

# NOVABASE

**ACCOUNTS  
2020**

LISBON



**Consolidated Financial Statements  
for the year ended 31 December 2020**

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

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**I. CONSOLIDATED FINANCIAL STATEMENTS**  
**for the year ended 31 December 2020**

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

## Consolidated Statement of Financial Position as at 31 December 2020

(Amounts expressed in thousands of Euros)

	Note	31.12.20	31.12.19
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	9,095	11,965
Intangible assets	8	12,063	12,967
Investments in associates	9	223	169
Financial assets at fair value through profit or loss	10	12,601	12,175
Debt securities	19	-	403
Deferred tax assets	11	7,947	9,585
Other non-current assets	12	2,025	1,908
<b>Total Non-Current Assets</b>		<b>43,954</b>	<b>49,172</b>
<b>Current Assets</b>			
Inventories	13	10	34
Trade and other receivables	15	42,660	78,428
Accrued income	16	3,556	3,843
Income tax receivable		2,988	2,168
Derivative financial instruments	17	64	24
Other current assets	18	4,290	6,211
Debt securities	19	-	2,793
Cash and cash equivalents	20	71,929	48,755
<b>Total Current Assets</b>		<b>125,497</b>	<b>142,256</b>
Assets from discontinued operations	41	342	460
<b>Total Assets</b>		<b>169,793</b>	<b>191,888</b>
<b>Equity</b>			
Share capital	21	54,638	54,638
Treasury shares	21	(1,177)	(655)
Share premium	21	226	226
Reserves and retained earnings	22	(4,124)	(5,318)
Profit for the year		7,486	20,400
Total Equity attributable to owners of the parent		57,049	69,291
Non-controlling interests	23	10,047	18,329
<b>Total Equity</b>		<b>67,096</b>	<b>87,620</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	24	21,493	21,281
Provisions	25	5,233	8,623
Other non-current liabilities	26	3,705	770
<b>Total Non-Current Liabilities</b>		<b>30,431</b>	<b>30,674</b>
<b>Current Liabilities</b>			
Borrowings	24	9,432	9,081
Trade and other payables	27	40,313	39,635
Income tax payable		53	1,312
Derivative financial instruments	17	9	17
Deferred income and other current liabilities	28	16,148	14,854
<b>Total Current Liabilities</b>		<b>65,955</b>	<b>64,899</b>
Liabilities from discontinued operations	41	6,311	8,695
<b>Total Liabilities</b>		<b>102,697</b>	<b>104,268</b>
<b>Total Equity and Liabilities</b>		<b>169,793</b>	<b>191,888</b>

THE CERTIFIED ACCOUNTANT

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 2020**

(Amounts expressed in thousands of Euros)

	Note	12 M *	
		31.12.20	31.12.19 (*)
<b>Continuing operations</b>			
Sales	5	-	374
Services rendered	5	125,080	113,455
Cost of sales		-	(253)
External supplies and services	29	(37,379)	(30,105)
Employee benefit expense	30	(80,176)	(73,473)
Net impairment losses on trade and other receivables	15	(72)	235
Other gains/(losses) - net	31	4,378	(880)
Depreciation and amortisation	32	(4,356)	(4,360)
<b>Operating Profit</b>		<b>7,475</b>	<b>4,993</b>
Finance income	33	1,240	11,390
Finance costs	34	(2,928)	(4,690)
Share of loss of associates	35	(58)	(83)
<b>Earnings Before Taxes (EBT)</b>		<b>5,729</b>	<b>11,610</b>
Income tax expense	36	(1,912)	(383)
Profit from continuing operations		3,817	11,227
<b>Discontinued operations</b>			
Profit from discontinued operations	41	4,509	14,749
<b>Profit for the Year</b>		<b>8,326</b>	<b>25,976</b>
<b>Profit attributable to:</b>			
Owners of the parent		7,486	20,400
Non-controlling interests		840	5,576
		8,326	25,976
<b>Earnings per share from continuing and discontinued operations attributable to owners of the parent (Euros per share)</b>			
<b>Basic earnings per share</b>			
From continuing operations	37	0.10 Euros	0.18 Euros
From discontinued operations	37	0.15 Euros	0.48 Euros
From profit for the year	37	0.24 Euros	0.66 Euros
<b>Diluted earnings per share</b>			
From continuing operations	37	0.10 Euros	0.18 Euros
From discontinued operations	37	0.15 Euros	0.47 Euros
From profit for the year	37	0.24 Euros	0.66 Euros

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

**12 M \* - period of 12 months ended**

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS



**NOVABASE S.G.P.S., S.A.**  
**Consolidated Statement of Comprehensive Income**  
**for the year ended 31 December 2020**

(Amounts expressed in thousands of Euros)

Note	12 M *	
	31.12.20	31.12.19 (*)
<b>Profit for the Year</b>	8,326	25,976
<b>Other comprehensive income for the year</b>		
<b>Items that may be reclassified to profit or loss</b>		
Exchange differences on foreign operations, net of tax	22	615
<b>Other comprehensive income for the year</b>	22	615
<b>Total comprehensive income for the year</b>	<b>8,348</b>	<b>26,591</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	6,948	20,693
Non-controlling interests	1,400	5,898
	<b>8,348</b>	<b>26,591</b>

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

**12 M \* - period of 12 months ended**

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

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

## Consolidated Statement of Changes in Equity for the year ended 31 December 2020

(Amounts expressed in thousands of Euros)

Note	Attributable to owners of the parent							Non-controlling interests	Total Equity	
	Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Exchange dif. on foreign operations	Reserves and retained earnings			
<b>Balance at 1 January 2019</b>	<b>15,701</b>	<b>(188)</b>	<b>43,560</b>	<b>3,140</b>	<b>-</b>	<b>(7,830)</b>	<b>12,443</b>	<b>13,754</b>	<b>80,580</b>	
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	-	-	-	(1,084)	(47)	(1,131)	
<b>Restated balance at 1 January 2019</b>	<b>15,701</b>	<b>(188)</b>	<b>43,560</b>	<b>3,140</b>	<b>-</b>	<b>(7,830)</b>	<b>11,359</b>	<b>13,707</b>	<b>79,449</b>	
Profit for the year	-	-	-	-	-	-	20,400	5,576	25,976	
Other comprehensive income for the year	22, 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		-	-	-	-	3,016	-	-	3,016	
<b>Transactions with owners</b>										
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		-	-	-	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)	
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>										
Transactions with non-controlling interests		-	-	-	-	-	-	-	-	
<b>Balance at 31 December 2019</b>		<b>54,638</b>	<b>(655)</b>	<b>226</b>	<b>3,140</b>	<b>7</b>	<b>(4,521)</b>	<b>16,456</b>	<b>18,329</b>	<b>87,620</b>
<b>Balance at 1 January 2020</b>										
		<b>54,638</b>	<b>(655)</b>	<b>226</b>	<b>3,140</b>	<b>7</b>	<b>(4,521)</b>	<b>16,456</b>	<b>18,329</b>	<b>87,620</b>
Profit for the year		-	-	-	-	-	7,486	840	8,326	
Other comprehensive income for the year	22, 23	-	-	-	-	(538)	-	560	22	
Total comprehensive income for the year		-	-	-	-	(538)	7,486	1,400	8,348	
<b>Transactions with owners</b>										
Treasury shares movements	21, 22	-	(522)	-	-	-	(368)	-	(890)	
Share-based payments	21	-	-	-	34	-	-	-	34	
Change in consolidation perimeter	23, 41	-	-	-	-	-	-	(672)	(672)	
Transactions with owners		-	(522)	-	34	-	(368)	(672)	(1,528)	
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>										
Transactions with non-controlling interests	22, 23	-	-	-	-	145	(18,479)	(9,010)	(27,344)	
<b>Balance at 31 December 2020</b>		<b>54,638</b>	<b>(1,177)</b>	<b>226</b>	<b>3,140</b>	<b>41</b>	<b>(4,914)</b>	<b>5,095</b>	<b>10,047</b>	<b>67,096</b>

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

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

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

## Consolidated Statement of Cash Flows for the year ended 31 December 2020

(Amounts expressed in thousands of Euros)

		12 M *	
	Note	31.12.20	31.12.19
<b>Cash flows from operating activities</b>			
Cash receipts from customers		126,845	144,176
Cash paid to suppliers and employees		(116,340)	(135,102)
Cash generated from operations		10,505	9,074
Income taxes received / (paid)		(2,628)	1,125
Other operating payments		(1,933)	(619)
		(4,561)	506
<b>Net cash from operating activities</b>		<b>5,944</b>	<b>9,580</b>
<b>Cash flows from investing activities</b>			
Proceeds:			
Sale of subsidiaries	41	42,823	-
Sale of associates and other participated companies		9	9
Disposal of debt securities	19	2,467	4,498
Sale of property, plant and equipment		212	8
Interest received		92	675
Dividends received	33	43	-
		45,646	5,190
Payments:			
Acquisition of subsidiaries	41	(3,456)	-
Acquisition of associates and other participated companies	10	-	(440)
Loans granted to associates and participated companies		-	(264)
Acquisition of property, plant and equipment		(663)	(1,204)
Acquisition of intangible assets		(253)	(918)
		(4,372)	(2,826)
<b>Net cash from investing activities</b>		<b>41,274</b>	<b>2,364</b>
<b>Cash flows from financing activities</b>			
Proceeds:			
Proceeds from borrowings	24 (a)	10,000	16,000
Transactions with non-controlling interests		-	12
		10,000	16,012
Payments:			
Repayment of borrowings	24 (a)	(6,194)	(8,459)
Dividends paid and share capital reductions	22, 23	-	(20,714)
Transactions with non-controlling interests	22	(20,000)	-
Payment of lease liabilities	24 (a)	(3,785)	(3,406)
Interest paid		(1,115)	(1,124)
Purchase of treasury shares	21, 22	(890)	-
		(31,984)	(33,703)
<b>Net cash used in financing activities</b>		<b>(21,984)</b>	<b>(17,691)</b>
<b>Cash and cash equivalents at 1 January</b>	20	<b>48,782</b>	<b>63,643</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>25,234</b>	<b>(5,747)</b>
<b>Effects of change in consolidation perimeter</b>	41	<b>(1,857)</b>	<b>(6,935)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(211)</b>	<b>(2,179)</b>
<b>Cash and cash equivalents at 31 December</b>	20	<b>71,948</b>	<b>48,782</b>

12 M \* - period of 12 months ended

THE CERTIFIED ACCOUNTANT

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 2020**

## 1. General information

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

Novabase's activity is aggregated into 2 operating segments:

**(i) Next-Gen (NG)** - This area of Novabase develops activities 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 activities of IT consulting and services of IT Staffing. It also develops a venture capital activity through Novabase Capital, S.C.R., S.A..

2020 was marked by the success on the execution of some M&A operations relevant to Novabase's 2019+ Strategy, of becoming a "Next-Gen IT Services Company" (see notes 22 and 41):

- Acquisition of Vodafone Portugal, S.A.'s equity stake in Celfocus - Full ownership of Celfocus is a key element to the Strategy, enabling the Group to allocate resources and explore synergies in a more efficient way;
- Sale of Novabase's equity stake in Collab to the Swedish Netadmin System I Sverige AB - This non-strategic asset divestment, on the Value Portfolio segment, generated some additional funds and freed up management time to focus on other initiatives;
- Adjustment to the consideration on the sale of GTE Business to VINCI Energies Portugal, S.A. - The consideration obtained with this sale, concluded at the end of 2019, after price adjustments and the verification of the earn-out under the terms defined in the contract, increased to EUR 39.3 Million, generating an additional financial inflow to finance the Strategy and an adjustment to the capital gain of EUR 2.9 Million.

2020 was also marked by the outbreak of the Covid-19 pandemic, the disease caused by the novel coronavirus, declared as a pandemic by the World Health Organization on 11 March 2020 (see note 2.2.).

Novabase is listed on the Euronext Lisbon.

The share capital is represented by 31,401,394 shares (2019: 31,401,394 shares), and all shares have a nominal value of 1.74 Euros each (2019: 1.74 Euros).

These consolidated financial statements were approved and authorised for issuance by the Board of Directors on 29 April 2021. In Board of Directors' opinion, 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 25 May 2021.

## 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.

### 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 2020.

It should be understood as being part of those Standards, whether the IFRS issued by the International Accounting Standards Board ("IASB"), or the IAS issued by the International Accounting Standards Committee ("IASC") and respective interpretations - IFRIC and SIC, issued, respectively, by the International Financial Reporting Interpretations Committee ("IFRIC") and Standard Interpretations Committee ("SIC"). These standards and interpretations will be referred to generically as IFRS.

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

#### **New standards, interpretations and amendments to existing standards, which became effective in 2020**

• **Amendment to IAS 1 and IAS 8, 'Definition of material'**. These changes introduce a modification to the material concept, being part of the wider design of the IASB 'Disclosure Initiative'. The amendment introduced 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)'**. 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'**. This amendment 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 now allowed, which evaluate if a significant part of the fair value of the transaction corresponds to a single asset. When positive, the acquired assets do not constitute a business and the entity is exempt from carrying out any additional valuation to determine whether it is a business combination.

- **Amendments to IFRS 9, IAS 39 and IFRS 7, 'Reform of benchmark interest rates - phase 1'**. The changes correspond to the first phase of the "Reform of benchmark interest rates" project (examples: Euribor and Libor) that emerged in the wake of the financial crisis. These changes provide for certain temporary and restricted exemptions related to hedge accounting under IAS 39/IFRS 9 - Financial instruments, the practical effect of which is not to discontinue hedge accounting, in cases where the only change refers to the change reference interest rate. However, any ineffectiveness of the hedging relationship in force must continue to be recorded in the statement of profit and loss.

- **Amendment to IFRS 16, 'Covid-19-Related Rent Concessions'**. In view of the global pandemic caused by the new coronavirus (Covid-19), lessors have attributed benefits to lessees, related to leases rents, which can take different formats, such as the reduction, forgiveness or deferral of lease payments. This amendment to IFRS 16 introduces a practical expedient for lessees, which exempts them from assessing whether rent concessions awarded by lessors in the scope of Covid-19, and exclusively these concessions, qualify as leases modifications. Lessees who choose the application of this exemption, account for the change in rent payments, as rental variable rent in the period(s) in which the event or condition leading to the payment reduction occurs. The practical expedient is only applicable when all of the following conditions are met: i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; ii) any reduction in lease payments affects only payments due on or before 30 June 2021; and iii) there is no substantive change to other terms and conditions of the lease.

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.

**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 2021, but that the Group has not early adopted**

- **Amendment to IAS 1, 'Classification of liabilities as current or non-current'** (effective for annual periods beginning on or after 1 January 2023). The amendment to this standard is still subject to endorsement by the European Union, and introduces a clarification on the classification of liabilities as current or non-current balances depending on the rights that an entity has to defer its payment, at the end of each reporting period. The classification of liabilities is unaffected by the expectations of the entity or events after the reporting date, such as a breach of "covenant". An additional clarification is made regarding the meaning of the "settlement" of a liability, which is now defined as the extinguishment of a liability through the transfer: a) of cash or other economic resources, or b) an entity's own equity instruments.

- **Amendment to IAS 16, 'Proceeds before intended use'** (effective for annual periods beginning on or after 1 January 2022). The amendment to this standard is still subject to endorsement by the European Union. This amendment is part of the "narrow scope amendments" published by the IASB in May 2020. With this amendment, IAS 16 - 'Property, Plant and Equipment' now prohibits the deduction of amounts received as consideration for items sold that resulted from the production in test phase to the property, plant and equipment, to the book value of those same assets. The consideration received for the sale of the "outputs" obtained during the testing phase must be recognised in profit or loss for the year, in accordance with the applicable regulations.

- **Amendment to IAS 37, 'Onerous contracts - cost of fulfilling a contract'** (effective for annual periods beginning on or after 1 January 2022). The amendment to this standard is still subject to endorsement by the European Union. This change is part of the narrow scope amendments published by the IASB in May 2020, and specifies what are the costs that the entity should consider when assessing whether a contract is onerous or not. Only expenses directly related to the performance of the contract are accepted, and these may include: i) the incremental costs of fulfilling that contract such as the cost of labor required and materials; and ii) the allocation of other expenses that are directly related to the fulfillment of the contract, such as the allocation of the depreciation expenses of a given tangible fixed asset used to carry out the contract. This change should be applied to contracts that, at the beginning of the first annual reporting period to which the change is applied, still include contractual obligations to be satisfied, without there being any need to restate the comparison. Any impact should be recognised against retained earnings (or another component of equity, as appropriate), on the same date.

- **Amendment to IFRS 3, 'Reference to the Conceptual Framework'** (effective for annual periods beginning on or after 1 January 2022). The amendment to this standard is still subject to endorsement by the European Union. This change is also part of the changes of the narrow scope amendments published by the IASB in May 2020, and updates the references to the Conceptual Framework in the text of IFRS 3, with no changes to the accounting requirements for business combinations. The amendment also introduces references to liabilities and contingent liabilities under IAS 37 and IFRIC 21, incurred separately versus liabilities and contingent liabilities assumed in a business combination.

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest rate benchmark reform - phase 2'** (effective for annual periods beginning on or after 1 January 2021). The amendments are still subject to endorsement by the European Union, and address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one, allowing for the application of exemptions such as : i) changes to designations and hedge documentation ii) Amounts accumulated in the cash flow hedge reserve; iii) assessment the retrospective effectiveness of a hedge relationship under IAS 39; iv) changes in the hedge relationships for groups of items; v) presumption that an alternative benchmark rate designated as a non-contractually specified risk component, is separately identifiable and qualifies as a hedged risk; and vi) updating the effective interest rate, without recognising gain or loss, for financial instruments measured at amortised cost with changes in contractual cash flows as a result of the IBOR reform, including leases that are indexed to an IBOR.

- **Annual improvement cycle 2018 - 2020** (effective for annual periods beginning on or after 1 January 2022). This improvement cycle is still subject to endorsement by the European Union and affects the following standards (themes): IFRS 1 - 'First adoption of IFRS' (subsidiary as a first-time adopter of IFRS), IFRS 9 - 'Financial instruments' (derecognition of financial liabilities - costs incurred to be included in the "10 percent" variation test), IFRS 16 - 'Leases' (lease incentives) and IAS 41 - 'Agriculture' (taxation and fair value measurement).

