NOVABASE
simpler & happier

annual report and accounts

index

2016 in the spotlight

by **Luís Paulo Salvado**
Chairman of the Board of Directors

2016

DEAR SHAREHOLDERS,

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

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

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

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

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

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

Luís Paulo Salvado
Chairman of the Board of Directors

financial highlights

TURNOVER

EBITDA

NET PROFIT

NET CASH

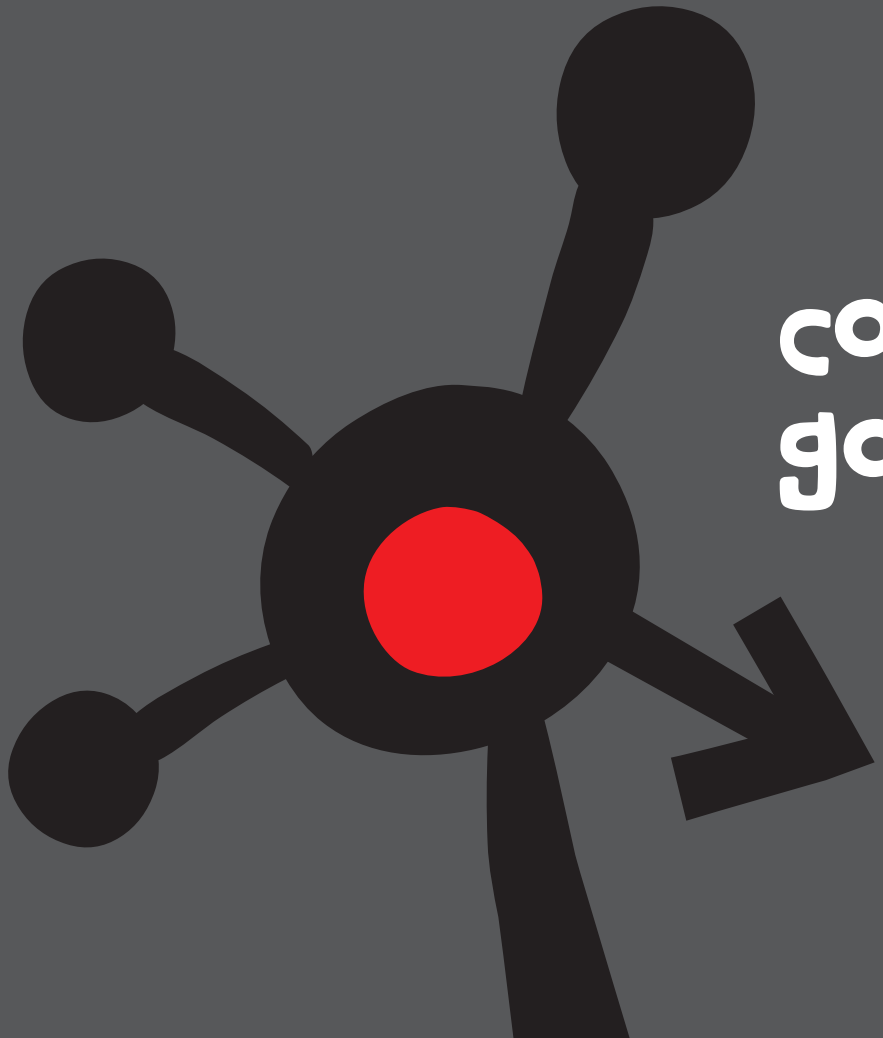
EARNINGS PER SHARE

(€/share)

R&D

INTERNATIONAL BUSINESS

Amounts in M€, except otherwise stated



corporate governance

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

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

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

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

sustainability

CREATION OF VALUE FOR THE SHAREHOLDERS

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

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

more than
2.000
EMPLOYEES

113
NEW TALENT

financial and stock performance

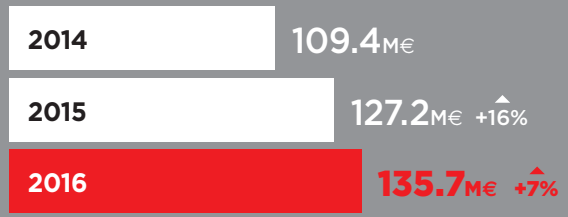
CHANGES IN KEY INDICATORS

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

TURNOVER

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

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



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

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

2015

PORTUGAL
46%

ABROAD
54%

2016

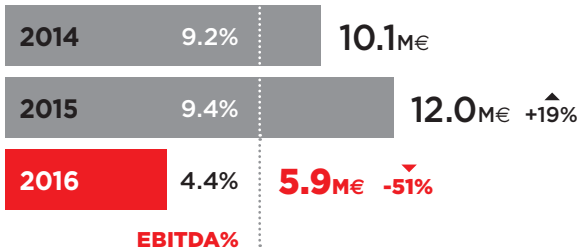
PORTUGAL
41%

ABROAD
59%

TURNOVER BY GEOGRAPHY

EBITDA

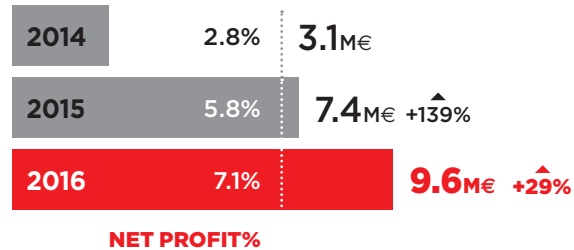
EBITDA reached 5.9 M€ in 2016, a 51% decreased compared to the 12.0 M€ obtained in 2015, reflecting the reinforcement of the international expansion strategy, but mainly the 7 M€ extraordinary cost recorded in a project.



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

RESULTS

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



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

Trends in EBITDA to Net Profit were as follows:

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

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

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

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

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

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

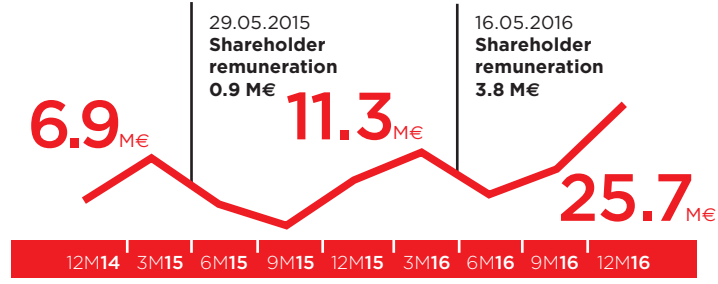
Non-controlling interests amounted to -1.5 M€, which compares to -1.0 M€ in 2015. This variation is mainly due to the overall positive evolution of the results of international subsidiaries.

