



**2016**

## DEAR SHAREHOLDERS,

**2016 saw the sale of the Infrastructures & Managed Services (IMS) business**, a decisive step in our ongoing repositioning to **focus and strengthen our internationalization**.

In the new business perimeter, international business grew to about 60% of the total, two thirds of which is in Europe. We have built solutions in more than 35 countries, making our customers' lives simpler and happier. We believe this is the upshot of the investments we have made in **differentiating our products and services and focusing on people-centric methodologies, like design thinking and gamification**.

EBITDA was down 51%, penalized by an extraordinary project cost of €7 million. Net profits were up 29%, benefiting from the disposal of IMS. **The year also saw positive cash flow, up €14 million**, which will allow us to propose a **dividend payment of €0.15 per share** (a 25% increase year on year (YoY)) at the next General Meeting of Shareholders.

We continued to **invest in our talent**, expanding it through the Novabase Academy and enhancing it with training in various skills. **We launched innovative pilot initiatives** like NOVA, a program for managing motivation and performance specifically designed for millennials, who now account for more than two thirds of our employees. I would also like to point out our **leadership qualification initiatives**, namely the Leadership Gym program, whose purpose is to develop awareness levels among our supervisors.

We see the 18% rise in our stock price in 2016 as an acknowledgment, by the market, of our hard work and the results we have achieved, only possible thanks to the **dedication of a team of more than 2,000 people**, who I thank. Just as I wish to thank our customers and partners, who have taken this journey with us. And you, dear shareholder, for your confidence in us.

For all of these reasons, **we are becoming an increasingly more people-centric IT company**. I give you one promise: that we will continue. We will continue feeling our desire to change the world. We will continue seeing the past as something to be proud of, but with our sights set on what truly moves us: the future. Always. Always!

Luís Paulo Salvado  
Chairman of the Board of Directors



# financial highlights

## TURNOVER



## EBITDA



## NET PROFIT



## NET CASH



## EARNINGS PER SHARE



(€/share)