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 (see also note 2.2.), 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, during the next financial year, cause material adjustments in the amount of assets and liabilities.

## 2.2. Quantitative and qualitative information on the impacts of Covid-19

The beginning of 2020 was marked by an event on a global scale whose dimension and consequences are unparalleled in recent decades. Indeed, the pandemic crisis (Covid-19), which originated in China, forced extreme measures to be taken by a significant number of countries, which included, among others, the imposition of limitations on the free movement of individuals and the suspension of economic activity on an unprecedented scale. As a result, the world economy contracted at a substantial rate. Companies were forced to adapt overnight to new ways of doing business and to address the new challenges and risks of the pandemic. Managing uncertainty took on a whole new meaning.

Novabase considers that the Covid-19 crisis represents a significant event that, under accounting regulations, requires the presentation of separate breakdowns on its impacts. The main quantitative and qualitative impacts related to Covid-19 and the actions performed by the Group to mitigate its impacts are presented below.

Since its inception, Novabase has been monitoring carefully and permanently all developments related to the pandemic, having created a Contingency Coordinating Group for the management of this crisis, led by the CFO in alignment with the Management of each business. A contingency plan based on concrete and concerted actions was implemented, covering the entire organisation, from the operational areas to the central structures, with the main priorities being to ensure safety, health and well-being for all individuals in the Novabase community and to preserve the company's financial strength.

Agile and efficient decision making processes allowed Novabase to rapidly adapt processes and action plans in response to the pandemic, namely:

- All bureaucratic processes were adapted in order to eliminate or minimise travel, and infrastructures were reinforced, which provided conditions for nearly 100% of employees to work remotely, ensuring both safety, health and well-being for the Novabase community and clients business operations continuity. Our Nearshore Agile Delivery Model proved fit for the new "work from home" context and our flexible mindset contributed to keep people engaged;
- Still, and so that employees could continue to use Novabase's facilities safely whenever necessary to perform their jobs, safety and hygiene measures in the workplace were reinforced, namely the layouts' reorganisation in order to maintain social distancing, the implementation of Covid specific signage, namely to circulation, the measurement of employees' temperature upon arrival, the distribution of hand sanitiser at its facilities, the provision of personal protective equipment to employees and regular preventive disinfections to the facilities, which were awarded with the COVID OUT seal by ISQ;
- Internal medicine appointments were extended to digital channels, new conditions with the insurance company, within the scope of health insurances at employee's choice, were negotiated, with enhanced coverage for Covid-19, and new benefits were designed to support employees in purchasing office and wellness equipment to create a comfortable home office. In addition, and considering the risks associated with remote work which may impact employee's mental health, several webinars delivered by experts on emotional health and performance were held, also counselling sessions with psychologists and physical and mental well-being activities online were made available;
- Regarding Novabase's financial sustainability, and as a preventive measure aimed at ensuring its financial resilience and competitiveness, the Board of Directors reversed its initial intention of proposing to the 2020 General Meeting of Shareholders a distribution to the shareholders of 0.85 Euros per share, postponing such distribution to a more suitable moment.

In terms of 2020 impacts, no relevant negative Covid-19 effects were recorded on financial indicators except for a minor EBITDA effect on the IT Staffing Business, in Value Portfolio segment, abroad (coincident with localised stringent lockdowns), but overall mitigation in this Business was possible. On the contrary, Novabase Group had a robust performance in the year, presenting a double-digit growth in Turnover, solid operating results and a positive evolution in relevant KPIs of the 2019+ Strategy, such as the 7% growth of operations in Europe and the Middle East and the 17% increase of the revenue captured from top tier clients in Next-Gen, Novabase's core segment. Net cash position increased to EUR 51.5 Million at the end of December. All of the above was reflected in the perception of the financial markets, with the increase of Novabase's share rotation and a 24% appreciation of the share price during the year, which raised Novabase's market capitalization to EUR 100.8 Million as at 31 December 2020.

On the strategy side, Novabase was able to successfully execute three key milestones in its transformation: the acquisition of Vodafone Portugal, S.A.'s equity stake in Celfocus, the sale of its interest in Collab to the Swedish Netadmin System i Sverige AB and the completion of the sale to VINCI Energies Portugal, S.A. of the GTE Business, with a positive adjustment to consideration on the sale of the Business, raising the 2019 Price to Sales multiple of this transaction to 1.12x.

In terms of human resources, since the beginning of the pandemic and until the present date, the number of confirmed cases of Covid-19 within our employees is low (approximately 5%). On the other hand, the last monthly survey ("Novabase Pulse Check") showed that 83% of the respondents are "Very Confident" or "Extremely Confident" on their leadership to make the right decisions on the pandemic. These indicators reveal confidence that the protection measures adopted have been effective. Even during the global crisis, Novabase was able to hire and maintain promotions, and perform training sessions, adapting its processes to the current situation. Despite the 2020 challenges, the endeavor and adaptability of Novabase's teams, working together while apart, allowed the Company to continue fulfilling its goals, always making health and well-being as the number one priority.



From an accounting point of view, and in the context of the pandemic, the Company also performed the following assessments:

- Reassessed the prospect of receiving loans and balances granted to its foreign subsidiaries, having re-designated part of the receivables from the Angolan subsidiary NBASIT-Sist. de Inf. and Telecomunic., S.A. as part of the net investment in a foreign operation;
- Reviewed the expected credit losses ("ECL") to be applied to amounts receivable and bank deposits as at 31 December, having concluded that they remain adequate, with no need to reformulate the risk parameters;
- Analysed whether there were additional indicators of impairment arising from the impacts of Covid-19 on the results of the various businesses of the Group, according to the current forecasts, which could indicate the existence of impairment of goodwill and other non-current assets, namely tangible and intangible assets, with no additional impairments to be recognised;
- Evaluated the impact of the Covid-19 pandemic on future taxable results and concluded that the recoverability of deferred taxes is not at stake;
- Reviewed the existence of onerous contracts due to the current situation. No contracts were identified that should be considered as onerous contracts;
- Monitored the evolution of compliance with the financing covenants, not having identified situations of default;
- Recognised incremental costs associated with Covid-19 of approximately EUR 115 thousand, namely related to personal protective equipment and additional security and hygiene measures. On the other hand, savings in Travel were made.

Looking into the future, Novabase does not have reasons to believe that its strategy will be negatively affected, in fact the pandemic may even pave the way towards an acceleration of the digital economy, where Novabase will play a relevant role. Telecom emerges as one of the least affected sectors, and the Digital, Cognitive and Automation technologies are in high demand. Additionally, Novabase benefits from a very high quality base of customers, a robust liquidity position and adequate capital levels, reasons that enables the Company to face the future with confidence.

Nonetheless, a high degree of uncertainty remains in the pandemic context, with news concerning new and more contagious strains of the virus circulating and longer and/or stricter lockdowns expected - even with a global vaccine rollout in place. Driven by this uncertain context, the Board of Directors decided not to propose any shareholder remuneration on the 2021 General Meeting of Shareholders, however reaffirming the commitment to distribute 1.5 Euros per share in the 2019-2023 strategic cycle - which means a remuneration of 0.85 Euros per share to be paid ahead.

The Board of Directors considers that the liquidity situation and the capital levels will be sufficient to continue the Group's activity, therefore the going concern principle has been applied to the preparation of these financial statements.

As far as it is possible to anticipate, the M&A initiatives foreseen in the Strategic Plan are likely to be delayed due to the present market volatility and attracting new customers should remain challenging under the current travel restrictions, which may influence growth prospects in 2021 (yet the goals of the 2019-2023 Strategic Plan maintain). However, the impact on the results of Novabase's operations cannot be determined, given the unpredictability regarding the duration, magnitude and consequences arising from the ongoing global pandemic.

Novabase will continue monitoring the pandemic's evolution and giving priority to the implementation of all measures considered adequate to minimise the negative effects on the Group's operations, in line with the recommendations of the authorities and on all stakeholders' best interest.

Finally, it should be noted that despite the context of the Covid-19 pandemic, there were no material changes that significantly affect the risk assessment to which Novabase is exposed to (see note 3). Likewise, the main sources of uncertainty associated with the most relevant estimates and judgments, used in the preparation of these financial statements, did not undergo significant changes as a result of the incorporation of the new pandemic context, namely regarding the impairment of goodwill, the fair value of financial instruments, impairment of financial assets, recoverability of deferred taxes and provisions.

### 2.3. Consolidation

The consolidated financial statements, with reference to 31 December 2020, 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, based on which it identified the following reportable operating segments: Next-Gen, the betting segment of Novabase, who has the ambition to become a "Next-Gen IT Services Company", and Value Portfolio, segment aimed at generating the necessary funds to support the Next-Gen growth and transformation. Novabase did not aggregate operating segments.

General information on how Novabase identified its reportable operating segments, including the organisational 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 results for the period 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 (x foreign exchange units per 1 Euro)	Rate on		Average rate	
	31.12.20	31.12.19	2020	2019
• Angolan Kwanza (AOA)	820.7955	558.1500	636.3932	450.9606
• Mozambican Metical (MZN)	92.8056	69.7182	73.9044	70.1985
• Turkish Lira (TRY)	9.1131	6.6843	9.5343	6.1324
• US Dollar (USD)	1.2271	1.1234	1.1397	1.1193
• British Pound (GBP)	0.8990	0.8508	0.8860	0.8710



With the exception of AOA and MZN, all exchange rates used are the official EUR exchange rate at 31.12.20 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.

The Group assesses annually whether any of the economies in emerging countries where it has subsidiaries meet the main criteria to be considered hyperinflationary in accordance with IAS 29 - 'Financial reporting in hyperinflationary economies'. As a result of this assessment, Angola has qualified as a hyperinflationary economy in 2017 and 2018, but in 2019 no longer fulfilled the criteria, so the Group ceased the application of IAS 29 to the subsidiary NBASIT-Sist. de Inf. e Telecomunic., S.A. accounts for the year ended 31 December 2019.

In 2020, Novabase reassessed the economies where it operates in accordance with this standard, with special attention to the Angolan economy, which registered an annual inflation rate of 25% and an accumulated inflation for the last three years of approximately 73%, concluding that none of those economies met the necessary conditions to be considered as a hyperinflationary economy.

Loans between group companies and related foreign exchange gains or losses are eliminated on consolidation. However, when the loan is between group companies that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognised in the consolidated result, unless the settlement of the loan is not planned nor likely to occur in the foreseeable future and, therefore, is in substance an extension of the net investment in a foreign operation.

In this case, exchange rate differences - whether they arise from the translation of net investments in foreign operations (that is, from the conversion of monetary items at rates different from those at which they were converted in the initial recognition or in previous financial statements) or the early repayment of monetary items that are part of the net investment in a foreign entity - are recognised in other comprehensive income, under the heading 'Exchange differences on foreign operations', remaining in reserves until the sale or liquidation of such foreign entities.

As soon as the criteria for continuing to classify the amount receivable (in part or in whole) as a net investment in foreign entities are no longer verified, the future foreign exchange gains and losses related to it are recorded in profit or loss, but the historical gains and losses recorded up to that moment are not reclassified to profit or loss.

When a foreign entity is sold or liquidated, the accumulated exchange differences are recognised in profit or loss as part of the gain or loss on the sale. In the partial sale of a subsidiary without loss of control, the corresponding portion of the accumulated exchange differences is reclassified to non-controlling interests, within equity.

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.

During the first half of 2019, the Group applied the net investment to loans granted to its subsidiaries with a functional currency other than the Euro. Considering both the receipts verified in those first six months, in particular from the Angolan subsidiary NBASIT-Sist. de Inf. e Telecomunic., S.A., and the Management's expectations at that time, the Group reassessed the prospect of receiving loans granted to its foreign subsidiaries, having ceased the application of the net investment as of July 2019.

In 2020, the Group performed a new assessment of the perspective of receiving loans and balances granted to its foreign subsidiaries, having re-designated part of the balances receivable from the Angolan subsidiary (those whose settlement is not expected in the "foreseeable future") as part of the net investment, due to the economic uncertainties resulting from the pandemic, and also considering the current political and economic context of this geography and the fact that the subsidiary sold all investments in Treasury Bonds that it held in its portfolio as at 31 December 2019 to settle certain balances.

## 2.6. Property, plant and equipment

For Novabase Group, property, plant and equipment comprise own assets and right-of-use assets (see also note 2.21.).

Property, plant and equipment are essentially composed of buildings and other constructions, basic and transport equipment. Property, plant and equipment are stated at acquisition cost, net of accumulated depreciation. The acquisition cost is considered to be the costs directly attributable to the acquisition of the assets (sum of the respective purchase price with the expenses incurred directly or indirectly to put it in its state of use).

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:

	<u>No. of years</u>
• 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, goodwill 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 cannot be larger than an operating segment before aggregation.

The cash generating units identified by Novabase represent the way the entity monitors its operations and makes its decisions on the continuation or disposal of its assets and operations: Next-Gen and NeoTalent. There is no unallocated goodwill to those cash generating units. Note 8 gives information on the 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 (in 2019), 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 Novabase 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 heading '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 heading 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 2020, the LGD used corresponded to 60% for Portugal and 60% for Angola (2019: 60% for Portugal, 59% for Angola).

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 heading 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

For Novabase Group, borrowings comprise bank borrowings and lease liabilities (see also notes 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' heading.

### 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)**

According to Law No. 70/2013 and Order No. 294-A/2013, companies that hire a new employee are required to deduct a percentage of the respective salary for the Labour Compensation Fund (FCT) – 0.925% – and for the Labour Compensation Guarantee Fund (FGCT) – 0.075%, in order to ensure, in the future, the partial payment of the compensation in the event of dismissal. Considering the characteristics of each Fund, Novabase considers the following:

- 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 the Board Members's interests with the Company's interests.

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 granted, which is estimated only using market conditions. Acquisition conditions that are not market conditions are 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 in 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. The Group does not discount the provisions for which there is no predictability of the moment of reversal.

**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 for legal claims in progress are recorded for the amounts estimated to represent future outflows in accordance with the risk assessments made by Management, supported by its legal experts and counselors (internal and/or external) opinions, based on success rates.

For legal proceedings where the probability of having an unfavourable outcome is less than probable, the Group does not recognise provisions but disclosure is made 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 uses the stand-alone prices of the promised products and services, at the date of conclusion of the contract with the customer.

Revenue recognition 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 income 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 its 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 a high likelihood of the grant being 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' heading, if the remaining maturity is greater than 12 months or in '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 at covering the costs, incurred and recorded, with training initiatives and research projects 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**

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 IFRS 16, the Group recognises 'right-of-use assets' and 'lease liabilities' for most leases - meaning, those leases are recorded in the statement of financial position - except for 'Short-term leases and leases of low-value assets', where Novabase applies the exemption provided for in the standard.

The Group's leases refer mainly to the lease agreement of the Company's headquarters and to lease agreements of other facilities where Novabase operates, with initial terms between 1 and 5 years, which may have renewal options. Lease payments are updated annually to reflect inflation and/or market values.

- *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 determining the present value of the 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 for 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.

## 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, Novabase Group is applying the hedge accounting requirements in IAS 39 until the DRM - Dynamic Risk Management project (macro hedging), which is still in progress, is closer to its final version. The IASB plans to review the feedback from its consultation on the core elements of the DRM accounting model during the first half of 2021.

Thus, 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 the statement of profit and loss, results are recognised in 'Profit from discontinued operations' and, in terms of the statement of financial position, under the headings 'Assets from discontinued operations' and 'Liabilities from discontinued operations'.

### 2.25. Comparatives

The consolidated financial statements for the year ended 31 December 2020, are comparable in all material aspects with 2019, and no changes in accounting policies have occurred when compared to those used for preparation of the financial statements of the previous year, presented for comparative effects.

As a result of the sale of Collab, S.A. described in note 41, the statement of profit and loss and the statement of other comprehensive income for 2019 were restated.

## 3. Financial risk management policy

The Group's activities expose it to several 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 risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

During 2020, considering the Covid-19's pandemic situation and its impact on the markets, Novabase reassessed the inherent risks, however tried to avoid excessively procyclical assumptions given the very limited availability of reasonable and supportable forward-looking information on the impact of Covid-19 pandemic. In its reassessment, Novabase concluded that its current financial risk management policies remain adequate to Novabase's profile, not being necessary to reformulate them. However, due to the context of great uncertainty of its global impacts, Novabase continues permanently monitoring the risks, seeking to anticipate and manage possible impacts not currently contemplated.

#### a) Foreign exchange risk

The Group is exposed to foreign exchange risk, mainly arising from U.S. Dollar (USD) exposure, since some subsidiaries perform transactions in this currency, but also arising from Kwanza (AOA) and British Pound (GBP) exposures.

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.

In 2020, volatility in foreign exchange markets increased reflecting the Covid-19's current pandemic context, which caused a contraction of the world economy post-Brexit and pursuant to the terms of the Trade and Cooperation Agreement reached (see details below), Novabase has a significant depreciation.

Despite this, Novabase does not expect to have significant impacts as a result of the pandemic. On the one hand, the Group already had a policy of maintaining a high level of hedge regarding the U.S. Dollar exposure, mainly arising from trade receivables (as at 31 December 2020, this ratio represents 85% of the outstanding balances of accounts receivable and payable in USD). On the other hand, the Group's exposure to currencies from emerging markets, namely to the Kwanza, is currently lower and considering the following as regards the evolution of the Kwanza after the reporting date. Finally, with regard to the British Pound, and although the climate of some uncertainty regarding the evolution of the British economy post-Brexit and pursuant to the terms of the Trade and Cooperation Agreement reached (see details below), Novabase has a reduced exposure to this currency, as illustrated in the following table.

Referring to the rates disclosed in note 2.5. (2) Transactions and balances, the most significant change observed after the reporting date was in the EUR/AOA exchange rate. From the reporting date until 31 March, the Kwanza appreciated 8.96% against the Euro. This appreciation, although slight when compared to the devaluation that occurred in 2020, seems to show some stabilisation of this currency's exchange rate.

