securities, in the total amount net of impairment losses of EUR 3,196 thousand, with maturities in 2020 (EUR 2,793 thousands) and in 2022 (EUR 403 thousands).

As disclosed in note 2.5. (3) Group companies, Novabase was applying the net investment in foreign entities until 30 June 2019. Since the purpose of contracting these Government of Angola Treasury Bonds was to provide economic hedge of the Angolan operation, the impact of this hedge, in that period, was recognised in other comprehensive income, in the amount of EUR 1,274 thousand in 2019. As of July, the Group reassessed the receiving perspective and stopped applying the net investment in foreign entities.

Movements in impairment allowance of debt securities are analysed as follows:

	31.12.19	31.12.18
Balance at 1 January	408	-
Adjustment on initial application of IFRS 9	-	449
Impairment reversal (note 33)	(270)	(41)
Balance at 31 December	138	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:

	31.12.19	31.12.18
- Cash	15	35
- Short-term bank deposits	48,767	63,608
Cash and cash equivalents at 31 December	48,782	63,643
- Impairment allowance of short-term bank deposits	(27)	(29)
Cash and cash equivalents	48,755	63,614

'Cash and cash equivalents' evolution in 2019 reflects mainly two effects: the exit of the consolidation perimeter of the subsidiary Novabase Digital, S.A., in a total amount of EUR 6,724 thousand (see note 41) and the payment of dividends to shareholders and non-controlling interests, in a total amount of EUR 20,714 thousand (see notes 22 and 23).

39% of the balance of cash and cash equivalents (net of impairment losses) refers to wholly-owned Novabase subsidiaries. Of the remainder, 2% is related to subsidiaries based outside Portugal.

At 31 December 2019 and 31 December 2018, no restrictions exist as to the use of the amounts recorded in the caption ‘Cash and cash equivalents’, considering the text below about Angola. In 2019, there was a decrease in restrictions on transfers outside the country, with Novabase repatriated from Angola around EUR 9 Million, significantly lowering its exposure to this geography.

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:

	31.12.19	31.12.18
Balance at 1 January	29	-
Adjustment on initial application of IFRS 9	-	36
Impairment	10	7
Impairment reversal	(12)	(14)
Balance at 31 December	27	29

The Impairment allowance of short-term bank deposits recognised in the income statement and included in 'Finance costs' is EUR 10 thousand (2018: EUR 3 thousand), and included in 'Profit from discontinued operations' is EUR 0 thousand (2018: EUR 4 thousand). The impairment reversal recognised in profit or loss and included in ‘Finance income’ is EUR -9 thousand (2018: EUR -14 thousand), and included in ‘Profit from discontinued operations’ is EUR -3 thousand (2018: EUR 0 thousand).

21. Share Capital, share premium and treasury shares

The share capital at 31 December 2019, fully subscribed and paid of 54,638,426 Euros, is represented by 31,401,394 shares with a nominal value of 1.74 Euros each.

	No. Shares (thousands)	Share capital	Treasury shares	Share premium	Total
Balance at 1 January 2018	31,401	15,701	(188)	43,560	59,073
Treasury shares purchased	-	-	-	-	-
Balance at 31 December 2018	31,401	15,701	(188)	43,560	59,073
Share capital reduction	-	(4,397)	-	-	(4,397)
Share capital increase	-	43,334	(467)	(43,334)	(467)
Balance at 31 December 2019	31,401	54,638	(655)	226	54,209

According to the resolutions of the Extraordinary General Meeting of Shareholders of Novabase S.G.P.S. held on 26 September 2019, the following operations were carried out in 2019:

(i) The reduction of the share capital to 15,700,697.00 Euros to 11,304,501.84 Euros, for the release of excessive capital, by reducing the nominal value of all the shares representing the share capital from 0.50 EUR to 0.36 EUR; and

(ii) The increase of the share capital to 11,304,501.84 Euros to 54,638,425.56, by incorporation of the amount of 43,333,923.72 Euros from the share premium reserve, through an increase of the nominal value of all the shares representing the share capital from 0.36 EUR to 1.74 EUR.

As a result of these operations, the nominal value of all shares representing Novabase’s share capital, at 31 December 2019, is 1.74 Euros.

'Treasury shares' reflects the number of shares held by the Group at its nominal value.

Therefore, and as a consequence of the operations described above, the value of 'Treasury shares' was updated in order to reflect the new nominal value, of 1.74 Euros per share, against Reserves.

According to the legislation in force, by deliberation of the General Meeting of Shareholders held on 7 May 2019, the purchase of treasury shares by Novabase S.G.P.S. is allowed up to a maximum of 10% of its share capital.

At 31 December 2018, Novabase S.G.P.S. held 376,611 treasury shares, representing 1.20% of its share capital. During 2019, there were no treasury shares transactions. Therefore, at 31 December 2019, Novabase S.G.P.S. held 376,611 treasury shares, representing approximately 1.20% of its share capital.

It is important to mention that the Extraordinary General Meeting approved a buy-back programme of own shares of the Company (the “Buy-back Programme”), following the resolution, also adopted by this Meeting, to approve a Stock Option Plan for the Society (see next section). Until 31 December 2019, Novabase did not start trading under the Buy-Back Programme.

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.

Stock options

At 31 December 2019, a Stock Option Plan is in effect, approved at the General Meeting of Shareholders held on 26 September 2019, which covers members of the Board of Directors of the Company and Novabase employees. This Stock Option Plan provides for the allocation of Novabase ordinary stock options as a form of remuneration capable of promoting the alignment of the interests of the members of the management bodies with the interests of the Company.

The assigned options have as sole condition of acquisition, the employee's permanence on the dates defined in the terms of the plan, and automatically expire whenever the employee ceases to be at the service of any of the Group companies.

The options exercised, according to the plan, are settled in 1/2 by means of the allocation of Novabase shares ('net share settlement') held in its own portfolio and in 1/2 by means of the allocation of Novabase shares ('net share settlement') or, alternatively, in cash ('net cash settlement'), by participant's choice.