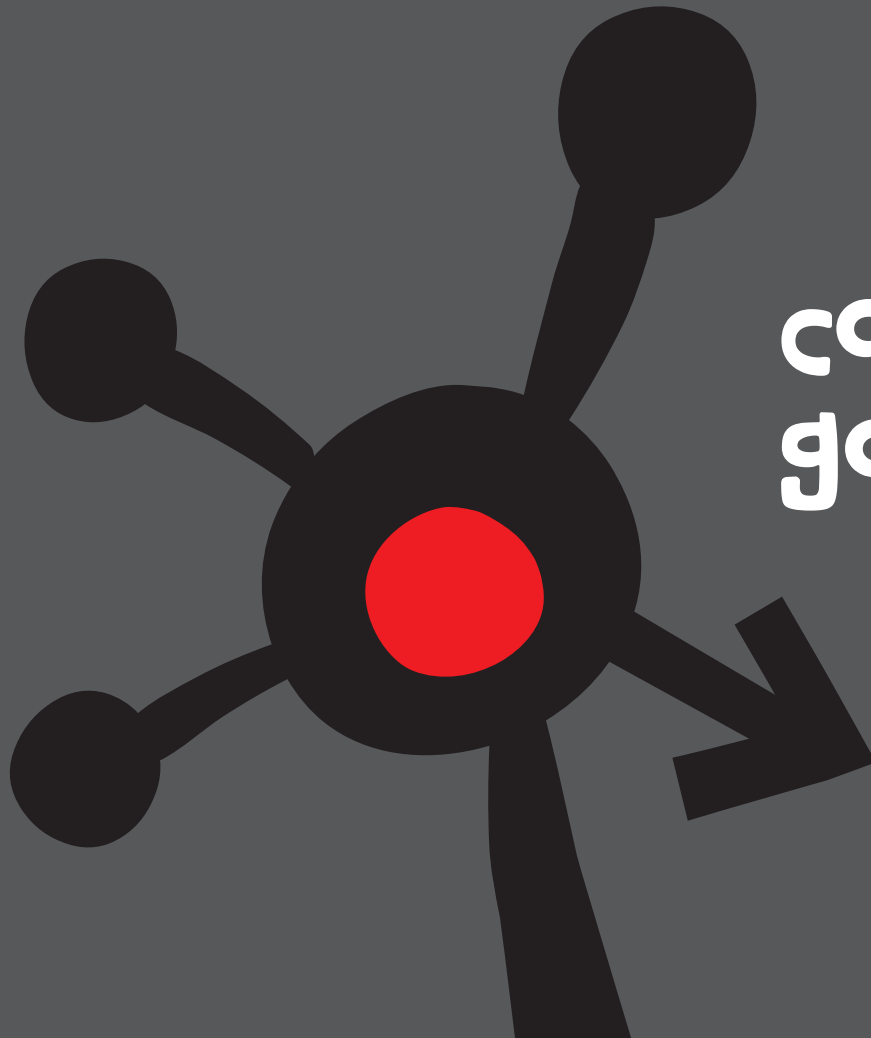
## R&D



## INTERNATIONAL BUSINESS



Amounts in M€, except otherwise stated



corporate  
governance

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

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

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

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

# sustainability

## CREATION OF VALUE FOR THE SHAREHOLDERS

Turnover	135.7 M€
EBITDA	5.9 M€
<b>Atributable Net Profit</b>	<b>9.6 M€</b>
Turnover growth rate	6.7%
International turnover growth rate	15.9%
EBITDA growth rate	-50.8%
<b>Atributable Net Profit growth rate</b>	<b>29.0%</b>
Net Cash growth	14.4 M€
Return on Equity	11.3%
Return on Assets*	1.0%

\*Return on Assets = Operating Profit (EBIT) / Total Assets





# financial and stock performance

## CHANGES IN KEY INDICATORS

The year 2016 was marked by the sale of Infrastructures & Managed Services business ("IMS Business"). The Turnover and EBITDA presented below do not include the Infrastructures & Managed Services business, discontinued in 4<sup>th</sup> quarter of 2016.

## TURNOVER

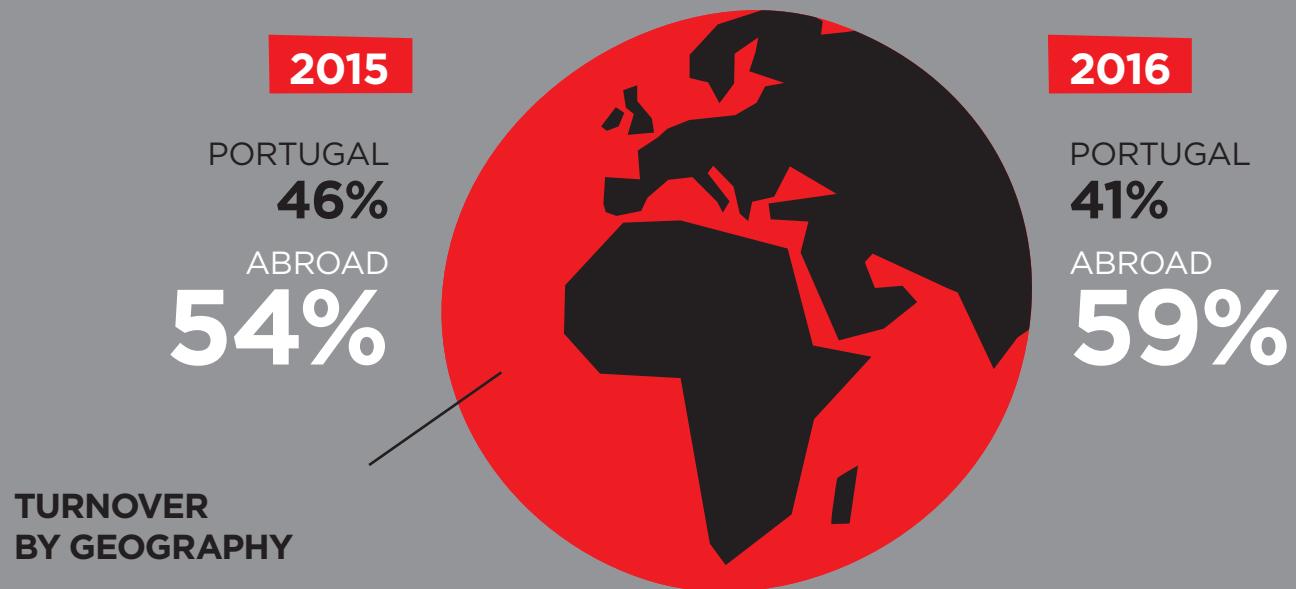
Novabase's Turnover in 2016 was 135.7 M€ (million Euros), an increase of 7% compared to 127.2 M€ in 2015, primarily showing the international growth (16%), in line with the strategic focus.

From the total Turnover, 79.4 M€ were generated outside Portugal, which compares to 68.5 M€ registered in 2015.

2014	109.4M€
2015	127.2M€ <sup>↑</sup> +16%
2016	135.7M€ <sup>↑</sup> +7%

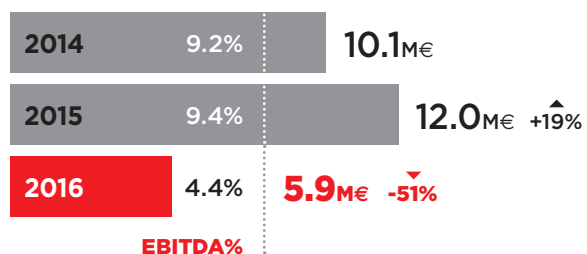
This growth confirms the repositioning that Novabase has been operating in recent years to accelerate internationalization, evolving from a geographic leadership with a broad offer to a strategy of leadership through specialized offers to the global market.