It should also be noted that, with the year's end, it also ended the transition period for the British exit from the European economic area (effective from 1 February 2020). On 24 December 2020, the European Union (EU) and the United Kingdom (UK) reached an agreement on the terms of their relations as of 1 January 2021. This agreement defines the UK-EU relationship post-Brexit, avoiding the disruption of a no-deal scenario until the end of the transition period, but does not remove some uncertainty: many areas still have reevaluation and renegotiation clauses, which means that the definition of the UK's relationship with the EU is far from over and there will still be intense negotiations in different areas.

Among the main aspects of this agreement, known as the Trade and Cooperation Agreement, highlights include that there will be no tariffs or quota on trade in all goods between the EU and the UK that respect the proper rules of origin. On the other hand, there will be no extensive border controls between EU member state Ireland and the Northern Ireland, part of the United Kingdom. Despite the UK's exit of the EU's single market, energy cooperation will continue. In the area of transport, a relief for logistics companies is that passenger and cargo planes and long-haul trucks can continue to operate as before. Another key element of the deal is the division of fishing quotas between the United Kingdom and the European Union. However, the deal does not envisage cooperation on the same level as before Brexit in many areas. Business and financial services are only included to a certain extent, which implies that the UK will lose some access to the European market. The same is true for cooperation on foreign policy, security and defence issues: the United Kingdom remains on important exchange of information programmes, but not all.

The Group's exposure to foreign currency exchange rate risk as at 31 December, based on the amounts of the Consolidated Statement of Financial Position of the Group's continued operations financial assets and liabilities, is as follows :

<b>At 31 December 2019</b>	<b>Euro</b>	<b>Dollar</b>	<b>Kwanza</b>	<b>Pound</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
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	1	32	73,947
Accrued income	3,823	-	20	-	-	3,843
Derivative financial instruments	24	-	-	-	-	24
Cash and cash equivalents	47,873	289	302	40	251	48,755
	<u>137,461</u>	<u>2,339</u>	<u>3,724</u>	<u>41</u>	<u>283</u>	<u>143,848</u>
<b>Liabilities</b>						
Borrowings	30,362	-	-	-	-	30,362
Other non-current liabilities	770	-	-	-	-	770
Trade and other payables	38,927	43	404	169	92	39,635
Derivative financial instruments	17	-	-	-	-	17
Deferred income and other current liabilities	14,853	-	1	-	-	14,854
	<u>84,929</u>	<u>43</u>	<u>405</u>	<u>169</u>	<u>92</u>	<u>85,638</u>
<b>At 31 December 2020</b>						
	<b>Euro</b>	<b>Dollar</b>	<b>Kwanza</b>	<b>Pound</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Financial assets at fair value through profit or loss	12,601	-	-	-	-	12,601
Other non-current assets	2,016	9	-	-	-	2,025
Trade and other receivables	34,995	1,510	124	(43)	24	36,610
Accrued income	3,555	-	1	-	-	3,556
Derivative financial instruments	64	-	-	-	-	64
Cash and cash equivalents	70,843	214	503	92	277	71,929
	<u>124,074</u>	<u>1,733</u>	<u>628</u>	<u>49</u>	<u>301</u>	<u>126,785</u>
<b>Liabilities</b>						
Borrowings	30,925	-	-	-	-	30,925
Other non-current liabilities	3,705	-	-	-	-	3,705
Trade and other payables	39,802	141	142	186	42	40,313
Derivative financial instruments	9	-	-	-	-	9
Deferred income and other current liabilities	16,148	-	-	-	-	16,148
	<u>90,589</u>	<u>141</u>	<u>142</u>	<u>186</u>	<u>42</u>	<u>91,100</u>

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 as at 31 December 2020, 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 220 thousand in 2020 (2019: EUR 568 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 arises from 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 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 interest expenses.

As a consequence of the Covid-19 pandemic, there is greater uncertainty in the financial markets that could translate into increased costs at refinancing, in future periods. However, no relevant impacts are expected since Novabase's exposure to interest rate risk is currently quite low, not only because is in a cash surplus position, but also due to the expected maintenance of ultra-low indexes, even in a post-pandemic economic recovery scenario, according to Bloomberg's outlook released in January 2021.

As at 31 December 2020, approximately 18% of bank borrowings are contracted at fixed rates (2019: 29%). However, as a result of the negative indexes during the year, this amount rises to 100%, bearing in mind that the remaining 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 2020, 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 267 thousand in 2020, and in an increase or decrease, respectively, of approximately EUR 15 thousand in 2019. 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 a business units' level, for the amounts of outstanding trade and other receivables, and on a 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. Note 15 provides information on the exposure to credit risk and ECLs for the Group's trade receivables, by intervals of maturity, as at 31 December 2020 and 31 December 2019.

In a challenging context as the one that results from the Covid-19 pandemic, there is greater uncertainty in the financial markets, which may be lead rating agencies to take adverse rating actions (downgrade or negative outlook) on banks and financial institutions, with the consequent increase of impairments in the future. The general deterioration of the financial situation of counterparties worldwide may also have an impact on the credit quality of Novabase's trade and other receivables.

In its assessment of the probability of default and the application of the simplified approach to expected credit losses, Novabase concluded that the increase in credit risk was not significantly affected by the Covid-19 pandemic, however, the Group continues to monitor the evolution of this risk, not anticipating relevant impacts up to this date. On the one hand, its exposure to credit risk through bank deposits is currently low, considering the sale of Government of Angola Treasury Bonds in 2020 and given that the Group already had a policy of accepting only banks and financial institutions with credibility in the sector. On the other hand, the Group's main customers and counterparties are from the Telco industry, which emerges as one of the least affected by the pandemic, and/or customers with a solid credit profile.

At 31 December 2020, the 60 customers with greater balances of the Group represented approximately 93% of the total balance (2019: 84%).

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

	<u>31.12.20</u>	<u>31.12.19</u>
Portugal	40%	52%
Europe	45%	33%
Africa	10%	11%
Middle East	4%	4%
Rest of the world	1%	-
	<u>100%</u>	<u>100%</u>

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

	<u>31.12.20</u>	<u>31.12.19</u>
Telecommunications	69%	48%
Financial Services	15%	24%
Energy	2%	9%
Public Administration	3%	7%
Information Technology	3%	7%
Other	8%	5%
	<u>100%</u>	<u>100%</u>

The ratings attributed by Moody's Investors Services to the financial institutions and to the Government of Angola, with whom the Group has higher balances at each reporting date of bank deposits (note 20) and Treasury Bonds (note 19), respectively, are analysed as follows. These balances are shown before impairment losses recognised according to IFRS 9.

	<u>31.12.20</u>	<u>31.12.19</u>
A1	7,909	-
A2	-	3,136
A3	8,056	10,134
Baa1	32,815	18,012
Baa3	14,199	8,248
B2	5,363	7,666
B3	-	3,333
	<u>68,342</u>	<u>50,529</u>

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 financing 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 2020 and 31 December 2019.

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

	<u>31.12.20</u>		<u>31.12.19</u>	
	Euro	Kwanza	Euro	Kwanza
Banco BPI (BPI)	12,800	-	15,000	-
Novo Banco	4,000	-	12,000	-
Banco Comercial Português (BCP)	3,800	-	5,000	-
Caixa Geral de Depósitos (CGD)	5,000	-	5,000	-
Banco Santander Totta (Santander)	-	-	400	-
Bankinter	9,500	-	894	-
Novo Banco ES	1,000	-	1,000	-
Banco de Fomento de Angola (BFA)	-	-	-	200,000
	<u>36,100</u>	<u>-</u>	<u>39,294</u>	<u>200,000</u>

As stated in the Consolidated Statement of Cash Flows, Novabase Group 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 credit lines not used amount to approximately EUR 13,500 thousand as at 31 December 2020 (31.12.19: EUR 20,858 thousand), being sufficient to meet any immediate requirement. In addition to these credits, the Group has EUR 71,929 thousand of 'Cash and cash equivalents' as at 31 December 2020, as stated in the Consolidated Statement of Financial Position, which combined with the credit facilities amounts to EUR 85,429 thousand of liquidity.

In the current situation of the Covid-19 pandemic, the Group evaluated possible impacts at the level of additional liquidity needs, concluding that the current liquidity situation remains adequate. Novabase expects to satisfy all its treasury needs by using its liquidity reserves and, if necessary, using existing available credit lines. Novabase also believes that compliance with the current covenants associated with borrowings is ensured.

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.

	<u>31.12.20</u>	<u>31.12.19</u>
Operating Profit (*)	7,475	4,993
Total Equity	<u>67,096</u>	<u>87,620</u>
Return on Capital	11.1 %	5.7 %

(\*) The 2019 Operating Profit was restated in order to show the sale of Collab.

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 2020 is around 8.9% (2019: 8.9%). In 2020, the objective was achieved.

Despite the Covid-19 pandemic situation, the Strategic Plan for 2019-2023 has been reaffirmed, with no significant business impacts expected in this time horizon according to current forecasts. However, in view of the principles of prudence and due to the high uncertainty that still exists in the economic environment due to the pandemic, the Board of Directors decided not to propose any shareholder remuneration to the 2021 General Meeting of Shareholders, maintaining the capital structure in order to support the development of its business during the pandemic and until greater visibility is 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 unit, 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 862 thousand (2019: EUR 1,553 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 2020 and 3% in 2019) 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 advisers (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' heading, 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

Since 2019, following the reorganisation of the operations within the scope of Strategic Update 2019+, Novabase has identified two new operating segments, based on the main guidelines of the 2019-2023 strategic cycle: becoming a “Next-Gen IT Services Company”. Thus, as at 31 December 2020, the Group is organised as follows:

- Next-Gen
- Value Portfolio

The “Next-Gen” segment comprises 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 Europe and the 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.

The “Value Portfolio” segment comprises the IT Staffing and venture capital activities, developed by Neotalent and Novabase Capital, respectively. This segment also included the Government, Transportation and Energy sectors (GTE), and the company Collab, both considered to be discontinued operations in 2020 as referred to in the following paragraph. The main goal of Value Portfolio is to maximise its operating profitability in order to generate the necessary funds to support the focus on the “Next-Gen” growth. This segment derives its revenues mainly from time and materials projects. 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.

In early 2020, Novabase sold its stake in Collab to the Swedish Netadmin System I Sverige AB, and therefore it classified this subsidiary as a discontinued operation in 2020, along with the GTE Business, which had already been discontinued at the end of 2019 as a result of the sale agreement entered into with VINCI Energies Portugal, S.G.P.S., S.A. (see notes 6 and 41). The sales of Collab and GTE Business fall within the scope of the implementation of the 2019+ Strategy, and combined represented a divestment of more than 60% of the Turnover of the Value Portfolio segment (based on the 2018 financial year). This situation led to the restatement of the figures disclosed in 2019, in order to present the continuing operations separately from the discontinued operations, as shown in the following table.

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.

The companies considered in each operating segment are presented in note 6. For the purposes of preparing this information, Novabase S.G.P.S., S.A. and Novabase Serviços, S.A. (companies including the Group's top management and the Group's shared services, respectively) were considered to be an integral part of the “Value Portfolio” segment.

<b>At 31 December 2019</b>	<b>Value Portfolio</b> (disclosed)	<b>Collab</b>	<b>Value Portfolio</b> (restated)
Total segment sales and services rendered	61,161	6,478	54,683
Inter-segment sales and services rendered	22,578	52	22,526
Sales and services rendered	38,583	6,426	32,157
Operating Profit / (Loss)	2,065	(349)	2,414
Finance results	6,823	(35)	6,858
Share of loss of associates	(83)	-	(83)
Income tax expense	(823)	30	(853)
Profit from continuing operations	7,982	(354)	8,336
Profit from discontinued operations	15,103	354	14,749
<b>Other information:</b>			
Depreciation and amortisation	(3,041)	(355)	(2,686)
(Provisions) / Provisions reversal	804	(13)	817
Net impairment losses on trade and other receivables	156	18	138



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:

<b>At 31 December 2019</b>	<b>Value</b>		
	<b>Portfolio</b> (restated)	<b>Next-Gen</b>	<b>Novabase</b> (restated)
Total segment sales and services rendered	54,683	105,099	159,782
Inter-segment sales and services rendered	22,526	23,427	45,953
Sales and services rendered	32,157	81,672	113,829
Operating Profit / (Loss)	2,414	2,579	4,993
Finance results	6,858	(158)	6,700
Share of loss of associates (note 35)	(83)	-	(83)
Income tax expense	(853)	470	(383)
Profit from continuing operations	8,336	2,891	11,227
Profit from discontinued operations (note 41)	14,749	-	14,749
<b>Other information:</b>			
Depreciation and amortisation	(2,686)	(1,674)	(4,360)
(Provisions) / Provisions reversal	817	(1,761)	(944)
Net impairment losses on trade and other receivables	138	97	235

<b>At 31 December 2020</b>	<b>Value</b>		
	<b>Portfolio</b>	<b>Next-Gen</b>	<b>Novabase</b>
Total segment sales and services rendered	51,526	102,932	154,458
Inter-segment sales and services rendered	17,158	12,220	29,378
Sales and services rendered	34,368	90,712	125,080
Operating Profit / (Loss)	1,081	6,394	7,475
Finance results	(762)	(926)	(1,688)
Share of loss of associates (note 35)	(58)	-	(58)
Income tax expense	(115)	(1,797)	(1,912)
Profit from continuing operations	146	3,671	3,817
Profit from discontinued operations (note 41)	4,509	-	4,509
<b>Other information:</b>			
Depreciation and amortisation	(2,687)	(1,669)	(4,356)
(Provisions) / Provisions reversal	755	2,462	3,217
Net impairment losses on trade and other receivables	(24)	(48)	(72)

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.

As part of the control of the strategic plan execution, Management monitors Turnover by geography. This indicator is measured based on the location of the client where the project is delivered.

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

	<b>Europe &amp; the</b>			<b>Novabase</b>
	<b>Portugal</b>	<b>Middle East</b>	<b>Others</b>	
Sales and services rendered	48,729	58,823	6,277	113,829

Sales and services rendered, by geography, in 2020, are analysed as follows:

	<b>Europe &amp; the</b>			<b>Novabase</b>
	<b>Portugal</b>	<b>Middle East</b>	<b>Others</b>	
Sales and services rendered	56,062	61,155	7,863	125,080

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 (for some information on non-current assets in Angola, see note 6 - A. Subsidiaries with material non-controlling interests).



## 6. Companies included in consolidation

The companies consolidated by the full method, as at 31 December 2020, were the following:

Holding Company and Subsidiaries	Principal place of business	Share capital 31.12.20	% Interest held	
			31.12.20	31.12.19
<b>Parent company:</b>				
Novabase S.G.P.S., S.A.	Portugal	54,638,426 €	-	-
<b>Next-Gen:</b>				
Novabase E.A., S.A.	Portugal	150,000 €	100.0%	100.0%
(a1) Celfocus, S.A.	Portugal	100,000 €	100.0%	55.0%
Novabase Solutions Middle East FZ-LLC	Dubai	699,670 €	100.0%	100.0%
(a1) Celfocus B. T. T. H. T. Limited Ş.	Turkey	100,000 TRY	100.0%	55.0%
(a1) Celfocus LTD	UK	15,000 GBP	100.0%	55.0%
(a1) Celfocus B.V.	The Netherlands	20,000 €	100.0%	55.0%
Novabase Business Solutions, S.A.	Portugal	3,366,000 €	100.0%	100.0%
Binómio, Lda.	Portugal	2,626 €	100.0%	100.0%
<b>Value Portfolio:</b>				
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%
(b1) Novabase Neotalent España S.A.U	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%
(d1) FCR Novabase Capital +Inovação	-	6,450,142 €	57.8%	53.1%
(c1) COLLAB – Sol. I. Com. e Colab., S.A.	Portugal	-	-	77.8%
(d2) Novabase Consulting S.G.P.S., S.A.	Portugal	11,629,475 €	100.0%	100.0%
(d2) NBASE S.G.P.S., S.A.	Portugal	-	-	100.0%
NOVABASE IMS 2, S.A.	Portugal	220,500 €	100.0%	100.0%
TVLab, S.A.	Portugal	52,517 €	70.0%	70.0%
Nbase International Investments B.V.	The Netherlands	1,220,800 €	100.0%	100.0%
<b>Novabase Shared Services:</b>				
Novabase Serviços, S.A.	Portugal	50,000 €	100.0%	100.0%

(\*) Novabase discontinued the activity in this subsidiary since late 2019, following the sale agreement of its GTE Business to VINCI Energies Portugal, S.G.P.S., S.A. (note 41).

(\*\*) Novabase has control of this company, as described in note 2.3., therefore it is fully consolidated.

In 2020, the following changes occurred in the consolidation perimeter:

### a) Acquisitions of financial holdings to non-controlling interests (see note 22)

(a1) Acquisition of the remaining financial holding of 45.003% in Celfocus, S.A. and, consequently, of the remaining financial holding in Celfocus B. T. T. H. T. Limited Ş., in Celfocus LTD and in Celfocus B.V..

### b) Changes in social designations

(b1) In 2019, this company had the designation of Novabase Sistemas de Informacion, S.A..

### c) Exits from the consolidation perimeter

(c1) Following the sale and purchase agreement entered into with Netadmin System i Sverige AB on 19 March 2020 (see note 41), the Group sold all shares representing COLLAB - Sol. I. Com. e Colab., S.A. share capital, held in 72.45% by Novabase Business Solutions, S.A. and in 17.75% by Fundo Capital Risco NB Capital.

### d) Other changes in the consolidation perimeter

(d1) Following the capital decrease of FCR Novabase Capital +Inovação by the Fundo Capital e Quase Capital (FC&QC), the Group increased its interest to 57.8% (see notes 15 and 22).

(d2) On 1 January 2020, a merger took place, with Novabase Consulting S.G.P.S. incorporating the assets and liabilities of the company NBASE S.G.P.S., S.A..