In 2019, 400 thousand options were granted, under the terms and according to the Regulation of the Stock Options Allocation Plan approved in the General Meeting of Shareholders held on 26 September 2019.

The fair value of options granted during the period using the Monte Carlo model was EUR 0.6457. The significant inputs into the model were the following:

(i) Spot: 2.79€
(ii) Exercise price: 2.295€
(iii) Volatility: 25.681% - obtained using a sample mean of a series of historical volatilities based on 180 daily closing prices
(iv) Expected maturity: 2.0858 years
(v) Risk free interest rate: -0.4505% (2 years) and -0.4508% (3 years)

According to the regulation, the share options exercise price is adjusted by dividends' distribution, therefore the options may be evaluated based on the exercise price already set and assuming a dividend yield null.

The total estimated value of the Stock Option Plan currently in effect is EUR 271 thousand. In the statement of profit and loss, under the heading 'Employee benefit expense', a cost of EUR 23 thousand was recorded in 2019 (see note 30) against: i) reserves relating to stock options, in the amount of EUR 7 thousand - 'equity-settled' part; ii) a liability, in the amount of EUR 16 thousand - 'cash-settled' part (see note 27).

22. Reserves and retained earnings

In 2019, they were distributed to Novabase S.G.P.S. amounts corresponding to 0.51 Euros per share (EUR 0.15 related to a regular dividend and EUR 0.36 related to a distribution of reserves and accumulated results). The total amount paid corresponded to EUR 15,823 thousand, while the amount related to treasury shares that was not delivered amounted to EUR 192 thousand, having remained in retained earnings. Additionally, in November 2019, the amounts released were paid due to the capital reduction detailed in the previous note, corresponding to 0.14 Euros per share. The total amount paid corresponded to EUR 4,343 thousand while the value related to treasury shares that was not delivered amounted to EUR 53 thousand, having been transferred to retained earnings.

	31.12.19	31.12.18
Payment of dividends / shareholders remuneration	15,823	4,654
Remuneration of the treasury shares held by the Company	192	56
	16,015	4,710

It should also be noted, as a result of the reduction and increase of capital operations above described, a transfer in the amount of EUR 467 thousand was recorded between the captions 'Reserves and retained earnings' and 'Treasury shares', to bring the latter to the new nominal value of each share after these operations (EUR 1.74), referring to the number of own shares in portfolio at that date (see also note 21).

According to the 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. Also, according to article 324, paragraph 1 b) of the Portuguese Companies Code, Novabase constitutes an unavailable reserve of an amount equal to the amount recorded in treasury shares.

23. Non-controlling interests

		31.12.19	31.12.18
	Balance at 1 January	13,754	13,597
	Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	(736)
	Adjustment on initial application of IFRS 16 (net of tax) - see note 2.2.	(47)	-
	Transactions with non-controlling interests	-	629
(*)	Distribution of dividends to non-controlling interests	(548)	(821)
	Exchange differences on foreign operations	322	808
	Profit attributable to non-controlling interests	5,576	277
	Change in consolidation perimeter (note 41)	(728)	-
	Balance at 31 December	18,329	13,754

(*) In 2019 and 2018, 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

	31.12.19	31.12.18
Non-current		
Bank borrowings	13,600	6,294
Finance lease liabilities	-	7,066
Lease liabilities	7,681	-
	21,281	13,360
Current		
Bank borrowings	5,194	4,959
Finance lease liabilities	-	1,361
Lease liabilities	3,887	-
	9,081	6,320
Total borrowings	30,362	19,680

As at 1 January 2019, the Group adopted IFRS 16 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period were not restated (see note 2.2.). Accordingly, Novabase recognised additional lease liabilities in the amount of EUR 9,400 thousand regarding the leases that were previously classified as operating leases under IAS 17.

Additionally, for leases that were previously classified as finance leases under IAS 17, Novabase recognised lease liabilities at the date of initial application by the carrying amount of the lease liabilities immediately before that date, having transferred the amounts from 'Finance lease liabilities' to 'Lease liabilities', in the total amount of EUR 8,427 thousand. The measurement principles in IFRS 16 are only applied after that date. This resulted in measurement adjustments of EUR -6,907 thousand for residual value guarantees. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application (see note 7).

Movements during the exercise in lease liabilities are detailed in note 2.2. (b).

The exposure of the Group's current bank borrowings to the contractual repricing dates are as follows:

	6 months or less	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Bank borrowings	2,824	2,135	3,594	2,700	-	11,253
Finance lease liabilities	633	728	1,221	5,845	-	8,427
At 31 December 2018	3,457	2,863	4,815	8,545	-	19,680
Bank borrowings	2,937	2,257	4,400	9,200	-	18,794
Lease liabilities	2,069	1,818	3,301	4,380	-	11,568
At 31 December 2019	5,006	4,075	7,701	13,580	-	30,362

The weighted average effective interest rate of bank borrowings at the reporting date is 1.546% (31.12.18: 2.112%). Regarding the responsibilities associated with leases, these are presented above discounted of the future finance charges, amounting to EUR 1,041 thousand as at 31 December 2019 (31.12.18: EUR 593 thousand).

During 2019, the Group negotiated new loans with three banking institutions, in the total amount of EUR 16 Million, and proceeded to the early repayment of the loan with BEI in the amount of EUR 4 Million, in order to, on the one hand, diversify borrowings, and on the other, to align them with the contractual needs and obligations of lease liabilities. In addition, loan repayments with other banking institutions in the year amounted to EUR 4.5 Million.

The covenants of the Group's bank borrowings are as follows:

- Solvability ratio ≥40%; Net Debt / EBITDA ≤3
- Net Debt / EBITDA ≤3
- Solvability ratio ≥35%; Net Debt / EBITDA ≤2.5 ; Net Debt / Total Equity ≤0.5
- Solvability ratio ≥35%; Net Debt / EBITDA ≤4
- 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 2019, 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.