Business outside Portugal generated in the Business Solutions area increased to 59% of the respective Turnover (53% in 2015) and in the Venture Capital area decreased to 42% (64% in 2015). Europe was the continent with greater expression in 2016, rising to 66% of international business.



## EBITDA

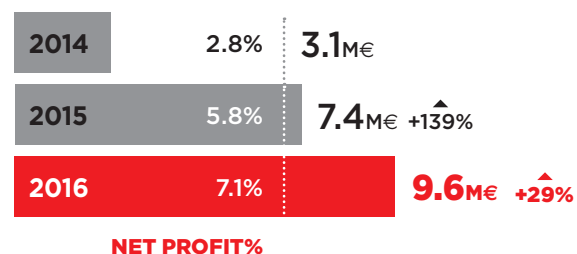
EBITDA reached 5.9 M€ in 2016, a 51% decreased compared to the 12.0 M€ obtained in 2015, reflecting the reinforcement of the international expansion strategy, but mainly the 7 M€ extraordinary cost recorded in a project.



The EBITDA margin was 4.4%, below the 9.4% margin obtained in 2015.

## RESULTS

Consolidated Net Profit, after Non-Controlling interests, reached 9.6 M€, showing an increase of 29% compared to 7.4 M€ in 2015. To highlight the gain on the disposal of IMS Business in 2016.



Earnings per Share were 0.31 Euros in 2016, registering an increase of 29% compared to the 0.24 Euros in 2015.

Trends in EBITDA to Net Profit were as follows:



Depreciation and amortization reached -3.8 M€, an increase towards the amount registered in 2015 (-4.0 M€).

Operating Profit (EBIT) in the amount of 2.1 M€, decreased 73% compared to 2015 (8.0 M€).

The Financial Results were negative in 1.0 M€, an increase of 0.7 M€, fundamentally based on the re-evaluation of the portfolio of investments in the Venture Capital segment and due to the increase in the short term bank deposits gains compared to the same period of last year.

Earnings Before Taxes (EBT) in 2016 were 1.2 M€, registering a 81% decrease compared to 6.3 M€ in 2015.

Income tax expense in 2016 reached -3.0 M€, above the -1.7 M€ in 2015, impacted by the revaluation of tax credits related to SIFIDE (research and development tax incentives), due to the change in the perimeter from the sale of IMS Business.

Results from discontinued operations reached a 12.9 M€ profit, compared to 3.5 M€ in 2015, and correspond to the results attributable to IMS segment. In 2016, this figure includes the gain generated on the sale of the business, amounting to 17.6 M€.

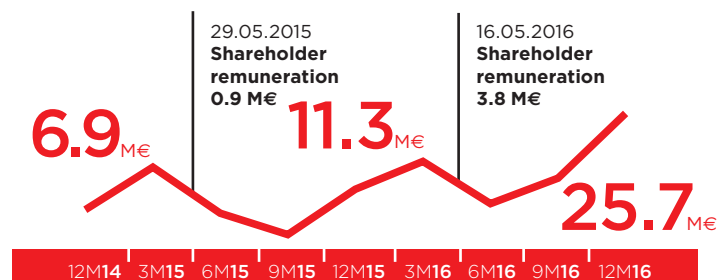
Non-controlling interests amounted to -1.5 M€, which compares to -1.0 M€ in 2015. This variation is mainly due to the overall positive evolution of the results of international subsidiaries.

## CASH

In 2016, Novabase shows a positive evolution in cash generation. Novabase ended 2016 with 25.7 M€ in net cash, which compares to 11.3 M€ in 2015, a cash generation of 14.4 M€ that does not yet reflect the cash inflow from IMS Business disposal. On May 16, 2016, Novabase paid its shareholders a total amount of 3.8 M€ (0.12 €/share). Additionally, on May 2016, occurred the payment of 1.2 M€ to Non-controlling interests.

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

#### NET CASH



(Amounts expressed in thousand of Euros)

	31.12.15	31.12.16
Cash and cash equivalents	24.293	35.703
Non-current Held-to-maturity investments	4.554	4.859
Current Held-to-maturity investments	845	4.441
Treasury shares held by the Company*	25	21
Non-current bank borrowings	(14.387)	(13.907)
Current bank borrowings	(3.992)	(5.376)
	<b>11.338</b>	<b>25.741</b>

\*The share price in the Stock Exchange in the last tradable day of 2016 was 2.490 Euros (2015: 2.114 Euros).

## CAPITAL EXPENDITURE

Consolidated recurring investment reached 2.0 M€ in 2016. This amount, which corresponds to a cash write-off in the Statement of Financial Position, is divided into two parts: one pertaining to work in progress in the amount of 0.2 M€ related to the development of projects that are still under construction, and a second part, in the amount of 1.8 M€, related to other tangible assets, such as furnishings.

