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# REPORT & ACCOUNTS

*2003 - 1st HALF*

**Novabase SGPS, S.A.**

*Public Company*

*Code BVL:NBA.IN*

*Corporate Tax Payer n° 502.280.182*

*Registered in the TRO of Lisbon n°1495*

*Capital: 14.127.982 euros*

Head Office: Av. Eng.ºDuarte Pacheco 15 F, 1

### Results of the 1st Half-Year of 2003

**Turnover increases 27.6% to 64.7 M€**

**EBITDA increases 14.7% to 8.3 M€**

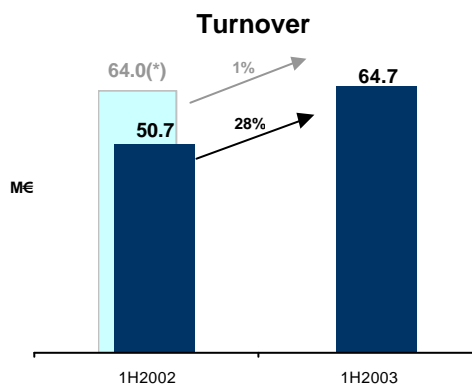
**Net Profits decreases 73.4% to 0.8 M€**

Due to 2.2 M€ Extraordinary Costs  
(Net Profits excluding this effect increases 4.6% to 3.0 M€)

## 1. Key Indicators

### 1.1 Turnover

The Consolidated Sales and Services Volume accumulated in the 1st Half Year of 2003 reached 64.7 M€ (million euros), which represents an increase of 27.6% compared to 50.7 M€ registered in the same period of 2002. Excluding the effect of acquisitions, the organic increase would have been 1.1%.



(\*) 1H2002 Pro-Forma (includes ATX and GECITS)

### 1.2 EBITDA

The Operational Cash Flow (EBITDA) reached 8.3 M€, an increase of 14.7% compared to the 7.2 M€ registered in the 1<sup>st</sup> Half-Year of 2002. The increase of the EBITDA is not as significant as the turnover growth due to the change in the business mix resulting from the acquisition of Novabase IIS, which operates at lower percentage margins. Not considering the aforementioned Novabase I.I.S. acquisition, the EBITDA increase would have been 25.0%. The EBITDA percentage margin in the 1st Half-Year of 2003 amounted to 12.8%.

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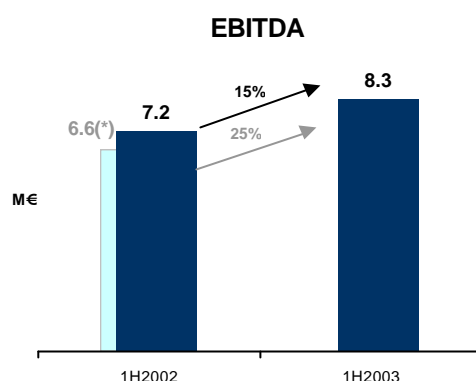
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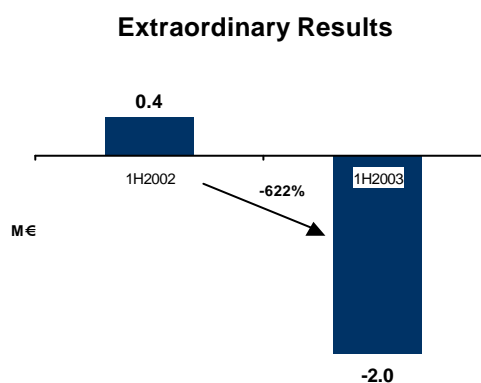
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The Operational Results (EBIT) reached 5.1 M€, which represents an increase of 1.6% compared to the 1st Half-Year of 2002, which amounted to 5.0 M€

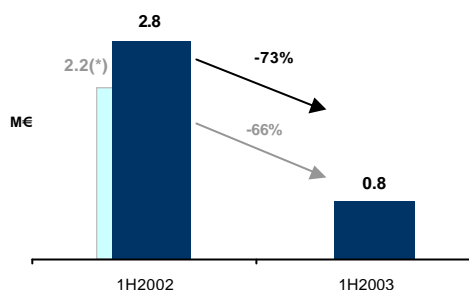
### 1.3 Net Profits

The Consolidated Net Profits, with the minority interest already deducted, reached during this period 0.8 M€, corresponding to a decrease of 73.4% compared to the same period in 2002, when it amounted to 2.8 M€. The reason for this decrease has essentially to do with the increase of extraordinary costs (as seen in graph below). These non-recurrent costs are related to restructuring in personnel and to the goodwill amortization acceleration, resulting from a more conservative policy adopted by the Company, as well as from the resolution of some project contingencies.



If the effect of Novabase I.I.S. acquisition was not considered, the reduction of Net Profits would have been 66%.

## Net Profits (PT GAAP)

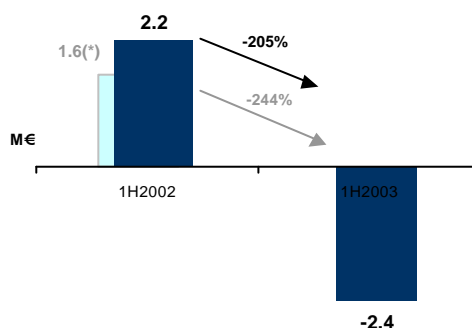


(\*) 1H2002 Pro-Forma (includes ATX and GECITS)

Using the IAS standards, the Consolidated Net Profits still show a difference of approximately 3 M€ when compared to the aforementioned values according to the Portuguese POC standards, reaching a loss of 2.4 M€. The IAS standards consider as costs book entries that are capitalized by the POC standards. (see item 4 of this Report).

Excluding the effect of non-recurrent costs in the amount of 4.8 M€ (2.2 M€ of extraordinary costs according to POC and 2.6M€ of transition adjustments to IAS) the consolidated net results according to IAS increase 8.1% to 2.4 M€

## Net Profits (IAS)



(\*) 1H2002 Pro-Forma (includes ATX and GECITS)

## 2. Summary of the Activity

Novabase activity during the 1st Half-Year of 2003 may be considered quite positive, especially if considered in an adverse economical period and in a shrinking Information Technology market. Within this context, Novabase registers an expressive growth compared to the same period last year, both in Turnover (+27.6%), and in EBITDA (+14.7%). Assuming a conservative position, non-recurrent extraordinary costs of about 2.2 M€ were registered, with a direct impact in Net Profits which reached 0.8 M€

Novabase has two main businesses. The Consulting business (Consulting division) is quite affected by the current economical context and shows a turnover reduction when compared to the same period last year of approximately 12.1%. The EBITDA margin of this business was 19.2%. In order to defend the margins within the current market conjuncture and due to the pressure registered on the prices, it was necessary to reduce structure

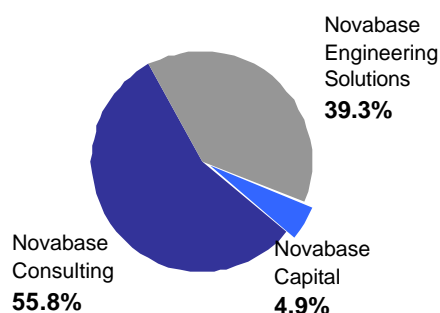
costs quite significantly, including personnel reduction.

The Engineering business (Engineering Solutions division), characterized by a quite different economical cycle, (in which expressive investments are registered in areas such as ticketing and access control) shows an excellent performance in what refers to turnover increase but also in the defence of its margins.

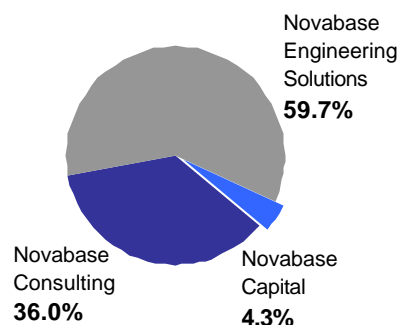
In the Engineering division, turnover increases 93.8% within the same parameters. Not considering Novabase I.I.S. (ex-GE Capital IT Solutions Portugal) acquisition, the turnover would even so have increased 16.3%. In terms of EBITDA increased 34.8%, the margin reaching 9.5% in percentage terms.

Thus, turnover share by division has altered. We would highlight the growing weight of the Engineering Solutions division that now represents 59.7% of total turnover in the 1<sup>st</sup> Half-Year of 2003, whereas in the same period last year it represented 39.3%.

**Turnover 1H2002**



**Turnover 1H2003**



Please find below a summary of the main factors to be highlighted during this period in each Novabase division.

## 2.1. “Novabase Consulting” Division

During the first six months of 2003, this division delivered Sales amounting to 23.3 M€, a value inferior to the one registered in the same period last year of 28.3 M€, which represents a negative growth of -17.7%. In Portugal activity decreases 12.1%.

The EBITDA generated by this division grew 7.1% and was 4.5 M€ during this period.

This semester continued to be featured by a strong reduction in the investment on IT in most Portuguese companies, requiring doubled efforts to win over new projects for the division. Despite the pessimistic environment Novabase obtained a significant set of awards and executed a set of interesting projects, of which we're highlighting the following, by market:

### Government:

- Awarding of the new Government Portal implementation.
- Implementation of the Industrial Property Portal at a national institute level.

- Development of an institutional site for one of the main city councils of the Lisbon metropolitan region.
- Implementation and start-up of the "Addresses' Alteration" integrated system for the Citizens' Shop of Coimbra. This innovative Project at national level results from the first transversal process to several public and private organizations using the "life-events" concept, that is, a Public Administration focused on the efficiency of services rendered to the citizen.
- Awarding of an outsourcing contract for the IT system management of an important national Agency.
- Awarding of an ERP implementation for one of the largest municipalities of the country.
- Awarding of the development of an application of EU funds management for a national institute.
- Awarding of a significant number of projects in the Social Security area for a national institute.
- Participation in the "Identification of Basic Processes" study regarding the relationship of the citizen with Public Administration, organized by the Association for the Promotion and Development of the Information Society (Associação para a Promoção e Desenvolvimento da Sociedade da Informação).

## Insurance

- Awarding of core system development and installation contract in the insurance area.
- Conclusion of a sales force automation project for a local representation of an international insurance company.
- Novabase completed its offer for the Insurance market by rendering available an insurance business application. This application allows Novabase to install insurance operational systems in its customers complemented by CRM and Business Intelligence practices in an integrated manner.
- Novabase was selected by an important insurance company to implement the supporting document management system for the financial area.
- Novabase maintained and renewed an important set of staffing contracts in different insurance companies.
- Novabase was selected by an important national insurance company for the implementation of a channel integration platform.
- Novabase renewed a maintenance contract of an important national insurance company for the optical archive management area.
- Novabase renewed a maintenance contract for an insurance company in the agents' application management area.