	31.12.19	31.12.18
Cash and cash equivalents (amount before impairment losses)	48,782	63,643
Borrowings - repayable within one year (including overdrafts)	(9,081)	(6,320)
Borrowings - repayable after one year	(21,281)	(13,360)
Net debt	18,420	43,963

	Cash and cash equivalents	Bank borrow. due within 1 year	Bank borrow. due after 1 year	Resp. assoc. with leases due within 1 year	Resp. assoc. with leases due after 1 year	Net debt
Balance at 1 January 2018	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
Cash flows	(5,747)	4,959	(12,500)	3,406	-	(9,882)
Acquisitions - lease liabilities	-	-	-	-	(4,138)	(4,138)
Exchange rate changes	(2,179)	-	-	-	-	(2,179)
Change in consolidation perimeter	(6,935)	-	-	-	-	(6,935)
Other non-cash movements	-	(5,194)	5,194	(5,932)	3,523	(2,409)
Balance at 31 December 2019	48,782	(5,194)	(13,600)	(3,887)	(7,681)	18,420

25. Provisions

Movements in provisions for other risks and charges are analysed as follows:

	31.12.19	31.12.18
Balance at 1 January	8,252	10,369
Additional provisions	3,244	1,464
Reversals / utilisations	(2,844)	(3,581)
Exchange differences	(4)	-
Change in consolidation perimeter	(25)	-
Balance at 31 December	8,623	8,252

The amount of provisions for other risks and charges, net of reversals, recognised in profit or loss and included in 'Other gains/(losses) - net' is EUR 957 thousand (2018: EUR 1,236 thousand), and included in 'Profit from discontinued operations' is EUR -557 thousand (2018: EUR 881 thousand).

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. At 31 December 2019, this caption also includes amounts related to costs to be incurred resulting from the alignment of labour capacity with the strategy disclosed to the market on July 2019.

26. Other non-current liabilities

	31.12.19	31.12.18
Research and development grants	770	990
	770	990

This caption corresponds to the amount of grants for research and development with a maturity of more than 12 months.The amount of grants for research and development with a maturity of less than 12 months is included in 'Deferred income and other current liabilities' (note 28).

The fair value of 'Other non-current liabilities' balance approximates its carrying amount.

27. Trade and other payables

	31.12.19	31.12.18
Trade payables	8,215	5,469
Remunerations, holiday and holiday allowance	7,531	8,997
Bonus	8,819	8,256
Acquisition of financial holding to non-controlling interests (note 41)	3,564	-
Ongoing projects	2,138	4,551
Value added tax	2,070	3,106
Social security contributions	2,123	2,389
Income tax withholding	1,404	1,518
Employees	105	130
Stock options plan (note 21)	16	-
Amount to be paid to non-controlling interests	2	2
Prepayments from trade receivables	2	2
Other accrued expenses	3,364	5,748
Other payables	282	231
	39,635	40,399

The fair value of 'Trade and other payables' balance approximates its carrying amount.

The maturity of these liabilities is as follows:

	31.12.19	31.12.18
No later than 1 year	39,635	40,399
	39,635	40,399

28. Deferred income and other current liabilities

	31.12.19	31.12.18
Research and development grants	220	170
Consulting projects	14,634	22,097
	14,854	22,267

The decrease in the amount of this caption essentially reflects the effect of leaving the consolidation perimeter of the subsidiary sold in the GTE Business.

The table below shows the financial incentives for research and development at 31 December 2019, by type of incentive program:

	Contracted amount	Acum. received amount
Grants:		
- FAI - Innovation Support Fund	1,706	718
- P2020 - Portugal 2020	1,265	589
	2,971	1,307

29. External supplies and services

	31.12.19	31.12.18
Subcontracts	21,782	19,464
Supplies and services		
Commissions, consultancy fees and rents	3,837	5,189
Transportation, travel and accommodation expenses	4,581	5,018
Freight	21	21
Advertising and promotion	816	871
Water, electricity and fuel	504	513
Communications	368	451
Insurance	307	291
Utensils, office supplies and technical documentation	458	442
Other supplies and services	679	702
	11,571	13,498
	33,353	32,962

30. Employee benefit expense

	31.12.19	31.12.18
Key management personnel compensation (note 40 i)	4,979	2,594
Wages and salaries of the employees	57,180	55,795
Employees social security contributions	11,246	10,045
Stock options granted (note 21)	23	-
Other employee expenses	3,328	3,584
	76,756	72,018

Other employee expenses include labour accident insurance, social responsibility costs, training costs and indemnities.

The increase in employee benefit expense is in line with the growth in Turnover and is justified by the acquisition of new talents.

Average number of employees is analysed as follows:

	31.12.19	31.12.18
(*) Value Portfolio	881	745
Next-Gen	957	949
	1,838	1,694

(*) The amounts presented do not consider employees assigned to the GTE Business. Includes holding / shared services representing 89 employees in 2019 (2018: 87).

At the end of the year, the number of employees was 1,899 (2018: 1,741).

At 31 December 2019, 30% of Novabase's employees are women (2018: 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

	31.12.19	31.12.18
Provisions for other risks and charges (note 25)	(957)	1,236
Other operating income and expense	170	(430)
	(787)	806

32. Depreciation and amortisation

	31.12.19	31.12.18
Property, plant and equipment (note 7):		
Buildings and other constructions	2,793	57
Basic equipment	690	636
Transport equipment	678	617
Furniture, fittings and equipment	60	107
Other tangible assets	-	1
	4,221	1,418
Intangible assets (note 8):		
Internally generated intangible assets	472	1,087
Industrial property and other rights	22	12
	494	1,099
	4,715	2,517

33. Finance income

	31.12.19	31.12.18
Interest received	354	149
Foreign exchange gains	2,652	1,517
Fair value of financial assets adjustment (note 10)	8,150	562
Reversal of impairment losses on bank balances (note 20)	9	14
Reversal of impairment losses on debt securities (note 19)	270	41
	11,435	2,283

In 2019, the increase in 'Finance income' is mainly due to the EUR 8.1 Million revaluation of the Group's investment in Feedzai within the scope of its venture capital activity.