CASH

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

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

NET CASH



(Amounts expressed in thousand of Euros)

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

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

CAPITAL EXPENDITURE

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

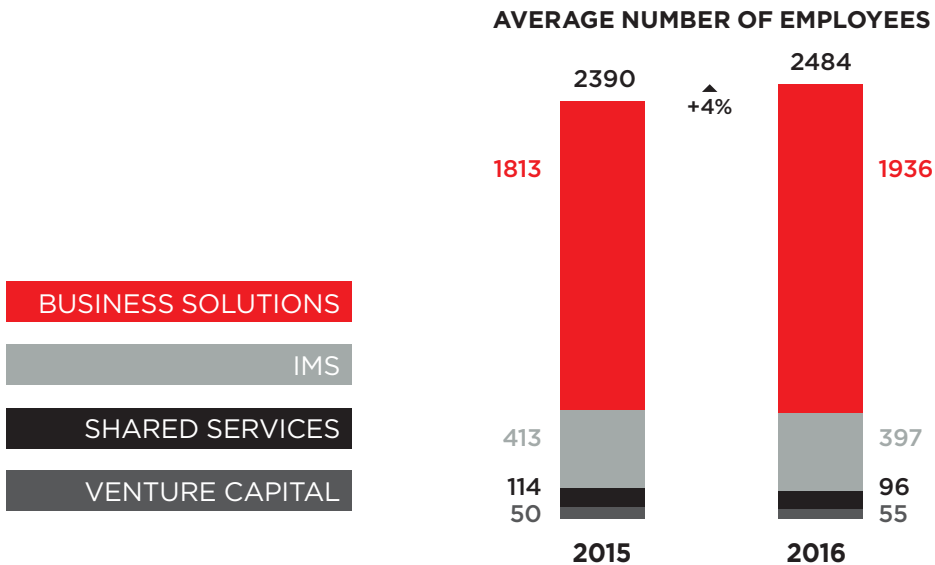
Non-recurring investment was negative, in the total amount of -13.4 M€, and for the most part pertains to disinvestments, including write-offs (namely of the goodwill allocated to Infrastructures & Managed Services, due to the discontinuation of this business), perimeter variations (effect of the exit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

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

HUMAN RESOURCES

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

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



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

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

BUSINESS SUMMARY

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

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

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

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

(Amounts expressed in thousand of Euros)

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

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

Highlights include the opening of the first Case Management Competency Centre in Portugal, in the first quarter of 2016. All of the work in Novabase's Case Management Competency Centre is done using Design Thinking, an innovative methodology that Novabase uses in its projects. This Centre brings to the market a streamlined case management solution, and is aligned with Novabase's internationalization and differentiation of the offerings strategic options.

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

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

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

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

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

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

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

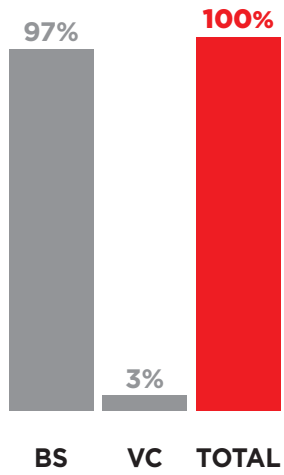
- Celfocus was in attendance at Mobile World Congress 2016, the world's biggest mobile technology fair, showcasing the latest novelties of its omni-channel solution for telecommunications operators;
- Novabase was also present with its Rely solution in the RFIx conferences, the world's main event in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

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

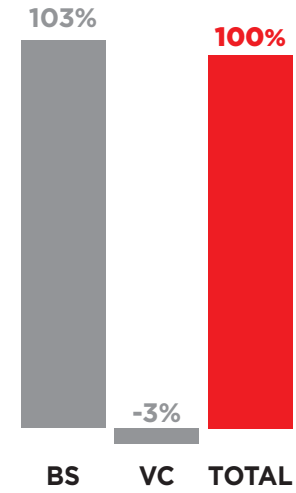
These world reference events reflect Novabase's focus on innovation and provide excellent showcases for the dissemination of its offerings.

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

TURNOVER 2016



EBITDA 2016



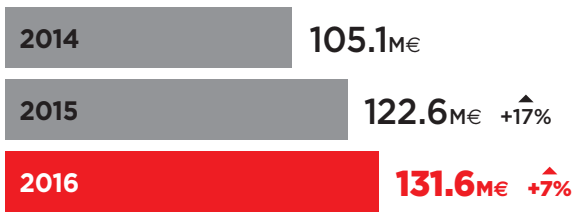
BUSINESS SOLUTIONS

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

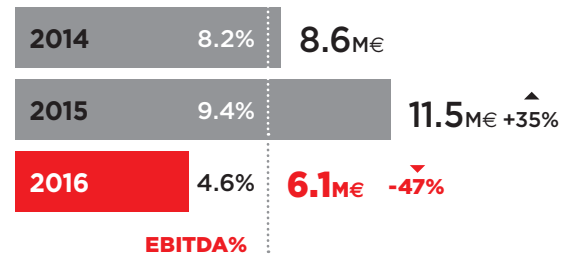
This business area's total Turnover was 131.6 M€, a 7% increase compared to 2015. This evolution reflects the continuation of international growth (+18%) and the pressure in the domestic market.