The company included in the consolidation using the equity method, as at 31 December 2020, under the Value Portfolio segment, was the following:

Associates (see notes 9 and 35)	Principal place of business	Share capital 31.12.20	% Interest held		Equity 31.12.20	Net Profit 31.12.20
			31.12.20	31.12.19		
Fundo Capital Risco NB Capital	Portugal	7,142,857 €	30.0%	30.0%	780	178

**A. Subsidiaries with material non-controlling interests**

Due to the changes in the consolidation perimeter mentioned above, Novabase reassessed the main subsidiaries with material non-controlling interests ("NCI") in 2020, considering that they are the ones presented below. These subsidiaries represent, together, 99% (2019: 94%) of the profit or loss attributable to 'Non-controlling interests' related to subsidiaries that have NCI as at 31 December 2020. 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. The comparatives of subsidiaries with material non-controlling interests resulting from the reassessment are also presented.

<u>Subsidiary</u>	<u>Principal activity</u>
Novabase Neotalent, S.A.	Consulting, training and development of information technologies, operating in the business areas of resource assignment and application outsourcing
NBASIT-Sist. de Inf. e Telecomunic., S.A.	Production, commercialisation, import and export of goods and IT services and related activities, and information systems
FCR NB Capital Inovação e Internacionalização	Venture capital activity through the financing of investment projects aimed at innovation, modernisation and internationalization of small and medium-sized technology-based companies in early development or expanding phases
FCR Novabase Capital +Inovação	Venture capital activity through the financing of investment projects aimed at innovation, modernisation and internationalization of small and medium-sized technology-based companies in early development or expanding phases

Summarised financial information on subsidiaries with material Non-controlling interests (amounts before inter-company eliminations):

	<u>Novabase Neotalent, S.A.</u>		<u>NBASIT (Angola)</u>		<u>FCR NB Capital II</u>		<u>FCR NB Capital +Inovação</u>	
	<u>31.12.20</u>	<u>31.12.19</u>	<u>31.12.20</u>	<u>31.12.19</u>	<u>31.12.20</u>	<u>31.12.19</u>	<u>31.12.20</u>	<u>31.12.19</u>
<i>Financial position:</i>								
Total Non-Current Assets	3,469	2,469	1	405	12,259	11,742	577	850
Total Current Assets	12,892	10,098	737	3,544	7,260	7,444	4,912	5,616
Total Non-Current Liabilities	(1,395)	(723)	(2)	(3)	-	-	-	-
Total Current Liabilities	(7,479)	(7,098)	(2,798)	(6,875)	(313)	(315)	(20)	(3)
Net Assets	<u>7,487</u>	<u>4,746</u>	<u>(2,062)</u>	<u>(2,929)</u>	<u>19,206</u>	<u>18,871</u>	<u>5,469</u>	<u>6,463</u>
Net Assets attrib. to NCI	424	288	(610)	(2,159)	9,292	9,124	2,306	3,030
<i>Results and comprehensive income:</i>								
Sales and Services rendered	27,010	27,019	1,077	853	-	-	-	-
Profit for the year	<u>2,739</u>	<u>1,897</u>	<u>(211)</u>	<u>(1,667)</u>	<u>335</u>	<u>7,756</u>	<u>(423)</u>	<u>(261)</u>
Total compr. income for the year	<u>2,739</u>	<u>1,897</u>	<u>(211)</u>	<u>(1,667)</u>	<u>335</u>	<u>7,756</u>	<u>(423)</u>	<u>(261)</u>
Compr. income attrib. to NCI	137	94	326	(370)	168	3,750	(198)	(122)
<i>Cash flows:</i>								
Cash, cash eq. at 1 January	2,978	2,313	346	5,584	7,435	7,710	344	1,052
Cash, cash eq. at 31 December	<u>6,653</u>	<u>2,978</u>	<u>550</u>	<u>346</u>	<u>7,251</u>	<u>7,435</u>	<u>205</u>	<u>344</u>
Change in cash, cash equiv.	<u>3,675</u>	<u>665</u>	<u>204</u>	<u>(5,238)</u>	<u>(184)</u>	<u>(275)</u>	<u>(139)</u>	<u>(708)</u>
Dividends paid to NCI	-	-	-	-	-	-	-	-

**B. Associates that are material to the Group**

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 2020, a Total Assets in the amount of EUR 830 thousand (all Current) and a Total Liabilities of EUR 50 thousand (all Current), for a Total Net Assets of EUR 780 thousand. Given the venture capital activity developed by this associate, Turnover is nil, while Net Profit for the year equaled Earnings Before Taxes, in the amount of EUR 178 thousand. In 2020, change in Cash and cash equivalents amounted to EUR +691 thousand, for a balance at the end of the period of EUR 768 thousand. This associate did not attribute nor pay dividends in any of the periods of this report.

Finally, it should be noted that in 2020 this associate sold its 17.75% interest held in COLLAB - Sol. I. Com. e Colab., S.A. share capital (see note 41).

## 7. Property, plant and equipment

	31.12.20			31.12.19		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and other constructions	28,660	21,699	6,961	31,090	22,064	9,026
Basic equipment	7,442	6,111	1,331	7,661	6,083	1,578
Transport equipment	1,864	1,297	567	2,728	1,624	1,104
Furniture, fittings and equipment	1,731	1,496	235	1,771	1,514	257
Other tangible assets	12	11	1	11	11	-
	<u>39,709</u>	<u>30,614</u>	<u>9,095</u>	<u>43,261</u>	<u>31,296</u>	<u>11,965</u>

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
<i>Cost:</i>							
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
	<u>22,013</u>	<u>17,503</u>	<u>5,341</u>	<u>(931)</u>	<u>(65)</u>	<u>(600)</u>	<u>43,261</u>
<i>Accumulated depreciation:</i>							
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
	<u>11,778</u>	<u>16,442</u>	<u>4,254</u>	<u>(839)</u>	<u>(66)</u>	<u>(273)</u>	<u>31,296</u>

During 2020, movements in property, plant and equipment were as follows:

	Balance at 01.01.20	Transfers	Acquisitions / increases	Write-offs	Exchange differences	Change in consolidation perimeter	Balance at 31.12.20
<i>Cost:</i>							
Buildings and other constructions	31,090	114	1,337	(3,881)	-	-	28,660
Basic equipment	7,661	-	576	(744)	(7)	(44)	7,442
Transport equipment	2,728	-	308	(1,138)	(34)	-	1,864
Furniture, fittings and equipment	1,771	28	39	(99)	(3)	(5)	1,731
Other tangible assets	11	-	1	-	-	-	12
	<u>43,261</u>	<u>142</u>	<u>2,261</u>	<u>(5,862)</u>	<u>(44)</u>	<u>(49)</u>	<u>39,709</u>
<i>Accumulated depreciation:</i>							
Buildings and other constructions	22,064	-	2,752	(3,117)	-	-	21,699
Basic equipment	6,083	-	634	(556)	(6)	(44)	6,111
Transport equipment	1,624	-	553	(846)	(34)	-	1,297
Furniture, fittings and equipment	1,514	-	65	(79)	(2)	(2)	1,496
Other tangible assets	11	-	-	-	-	-	11
	<u>31,296</u>	<u>-</u>	<u>4,004</u>	<u>(4,598)</u>	<u>(42)</u>	<u>(46)</u>	<u>30,614</u>

In 2020, change in consolidation perimeter refers to the effect of the subsidiary Collab disposal (see note 41). In 2019, it referred to the discontinuation of the GTE Business.

In 2020, no events or circumstances that indicated that the carrying amount of property, plant and equipment 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 4,004 thousand (2019: EUR 4,170 thousand), and included in 'Profit from discontinued operations' amounts to EUR zero thousand (2019: EUR 84 thousand).

Right-of-use assets included in 'Property, plant and equipment', by class of assets, are as follows:

	31.12.20			31.12.19		
	Buildings and other constr.	Transport equipment	Total	Buildings and other constr.	Transport equipment	Total
Cost	25,343	1,814	27,157	27,859	2,620	30,479
Accumulated depreciation	(18,778)	(1,247)	(20,025)	(19,178)	(1,516)	(20,694)
	<u>6,565</u>	<u>567</u>	<u>7,132</u>	<u>8,681</u>	<u>1,104</u>	<u>9,785</u>

Movements in right-of-use assets were as follows:

	31.12.20			31.12.19		
	Buildings and other constr.	Transport equipment	Total	Buildings and other constr.	Transport equipment	Total
<b>Balance at 1 January</b>	8,681	1,104	9,785	-	-	-
Adjustment on initial application of IFRS 16	-	-	-	7,968	8,084	16,052
Changes in estimates of residual value guarantees	-	-	-	-	(6,907)	(6,907)
Acquisitions / increases	1,290	308	1,598	3,449	689	4,138
Write-offs	(764)	(292)	(1,056)	-	(84)	(84)
Depreciation charge <sup>(i)</sup>	(2,642)	(553)	(3,195)	(2,736)	(678)	(3,414)
<b>Balance at 31 December</b>	<u>6,565</u>	<u>567</u>	<u>7,132</u>	<u>8,681</u>	<u>1,104</u>	<u>9,785</u>

<sup>(i)</sup> Included in 'Depreciation and amortisation'.

Acquisitions of rights-of-use assets of 'Buildings and other constructions' comprise (i) the accounting of a new lease contract with an estimated lease term of 60 months in the amount of EUR 616 thousand, (ii) the extension of the lease term for two existing contracts renegotiated during the year in the amount of EUR 630 thousand, and (iii) the remeasurement of existing contracts dependent on an index or rate in the amount of EUR 44 thousand. The write-offs refer to the change of the lease term for two office lease agreements with termination options without penalties.

Acquisitions and write-offs of right-of-use assets of 'Transport equipment' are part of the usual renewal of the Group's fleet.

Information on the movements that occurred during the year in lease liabilities related to these right-of-use assets, namely, interest expense and lease payments, can be found in note 24.

For short-term leases considered in the exemption from recognition provided for in IFRS 16, the Group recognised this year the amount of EUR 178 thousand (2019: EUR 267 thousand) under the heading 'External supplies and services'.

## 8. Intangible assets

	31.12.20			31.12.19		
	Cost	Accumulated amortisation	Net book value	Cost	Accumulated amortisation	Net book value
Internally generated intangible assets	10,549	10,325	224	13,622	12,790	832
Industrial property and other rights	9,882	9,738	144	11,439	11,077	362
Work in progress	194	-	194	272	-	272
Goodwill	11,501	-	11,501	11,501	-	11,501
	<u>32,126</u>	<u>20,063</u>	<u>12,063</u>	<u>36,834</u>	<u>23,867</u>	<u>12,967</u>

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
	<b>Cost:</b>					
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
	<u>40,559</u>	<u>918</u>	<u>(126)</u>	<u>-</u>	<u>(4,517)</u>	<u>36,834</u>
<b>Accumulated amortisation:</b>						
Internally generated intangible assets	13,439	472	(126)	-	(995)	12,790
Industrial property and other rights	11,055	22	-	-	-	11,077
	<u>24,494</u>	<u>494</u>	<u>(126)</u>	<u>-</u>	<u>(995)</u>	<u>23,867</u>

During 2020, movements in intangible assets were as follows:

	<b>Balance at 01.01.20</b>	<b>Acquisitions / increases</b>	<b>Impairm. ch. / Write-offs</b>	<b>Transfers</b>	<b>Change in consolidation perimeter</b>	<b>Balance at 31.12.20</b>
<i>Cost:</i>						
Internally generated intangible assets	13,622	-	-	-	(3,073)	10,549
Industrial property and other rights	11,439	-	(1,563)	6	-	9,882
Work in progress	272	253	-	(148)	(183)	194
Goodwill	11,501	-	-	-	-	11,501
	<u>36,834</u>	<u>253</u>	<u>(1,563)</u>	<u>(142)</u>	<u>(3,256)</u>	<u>32,126</u>
<i>Accumulated amortisation:</i>						
Internally generated intangible assets	12,790	179	-	-	(2,644)	10,325
Industrial property and other rights	11,077	224	(1,563)	-	-	9,738
	<u>23,867</u>	<u>403</u>	<u>(1,563)</u>	<u>-</u>	<u>(2,644)</u>	<u>20,063</u>

In 2020, change in consolidation perimeter refers to the effect of the subsidiary Collab disposal (see note 41). In 2019, it referred to the discontinuation of the GTE Business.

The amount of amortisation recognised in profit and loss and included in 'Depreciation and amortisation' is EUR 352 thousand (2019: EUR 190 thousand), and included in 'Profit from discontinued operations' is EUR 51 thousand (2019: EUR 304 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 3.0 Million (2019: EUR 2.6 Million).

Movements in **goodwill** were as follows:

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Balance at 1 January</b>	11,501	16,413
Discontinued operations (GTE)	-	(4,912)
<b>Balance at 31 December</b>	<u>11,501</u>	<u>11,501</u>

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

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Balance at 1 January</b>	-	(1,527)
Discontinued operations (GTE)	-	1,527
<b>Balance at 31 December</b>	<u>-</u>	<u>-</u>

#### Impairment tests for goodwill

Goodwill is allocated to the Group's Cash-Generating Units (CGUs), identified according to how Novabase monitors its operations and makes its decisions on the continuation or disposal of its assets and operations, as follows:

	<b>31.12.20</b>	<b>31.12.19</b>
Next-Gen	8,115	8,115
NeoTalent	3,386	3,386
	<u>11,501</u>	<u>11,501</u>

The impairment tests for goodwill were performed based on the discounted cash flow method, using a 5-year business plan forecasted by Management, with the following key assumptions:

	<b>31.12.20</b>		<b>31.12.19</b>	
	<b>Next-Gen</b>	<b>NeoTalent</b>	<b>Next-Gen</b>	<b>NeoTalent</b>
Discount rate (post-tax)	8.9%	8.9%	8.7%	9.4%
Perpetual growth rate	2.0%	2.0%	2.0%	2.0%
Annual average growth rate of turnover	14.7%	7.5%	15.0%	9.8%

Due to the Covid-19 pandemic and in line with the existing guidelines, the Group carried out sensitivity analysis in assumptions used in the impairment tests for Goodwill performed in 2020, with no impairment indicators at this date.

The application of the previously described method generates a recoverable amount (determined by value in use) of assets exceeding its carrying amount, therefore it is concluded 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 98 Million and EUR 132 Million, respectively, and in an Equity Value of Neotalent CGU of EUR 46 Million and EUR 58 Million, respectively, not becoming, in any of the situations, lower than the carrying amount of assets.

## 9. Investments in associates

	% Interest held directly		Amount	
	31.12.20	31.12.19	31.12.20	31.12.19
Fundo Capital Risco NB Capital (notes 6 and 35)	30.0%	30.0%	223	169
			<u>223</u>	<u>169</u>

## 10. Financial assets at fair value through profit or loss

	% Interest held directly		Amount	
	31.12.20	31.12.19	31.12.20	31.12.19
(i) Feedzai, S.A.	1.7%	1.7%	10,564	10,034
(ii) Globaleda, S.A.	25.1%	25.1%	598	598
(iii) FCR IStart I	11.6%	11.6%	391	391
(iv) CB Talents Global, S.A.	13.3%	13.3%	-	-
(v) Aixel Technologies, S.A.	5.7%	5.7%	408	218
(vi) Probely, Lda.	3.3%	3.3%	63	-
(vii) Bright Innovation, Lda. ("BI")	90.0%	90.0%	-	-
(viii) Powergrid, Lda.	88.9%	88.9%	-	-
(ix) Glarevision, S.A.	5.7%	5.7%	-	120
(x) Habit Analytics PT, Lda.	4.6%	4.6%	-	320
(xi) Other			577	494
			<u>12,601</u>	<u>12,175</u>

- (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, which applies advanced machine learning and artificial intelligence models to combat fraud in financial services and e-commerce.
- (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 Novabase Capital +Inovação (established in 2017), specialised in the international recruitment of IT professionals.
- (v) Company held by FCR NB Capital Inovação e internacionalização and FCR Novabase Capital +Inovação, which developed FIBERCLOUD, a network management platform for the global market.
- (vi) Company held by FCR Novabase Capital +Inovação, focused on cybersecurity.
- (vii) Company specialised 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 FCR Novabase Capital +Inovação, focused on developing solutions based on augmented reality for industrial maintenance.
- (x) Company, held by FCR 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 2020 and 2019, the amount of this caption refers to FCT - Labour Compensation Fund. It 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 Novabase 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 heading were as follows:

	31.12.20	31.12.19
<b>Balance at 1 January</b>	12,175	3,868
Acquisitions / share capital increase	90	598
Net fair value adjustments	356	7,810
Change in consolidation perimeter (note 41)	(20)	(101)
<b>Balance at 31 December</b>	<u>12,601</u>	<u>12,175</u>

In 2020, the acquisitions are related to the contributions to the FCT - Labour Compensation Fund. In 2019, the acquisitions mainly refer 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 the referred exercise.

Net fair value adjustments recorded in 2020 essentially reflect the appreciation of the Feedzai, S.A. (EUR 530 thousand) and Aixel Technologies, S.A. (EUR 190 thousand) investments, partially offset by the devaluation of the investment in Habit Analytics PT, Lda. (EUR -320 thousand). It is recalled that in 2019, this caption mainly included a significant appreciation of Feedzai, S.A., in the amount of EUR 8,107 thousand.

The net fair value adjustments recognised in profit and loss and included in the 'Finance income' and 'Finance costs' captions are EUR 356 thousand (2019: EUR 7,807 thousand), and included in 'Profit from discontinued operations' is EUR zero thousand (2019: EUR 3 thousand).

#### A. Fair value measurements

For the FCT valuation, fair value was based on the observable quote of the 'Participation Units' at the reporting date (Level 1 in the fair value hierarchy). For the remaining assets, fair value was determined using valuation models in which the significant inputs are unobservable (Level 3 in the fair value hierarchy). During 2020, there were no transfers between levels 3 and 2 for the purposes of fair value measurement.

Note 14 provides information on the fair value hierarchy of these financial assets.

