Dear Shareholders,

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

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

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

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

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

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



2017 IN THE SPOTLIGHT

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

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

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

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

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

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

Luís Paulo Salvado

Chairman of the Board of Directors

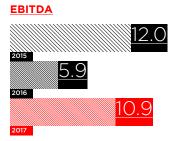
NOVABASE ANNUAL REPORT

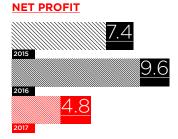
2017 IN THE SPOTLIGHT

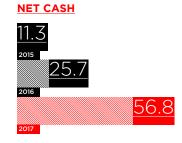


(Amounts in M€, except otherwise stated)

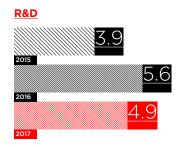
# TURNOVER 127.2 2015 135.7 2016 139.7

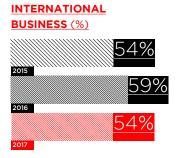














**Novabase** is a listed Company since July 2000, working in compliance with a governance model regularly assessed by the Executive Board in terms of adequacy and performance, aiming at contributing to the performance optimization and to a more accurate alignment with all the stakeholders' interests.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

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

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

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



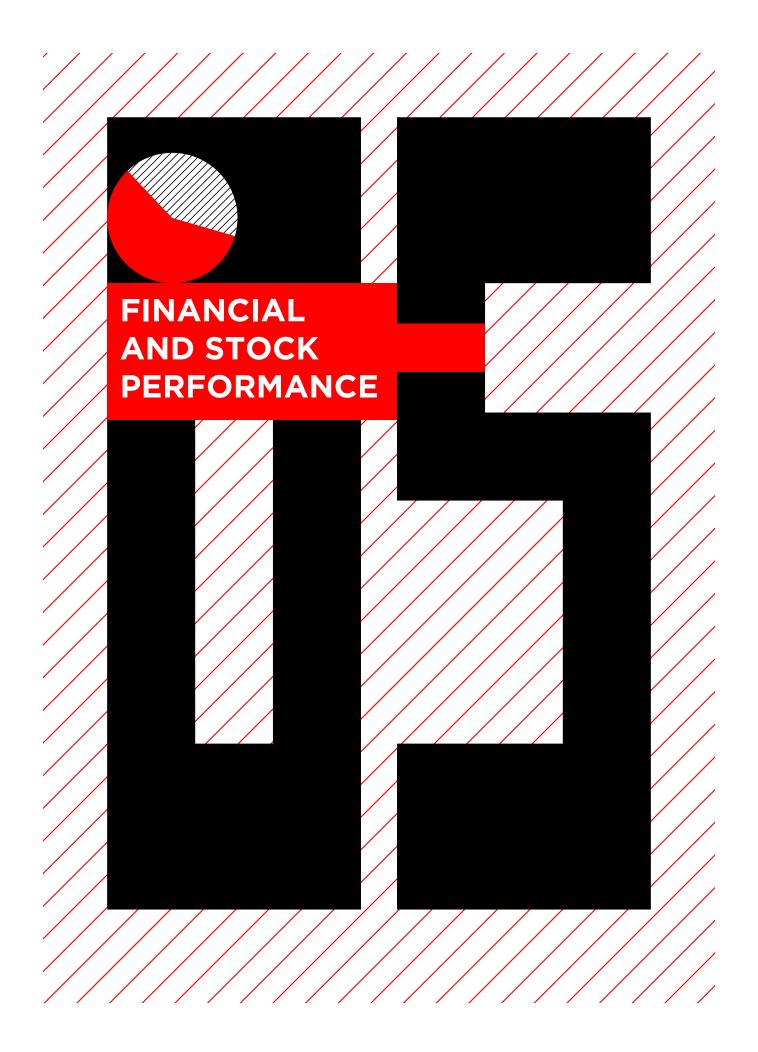
CORPORATE GOVERNANCE 1



# CREATION OF VALUE FOR THE SHAREHOLDERS

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

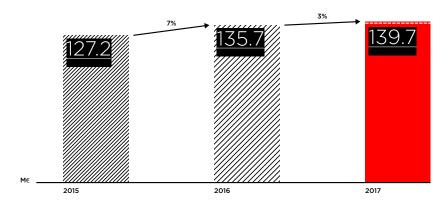
<sup>1</sup> Return on Assets = Operating Profit (EBIT) / Total Assets **EMPLOYEES** 2032 NEW TALENT



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

#### Turnover

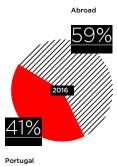
#### **TURNOVER**

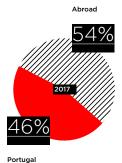


From the total Turnover, 75.5 M€ were generated outside Portugal, which compares to 79.4 M€ registered in 2016.