34. Finance costs

	31.12.19	31.12.18
Interest expenses		
- Borrowings	(295)	(291)
- Lease liabilities (*)	(540)	(246)
- Other interest	(2)	(61)
Bank guarantees charges	(12)	(17)
Bank services	(225)	(195)
Foreign exchange losses	(3,343)	(2,405)
Fair value of financial assets adjustment (note 10)	(343)	(22)
Provisions for loans to related parties (note 12)	-	(378)
Impairment losses on bank balances (note 20)	(10)	(3)
Other financial losses	-	(184)
	(4,770)	(3,802)

(*) The increase of this caption in 2019 relates to the adoption of IFRS 16, which started to include the interest expenses (unwinding of discount) calculated on the liabilities regarding the rents due from lease contracts measured at present value (see note 2.2.).

In 2019, the variation in 'Finance costs' is mainly due to the increase in foreign exchange losses in year-on-year terms, however, considering a joint reading with the foreign exchange gains presented in 'Finance income', it is concluded that the results with foreign exchange differences of the Group remained stable.

35. Share of loss of associates

	31.12.19	31.12.18
Fundo Capital Risco NB Capital (notes 6 and 9)	(83)	(62)
	(83)	(62)

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 9%.

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%, 25%, 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 2016 through 2019 are still open to such review.

Legislative changes that became effective on 1 January 2019

With regard to the changes introduced by 2019 State Budget (Law no. 71/2018), worthy of note only the automatic waiver of the special payment on account for taxpayers that comply with the requirements.

These changes didn't have a significant impact on the income tax expense of Novabase's Group.

Legislative changes introduced by 2020 State Budget

Regarding the State Budget Law for 2020, no significant changes were made about Income tax expense. Worthy of note is that charges for passenger vehicles, commercial vehicles, motorbikes and motorcycles are now subject to the 10% rate, with an acquisition cost of up to EUR 27,500 (currently EUR 25,000).

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:

	31.12.19	31.12.18
Current tax	1,210	(295)
Deferred tax on temporary differences (note 11)	(857)	1,289
	353	994

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:

	31.12.19	31.12.18
Earnings before taxes	11,226	2,742
Income tax expense at nominal rate (21% in 2019 and 2018)	2,357	576
Provisions and amortisations not considered for tax purposes	-	64
Provisions reversal	(40)	(358)
Recognition of tax on the events of previous years	(82)	-
Associates' results reported net of tax	17	13
Autonomous taxation	487	465
Results in companies where no deferred tax is recognised	(806)	275
Expenses not deductible for tax purposes	83	509
Differential tax rate on companies located abroad	(138)	5
Research & Development tax benefit	(1,894)	(1,305)
Municipal surcharge and State surcharge	268	83
Impairment of SIFIDE R&D	-	591
Impairment of Special Payment on Account, tax losses and withholding taxes	101	76
Income tax expense	353	994
Effective tax rate	3.1%	36.3%

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 are calculated by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potential dilutive ordinary shares. In theoretical terms, Novabase has only one type of potential dilutive ordinary shares: the stock options. The number of shares that would be acquired at fair value (determined by the average over the period of the market price of Novabase shares) was determined. This number of shares thus determined was compared with the number of shares that would be issued if all options were exercised.

Earnings per share are analysed as follows:

	31.12.19	31.12.18
Weighted average number of ordinary shares in issue	31,024,783	31,024,783
Stock options adjustment	116,711	-
Adjusted weighted average number of ordinary shares in issue	31,141,494	31,024,783
Profit attributable to owners of the parent	20,400	4,737
Basic earnings per share (Euros per share)	0.66 Euros	0.15 Euros
Diluted earnings per share (Euros per share)	0.66 Euros	0.15 Euros
Profit from continuing operations attributable to owners of the parent	5,297	1,471
Basic earnings per share (Euros per share)	0.17 Euros	0.05 Euros
Diluted earnings per share (Euros per share)	0.17 Euros	0.05 Euros
Profit from discontinued operations attributable to owners of the parent	15,103	3,266
Basic earnings per share (Euros per share)	0.49 Euros	0.11 Euros
Diluted earnings per share (Euros per share)	0.48 Euros	0.11 Euros

38. Dividends per share

The amounts distributed in 2019 and 2018 reached EUR 16,015 thousand (0.51 Euros per share, of which 0.15 Euros per share corresponding to a regular dividend and 0.36 Euros per share to an extraordinary distribution of reserves) and EUR 4,710 thousand (0.15 Euros per share). These amounts differ from those shown in the Consolidated Statement of Cash Flows due to the remuneration of treasury shares held by the Company, which remained in Novabase, having been transferred to retained earnings (note 22). In 2019, the amounts released were also paid due to a reduction in share capital, in the amount of EUR 4,397 thousand (0.14 Euros per share). Regarding 2019, the Board of Directors has resolved to revert its initial intention, disclosed to the market on 20 February 2020, of proposing to the Annual General Meeting of 2020 the distribution of approximately EUR 26,691 thousand to the shareholders through the reduction of the share capital of Novabase in the same amount, which would represent a remuneration of 0.85 Euros per share, as a prevention measure that aim at ensuring the financial resilience of the company and its competitiveness during and after the Covid-19 pandemic (see note 44).