Non-recurring investment was negative, in the total amount of -13.4 M€, and for the most part pertains to disinvestments, including write-offs (namely of the goodwill allocated to Infrastructures & Managed Services, due to the discontinuation of this business), perimeter variations (effect of the exit of the subsidiaries disposed in IMS business of the consolidation universe), transfers and currency translation differences (non-cash items).

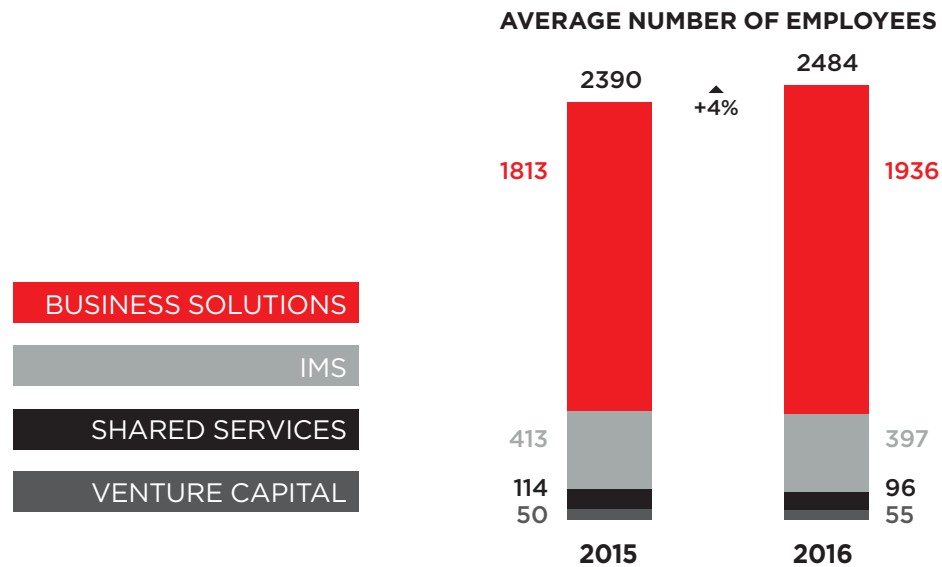


CAPITAL EXPENDITURE	NON-RECURRING	RECURRING	TOTAL
WORK IN PROGRESS			
Work in Progress		0.2	0.2
Transfer to Intangible Assets	-0.1		-0.1
<b>Sub-total (1)</b>	<b>-0.1</b>	<b>0.2</b>	<b>0.1</b>
INTANGIBLE ASSETS			
R&D	0.0		0.0
Industrial Property and Other Rights	-0.1		-0.1
Goodwill	-9.0		-9.0
<b>Sub-total (2)</b>	<b>-9.1</b>	<b>0.0</b>	<b>-9.1</b>
TANGIBLE ASSETS			
Transport Equipment / Leasing / OR	0.5		0.5
Other Tangible Assets	-4.7	1.8	-2.9
<b>Sub-total (3)</b>	<b>-4.2</b>	<b>1.8</b>	<b>-2.4</b>
<b>Total</b>	<b>-13.4</b>	<b>2.0</b>	<b>-11.4</b>

## HUMAN RESOURCES

In terms of human resources, Novabase had an average of 2484 employees in 2016, an increase of 4% compared to 2390 in 2015, numbers that still include the employees assigned to IMS segment.

The following table shows the average number employee's breakdown, during 2016, among Novabase's various business areas:



At the end of the year, the total number of employees is 2137, a decrease that mainly reflects the sale of the companies of the IMS Business.

Worthy of note is that international employees represent 11% of the total number in 2016 (231), and the recruitment of 113 new university graduates through Novabase Academy program.

## BUSINESS SUMMARY

The year 2016 was marked by the sale agreement of Infrastructures & Managed Services business ("IMS Business") to VINCI Energies Portugal, SGPS, S.A. ("VEP"), concluded in mid-4Q16, which was an important step in the repositioning of the businesses that Novabase has been doing in recent years.

Novabase was already focusing its offer on services business areas that generate more value and are less exposed to price competition, and exiting product areas with greater use of cash and lower added value. On the other hand, it has also evolved its international expansion strategy, limiting its exposure to emerging markets and increasing its presence in Europe.

With the IMS Business sale, operation that was substantially completed at the end of 2016, Novabase intends to enhance internationalization with stronger means.

## 24 FINANCIAL AND STOCK PERFORMANCE

The Infrastructures & Managed Services area, discontinued in 4th quarter of 2016 following this agreement, generated the following Turnover and EBITDA in 2014 and 2015:

(Amounts expressed in thousand of Euros)

IMS	2014	2015
Turnover	111.470	104.415
International Turnover	40.474	37.002
EBITDA	4.585	2.918

Compared to the same period of last year, Turnover increased by 7%, with international business growing to 59% of the total, 2/3 of which was generated in Europe, which consolidates its position as the major market. The EBITDA margin decreased to 4.4%, mainly due to the recognition of an extraordinary cost associated to a project. Net Results reached 9.6 M€, including the gain on sale of the IMS Business.