For the valuation of the companies held by FCR NB Capital Inovação e Internacionalização and FCR Novabase Capital +Inovação, the discounted cash flow method was used, considering a 5-year business plan forecasted by Management. Key assumptions used in Feedzai, S.A., the main financial asset in this category, are set out below:

	<b>Feedzai</b>	
	<b>31.12.20</b>	<b>31.12.19</b>
Discount rate (post-tax)	16.0%	16.3%
Perpetual growth rate	0.5%	0.5%
Annual average growth rate of turnover	50.9%	56.7%

According to a 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 -819 thousand and EUR +940 thousand, respectively. A possible increase or decrease of 0.5 percentage point in the perpetual growth rate implicit in the calculation of the Terminal Value of the valuation, with all other variables held constant, would result in a fair value change of approximately EUR +277 thousand and EUR -260 thousand, respectively. These sensitivity analysis have illustrative purposes only.

#### 11. Deferred tax assets

Deferred taxes are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to the same tax authority. The following amounts were determined after its offsetting:

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Deferred tax assets</b>		
To be recovered within 12 months	931	1,347
To be recovered after more than 12 months	7,016	8,238
	<u>7,947</u>	<u>9,585</u>

Management assessed the impact of the Covid-19 pandemic on future taxable results and concluded that the recoverability of deferred taxes is not at stake.

Movements in the deferred tax assets were as follows:

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Balance at 1 January</b>	9,585	10,048
Adjustment on initial application of IFRS 16	-	301
Profit or loss charge	(458)	438
Other comprehensive income charge	-	136
Exchange differences	-	(4)
Tax related to net invest. in foreign entities of discount. ops.	-	829
Change in consolidation perimeter (note 41)	(1,180)	(2,163)
<b>Balance at 31 December</b>	<u>7,947</u>	<u>9,585</u>

The amount recognised in profit and loss and included in 'Income tax expense' is EUR -451 thousand (2019: EUR 827 thousand), and included in 'Profit from discontinued operations' is EUR -7 thousand (2019: EUR -389 thousand).

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

	<b>Tax Losses / Other</b>	<b>Tax Incentives</b>	<b>Provisions / Adjustments</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	(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 discount ops.	829	-	-	829
Change in consolidation perimeter	2	(2,047)	(118)	(2,163)
<b>Balance at 31 December 2019</b>	(4)	8,068	1,521	9,585
Profit or loss charge	4	44	(506)	(458)
Change in consolidation perimeter	-	(1,059)	(121)	(1,180)
<b>Balance at 31 December 2020</b>	-	7,053	894	7,947

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:

	<b>Tax Losses / Other</b>	<b>Tax Incentives</b>	<b>Provisions / Adjustments</b>	<b>Total</b>
Between 1 and 2 years	-	385	-	385
Between 2 and 3 years	-	1,068	-	1,068
Between 3 and 4 years	-	1,629	-	1,629
Between 4 and 5 years	-	1,246	-	1,246
Between 5 and 6 years	-	772	-	772
Over 6 years	-	1,953	-	1,953
With no defined date	-	-	894	894
	-	7,053	894	7,947

## 12. Other non-current assets

	<b>31.12.20</b>	<b>31.12.19</b>
Loans to related parties (note 40 iii)	5,033	5,033
Financial holdings disposal (note 41)	215	-
Provision for impairment of loans to related parties (note 40 iii)	(3,223)	(3,125)
	<u>2,025</u>	<u>1,908</u>

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:

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Balance at 1 January</b>	3,125	3,125
Impairment (note 34)	98	-
<b>Balance at 31 December</b>	<u>3,223</u>	<u>3,125</u>

## 13. Inventories

	<b>31.12.20</b>	<b>31.12.19</b>
Merchandise	38	43
	38	43
Inventory impairment	(28)	(9)
	<u>10</u>	<u>34</u>



Movements in inventory impairment are analysed as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
<b>Balance at 1 January</b>	9	136
Impairment (note 31)	19	-
Change in consolidation perimeter	-	(127)
<b>Balance at 31 December</b>	<u>28</u>	<u>9</u>

#### 14. Financial instruments by category

<b>At 31 December 2019</b>	<b>Financial assets at amortised cost</b>	<b>Assets/ liabilities at fair value through P&amp;L</b>	<b>Other financial liabilities</b>	<b>Non-financial assets/ liabilities</b>	<b>Total</b>
<b>Assets</b>					
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
	<u>131,649</u>	<u>12,199</u>	<u>-</u>	<u>10,692</u>	<u>154,540</u>
<b>Liabilities</b>					
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
	<u>-</u>	<u>17</u>	<u>85,621</u>	<u>-</u>	<u>85,638</u>
<b>At 31 December 2020</b>					
<b>Assets</b>					
Financial assets at fair value through profit or loss	-	12,601	-	-	12,601
Other non-current assets	2,025	-	-	-	2,025
Trade and other receivables	36,610	-	-	6,050	42,660
Accrued income	3,556	-	-	-	3,556
Derivative financial instruments	-	64	-	-	64
Other current assets	-	-	-	4,290	4,290
Cash and cash equivalents	71,929	-	-	-	71,929
	<u>114,120</u>	<u>12,665</u>	<u>-</u>	<u>10,340</u>	<u>137,125</u>
<b>Liabilities</b>					
Borrowings	-	-	30,925	-	30,925
Other non-current liabilities	-	-	3,705	-	3,705
Trade and other payables	-	-	40,313	-	40,313
Derivative financial instruments	-	9	-	-	9
Deferred income and other current liabilities	-	-	16,148	-	16,148
	<u>-</u>	<u>9</u>	<u>91,091</u>	<u>-</u>	<u>91,100</u>

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.

	31.12.20			31.12.19		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets at fair value</b>						
Financial assets at FV through profit or loss (note 10)	577	-	12,024	494	-	11,681
Derivative financial instruments (note 17)	-	64	-	-	24	-
	<u>577</u>	<u>64</u>	<u>12,024</u>	<u>494</u>	<u>24</u>	<u>11,681</u>
<b>Financial liabilities at fair value</b>						
Derivative financial instruments (note 17)	-	9	-	-	17	-
	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>-</u>

## 15. Trade and other receivables

	31.12.20	31.12.19
Trade receivables	36,200	37,558
Impairment allowance for trade receivables	(876)	(1,154)
	<u>35,324</u>	<u>36,404</u>
Financial holdings disposal (note 41)	215	36,000
Capital subscribers of FCR Novabase Capital +Inovação	1,898	2,469
Value added tax	3,990	1,789
Receivables from financed projects	1,491	1,663
Prepayments to suppliers	156	159
Employees	6	64
Other receivables	684	941
Impairment allowance for other receivables	(1,104)	(1,061)
	<u>7,336</u>	<u>42,024</u>
	<u>42,660</u>	<u>78,428</u>

The decrease, in year-on-year terms, in 'Trade and other receivables' reflects mainly the receipt of the initial price plus the earn-out referring to the GTE Business, amounts that were recognised in the accounts as at 31 December 2019.

As for the decrease in 'Capital subscribers of FCR Novabase Capital +Inovação' caption, in the amount of EUR 571 thousand, it refers to the NCI decrease in the called-up share capital of this Fund, due for shares issued but not fully paid, according to the metric set forth in Clause 15 of the Financing Agreement entered into with Novabase Capital, its management entity (see notes 6 and 22).

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

The carrying amount of this heading plus the balance of 'Accrued income' (see note 16) represents the maximum exposure to credit risk.

The exposure to credit risk and ECLs for the Group's trade receivables as at 31 December 2019 and 31 December 2020 is analysed as follows.

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
<b>At 31 December 2019</b>				
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
		<u>37,558</u>	<u>1,154</u>	
<b>At 31 December 2020</b>				
Current (not past due)	1.04%	25,725	49	No
1-180 days past due	4.08%	8,473	19	No
181-360 days past due	27.33%	433	18	No
More than 360 days past due	89.83%	1,569	790	Yes
		<u>36,200</u>	<u>876</u>	

Details on the Group's customer concentration / dependency as well as the distribution of the customers with greater balances by geographical market and business sector can be found in note 3 c).

Movements in impairment allowances for trade and other receivables are analysed as follows:

	Trade receivables		Other receivables		Total	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
<b>Balance at 1 January</b>	1,154	2,212	1,061	1,142	2,215	3,354
Impairment	146	285	51	-	197	285
Impairment reversal	(125)	(794)	(8)	(9)	(133)	(803)
Exchange differences	(64)	(100)	-	(25)	(64)	(125)
Write-offs	(206)	(62)	-	(47)	(206)	(109)
Change in consolidation perimeter	(29)	(387)	-	-	(29)	(387)
<b>Balance at 31 December</b>	<b>876</b>	<b>1,154</b>	<b>1,104</b>	<b>1,061</b>	<b>1,980</b>	<b>2,215</b>

Impairment and impairment reversal of trade and other receivables recognised in profit and loss and included in 'Net impairment losses on trade and other receivables' is EUR -72 thousand (31.12.19: EUR 235 thousand), and included in 'Profit from discontinued operations' is EUR 8 thousand (31.12.19: EUR 283 thousand).

#### 16. Accrued income

	31.12.20	31.12.19
- Ongoing projects	3,537	3,787
- Other accrued income	19	56
	<b>3,556</b>	<b>3,843</b>

#### 17. Derivative financial instruments

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

	Assets		Liabilities	
	31.12.20	31.12.19	31.12.20	31.12.19
- Forward foreign exchange contracts	64	24	9	17
	<b>64</b>	<b>24</b>	<b>9</b>	<b>17</b>

The Group is exposed to foreign exchange risk, primarily with respect to the U.S. Dollar and Kwanza, since some of its subsidiaries carry out transactions in these currencies. Novabase's exposure to foreign exchange risk also arises from its presence in several markets, namely in Angola, although the exposure to these geographies decreased significantly since 2019.

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 2020, 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 and loss (see note 2.22. (2)). Note 14 provides information on the fair value hierarchy of these financial assets and liabilities.

At 31 December 2020, the Group had forward foreign exchange contracts to sell currency with the notional amount of USD 9,157,985 and forward foreign exchange contracts to buy currency with the notional amount of USD 414,173.

#### 18. Other current assets

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

	31.12.20	31.12.19
- Hardware and software maintenance and specialised services	4,189	6,074
- Rents	86	119
- Software licensing	15	18
	<b>4,290</b>	<b>6,211</b>

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 and loss in the next period.

**19. Debt securities**

	<b>Debt securities</b>	
	<b>(net of impairments)</b>	
	<b>31.12.20</b>	<b>31.12.19</b>
<b>Non-Current</b>		
Government of Angola Treasury Bonds	-	403
	-	403
<b>Current</b>		
Government of Angola Treasury Bonds	-	2,793
	-	2,793

At 31 December 2019, 5 Government of Angola Treasury Bonds were active for a universe of 3,108 debt securities, in the total amount (net of impairments) of EUR 3,196 thousand and foreseen maturities in 2020 and 2022. During 2020, the Angolan subsidiary sold all plots in the Government of Angola Treasury Bonds portfolio, to settle balances within the Group, no longer holding any investment in securities as at 31 December 2020.

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

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Balance at 1 January</b>	138	408
Impairment reversal (note 33)	(138)	(270)
<b>Balance at 31 December</b>	-	138

**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:

	<b>31.12.20</b>	<b>31.12.19</b>
- Cash	28	15
- Short-term bank deposits	71,920	48,767
Cash and cash equivalents at 31 December	71,948	48,782
- Impairment allowance of short-term bank deposits	(19)	(27)
Cash and cash equivalents	71,929	48,755

'Cash and cash equivalents' positive evolution in 2020 mainly reflects the cash flows from M&A operations concluded in 2020: (i) the proceeds from the sale of the GTE Business (including the price adjustment) in the amount of EUR 35,366 thousand (see note 41), (ii) the receipt from the sale of Collab (including the Holdback Amount) net of cash disposed of, in the amount of EUR 2,144 thousand (see note 41) and (iii) the payment of EUR 20,000 thousand for the acquisition of Vodafone's stake in Celfocus (see note 22).

78% of the balance of cash and cash equivalents (net of impairment losses) refers to wholly-owned Novabase subsidiaries. Of the remainder, 11% is related to subsidiaries based outside Portugal.

At 31 December 2020 and 31 December 2019, no restrictions existed as to the use of the amounts recorded in 'Cash and cash equivalents' heading, considering the following about Angola. Since 2019, restrictions on transfers outside the country lowered, with Novabase significantly decreasing its exposure to this geography. As such, 'Short-term bank deposits' includes only EUR 548 thousand from the subsidiary based in Angola.

The ratings attributed to the financial institutions with whom 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:

	<b>31.12.20</b>	<b>31.12.19</b>
<b>Balance at 1 January</b>	27	29
Impairment	5	10
Impairment reversal	(13)	(12)
<b>Balance at 31 December</b>	19	27

The impairment allowance of short-term bank deposits recognised in profit and loss and included in 'Finance costs' is EUR 5 thousand (31.12.19: EUR 10 thousand), and included in 'Profit from discontinued operations' is EUR zero thousand for both years. The impairment reversal recognised in profit and loss and included in 'Finance income' is EUR -13 thousand (31.12.19: EUR -9 thousand), and included in 'Profit from discontinued operations' is EUR zero thousand (31.12.19: EUR -3 thousand).

## 21. Share Capital, share premium and treasury shares

The share capital as at 31 December 2020, fully subscribed and paid in the amount of 54,638,425.56 Euros, is represented by 31,401,394 shares with a nominal value of 1.74 Euros each.

At 31 December 2020, 73.40% of Novabase's share capital (25,050,103 shares) is held by shareholders with qualifying stakes. The list of shareholders with qualifying stakes can be found in the annexes to the management report, included in the Management Report, which is an integral part of the Consolidated Annual Report.

	<b>No. Shares (thousands)</b>	<b>Share capital</b>	<b>Treasury shares</b>	<b>Share premium</b>	<b>Total</b>
<b>Balance at 1 January 2019</b>	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)
<b>Balance at 31 December 2019</b>	<b>31,401</b>	<b>54,638</b>	<b>(655)</b>	<b>226</b>	<b>54,209</b>
Treasury shares purchased	-	-	(522)	-	(522)
<b>Balance at 31 December 2020</b>	<b>31,401</b>	<b>54,638</b>	<b>(1,177)</b>	<b>226</b>	<b>53,687</b>

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

According to the legislation in force, by deliberation of the General Meeting of Shareholders held on 12 May 2020, 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 2019, Novabase S.G.P.S. held 376,611 treasury shares, representing 1.20% of its share capital.

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 item Six of the Agenda of the Extraordinary General Meeting of Shareholders of Novabase that took place on 26 September 2019. During 2020, under this programme, the Company acquired on the market 300,000 treasury shares at the average price of 2.97 Euros.

At 31 December 2020, Novabase S.G.P.S. held 676,611 treasury shares, representing 2.15% of its share capital.

It should also be noted that, on 22 October 2020, Novabase concluded this buy-back program, by reaching the maximum number of shares to be acquired, according to the terms and conditions announced to the market on 14 January 2020 - *i.e.* 300 thousand ordinary shares, corresponding to the estimated number of shares required to settle the options granted under the Stock Option Plan that was in effect.

Issuance share premiums resulted from gains obtained with share capital increases. According to the current legislation, the amounts included under this heading 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

The Stock Options Plan Regulation ("Regulation") was approved at the General Meeting of Shareholders held on 26 September 2019. This Regulation sets out the general terms and conditions under which options over ordinary shares of the Company may be attributed to the Board of Directors and Novabase employees, with such options being part of a performance bonus to be attributed to the plan's participants.

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.

According to the terms of the Regulation, the options exercised are settled as follows: i) 50% through the attribution of Novabase shares ('net share settlement') held by the Company, and ii) the remaining 50% through the attribution of Novabase shares ('net share settlement') or, alternatively, in cash ('net cash settlement'), by choice of the participant. The same Regulation also establishes that the maturity date of the options, that is, the date on which the options are liable to be exercised at once, corresponds to the 2nd anniversary counting from the grant's date (without prejudice of the participant choice to exercise on the 1st anniversary), and that the retention period, that is, the period during which the shares corresponding to the exercised options will be retained by Novabase, corresponds to three years counting from the exercise date.

On 1 October 2019, 400 thousand options were granted to an executive director under this Regulation. On the 1st anniversary of the plan, the director exercised all the options he held over Novabase ordinary shares under the Stock Options Plan Regulation, in accordance with the following modalities: (i) in relation to 50% of the options subject to exercise through net cash settlement (payment in cash), resulting in the payment of 304,001.71 Euros and (ii) in relation to the remaining 50% through net share settlement (attribution of shares of the company), resulting in the attribution of 91,539 ordinary shares of Novabase. The shares corresponding to the options exercised referred to above will be retained by Novabase during the period of three years counting from the respective exercise and the ownership over such shares will only be transferred to the aforementioned director upon the term of such period and conditioned on the positive performance of the company during the same, in the terms foreseen in the Regulation.

The accounting impacts under IFRS 2, considering also the terms of the Stock Options Plan Regulation, were as follows: i) in relation to the 'net cash settlement' component, the total amount of the expense was recognised on the exercise date of the options and for the remaining amount of the liability estimated in 2019, and ii) in the 'net share settlement' component, the "vesting period" was revised to 4 years since the director chose to exercise the options on the 1st anniversary, with this change being recorded prospectively.

Thus, in 2020 the Group recognised in the statement of profit and loss, under 'Employee benefit expense' heading, a cost in the amount of EUR 322 thousand (see note 30), against 'Stock options reserves' in the amount of EUR 34 thousand (see note 22) and the decrease of the 'Stock options plan' liability in the amount of EUR 16 thousand (see note 27). Cash outflow amounted to EUR 304 thousand.