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 group leases, are detailed as follows:

	Bank	31.12.19	31.12.18
Novabase S.G.P.S., S.A.	Santander	2,500	2,500
Novabase Business Solutions, S.A.	BCP	2,952	3,848
Novabase Business Solutions, S.A.	Santander	465	281
Novabase Business Solutions, S.A.	Novo Banco	48	48
Novabase Business Solutions, S.A.	BPI	33	33
Novabase Business Solutions, S.A.	Bankinter	107	12
Novabase Serviços, S.A.	BPI	135	-
Novabase Serviços, S.A.	Novo Banco	505	505
CelFocus, S.A.	BPI	-	72
CelFocus, S.A.	Santander	50	50
Novabase Digital, S.A.	BCP	-	1,144
NOVABASE IMS 2, S.A.	BCP	4	4
Novabase Sistemas de Informacion, S.A.	Novo Banco	164	100
NBMSIT, Sist. de Inf. e Tecnol., S.A.	BIM	180	249
		7,143	8,846

Following the sale of GTE Business at the end of 2019, Novabase undertook the following commitments:

- A Liability Cap of EUR 3.87 Million by irrevocable bank guarantee of equal amount for a period of 18 months (duration of guarantees), which means, between 9 January 2020 and 9 July 2021, reduced to EUR 1.935 Million between 18 months and 5 years (expiry of tax and Social Security guarantees), that is, between 10 July 2021 and 9 January 2025;
- Constitution of a basket deductible for further corrections in the amount of EUR 306 thousand, minimis of EUR 30.6 thousand, until the end of the period, which means, 9 January 2025;
- Non-competition obligation for 3 years between VINCI Energies Portugal, S.G.P.S., S.A. and Novabase in its core business areas, which means, until 9 January 2023.

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), which means, between 5 January 2017 and 5 July 2018, reduced to 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, which means, 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, which means, until 5 January 2020.

In 2019, 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

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 2019 and 31 December 2018, are as follows:

	31.12.19	**31.12.18**
Short-term employee benefits	3,481	2,813
Other long-term benefits	1,475	690
Stock options granted	23	-
	4,979	3,503

From the total amount of key management personnel compensation, which includes remuneration, social security charges and other costs, EUR 4,979 thousand were recognised in 'Employee benefit expense' (31.12.18: EUR 2,594 thousand) and EUR 0 thousand in 'External supplies and services' (31.12.18: EUR 909 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 1,542 thousand (31.12.18: EUR 1,751 thousand).

In addition, there are outstanding current account balances with key management personnel in the amount of EUR 3 thousand at 31 December 2019 (31.12.18: EUR 14 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 summarised below.

By unanimous decision of the Remuneration Committee, fixed remuneration components were set for members of the Novabase Board of Directors in 2019, 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, (ii) variable remuneration in cash and (iii) variable remuneration based on stock options; 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 30 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.

Regarding the stock options plan, since its approval, 400,000 stock options of Novabase have been granted to the executive director Paulo Jorge de Barros Pires Trigo, according to a resolution from the Remuneration Committee.

Director [1]	Fixed annual remuner. (€)	Annual variable remuner. in cash paid in 2019 (€) [2, 3]	Total partial (fixed + variable in cash paid in 2019) (€)	Variable in cash paid in 2019 / Total partial (%)	Deferred annual variable remuner. (€) [4]	Variable remuner. No. options @ 2.295
João Nuno da Silva Bento	293,700	100,653	394,353	25.52	100,653	-
Álvaro José da Silva Ferreira	200,520	63,076	263,596	23.93	63,076	-
Francisco Paulo Figueiredo Morais Antunes	126,000	127,454	253,454	50.29	118,063	-
María del Carmen Gil Marín	144,420	50,326	194,746	25.84	50,326	-
Paulo Jorge de Barros Pires Trigo	25,249	-	25,249	-	-	400,000
Executives Total	789,889	341,508	1,131,397	30.18	332,117	400,000
(% total)	65.30	48.90	59.30			
Luís Paulo Cardoso Salvado	293,700	254,909	548,609	46.46	236,126	-
José Afonso Oom Ferreira de Sousa	42,000	50,987	92,987	54.83	47,225	-
Pedro Miguel Quinteiro de Marques Carvalho	42,000	50,987	92,987	54.83	47,225	-
Marta Isabel dos Reis G. R. do Nascimento	42,000	-	42,000	-	-	-
Non-Executives Total	419,700	356,883	776,583	45.96	330,576	-
(% total)	34.70	51.10	40.70			
TOTAL	1,209,589	698,391	1,907,980	36.60	662,693	400,000

1 Director Paulo Jorge de Barros Pires Trigo was elected in the General Meeting held on 26 September 2019. The remuneration shown here for this director only refers to after his 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 2019: 50% of the total amount allocated for 2018 in 2019, and 1/6 of the amount allocated for 2017 in 2018, 1/6 of the amount allocated for 2016 in 2017 and 1/6 of the amount allocated for 2015 in 2016. The remaining 50% of the amount allocated for 2018 in 2019 will be paid in the following 3 years (2020, 2021 and 2022) 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 2019 but deferred for the following 3 years. There are also deferred amounts referring to amounts allocated for 2017 in 2018, and allocated for 2016 in 2017 according to the results disclosed in the Corporate Governance Reports of the respective years.

In 2019, an additional amount of EUR 12,376 thousand was paid to the members of the Board of Directors in meal allowances. There are no relevant amounts of non-monetary benefits considered as remuneration and not covered by the previous situations.