## Banking & Securities

- Awarding of IT security specialized services with the purpose of increasing the protection levels and the availability of a Bank's IT systems, checking and supporting the validation and implementation of the adopted security policies.
- Awarding of a risk assessment process, including the revision and optimization of all the data collection processes, gathered from all companies from a Financial Group, required for the correct assessment of credit risks to which the Group is exposed.
- Awarding of a GeoMarketing project, involving in the first phase a geo-referenciation of all ATMs, Group's customers and branches, thus enabling its localization in a geographic basis. Later on, GeoMarketing consulting services will be provided with the purpose of executing business space analysis. The supply of an analysis tool, as well as the transfer of know-how in the same, specifically in geomarketing analysis, will also be the objectives of the Consulting services to be provided.
- Awarding of the elearning platform replacement and the creation of updated contents for employees' training (more than 8,000) of a Financial Group in several areas.
- Start-up of a Project with the purpose of endowing a national investment

financial institution with a budget control and management reporting tool. The objective is that this system will be flexible, integrated and adaptable to the evolutions that the institution in question may have in the future (restructurings, mergers or acquisitions).

- Implementation of a control and follow-up system of the actual security operations as well as the future ones that the financial institution may wish to launch. This solution allows the existence of an internal control as well as availability of information for the investors that may be involved in the security operations.
- Start of the supply of specialized analysis, implementation and maintenance services of document management solutions based on the Documentum tool in a large national financial institution.

## Healthcare

- Novabase has already re-acquired in this month of July from José de Mello Saúde the participation that the latter had in Novabase Saúde (45% of respective capital) for 0.9M€. Both parties concluded that, within the actual market conditions and due to the less than satisfactory results in its joint work in IT for the Healthcare area, the partnership that they had defined in 2000 was no longer justifiable.
- Novabase will continue, on its own or with other partnerships, its work in this market sector.

## Manufacturing, Retail & Services

- Development of a document management project for one of the

largest paper paste production and commercialization in Portugal.

- Development and operation of a Datawarehouse in a food products company.
- Awarding of a customers relation management system for a commercialization company in the automotive sector.
- Awarding of a systems maintenance outsourcing contract for one of the major Portuguese cement production companies.

## Post & Transportation

- Signature of an IT service rendering contract with an important customer of this market for the maintenance of IT systems in 2003.
- Awarding of a service rendering contract in the CRM area for the creation of an innovative solution in the market within the eTravel scope.
- Novabase was chosen to implement the claims management system of an important and large passenger transportation operator.
- Novabase concluded the implementation project of a stop-over management system for a large passenger transportation company.

## Telecom & Media

- Awarding of a Campaign Management, Performance Segmentation and Appraisal integrated project for a mobile telecommunications operator.
- Start-up of a geo-referenced penetration assessment project with the detection of targets and customers at risk for a telecommunications operator.
- Awarding of a Communication channels Optimization for a fixed communications operator.
- Awarding of a Customers' Relations Management Project for a cable operator.
- Start-up of a Budget Elaboration and Management Control Project for a Media Group.
- Realization of a consulting Project for one of the largest Japanese mobile operators in the CRM and EAI areas by rendering available on-site of a specialized team for four months.
- Awarding of a data migration project of the legacy systems for new customers' relations platforms in a cable operator.
- Awarding of a migration Project of a customers relations system for a media company.
- Awarding of an analytical applications development and maintenance project for a mobile telecommunications operator.
- Development of a campaign management Project for a fixed telecommunications operator.



## Utilities & Energy

- Development of a systems integration platform and creation of Webservices for a water distribution company.
- Developments on application integration platforms in a water distribution company.

## **2.2 “Novabase Engineering Solutions” Division**

During the first six months of 2003, this division delivered Sales amounting to 38.7 M€, a much higher value than 20.0 M€ registered in the same period last year, which represents an increase of 93.8%.

This turnover consisted both in the supply of equipment for digital TV (cable and satellite) and integration services of associated systems (total turnover of 13.2 M€ compared to 10,4 M€ in 2002) and in the supply of equipment and services in Ticketing and Transports, Infrastructures and Systems Integration (total turnover of 25.5 M€ compared to 9.5 M€ in the same period last year).

The EBITDA generated by this division grew by 34.8% reaching 3.7 M€, during this period.

Countless activities were developed during this period, with the purpose of developing this division's business, of which we would like to highlight the following:

- In the Ticketing & Transport Solutions area, several solutions supply contracts were obtained for the installation of Sales points and of sophisticated Ticketing and validation systems for Electronic Contactless Tickets and in Conventional paper, of which it is important to highlight the awarding of the new ticketing system for the new “Metro Sul do Tejo (MST)” (Tagus South Underground).
- In the Enterprise Computing Solutions area, Novabase positioning reinforcement in relation to its strategic partners, HP and Microsoft, allowed the implementation of a growing number of roll-out projects, as well as large IT infrastructures migration and maintenance projects.
- In the Networking Solutions area the strategic alignment, investment and specialization in Cisco communication platforms associated to the solutions and professional services capacity of Novabase for the resources optimization in IP networks were determinant in the awarding of large projects to Novabase, in the communications infrastructures supply, installation and maintenance area; it is also important to point out that during this period Novabase was appointed as a Cisco Gold partner- the highest capacity certification level awarded by Cisco to a partner.
- In the Interactive Digital TV Solutions area the bet on innovation in the design of solutions for interactive TV allowed the obtainment of new supply contracts for satellite decoders for distribution services of digital TV by Satellite and Cable.

## **2.3. Novabase Capital**

Novabase Capital Turnover in the first semester of 2003 was 2.8 M€, which

represents an increase of 11.8%, approximately 4.3% of Novabase global Turnover, compared to the same value in the first semester of 2002. EBITDA reached 0.2 M€ (6.2% of Turnover) registered a significant increase in relation to the same period in 2002.

Novabase Capital performance during this period continued essentially focused in its main key activities:

- Management of its participated companies' portfolio, continuing to stimulate the profitable business growth, thus reinforcing its affirmation as solid entrepreneurial projects. We would like to highlight the successful integration of the training area companies (Deltafor and Flag) and the participation in ATX Software, from which the integration systems area joined the Consulting division. During this period, the ATX technological offer was reinforced through the signature of an important protocol with Microsoft, which includes the joint offer of tools and services for the migration of Oracle/Forms applications for the .NET platform. This participated company also closed an important service rendering contract in the code certification area with one of the major national financial groups. We would also like to highlight the Mind company, which, in the manufacturing area, officially launched the ShoeCAD 3D product in the Footwear Technological Center and which in the libraries area won three tenders of the Regional Education Offices, to install IT networks in more than 200 schools, which opens a new and interesting market. Additionally, Mind was awarded a gold medal in the Geneva International Inventions Fair, this semester, with a driving Simulator as well as the 3rd prize in Management in the National Software Contest with RIOS - Sistema de Vigilância e Alerta de

Recursos Hídricos (Hydro Resources Surveillance and Alert System) for INAG. Finally, we would also like to refer the high growth of Manchete activity, which corroborating the positive evolution of 2002, increased 34% during this semester, compared to the same period last year.

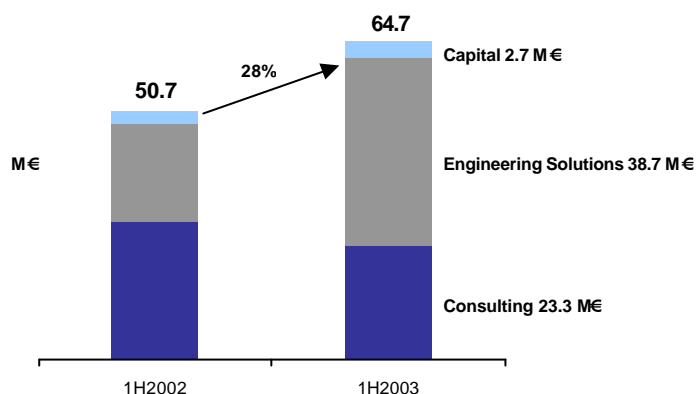
- Corporate Venture Capital Opportunities. The Private Equity activity has a very sharp cyclic component. The situation which the market is going through led to a considerably lowering of the transactions' multiples. Thus, during this period, Novabase Capital remained alert for new opportunities, with a especially conservative spirit, trying to optimize its portfolio to assure a successful position in the recovery stage. Novabase Capital has also evaluated different desinvestment opportunities for 2003. A recent example is the final contracting process in progress to sell the participation in Clipanuncios, having already formalized a principles agreement with the buyer, after having concluded the technological development of the platform.

- M&A activities for the Group companies, supporting the Divisions' consolidation in the local market and exploring international investment possibilities for value generation to Novabase shareholders'.

### 3. Economical-Financial Analysis

In the first half of 2003, **Turnover** reached 64.7 M€, representing a growth of 27.6% compared to the same period of the previous year. However, when compared to pro-forma values excluding acquisitions in first half of 2002, of 64.0 M€, the turnover shows an increase of 1.1%.