Highlights include the opening of the first Case Management Competency Centre in Portugal, in the first quarter of 2016. All of the work in Novabase's Case Management Competency Centre is done using Design Thinking, an innovative methodology that Novabase uses in its projects. This Centre brings to the market

a streamlined case management solution, and is aligned with Novabase's internationalization and differentiation of the offerings strategic options.

Additionally, Novabase was highlighted in the IBM PartnerWorld Leadership Conference 2016 in Orlando, USA, being the only Portuguese company that has created technology based on IBM's Watson supercomputer - the most advanced in the world and one of the keys to enter the "cognitive era" with artificial intelligence. This is a milestone in the history of Novabase, because it is a direct entry into the United States with our own solution, and comes to recognize the work done by our Financial Services area.

Novabase GTE Business Solutions' Healthcare Insight solution was in the spotlight at the third edition of Healthcare Excellence 2016, where the ten project finalists were presented, and the best three in terms of improving patient services received distinctions.

Still in regard to distinctions, the Grand Prize of the Portuguese Association for Corporate Communication (APCE) is given for excellence in organizational communication. Novabase was nominated in two categories, with its website and annual report and accounts featured as cornerstones in communication.

Finally, Novabase Business Solutions was the most innovative company in services in Portugal, in a ranking of the 1,000 largest companies, followed by Celfocus. This was determined by a formula incorporating data on R&D expenses vis-à-vis turnover, development projects vis-à-vis gross production and research and development employment vis-à-vis total employment.

In the Venture Capital area, Collab has been mentioned as Visionary in the "Magic Quadrant for Contact Center Infrastructure 2016" of Gartner, the world's foremost opinion-maker in market analysis and research in the area of technology. Also to mention that Collab won "App Throwdown" at SugarCRM's contest, with

"Facebook Bot Messenger" app, which took place in San Francisco, USA.

With regard to new partnerships, to mention that Nubitalk and Microsoft have closed a partnership for Cloud. Collab announced that Nubitalk infrastructure, its cloud-based contact center solution, will now be supported in Microsoft Azure. This partnership will boost Nubitalk's geographic expansion as Azure provides a worldwide network of data centers managed by Microsoft in 26 regions.

2016 was also a year of investment in innovation and dissemination of Novabase offerings in events with large exposure, namely:

- Celfocus was in attendance at Mobile World Congress 2016, the world's biggest mobile technology fair, showcasing the latest novelties of its omni-channel solution for telecommunications operators;
- Novabase was also present with its Rely solution in the RFlx conferences, the world's main event in the area of factoring, that bring together financial institutions, technology innovators, companies and specialists for an in-depth discussion on the industry's future;

- Novabase was present at the Customer Experience Exchange conference for Financial Services, held in Berlin, to exhibit its contextual customer experience platform;
- Novabase was a partner of Web Summit 2016, considered one of the world's most important events in entrepreneurship, technology and innovation, to be held in Lisbon for its next two annual editions.

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

The percent breakdown of Turnover and EBITDA, by business area, was as follows in 2016:



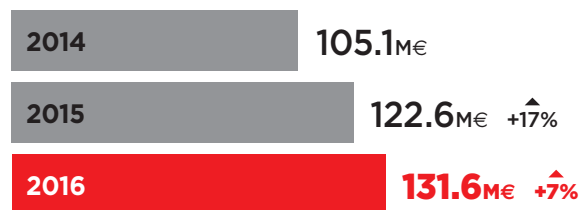
## BUSINESS SOLUTIONS

In 2016, Business Solutions had in average a team of 1936 consultants, and generated 97% of Novabase's total Turnover and 103% of the total EBITDA.

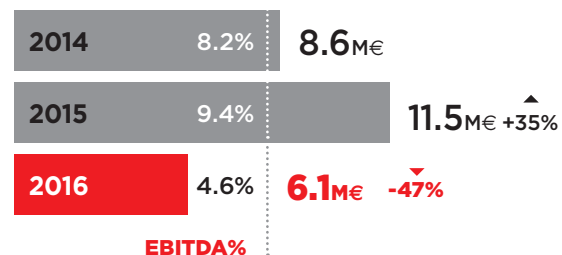
This business area's total Turnover was 131.6 M€, a 7% increase compared to 2015. This evolution reflects the continuation of international growth (+18%) and the pressure in the domestic market.

Business Solutions EBITDA decreased 47% in 2016 in equivalent terms (from 11.5 M€ to 6.1 M€), with an EBITDA margin of 4.6% (compared to 9.4% in 2015), penalized by the extraordinary cost recorded in a project (7 M€).

### TURNOVER BS



### EBITDA BS



## INFRASTRUCTURES & MANAGED SERVICES

As at October 12, 2016, Novabase has entered into a purchase and sale agreement with VINCI Energies Portugal, SGPS, S.A. ("VINCI Energies"), to sell its Infrastructures & Managed Services business ("IMS Business"), through the sale of the shares representing the whole share capital of Novabase IMS (further to the carve-out of the assets which were not part of the IMS Business), and two other companies to which the IMS Business developed by Novabase Digital TV and by Novabase Serviços would be transferred.