Novabase's Directors are paid only by this entity, not receiving any other remuneration by any other company in a domain or group relationship with Novabase, or by a company subject to common domain with Novabase. Nevertheless, in 2019, and before his election as director approved at the Extraordinary General Meeting on September 26, the director Paulo Jorge de Barros Pires Trigo received the amounts shown in the table below by Celfocus, S.A., a company indirectly held at 55 % by Novabase S.G.P.S., S.A.. Also in relation to the director María del Carmen Gil Marín, the amounts below were / will be settled in Novabase Capital - Sociedade de Capital de Risco, S.A., a company 100% owned by Novabase S.G.P.S., S.A.:

Director	Fixed annual remuner. (€)	Annual variable remuner. in cash paid in 2019 (€) [5, 6]	Total partial (fixed + variable in cash paid in 2019) (€)	Variable in cash paid in 2019 / Total partial (%)	Deferred annual variable remuner. (€) [7]
María del Carmen Gil Marín	-	113,702	113,702	100.00	160,013
Paulo Jorge de Barros Pires Trigo	128,100	173,486	301,586	57.52	183,558

5 The amount shown represents the total amount paid in 2019: 50% of the amount allocated for 2018 in 2019, plus 1/6 of the amount allocated for 2017 in 2018, 1/6 of the amount allocated for 2016 in 2017 and 1/6 of the amount allocated for 2015 in 2016. The remaining 50% of the amount allocated for 2018 in 2019 will be paid in the following 3 years (2020, 2021 and 2022) 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 2019 in 2018 but deferred for the following 3 years. There are also deferred amounts referring to amounts allocated for 2018 in 2017, and allocated for 2017 in 2016 according to the results disclosed in the Corporate Governance Reports of the respective years.

In 2019, an additional amount of EUR 1,264 thousand in meal allowances was paid by Celfocus, S.A. to the director Paulo Jorge de Barros Pires Trigo.

In 2019, 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 2019.

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	
	31.12.19	**31.12.18**	**31.12.19**	**31.12.18**
Associates	142	-	-	-
Other participated companies	141	489	-	95
Shareholders and other entities	-	-	-	-
	283	489	-	95
Provision for impairment of trade and other receivables	-	(31)		
	283	458		

	Services rendered		Supplementary income		Purchases (*)	
	31.12.19	**31.12.18**	**31.12.19**	**31.12.18**	**31.12.19**	**31.12.18**
Associates	181	181	-	-	-	-
Other participated companies	1,064	635	9	-	1,331	1,697
Shareholders and other entities	-	-	-	-	-	-
	1,245	816	9	-	1,331	1,697

(*) 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 2019 this situation ceased to exist.

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)	
	31.12.19	**31.12.18**
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
Loan to Glarevision, S.A.	180	-
Loan to Probe.ly, Lda.	75	-
Loan to Habit Analytics, Inc.	9	-
Shareholders and other entities		
Loans to other shareholders	-	-
	5,033	4,769
Provisions for impairment of loans to related parties	(3,125)	(3,125)
	1,908	1,644

41. Discontinued operations

At 4 November 2019, Novabase has entered into a sale and purchase agreement with VINCI Energies Portugal, S.G.P.S., S.A. (“VEP”) for the sell of its “Application and Data Analytics” business for the Government, Transport and Energy ("GTE Business"), through the sale of the shares representing the entire share capital of Novabase Digital, S.A., as well as the transfer of the economic value and of employees assigned to the GTE Business who are in other companies of the Group. The agreed purchase price was of EUR 33,000 thousand), to be paid on the completion date and subject to any eventual adjustments as foreseen in the sales and purchase agreement. As a matter of fact, depending on the final performance of the GTE Business in the financial year of 2019, it may be added a potential earn-out of EUR 3,000 thousand to the agreed purchase price.

Following this agreement of 4 November 2019, the Group discontinued its GTE Business, developed in the referred subsidiary under the agreement but also in the Mozambican subsidiary NBMSIT, Sist. de Inf. e Tecnol., S.A. (see note 6), for which the Group decided to initiate the procedures for the cessation of activity.

Novabase Digital S.A. was 90.1% owned by the Group, however, the agreement for the sale of this subsidiary had as condition precedent the acquisition of the non-controlling interests. Thus, Management assessed that these transactions qualified as a single transaction because it was verified that the sale of 100% of the subsidiary was dependent on the purchase of the minority interest and the purchase was economically justified only when considered together with the subsequent sale. Accordingly, the consideration to be paid for the acquisition of non-controlling interests (EUR 3,564 thousand - see note 27) was recognised as a reduction to the fair value of the consideration received for the sale of the interest initially held, there being no place to register the transaction with non-controlling interests separately from the sale with loss of control.

The sale was substantially completed at the end of 2019 after verification of the relevant conditions precedent under the agreement, and at 9 January 2020, the agreed purchase price was paid. The final price is still subject to positive and negative adjustments, resulting from the final calculation of price mechanisms clauses in the sale agreement.

As a result, as at 31 December 2019 Novabase recorded the gain on the sale of GTE Business to VEP, in the amount of EUR 11,956 thousand. The gain considers 100% of the earn-out, and also: a) the write-off of the Goodwill associated with this business of EUR 3,385 thousand; b) a provision for Reps & Warranties of EUR 7,500 thousand; c) the transfer of the exchange difference on foreign operations in the amount of EUR 3,016 thousand, and of the related tax of EUR -829 thousand, of the subsidiary NBMSIT; and d) a provision for risks associated with the closure of the activity of the Mozambican entity of EUR 783 thousand.

Regarding the IMS Business (sold at the end of 2016), during 2019 it was registered an additional use of provisions in the amount of EUR 15 thousand and the recovery of bad debts. This situation led to the recognition of a profit of EUR 335 thousand. The provision for this business, included in 'Liabilities from discontinued operations', shows a very residual balance at the end of 2019, of EUR 48 thousand.

A. Results of discontinued operations

	31.12.19		31.12.18	
	GTE	**IMS**	**GTE**	**IMS**
Revenue	35,262	335	39,025	-
Expenses	(30,746)	-	(35,653)	-
Results from operating activities	4,516	335	3,372	-
Income tax	(1,704)	-	(106)	-
Results from operating activities, net of tax	2,812	335	3,266	-
Gain on sale of Business	11,956	-	-	-
Income tax on gain on sale of Business	-	-	-	-
Profit from discontinued operations, net of tax	14,768	335	3,266	-

B. Assets and Liabilities from discontinued operations

	31.12.19		31.12.18
	GTE	**IMS**	**IMS**
Property, plant and equipment	6	-	-
Trade and other receivables	236	-	-
Other current assets	7	-	-
Cash and cash equivalents	211	-	-
Assets from discontinued operations	460	-	-
Provisions	8,308	48	63
Trade and other payables	298	-	-
Deferred income and other current liabilities	41	-	-
Liabilities from discontinued operations	8,647	48	63

The net assets (external) of the subsidiary NBMSIT, Sist. de Inf. e Tecnol., S.A. represent EUR 96 thousand of the total presented for the GTE Business.