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

TURNOVER BS



EBITDA BS



INFRASTRUCTURES & MANAGED SERVICES

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

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

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

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

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

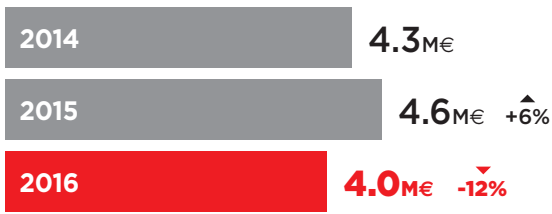
VENTURE CAPITAL

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

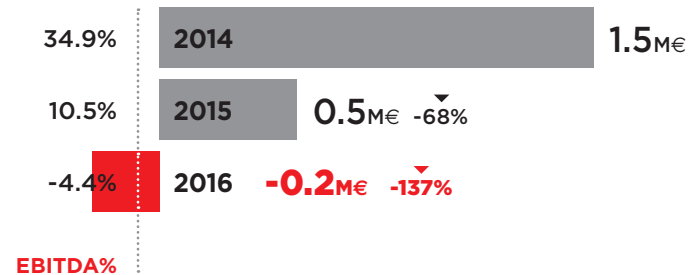
This business area's total Turnover reached 4.0 M€, a 12% decrease compared to 2015. .

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

TURNOVER VC



EBITDA VC



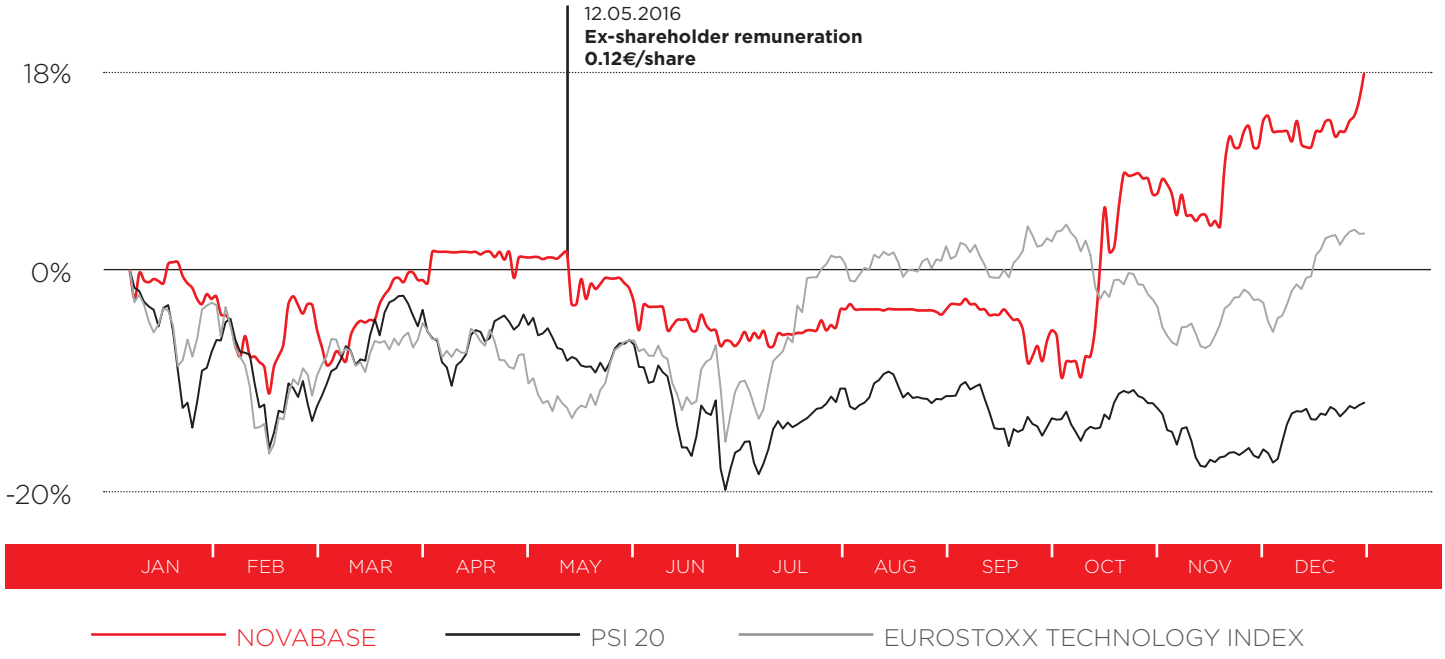
STOCK PERFORMANCE

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

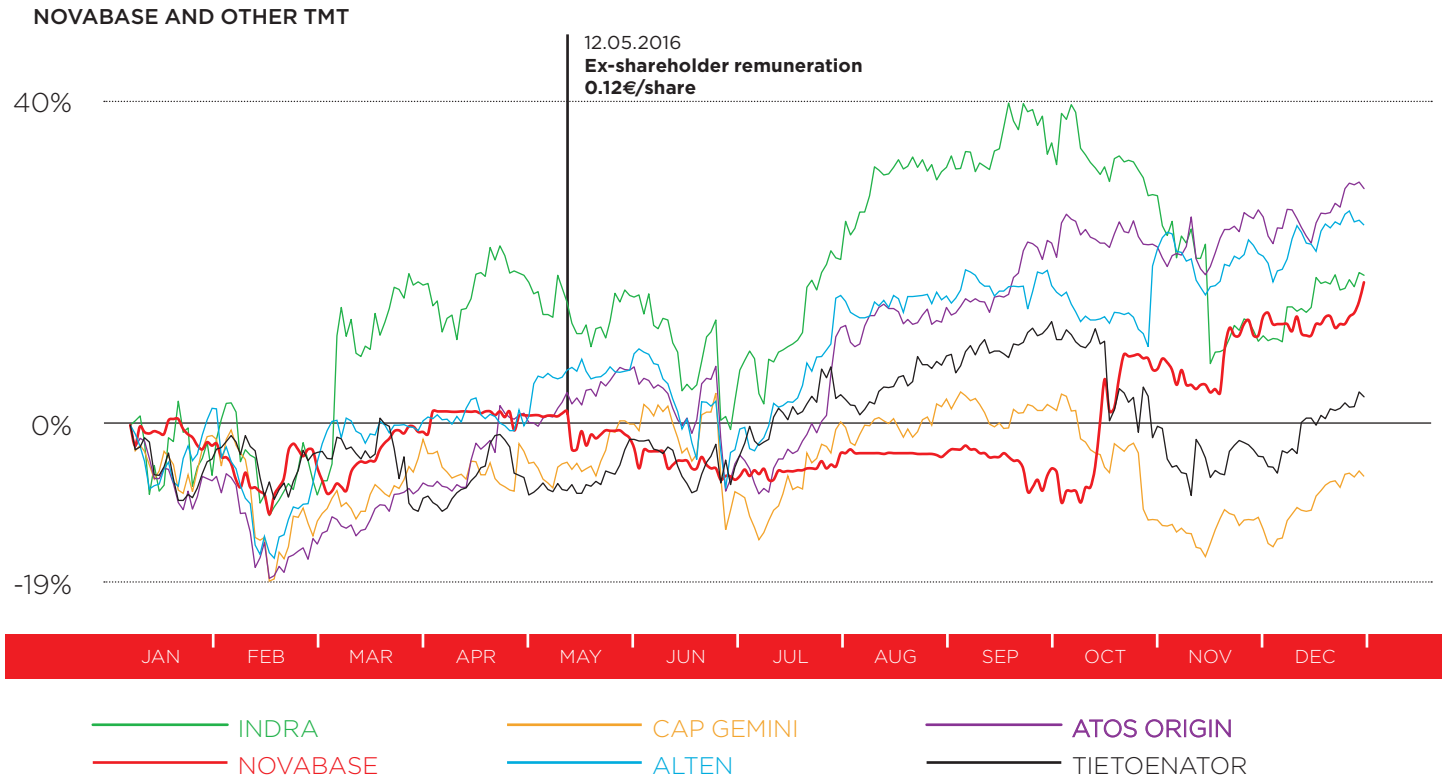
In this period, a dividend of 0.12€/share was distributed.