## Turnover

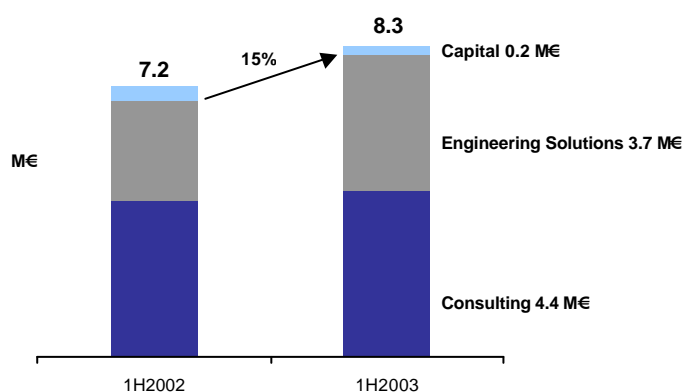


In terms of **activity**:

- Novabase Consulting division decreased 17.7% from 28.3 M€ in 2002 to 23.3 M€ in 2003.
- Novabase Engineering Solutions division grew 93.8%, from 20.0 M€ in 2002 to 38.7 M€ in 2003.
- Novabase Capital division increased 11.8%, from 2.5 M€ to 2.8 M€

**EBITDA** reached 8.3 M€, increasing 14.7% compared to 7.2 M€ in 2002, and increasing 25.0% when compared to the EBITDA Pro-forma of 6.6 M€

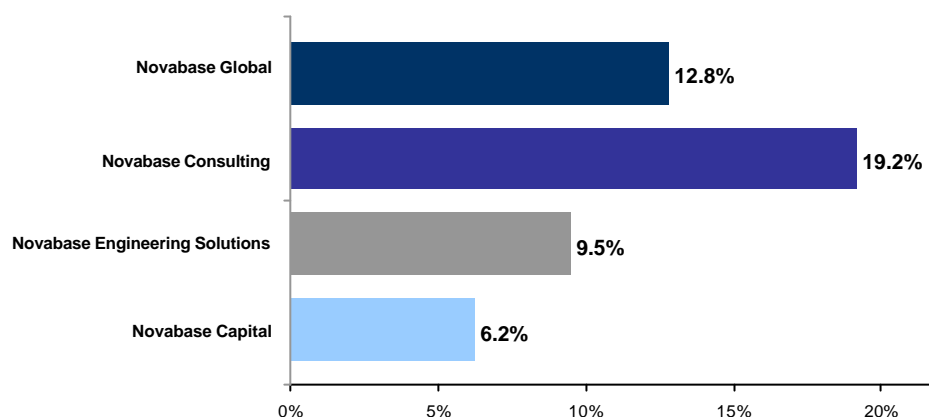
## EBITDA



In a percentage basis of the Turnover, EBITDA in this period represents approximately a total margin of 12.8%. This margin breakdown per Business Division at the first half of 2003 is analyzed as follows:

- Novabase Consulting division, in Portugal is responsible for an EBITDA margin of 20.8%. When considering it together with Brazil, responsible for a negative margin (-27.5%), the EBITDA margin is reduced to 19.2 %.
- Novabase Engineering Solutions division presented an EBITDA of 3.7 M€, which corresponds to a margin of 9.5%.
- Novabase Capital division presented an EBITDA of 0.2 M€, corresponding to a margin of 6.2%.

## EBITDA Margin



The **Own Works** item decreased 29.3%, from 0.9 M€ in 2002 to 0.6 M€ in 2003.

Accordingly, regarding **EBITDA Adjusted by Item "Own Works"**, the company's performance improvement is also expressive as there is an increase of 21.0%, with the evolution of a value of 6.3 M€ in 2002 (which corresponds to a margin of Adjusted EBITDA of 12.5%) to a value of 7.7 M€ in 2003, which corresponds to a margin of Adjusted EBITDA of 11.8%.

The **Average Number of Employees**, 967 in the first half of 2002, increased 9.7% to 1061 in the first half of 2003 as a result of personnel integration from the acquired companies. The Turnover per employee in the first half of 2003 was 61 thousand Euros, increasing 16.3% when compared to 2002 (52 thousand Euros).

**Operational Results (EBIT)** reached 5.1 M€ in this period, representing a growth of only 1.6% compared to the same period in 2002 (5.0 M€). The slower growth revealed by this indicator was mainly due to the increase of 44% in the amortization weight of basic equipment and research and development expenses, embodied in strategic investments carried out by Novabase Group for the development of the Group's information systems, taking significant steps towards modernization.

**Financial Results** in this period registered a net negative value of 646 thousand Euros, the highly negative effect is mainly due to the decrease of average interest rates, exchange rate variations and the negative impact in financial duties due to the increase in the average collection period and the decrease in the payments period.

**Extraordinary Results** of -2.0 M€ were highly affected by the

implementation of the corporate restructuring program approved by the Board of Directors in 2002 with the following goals:

1. Optimising operating efficiency, adjusting personnel number to market needs and reinforcing orientation towards the customer.
2. Reduction of the group participated companies in order to increase cost reduction and operationality.
3. Reinforcement of the prudence policy in accounting movements.

The implementation of this strategic plan, with clear short, medium and long term advantages, had an impact on the **Extraordinary Results** where the following non recurring costs are reflected in a total of 2.2 M€

- The restructuring of personnel (commercial and administrative).
- Acceleration of the depreciation period for some intangible fixed assets and goodwill of some subsidiaries.
- Resolution of contingencies regarding Novabase Consulting division Projects in the 2<sup>nd</sup> Quarter of 2003.

Following this, **Results Before Taxes** in the first half of 2003 with the net value of 1.8 M€ reflect a decrease of 60.0% compared to first half of 2002 (4.6 M€), growing less in percentage than current results due essentially to the negative contribution of the extraordinary results.

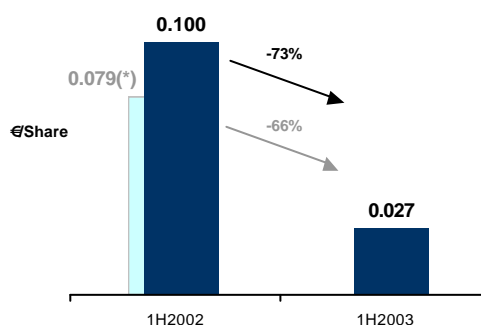
The **Consolidated Net Results** after minority Interests of 0.8 M€, represent a decrease of 73.4% in relation to 2002 (2.8 M€).

However, **Consolidated Net Results** excluding the effect of Extraordinary Results and Own Works increase 40.7% to 2.1 M€

The **Equity** volume rose from 64.3 M€ in the first half of 2002 to 69.2 M€ in June 30th 2003, reflecting a growth of 7.6%, incorporating the 2002 results.

The **Earnings per Share** registered a decrease of 73.4%, from 0.1 to 0.026 euros per share, following the Net Profit trend.

## Earnings per Share (EPS)



(\*) 1H2002 Pro-Forma (includes ATX and GECITS)

The Consolidated Balance Sheet at the first half of 2003 maintained a very positive **"Global Net-Cash"** situation of 10.9 M€, reflecting in the last 12 months a decrease comparing to the 21.5 M€ in the first half of 2002. This decrease was a consequence of the payment of 2.5 M€ referring to the acquisition of GE Capital IT Solutions Portugal (currently Novabase IIS), 8.5 M€ for the acquisition of ATX/Outsourcing Contract Program and the reinforcement of stock level of about 1.5 M€

Nevertheless the Consolidated Balance Sheet registered a highly positive "**Operating Net-Cash**" position of 19.4 M€ reflecting only a decrease during the last 12 months of 2.1 M€ compared to the 21.5 M€ of June 30 2002.

**Stocks** went from 8.8 M€ in 2002 to 10.3 M€ to 2003. However, due to the significant increase in the sales volume in 2003 to 31.0 M€, the terms of coverage of sold products reduced from 45.6% to 33.3%.

The **Customers Current Accounts** at June 30 2003 amounted to 35.4 M€, compared to 27.3 M€ in the prior period. The average collection period maintained in the 83 days.

#### 4. Novabase Consolidated Pro-forma Accounts prepared in accordance with the International Accounting Standards (IAS)

The results at June 30, 2003 already include the relevant adjustments of transition to the IAS. This is due to the fact that the need to present the accounts according to the IAS in 2005 with comparative values at 31.12.2004 requires having the reference values at 31.12.2003 also in accordance with IAS.

Despite only being mandatory, starting in 2005, disclosing the consolidated accounts prepared in accordance with the International Accounting Standards (NIC's "IAS") for a company listed in the Stock Exchange, the Board of Directors of Novabase decided to anticipate the disclosure of the IAS consolidated pro-forma indicators and the reconciliation between the IAS and Portuguese GAAP in respect to the consolidated pro-forma Net Profit and Shareholders' Equity. This disclosure is only for information purposes and includes the significant IAS adjustments.

In summary, the adjustments to Consolidated Pro-forma Net Profit – IAS are analyzed as follows:

	30 June,		Var. %
	2003 Euros '000	2002 Euros '000	
<b>Consolidated Net Profit - Portuguese GAAP</b>	<b>751</b>	<b>2,820</b>	<b>-73.4%</b>
<b>Adjustments to IAS :</b>			
1. Start-up costs	74	57	
2. Expenses on publicity campaigns	(1,783)	130	
3. Research and developments costs	(2,731)	(302)	
4. Bonus to employees	(95)	(478)	
5. Deferred income taxes	1,422	15	
<b>Consolidated Net Profit - Pro forma IAS GAAP</b>	<b>(2,362)</b>	<b>2,242</b>	<b>-205.4%</b>

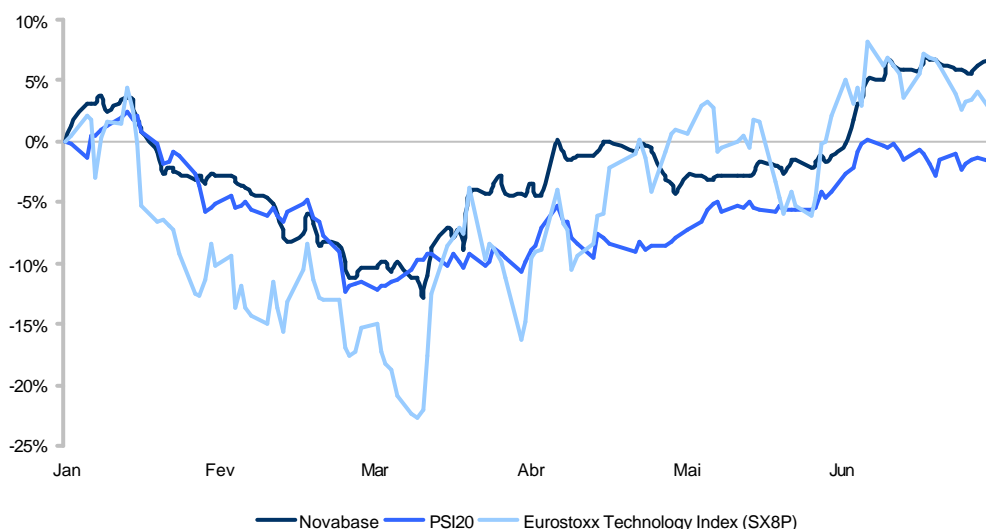
In summary, the adjustments to **Consolidated Pro-forma Shareholders' Equity – IAS** are analyzed as follows:

	30 June,		Var. %
	2003 Euros '000	2002 Euros '000	
<b>Consolidated Shareholders' Equity - Portuguese GAAP</b>	<b>69,185</b>	<b>64,250</b>	<b>7.7%</b>
<b>Adjustments to IAS :</b>			
1. Start-up costs	(404)	(416)	
2. Expenses on publicity campaigns	(1,795)	(159)	
3. Research and developments costs	(3,827)	(1,164)	
4. Bonus to employees	(300)	(478)	
5. Deferred income taxes	2,039	643	
6. Fair-value of investment account securities	(25)	(57)	
<b>Consolidated Shareholders' Equity - Pro forma IAS GAAP</b>	<b>64,873</b>	<b>62,619</b>	<b>3.6%</b>

## 5. Stock Performance

The 1st semester of 2003 shows clearly a recovery trend at the share price level, which started in April. In the first three months of the year, the share indexes still showed a similar behaviour to that of last year, characterized by a cooling down of the main international economies, with the natural negative impact of the main share indexes at the performance level; but in the last three months, from April onwards, share prices already show some signs of recovery. Novabase performance ended the semester increasing approximately 7% of its value, a higher valuation than that verified in the EuroStoxx Technology, which only increased its value in approximately 2% and above that verified in the PSI20 which devaluated approximately 2%. In terms of volatility, both PSI20 and Novabase share show volatility inferior to the EuroStoxx Technology.