C. Cash flows from discontinued operations

	31.12.19		31.12.18	
	GTE	**IMS**	**GTE**	**IMS**
Cash flows from operating activities	(1,322)	-	6,325	(816)
Cash flows from investing activities	(453)	-	27	-
Cash flows from financing activities	(32)	(15)	216	(23)
Net cash flows for the year from discontinued operations	(1,807)	(15)	6,568	(839)

D. Effect of disposal on the financial position of the Group

		31.12.19
	Property, plant and equipment	(321)
(*)	Intangible assets	(137)
	Financial assets at fair value through profit or loss	(101)
	Deferred tax assets	(2,163)
	Inventories	-
	Trade and other receivables	(8,853)
	Accrued income	(3,878)
	Income tax receivable	(409)
	Derivative financial instruments	(7)
	Other current assets	(174)
	Cash and cash equivalents	(6,724)
	Trade and other payables	10,056
	Derivative financial instruments	2
	Deferred income and other current liabilities	5,356
	Net assets	(7,353)
	Net assets attributable to NCI	(728)

(*) It does not include the Goodwill allocated to the GTE Business, in the amount of EUR 3,385 thousand - see note 8.

42. Contingencies

At 31 December 2019, the Group was part intervenient in the following legal process:

- 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.

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 2019 was 110,350 Euros (2018: 110,350 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 2020, until the issuance of this report, have occurred the following material events:

- **Completion of the sale of the GTE Business**

On 9 January 9 2020, Novabase informed that completed the sale of the “Application and Data Analytics” business to the Government, Transport and Energy sectors to VINCI Energies Portugal, SGPS, SA, communicated to the market on 4 November 2019. The price paid on this date is still subject to positive or negative adjustments, resulting from the final calculation of the price clauses defined in the Contract. It is recalled that the agreed price was EUR 33 Million, to be paid on the date of completion of the transaction, subject to adjustments under the terms of the Contract, to which can be added a potential earn-out of EUR 3 Million, depending on the final performance of the GTE Business in 2019.

- **Start of trading in the context of the own shares buy-back programme**

On 14 January 2020, Novabase started trading in the context of the own shares buy-back program (“Buy-back Program”), pursuant to the terms and limitations set forth in the Extraordinary General Meeting of Shareholders of Novabase, that took place on the 26th of September 2019. Under the terms of this program, and until the issuance of this report, Novabase acquired 160,198 shares, holding, as a result of the transactions indicated herein, an aggregated total of 536,809 own shares, representing 1.71% of the share capital.

- **Novabase is included in PSI20 Index as of March, 23**

As part of the annual review of the national stock exchange index, Euronext - the Lisbon stock exchange's management entity, announced in the news of 11 March 2020, that Novabase will enter the main stock exchange index of Lisbon, PSI20, from 23 March. The PSI20 index is reviewed quarterly in June, September and December, with the full annual review in March.

- **Sale of subsidiary Collab, S.A.**

On 19 March 2020, Novabase and Netadmin System i Sverige AB entered into a purchase and sale agreement for all shares representing COLLAB – Sol. I. Com. e Colab., S.A. share capital, subsidiary held in 72.45% by Novabase Business Solutions, S.A. and in 17.75% by Fundo Capital Risco NB Capital. The completion of the purchase and sale also occurred on this date, with the delivery of the shares against payment of part of the price. The agreed initial purchase price is of EUR 6 million, to which a potential annual earn-out may be accreted, up to a maximum of three annual periods, depending on COLLAB's performance, as set out in the agreement. Of the agreed initial purchase price, EUR 4.5 Million have been paid on this date, and the remaining EUR 1.5 Million will be temporarily held by the purchaser. The agreed purchase price is also subject to positive or negative price adjustment clauses agreed between the parties. This sale falls within the Group focus on Next-Gen's segment growth, freeing resources for the execution of the goals of the Strategic Update 2019+. This subsidiary represented a EUR 6.5 Million Turnover in 2019, employing around 60 employees.

- **Covid-19**

On 11 March 2020, the World Health Organization declared the outbreak of the Covid-19 to be a pandemic situation, and on 18 March 2020 the Portuguese president declared a state of emergency in an attempt to contain the spread of Covid-19, the disease caused by the new coronavirus.

The Novabase Board of Directors is closely and permanently monitoring all developments related to the Covid-19 pandemic that arrive by the relevant international authorities, namely the World Health Organization and the European Centre for Disease Prevention and Control, as well as the Portuguese Health Management Authority (‘Direção Geral de Saúde’). In this context, a Contingency Coordinating Group (CCG) was created to manage this crisis, led by the CFO in alignment with the Management of each business, which has been working in a coordinated manner to ensure the necessary conditions to promptly address the recommendations and orders of the authorities. Having as absolute priority to assure the health and safety of all its personnel and their families, as well as to ensure its clients business operations continue to run without interruptions, the CCG has developed prevention/contingency plans based on concrete and concerted actions, covering the entire organisation, from the operational areas to central structures, across all the Group’s businesses, namely the reinforcement of infrastructures to accommodate all employees to teleworking and the adaptation of all bureaucratic processes in order to eliminate or minimise travel.

