MANAGEMENT REPORT

Page

CHAIRMAN'S MESSAGE

Dear Shareholders,

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

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

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

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

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

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

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

Luís Salvado

CEO'S MESSAGE

Dear Shareholders,

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

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

About the present:

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

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

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

About the future:

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

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

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

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

About 2019:

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

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

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

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

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

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

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

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

NOVABASE is in great shape!

Cheers,
João Nuno

SUMMARY 2019 - ACTIVITY

NEW STRATEGY LAUNCHED

Approved by the Board and disclosed on July 2019.

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

NEXT-GEN HONOURED!

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

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

EURONEXT AWARD

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

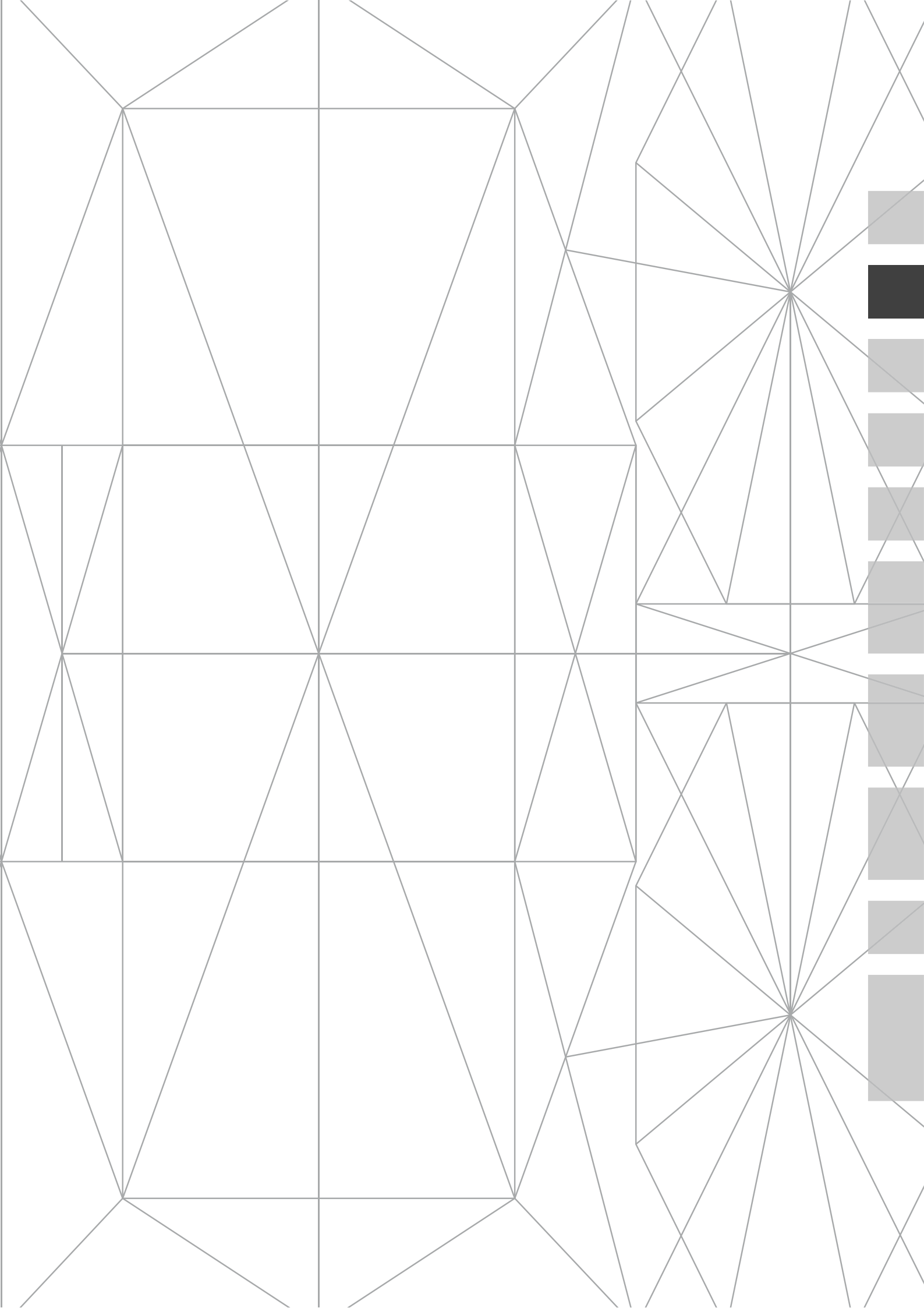
FOCUS ON TRANSFORMATION

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

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

HAPPY BIRTHDAY TO US!

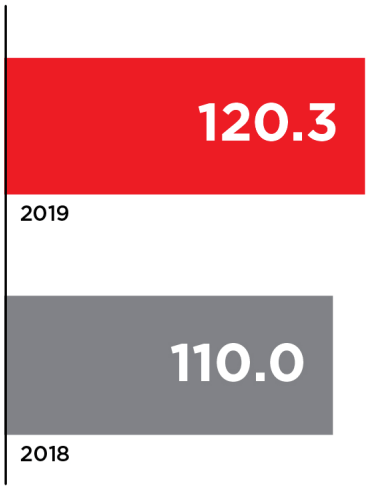
2019 was the year we celebrated 30 years of success and transformation. The first Alumni party was held, bringing together current and former employees.



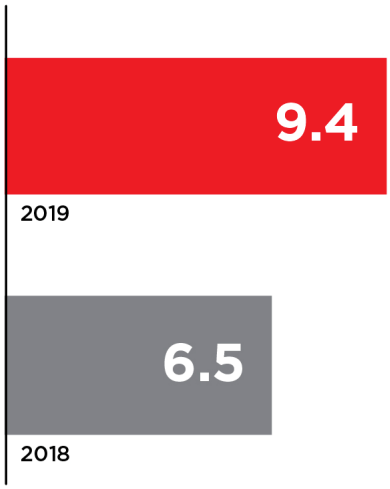
SUMMARY 2019 - FINANCIAL

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

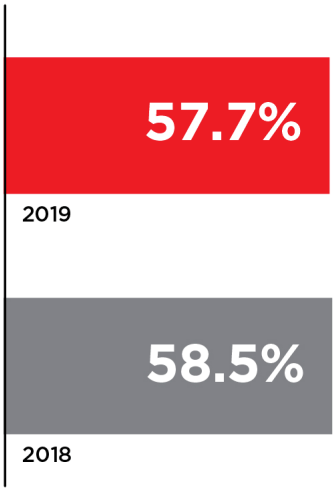
TURNOVER



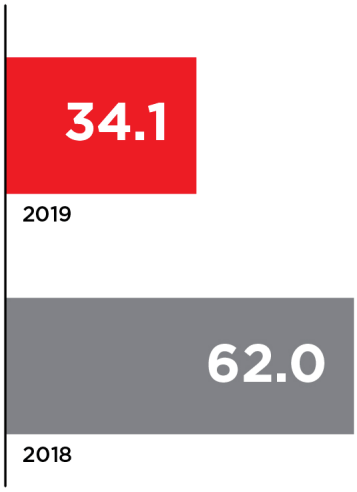
EBITDA



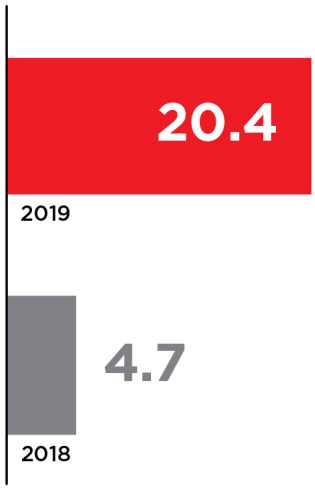
INTERNATIONAL BUSINESS (%)



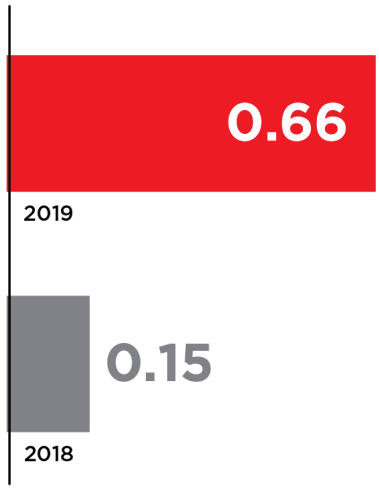
NET CASH



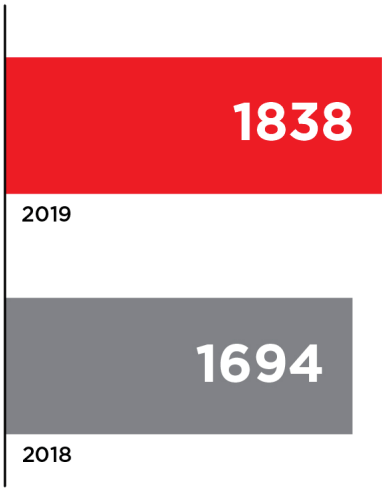
NET PROFIT



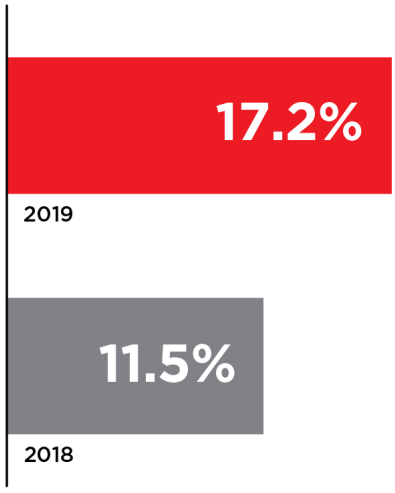
EPS (€/share)



EMPLOYEES (average No)



TSR (%)*



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

CORPORATE GOVERNANCE

NOVABASE has been a publicly-traded company since July 2000. It operates according to a governance model whose suitability and performance are assessed regularly by the Board of Directors to help optimize its performance in closer alignment with the interests of all stakeholders – those interested in NOVABASE's corporate activities, namely Shareholders, Investors, Customers, Suppliers, other business Partners and Employees.