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

## TURNOVER BY GEOGRAPHY

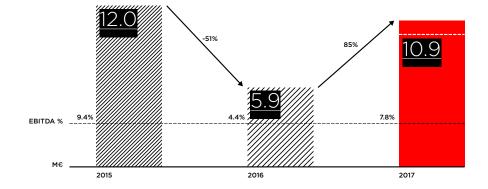




#### **EBITDA**

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

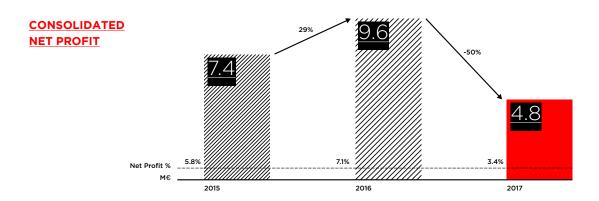
#### **EBITDA**



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

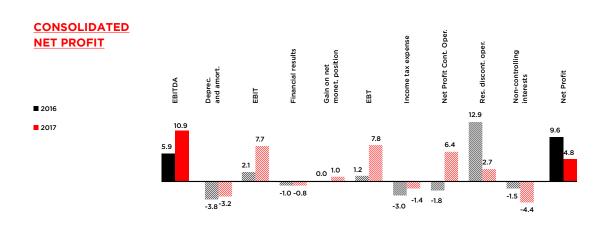
#### Results

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



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

Trends in EBITDA to Net Profit were as follows:



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

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

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

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

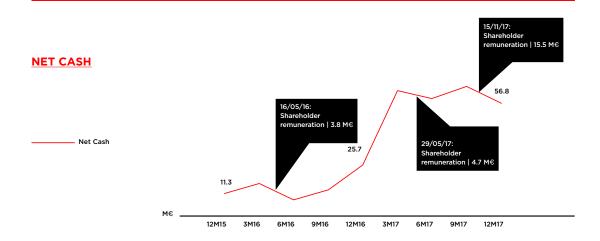
The Gain on net monetary position, amounting to 1.0 M€, derives from the application of IAS 29 to the financial statements of the subsidiary in Angola, after this economy was considered at the end of December 2017 as a hyperinflationary economy, in accordance with that standard. The calculated gain considers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

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

#### Cash

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





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

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

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

 $<sup>^{*}</sup>$  The share price in the Stock Exchange in the last tradable day of 2017 was 3.049 Euros (2016: 2.490 Euros).

#### <u>Capital</u> Expenditure

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

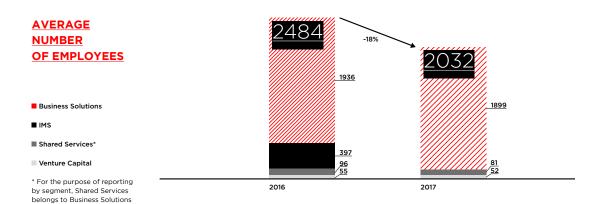
Non-recurring investment was positive, in the total amount of 1.5 M€, comprising extraordinary movements, write-offs and currency translation differences, and the application of the hyperinflation standard (IAS 29) to tangible assets of the subsidiary in Angola (non-cash items).

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

#### <u>Human</u> <u>Resources</u>

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

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



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

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

#### <u>Business</u> Summary

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

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

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

We highlight in 2017, in the Venture Capital segment, that Collab has been awarded the Gold Award in Global Technology by Associação Portuguesa de Contact Centres (Portuguese Association of Contact Centres). The award

was announced at the 13th International Conference of the association, an event that brings together the Portuguese contact centre industry.