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

NOVABASE AND THE MARKET



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



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

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

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

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

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

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

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

RISKS

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

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

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, mainly arising from U.S. Dollar, Kwanza and Metical exposure, since some subsidiaries perform transactions in these currencies. The finance department is responsible for the tracking of the exchange rate of the currencies mentioned above, in order to reduce the impact of the fluctuation in consolidated results. The group uses derivative financial instruments to hedge certain risk exposures.

b) Cash flow and fair value interest rate risk

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

c) Credit Risk

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Group's liquidity reserve (which comprises undrawn committed borrowing facilities and cash and cash equivalents) on the basis of expected cash flows, taking into account the analysis of the remaining contractual maturity of the financial liabilities and the expected date of financial assets inflows, and taking into account the cash transfer restrictions in Angola and Mozambique. Additionally, a regular monitoring is made to the maturity concentration of borrowings of the Group.

d) Capital management risk

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

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

II) To maintain a solid capital structure to support the development of its business;

III) To maintain an optimal capital structure to reduce the cost of capital.

OUTLOOK FOR 2017

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

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

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

SUBSEQUENT EVENTS

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

Completion of sale of the Infrastructures & Managed Services business

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

Acquisition of Own Shares

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

Dividend to shareholders

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

Novabase is included in PSI20 Index as of March, 20

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

corporate boards

BOARD OF DIRECTORS

Chairman
Luís Paulo Cardoso Salvado

Members
José Afonso Oom Ferreira de Sousa
Pedro Miguel Quinteiro Marques de Carvalho
Francisco Paulo Figueiredo Morais Antunes

MANAGING DIRECTORS

Luís Paulo Cardoso Salvado
Francisco Paulo Figueiredo Morais Antunes

OFFICERS OF THE GENERAL MEETING OF SHAREHOLDERS

Chairman
António Manuel da Rocha e Menezes Cordeiro

Secretary
Madalena Paz Ferreira Perestrelo de Oliveira

AUDIT BOARD

Chairman
Paulo Soares de Pinho

Members
Fátima do Rosário Piteira Patinha Farinha
Nuno Miguel Dias Pires
Manuel Tavares Festas Surrogate

STATUTORY AUDITOR

KPMG & Associados - SROC, S.A.
represented by:
Paulo Alexandre Martins Quintas Paixão Effective
Maria Cristina Santos Ferreira Surrogate

REMUNERATION COMMITTEE

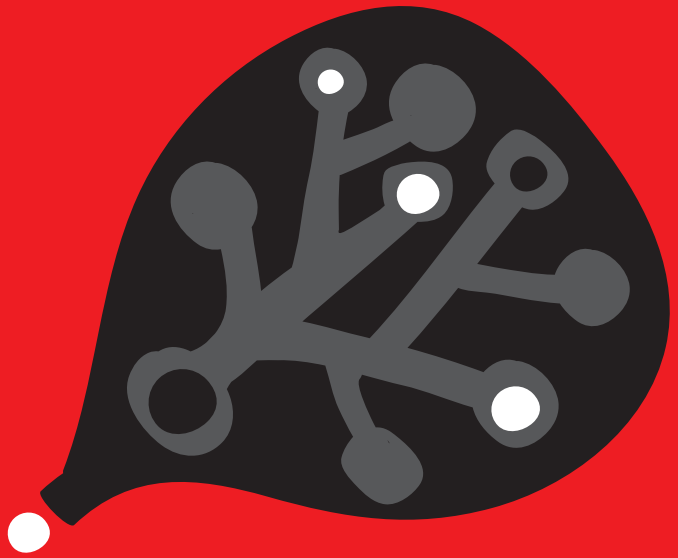
Chairman
Francisco Luís Murteira Nabo

Members
Pedro Rebelo de Sousa
João Francisco Ferreira de Almada e Quadros Saldanha

COMPANY'S SECRETARY

Diogo Leónidas Ferreira da Rocha
Marta Isabel dos Reis G. Rodrigues do Nascimento Surrogate

proposal for the allocation of profits



Whereas, despite that the Company presented in 2016 financial year a consolidated net profit of € 9,577,468.87 (nine million, five hundred and seventy seven thousand, four hundred and sixty eight euros and eighty seven cents), recorded in the individual accounts a negative net result of € 433,927.90 (four hundred and thirty three thousand, nine hundred and twenty seven euros and ninety cents); Pursuant to the legal and statutory provisions, the Board of Directors proposes that the negative net result for the year be transferred to retained earnings.