In view of the mounting challenges of internationalization and competition revolving around NOVABASE's business, the corporate governance system in place at the company needed to be brought up to date by simplifying and streamlining company bodies and procedures, so as to tailor existing solutions to the company's size and specific circumstances.

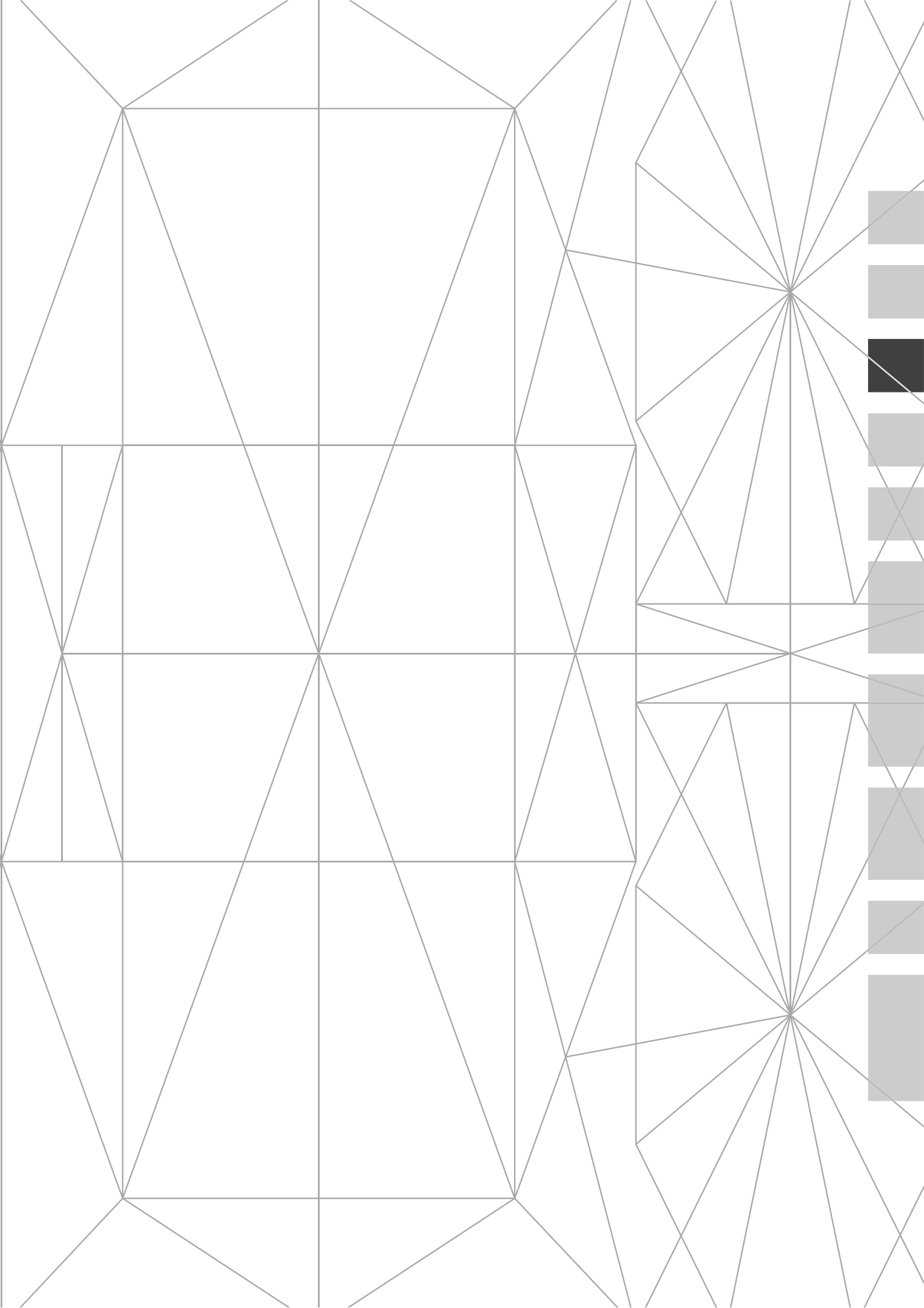
Therefore, beginning in 2015, NOVABASE adopted a reinforced Latin corporate governance model comprised of a Board of Directors, Audit Board and Statutory Auditor (ROC). In this model, a substantially more agile day-to-day management structure was implemented, with the Board of Directors able to delegate the day-to-day running of the company to one or more directors (managing directors) or to an Executive Committee of 3 to 9 members.

Following the General Meeting of Shareholders of 10 May 2018 (which, among other decisions, elected the members of the corporate boards and Remuneration Committee for the three-year period of 2018-2020), the elected Board of Directors delegated NOVABASE's daily management to an Executive Committee supervised by the non-executive directors.

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

Moreover, NOVABASE has a General Meeting Board elected for three-year terms of office, along with a Remuneration Committee appointed by the General Meeting of Shareholders to establish the remuneration of each corporate board member based on the duties performed and the company's financial status. The company also designates a Secretary and respective substitute, under the terms of article 446-A of the Commercial Companies Code, to perform the duties established by law.

NOVABASE constantly analyses the implementation of this model in order to refine its corporate governance practices, whenever possible, and tailor the model to the demands and challenges faced by the Company.



FINANCIAL AND STOCK PERFORMANCE

2019+ STRATEGY

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

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

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

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

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

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

[1] Disposed at the end of 2019.

[2] Including values payed since 01.01.2019.

RELEVANT INFORMATION

SALE OF GTE BUSINESS

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

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

The essential features of this sale are as follows:

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

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

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

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

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

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

KEY RESULTS FIGURES

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

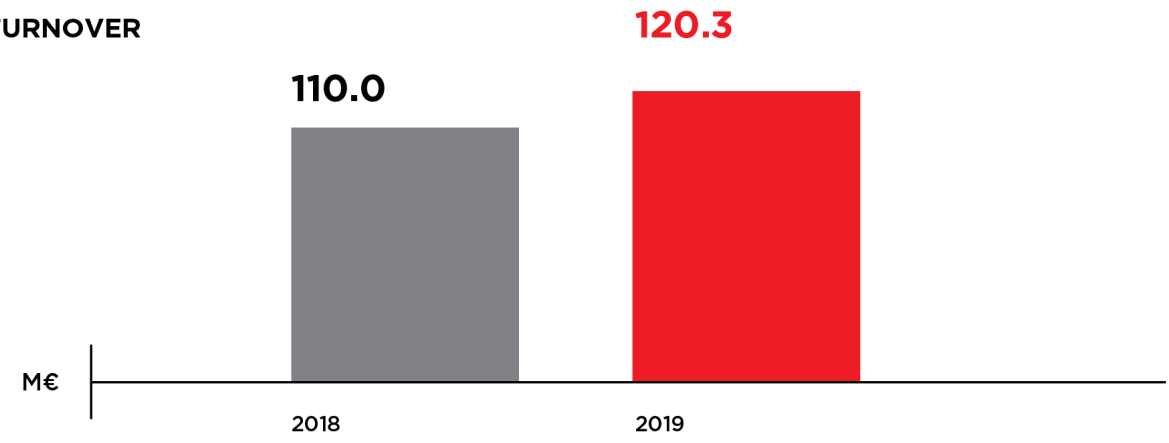
On the other hand, following the Agreement held on November 4, 2019, the GTE Business was discontinued. In this way, the profit and loss comparatives were restated to show continuing operations separately from discontinued operations.