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

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

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

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

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

- Novabase participated in the conference of Gamification Europe, aimed at those who use gamification to encourage behavioural change within their companies. The conference was launched in the UK and was attended by the largest gamification specialists, where Novabase presented its NOVA project, a plataform for promoting the growth of Novabase's employees;
- Novabase was the platinum sponsor of the Receivables Finance International 2017 (RFLx) conference, held in London, the world's main event in the area of factoring, that bring together financial institutions, technology innovators, companies and specialists for an in-depth discussion on the industry's future;
- Celfocus presented its Celfocus Omnichannel solution at the Mobile World Conference, which is considered the most important telecommunications trade show worldwide;



- Novabase was a partner of Web Summit 2017, considered one of the world's most important events in entrepreneurship, technology and innovation. The event took place once again in Lisbon and was the stage chosen for the presentation of the Wizzio Digital Plataform, developed by the Financial Services area of Novabase;
- Novabase participated in the APDC Congress, whose central theme was the transformation of the businesses in order to meet the digital demand. Novabase unveiled its innovative methodologies such as Gamification and Design Thinking.

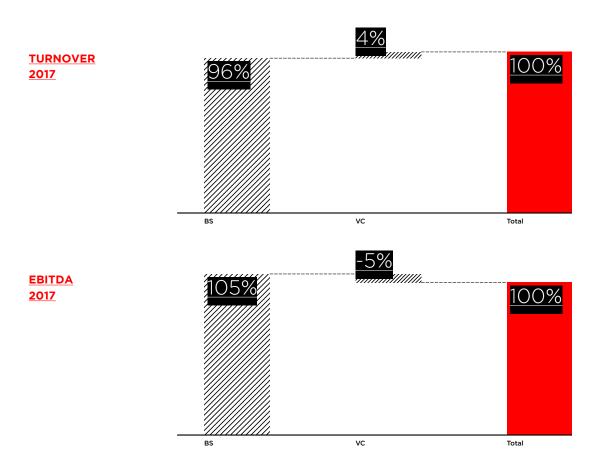
These world reference events reflect **Novabase**'s focus on innovation and provide excellent showcases for the dissemination of its offerings.

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

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



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

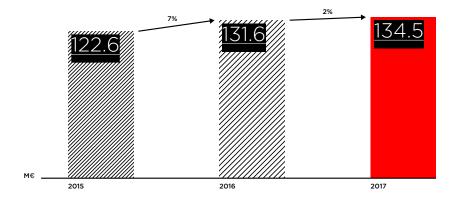


#### Business Solutions

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

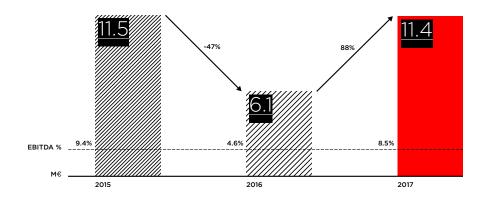
This business area's total Turnover was 134.5 M $\in$ , a 2% increase compared to 2016.

TURNOVER
BUSINESS
SOLUTIONS



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

EBITDA
BUSINESS
SOLUTIONS



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

#### Infrastructures & Managed Services

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

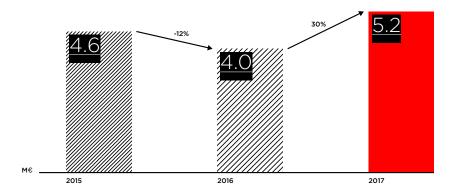
In the first half of 2017, the final calculation or working capital and net debt as established in the purchase and sale agreement took place, and the final price was revised to 41.061 million Euros, resulting in an adjustment to the gain on sale of  $2.7 \, \text{M} \odot$ .

#### <u>Venture</u> Capital

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

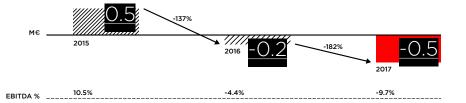
This business area's total Turnover reached 5.2 M€, a 30% increase compared to 2016.

# TURNOVER VENTURE CAPITAL



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

EBITDA
VENTURE
CAPITAL



#### Stock Performance

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

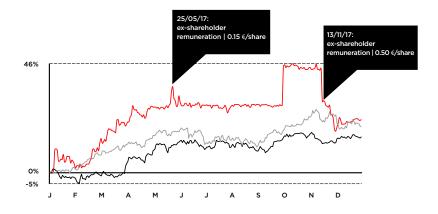
To be noted the re-entry of Novabase to the main index of the Lisbon stock exchange, the PSI 20, as at March, 20.