The price agreed was 38.365 million Euros, to be paid on the date of completion of the transaction, subject to certain adjustments, as established in the purchase and sale agreement.

The sale was substantially completed, namely through the approval of the Competition Authority, at the end of 2016, and on January 5, 2017, the estimated final price of 44.037 million Euros was paid. The final price is still subject to deductions, resulting from the final calculation of working capital and net debt.

As a result, Novabase recorded, with reference to December 31, 2016, the gain generated by the sale of the IMS Business to VEP, in the amount of 17.6 M€.

It is recalled that IMS business segment accounted for 45% of overall Turnover and 20% of the total EBITDA disclosed by Novabase in 2015.



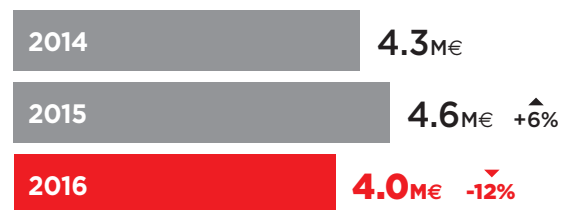
## VENTURE CAPITAL

Venture Capital had in average a critical mass of 55 employees in 2016, and generated 3% of Novabase's Turnover and -3% of the total EBITDA.

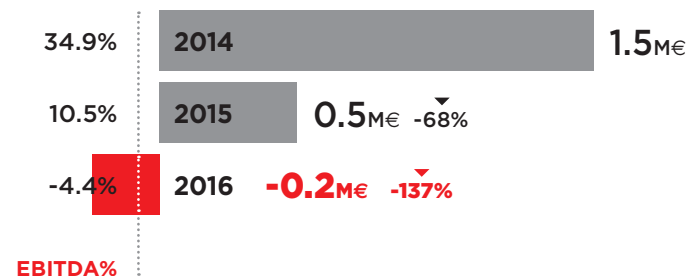
This business area's total Turnover reached 4.0 M€, a 12% decrease compared to 2015.

Venture Capital's EBITDA decreased in 2016 in equivalent terms, from 0.5 M€ to -0.2 M€, with an EBITDA margin of -4.4%. This is a typical evolution of the development stage of the investments of the Funds.