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

TURNOVER

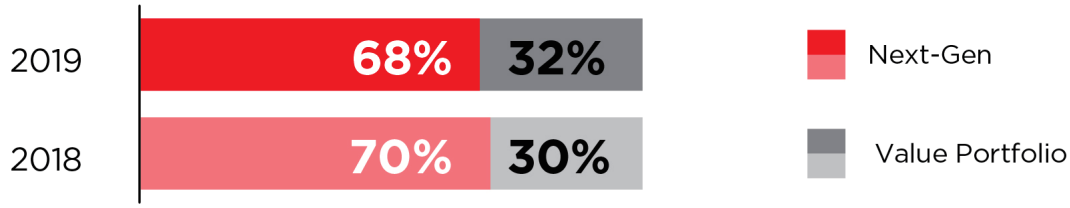
Turnover increased 9% YoY, with Next-Gen representing 68%

TURNOVER



BREAKDOWN BY GEOGRAPHY (%) [1]

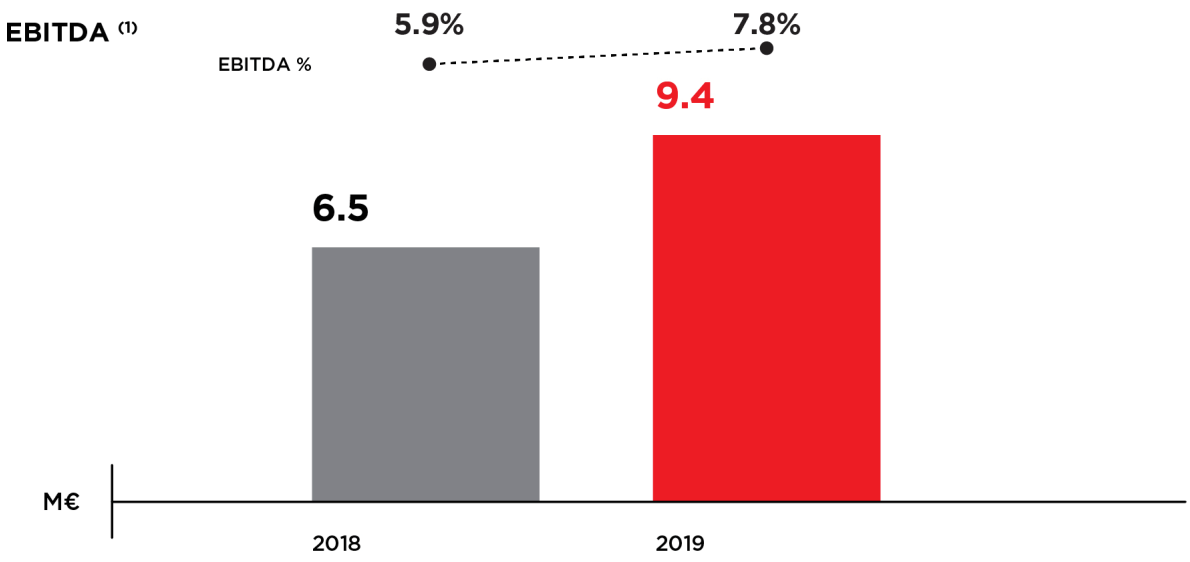
BREAKDOWN BY SEGMENT (%)

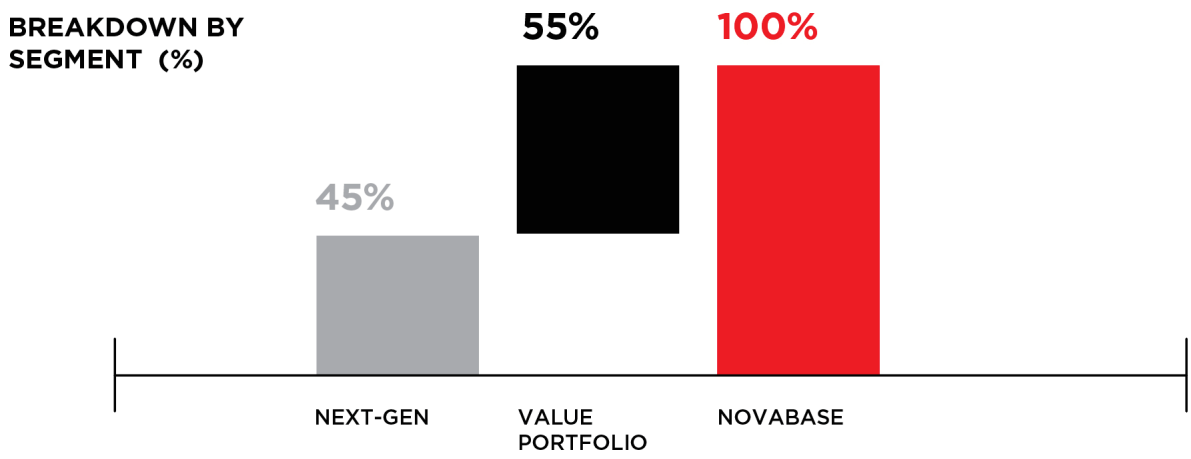


[1] The Turnover by Geography in 2019 was computed based on the executed project geography instead of the invoiced client geography, with 2018 restated.

EBITDA

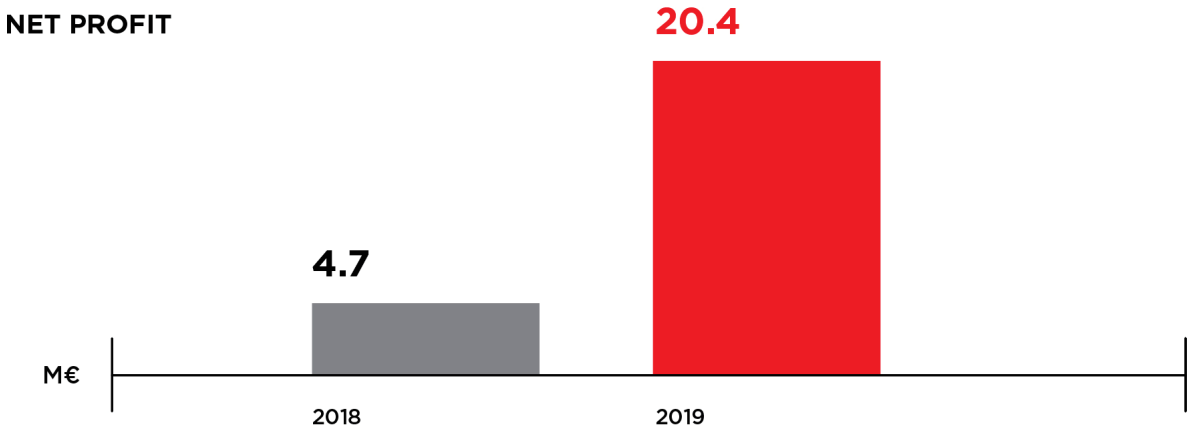
EBITDA of 9.4 M€, including the positive effect of IFRS16





NET PROFIT

Net Profit sets a new record, 20.4 M€



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

EBITDA TO NET PROFIT

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

EBITDA TO NET PROFIT

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

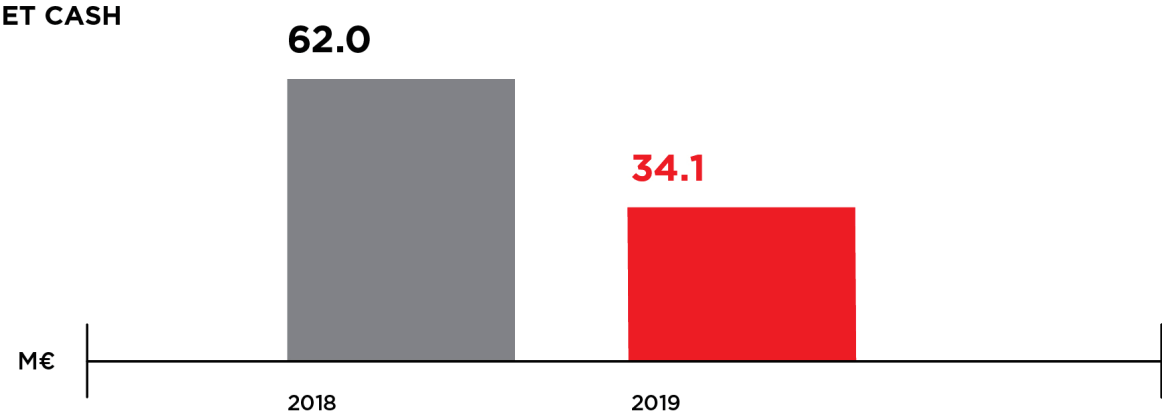
Financial Results [1] increased 8.2 M€ YoY, due to the re-evaluation of an investment in the venture capital business, also responsible for the evolution of Non-Controlling Interests (-5.6 M€ Vs. -0.3 M€ in 2018).

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

NET CASH

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

NET CASH



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

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

- 20.2 M€ to Shareholders, corresponding to a regular dividend of 0.15 €/share, paid in June 2019, and to an extraordinary remuneration of 0.5 €/share, paid in October 2019;
- 0.5 M€ to Non-Controlling Interests, paid in September 2019;
- 6.9 M€ of impact of exiting GTE Business.

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

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

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

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

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

CAPITAL EXPENDITURE

CAPEX of 1.9 M€ in 2019

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

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

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

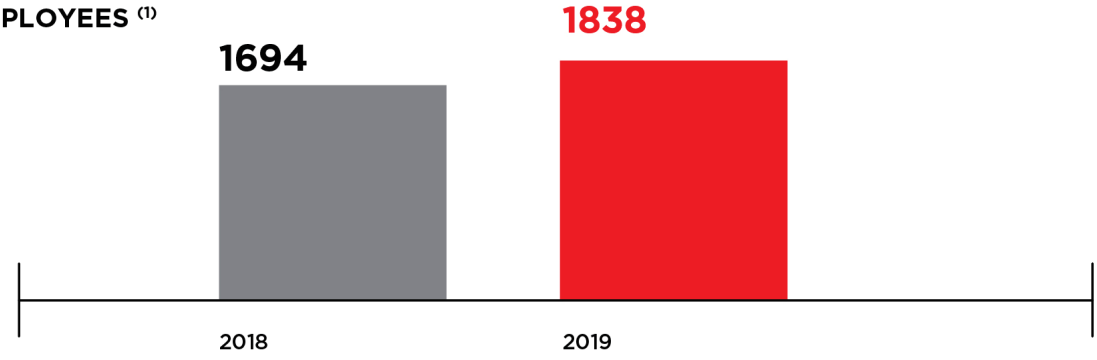
	NON-RECURRING	RECURRING	TOTAL
Work in progress	0.0	0.6	0.6
Transfer to Intangible Assets	-0.5	0.0	-0.5
WORK IN PROGRESS	**-0.5**	**0.6**	**0,1**
R&D	-0.8	0.0	-0.8
Industrial Property and Other Rights	0.0	0.4	0.4
Goodwill [1]	-3.4	0.0	-3.4
INTANGIBLE ASSETS	**-4.2**	**0.4**	**-3.8**
Transport equip. /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

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

TALENT

Talent Pool of 1838 employees in 2019

AVERAGE NUMBER OF EMPLOYEES [1]



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

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

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

[1] Excluding GTE Business.