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

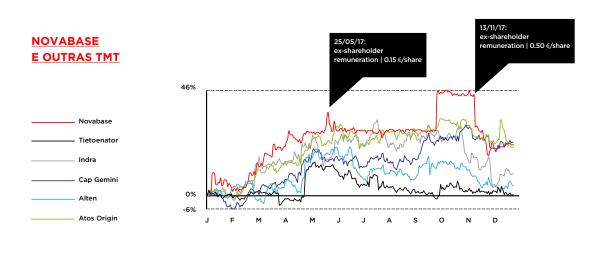
The Board of Directors will propose to the General Meeting of Shareholders to be held on May 10, 2018, the distribution of dividends in the amount of 4.7 M€, corresponding to 0.15€ per share.

## NOVABASE AND THE MARKET

Novabase
PSI20
Eurostoxx
Technology
Index



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



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

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

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

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

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

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

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

#### Risks

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

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

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

#### a) Foreign exchange risk

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

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

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

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

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

The Group's exposure to interest rates is related to financial liabilities contracted with a fixed and/or floating rate. In the first case, the Group



faces a risk of fair value variation in these assets or liabilities, since every change in market rates involves an opportunity cost. In the second case, such change has a direct impact on interest value, consequently causing cash variations.

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

#### c) Credit Risk

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

#### d) Liquidity risk

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

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

#### e) Capital management risk

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

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



- To maintain a solid capital structure to support the development of its business;
- To maintain an optimal capital structure to reduce the cost of capital.

#### Outlook for 2018

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

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

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

#### <u>Subsequent</u> Events

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

#### <u>Dividend to</u> Shareholders

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

Novabase exit from PSI20 Index as of 19 March As part of the annual review of the national stock exchange index, Euronext - the managing entity of the Lisbon stock exchange - announced in a news item dated from March 6, 2018, that Novabase will leave the main index of the Lisbon Stock Exchange, PSI2O, from March 19, where it was trading since March 20, 2017. The PSI2O index is revised quarterly in June, September and December, with the full annual review taking place in March ".