## 22. Reserves and retained earnings

Movements in 'Reserves and retained earnings' are analysed as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
<b>Balance at 1 January</b>	(5,318)	3,016
Adjustment on initial application of IFRS 16 (net of tax)	-	(1,084)
Profit for the previous year	20,400	4,737
Share capital reduction	-	53
Share capital increase	-	467
Payment of dividends / shareholder remuneration	-	(15,823)
Exchange differences on foreign operations	(538)	293
Purchase and sale of treasury shares	(368)	-
Share-based payments (note 21)	34	7
Transactions with non-controlling interests	(18,334)	-
Transfer of exchange differences on foreign operations to profit from discontinued ops.	-	3,016
<b>Balance at 31 December</b>	<u>(4,124)</u>	<u>(5,318)</u>

In 2020, no amounts were distributed to shareholders. It is recalled that, on 30 March 2020, the Board of Directors has decided to revert its initial intention of proposing to the 2020 General Meeting of Shareholders the distribution of approximately EUR 26,691 thousand to the shareholders, by means of the reduction of the share capital of Novabase in the same amount, which would have represented a remuneration of 85 Euro cents per share. This decision was taken in the context of the high uncertainty resulting from the Covid-19 pandemic outbreak and as a preventive measure aiming at ensuring the financial resilience of Novabase and its competitiveness. In 2019, EUR 15,823 thousand had been paid (0.51 Euros per share, of which 0.15 Euros per share corresponding to a regular dividend and 0.36 Euros per share as an extraordinary distribution of reserves).

	<u>31.12.20</u>	<u>31.12.19</u>
Payment of dividends / shareholder remuneration	-	15,823
Remuneration of the treasury shares held by the Company	-	192
<b>Distribution of dividends / shareholder remuneration (note 38)</b>	<u>-</u>	<u>16,015</u>

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.

In 2020, the Group performed transactions with non-controlling interests (NCI) with the following impact :

	<u>31.12.20</u>			
	<u>Assets decrease</u>	<u>Total purchase consideration</u>	<u>(Decrease) / increase of NCI (note 23)</u>	<u>Impact on Equity attrib. to owners of the parent</u>
Acquisition of 45.003% in CelFocus, S.A.	-	27,450	(9,162)	(18,288)
(i) Increase of 4.70% interest in FCR Novabase Capital +Inovação	571	-	(525)	(46)
(ii) NBASIT-Sist. de Inf. e Telec., S.A.	-	-	677	-
	<u>571</u>	<u>27,450</u>	<u>(9,010)</u>	<u>(18,334)</u>

- (i) Following the capital decrease of FCR Novabase Capital + Inovação by the NCI Fundo Capital e Quase Capital (FC&QC), the Group increased its interest in the referred Fund by 4.70% (see notes 6 and 15).
- (ii) Angolan subsidiary losses absorption according to the profit sharing agreement in force.

On 24 April 2020, Novabase has entered into a sale and purchase agreement with Vodafone Portugal, S.A. ("Vodafone") to buy the shares representing Vodafone's equity stake in Celfocus, S.A., increasing its ownership from 55% to 100% (see note 6). The agreed purchase price for Vodafone's entire shareholding was EUR 20 Million. There may be an additional price adjustment of EUR 7.5 Million, to be paid for in services, which could raise the final purchase price to a maximum of EUR 27.5 Million, as a result of possible annual adjustments until 2023 related to service hiring guarantees of EUR 10 Million per year for three years given by Vodafone.

The carrying amount of Celfocus's net assets on the date of acquisition was EUR 20.4 Million. The agreed purchase price was fully paid on April, 30 (see note 20). The fair value of the contingent consideration arrangement, of EUR 7,450 thousand, was estimated by determining the present value of the future expected cash flows based on a discount rate of 2.3% and assuming a probability of 100%. From this amount, the portion with a maturity of more than 12 months, of EUR 2,950 thousand, is included in 'Other non-current liabilities' (see note 26), and the remainder EUR 4,500 thousand is recognised in 'Trade and other payables' (see note 27).

As the operation described above was a transaction with non-controlling interests in a subsidiary already controlled by the Group, the difference between the total consideration and the carrying amount of the net assets acquired was recorded in Equity attributable to owners of the parent, in the amount of EUR -18,288 thousand. The non-controlling interests decreased by EUR 9,162 thousand. To be noted that these amounts already include the transfer of the exchange differences on foreign operations regarding the subsidiaries Celfocus B. T. T. H. T. Limited Ş. and Celfocus LTD, from NCI to Equity attributable to owners of the parent, in the amount of EUR 145 thousand.

### 23. Non-controlling interests

	31.12.20	31.12.19
<b>Balance at 1 January</b>	18,329	13,754
Adjustment on initial application of IFRS 16 (net of tax)	-	(47)
Transactions with non-controlling interests (note 22)	(9,010)	-
Distribution of dividends to non-controlling interests	-	(548)
Exchange differences on foreign operations	560	322
Profit attributable to non-controlling interests	840	5,576
Change in consolidation perimeter	(672)	(728)
<b>Balance at 31 December</b>	<u>10,047</u>	<u>18,329</u>

### 24. Borrowings

	31.12.20	31.12.19
<b>Non-current</b>		
Bank borrowings	16,200	13,600
Lease liabilities	5,293	7,681
	<u>21,493</u>	<u>21,281</u>
<b>Current</b>		
Bank borrowings	6,400	5,194
Lease liabilities	3,032	3,887
	<u>9,432</u>	<u>9,081</u>
<b>Total borrowings</b>	<u>30,925</u>	<u>30,362</u>

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	2,937	2,257	4,400	9,200	-	18,794
Lease liabilities	2,069	1,818	3,301	4,380	-	11,568
<b>At 31 December 2019</b>	<u>5,006</u>	<u>4,075</u>	<u>7,701</u>	<u>13,580</u>	<u>-</u>	<u>30,362</u>
Bank borrowings	3,200	3,200	6,800	9,400	-	22,600
Lease liabilities	1,452	1,580	2,511	2,782	-	8,325
<b>At 31 December 2020</b>	<u>4,652</u>	<u>4,780</u>	<u>9,311</u>	<u>12,182</u>	<u>-</u>	<u>30,925</u>

The weighted average effective interest rate of bank borrowings at the reporting date is 1.485% (31.12.19: 1.546%). The Group uses its incremental borrowing rate when determining the present value of future lease payments, based on the features of the agreement (underlying asset, guarantees and lease term). The weighted average rate applied in 2020 was 2.484% (31.12.19: 2.528%). This note presents lease liabilities already discounted of the future finance charges, which amounts to EUR 606 thousand as at 31 December 2020 (31.12.19: EUR 1,041 thousand).

During 2020, the Group negotiated a new loan, in the amount of EUR 10 Million. In addition, loan repayments with other banking institutions in this period amounted to EUR 6.2 Million.



Movements in lease liabilities are as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
<b>Balance at 1 January</b>	11,568	-
Adjustment on initial application of IFRS 16	-	17,827
Changes in estimates of residual value guarantees	-	(6,907)
Increases <sup>(i)</sup>	1,598	4,138
Termination of lease contracts	(1,056)	(84)
Interest expense <sup>(ii)</sup>	491	540
Lease payments <sup>(iii)</sup>	(4,276)	(3,946)
<b>Balance at 31 December</b>	<u>8,325</u>	<u>11,568</u>

<sup>(i)</sup> Includes new lease contracts, remeasurement of leases that depend on an index or rate and lease modifications that are not accounted for as a separate lease (lease term).

<sup>(ii)</sup> Included in 'Finance costs' (see note 34), except for the amount of EUR 17 thousand in 2019, which is presented in 'Profit from discontinued operations'.

<sup>(iii)</sup> Classified as 'Cash flows from financing activities' in the Consolidated Statement of Cash flows.

Note 7 provides information on the right-of-use assets of the Group.

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

#### Covenants

- Solvability ratio  $\geq 40\%$ ; Net debt / EBITDA  $\leq 3$
- Net debt / EBITDA  $\leq 3$
- Net debt / EBITDA  $\leq 3,5$
- Solvability ratio  $\geq 35\%$ ; Net debt / EBITDA  $\leq 4$
- 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 2020, the Group was complying with all the covenants, except for the solvability ratio greater than 40% from BPI, according to the initial contract. However, Novabase received a waiver from this institution regarding the applicability of the referred covenant in 2020.

#### (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.

	<u>31.12.20</u>	<u>31.12.19</u>
Cash and cash equivalents (amount before impairment losses)	71,948	48,782
Borrowings - repayable within one year (including overdrafts)	(9,432)	(9,081)
Borrowings - repayable after one year	(21,493)	(21,281)
<b>Net debt</b>	<u>41,023</u>	<u>18,420</u>

	<b>Cash and cash equivalents</b>	<b>Bank borrow. due within 1 year</b>	<b>Bank borrow. due after 1 year</b>	<b>Lease liabilities due within 1 year</b>	<b>Lease liabilities due after 1 year</b>	<b>Net debt</b>
<b>Balance at 1 January 2019</b>	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)
Effect of 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)
<b>Balance at 31 December 2019</b>	<u>48,782</u>	<u>(5,194)</u>	<u>(13,600)</u>	<u>(3,887)</u>	<u>(7,681)</u>	<u>18,420</u>
Cash flows	25,234	6,194	(10,000)	3,785	-	25,213
Acquisitions - lease liabilities	-	-	-	-	(1,598)	(1,598)
Effect of exchange rate changes	(211)	-	-	-	-	(211)
Change in consolidation perimeter	(1,857)	-	-	-	-	(1,857)
Other non-cash movements	-	(7,400)	7,400	(2,930)	3,986	1,056
<b>Balance at 31 December 2020</b>	<u>71,948</u>	<u>(6,400)</u>	<u>(16,200)</u>	<u>(3,032)</u>	<u>(5,293)</u>	<u>41,023</u>

**25. Provisions**

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

	<u>31.12.20</u>	<u>31.12.19</u>
<b>Balance at 1 January</b>	8,623	8,252
Additional provisions	475	3,244
Reversals / charge-off	(3,692)	(2,844)
Exchange differences	-	(4)
Change in consolidation perimeter (note 41)	(173)	(25)
<b>Balance at 31 December</b>	<u>5,233</u>	<u>8,623</u>

The balance of 'Provisions' is intended to cover different risks and charges, namely the situations listed below, the settlement of which may result in cash outflows and other probable liabilities, for which it is not possible to estimate reliably the time of occurrence of the expense:

- Liabilities with costs to be incurred with possible contractual penalties related to ongoing projects;
- Other risks related to events / disputes of various kinds, which include, among others, contingencies of tax and labour natures, and involve customers, suppliers, business partners, employees or others;
- At 31 December 2020 and 31 December 2019, it also includes amounts related to costs to be incurred resulting from the alignment of the labour capacity to the 2019+ Strategy, disclosed to the market in July 2019.

With regard to movements in 2020, highlights include the use of EUR -1,645 thousand provisions, recorded in 2019, in line with the reorganisation of the management provided for in the 2019+ Strategy. The majority of the related costs were recognised in 'Employee benefit expense'.

The amount of provisions for other risks and charges, net of reversals, recognised in profit and loss and included in 'Other gains/(losses) - net' is EUR -3,217 thousand (2019: EUR 944 thousand), and included in 'Profit from discontinued operations' is EUR zero thousand (2019: EUR -544 thousand).

**26. Other non-current liabilities**

	<u>31.12.20</u>	<u>31.12.19</u>
Acquisition of financial holdings	3,165	-
Research and development grants	540	770
	<u>3,705</u>	<u>770</u>

'Acquisition of financial holdings' comprises the balances with a maturity of more than 12 months related to (i) the contingent consideration for the acquisition of Celfocus S.A. in the amount of EUR 2,950 thousand (see note 22), and (ii) the consideration for the acquisition of the non-controlling interests of Novabase Digital, S.A. - which preceded the sale of 100% of the GTE Business - in the amount of EUR 215 thousand (see note 41).

'Other non-current liabilities' also includes the amount of grants for research and development with a maturity of more than 12 months. The portion 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.

The due date of these liabilities is as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
Between 1 and 2 years	1,943	220
Between 2 and 5 years	1,762	550
	<u>3,705</u>	<u>770</u>

**27. Trade and other payables**

	<b>31.12.20</b>	<b>31.12.19</b>
Trade payables	5,621	8,215
Remunerations, holiday and holiday allowance	7,842	7,531
Bonus	11,546	8,819
Acquisition of financial holdings	4,715	3,564
Ongoing projects	2,463	2,138
Value added tax	2,542	2,070
Social security contributions	2,090	2,123
Income tax withholding	1,389	1,404
Employees	82	105
Stock options plan (note 21)	-	16
Amount to be paid to non-controlling interests	1	2
Prepayments from trade receivables	2	2
Other accrued expenses	1,869	3,364
Other payables	151	282
	<u>40,313</u>	<u>39,635</u>

'Acquisition of financial holdings' comprises the balances with a maturity of less than 12 months related to (i) the contingent consideration for the acquisition of Celfocus S.A. in the amount of EUR 4,500 thousand (see note 22), and (ii) the consideration for the acquisition of the non-controlling interests of Novabase Digital, S.A. - which preceded the sale of 100% of the GTE Business - in the amount of EUR 215 thousand (see note 41).

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

The maturity of these liabilities is as follows:

	<b>31.12.20</b>	<b>31.12.19</b>
No later than 1 year	<u>40,313</u>	<u>39,635</u>
	<u>40,313</u>	<u>39,635</u>

**28. Deferred income and other current liabilities**

	<b>31.12.20</b>	<b>31.12.19</b>
Consulting projects	15,884	14,634
Research and development grants	242	220
Training grants	22	-
	<u>16,148</u>	<u>14,854</u>

The table below shows the financial incentives for research and development at 31 December 2020, by type of incentive program:

	<b>Contracted amount</b>	<b>Acum. received amount</b>
Grants:		
- FAI - Innovation Support Fund	1,706	718
- P2020 - Portugal 2020	995	492
	<u>2,701</u>	<u>1,210</u>

**29. External supplies and services**

	<b>31.12.20</b>	<b>31.12.19</b>
Subcontracts	29,237	20,105
Commissions, consultancy fees and rents	3,986	2,902
Transportation, travel and accommodation expenses	1,495	4,240
Advertising and promotion	270	766
Water, electricity and fuel	395	475
Communications	318	270
Insurance	385	294
Utensils, office supplies and technical documentation	593	441
Other supplies and services	700	612
	<u>37,379</u>	<u>30,105</u>

Subcontract costs increased year-on-year in line with the expected growth of the Turnover. In turn, spending on travel and accommodation expenses decreased towards 2019, as a result of the Covid-19 pandemic and the consequent restrictions on travel and lockdowns in 2020.

**30. Employee benefit expense**

	<u>31.12.20</u>	<u>31.12.19</u>
Key management personnel compensation (note 40 i)	4,835	4,542
Wages and salaries of the employees	58,821	54,917
Employees social security contributions	11,284	10,849
Stock options granted (notes 21 and 40 i)	322	23
Other employee expenses	4,914	3,142
	<u>80,176</u>	<u>73,473</u>

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

Expenses with variable remuneration and bonuses, the stock options plan cost (see note 21) and costs related with the execution of the management reorganisation provided for in the 2019+ Strategy (see note 25) contributed to the increase in 'Employee benefit expense' in 2020.

**Average number of employees** is analysed as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
(*) Value Portfolio	772	816
Next-Gen	968	957
	<u>1,740</u>	<u>1,773</u>

(\*) The numbers presented do not consider employees assigned to the GTE Business nor Collab for both periods. Include holding / shared services representing 82 employees in 2020 (89 in 2019).

At the end of the year, the number of employees was 1,775 (2019: 1,836).

At 31 December 2020, 32% of Novabase's employees are women (2019: 31%). This indicator, which has been following the trend in the information technology industry in Portugal and abroad and also reflects the higher education choices of each gender, shows a slight increase in 2020 when compared to the previous year.

**31. Other gains/(losses) - net**

	<u>31.12.20</u>	<u>31.12.19</u>
Impairment and impairment reversal of inventories (note 13)	(19)	-
Provisions for other risks and charges (note 25)	3,217	(944)
(*) Other operating income and expense	1,180	64
	<u>4,378</u>	<u>(880)</u>

(\*) In 2020, this caption includes higher supplementary income, mainly related to backoffice services, which continued to be provided for part of the year in the divested subsidiaries Novabase Digital, S.A. and Collab, and a non-regular receipt related to the outcome of an old judicial process filed by the Group against the company ATEP-AMKOR Technology (prior Qimonda Portugal S.A.).

**32. Depreciation and amortisation**

	<u>31.12.20</u>	<u>31.12.19</u>
<i>Property, plant and equipment (note 7):</i>		
Buildings and other constructions	2,752	2,793
Basic equipment	634	690
Transport equipment	553	628
Furniture, fittings and equipment	65	59
Other tangible assets	-	-
	<u>4,004</u>	<u>4,170</u>
<i>Intangible assets (note 8):</i>		
Internally generated intangible assets	128	168
Industrial property and other rights	224	22
	<u>352</u>	<u>190</u>
	<u>4,356</u>	<u>4,360</u>

**33. Finance income**

	<u>31.12.20</u>	<u>31.12.19</u>
Interest received	108	354
Foreign exchange gains	141	2,607
Fair value of financial assets adjustment (note 10)	797	8,150
(*) Dividends of financial assets	43	-
Reversal of impairment losses on bank balances (note 20)	13	9
Reversal of impairment losses on debt securities (note 19)	138	270
	<u>1,240</u>	<u>11,390</u>

The decrease in 'Finance income' in year-on-year terms is almost entirely justified by the EUR 8.1 Million revaluation of the Group's investment in Feedzai recorded in 2019. Additionally, foreign exchange gains decreased in 2020, however, considering a joint reading with the foreign exchange losses presented in 'Finance costs', one can conclude that the change in the Group's foreign exchange differences was not significant.

(\*) Dividends received on the investment in Globaleda, S.A..

**34. Finance costs**

	<u>31.12.20</u>	<u>31.12.19</u>
Interest expenses		
- Borrowings	(416)	(295)
- Lease liabilities (note 24)	(491)	(523)
- Other interest	(10)	(2)
Bank guarantees charges	(28)	(12)
Bank services and commissions	(118)	(218)
Foreign exchange losses	(1,305)	(3,287)
Fair value of financial assets adjustment (note 10)	(441)	(343)
Provisions for loans to related parties (note 12)	(98)	-
Impairment losses on bank balances (note 20)	(5)	(10)
Other financial losses	(16)	-
	<u>(2,928)</u>	<u>(4,690)</u>

Change in 'Finance costs' heading in 2020 is mainly due to the decrease in foreign exchange losses in year-on-year terms (see also the evolution of foreign exchange gains in note 33).