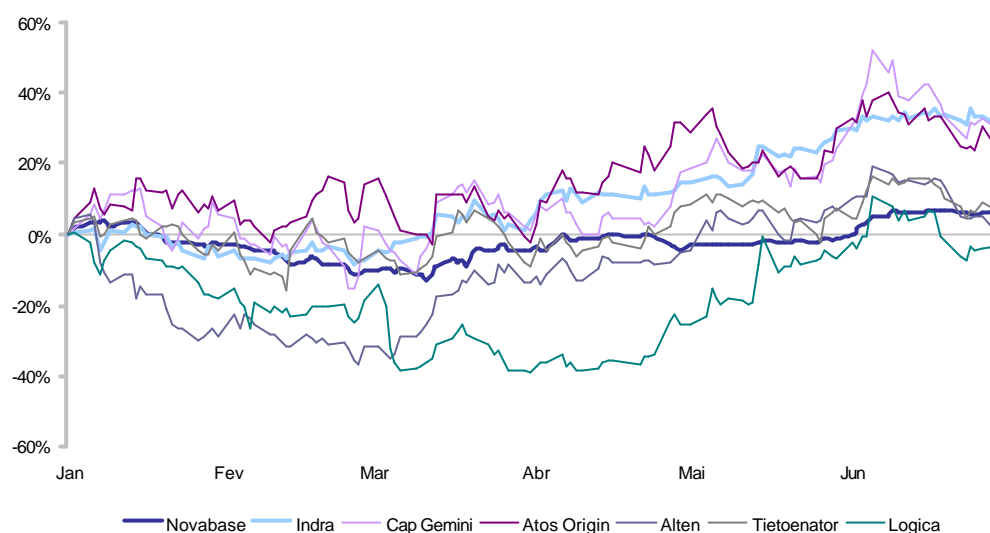
### Novabase and the Market



When comparing Novabase share prices with other companies in the IT sector in Europe, we confirm that most of them increased their value more than Novabase during the 1st Semester 2003. The Novabase performance is at discount in relation to this shares allotment and shows volatility inferior to the one shown by its congenerous companies, which in the current context would be the expected for a peripheral market, such as the Portuguese market.



## Novabase and Other TMT



The average price, weighted by quantity, of Novabase shares during the 1st Semester of 2003 was of 5.74 euros per share. Approximately 1.54 million shares were traded in all the 125 Stock Exchange sessions of the 1st semester of 2003, corresponding to a transaction value of 8.8 M€. The average daily number of shares traded was approximately 12.3 thousand shares, corresponding to a daily average value of approximately 71 thousand euros.

In terms of liquidity, the 1st Half-Year 2003 rotation represented approximately 19.3% of the free-float and corresponds approximately to 5.4% of Novabase total capital.

The price in the Stock Exchange in the last tradable day of the 1st Semester of 2003, 30 June 2003, was 6.24 euros, which represents a valuation of 7.6% compared to 5.80 euros which was Novabase's price at the end of 2002.

The maximum closing price which took place during the 1st semester of 2003 reached 6.26 euros, while the minimum price registered was 5.10 euros. The market capitalization at the end of the 1st Semester of 2003 was 176.3 M€

Summary	2Q2003	1Q2003	4Q2002	3Q2002	2Q2002
Minimum price (€)	5.59	5.10	4.06	4.45	6.59
Maximum price (€)	6.26	6.07	5.84	6.49	8.39
Volume weighted average price	5.74	5.66	5.30	5.47	7.80
Number of shares traded	588.052	948.858	2.833.093	1.622.460	1.043.747
Market capitalization in the last day of the period (M€)	176.3	158.2	163.9	127.7	186.2



## Annex to the Board of Directors' Consolidated Management Report June 30, 2003

Publication of Shareholdings of Members of the Managing Bodies (no. 5, Art. 447 Com. Code)

Shareholders'	No. Shares	%	% Voting rights
José Afonso Oom Ferreira de Sousa	3,137,936	11.11%	11.12%
Pedro Miguel Quinteiro Marques de Carvalho	3,137,756	11.10%	11.12%
Rogério dos Santos Carapuça	2,352,195	8.32%	8.33%
Luís Paulo Cardoso Salvado	2,239,846	7.93%	7.94%
João Nuno da Silva Bento	2,239,746	7.93%	7.94%
Álvaro José da Silva Ferreira	1,010,676	3.58%	3.58%
João Filipe dos Santos Teixeira Neto	618,621	2.19%	2.19%
João Vasco Tavares da Mota Ranito	618,621	2.19%	2.19%
José Carlos de Almeida Pedro de Jesus	460,353	1.63%	1.63%
Nuno Miguel Isidoro Duarte	258,947	0.92%	0.92%
total	16,074,697	56.89%	56.96%

Publication of Shareholders' Holdings (no. 4, Art. 448 Com. Code)

Shareholders'	No. Shares	%	% Voting rights
José Afonso Oom Ferreira de Sousa	3,137,936	11.11%	11.12%
Pedro Miguel Quinteiro Marques de Carvalho	3,137,756	11.10%	11.12%
Banco Espírito Santo, SA	3,037,954	10.75%	10.76%
Rogério dos Santos Carapuça	2,352,195	8.32%	8.33%
Luís Paulo Cardoso Salvado	2,239,846	7.93%	7.94%
João Nuno da Silva Bento	2,239,746	7.93%	7.94%
Paulo Jorge Ferreira Andrez	1,020,501	3.61%	3.62%
Álvaro José da Silva Ferreira	1,010,676	3.58%	3.58%
Fernando Eduardo Ribeiro Marques	861,340	3.05%	3.05%
João Filipe dos Santos Teixeira Neto	618,621	2.19%	2.19%
João Vasco Tavares da Mota Ranito	618,621	2.19%	2.19%
José Carlos de Almeida Pedro de Jesus	460,353	1.63%	1.63%
Nuno Miguel Isidoro Duarte	258,947	0.92%	0.92%
Manuel Saldanha Fortes Tavares Festas	93,993	0.33%	0.33%
total	21,088,485	74.63%	74.72%

***1st Half of 2003 ACCOUNTS***

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

**Financial Statements**

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# ***1st Half of 2003 ACCOUNTS***

## **NOVABASE S.G.P.S., S.A. Financial Statements**

### **PRESENTATION BASIS FOR REPORT ON 1st HALF-YEAR OF 2003 ACCOUNTS**

Novabase S.G.P.S. Annual Report - 1st Half of 2003 Accounts presents simultaneously the Consolidated and Individual Accounts.

In keeping with prevailing legislation, this Report is presented according with the Portuguese Accounting Standards legislation. For a higher quality standard in the disclosure of the economic and financial status of Novabase Group, the Board of Directors defined this moment as adequate to restructure this new report and present the all relevant financial information in accordance with the International Best Practices, Rules and Standards, despite being mandatory only as of 2005 for all Euronext quoted corporations.

Consequently, this new Report on 1st Half of 2003 Accounts is presented in 4 parts, identified bellow (see Index on page 3):

#### **I. Accounting Elements Required by the Portuguese Accounting Standards**

This chapter includes the Accounting Elements Required by the Portuguese Accounting Standards, and the correspondent mandatory annexes to the referred accounting statements.

#### **II. Financial Statements - 2003 e 2002**

Under this chapter, it is presented a complete set of the Consolidated and Individual Financial Statements, Balance Sheets, Income Statements by nature and function, Cash Flow Statements and Shareholders' Equity Changes, as well as all the corresponding explaining notes.

#### **III. Financial Statements - Pro forma IAS - 2003 e 2002**

Despite for being only mandatory, starting in 2005, disclosing the Consolidated Accounts prepared in accordance with the International Accounting Standards (IAS) for a company listed in the Euronext Stock Exchange, the Board of Directors of Novabase decided to anticipate the disclosure of the IAS Consolidated Pro forma Balance Sheet and Income Statement as well as the reconciliation between the IAS and Portuguese GAAP in respect to the Consolidated Pro Forma Net Profit and Shareholders' Equity.

#### **IV. Board of Auditors, Auditor registered in the Portuguese Stock Exchange Authority and External Auditors Documents**

##### ***Regarding the Financial Statements prepared in accordance with the Portuguese Accounting Standards.***

Includes the complete Report Set, Opinion and Legal Certification for the Consolidate and Individual Accounts, related to Chapters I and II of this Annual Report - 1st Half of 2003 Accounts.

##### ***Regarding the Pro Forma - IAS Financial Statements***

Includes an External Audit Report on the Pro Forma Consolidate Balance Sheet and Profit and Loss Account, prepared in accordance with International Accounting Standards, related to Chapter III of this Annual Report - 1st Half of 2003 Accounts.