Board of Directors

Chairman

Luís Paulo Cardoso Salvado

Members

Francisco Paulo Figueiredo Morais Antunes

José Afonso Oom Ferreira de Sousa

Pedro Miguel Quinteiro Marques de Carvalho

Officers of the General Meeting of Shareholders

Chairman

António Manuel da Rocha e Menezes Cordeiro

Secretary

Madalena Paz Ferreira Perestrelo de Oliveira

Managing
Directors

Luís Paulo Cardoso Salvado

Francisco Paulo Figueiredo Morais Antunes

**Audit Board** 

Chairman

Paulo José Jubilado Soares de Pinho

**Members** 

Fátima do Rosário Piteira Patinha Farinha

Nuno Miguel Dias Pires

Surrogate

Manuel Tavares Festas

<u>Statutory</u>

**Statutory Auditor** 

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

Quintas Paixão

Surrogate

Maria Cristina Santos Ferreira

Remuneration
Committee

Chairman

ttee Francisco Luís Murteira Nabo

Members

Pedro Miguel Duarte Rebelo de Sousa

João Francisco Ferreira de Almada e Quadros Saldanha

<u>Company's</u> <u>Secretary</u> Diogo Leónidas Ferreira da Rocha

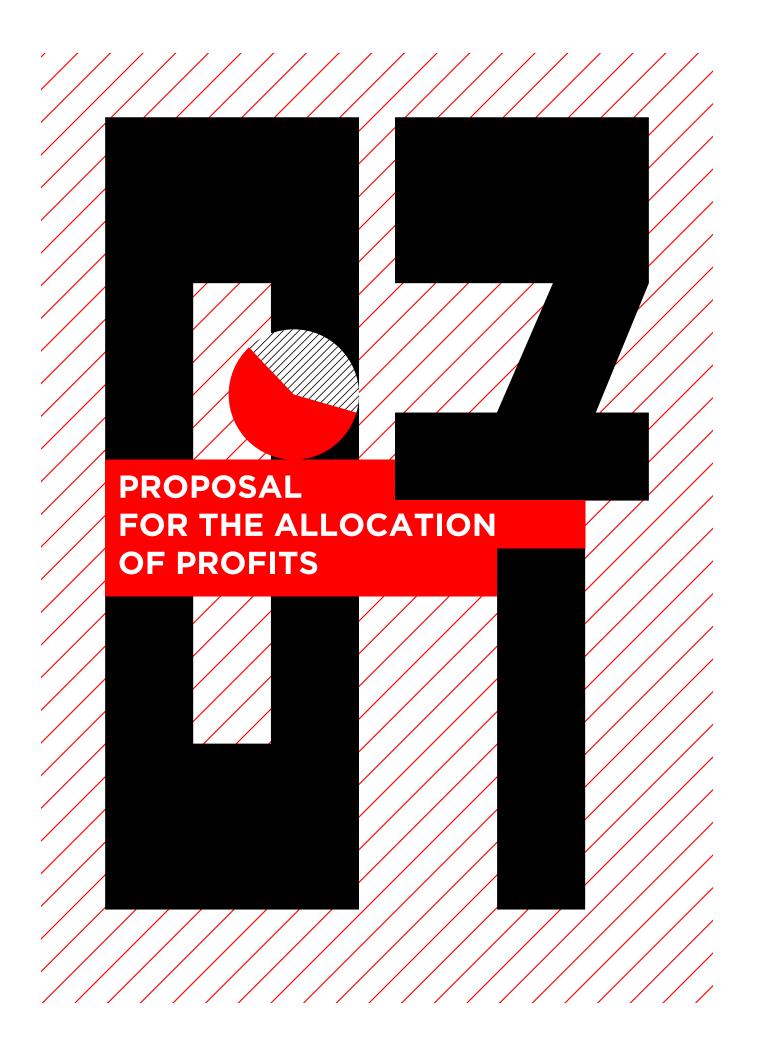
Surrogate

Marta Isabel dos Reis G. Rodrigues do Nascimento



CORPORATE BOARDS

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

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

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

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

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

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

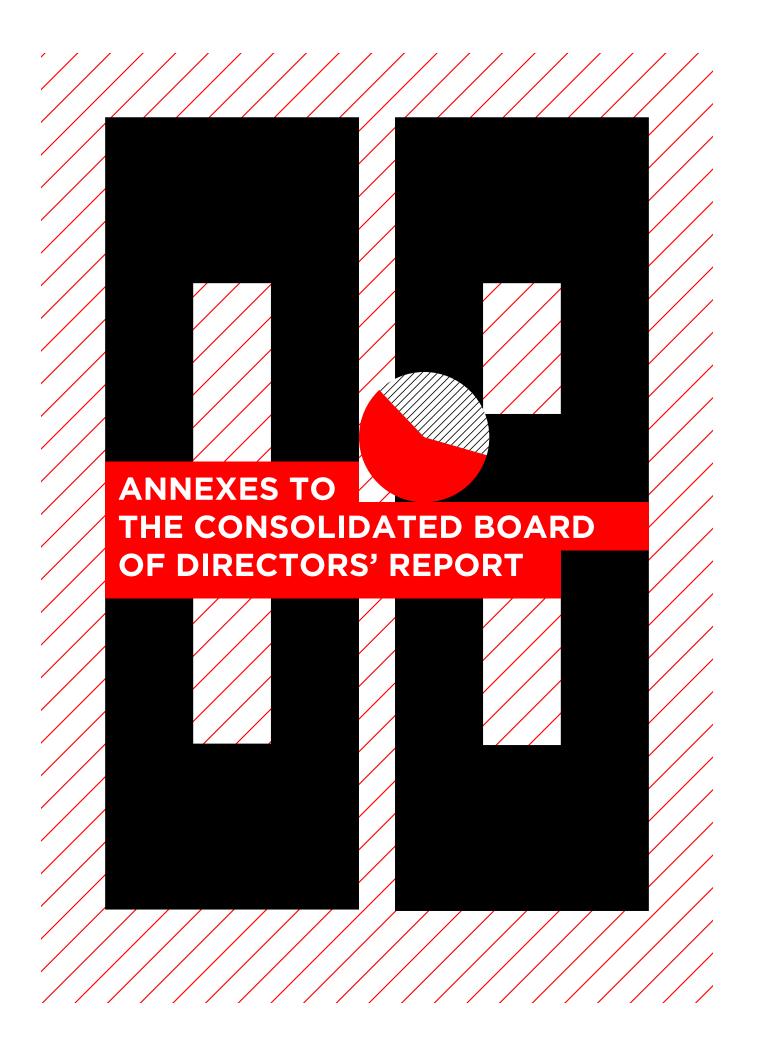


- 2. That, as it is not possible to accurately determine the number of own shares held in treasury on the date of the abovementioned payment without limiting the Company's intervention capacity, notably in the increase of liquidity in its securities, the overall sum of €4,710,209.10 (four million, seven hundred and ten thousand, two hundred and nine euros and ten cents) as provided for in the foregoing paragraph, based on an unit amount per issued share (in this case, €0.15), Be distributed as follows:
  - a) that the unit amount of €0.15 be paid to each issued share;