Lisbon, 6 April 2017
Board of Directors

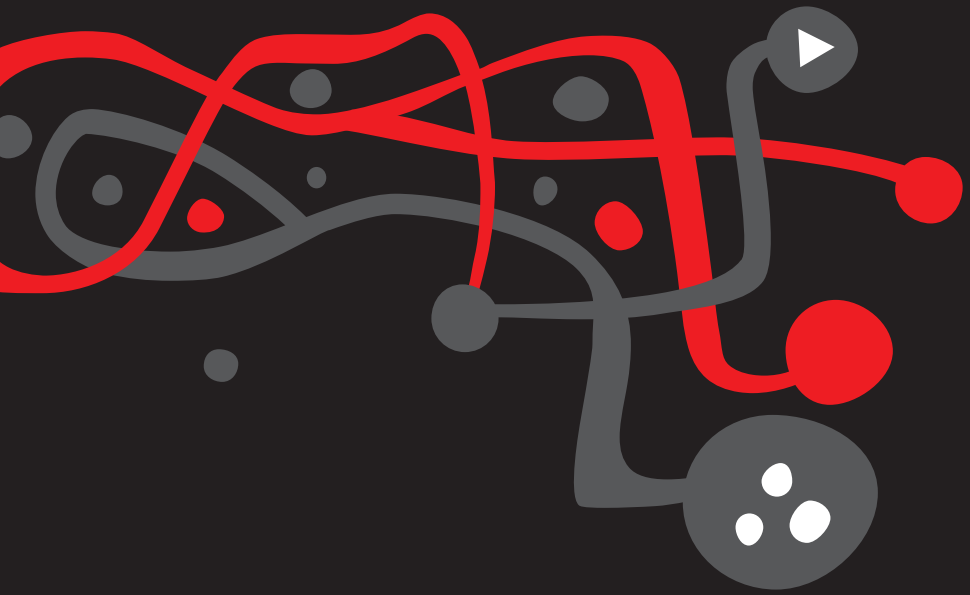
Luís Paulo Cardoso Salvado
Chairman

Pedro Miguel Quinteiro Marques de Carvalho

José Afonso Oom Ferreira de Sousa

Francisco Paulo Figueiredo Morais Antunes
CFO

annexes to the Consolidated Board of Directors' Report



LIST OF SHAREHOLDERS WITH QUALIFYING STAKES AS AT 31 DECEMBER, 2016

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

HOLDING UNDER THE SHAREHOLDERS AGREEMENT CONCERNING NOVABASE	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
HNB - SGPS, S.A. [1]	8.321.019	26.50%
Pedro Miguel Quinteiro Marques de Carvalho	2.289.068	7.29%
Rogério dos Santos Carapuça	1.079.122	3.44%
R.S.C. Invest, SGPS, S.A.[2]	235.000	0.75%
João Nuno da Silva Bento [1]	485.637	1.55%
Álvaro José da Silva Ferreira [1]	65.282	0.21%
Luís Paulo Cardoso Salvado [1]	65.282	0.21%
José Afonso Oom Ferreira de Sousa [1]	10.057	0.03%
TOTAL[3]	**12.550.467**	**39.97%**

[1] José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are the only shareholders of HNB – SGPS, S.A., and have entered into a shareholders agreement concerning the whole of HNB – SGPS, S.A.'s share capital.

[2] The company R.S.C. Invest, SGPS, S.A. ("RSC") is controlled by Rogério dos Santos Carapuça.

[3] The total holding is attributed to José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento, Rogério dos Santos Carapuça and Pedro Miguel Quinteiro Marques de Carvalho, under the terms of the Shareholders Agreement concerning Novabase. This agreement is described in item 6 of the Corporate Governance Report attached to this Management Report.

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Partbleu, Sociedade Gestora de Participações Sociais, S.A [1]	3.180.444	10.13%

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

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
IBIM2 Limited	1.610.145	5.13%

SANTANDER ASSET MANAGEMENT – SOCIEDADE GESTORA DE FUNDOS DE INVESTIMENTO MOBILIÁRIO, SA	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	71.135	0.23%
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1.535.399	4.89%
TOTAL[1]	**1.606.534**	**5.12%**

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

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Fernando Fonseca Santos	1.575.020	5.02%

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Maria Manuela de Oliveira Marques	1.043.924	3.32%

	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
Lazard Frères Gestion SAS	669.122	2.13%

The holdings identified above correspond to the last positions notified to the Company with reference to 31 December 2016 or a previous date.

INFORMATION CONCERNING STAKES HELD IN THE COMPANY BY MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BODIES AS AT 31 DECEMBER, 2016

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

HOLDERS [1]	NO. SHARES [1]	% CAPITAL AND VOTING RIGHTS
Luís Paulo Cardoso Salvado [2]	65.282	0.21%
José Afonso Oom Ferreira de Sousa [2]	10.057	0.03%
Pedro Miguel Quinteiro Marques de Carvalho	2.289.068	7.29%
Francisco Paulo de Figueiredo Morais Antunes	30.335	0.10%
Paulo Soares de Pinho (member of the Supervisory Board)	0	0.00%
Maria de Fátima Piteira Patinha Farinha (member of the Supervisory Board)	0	0.00%
Nuno Miguel Dias Pires (member of the Supervisory Board)	0	0.00%
KPMG & Associados – SROC, representada por Paulo Alexandre Martins Quintas Paixão (effective Statutory Auditor)	0	0.00%
Maria Cristina Santos Ferreira (surrogate Statutory Auditor)	0	0.00%

[1] The shareholding of each of these members of the corporate and supervisory boards corresponds to the last position notified to the Company in reference to 31 December 2016 or a previous date.

[2] José Afonso Oom Ferreira de Sousa and Luís Paulo Cardoso Salvado are shareholders of HNB - SGPS, S.A., where they hold management positions. HNB - SGPS, S.A. holds 8,321,019 shares representing 26.50% of Novabase's share capital and respective voting rights.