SEGMENT INFORMATION

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

- Next-Gen

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

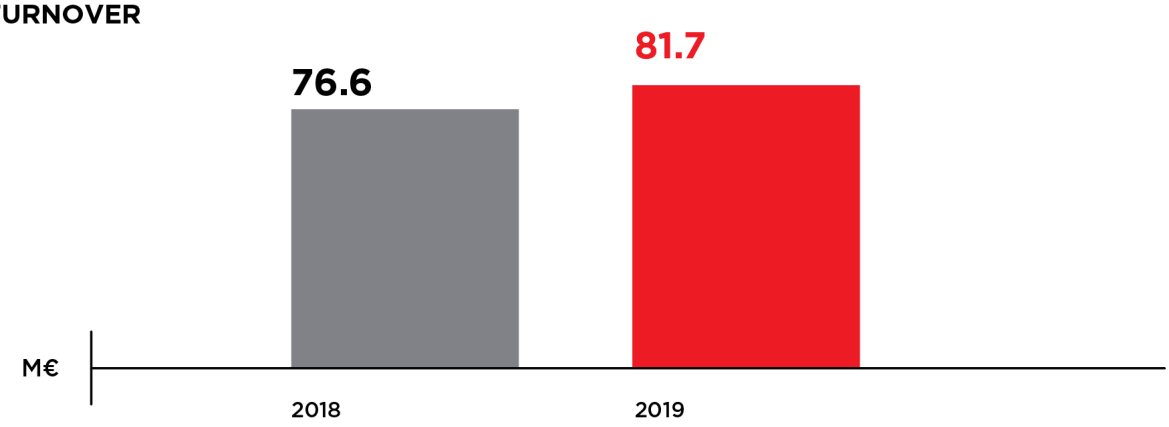
- Value Portfolio

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

- **NEXT-GEN**

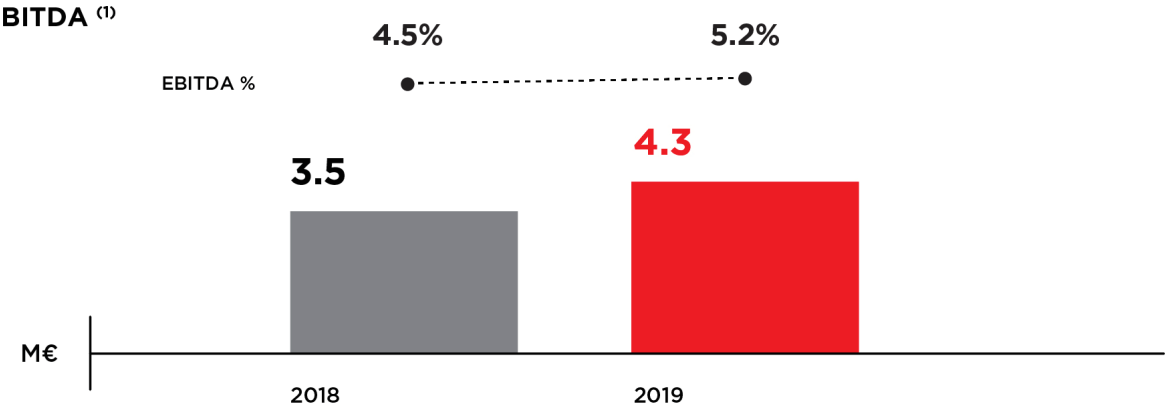
Next-Gen Turnover grows 7% YoY...

TURNOVER



... and working on strategic initiatives

EBITDA [1]

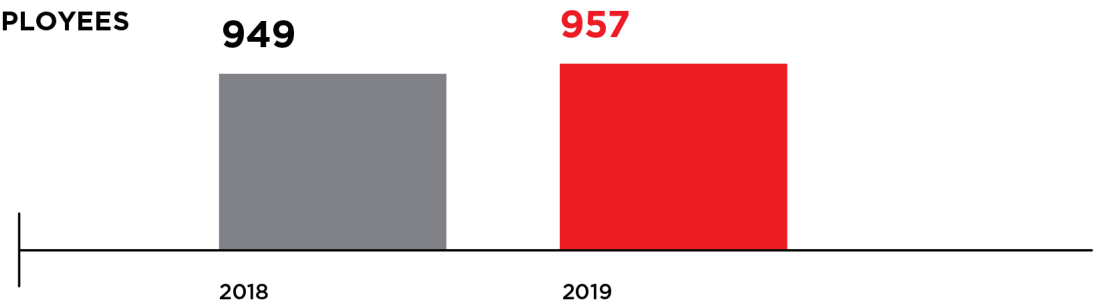


[1] Positive effect of IFRS16 in 2019 EBITDA of 1.1 M€.

Turnover per employee increased 6% YoY

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

AVERAGE NUMBER OF EMPLOYEES



Next-Gen grows in target markets

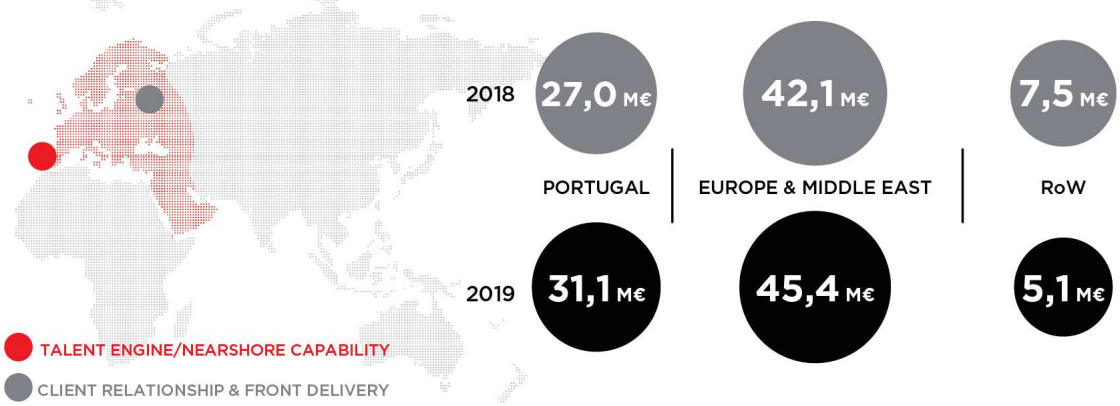
Multi Industry approach, with 2019 still focused in Telco.

% OF REVENUES BY INDUSTRY

International Turnover grows 2% YoY.

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

REVENUES BY GEOGRAPHY



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

BUILDING LONG TERM RELATIONSHIPS

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

TOP TIER CLIENTS [1]

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

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

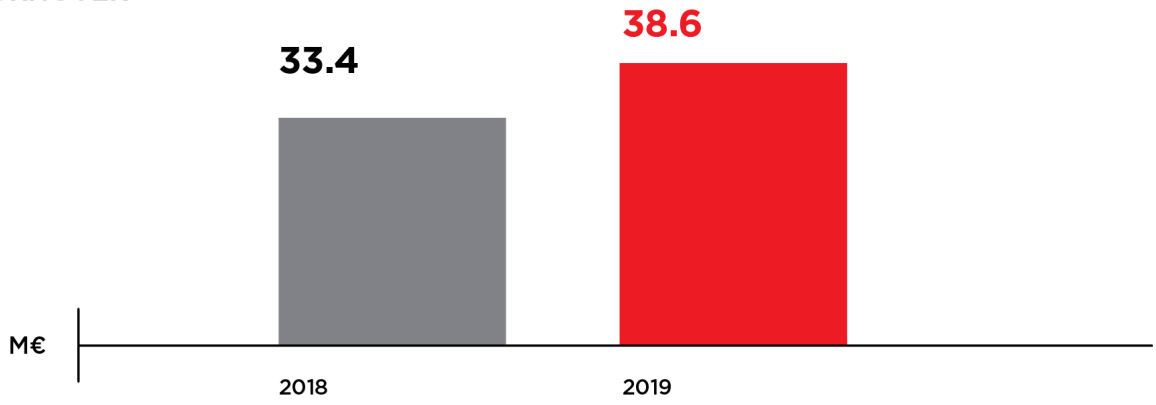
% OF REVENUES FROM TOP TIER CLIENTS [1]