  - b) that the unit amount corresponding to the own shares held in treasury on the date of payment as referred to above not be paid, but transferred to retained earnings.
- 3. The remainder of net profit for the financial year in the amount of €12,285,071.38 (twelve million, two hundred and eighty five thousand, seventy one euros and thirty eight cents) is transferred to retained earnings.

Lisbon, 12 April 2018

**Board of Directors** 





### <u>List of shareholders with qualifying stakes as at 31 December, 2017</u>

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

		NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
HOLDING	HNB - SGPS, S.A. <sup>1</sup>	10,261,395	32.68%
UNDER THE	Pedro Miguel Quinteiro Marques de Carvalho	2,289,068	7.29%
SHAREHOLDERS	João Nuno da Silva Bento¹	1	0.00%
AGREEMENT	Álvaro José da Silva Ferreira¹	1	0.00%
CONCERNING	Luís Paulo Cardoso Salvado 1	1	0.00%
NOVABASE	José Afonso Oom Ferreira de Sousa¹	1	0.00%
	TOTAL <sup>2</sup>	12,550,467	39.97%

- 1 José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are the only shareholders of HNB - SGPS, S.A., and have entered into a shareholders agreement concerning the whole of HNB - SGPS, S.A.'s share capital.
- 2 The total holding is attributed to José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento and Pedro Miguel Quinteiro Marques de Carvalho, under the terms of the Shareholders Agreement concerning Novabase. This agreement is described in item 6 of the Corporate Governance Report attached to this Management Report.

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

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

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

		NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
SANTANDER	Fundo de Investimento Mobiliário Aberto Poupança Ações Santander	34,537	0.11%
ASSET	PPA 34,337	C.1178	
MANAGEMENT	Fundo de Investimento Mobiliário Aberto Santander Acões Portugal	1,476,905	4.70%
Sociedade Gestora de Fundos	Aberto Suntander Ações i Ortugui		
de Investimento Mobiliário, SA	TOTAL <sup>1</sup>	1,511,442	4.81%