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

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

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

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

LIST OF MANAGEMENT TRANSACTIONS

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

DIRECTOR [1]	TRANSACTION	DATE
Luís Paulo Salvado	Acquisition	25.11.2016

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

LOCATION	NO. SHARES	PRICE PER SHARE (€)
Euronext Lisbon	15.000	2.390

OWN SHARES TRANSACTIONS

(Under the terms of section d) of paragraph 5 of Article 66º of the Portuguese Commercial Companies Code)

TRANSACTION	DATE	LOCATION	NO. SHARES	PRICE PER SHARE (€)
Acquisition	08.03.2016	Euronext Lisbon	118	1.98
Acquisition	08.03.2016	Euronext Lisbon	949	1.98
Acquisition	08.03.2016	Euronext Lisbon	15.419	1.98
Acquisition	08.03.2016	Euronext Lisbon	253	1.98
Acquisition	08.03.2016	Euronext Lisbon	3.261	1.98
Disposal	06.04.2016	Over-the-Counter	8.086	2.15
Disposal	06.04.2016	Over-the-Counter	1.797	2.15
Disposal	06.04.2016	Over-the-Counter	13.459	2.15

At 31 December 2015, Novabase S.G.P.S. held 11,957 own shares, representing 0.04% of its share capital.

During 2016, the company acquired on the market 20,000 own shares (0.06% of the subscribed capital) at the average net price of 1.98 Euros and disposed of 23,342 own shares (0.07% of the subscribed capital) at the average net price of 2.15 Euros.

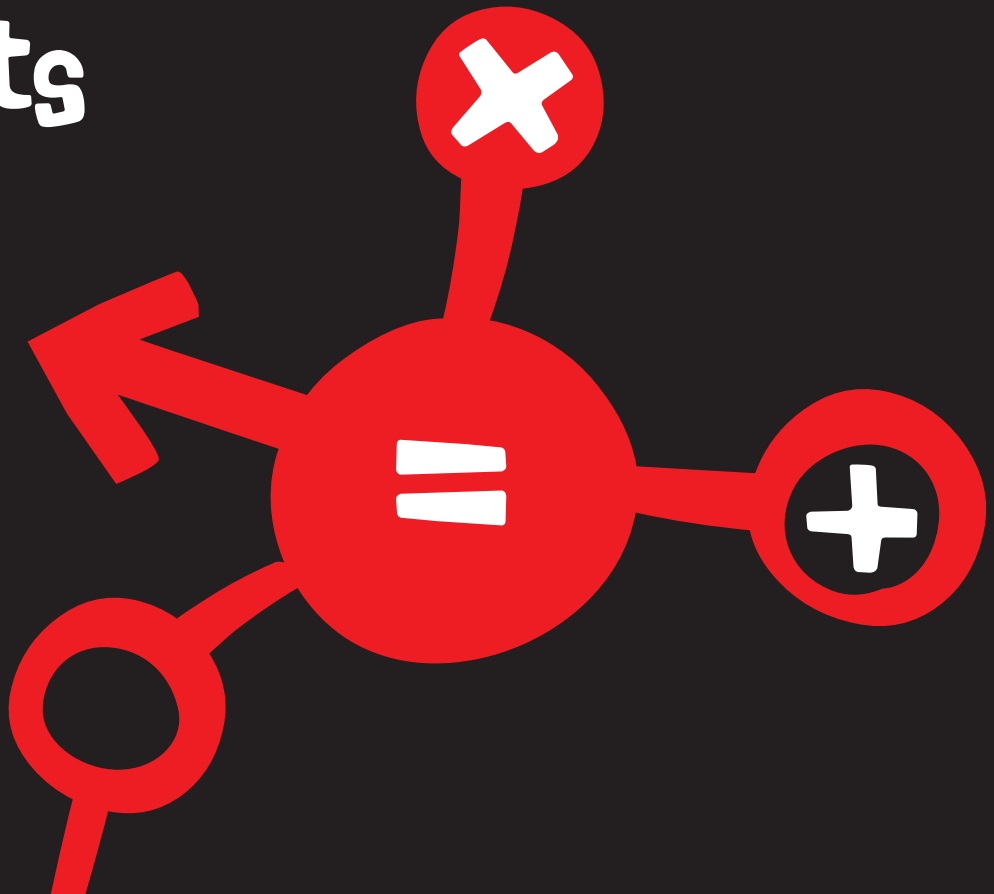
Own shares acquisitions were performed because they were considered to be in the company's best interest.

23,342 own shares disposed of were used for the settlement of bonuses to employees.

At 31 December 2016, Novabase S.G.P.S. held 8,615 own shares, representing 0.03% of its share capital.

During the 2016 financial year, Novabase S.G.P.S. shares always had a nominal value of € 0.5.

financial statements



135.7 M€

TURNOVER

9.6 M€

NET PROFIT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

THOUSAND OF Euros	31.12.15	31.12.16
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	9.704	8.899
Intangible assets	29.304	18.104
Investments in associates	621	575
Financial assets at fair value through profit or loss	3.165	4.353
Held-to-maturity investments	4.554	4.859
Deferred tax assets	16.352	9.545
Other non-current assets	7.478	5.132
Total Non-Current Assets	**71.178**	**51.467**
CURRENT ASSETS		
Inventories	2.824	486
Trade and other receivables	94.519	92.712
Accrued income	21.592	15.081
Income tax receivable	2.479	3.394
Derivative financial instruments	168	19
Other current assets	4.743	1.886
Held-to-maturity investments	845	4.441
Cash and cash equivalents	24.293	35.703
Total Current Assets	**151.463**	**153.722**
Total Assets	**222.641**	**205.189**

THOUSAND OF Euros	31.12.15	31.12.16
EQUITY		
Share capital	15.701	15.701
Treasury shares	(6)	(4)
Share premium	43.560	43.560
Reserves and retained earnings	14.792	16.071
Profit for the year	7.425	9.577
Total Equity attributable to owners of the parent	**81.472**	**84.905**
Non-controlling Interests	8.194	8.151
Total Equity	**89.666**	**93.056**
LIABILITIES		
NON-CURRENT LIABILITIES		
Borrowings	19.634	18.897
Provisions	11.497	9.109
Other-non current liabilities	271	-
Total Non-Current Liabilities	**31.402**	**28.006**
CURRENT LIABILITIES		
Borrowings	5.568	6.916
Trade and other payables	58.200	47.414
Income tax payable	24	6
Derivative financial instruments	160	82
Deferred income and other current liabilities	37.621	27.709
Total Current Liabilities	**101.573**	**82.127**
Liabilities from discontinued operations	-	2.000
Total Liabilities	**132.975**	**112.133**
Total Equity and Liabilities	**222.641**	**205.189**