As of the date of approval of these financial statements, the virus continues to spread in Portugal and overall in European countries. Novabase is not immune to the contingencies of the markets in which it operates, whether in delivering solutions to customers or in the talent market. Therefore, this situation and its evolution could have impacts on the future financial performance. At this stage, it is not possible to quantify the magnitude of the impacts, namely on the Group's activity and profitability during the 2020 financial year. However, Novabase is implementing all the measures that consider appropriate to minimise the potential negative impacts of this situation, in line with the recommendations of the competent authorities and in the best interest of all its stakeholders. The Board of Directors considers that, in view of the information currently available, the liquidity situation and the capital levels will be sufficient to continue Novabase's activity.

- **Resolution of the Board of Directors regarding the intention previously announced of presenting a shareholder remuneration proposal to the 2020 Annual General Meeting of Shareholders**

On 30 March 2020, Novabase has informed that, due to the current context of great uncertainty, its Board of Directors has resolved to revert its intention of proposing to the 2020 Annual General Meeting the distribution of approximately EUR 26.7 Million to the shareholders through the reduction of the share capital of Novabase in the same amount, as previously disclosed to the market on 20 February, having resolved within this context not to propose the aforementioned remuneration to the Annual General Meeting of 2020. This resolution is taken in the context of the current prevention measures that aim at ensuring the financial resilience of the company and its competitiveness during and after the Covid-19 pandemic. This payment would represent a remuneration of 85 Euro cents per share. The commitment assumed towards the shareholders, on 25 July 2019 upon disclosure of the Novabase Strategic Update 2019+, of distributing 1.5€/share in the period 2019-2023 remains, but will be postponed to a more suitable moment.

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, 2019

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, 2019.

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 six times and the respective meetings were formally recorded in minutes. At these meetings there was an attendance of 100% by the Chairman and one of the members, and of 33.3% by the second member. 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 2019 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

We declare that during the financial year of 2019 we received, through the means defined for this purpose, a communication on irregularities, which was dealt with within the competent forums for this purpose. The process is in the final stage of resolution, and the Audit Board believes that there are no material implications relevant to Novabase's accounts.

Related Party Transactions

During the 2019 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 2019 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2019, 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 2019 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 2019 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 2019 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2019 financial year.

Lisbon, April 15, 2020

The Audit Board

Álvaro Nascimento – Chairman

Fátima Farinha – Member

Miguel Ribeiro Ferreira – Member

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KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation 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, S.G.P.S., S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (showing a total of 191,888 thousand euros and equity of 87,620 thousand euros, including non-controlling interests of 18,329 thousand euros and a net profit attributable to the shareholders of Novabase of 20,400 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, S.G.P.S., S.A.** as at 31 December 2019 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.

Emphasis of matter

As described in note 44 to the consolidated financial statements, in 11 March 2020 the pandemic resulting from the spread of the "Covid-19" was declared by the World Health Organization, which is a non-adjustable event. This situation and its evolution will probably have negative effects on the Group's activity and profitability during 2020, however at this date it's still not possible to measure it. The Board of Directors considers that, in view of the information currently available, the liquidity situation and the capital levels will be sufficient to continue the operations of the Group. Our opinion is not modified with respect to this matter.

Key audit matters

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

Revenue recognition

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 2019.

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;
- Evaluation of the design and implementation of 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,
- Review of the Group's disclosures over revenue recognition considering the applicable accounting standards.

Recoverability of goodwill

The Risk

As disclosed in note 8, as at 31 December 2019, the net book value of goodwill of Next-Gen and NeoTalent business units amounted to 11,501 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 2019.

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,

— Review 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 2019, the amount of deferred tax assets was of 9,585 thousand euros, of which 8,068 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 2019.

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,
- Review 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, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, 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.

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 508-G of the Portuguese Companies' Code.

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

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

- We were first appointed as auditors of Novabase, S.G.P.S., S.A. 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 15 April 2020; 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.

16 April 2020

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)

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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 31.12.18	Transactions	Number of Shares / Quotas held by Board Members at 31.12.19	% held by Board Members at 31.12.19
Novabase S.G.P.S., S.A.	**15,700,697 €**	**31,401,394**	**12,652,542**	**0**	**12,652,542**	**40.3%**
HNB - S.G.P.S., S.A. (a)			10,501,589	0	10,501,589	33.4%
Pedro Miguel Quinteiro Marques de Carvalho			2,097,613	0	2,097,613	6.7%
Francisco Paulo Figueiredo Morais Antunes			30,335	0	30,335	0.1%
María del Carmen Gil Marín			23,001	0	23,001	0.1%
Luís Paulo Cardoso Salvado			1	0	1	0.0%
João Nuno da Silva Bento			1	0	1	0.0%
Álvaro José da Silva Ferreira			1	0	1	0.0%
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
Paulo Jorge de Barros Pires Trigo (b)			0	0	0	0.0%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento			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			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**	**2**	**0**	**2**	**0.0%**
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
Paulo Jorge de Barros Pires Trigo (b)			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 26 September 2019.

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

Pursuant to the terms of sub-paragraph c), paragraph 1 of article 245 of the Portuguese Securities Code, the members of the Board of Directors of Novabase, Sociedade Gestora de Participações Sociais, S.A., below identified declare, in the quality and scope of their duties as referred to therein, that, to the best of their knowledge and based on the information to which they had access within the Board of Directors:

(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 2019, 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, 16 April 2020

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 and Value Portfolio COO

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 and Value Portfolio COO

Paulo Jorge de Barros Pires Trigo
Executive member of the Board of Directors and Next-Gen COO

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, April 15, 2020

Fátima Farinha, member of the Audit Board of Novabase S.G.P.S. S.A. declares that, to the best of her knowledge, the information contained in the management report, the annual accounts, the chartered accountant legal certification and all other financial statement documentation was drafted in accordance with the applicable accounting standards, give a true and appropriate view of the assets and liabilities, the financial position and the results of the issuer and, when applicable, of the companies included in the consolidation perimeter, and the management reports faithfully state the evolution of the businesses, performance and position of the issuer and, when applicable, of the companies included in the consolidation perimeter, containing a description of the main risks and uncertainties which they face.

Lisbon, April 15, 2020

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, April 15, 2020

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