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

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

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

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

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

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

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

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

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

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

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

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

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



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

#### <u>List of management transactions</u>

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

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

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



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

#### Own shares transactions

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

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

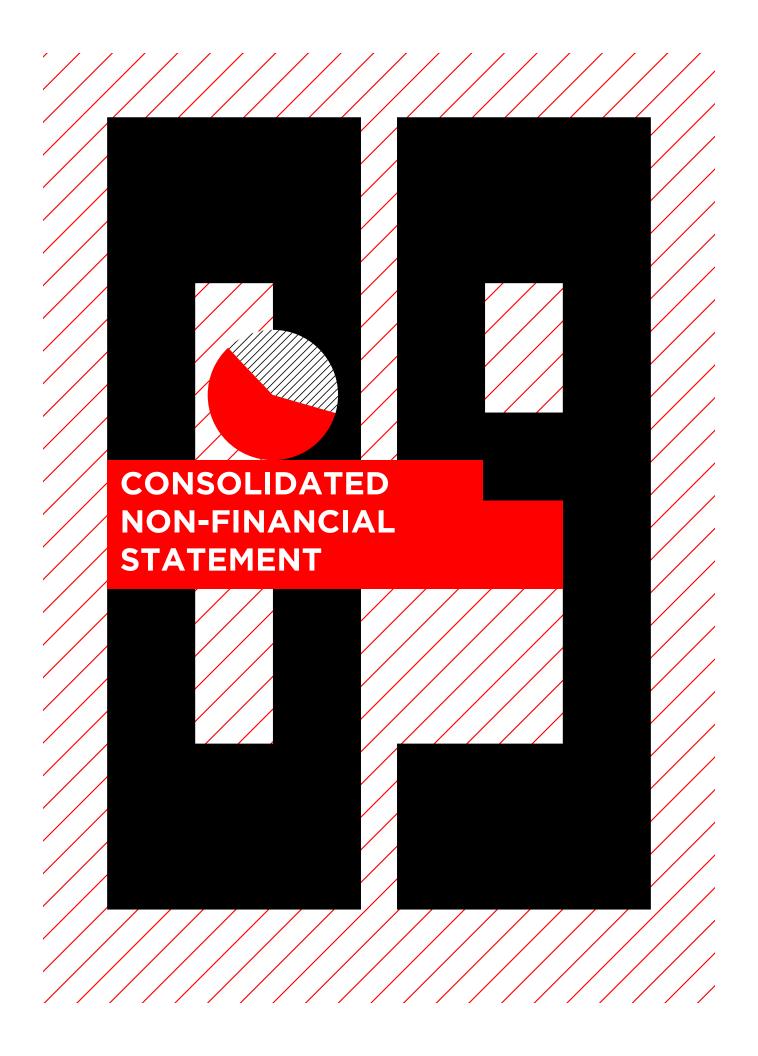
At 31 december 2016, Novabase SGPS held 8,615 own shares, representing 0.03% of its share capital.

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

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

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





#### Scope

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

#### Introduction Novabase Group

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

Reference
Documents
and Due
Diligence
Processes

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

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

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

- The company's activity is managed according to the Integrated Management System.
- Novabase companies are audited by their financial auditors and their Quality (ISO 9001), Environmental Management (ISO 14001) and Health and Safety at Work (OHSAS 18001) certifications are renewed on an annual basis after internal and external audits, the latter being conducted by certifying bodies.
- The company regularly monitors its customer' satisfaction, as well as its employees and professionals satisfaction with regard to the internal services and other topics of interest to the management.
- In compliance with the recommendations of the Portuguese Securities Market Commission on the Governance of Listed Companies and with the objective of fostering a responsible and compliant culture, Novabase has adopted a system to report irregular practices (known as "SPI") that may have occurred within the Group. The reporting of irregular practices through the SPI is addressed to one of the members of the Auditing Committee specially appointed to this position.
- Although in 2017 Novabase does not have a formally approved diversity policy (the policy on the diversity in the administrative and supervisory bodies of S.G.P.S. S.A. was approved during the financial year 2018), the company is committed to the promotion of this aspect and the compliance with the applicable law with this regard. This effort is visible not only in the intentions of some shareholders, disclosed to the market during the financial year 2017 with regard to the proposal to be submitted to the General Meeting for the appointment of the governing bodies of Novabase S.G.P.S. S.A. for the 2018-2020 mandate according to which the Board of Directors and the Executive Committee of this company shall have, at least, 25% of members of each gender as well as in the improvement of the results of the key indicator related to this aspect, indicated in the following section.
- The company also has an "Internal Regulation on Business with Holders of Qualified Participation in Novabase, SGPS, S.A." in force.

#### Results and Key Indicators

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

As for gender equality, the key indicator taken into account is that of the proportion of men and women in the total number of employees, which should tend to be balanced. This indicator has evolved positively (from 72% of men and 28% of women in 2016 to 70% of men and 30% of women

in 2017), this gender unbalance following the trend of the information technology industry, in Portugal and abroad, which also reflects the choices of higher education courses by gender. In effect, in courses such as Computer Engineering, Electronic Engineering or Network Engineering, the number of graduates (men) is much higher than the number of graduates (women).

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

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

- Business: Investment in Research, Development and Innovation; Customer Satisfaction.
- Employee-related: Number of training actions, participants and hours; number of accidents at work; number of recent graduates received through the Novabase Academy integration program.
- Environment-related: consumption of electricity, thermal energy, water and diesel & gasoline; plastics recycling, cardboard & paper, glass; greenhouse gas emissions.

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

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