### TURNOVER VC



### EBITDA VC

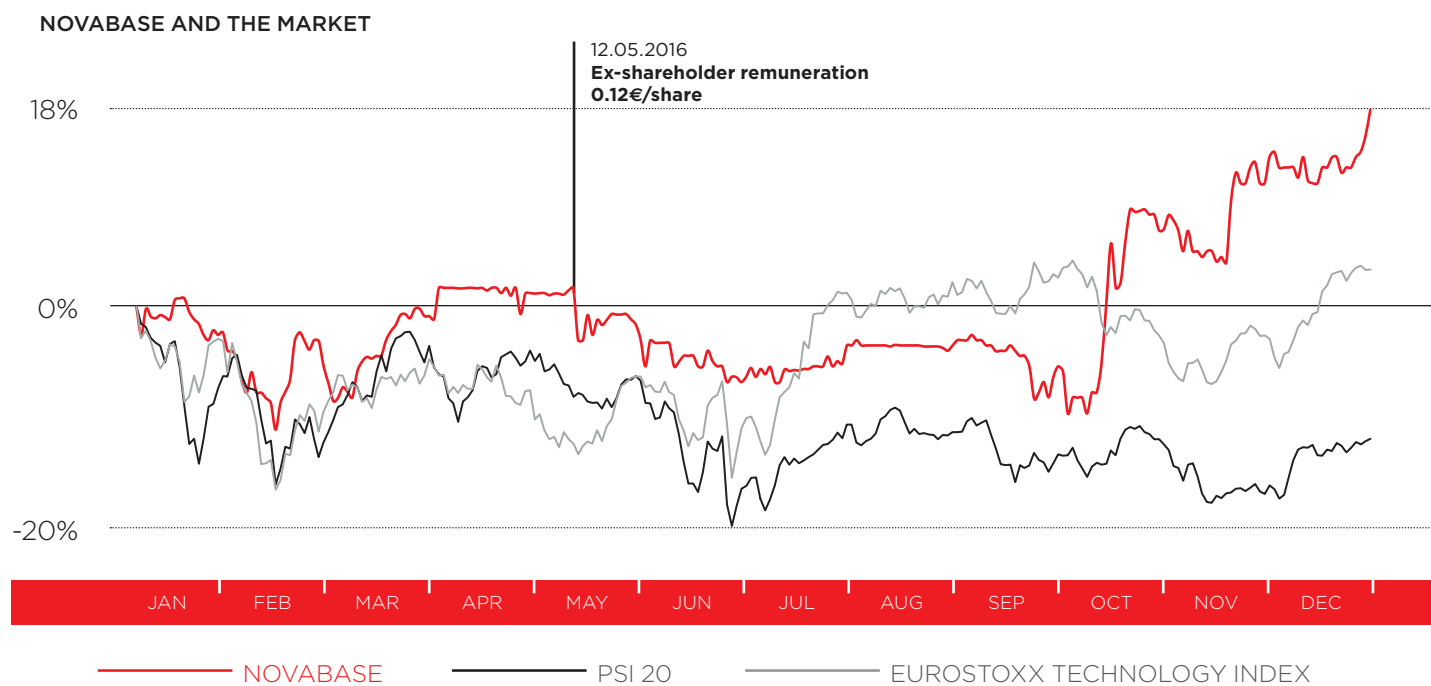


## STOCK PERFORMANCE

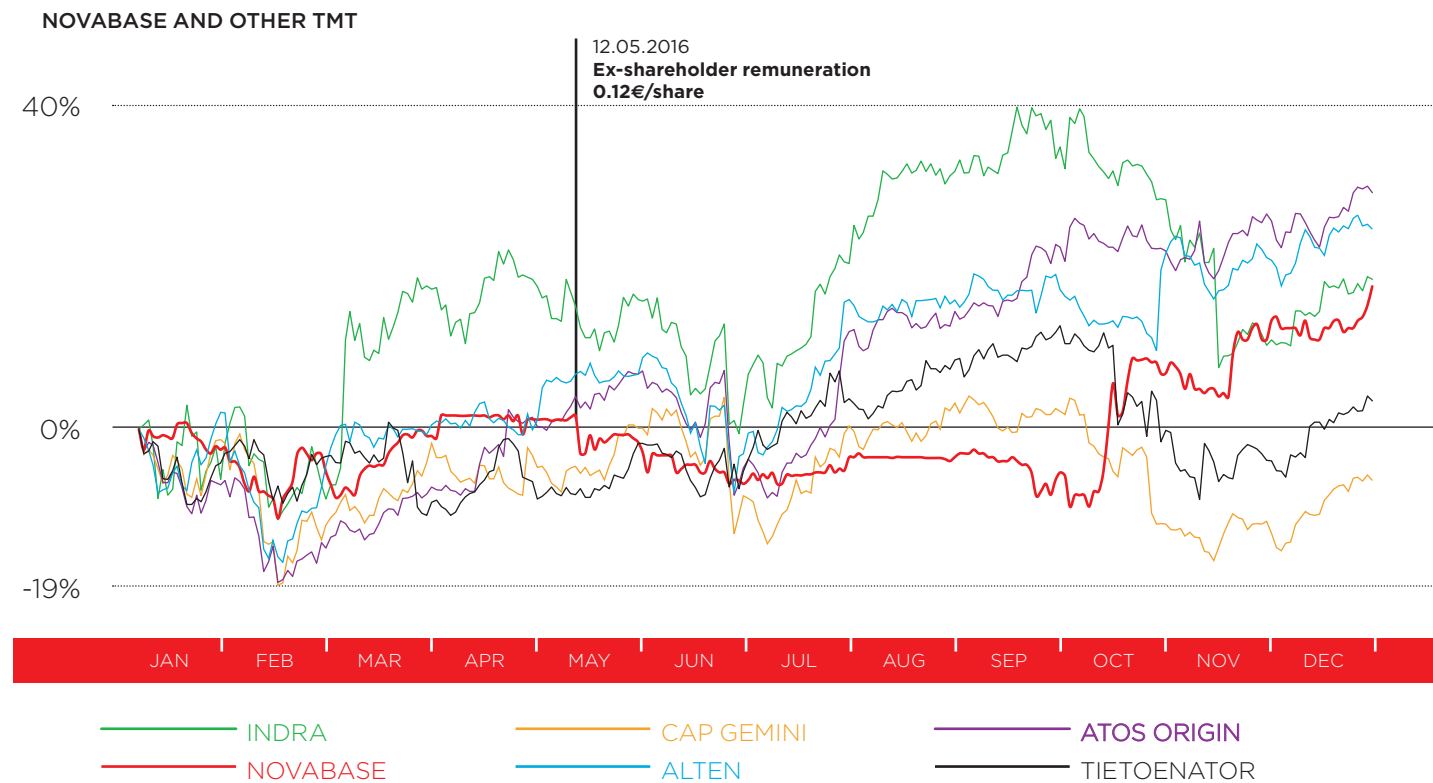
Novabase share price in 2016 gained 18%, comparing to a 12% loss in the PSI20 Index and a 3% gain in the Eurostoxx Technology Index. Excluding the shareholder remuneration, the appreciation of Novabase share price would have been 23%.

In this period, a dividend of 0.12€/share was distributed.

The Board of Directors will propose to the General Meeting of Shareholders to be held on May 4, 2017, the distribution of dividends in the amount of 4.7 M€, corresponding to 0.15€ per share.