**35. Share of loss of associates**

	<u>31.12.20</u>	<u>31.12.19</u>
Fundo Capital Risco NB Capital (notes 6 and 9)	(58)	(83)
	<u>(58)</u>	<u>(83)</u>

**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 held 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%, 25%, 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 2017 through 2020 are still open to such review.

#### Legislative changes that became effective on 1 January 2020

Regarding changes introduced by the 2020 State Budget (Law No. 2/2020), worthy of note is that charges for passenger vehicles, commercial vehicles, motorbikes and motorcycles with an acquisition cost of up to EUR 27,500 (before EUR 25,000) are subject to the 10% rate.

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

#### Legislative changes introduced by the 2021 State Budget

Regarding the 2021 State Budget (Law No. 75-B/2020), fiscal changes continue to be surgical. The concept of permanent establishment is aligned with the latest version of the OECD Model Convention and measures to combat tax evasion and the transfer of profits to other jurisdictions are strengthened with the extension of the concept of permanent establishment. The increase in autonomous tax rates for cooperatives, micro, small and medium-sized companies that usually had no losses is eliminated. These entities can be exempted from making payments on account and can also request in 2021 the full and immediate reimbursement of part of the special payment on account not deducted. Finally, it should also be mentioned that the plug-in hybrid passenger vehicles, whose plug-in battery can be charged through connection to the power grid and that have a minimum autonomy, in electric mode, of 50 km and official emissions below 50 gCO<sub>2</sub> / Km, are the only ones who will benefit from the reduced autonomous tax rates (5%, 10% and 17.5%).

Management considers that these changes will not have a significant impact on the income tax expense of Novabase's Group.

This heading is analysed as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
Current tax	1,461	1,210
Deferred tax on temporary differences (note 11)	451	(827)
	<u>1,912</u>	<u>383</u>

The Group's income tax expense for the year differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the country of the Parent-Company due to the following:

	<u>31.12.20</u>	<u>31.12.19</u>
Earnings before taxes	5,729	11,610
<b>Income tax expense at nominal rate (21% in 2020 and 2019)</b>	1,203	2,438
Provisions reversal	(106)	(40)
Recognition of tax on the events of previous years	-	(82)
Dividends	(9)	-
Associates' results reported net of tax	12	17
Autonomous taxation	370	431
Results in companies where no deferred tax is recognised	176	(806)
Expenses not deductible for tax purposes	209	63
Differential tax rate on companies located abroad	(2)	(138)
Research & Development tax benefit	(310)	(1,869)
Municipal Surcharge and State Surcharge	241	268
Impairment of Special Payment on Account, tax losses and withholding taxes	128	101
<b>Income tax expense</b>	<u>1,912</u>	<u>383</u>
<b>Effective tax rate</b>	33.4%	3.3%

### 37. Earnings per share

#### Basic

Basic earnings per share is determined 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 determined by adjusting the weighted average number of ordinary shares in issue to assume the conversion of all potential dilutive ordinary shares. Theoretically, Novabase has only one type of potential dilutive ordinary shares: stock options.

For the calculation of the 'Stock options adjustment', 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) is determined, which is then compared with the number of shares that would be issued if all options were exercised, except for cases where the options have already been exercised (but their ownership has not been transferred to the plan participant) and the number of shares corresponding to those options has been determined, situations in which this number prevails. In 2020, the adjustment was determined as referred to last (see note 21).

Earnings per share are analysed as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
Weighted average number of ordinary shares in issue	30,815,777	31,024,783
Stock options adjustment	91,539	116,711
Adjusted weighted average number of ordinary shares in issue	<u>30,907,316</u>	<u>31,141,494</u>
Profit attributable to owners of the parent	7,486	20,400
Basic earnings per share (Euros per share)	<u>0.24 Euros</u>	<u>0.66 Euros</u>
Diluted earnings per share (Euros per share)	<u>0.24 Euros</u>	<u>0.66 Euros</u>
Profit from continuing operations attributable to owners of the parent	2,977	5,651
Basic earnings per share (Euros per share)	<u>0.10 Euros</u>	<u>0.18 Euros</u>
Diluted earnings per share (Euros per share)	<u>0.10 Euros</u>	<u>0.18 Euros</u>
Profit from discontinued operations attributable to owners of the parent	4,509	14,749
Basic earnings per share (Euros per share)	<u>0.15 Euros</u>	<u>0.48 Euros</u>
Diluted earnings per share (Euros per share)	<u>0.15 Euros</u>	<u>0.47 Euros</u>

**38. Dividends per share**

In 2020, no amounts were distributed to shareholders (see also note 22). The amounts distributed in 2019 reached EUR 16,015 thousand (0.51 Euros per share, of which 0.15 Euros per share related to a regular dividend and 0.36 Euros per share as an extraordinary distribution of reserves). 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. 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 2020, and despite Novabase's robust performance, the Board of Directors decided not to propose any shareholder remuneration to the 2021 General Meeting of Shareholders, to be held on 25 May 2021, due to the still high degree of uncertainty affecting the economic outlook, however reaffirmed the commitment to distribute 1.5 Euros per share in the 2019-2023 strategic cycle.

**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 leases of the Group, or resulting from the sale of businesses, are analysed as follows:

	<u>Bank</u>	<u>31.12.20</u>	<u>31.12.19</u>
Novabase S.G.P.S., S.A.	Santander	2,500	2,500
Novabase S.G.P.S., S.A.	Bankinter	3,870	-
Novabase Business Solutions, S.A.	BCP	2,253	2,952
Novabase Business Solutions, S.A.	Santander	299	465
Novabase Business Solutions, S.A.	Novo Banco	48	48
Novabase Business Solutions, S.A.	BPI	33	33
Novabase Business Solutions, S.A.	Bankinter	75	107
Novabase Serviços, S.A.	BPI	135	135
Novabase Serviços, S.A.	Novo Banco	410	505
CelFocus, S.A.	Santander	50	50
NOVABASE IMS 2, S.A.	BCP	-	4
Novabase Neotalent España S.A.U	Novo Banco	132	164
NBMSIT, Sist. de Inf. e Tecnol., S.A.	BIM	136	180
		<u>9,941</u>	<u>7,143</u>

Following the sale of COLLAB – Sol. I. Com. e Colab., S.A. in March 2020, Novabase undertook, jointly and severally with the remaining Sellers, the following commitments:

- A Liability Cap for guarantees relating to ownership title, capitalization and corporate structure in the amount corresponding to 100% of the initial price received (EUR 4.5 Million received in March with the conclusion of the transaction + EUR 1.022 Million received in November from the Holdback), during 3 years after completion of the Transaction, that is, until 19 March 2023;



- A Liability Cap for all other guarantees provided by Sellers of EUR 3 Million between 2 years and 30 business days and 5 years and 30 business days (expiry of tax and Social Security guarantees), that is, between 24 April 2022 and 5 May 2025;
- The maximum aggregate Liability CAP under the terms referred to above corresponds to 100% of the initial price received (EUR 4.5 Million received in March with the conclusion of the transaction + EUR 1.022 Million received in November from the Holdback);
- Constitution of a basket deductible of EUR 100 thousand, no *deminimis*;
- Non-competition obligation for 3 years between COLLAB and Novabase in its core business areas, which means, until 19 March 2023.

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.

In what concerns to the sale of IMS Business at the end of 2016, Novabase still have the following commitments:

- A Liability Cap of EUR 2.5 Million by irrevocable bank guarantee of equal amount 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.

In 2020, the Group had the following grouped credit lines contracted:

<u>Group of companies</u>	<u>Plafond</u>
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 (detailed in note 6), other participated companies classified as financial assets at fair value through profit or loss (detailed in note 10), shareholders and key elements in the management of the Group.

##### i) Key management personnel compensation

Remuneration assigned to the Board of Directors and other key management personnel, during the years ended 31 December 2020 and 2019 (\*), are as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
Short-term employee benefits	3,389	3,135
Other long-term benefits	1,446	1,407
Stock options granted (note 21)	322	23
	<u>5,157</u>	<u>4,565</u>

(\*) Towards the balance disclosed at 31 December 2019, EUR 437 thousand were considered as part of discontinued operations, as such they were not included in this note.

'Other long-term benefits' caption corresponds to the portion of the variable remuneration recognised in the year on the accrual basis (the final amount is only known in the following exercise after the Remuneration Committee's deliberation - see note 4 g)), 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 2,104 thousand (31.12.19: EUR 1,542 thousand).

In addition, there are current payable balances outstanding with key management personnel in the net amount of EUR 10 thousand at 31 December 2020 (31.12.19: EUR 8 thousand).

The remuneration policy of the Board of Directors and 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 decisions of the Remuneration Committee, fixed remuneration components were set for members of the Novabase Board of Directors in 2020, 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 a 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, namely by the 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 align the part of the variable component of Board members remuneration with the organisation'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 those remunerations.

Additionally, with regard to the stock options plan, since its approval in 2019, 400,000 stock options of Novabase have been granted to the executive director Paulo Jorge de Barros Pires Trigo, according to the Remuneration Committee's deliberation. Those options were exercised during 2020 (see note 21).

Director <sup>1</sup>	Fixed annual remuner. (€)	Annual variable remuner. in cash paid in 2020 (€) <sup>2,3</sup>	Total partial (fixed + variable in cash paid in 2020) (€)	Variable in cash paid in 2020 / Total partial (%)	Deferred annual variable remuner. (€) <sup>4</sup>
João Nuno da Silva Bento	293,700	329,114	622,814	52.84	362,665
Álvaro José da Silva Ferreira	200,520	206,245	406,765	50.70	227,270
Francisco Paulo Figueiredo Morais Antunes	126,000	215,386	341,386	63.09	198,241
María del Carmen Gil Marín	144,420	164,557	308,977	53.26	181,333
Paulo Jorge de Barros Pires Trigo	156,000	26,685	182,685	14.61	26,685
<b>Executives Total</b>	<b>920,640</b>	<b>941,987</b>	<b>1,862,627</b>	<b>50.57</b>	<b>996,194</b>
(% total)	68.69	60.97	64.55		
Lúis Paulo Cardoso Salvado	293,700	430,771	724,471	59.46	396,482
José Afonso Oom Ferreira de Sousa	42,000	86,154	128,154	67.23	79,296
Pedro Miguel Quinteiro de Marques Carvalho	42,000	86,154	128,154	67.23	79,296
Marta Isabel dos Reis G. R. do Nascimento	42,000	-	42,000	-	-
<b>Non-Executives Total</b>	<b>419,700</b>	<b>603,079</b>	<b>1,022,779</b>	<b>58.96</b>	<b>555,074</b>
(% total)	31.31	39.03	35.45		
<b>TOTAL</b>	<b>1,340,340</b>	<b>1,545,066</b>	<b>2,885,406</b>	<b>53.55</b>	<b>1,551,268</b>

<sup>1</sup> The directors María del Carmen Gil Marín and Paulo Jorge de Barros Pires Trigo, elected by the General Meetings held on 10 May 2018 and 26 September 2019, respectively, received amounts in 2020 through other group companies, which refer to periods prior to the date of their election as members of Novabase's Board of Directors. These amounts are not considered in this table, being presented below.

<sup>2</sup> The amount shown represents the total amount paid to each director in 2020 (excluding the variable component based on stock options, as applicable): 50% of the total amount allocated for 2019 in 2020, plus, in the case of directors who were in office in such years and to whom it was decided to allocate variable remuneration in cash under the terms opportunely disclosed, 1/6 of the amount allocated for 2018 in 2019, 1/6 of the amount allocated for 2017 in 2018 and 1/6 of the amount allocated for 2016 in 2017. The remaining 50% of the amount allocated for 2019 in 2020 will be paid in the following 3 years (2021, 2022 and 2023) in equal parts (corresponding to 1/6 of each year's total), conditional upon company's positive performance during this time period.

<sup>3</sup> Amount used to reinforce capitalization insurance contributions currently in effect at the company.

<sup>4</sup> Amounts allocated for 2019 in 2020 but deferred for the following 3 years. Regarding the directors who were in office in such years and to whom it was decided to allocate variable remuneration in cash under the terms opportunely disclosed, there are also deferred amounts referring to amounts allocated for 2018 in 2019 and allocated for 2017 in 2018 according to the criteria disclosed in the Corporate Governance Reports of the respective years.

In 2020, an additional amount of EUR 13,728 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.

It should also be noted that there are no formal mechanisms regulating the possibility of requesting the refund of the variable remuneration earned by the directors of Novabase. However, according to the general principles that guide Novabase's remuneration policy, when the company's performance is a criterion for determining a variable remuneration, its deterioration may justify, in view of the concrete circumstances, the limitation of such remuneration.

The members of Novabase's Board of 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, with the exception of remunerations indicated in the following paragraph.

In 2020, the director Paulo Jorge de Barros Pires Trigo received and will receive the amounts shown in the table below by Celfocus, S.A., a company indirectly held at 100% 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 by Novabase Capital - Sociedade de Capital de Risco, S.A., a company 100% held by Novabase S.G.P.S., S.A.. These amounts refer to remuneration earned before their election as members of the Board of Directors.

Director	Fixed annual remuner. (€)	Annual variable remuner. in cash paid in 2020 (€) <sup>5, 6</sup>	Total partial (fixed + variable in cash paid in 2020) (€)	Variable in cash paid in 2020 / Total partial (%)	Deferred annual variable remuner. (€) <sup>7</sup>
María del Carmen Gil Marín	-	92,257	92,257	100.00	67,756
Paulo Jorge de Barros Pires Trigo	-	187,780	187,780	100.00	158,816

<sup>5</sup> The annual variable remuneration in cash paid in 2020 to the director María del Carmen Gil Marín corresponds to 1/6 of the amount allocated for 2017 in 2018 and 1/6 of the amount allocated for 2016 in 2017. In the case of the director Paulo Jorge de Barros Pires Trigo corresponds to 50% of the total amount allocated for 2019 in 2020 and also 1/6 of the amount allocated for 2018 in 2019, 1/6 of the amount allocated for 2017 in 2018 and 1/6 of the amount allocated for 2016 in 2017.

<sup>6</sup> Amount used to reinforce capitalization insurance contributions currently in effect at the company.

<sup>7</sup> The deferred annual variable remuneration corresponds to, in the case of the director María del Carmen Gil Marín, 1/6 of the amount allocated for 2017 in 2018, and in the case of the director Paulo Jorge de Barros Pires Trigo, 50% of the total amount allocated for 2019 in 2020 and also 2/6 of the amount allocated for 2018 in 2019 and 1/6 of the amount allocated for 2017 in 2018.

In 2020, 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 2020.

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			
	31.12.20	31.12.19	31.12.20	31.12.19		
Associates	47	142	-	-		
Other participated companies	40	141	-	-		
	<u>87</u>	<u>283</u>	<u>-</u>	<u>-</u>		
Impairment allowances for trade and other receivables	-	-				
	<u>87</u>	<u>283</u>				
	Services rendered		Supplementary income		Interest received	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Associates	182	181	-	-	-	-
Other participated companies	144	203	4	9	5	-
	<u>326</u>	<u>384</u>	<u>4</u>	<u>9</u>	<u>5</u>	<u>-</u>
	Purchases					
	31.12.20		31.12.19			
Associates	-		-		-	
Other participated companies	-		-		56	
	<u>-</u>		<u>-</u>		<u>56</u>	

(\*\*) The transactions with related parties from the prior period were restated and reflect solely the transactions of continuing operations. In view of the amounts disclosed in December 2019, the following amounts with other participated companies were considered as part of the discontinued operations (therefore excluded from this note): EUR 861 thousand of Services rendered and EUR 1,275 thousand of Purchases.

Outstanding balances of accounts receivable and payable with related parties will be cash settled and are not covered by any guarantees.

## iii) Other balances with related parties

	Non-current (note 12)	
	31.12.20	31.12.19
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	180
Loan to Probe.ly, Lda.	75	75
Loan to Habit Analytics, Inc.	9	9
	<u>5,033</u>	<u>5,033</u>
Provisions for impairment of loans to related parties	<u>(3,223)</u>	<u>(3,125)</u>
	<u>1,810</u>	<u>1,908</u>

Besides balances and transactions described in the tables above, no other balances or transactions exist with the Group's related parties.

## 41. Discontinued operations

For Novabase Group, discontinued operations comprises (newest to oldest):

- The subsidiary COLLAB – Sol. I. Com. e Colab., S.A., sold in the 1st quarter of 2020;
- The "Application and Data Analytics" business for the Government, Transport and Energy ("GTE Business"), discontinued in the last quarter of 2019, which was developed by the subsidiaries Novabase Digital, S.A. (subject to a sales agreement) and NBMSIT, Sist. de Inf. e Tecnol., S.A., for which the Group initiated the procedures for the cessation of activity;
- The "Infrastructures & Managed Services" business ("IMS Business"), which was discontinued in the last quarter of 2016.

## COLLAB

On 19 March 2020, Novabase and Netadmin System i Sverige AB entered into a sale and purchase 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 sale and purchase also occurred on this date, with the delivery of the shares against payment of part of the price. The agreed initial purchase price was 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 1.5 Million was temporarily held by the purchaser. On November, the purchaser paid EUR 1 Million referring to the 'Holdback Amount'.

The agreed purchase price is still subject to positive or negative price adjustment clauses agreed between the parties. Additionally, a discussion on the 'Holdback Amount' paid in November is underway.

Thus, in 2020, Novabase recorded a gain on this transaction amounting to EUR 335 thousand (see point E. for details of this disposal). The impact in terms of cash was EUR 2,144 thousand (note 20), corresponding to the consideration received in the amount of EUR 4,001 thousand less the cash disposed of in the amount of EUR 1,857 thousand.