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# 1st Half of 2003 ACCOUNTS

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**I. ACCOUNTING ELEMENTS  
REQUIRED BY THE PORTUGUESE  
ACCOUNTING STANDARDS**



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

## Consolidated Balance Sheet as at June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	2003		2002
	Total Assets	Depreciations and Provisions	Net Assets
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible Fixed Assets</b>			
Establishment costs	925	653	272
Research and development costs	7 630	4 108	3 522
Industrial property and other rights	12 555	5 401	7 154
Business property rights	6 496	853	5 643
Work in progress	3 170	-	3 170
Goodwill arising on consolidation	11 385	4 139	7 246
	<b>42 161</b>	<b>15 154</b>	<b>27 007</b>
<b>Tangible Fixed Assets</b>			
Buildings and other constructions	1 013	483	530
Basic equipment	9 556	5 176	4 380
Transport equipment	3 631	2 638	993
Tools and utensils	106	33	73
Fixtures and fittings	5 891	4 698	1 193
Other tangible fixed assets	12	6	6
	<b>20 209</b>	<b>13 034</b>	<b>7 175</b>
<b>Financial Investments</b>			
Investments in associated companies	777	2	775
Loans to associated companies	-	-	-
Investments in other companies	18	-	18
Loans to other companies	-	-	-
Bonds and shares	8	-	8
Other financial investments	-	-	-
	<b>803</b>	<b>2</b>	<b>801</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>			
Raw materials, subsidiary goods and consumables	6 479	-	6 479
Semi-finished products and work	133	80	53
Finished products	2 148	-	2 148
Merchandise	1 998	386	1 612
	<b>10 758</b>	<b>466</b>	<b>10 292</b>
<b>Debtors - Short Term</b>			
Customers current accounts	34 071	-	34 071
Customers accounts - trade bills	1 310	-	1 310
Doubtful debts	2 281	2 281	-
Associated companies	274	-	274
Other shareholders	235	-	235
Advances to suppliers	1 441	-	1 441
Advances to fixed assets suppliers	-	-	-
State and other public entities	2 276	-	2 276
Other debtors	5 069	197	4 872
	<b>46 957</b>	<b>2 478</b>	<b>44 479</b>
<b>Marketable Securities</b>			
Marketable securities	636	-	636
Other treasury investments	1 200	-	1 200
	<b>1 836</b>	<b>-</b>	<b>1 836</b>
<b>Bank Deposits and Cash</b>			
Bank deposits	21 248	-	21 248
Cash in hand	47	-	47
	<b>21 295</b>	<b>-</b>	<b>21 295</b>
<b>Accruals and Deferrals</b>			
Accrued income	5 015	-	5 015
Deferred costs	3 952	-	3 952
Deferred tax assets	5 625	-	5 625
	<b>14 592</b>	<b>-</b>	<b>14 592</b>
<b>Total Depreciation</b>		<b>28 188</b>	
<b>Total Provisions</b>		<b>2 946</b>	
<b>TOTAL</b>	<b>158 611</b>	<b>31 134</b>	<b>127 477</b>
			<b>101 867</b>

See accompanying notes to the financial statements

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

## Consolidated Balance Sheet as at June 30, 2003 and 2002

(Amounts expressed in thousands of Euro)

	2002	2001
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14 128	14 128
Treasury stock	( 17)	( 508)
Share premium	35 153	35 153
Goodwill arising on consolidation	75	87
Reserves arising on consolidation	17 356	11 009
Reserves:	-	-
- Statutory reserves	1 225	752
- Free reserves	2 851	901
- Other reserves	-	-
Exchange differences arising on consolidation	( 2 337)	( 50)
Retained earnings	-	( 42)
	<b>68 434</b>	<b>61 430</b>
	<b>751</b>	<b>2 820</b>
<b>Total Equity</b>	<b>69 185</b>	<b>64 250</b>
Net profit attributable to minority interests	415	379
Reserves attributable to minority interests	5 344	3 796
<b>Total Minority Interests</b>	<b>5 759</b>	<b>4 175</b>
<b>LIABILITIES</b>		
<b>Provisions for liabilities and charges</b>		
Other provisions for liabilities and charges	50	-
	<b>50</b>	<b>-</b>
<b>Medium and Long Term Liabilities:</b>		
Credit institutions	8 500	-
Fixed assets suppliers	589	340
	<b>9 089</b>	<b>340</b>
<b>Short Term Liabilities:</b>		
Credit institutions	3 767	3 432
Advances from customers	61	-
Suppliers	16 186	8 921
Fixed assets suppliers	981	1 603
Associated companies	-	12
Other shareholders in group companies	485	288
State and other public entities	5 560	6 581
Other creditors	2 814	3 452
	<b>29 854</b>	<b>24 289</b>
<b>Accruals and Deferrals</b>		
Accrued costs	7 677	6 551
Deferred income	5 788	2 262
Deferred tax liabilities	75	-
	<b>13 540</b>	<b>8 813</b>
<b>Total Liabilities</b>	<b>52 533</b>	<b>33 442</b>
<b>Total Equity and Minority Interests</b>	<b>74 944</b>	<b>68 425</b>
<b>TOTAL</b>	<b>127 477</b>	<b>101 867</b>

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the financial statements

**NOVABASE S.G.P.S., S.A.**  
**Consolidated Income Statement by Nature**  
**for the Six Months Ended June 30, 2003 and 2002**

(Amounts expressed in thousands of Euros)

	<u>2002</u>	<u>2001</u>	
<b>EXPENSES</b>			
Cost of goods sold and consumed	24 142	13 893	
External supplies and services	15 737	13 269	
Personnel Expenses			
Salaries	15 179	13 674	
Social security charges	2 611	2 558	
Other	243	726	16 958
	<u>57 912</u>		<u>44 120</u>
Depreciation and amortisation	3 198	3 011	
Provisions	339	397	3 408
	<u>61 449</u>		<u>47 528</u>
Taxes	105	60	
Other operating costs	28	13	73
<b>(A)</b>	<u>61 582</u>		<u>47 601</u>
Interest and similar expenses	1 179	574	
Financial investments amortisation	598	-	574
<b>(C)</b>	<u>63 359</u>		<u>48 175</u>
Extraordinary expenses	2 459		182
<b>(E)</b>	<u>65 818</u>		<u>48 357</u>
Income tax	661		1 365
<b>(G)</b>	<u>66 479</u>		<u>49 722</u>
Minority interests	415		379
Consolidated net profit for the year	751		2 820
	<u>67 645</u>		<u>52 921</u>
<b>INCOME</b>			
Sales	30 951	19 325	
Services rendered	33 775	31 419	50 744
On work	640	905	
Supplementary earnings	1 069	76	
Subsidies for operations	88	94	
Other operating income	165	12	1 087
<b>(B)</b>	<u>66 688</u>		<u>51 831</u>
Other interest and similar income	533		518
<b>(D)</b>	<u>67 221</u>		<u>52 349</u>
Extraordinary income	424		572
<b>(F)</b>	<u>67 645</u>		<u>52 921</u>
<b>Operating results</b>	<b>(B) - (A)</b>	<b>5 106</b>	<b>4 230</b>
<b>Financial results</b>	<b>(D - B) - (C - A)</b>	<b>(1 244)</b>	<b>(56)</b>
<b>Current results</b>	<b>(D) - (C)</b>	<b>3 862</b>	<b>4 174</b>
<b>Profit before income tax</b>	<b>(F) - (E)</b>	<b>1 827</b>	<b>4 564</b>
<b>Net profit with minority interests</b>	<b>(F) - (G)</b>	<b>1 166</b>	<b>3 199</b>

See accompanying notes to the financial statements

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

## Individual Balance Sheet as at June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	2002			2001
	Gross Assets	Depreciations and Provisions	Net Assets	Net Assets
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Intangible Fixed Assets</b>				
Establishment costs	258	257	1	39
Research and development costs	3	2	1	2
Industrial property and other rights	-	-	-	-
Equity consolidation differences (Business property rights)	11 252	4 140	7 112	9 029
Work in progress	-	-	-	-
	<b>11 513</b>	<b>4 399</b>	<b>7 114</b>	<b>9 070</b>
<b>Tangible Fixed Assets</b>				
Buildings and other constructions	544	326	218	225
Basic equipment	46	37	9	18
Transport equipment	21	21	-	188
Tools and utensils	-	-	-	-
Fixtures and fittings	-	-	-	-
Other tangible fixed assets	-	-	-	-
	<b>611</b>	<b>384</b>	<b>227</b>	<b>431</b>
<b>Financial Investments</b>				
Investments in group companies	52 460	-	52 460	33 503
Loans to group companies	5 697	-	5 697	-
Investments in associated companies	-	-	-	-
Loans to associated companies	-	-	-	-
Bonds and other financial investments	-	-	-	-
Other loans	2	-	2	2
	<b>58 159</b>	<b>-</b>	<b>58 159</b>	<b>33 505</b>
<b>CURRENT ASSETS</b>				
<b>Inventories</b>				
Raw materials, subsidiary goods and consumables	-	-	-	-
Semi-finished products and work	-	-	-	-
Finished products	-	-	-	-
Merchandise	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Debtors - Short Term</b>				
Customers current accounts	9 800	-	9 800	4 085
Doubtful debts	434	434	-	-
Group companies	3	-	3	-
Other companies	-	-	-	-
Other shareholders	-	-	-	-
Advances to suppliers	924	-	924	8
Advances to fixed assets suppliers	-	-	-	-
State and other public entities	87	-	87	163
Other debtors	18 798	-	18 798	19 269
Subscribers of share capital	-	-	-	-
	<b>30 046</b>	<b>434</b>	<b>29 612</b>	<b>23 525</b>
<b>Marketable Securities</b>				
Marketable securities	612	-	612	612
Other treasury investments	-	-	-	11 267
	<b>612</b>	<b>-</b>	<b>612</b>	<b>11 879</b>
<b>Bank Deposits and Cash</b>				
Bank deposits	534	-	534	300
Cash in hand	-	-	-	1
	<b>534</b>	<b>-</b>	<b>534</b>	<b>301</b>
<b>Accruals and Deferrals</b>				
Accrued income	111	-	111	326
Deferred costs	9	-	9	22
Deferred tax assets	27	-	27	-
	<b>147</b>	<b>-</b>	<b>147</b>	<b>348</b>
<b>Total Depreciation</b>		<b>4 783</b>		
<b>Total Provisions</b>		<b>434</b>		
<b>TOTAL</b>	<b>101 622</b>	<b>5 217</b>	<b>96 405</b>	<b>79 059</b>

See accompanying notes to the financial statements

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

## Individual Balance Sheet as at June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	2002	2001
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14 128	14 128
Treasury stock	( 17)	( 508)
Share premium	35 153	35 153
Goodwill arising on the equity consolidation	-	-
Reserves arising on the equity consolidation	17 431	11 102
Reserves:	-	-
- Statutory reserves	1 225	752
- Free reserves	2 851	853
Exchange differences arising on the equity consolidation	( 2 337)	( 50)
Retained earnings	-	-
	<b>68 434</b>	<b>61 430</b>
	<b>751</b>	<b>2 820</b>
<b>Total Equity</b>	<b>69 185</b>	<b>64 250</b>
<b>LIABILITIES</b>		
<b>Medium and Long Term Liabilities:</b>		
Credit institutions	8 500	-
Fixed assets suppliers	-	-
	<b>8 500</b>	<b>-</b>
<b>Short Term Liabilities:</b>		
Credit institutions	4	1 336
Advances from customers	-	-
Suppliers	178	330
Fixed assets suppliers	-	177
Group companies	396	-
Other companies	-	-
Other shareholders	-	-
State and other public entities	560	124
Other creditors	17 209	12 449
	<b>18 347</b>	<b>14 416</b>
<b>Accruals and Deferrals</b>		
Accrued costs	298	362
Deferred income	-	31
Deferred tax liabilities	75	-
	<b>373</b>	<b>393</b>
<b>Total Liabilities</b>	<b>27 220</b>	<b>14 809</b>
<b>Total Equity and Liabilities</b>	<b>96 405</b>	<b>79 059</b>