The evolution of Novabase share prices compared to other companies in the IT sector in Europe, in 2016, was as follows:



The average price target disclosed by the analysts who cover Novabase is 3.07 Euros (average upside of 23%).

The average Novabase share price weighted by quantity in 2016 was 2.145 Euros per share. 2.8 million shares were traded in all 257 stock exchange sessions in 2016, corresponding to a trading value of 5.6 M€.

The daily average number of shares traded was 11.0 thousand shares, corresponding to a daily average value of about 0.02 M€.

The share price on the last day of trading of 2016, 30 December 2016, was 2.490 Euros, which represents a gain of 18% compared to the 2.114 Euros that Novabase shares registered at the end of 2015.

The maximum closing price achieved in 2016 was 2.490 Euros, while the minimum closing price recorded was 1.879 Euros. Market capitalization at the end of 2016 was 78.2 M€.

Share turnover accounted for 9% of Novabase's capital, with 2.8 million shares traded, approximately half of the values occurred in 2015 (turnover of 18% of capital, with 5.7 million shares traded).

SUMMARY	2012	2012	2014	2015	2016
Minimum price (€)	1.660	1.660	2.090	2.070	1.879
Maximum price (€)	2.320	2.320	4.100	2.619	2.490
Volume weighted average price (€)	2.050	2.050	3.183	2.350	2.145
Last tradable day price (€)	2.300	2.300	2.214	2.114	2.490
Nr. of shares traded (millions)	4.9	4.9	5.9	5.7	2.8
Market cap. in the last day (M€)	72.2	72.2	69.5	66.4	78.2

## RISKS

The Group's activities expose it to a variety of financial risks, namely, Foreign exchange risk, Cash flow and fair value interest rate risk, 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 exposure, since some subsidiaries perform transactions in these currencies. The finance department is responsible for the tracking of the exchange rate of the currencies mentioned above, in order to reduce the impact of the fluctuation in consolidated results. The group uses derivative financial instruments to hedge certain risk exposures.

### **b) Cash flow and fair value interest rate risk**

The Group's interest-rate risk arises from finance investments in banks and bonds, and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

### **c) Credit Risk**

Credit risk is managed, simultaneously, on business unit levels, 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, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently well rated parties are accepted. Credit risk management of trade and other receivables is based in credit limits, taking into account the financial position of the customer and past experience.

**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 and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn committed borrowing facilities and cash and cash equivalents) on the basis of expected cash flows, taking into account the analysis of the remaining contractual maturity of the financial liabilities and the expected date of financial assets inflows, and taking into account the cash transfer restrictions in Angola and Mozambique. Additionally, a regular monitoring is made to the maturity concentration of borrowings of the Group.

**d) Capital management risk**

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

- I) To safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders;
- II) To maintain a solid capital structure to support the development of its business;
- III) To maintain an optimal capital structure to reduce the cost of capital.

## OUTLOOK FOR 2017

The year of 2016 was crucial for the repositioning that Novabase has been carrying out to strengthen its international expansion.

Thus, international activity grew 16%, and accounts for 59% of the total business, 2/3 of which in Europe. EBITDA decreased to 5.9 M€, penalized by the 7 M€ extraordinary cost recorded in a project. Net Profits reached 9.6 M€, benefiting from the gain on sale of the IMS Business.

Novabase maintains as priorities for 2017 the strengthening of investment in R&D with the aim of specialize its offerings and make them more suitable for the most sophisticated markets. On the other hand, it will maintain the strategy to limit its activity in the most exposed to volatility and foreign exchange difficulties geographies.



## SUBSEQUENT EVENTS

The following relevant facts occurred in 2017 by the date of issue of this report, details of which have been adequately disclosed as privileged information via the Novabase S.G.P.S. and CMVM sites, or is public knowledge:

### Completion of sale of the Infrastructures & Managed Services business

As at January 5, 2017, Novabase informed that completed the transaction of sale of the Infrastructures & Managed Services business to VINCI Energies Portugal, SGPS, SA, communicated to the market on October 13, 2016. The estimated final price of € 44,037, paid on this date, is still subject to deductions, resulting from the final calculation of working capital and net debt.

### Acquisition of Own Shares

As at January 12, 2017, Novabase informed the market of the acquisition of 318,000 own shares at the average price of 2.69 Euros, and currently holds 326,615 own shares in treasury, representing 1.04% of the company's share capital.

### Dividend to shareholders

Novabase informed the intention of the Board of Directors to propose, at the 2017 Annual General Meeting of Shareholders, the distribution of 4.7 Million Euros to shareholders. This payment, equal to 49.2% of the consolidated net profit, represents a dividend of 15 Euro cents per share.

### Novabase is included in PSI20 Index as of March, 20

The managing body of the Lisbon Stock Exchange, in a news item dated March 6, 2017, revealed that Novabase will trade as of March 20 on the main stock exchange index of Lisbon, the PSI20.