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

- **VALUE PORTFOLIO**

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

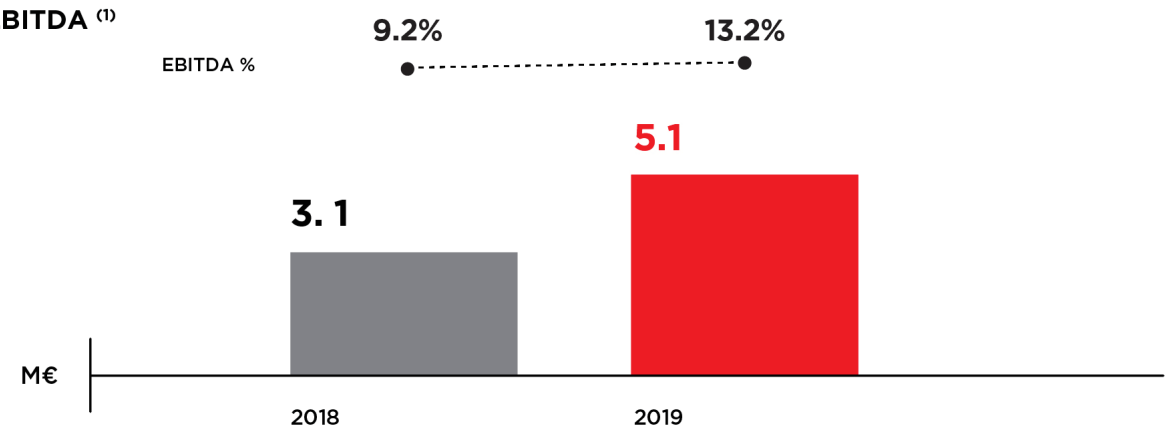
TURNOVER



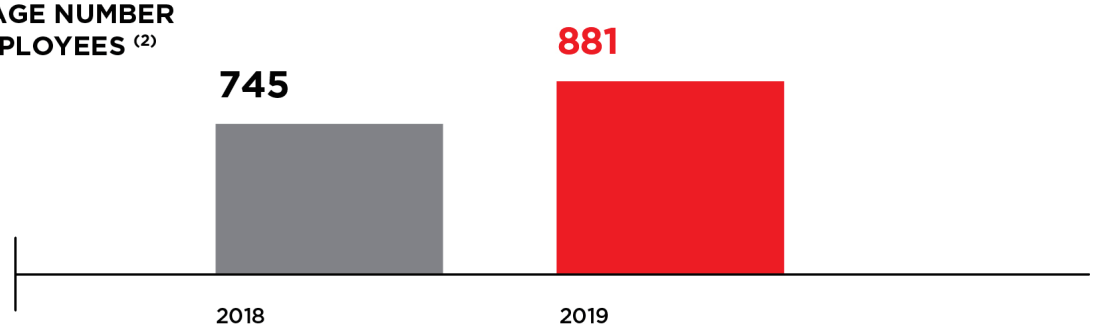
Resilient performance

Positive performance of the IT Staffing Business.

EBITDA [1]



AVERAGE NUMBER OF EMPLOYEES [2]



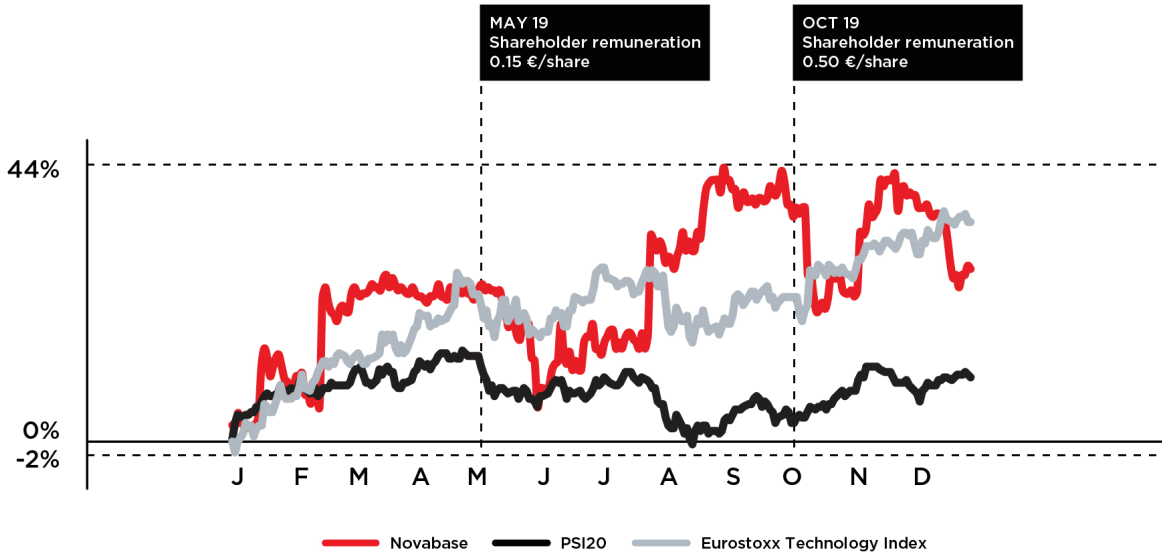
Including holding / shared services representing 89 employees in 2019 (87 in 2018).

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

STOCK PERFORMANCE

Total Shareholder Return of 60% in 2019

NOVABASE AND THE MARKET



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

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

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

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

[1] Calculated according to Euronext criteria.

RISKS

FINANCIAL RISKS

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

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

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

a) Foreign exchange risk

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

The finance department is responsible for monitoring the evolution of the exchange rate of the currencies mentioned above, in order to minimise the impact of their fluctuations in consolidated results. Whenever expectations of changes in exchange rates justify it, the Group uses derivative financial instruments to hedge those exposures.

b) Interest rate risk (cash flows and fair value)

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

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

NOVABASE's exposure to interest rates is related to financial assets and liabilities contracted with a fixed and/or floating rate. In the first case, the Group faces a risk of fair value variation in these assets or liabilities, since every change in market rates involves an opportunity cost. In the second case, such change has a direct impact on interest amount, consequently causing cash variations.

Exposure to interest rate risk is monitored continuously by the finance department. The purpose of managing interest rate risk is to reduce the volatility of interest expenses.

c) Credit risk

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

d) Liquidity risk

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

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

e) Capital management risk

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

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

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

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

EMERGING RISKS

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

a) Cyber-Risks

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

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

b) Talent Retention risk

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

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

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

c) Delivery risk

NOVABASE's policies to address delivery risk include, among others, the following:

- Analysis of each significant commercial proposal in order to reduce possible overselling, considering the available internal capacity;
- Permanent scrutiny of the quality of the team to be allocated to the projects;
- Maintenance of permanent training programs in technologies and project management methodologies.

d) Strategic and contextual risks

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

OUTLOOK

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

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

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

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

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

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

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

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

- Value capture through sourcing scarce Talent in Portugal;

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

- Active M&A strategy to enhance client access;

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

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

SUBSEQUENT EVENTS

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

- Completion of the GTE Business sale

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

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

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

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

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

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

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

- Sale of subsidiary Collab, S.A.

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

focus on Next-Gen's segment growth, freeing resources for the execution of the goals of the Strategic Update 2019+. This subsidiary represented a EUR 6.5 Million Turnover in 2019, employing approximately 60 employees.

- Covid-19

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

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

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

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

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

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

CORPORATE BOARDS

BOARD OF DIRECTORS

Chairman
Luís Paulo Cardoso Salvado

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

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

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

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

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

José Afonso Oom Ferreira de Sousa
(Non-executive)

Pedro Miguel Quinteiro Marques de Carvalho
(Non-executive)

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

OFFICERS OF THE GENERAL MEETING

Chairman
António Manuel da Rocha e Menezes Cordeiro

Secretary
Madalena Paz Ferreira Perestrelo de Oliveira

EXECUTIVE COMMITTEE

Chairman
João Nuno da Silva Bento

Members
Álvaro José da Silva Ferreira
Francisco Paulo Figueiredo Morais Antunes
María del Carmen Gil Marín
Paulo Jorge de Barros Pires Trigo

AUDIT BOARD

Chairman
Álvaro José Barrigas do Nascimento

Members
Fátima do Rosário Piteira Patinha Farinha
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Surrogate
Manuel Saldanha Tavares Festas

STATUTORY AUDITOR

Effective Statutory Auditor
KPMG & Associados - S.R.O.C., S.A. represented by Paulo Alexandre Martins Quintas Paixão

Surrogate Statutory Auditor
Maria Cristina Santos Ferreira

REMUNERATION COMMITTEE

Chairman
Francisco Luís Murteira Nabo

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

COMPANY'S SECRETARY

Diogo Leónidas Ferreira da Rocha
Marta Isabel dos Reis da Graça Rodrigues do Nascimento (Surrogate)