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the financial statements

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

## Individual Statement of Income by Nature for the Six Months Ended June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	2002		2001	
<b>EXPENSES</b>				
Cost of goods sold and consumed		-		-
External supplies and services		226		296
Personnel Expenses				
Salaries	681		610	
Social security charges	62		64	
Other	3	746	5	679
		<b>972</b>		<b>975</b>
Depreciation and amortisation	6		690	
Provisions	-	6	-	690
		<b>978</b>		<b>1 665</b>
Taxes	4		-	
Other operating costs	15	19	2	2
<b>(A)</b>		<b>997</b>		<b>1 667</b>
Interest and similar expenses	3 006		1 873	
Financial investments amortisation	563	3 569	-	1 873
<b>(C)</b>		<b>4 566</b>		<b>3 540</b>
Extraordinary expenses		497		10
<b>(E)</b>		<b>5 063</b>		<b>3 550</b>
Income tax		244		56
<b>(G)</b>		<b>5 307</b>		<b>3 606</b>
Net Profit for the year		751		2 820
		<b>6 058</b>		<b>6 426</b>
<b>INCOME</b>				
Sales	-		-	
Services rendered	1 930	1 930	843	843
On work	-		-	
Supplementary earnings	20		-	
Subsidies for operations	-		-	
Other operating income	-	20	-	-
<b>(B)</b>		<b>1 950</b>		<b>843</b>
Other interest and similar income		4 057		5 492
<b>(D)</b>		<b>6 007</b>		<b>6 335</b>
Extraordinary income		51		91
<b>(F)</b>		<b>6 058</b>		<b>6 426</b>
<b>Operating results</b>	<b>(B) - (A)</b>	<b>953</b>		<b>(824)</b>
<b>Financial results</b>	<b>(D - B) - (C - A)</b>	<b>488</b>		<b>3 619</b>
<b>Current results</b>	<b>(D) - (C)</b>	<b>1 441</b>		<b>2 795</b>
<b>Profit before income tax</b>	<b>(F) - (E)</b>	<b>995</b>		<b>2 876</b>
<b>Net profit for the year</b>	<b>(F) - (G)</b>	<b>751</b>		<b>2 820</b>

See accompanying notes to the financial statements

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

## Annex to the Consolidated Balance Sheet and Income Statement by Nature June 30, 2003 and 2002

The following information is numbered sequentially as prescribed by the Portuguese Official Plan of Accounts for the compulsory disclosure of consolidated financial information.

- 1) The information on the companies included in the consolidation, their designation, head offices and percentage of capital held, as referred in no.1 of Article 1º from DL nº 238/91 of 2 July, are detailed in Notes 1, 4 and 5 to the Financial Statements.
- 2) As informações sobre as empresas excluídas da consolidação ao abrigo do artº4 do DL nº 238/91 de 2 de Julho, relativamente à firma, sede, fracção de capital detida e respectivos motivos de exclusão analisam-se na nota às Demonstrações Financeiras.
- 2) Information on subsidiary companies excluded from consolidation is presented in Note 5 to the Financial Statements.
- 3) The information regarding designation, head office, and percentage of capital held of associated companies consolidated by the equity method is presented in Note 5 to the Financial Statements.
- 4) Information on associate companies excluded from consolidation is presented in Note 5 to the Financial Statements.
- 5) The information regarding designation, head office, and percentage of capital held of the companies consolidated by the proportional method, as well as the facts concerning the jointly control is presented in Note 5 to the Financial Statements.
- 6) The information regarding designation, head office, and percentage of capital held of companies held at least 10% by companies included in the consolidation and mentioned in Notes 1 and 2 is presented in Note 5 to the Financial Statements.
- 7) The average personnel number in the companies accounted by the proportional and full consolidation method are broken down in Note 22 to the Financial Statements.
- 8) In our opinion, the rules and procedures applied as prescribed by DL nº 238/91 of 2 July are sufficient and adequate to present a true and fair view of the financial position and results of the companies included in the consolidation.
- 9) The consolidation rules prescribed in DL nº 238/91 of 2 July, were fully applied.
- 10) The heading Consolidation Differences are detailed in Note 4 to the Financial Statements and calculation methods used are presented in Note 1 to the Financial Statements.
- 11) All the consolidation procedures applied in 2002 were fully consistent with previous year.
- 12) The Consolidated Financial Statements include the assets, liabilities and shareholders' equity of all the companies accounted by the proportional and full consolidation method.
- 13) Both consolidated financial statements as the individual financial statements refer to the same period.
- 14) Changes in the consolidation perimeter are described in Note 5 to the Financial Statements.
- 15) The valuation criteria used in the consolidated financial statements and in the consolidated companies are presented in Note 1 to the Financial Statements - Accounting Policies.
- 16) No exceptional adjustments have been made to the value of assets exclusively for tax purposes that have not been eliminated from the consolidation.
- 17) Goodwill is depreciated on a straight-line method over a period of ten years, which is considered to be the period of time necessary to recover the investment.
- 18) The accounting criteria used to register financial investments by the consolidated companies are explained in Note 1 to the Financial Statements.
- 19) Associate companies accounted by its acquisition costs are identified in Note 5 to the Financial Statements.
- 20) The accounting policies used in each company individually are the same established for consolidation purposes.
- 21) Financial commitments not reflected in the consolidated balance sheet, are detailed by company in Notes 2 and 29, to the Financial Statements, and concern leasing charges and bank guarantees granted to third parties, respectively.
- 22) Note 29 to the Financial Statements details the responsibilities of the consolidated companies by nature, regarding guarantees given and identifies real guarantees.
- 23) Note 1 to the Financial Statements details the valuation criteria used in the consolidated Financial Statements, as well as the value adjustments calculation methods, namely amortisations and provisions.



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

## Annex to the Consolidated Balance Sheet and Income Statement by Nature June 30, 2003 and 2002

- 24 ) The amounts in foreign currencies included in the consolidated Financial Statements were translated to euros, according to the accounting rules described in Note 1 to the Financial Statements.
- 25 ) Establishment and Research & Development costs are detailed in Note 3 to the Financial Statements.
- 26 ) Business property rights are depreciated over a period of time between 3 and 10 years (see Note 3 to the Financial Statements).
- 27 ) Notes 2 and 3 to the Financial Statements, present the movements under fixed assets heading as well as respective provisions and depreciations.
- 28 ) No interest expense was capitalised during the year on loans to finance the acquisition of fixed assets.
- 29 ) There have been no adjustments made exclusively for tax purposes, of assets subject to amortisation, depreciation or extraordinary provisions.
- 30 ) There are no material differences between the book value and the market value of current assets.
- 31 ) All current assets items are shown at its fair value.
- 32 ) No stable decreases are expected for any item of current assets value.
- 33 ) There are no outstanding debts from customers with a maturity date over five years.
- 34 ) There are no liabilities included in the consolidated balance sheet that are secured by assets of the group.
- 35 ) There are no differences between amounts payable and the related amounts received.
- 36 ) Breakdown of net consolidated turnover, by geographic market and class is analysed in Note 20 to the Financial Statements.
- 37 ) No accounting policies were used that are not included in the Portuguese Official Chart of Accounts and no depreciation or extraordinary provisions were recorded exclusively for tax purposes.
- 38 ) The differences between taxes charged to the consolidated income statement for the year and previous years and the taxes paid or payable for these years are detailed in Note 28 to the Financial Statements.
- 39 ) The remuneration paid to the members of the Board of Directors and Statutory Auditor of Novabase S.G.P.S. and the group companies is described in Note 22 to the Financial Statements.
- 40 ) During the year, loans or advances were made by Novabase S.G.P.S., S.A. or its subsidiaries to the members of their statutory boards in the amount of 318 thousand euros. No interests were charged.
- 41 ) There were no asset revaluations or financial investments revaluations in the companies included in the consolidation, so there was no need to apply any legal rule to these operations.
- 42 ) There are no revaluation in fixed assets to be detailed.
- 43 ) As of the beginning of 2003 the group started to register the costs with amortization and goodwill under the Financial Costs heading. This costs were registered under the heading amortizations until December 2002. The Portuguese Accounting Standards Income Statement maintains the 2002 values, however, the Income Statement presented in Capt. II corrects the 2002 values according to the new criteria.
- 44 ) Financial results breakdown is presented in Note 25 to the Financial Statements.
- 45 ) Extraordinary Results breakdown is presented in Note 26 to the Financial Statements.
- 46 ) The movements under accumulated provisions are detailed in Notes 7, 8 and 9 to the Financial Statements.
- 47 ) Tangible assets with leasing contracts and its accounting value are described in Note 2 to the Financial Statements.
- 48 ) There are no securitised liabilities by balance sheet caption that are not disclosed in the balance sheet.
- 49 ) There is no further information required by legislation for disclosure.
- 50 ) Other relevant information for the understanding of the Financial Statements and companies results included in the consolidated accounts can be found in the Notes to the Financial Statements.

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

## **Annex to The Individual Balance Sheet and Income Statement by Nature June 30, 2003 and 2002**

Novabase's activities as a holding company are regulated by Decree-Law no. 495/88 of 30 December, with the changes made by Decree-Law no. 318/94 of 24 December and by Decree-Law no. 378/98 of 27 November, by the Commercial Company Code, by its articles of association and other applicable legislation.