## GTE Business

On 4 November 2019, Novabase has entered into a sale and purchase agreement with VINCI Energies Portugal, S.G.P.S., S.A. to sell its GTE Business, through the sale of the shares representing the entire share capital of Novabase Digital, S.A.. The agreed purchase price was of EUR 33 Million, to be paid on the completion date and subject to any eventual adjustments as foreseen in the agreement, to which a potential annual earn-out of EUR 3 Million might be accreted, depending on the final performance of the GTE Business in the financial year of 2019. The sale was substantially completed at the end of 2019, with the agreed purchase price paid on 9 January 2020. Novabase recognised, as at 31 December 2019, a capital gain in the amount of EUR 11,956 thousand.

On 11 May 2020, Novabase and VINCI Energies Portugal, S.A. confirmed a net adjustment to the price initially paid by the purchaser for the sale of the GTE Business and the verification of the earn-out, increasing the consideration obtained with the sale of the GTE Business to EUR 39,252 thousand.

As a result of these events, in 2020 the Group recognised an adjustment to the gain generated by the sale of the business in the amount of EUR 2,939 thousand. The total impact in terms of cash was EUR 35,366 thousand (note 20), as detailed:

	Total	Cash	Due
Consideration obtained by the sale of 100% of Novabase Digital, S.A.	39,252	38,822	430
Consideration due for the acquisition of 9.9% of Novabase Digital, S.A. to NCI (condition precedent to the business)	<u>(3,886)</u>	<u>(3,456)</u>	<u>(430)</u>
	<u>35,366</u>	<u>35,366</u>	<u>-</u>

The balances due, receivable and payable on equal amounts, refer to an amount retained by VINCI Energies Portugal, S.A. (and linked to the purchase), according to the terms provided for in the agreement. These balances are presented, based on the contractual maturity of the financial liability, in the following headings (i) EUR 215 thousand in 'Other non-current assets' and EUR 215 thousand in 'Trade and other receivables' (notes 12 and 15, respectively) and (ii) EUR 215 thousand in 'Other non-current liabilities' and EUR 215 thousand in 'Trade and other payables' (notes 26 and 27, respectively).

**IMS Business**

The IMS Business was discontinued at the end of 2016 following a sale agreement with VINCI Energies Portugal, S.G.P.S., S.A.. As at 31 December 2020, this discontinued operation has no significance for the Group, presenting a residual balance in 'Liabilities from discontinued operations', which is related to the provision for R&W of this Business that is being used until the end of the guarantees / liability period (see note 39).

**A. Results of discontinued operations**

	31.12.19			
	COLLAB	GTE	IMS	Total
Revenue	6,560	35,262	335	42,157
Expenses	(6,944)	(30,746)	-	(37,690)
<b>Results from operating activities</b>	<b>(384)</b>	<b>4,516</b>	<b>335</b>	<b>4,467</b>
Income tax	30	(1,704)	-	(1,674)
<b>Results from operating activities, net of tax</b>	<b>(354)</b>	<b>2,812</b>	<b>335</b>	<b>2,793</b>
Gain on sale of Business	-	11,956	-	11,956
Income tax on gain on sale of Business	-	-	-	-
<b>Profit from discontinued operations, net of tax</b>	<b>(354)</b>	<b>14,768</b>	<b>335</b>	<b>14,749</b>
	31.12.20			
	COLLAB	GTE	IMS	Total
Revenue	1,026	72	-	1,098
Expenses	(1,006)	1,145	-	139
<b>Results from operating activities</b>	<b>20</b>	<b>1,217</b>	<b>-</b>	<b>1,237</b>
Income tax	-	(2)	-	(2)
<b>Results from operating activities, net of tax</b>	<b>20</b>	<b>1,215</b>	<b>-</b>	<b>1,235</b>
Gain on sale of Business	335	2,939	-	3,274
Income tax on gain on sale of Business	-	-	-	-
<b>Profit from discontinued operations, net of tax</b>	<b>355</b>	<b>4,154</b>	<b>-</b>	<b>4,509</b>

**B. Assets and liabilities from discontinued operations**

	31.12.19			
	GTE	IMS	Total	
Property, plant and equipment	6	-	6	
Trade and other receivables	236	-	236	
Other current assets	7	-	7	
Cash and cash equivalents	211	-	211	
<b>Assets from discontinued operations</b>	<b>460</b>	<b>-</b>	<b>460</b>	
Provisions	8,308	48	8,356	
Trade and other payables	298	-	298	
Deferred income and other current liabilities	41	-	41	
<b>Liabilities from discontinued operations</b>	<b>8,647</b>	<b>48</b>	<b>8,695</b>	
	31.12.20			
	COLLAB	GTE	IMS	Total
Trade and other receivables	-	274	-	274
Accrued income	-	1	-	1
Cash and cash equivalents	-	67	-	67
<b>Assets from discontinued operations</b>	<b>-</b>	<b>342</b>	<b>-</b>	<b>342</b>
Provisions	1,128	4,884	32	6,044
Trade and other payables	-	267	-	267
<b>Liabilities from discontinued operations</b>	<b>1,128</b>	<b>5,151</b>	<b>32</b>	<b>6,311</b>

The net assets (external) of the subsidiary NBMSIT, Sist. de Inf. e Tecnol., S.A. represent EUR 65 thousand of the total presented for the GTE Business (31.12.19: EUR 96 thousand).

**C. Cash flows from (used in) discontinued operations**

	<b>31.12.19</b>			
	<b>COLLAB</b>	<b>GTE</b>	<b>IMS</b>	<b>Total</b>
Net cash used in operating activities	2,021	(1,322)	-	699
Net cash used in investing activities	(137)	(453)	-	(590)
Net cash used in financing activities	(66)	(32)	(15)	(113)
Net cash flow for the year	<u>1,818</u>	<u>(1,807)</u>	<u>(15)</u>	<u>(4)</u>

  

	<b>31.12.20</b>			
	<b>COLLAB</b>	<b>GTE</b>	<b>IMS</b>	<b>Total</b>
Net cash used in operating activities	(467)	(2,206)	-	(2,673)
Net cash from investing activities	4,001	35,366	-	39,367
Net cash used in financing activities	(1)	(45)	(16)	(62)
Net cash flow for the year	<u>3,533</u>	<u>33,115</u>	<u>(16)</u>	<u>36,632</u>

At 31 December 2020, Net cash from investing activities corresponds to the cash inflow from the sales of GTE Business and the subsidiary Collab.

**D. Effect of COLLAB's disposal on the financial position of the Group**

	<b>31.12.20</b>
Property, plant and equipment (note 7)	(3)
Intangible assets (note 8)	(612)
Financial assets at fair value through profit or loss (note 10)	(20)
Deferred tax assets (note 11)	(1,180)
Trade and other receivables	(1,846)
Accrued income	(888)
Income tax receivable	(256)
Derivative financial assets	(2)
Other current assets	(50)
Cash and cash equivalents	(1,857)
Provisions (note 25)	173
Trade and other payables	2,412
Derivative financial liabilities	1
Deferred income and other current liabilities	1,268
<b>Net assets</b>	<u>(2,860)</u>

**E. Details of the sale of COLLAB**

	<b>31.12.20</b>
Consideration received or receivable:	
Cash received	4,001
Fair value of contingent consideration	-
Total disposal consideration	<u>4,001</u>
Carrying amount of net assets sold	(2,197)
Provision for Reps & Warranties	(1,580)
Gain on sale of the equity stake held by Fundo Capital Risco NB Capital	111
Gain on sale before income tax	<u>335</u>
Income tax expense on gain	-
Gain on sale after income tax	<u>335</u>

In the event the operations of the subsidiary sold achieve certain performance criteria, in terms of net recurring revenue, during three annual periods, as specified in the 'additional purchase price' clause of the agreement, additional cash consideration will be receivable. At the time of the sale, no amount was considered for this contingent consideration.

**42. Contingencies**

At 31 December 2020, Novabase has no contingencies to disclose.

**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 2020 was 110,350 Euros (2019: 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 2021, until the issuance of this report, have occurred the following material events:

- **Reduction of qualified holding**

Novabase was informed by the shareholder Maria Manuela de Oliveira Marques about her disposal, on 13 January 2021, of 650,924 shares, representing 2.07% of the share capital of Novabase. Following the reported transaction, Maria Manuela de Oliveira ceased to hold any stake in Novabase's share capital or voting rights.

- **Transaction by person closely associated to directors**

On 14 January 2021, Novabase received a communication from HNB - S.G.P.S., S.A., ("HNB"), collective person closely associated to the directors of Novabase José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado and Álvaro José da Silva Ferreira, related to the acquisition by HNB of 650,924 ordinary shares of Novabase, representing 2.07% of its share capital and voting rights. The statement further clarifies that this acquisition by HNB, outside a trading venue, took place in the context of the acquisition of such shares to Maria Manuela de Oliveira Marques, through a shares' sale and purchase agreement entered into between the aforementioned parties, and that this transaction is not linked to the exercise of a stock options programme.

- **1-year postponement option of the ESEF requirement**

On 29 January 2021, CMVM published the annual newsletter for issuers, under which informed that the issuers requirement to prepare their 2020 Annual Financial Reports in ESEF format, as provided for in the Delegated Regulation (EU) 2018/815, of 18 June 2019, is delayed to 1 January 2021. The newsletter also clarifies that issuers intending to disclose their 2020 Annual Financial Reports in ESEF format may do so on a voluntary basis, but must fully comply with the requirements set out in the ESEF Regulation. This postponement is decided in the context of the current crisis scenario caused by the Covid-19 pandemic, as a measure that allows issuers sufficient flexibility and relief to be able to continue the process of transition to the new format. Novabase chose not to present the Report and Accounts for 31 December 2020 in ESEF format.

- **Change of holder of qualified holding**

On 4 March 2021, Novabase announced to the market that it had received a communication from Santander Açções Portugal Fund informing about the reduction of its qualified holding, through the sale of 694,649 shares on 2 March 2021, becoming to hold, as from that date, 0 (zero) Novabase shares, corresponding to 0% of the share capital and 0% of the voting rights. On the same date, Novabase received a communication of qualified holding, according to which the same number of shares was acquired by the Santander Small Caps España, FI Fund, which started to hold 694,649 shares (previously zero), representing 2.2122% of the Novabase's share capital and corresponding voting rights.

- **Communication of qualified holding**

On 12 March 2021, Novabase received from Walter Rey a communication of qualified holding, according to which is informed that, as from 5 March 2021, Walter Rey holds in his own name 748,000 shares, representing 2.382% of the Novabase's share capital and corresponding to 2.382% of the voting rights, after the acquisition of 748,000 shares in the Euronext Lisbon market.

**45. Note added for translation**

These financial statements are a free 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, 2020**

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, 2020.

**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 four 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 50% 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 2020 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 analysed 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 analysed 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.

#### **Related Party Transactions**

During the 2020 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 analysed the Management Report and the Consolidated Financial Statements for the 2020 financial year, which comprise the Consolidated Statement of Financial Position as at December 31, 2020, the Consolidated Statement of Profit and Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of 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 analysed the Legal Certification of Accounts and the Audit Report on the Consolidated Financial Information for the 2020 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 analysed the Corporate Governance Report for the 2020 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 2020 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2020 financial year.

Lisbon, April 29, 2021

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 2020 (showing a total of Euro 169,793 thousand and equity of Euro 67,096 thousand, including non-controlling interests of Euro 10,047 thousand and a net profit of Euro 7,486 thousand), 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 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

#### Basis for opinion

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

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

#### Key audit matters

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.





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## Revenue recognition (Euro 125,080 thousand)

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See Note 5 to the consolidated financial statements.

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### **The Risk**

The revenue recognition policy for advisory projects on a turnkey basis, 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 overtime projects in accordance with the applicable accounting policy, as described in Note 2.19 (b), involves a number of qualitative factors such as estimated billing, costs to be incurred, including contingency values for contractual risks, which justify that the recognition of revenue has been considered as a key audit matter.

### **Our response to the identified risk**

Our audit procedures included, among others, the following:

- We have analysed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards;
  - We have evaluated the design and implementation and operational effectiveness of relevant controls, including application controls and general IT controls, related to the revenue recognition process;
  - We have critically analysed the estimates and assumptions made by the management, namely regarding estimated billing, costs to be incurred and contingencies;
  - We have carried out substantive analytical procedures and detailed tests to the accounting records in order to identify and test the risk of fraud and potential derogation to implemented controls; and,
  - We have reviewed the adequacy of the related disclosures in the financial statements, in accordance with the applicable accounting standards.
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## Recoverability of goodwill (Euro 11,501 thousand)

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See Note 8 to the consolidated financial statements which describes the net book value of the goodwill of the Next-Gen and NeoTalent business areas.

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### **The Risk**

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, impairment tests on goodwill based on the discounted cash flow method, considering a 5-year business plan estimated by management, as mentioned in Notes 2.7 (1), 4 (a) and 8.

The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and its effects created greater uncertainty on the financial projections that support the assessment of impairment.

The complexity and inherent degree of judgment justify that the recoverability of goodwill has been considered a key audit matter.

### **Our response to the identified risk**

Our audit procedures included, among others, the following:

- We have evaluated the design and implementation and operational effectiveness of the key controls implemented by the Group in connection with this matter and have reviewed the budgeting procedures on which the projections are based, by comparing the current performance against estimates made in prior periods, and the integrity of the discounted cash flow model;
  - We have assessed the internal and external assumptions used and the reasonableness of such as current business trends, market performance, inflation, projected economic growth and discount rates;
  - We have performed sensitivity analyses on the robustness of the assumptions and forecasts used;
  - We have involved out experts in benchmarking the average cost of capital ratio; and,
  - We have reviewed the adequacy of the related disclosures in the financial statements, in accordance with the applicable accounting standards.
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## Recoverability of deferred tax assets (Euro 7,947 thousand)

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See Note 11 to the consolidated financial statements which describes the amount of deferred tax assets, of which 7,053 thousand euros related to tax benefits arising from Research and Development projects presented under the SIFIDE incentive scheme.

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### The Risk

Deferred tax assets recorded by management are based on its best estimate on the timing and future amounts required for their recovery, using assumptions that require judgment, as mentioned in Notes 2.15 and 4 (c).

The evolution of the economic environment, as well as the control and monitoring of the spread of COVID-19 and its effects created greater uncertainty on the financial projections that support the recoverability of deferred tax assets.

The associated level of uncertainty and the degree inherent to the judgement justify that the recoverability of deferred tax assets has been considered as a key audit matter.

### Our response to the identified risk

Our audit procedures included, among others, the following:

- We have evaluated the design and implementation and operational effectiveness of the key controls implemented by the Group in connection with this matter and have analysed the budgeting procedures on which the projections are based, by comparing the current performance with estimates made in prior periods;
  - We have analysed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and,
  - We have reviewed the adequacy of the related disclosures in the financial statements, in accordance with 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 scepticism 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(3)(e) of the Portuguese Companies' Code, it is our opinion that the consolidated 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. As referred in Article 451(7) of the Portuguese Companies' Code this opinion is not applicable to the non-financial statement included in the management report.

### **On the Corporate Governance Report**

Pursuant to Article 451(4) of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group in accordance with Article 245-A of the Portuguese 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 consolidated non-financial information**

Pursuant to Article 451(6) of the Portuguese Companies' Code, we inform that the Group included in its management report the non-financial information foreseen in Article 508-G of the Portuguese Companies' Code.

### **On the additional matters provided for in Article 10 of the Regulation (EU) no. 537/2014**

Pursuant to Article 10 of the Regulation (EU) no. 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 General Shareholders' Meeting held on 29 April 2015 for a first mandate from 2015 to 2017. We were appointed in the General Shareholders' Meeting 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 scepticism, 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 have issued is consistent with the additional report we prepared and submitted to the Group's supervisory body on 29 April 2021.
- We declare that we have not provided any prohibited services as described in Article 77(8) of the Ordem dos Revisores Oficiais de Contas' statutes, and that we have remained independent from the Group during the course of the audit.

29 April 2021

SIGNED ON THE ORIGINAL

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**KPMG & Associados -**  
**Sociedade de Revisores Oficiais de Contas, S.A. (no. 189)**  
represented by  
Paulo Alexandre Martins Quintas Paixão (ROC no. 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 31.12.19	Transactions	Number of Shares / Quotas held by Board Members at 31.12.20	% held by Board Members at 31.12.20
<b>Novabase S.G.P.S., S.A.</b>	<b>54,638,426 €</b>	<b>31,401,394</b>	<b>12,652,542</b>	<b>0</b>	<b>12,652,542</b>	<b>40.3%</b>
HNB - S.G.P.S., S.A. (a)			10,501,589	(1,366,760)	9,134,829	29.1%
Pedro Miguel Quinteiro Marques de Carvalho			2,097,613	0	2,097,613	6.7%
João Nuno da Silva Bento			1	1,366,760	1,366,761	4.4%
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%
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			0	0	0	0.0%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento			0	0	0	0.0%
<b>NBASIT - Sist. Inf e Telecomunicações, S.A. 47,500,000 AOA</b>		<b>100,000</b>	<b>800</b>	<b>0</b>	<b>800</b>	<b>0.8%</b>
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%
<b>CellFocus, S.A.</b>	<b>100,000 €</b>	<b>100,000</b>	<b>2</b>	<b>(2)</b>	<b>0</b>	<b>0.0%</b>
José Afonso Oom Ferreira de Sousa			1	(1)	0	0.0%
Paulo Jorge de Barros Pires Trigo			1	(1)	0	0.0%
<b>FeedZai, S.A.</b>	<b>170,154 €</b>	<b>21,768,183</b>	<b>112,500</b>	<b>0</b>	<b>112,500</b>	<b>0.5%</b>
Pedro Miguel Quinteiro Marques de Carvalho			112,500	0	112,500	0.5%

(a) José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado and Álvaro José da Silva Ferreira are the controlling shareholders and directors of HNB - S.G.P.S., S.A., having executed a shareholder's agreement concerning the entirety of the share capital of this 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 2020, 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, 29 April 2021

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 regarding the year ended 31 December 2020 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 29, 2021

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 regarding the year ended 31 December 2020 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 29, 2021

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 regarding the year ended 31 December 2020 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 29, 2021



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# NOVABASE