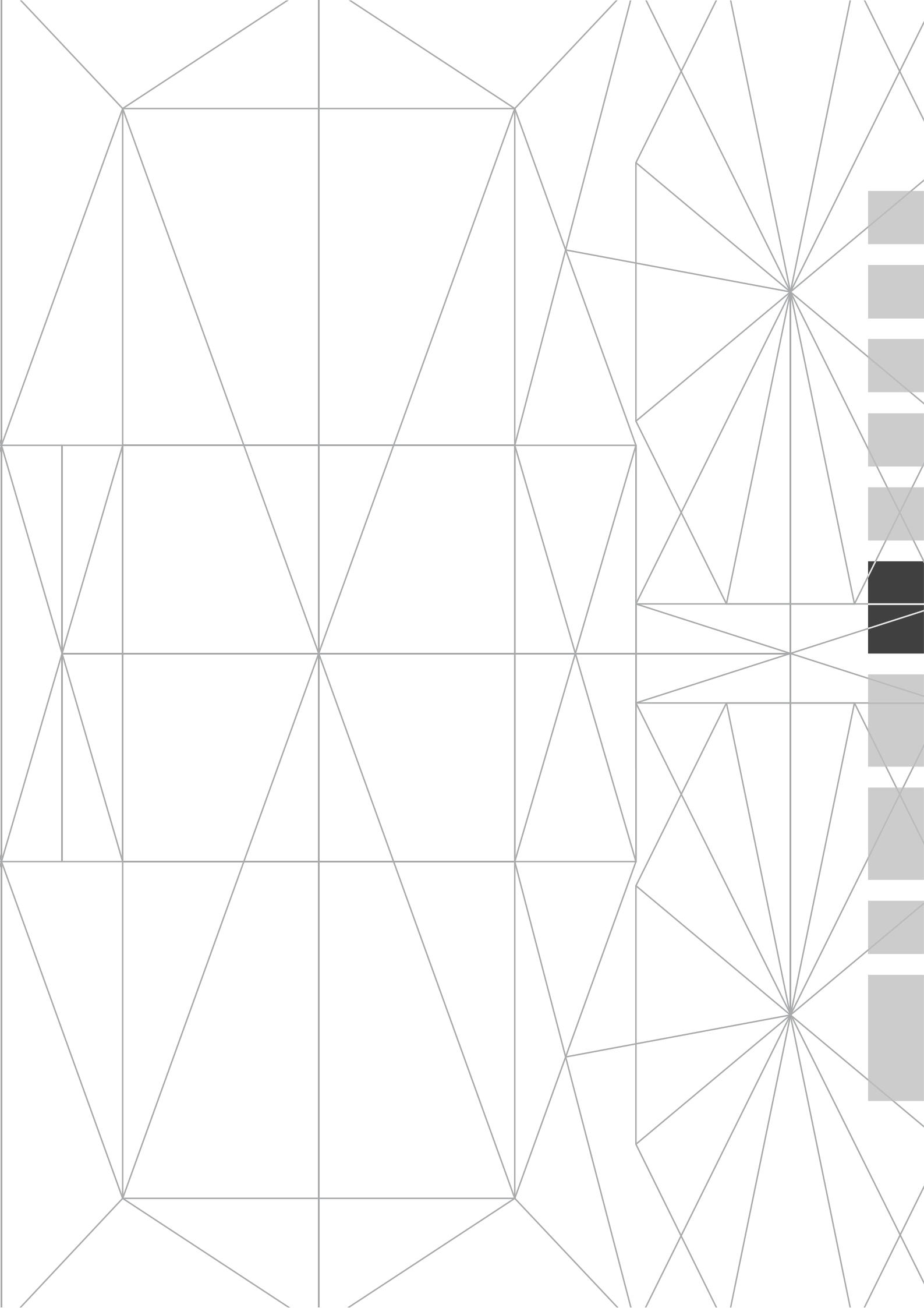
PROPOSAL FOR THE ALLOCATION OF PROFITS

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

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

Lisbon, 16 April 2020

Board of Directors



ANNEXES TO THE MANAGEMENT REPORT

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

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

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

There are no categories of shares with special rights.

HOLDERS	NO. OF SHARES	% OF SHARE CAPITAL AND VOTING RIGHTS
HNB - S.G.P.S., S.A. [1]	10,501,589	33.44%
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613	6.68%
Luís Paulo Cardoso Salvado [1]	1	0.00%
João Nuno da Silva Bento [1]	1	0.00%
Álvaro José da Silva Ferreira [1]	1	0.00%
José Afonso Oom Ferreira de Sousa [1]	1	0.00%
Holding under the Shareholders Agreement concerning NOVABASE [2]	12,599,206	40.12%
Partbleu, Sociedade Gestora de Participações Sociais, S.A. [3]	3,180,444	10.13%
IBIM2 Limited	3,144,217	10.01%
Lazard Frères Gestion SAS	1,570,870	5.00%
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1,476,905	4.70%
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	34,537	0.11%
Santander Asset Management - Soc. Gestora de Fundos de Investimento Mobiliário, S.A. [4]	1,511,442	4.81%
Maria Manuela de Oliveira Marques	1,043,924	3.32%
TOTAL	**23,050,103**	**73.40%**

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

(2) The total holding is attributed to José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento and Pedro Miguel Quinteiro Marques de Carvalho, under the terms of the Shareholders Agreement concerning NOVABASE described in item 6 of the Corporate Governance Report, attached to this Management Report.

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

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

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

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

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

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

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

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

[1] The shareholding of each of these members of the corporate and supervisory boards corresponds to the last position notified to the Company in reference to 31 December 2019 or a previous date. The functions of each of these corporate bodies are described in the CORPORATE BOARDS section of this Report.

[2] José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are shareholders of HNB – S.G.P.S., S.A., where they hold management positions. HNB – S.G.P.S., S.A. holds 10,501,589 shares representing 33.44% of NOVABASE's share capital and respective voting rights.

LIST OF MANAGEMENT TRANSACTIONS

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

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

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

OWN SHARES TRANSACTIONS

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

At 31 December 2018, NOVABASE S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.

During 2019, there were no own shares transactions.

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

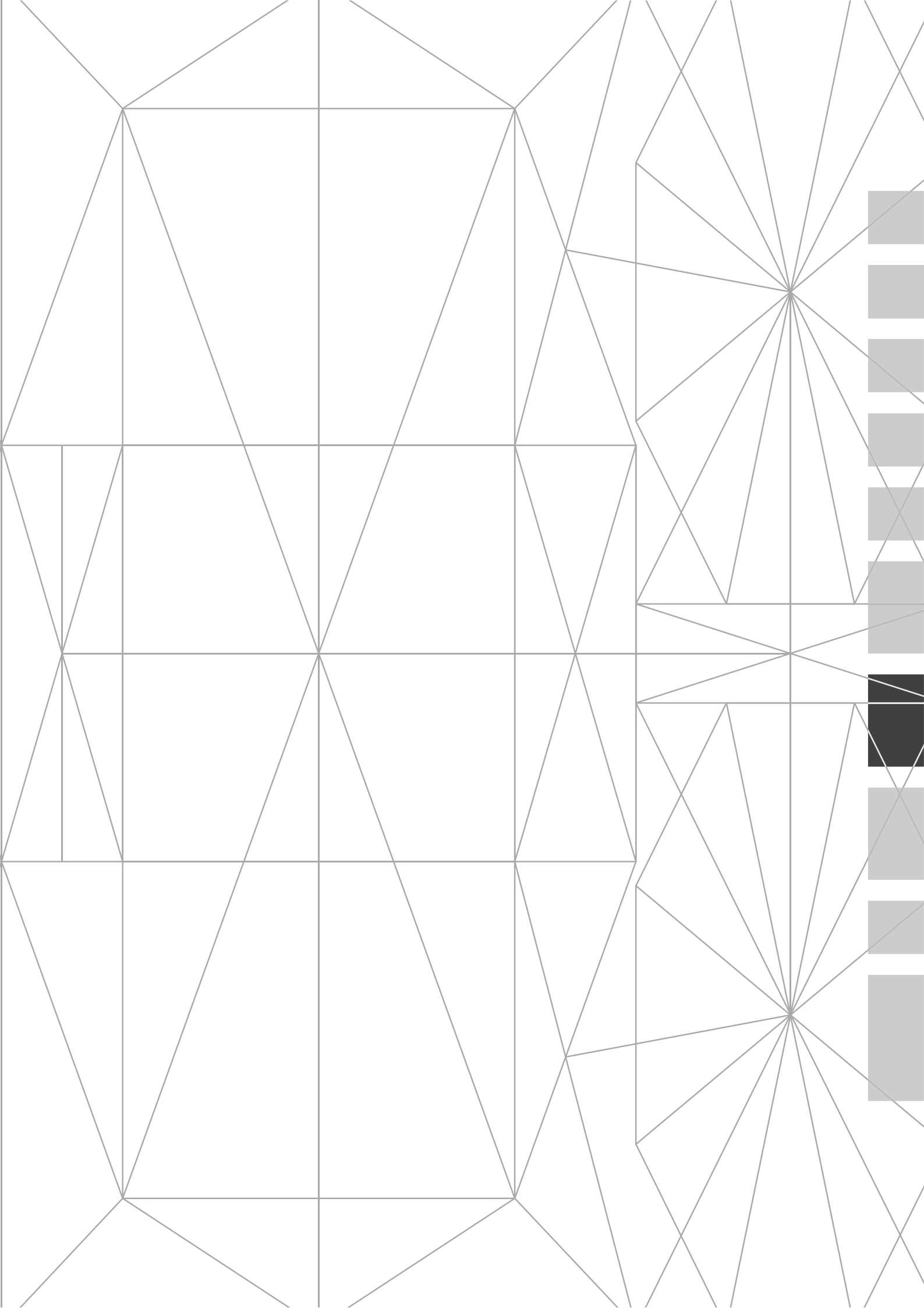
In the beginning of 2019, NOVABASE S.G.P.S. shares had a nominal value of € 0.5.

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

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

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

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



NON-FINANCIAL STATEMENTS

SCOPE

Pursuant to article 508-G of the Commercial Companies Code, as amended by Decree Law no. 89/2017 of 28 July, which transposed Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 into Portuguese legislation, NOVABASE explains in this document the "information for a sufficient understanding of the developments, performance, position and impact of the group's activities, at minimum with regard to environmental, social and employee-related issues, equality between men and women, non-discrimination, respect for human rights and fighting corruption and attempted bribery" in relation to the NOVABASE Group for the year ending 31 December 2019.

INTRODUCTION | NOVABASE GROUP

Information on the NOVABASE Group's business and corporate structure is available in the 2019 Annual Report and Accounts (Notes to the Consolidated Financial Statements for the year ending 31 December 2019, Note 1. General Information), as well as in the 2019 Corporate Governance Report (Part I, Section B., Point 21).