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

THOUSAND OF Euros	31.12.15 (12M*) (a)	31.12.16 (12M*)
CONTINUING OPERATIONS		
Sales	555	101
Services rendered	126.622	135.553
Cost of sales	(236)	(25)
External supplies and services	(40.886)	(46.563)
Employee benefit expense	(72.950)	(79.050)
Other gains/(losses) - net	(1.107)	(4.111)
Depreciation and amortisation	(4.029)	(3.785)
Operating Profit	**7.969**	**2.120**
Finance income	4.318	3.816
Finance costs	(5.805)	(4.721)
Share of loss of associates	(200)	(46)
Profit Before Income Tax	**6.282**	**1.169**
Income tax expense	(1.411)	(3.002)
Profit from continuing operations	4.871	(1.833)
DISCONTINUED OPERATIONS		
Profit from discontinued operations	3.535	12.881
Profit for the Year	**8.406**	**11.048**

THOUSAND OF Euros	31.12.15 (12M*) (a)	31.12.16 (12M*)
Profit attributable to:		
Owners of the parent	7.425	9.577
Non-controlling interests	981	1.471
	8.406	11.048
Earnings per share attributable to owners of the parent (Euros per share)		
Basic earnings per share		
From continuing operations	0.12 Euros	(0.11) Euros
From discontinued operations	0.11 Euros	0.41 Euros
From profit for the year	**0.24 Euros**	**0.31 Euros**
Diluted earnings per share		
From continuing operations	0.12 Euros	(0.11) Euros
From discontinued operations	0.11 Euros	0.41 Euros
From profit for the year	**0.24 Euros**	**0.31 Euros**

12M * - period of 12 months ended
(a) Restated in accordance with the explanation in notes 2.24, 2.25 and 40 of the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

THOUSAND OF Euros	31.12.15 (12M*)	31.12.16 (12M*)
Profit for the Year	**8.406**	**11.048**
Other comprehensive income		
Exchange differences on foreign operations	(9.139)	(3.317)
Other comprehensive income	**(9.139)**	**(3.317)**
Total comprehensive income for the year	**(733)**	**7.731**
Total comprehensive income attributable to:		
Owners of the parent	1.901	7.189
Non-controlling interests	(2.634)	542
	(733)	**7.731**

12M * - period of 12 months ended

report

AND OPINION OF THE AUDIT BOARD AND AUDITOR'S REPORT

REPORT AND OPINION OF THE AUDIT BOARD ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NOVABASE – SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2016

To the Shareholders

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 for the financial year ended on December 31, 2016.

ACTIVITIES CARRIED OUT

Supervision

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 seven times and the respective meetings were formally recorded in minutes. At these meetings there was always attendance of 100% of the respective members. In addition, the Audit Board took part in the meeting of the Board of Directors that approved the Management Report and the Consolidated Financial Statements for the 2016 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.

The changes to the audit report, in particular those resulting from the Legal Framework on Audit Supervision (Law no. 148/2015, of September 9, 2015), were also analyzed with the representatives of the Chartered Accountants Company and External Auditor. These changes resulted in a new legal framework applicable to the activity of public supervision on auditors and additional information duties towards the supervisory bodies that auditors have to comply, notably the communication of the relevant auditing matters. As agreed with the representatives of the Chartered Accountants Company and External Auditor, the Audit Board defers to their report on

the consolidated financial statements for the description of the essential elements subject to analysis.

During the meetings of the Audit Board, the main risks affecting Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter were analyzed and discussed with Management and the Statutory Auditor, based on presentations prepared by these corporate bodies. The explanations and clarifications considered relevant were duly provided.

Whistleblowing procedures
During the 2016 financial year, the Audit Board did not receive any communications on irregularities through the means established for this purpose.

Related Party Transactions
During the 2016 financial year, the Audit Board approved the "Internal Regulation on transactions with holders of major holdings in Novabase - Sociedade Gestora de Participações Sociais, S.A.". In the same financial year, no transactions were submitted to assessment by the Audit Board under the terms of the approved regulation.

Independence of the External Auditor
The Audit Board received the statement by the Statutory Auditor confirming its independence in relation to the Company and communicating all relationships that may be perceived as a threat to its independence, as well as the safeguards that were implemented.

RESPONSIBILITY STATEMENT

Pursuant to paragraph 1/c) of article 245 of the Portuguese Securities Code, applicable by virtue of paragraph 1/a) of article 8 of the CMVM Regulation no. 5/2008 (Information Duties), we hereby declare that, to the best of our knowledge and belief, the aforementioned financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, giving a true and appropriate view of the assets and liabilities, financial position and results of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, and the management report faithfully describes the evolution of the business, performance and position of Novabase - Sociedade Gestora de Participações Sociais, S.A. and the companies included in the consolidation perimeter, containing an adequate description of the main risks and uncertainties which they face.

OPINION

The Audit Board analyzed the Management Report and the Consolidated Financial Statements for the 2016 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2016, the Consolidated Income Statement, the Consolidated Statement on Comprehensive Income, the Consolidated Statement on the Changes to Equity and the Consolidated Statement on the Cash Flows, as well as the accompanying notes, which were prepared in

accordance with the International Financial Reporting Standards, as adopted in the European Union.

Within the duties of the Audit Board, the Legal Certification of Accounts and the Audit Report on the Consolidated Financial Information for the 2016 financial year, prepared by the Statutory Auditor, were analyzed. This document that does not present any reservation and the Audit Board agrees with the same.

The Audit Board further analyzed the Corporate Governance Report for the 2016 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 2016 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2016 financial year.

Lisbon, April 6, 2017

The Audit Board

Paulo Soares de Pinho - Chairman

Fátima Farinha - Member

Nuno Pires - Member

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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Portugal
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Internet: www.kpmg.pt

STATUTORY AUDITOR'S REPORT AND AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(This report is a free translation to English from the original Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Novabase, SGPS, S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2016 (showing total assets of 205,189 thousand

euros and equity of 93,056 thousand euros, including non-controlling interests of 8,151 thousand euros and a net profit attributable to the shareholders of Novabase of 9,577 thousand euros), 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 for the year then ended, and the accompanying notes to the consolidated financial statements that include a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Novabase, SGPS, S.A. as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 (ISA) and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"). Our responsibilities under those standards are further described under "Auditor's responsibilities for the audit of the financial statements" section below. We are independent of the Entity in accordance with the law and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics for Professional Accountants of the Portuguese Institute of Statutory Auditors.