- 1 ) The financial statements for the periods, were, in all material aspects, prepared in keeping with the Official Plan of Accounts.
- 2 ) As of the beginning of 2003 the group started to register the costs with amortization and goodwill under the Financial Costs heading. This costs were registered under the heading amortizations until December 2002. The Portuguese Accounting Standards Income Statement maintains the 2002 values, however, the Income Statement presented in Capt. II corrects the 2002 values according to the new criteria.
- 3 ) Accounting principles and valuation criteria are presented in Note 1 to the Financial Statements.
- 4 ) Exchange rate used to translate assets and liabilities debts are in accordance with Portuguese accounting standards, and described in Note 1 of the Financial Statements.
- 5 ) Current year results were not affected in order to obtain fiscal gains.
- 6 ) Income Tax provision and future effects on this heading are analysed in Note 28 to the Financial Statements.
- 7 ) The average number of Novabase S.G.P.S., S.A. employees is referred in Note 22 to the Financial Statements.
- 8 ) Establishment and Research & Development costs are detailed in Note 3 to the Financial Statements.
- 9 ) Goodwill is depreciated on a straight-line method over a period of ten years, which is considered to be the period of time necessary to recover the investment.
- 10 ) Movements occurred under the heading fixed assets are detailed in Notes 2 and 3 to the Financial Statements.
- 11 ) No interest expense was capitalised during the year on loans to finance the acquisition of fixed assets.
- 12 ) There were no asset revaluations or financial investments revaluations in the companies included in the consolidation, so there was no need to apply any legal rule to these operations.
- 13 ) There was no revaluation in fixed assets to be detailed.
- 14 ) Detail on the heading fixed assets and work in progress, as well as financial expenses incurred and accounted are analysed in Note 2 and 3 the Financial Statements.
- 15 ) Tangible assets with leasing contracts and its accounting value are described in Note 2 to the Financial Statements.
- 16 ) Information regarding designation, head office, and percentage of capital held of Group companies, associated and subsidiaries is presented in Note 5 to the Financial Statements.
- 17 ) The accounted value under the heading "Marketable Securities", regarding financial investments on other companies doesn't exceed 5% of the company current assets.
- 18 ) Novabase S.G.P.S., S.A. doesn't held any Fund.
- 19 ) There are no material differences between the book value and the market value of current assets.
- 20 ) All Current Assets items are shown at its fair value.
- 21 ) Based on a reasonable commercial review, no extraordinary provisions have been recorded for stable decreases in the value of current assets.
- 22 ) There are no inventory items out of the company.
- 23 ) The amount of doubtful debts corresponds to the amounts shown in the balance sheet.
- 24 ) During the year, loans or advances were made by Novabase S.G.P.S., S.A. or its subsidiaries to the members of their statutory boards in the amount of 318 thousand euros. No interests were charged.
- 25 ) Transactions with employees, assets and liabilities, are summarized in Note 9 to the Financial Statements.
- 26 ) There are no securitised liabilities by balance sheet caption that are not disclosed in the balance sheet.
- 27 ) No bonds, participating securities or other similar rights were issued during the fiscal year.

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

## Annex to The Individual Balance Sheet and Income Statement by Nature June 30, 2003 and 2002

- 28 ) The company has no outstanding debts to the State or other public entities.
- 29 ) There are no outstanding debts from customers with a maturity date over five years.
- 30 ) Third parties debts secured by assets of the company are detailed by nature, and balance sheet heading in Note 29 to the Financial Statements.
- 31 ) All the financial commitments not reflected in the balance sheet, are detailed by company in Note 29.
- 32 ) Note 29 to the Financial Statements details the responsibilities of the company by nature, regarding guarantees given and identifies real guarantees.
- 33 ) There are no differences between amounts payable and the related amounts received.
- 34 ) The movements under accumulated provisions are detailed in Notes 7, 8 and 9 to the Financial Statements.
- 35 ) During the fiscal year, no increase or reduction of share capital occurred, and at the end of 2002 Novabase S.G.P.S., S.A. share capital was fully subscribed and paid up.
- 36 ) Share capital detail, classification, number of shares and nominal value is detailed in Note 12 to the Financial Statements.
- 37 ) Total subscribed capital is not held by any individual company above 20%.
- 38 ) No shares were subscribed during the fiscal year.
- 39 ) There were no movements in revaluation reserves during the fiscal period.
- 40 ) Movements individual breakdown of equity headings are analysed as follows:

(Amounts expressed in thousands of Euros)

		<b>Opening Balance</b>	<b>Increases</b>	<b>Reductions</b>	<b>Closing Balance</b>
Share capital		14 128	-	-	14 128
Treasury stock		(12)	-	(5)	(17)
Share premium		35 153	-	-	35 153
Reserves arising on the equity consolidation		9 012	6 082	-	15 094
Legal reserves		752	473	-	1 225
Other reserves		942	1 909	-	2 851
Retained earnings		-	-	-	-
Net profit for the year	2001	9 459	-	(9 459)	-
	2002	-	751	-	751
		<b>69 434</b>	<b>9 215</b>	<b>(9 464)</b>	<b>69 185</b>

- 41 ) During the fiscal year, no movements occurred under the inventories heading.
- 42 ) There were no increases / decreases between years in ending balance of inventories.
- 43 ) The remuneration paid to the members of the Board of Directors and Statutory Auditor of Novabase S.G.P.S. is described in Note 22 to the Financial Statements.
- 44 ) Breakdown of net turnover, by geographic market and class is analysed in Note 20 to the Financial Statements.
- 45 ) Financial Results are detailed in Note 25 to the Financial Statements.
- 46 ) Extraordinary Results can be analysed in Note 26 to the Financial Statements.
- 47 ) Under the terms of point 1 of article 21 of DL no. 411/91 of 17 October, we declare that the company has no outstanding debts to Social Security.
- 48 ) Other relevant information for the understanding of the Financial Statements and companies included in the consolidated accounts can be found in the Notes to the Financial Statements.

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

## **Annex to the Consolidated and Individual Statement of Cash Flows June 30, 2003 and 2002**

The following information is numbered sequentially as prescribed by the Portuguese Plan of Accounts and Accounting Directive no. 14 and corresponds to the Consolidated and Individual Cash Flow Statements.

- 1 ) Information regarding acquisitions and disposals of subsidiaries and other company activities are included in Notes 5 to the Financial Statements.
- 2 ) Cash Items and Cash Equivalents are broken down in Note 11 to the Financial Statements.
- 3 ) No financial activities non monetary were registered during the fiscal period.
- 4 ) The segmentation of the Group's business activities in terms of cash flow is not applicable in view of the fact that the consolidated financial statements were not segmented.
- 5 ) No other information was consider relevant for the Consolidated Cash flow statement interpretation.

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**II. FINANCIAL STATEMENTS**  
**June 30, 2003 and 2002**

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

## Consolidated Balance Sheet as at June 30, 2003 and 2002

	Notes	2003	2002
(Thousands of Euros)			
<b>Assets</b>			
Tangible fixed assets	2	7 175	6 857
Intangible fixed assets	3	19 761	10 729
Goodwill arising on consolidation	4	7 246	10 267
Financial investments	5	801	414
Deferred tax assets	6	5 625	1 452
Total non Current Assets		40 608	29 719
Inventories	7	10 292	8 799
Customers	8	35 381	27 282
Other debtors	9	9 098	3 561
Accrual and deferral assets	10	8 967	7 593
Marketable securities	11	1 836	12 520
Cash and deposits in banks	11	21 295	12 393
Total Current Assets		86 869	72 148
		127 477	101 867
<b>Shareholders' Equity</b>			
Share capital	12	14 128	14 128
Treasury stock	14	(17)	(508)
Share premium		35 153	35 153
Reserves and retained earnings	15	19 170	12 657
Consolidated net profit for the year	15	751	2 820
Total Equity		69 185	64 250
Minority interests	16	5 759	4 175
<b>Liabilities</b>			
Credit institutions	17	8 500	-
Fixed assets suppliers	18	589	340
Provisions	19	50	-
Deferred tax liabilities	6	75	-
Total non Current Liabilities		9 214	340
Credit institutions	17	3 767	3 432
Fixed assets suppliers	18	981	1 603
Suppliers		16 186	8 921
Other creditors	9	8 920	10 333
Accrual and deferral liabilities	10	13 465	8 813
Total Current Liabilities		43 319	33 102
Total Liabilities		52 533	33 442
		127 477	101 867

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the financial statements

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

## Consolidated Income Statement for the Six Months Ended June 30, 2003 and 2002

	Notes	2003	2002
(Thousands of Euros)			
Sales	20	30 951	19 325
Cost of goods sold		<u>24 142</u>	<u>13 893</u>
<b>Gross Margin</b>		<u>6 809</u>	<u>5 432</u>
<i>Other operating Earnings</i>			
Services rendered	20	33 775	31 419
Own works		640	905
Supplementary income and subsidies for operations		1 157	170
Other operating income		<u>165</u>	<u>12</u>
		<u>35 737</u>	<u>32 506</u>
		<u>42 546</u>	<u>37 938</u>
<i>Other operating Costs</i>			
External supplies and services	21	15 737	13 269
Employee expenses	22	18 033	16 958
Provisions	23	339	397
Other operating costs		<u>133</u>	<u>73</u>
		<u>34 242</u>	<u>30 697</u>
Gross Operating Results (EBITDA)		8 304	7 241
Asset depreciation / amortisation	24	<u>3 198</u>	<u>2 214</u>
Operating Results (EBIT)		5 106	5 027
Financial Gains / (Losses)	25	(646)	(56)
Financial investments amortisation	25	<u>(598)</u>	<u>(797)</u>
Current Results		3 862	4 174
Extraordinary Gains / (Losses)	26	207	390
Non-recurrent costs	26	<u>(2 242)</u>	<u>-</u>
Results Before Taxes		1 827	4 564
Income tax provision	28	1 681	2 076
Deferred tax provision	28	<u>(1 020)</u>	<u>(711)</u>
Net profit for the year		1 166	3 199
Minority interests		<u>415</u>	<u>379</u>
<b>Attributable Net Profit for the year</b>		<u>751</u>	<u>2 820</u>
<b>Net Profit per Share - Average - Euros</b>	12	<u>0.03 euros</u>	<u>0.10 euros</u>

See accompanying notes to the financial statements



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

## Individual Balance Sheet as at June 30, 2003 and 2002

	Notes	2003	2002
(Thousands of Euros)			
<b>Assets</b>			
Tangible fixed assets	2	227	431
Intangible fixed assets	3	2	41
Goodwill arising on equity consolidation	4	7 112	9 029
Financial investments	5	58 159	33 505
Deferred tax assets	6	27	-
Total non Current Assets		65 527	43 006
Customers	8	9 800	4 085
Other debtors	9	19 812	19 440
Accrual and deferral assets	10	120	348
Marketable securities	11	612	11 879
Cash and deposits in banks	11	534	301
Total Current Assets		30 878	36 053
		96 405	79 059
<b>Shareholders' Equity</b>			
Share capital	12	14 128	14 128
Treasury stock	14	(17)	(508)
Share premium		35 153	35 153
Reserves and retained earnings	15	19 170	12 657
Net Profit for the year	15	751	2 820
Total Equity		69 185	64 250
<b>Liabilities</b>			
Credit institutions	17	8 500	-
Fixed assets suppliers	18	-	-
Deferred tax liabilities	6	75	-
Total non Current Liabilities		8 575	-
Credit institutions	17	4	1 336
Fixed assets suppliers	18	-	177
Suppliers		178	330
Other creditors	9	18 165	12 573
Accrual and deferral liabilities	10	298	393
Total Current Liabilities		18 645	14 809
Total Liabilities		27 220	14 809
		96 405	79 059