REFERENCE DOCUMENTS AND DILIGENCE PROCEEDINGS

In view of the NOVABASE Group's size, the nature of its business, its business model and the industries in which it operates, no formal policies have been approved for all of the items referred to in article 508-G (2) of the Commercial Companies Code. Nonetheless, various aspects of the NOVABASE Group's business are governed by applicable legislation, and by applicable regulations and recommendations of the Portuguese Securities Market Commission and other domestic and international entities. In addition, the NOVABASE Group internally uses a number of reference documents, diligence proceedings and systems regarding practices to be employed in certain areas, taking the Group and its needs into account, together with its employees, professionals and other stakeholders, with a view to ensuring sustainable growth. NOVABASE Group companies are also subject to a number of different internal and external audits.

In this context, the main aspects, documents, practices and processes in place at the NOVABASE Group, which it believes have an impact on non-financial issues relevant to the Group (namely involving the environment, society, labour, gender equality, non-discrimination, human rights and the fight against corruption), are listed below:

- NOVABASE's business and the conduct of its employees and professionals are governed by applicable law in relevant jurisdictions, and by NOVABASE's Code of Conduct (published at its corporate website), an internally approved

document in effect at the Group since 2011 aimed at guiding the conduct of NOVABASE's professionals through values cultivated by the Group in its customer and interpersonal relations.

- The company's business is managed in accordance with the Integrated Management System.

- NOVABASE's companies are audited by its financial auditors; its certifications in quality (ISO 9001), environmental management (ISO 14001) and occupational health and safety (ISO 45001) are renewed each year after internal and external audits, the latter conducted by certifying entities.

- The company regularly monitors customer satisfaction, along with its employees' and professionals' satisfaction with company services and other issues of interest to the management.

- In compliance with Portuguese Corporate Governance Institute recommendations regarding the governance of listed companies, and in view of fostering a culture of responsibility and compliance, NOVABASE has adopted a whistleblowing system (known as "SPI") to report any irregularities that may occur within its Group. Any report of irregularities made through the SPI is directed to a member of the Audit Board specifically designated for this purpose.

- The company also has "Internal Regulations on Business Dealings with Qualified NOVABASE, SGPS, S.A. Shareholders" in effect.

MANAGING AND SUPERVISORY BOARD DIVERSITY POLICY

At NOVABASE, we believe in equal opportunities and mutual respect regardless of ethnicity, gender, religion, beliefs, social background or sexual orientation. These differences tend to enhance the quality of decision-making processes through multiple perspectives, greater intellectual and cultural richness and a better representation of reality and of those involved.

For this reason, we also believe that diversity in our corporate boards helps to improve NOVABASE's performance and competitiveness. As such, we are committed to the following policy:

- Compliance with Law no. 62/2017 of 01 August, since gender diversity provides different management styles and complementary approaches;

- With regard to age, there must be a balance between experience and maturity and the youth and energy needed for the fast-paced innovation of our highly dynamic sector (information technologies);

- With regard to qualifications and education, in addition to areas associated with technology, various other areas of knowledge must also be represented, in view of the mounting importance of multidisciplinarity in team performance.

NOVABASE will monitor this policy's implementation, in accordance with its corporate governance model, and will review it whenever deemed appropriate.

GENDER EQUALITY AND DIVERSITY PLAN

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

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

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

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

OTHER RESULTS AND KEY INDICATORS

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

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

Other indicators (operating, not key) monitored with regard to these issues include:

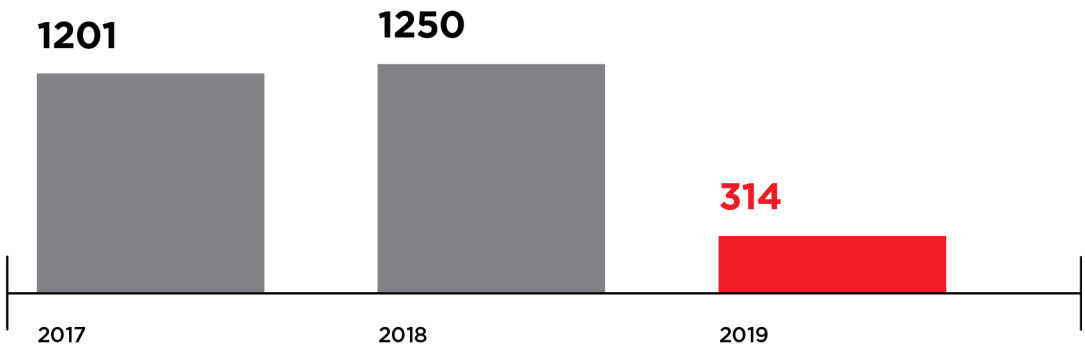
- Business: investment in research, development and innovation; customer satisfaction.

- Employee-related: number of training initiatives, participants and hours; number of occupational accidents; number of recent graduates welcomed through the Novabase Academy integration program. With regard to employee well-being and the balance between work and personal life, various activities were carried out, including the following: Osteopathy consultations; Acupuncture and Tui Na; Eating disorder and glycemia screening; Massage therapy; Quick massage; Health Week; Healthy Breakfast.

- Environment: consumption of electricity, thermal energy, water, diesel and gas; recycling of plastic, cardboard, paper and glass; emission of greenhouse gases.

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

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



RISK MANAGEMENT AND INTERNAL CONTROL

The NOVABASE Group is subject to both standard market risks and specific risks related to its business. NOVABASE believes that the risk management policy is of vital importance in running and developing a business which has historically had a higher risk appetite profile, since this is intrinsically necessary in such a dynamic and disruptive sector.

NOVABASE also has internal control systems and procedures to prevent and manage risks within the context of its organization and activities. Additional information on NOVABASE's internal control and risk management can be found in Part I, Item C, Section III. "Internal Control and Risk Management" of the 2019 Corporate Governance Report.

FINANCIAL STATEMENTS

TURNOVER

120.3 M€

EBITDA

9.4 M€

NET PROFIT

20.4 M€

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

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

12 M * - period of 12 months ended

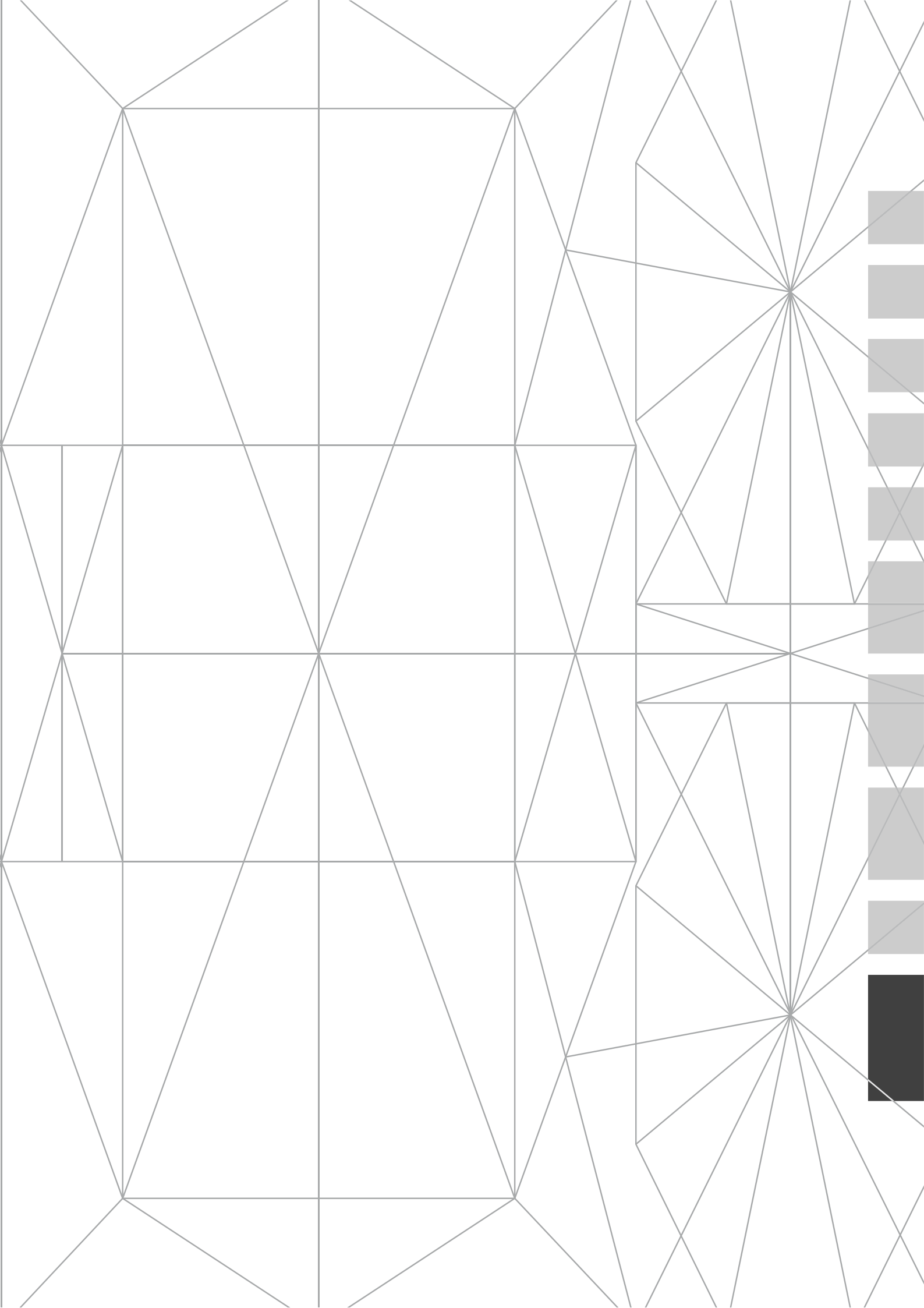
[1] Restated in accordance with the explanation in notes 2.24, 2.25 and 41 of the Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

12 M * - period of 12 months ended

AUDIT BOARD AND STATUTORY AUDITOR REPORTS



REPORT AND OPINION OF THE AUDIT BOARD ON THE CONSOLIDATED FINANCIAL STATEMENTS OF NOVABASE – SOCIEDADE GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A. FOR THE FINANCIAL YEAR ENDED ON DECEMBER 31, 2019

To the Shareholders

INTRODUCTION

In compliance with the Law and for the purposes of paragraph g) of article 420 of the Portuguese Companies Code and the Company's bylaws, the Audit Board hereby presents for appreciation its Report on the supervising activity that was carried out and issues its Opinion on the Management Report and Consolidated Financial Statements of Novabase – Sociedade Gestora de Participações Sociais, S.A. for the financial year ended on December 31, 2019.