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

KPMG

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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Response
The revenue recognition policy regarding turnkey consulting projects, which represent a significant part of the Group's business, requires judgment as disclosed in note 4(d) of the notes to the consolidated financial statements. The recognition of such projects in accordance with the percentage of completion method, as described in note 2.19(b), involves a number of qualitative factors such as estimated billing, estimated costs, including contingency values for contractual risks, which justify the consideration	We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards. Our audit procedures included, among others, the following: ▪ We have tested the relevant controls, including application controls and general IT controls, related to the revenue recognition process;

contractual risks, which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	▪ Critical analysis of estimates and assumptions made by management, namely regarding estimated billing, estimated costs and contingencies; ▪ Substantive analytical procedures and tests of detail regarding the accounting records in order to identify and test the risk of fraud and eventual override of controls implemented; and, ▪ Assessment of the Group's disclosure adequacy over revenue recognition considering the applicable accounting standards.

KPMG

International exposure

Risk	Response
The Group's operations outside Portugal represented more than 50% of total consolidated revenue in 2016. The internationalization process exposes the Group to the risk of foreign exchange fluctuation, mainly to the dollar, kwanza and metical. As disclosed in note 3(a), increased exposure to these currencies and geographies results in increased risks for the Group, mainly: ▪ Foreign exchange risk, in result of the strong devaluation of local currencies against the euro; and, ▪ Liquidity risk, in result of the difficulty of capital repatriation from those geographies;	Our audit procedures included, among others, the following: ▪ We have assessed the degree of exposure to geographies of high exchange and liquidity risks, namely at the level of receivables impairment and going concern; ▪ We have critically assessed estimates and assumptions performed by management, particularly regarding the impairment of receivables and the feasibility of implementing the business plans associated with these geographies units; ▪ We have analyzed the valuation of financial instruments used by the Group to hedge the exchange rate risk;

which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	▪ We have analyzed the currency translation of the financial statements of the subsidiaries located in these geographies by reference to the applicable accounting standards; and, ▪ We have assessed the adequacy of the Group's disclosure over financial risk management policy, considering the applicable accounting standards.

KPMG

Valuation of intangible assets and goodwill

Risk	Response
As disclosed in note 8, as at 31 December 2016, the net book value of intangible assets amounted to 18,104 thousand euros of which 14,886 thousand euros related to the goodwill of the Business Solutions segment. The determination of the recoverable value of these assets is subjective due to the uncertainty inherent to the financial projections and to the discount of future cash flows, since many key assumptions are based on management expectations, not observable in the market. The Group performs, on an annual basis, goodwill impairment tests based on the discounted cash flows method, considering a 5-year business plan estimated by management, as mentioned in notes 2.6(1), 4(a) and 8.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure regarding the recognition of deferred tax assets considering the applicable accounting standards.

In addition, the Group has been capitalizing expenses with the development of software projects based on expectations of future revenues, as mentioned in notes 2.6(2) and 8.

The complexity and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.

KPMG

Recoverability of deferred tax assets

Risk	Response
As disclosed in note 11, as at 31 December 2016, the amount of deferred tax assets was of 9,545 thousand euros, of which 6,400 thousand euros related to tax benefits arising from Research and Development projects presented under the SIFIDE incentive scheme. The deferred tax assets recorded by management are based on its best estimate on the timing and future amounts required for its recovery, using assumptions that require judgment, as mentioned in notes 2.15 and 4(c). The level of uncertainty associated and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2016.	Our audit procedures included, among others, the following: ▪ We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods; ▪ We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and, ▪ We have assessed the adequacy of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

KPMG

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for:

— the preparation of consolidated financial statements that give a true and fair view of the consolidated financial position, the consolidated financial performance and the consolidated cash flows of the Group, in accordance with International Financial Reporting Standards, as adopted by the European Union;

— the preparation of the management report, including the corporate governance report, in accordance with the applicable legal and regulatory requirements;

— the implementation and maintenance of 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 criteria adequate to the circumstances; and

— the assessment of the Group's ability to continue as a going concern, disclosing, as applicable, matters that may cast significant doubt on the going concern of the operations.

Those charged with governance are 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 a report comprising 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 taken by users on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit and 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 auditor's 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 auditor's 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 oversight body, among other matters, the scope and planned timing of the audit, and significant audit findings including any significant deficiency in internal control identified during our audit;

— from the matters communicated with those charged with governance, including the oversight body, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter; and,

— we state to the oversight body, that we have complied with relevant ethical requirements regarding independence, and communicate to them 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 of the consistency of the information included in the management report with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

About the management report

In compliance with article 451, nr. 3, e) of the Portuguese Companies Code, we are of the opinion that the management report has been prepared in accordance with the applicable legal and regulatory requirements, the information contained therein is consistent with the audited consolidated financial statements and, taking into account the knowledge and assessment of the Group, we have not identified material inaccuracies.

KPMG

About the corporate governance report

In compliance with article 451, nr. 4, of the Portuguese Companies Code, we are of the opinion that the corporate governance report includes the elements required to the Entity pursuant to article 245 – A of the Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with the provisions of paragraphs c), d) , f), h), i) and m) of that article.

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

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

— We were appointed auditors of Novabase, SGPS, S.A. for the first time at the shareholders' meeting held on 29 April 2015 for the current term from 2015 to 2017;

— The Executive Board of Directors confirmed to us that it is not aware of the occurrence of any fraud or suspected material fraud in the financial statements. In the planning and execution of our audit under ISA we have maintained professional skepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud;

— We confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Group's oversight body on 4 April 2017; and,

— We declare that we have not provided any prohibited services pursuant to article nr. 77, nr. 8 of the Statute of the Statutory Auditors Institute and that we have maintained our independence from the Group during the performance of the audit.

Lisbon, 6 April 2017

SIGNED ON THE ORIGINAL

KPMG & Associados -
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Paulo Alexandre Martins Quintas Paixão (ROC nr. 1427)

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