ACTIVITIES CARRIED OUT

Supervision of the Company

During the financial year, the Audit Board regularly followed up the evolution of the company's business and the business of its subsidiaries, ensuring compliance with the law and the relevant bylaws, and monitored the Company's management, the efficiency of the risk management and internal control systems and the preparation and disclosure of financial information, as well as the regularity of the accounting records, the accuracy of the consolidated financial statements and the accounting policies and metrical valuation criteria adopted by the company, in order to verify that they lead to an adequate expression of its consolidated assets, results and cash flows.

During the year, the Audit Board met six times and the respective meetings were formally recorded in minutes. At these meetings there was an attendance of 100% by the Chairman and one of the members, and of 33.3% by the second member. In addition, the Audit Board took part in the meeting of the Board of Directors that approved the Management Report and the Consolidated Financial Statements for the 2019 financial year.

Within its duties, the Audit Board maintained the necessary contacts with the representatives of the Chartered Accountants Company and External Auditor, in order to monitor the planning and audit work that was carried out and to take note of the respective findings. The meetings held with the representatives of the Chartered Accountants Company and External Auditor enabled the Audit Board to reach a positive opinion on the integrity, rigor, skill, quality of work and objectivity with which they carried out their work, as well as the reliability of the financial information.

Relevant matters concerning auditing were also analyzed with the representatives of the Chartered Accountants Company and External Auditor; the Audit Board refers to their report on the consolidated financial statements for the description of the essential elements subject to analysis.

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

Whistleblowing procedures

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

Related Party Transactions

During the 2019 financial year, no related party transactions, in accordance with the regulation in force, were submitted to assessment by the Audit Board.

Independence of the External Auditor

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

RESPONSIBILITY STATEMENT

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

OPINION

The Audit Board analyzed the Management Report and the Consolidated Financial Statements for the 2019 financial year, which comprise the Consolidated Statement on the Financial Position as of December 31, 2019, the Consolidated Income Statement, the Consolidated Statement on Comprehensive Income, the Consolidated Statement on the Changes to Equity and the Consolidated Statement on the Cash Flows, as well as the accompanying notes, which were prepared in accordance with the International Financial Reporting Standards, as adopted in the European Union.

Within its duties the Audit Board has analyzed the Legal Certification of Accounts and the Audit Report on the Consolidated Financial Information for the 2019 financial year, prepared by the Statutory Auditor, document which does not present any reservation and with which the Audit Board agrees.

The Audit Board further analyzed the Corporate Governance Report for the 2019 financial year, which is attached to the Management Report prepared by the Board of Directors in compliance with the CMVM Regulation no. 4/2013 (Corporate Governance of Listed Companies), and the Audit Board certifies that it includes all the elements referred to in article 245-A of the Portuguese Securities Code.

In this context, it is the Audit Board's opinion that:

- There are no objections to the approval of the Management Report for the 2019 financial year;
- There are no objections to the approval of the Consolidated Financial Statements for the 2019 financial year.

Lisbon, April 15, 2020

The Audit Board

Álvaro Nascimento – Chairman

Fátima Farinha – Member

Miguel Ribeiro Ferreira – Member

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STATUTORY AUDITORS' REPORT AND AUDITORS' REPORT

(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail.)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of **Novabase, S.G.P.S., S.A.** (the Group), which comprise the consolidated statement of financial position as at 31 December 2019 (showing a total of 191,888 thousand euros and equity of 87,620 thousand euros, including non-controlling interests of 18,329 thousand euros and a net profit attributable to the shareholders of Novabase of 20,400 thousand euros), the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of **Novabase, S.G.P.S., S.A.** as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for opinion

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

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

Emphasis of matter

As described in note 44 to the consolidated financial statements, in 11 March 2020 the pandemic resulting from the spread of the "Covid-19" was declared by the World Health Organization, which is a non-adjustable event. This situation and its evolution will probably have negative effects on the Group's activity and profitability during 2020, however at this date it's still not possible to measure it. The Board of Directors

considers that, in view of the information currently available, the liquidity situation and the capital levels will be sufficient to continue the operations of the Group. Our opinion is not modified with respect to this matter.

Key audit matters

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

Revenue recognition

The Risk

The revenue recognition policy regarding turnkey consulting projects, which represent a significant part of the Group's business, requires judgment as disclosed in note 4 (d) of the notes to the consolidated financial statements.

The recognition of such projects overtime in accordance with IFRS 15, as described in note 2.19 (b), involves a number of qualitative factors such as estimated billing, estimated costs, including contingency values for contractual risks, which justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2019.

Our response to the identified risk

Our audit procedures included, among others, the following:

- We have analyzed the revenue recognition policy adopted by the Group with reference to the applicable accounting standards;
- Evaluation of the design and implementation of the relevant controls, including application controls and general IT controls, related to the revenue recognition process;
- We have critically analyzed the estimates and assumptions made by management, namely regarding estimated billing, estimated costs and contingencies;
- Substantive analytical procedures and tests of detail regarding the accounting records in order to identify and test the risk of fraud and eventual override of controls implemented; and,
- Review of the Group's disclosures over revenue recognition considering the applicable accounting standards.

Recoverability of goodwill

The Risk

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

The determination of the recoverable value of these assets is subjective due to the uncertainty inherent to the financial projections and to the discount of future cash flows, since many key assumptions are based on management expectations, not observable in the market.

The Group performs, on an annual basis, goodwill impairment tests based on the discounted cash flows method, considering a 5-year business plan estimated by management, as mentioned in notes 2.7 (1), 4 (a) and 8.

The complexity and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2019.

Our response to the identified risk

Our audit procedures included, among others, the following:

- We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods, and the integrity of the discounted cash flow model;
- We have compared the internal and external assumptions used and we have considered their reasonableness such as current business trends, market performance, inflation, projected economic growth and discount rates;
- We have involved specialists in the measurement of the average cost of capital ratio; and,
- Review of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

Recoverability of deferred tax assets

The Risk

As disclosed in note 11, as at 31 December 2019, the amount of deferred tax assets was of 9,585 thousand euros, of which 8,068 thousand euros related to tax benefits arising from Research and Development projects presented under the SIFIDE incentive scheme.

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

The level of uncertainty associated and the inherent degree of judgment justify the consideration of this issue as a relevant matter to the audit of the Group's consolidated financial statements as at 31 December 2019.

Our response to the identified risk

Our audit procedures included, among others, the following:

- We have analyzed the budgeting procedures on which the projections are based, by comparing current performance with estimates made in prior periods;
- We have analyzed the assumptions and methodology used by management to assess the recoverability of deferred tax assets, namely projections of taxable income; and,
- Review of the Group's disclosure over recognition of deferred tax assets considering the applicable accounting standards.

KPMG

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements

Management is responsible for:

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

— the preparation of the management report and the corporate governance report, in accordance with applicable laws;

— designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement whether due to fraud or error;

— the adoption of accounting policies and principles appropriate in the circumstances; and,

— assessing the Group's ability to continue as a going concern and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor´s Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

— conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

— communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit, and significant audit findings including any significant deficiencies in internal control that we identify during our audit;

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

— provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the consolidated financial statements, and the verification of the requirements as provided in numbers 4 and 5 of article 451 of the Portuguese Companies' Code, as well as the verification that the non-financial information was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the Management Report

Pursuant to article 451, nr. 3, al. (e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment of the Group, we have not identified any material misstatements.

On the Corporate Governance Report

Pursuant to article 451, nr. 4, of the Portuguese Companies' Code, it is our opinion that the corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified any material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

On the non-financial information defined in the article 508º-G of the Portuguese Companies' Code

Pursuant to article 451, nr. 6, of the Portuguese Companies' Code, we inform that the Group inform that the Group included in its management report the non-financial information defined in article 508-G of the Portuguese Companies' Code.

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

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

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

— Management as confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement of the consolidated financial statements due to fraud;

— We confirm that the audit opinion we issue is consistent with the additional report that we prepared and delivered to the Group's supervisory body on 15 April 2020; and,

— We declare that we have not provided any prohibited services as described in article 77, nr. 8 of the Ordem dos Revisores Oficiais de Contas' statutes, and we have remained independent of the Group in conducting the audit.

16 April 2020

SIGNED ON THE ORIGINAL

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