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

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

## Individual Income Statement for the Six Months Ended June 30, 2003 and 2002

	Notes	2003	2002
		(Thousands of Euros)	
Sales		-	-
Cost of goods sold		-	-
Gross Margin		-	-
<i>Other operating Earnings</i>			
Services rendered	20	1 930	843
Supplementary income and subsidies for operations		20	-
		1 950	843
		1 950	843
<i>Other operating Costs</i>			
External supplies and services	21	226	296
Employee expenses	22	746	679
Provisions	23	-	-
Other operating costs		19	2
		991	977
Gross Operating Results (EBITDA)		959	(134)
Asset depreciation /amortisation	24	6	93
Operating Results (EBIT)		953	(227)
Financial Gains / (Losses)	25	1 051	3 619
Financial investments amortisation	25	(563)	(597)
Current Results		1 441	2 795
Extraordinary Gains / (Losses)	26	(446)	81
Results Before Taxes		995	2 876
Income tax provision	28	219	56
Deferred tax provision		25	-
Net profit for the year		751	2 820
Net profit per share - Average - Euros	12	0.03 euros	0.10 euros

See accompanying notes to the financial statements

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

## Consolidated and Individual Income Statement by Function for the Six Months Ended June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	Consolidated		Individual	
	2002	2001	2002	2001
Sales and services rendered	64 726	50 744	1 930	843
Cost of sales and services rendered	(49 922)	(35 265)	(83)	(657)
<b>Gross Profit</b>	<b>14 804</b>	<b>15 479</b>	<b>1 847</b>	<b>186</b>
Other operating income	2 524	1 849	49	440
Distribution costs	(423)	(524)	(5)	(7)
Administrative costs	(3 524)	(2 646)	(683)	-
Other operating costs	(10 436)	(8 889)	(723)	(429)
<b>Operating Results</b>	<b>2 945</b>	<b>5 269</b>	<b>485</b>	<b>190</b>
Net finance cost	(628)	(285)	(92)	(227)
Gains / (losses) in subsidiaries and associate companies	(607)	(632)	409	2 713
Gains / (losses) from other investments	117	212	193	200
<b>Current Results</b>	<b>1 827</b>	<b>4 564</b>	<b>995</b>	<b>2 876</b>
Income tax before extraordinary items	(661)	(1 365)	(244)	(56)
<b>Current Results after Income Tax</b>	<b>1 166</b>	<b>3 199</b>	<b>751</b>	<b>2 820</b>
Minority Interests	(415)	(379)	-	-
<b>Consolidated Net Profit for the year</b>	<b>751</b>	<b>2 820</b>	<b>751</b>	<b>2 820</b>
<b>Net Profit per share - Average - Euros</b>	<b>0.03 euros</b>	<b>0.10 euros</b>	<b>0.03 euros</b>	<b>0.10 euros</b>

THE CHARTERED ACCOUNTANT

THE BOARD OF DIRECTORS

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

## Consolidated and Individual Statement of Cash Flows for the Six Months Ended June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	Consolidated	Individual
	2003	2003
<b><i>Cash flows arising from operating activities</i></b>		
Amounts received from customers	77 296	608
Payments to suppliers	(55 318)	(103)
Payments to employees	(17 965)	(1 053)
Cash Flow Generated by Operations	4 013	(548)
Income tax reimbursed / (paid)	(487)	180
Other operating proceeds / (payments)	(3 666)	(792)
Cash Flow generated before extraordinary items	(4 153)	(612)
Proceeds related to extraordinary items	383	1
Payments related to extraordinary items	(1 357)	(9)
Cash Flow generated by operating activities	(1 114)	(1 168)
<b><i>Cash flows arising from investment activities</i></b>		
Proceeds:		
Financial investments	-	-
Tangible fixed assets	485	-
Intangible fixed assets	-	-
State subsidies to investments	-	-
Interests and similar earnings	473	63
Dividends	-	-
Cash Flow generated by investment activities	958	63
Payments:		
Financial investments	(3 694)	(9 305)
Tangible fixed assets	(847)	-
Intangible fixed assets	(2 697)	-
Cash Flow generated by investment activities	(6 280)	(9 242)
<b><i>Cash flows arising from financing activities</i></b>		
Proceeds:		
Loans	2 500	4 000
Share capital increases and share premium	-	-
Own shares disposal	1 544	1 544
Cash Flow generated by financing activities	4 044	5 544
Payments:		
Loans	-	(1 500)
Rents and leasing	-	-
Interests and similar costs	(1 123)	(201)
Bonus to employees	-	-
Own shares acquisitions	(1 616)	(1 616)
Cash Flow generated by financing activities	(2 739)	(3 317)
Cash and equivalents variation	1 305	2 227
Cash and equivalents at the beginning of the year	(6 089)	(8 183)
Cash and equivalents at the end of the year	25 542	9 325
Cash and equivalents at the end of the year	19 453	1 142

See accompanying notes to the financial statements

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

## Consolidated Statement of Changes in Shareholders' Equity for the Six Months Ended June 30, 2003 and 2002

(Amounts expressed in thousands of Euros)

	<b>Total Equity</b>	<b>Equity</b>	<b>Share premium</b>	<b>Legal reserves</b>	<b>Other Reserves and retained earnings</b>	<b>Own shares</b>
<b>Balance at 31 December 2001</b>	<b>63 381</b>	<b>14 128</b>	<b>35 153</b>	<b>319</b>	<b>13 825</b>	<b>(44)</b>
Transfer to reserves:						
Legal reserve	-	-	-	433	(433)	-
Employee bonus	(923)	-	-	-	(923)	-
Own shares movements	32	-	-	-	-	32
Consolidated net profit for the year	9 459	-	-	-	9 459	-
Consolidation exchange differences	(2 729)	-	-	-	(2 729)	-
Other consolidation reserves	214	-	-	-	214	-
<b>Balance at 31 December 2002</b>	<b>69 434</b>	<b>14 128</b>	<b>35 153</b>	<b>752</b>	<b>19 413</b>	<b>(12)</b>
Transfer to reserves:						
Legal reserve	-	-	-	473	(473)	-
Employee bonus	(751)	-	-	-	(751)	-
Own shares movements	(67)	-	-	-	(62)	(5)
Consolidated net profit for the year	751	-	-	-	751	-
Consolidation exchange differences	207	-	-	-	207	-
Other consolidation reserves	(389)	-	-	-	(389)	-
<b>Balance at 30 June 2003</b>	<b>69 185</b>	<b>14 128</b>	<b>35 153</b>	<b>1 225</b>	<b>18 696</b>	<b>(17)</b>

See accompanying notes to the financial statements

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

## Notes to Financial Statements

June 30, 2003 and 2002

### 1. Accounting Policies

#### a) Basis of Preparation

Novabase, S.G.P.S., SA (hereunder referred to as Novabase or the company), originally set up under the name Novabase – Sistemas de Informação e Base de Dados, Lda., is the oldest company in the Novabase Group, and as the Group's Holding Company holds and manages the shares in all Group companies. It was set up on 11 May 1989 and its main activity until 1999 was the development and marketing information technology solutions.

On 23 December 1999, the company changed its name and purpose and was converted into a holding company with the object of managing shareholdings in other companies as an indirect way of doing business.

The consolidated financial statements of Novabase, SGPS were prepared according to Decree-Law no. 238/91 of 2 July, which lays down the rules for the consolidation of accounts in Portugal. Novabase as the parent company of Novabase Group holds shares in subsidiaries and associated companies. Subsidiaries are those that constitute long-term investments and in which Novabase directly or indirectly holds 50% or more of the shares or where, although it holds less than 50%, Novabase has control. Associated companies are those constituting a long-term investment in which Novabase holds between 20% and 50% of the shares but does not exercise control and which are merely complementary to Novabase's business.

The notes to the financial statements detailed in section II "Financial Statements" are numbered sequentially as prescribed by the Portuguese Official Plan of Accounts. All the individual and consolidated financial information established by the Portuguese Official Plan of Accounts and described in section I "Notes to the Financial Statements", is fully presented and detailed.

#### b) Basis of Consolidation

##### *Reference Dates*

The consolidated financial statements include all the assets, liabilities and results from Novabase S.G.P.S., S.A. and its subsidiaries, as referred in notes 4 and 5, as well as the proportion of results in the associated companies, in respect to the period ended June 30, 2003 and 2002.

##### *Investments in Subsidiaries*

Subsidiaries are those that constitute long-term investments and in which Novabase directly or indirectly holds 50% or more of the shares or where, although it holds less than 50%, Novabase has control. These companies are fully consolidated. The inter-company transactions and balances have been eliminated in the consolidation process. The minority interests in these investment are presented in consolidated balance sheet as detailed in note 16.

##### *Investments in Associated Companies*

Associated companies are those enterprises in which Novabase holds between 20% and 50% of the shares, does not exercise control, but has significant influence. These companies are consolidated by the equity method, and the consolidated financial statements include the Group's share in the net profit and equity. For jointly controlled entities was used the proportional consolidation method, where the consolidated financial statements include the Group's proportion of the enterprises' assets, liabilities, revenue and expenses on a line by line basis.

##### *Goodwill arising on consolidation (or negative goodwill)*

Corresponds to the difference between the acquisition value of the associated companies and the correspondent equity value of the companies at acquisition date. This differences, when positives, are amortised by the straight-line method, over a period of 10 years. The period of ten years for the amortisation of Goodwill is the estimated period of time by the Board of Directors, to recover the investment made.

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Positive changes in Goodwill are periodically reviewed and adjustments related with permanent value losses are made whenever

Negative goodwill is identified when the fair value of the assets and liabilities of the acquired company are superior to the acquisition cost. The difference is allocated to the non monetary assets of the acquired company, in the proportion of its fair values, being recognized in Profit and Loss statement account according with the life value of the assets identified.

*Investments in Foreign Subsidiaries*

In the consolidation process, all the assets and liabilities from subsidiaries in foreign currencies have been converted to Euros at the exchange rates on the dates of the balance sheets. The results of these subsidiaries have been converted to euros at the average exchange rate for the year. Foreign exchange differences arising on translation of equity at the beginning of the year and results are recognized directly in reserves.

*Criteria for accounting the shareholdings, in Individual basis, of Subsidiaries and Associated Companies*

The financial investments in associated companies and subsidiaries in an individual basis are accounted by the equity method as prescribed in Accounting Directive no.9.

According with this method, the participation are initially recorded by the acquisition cost. This cost is accrued or reduced by the difference between the price paid and the fair value of the acquired assets. The difference, when positive (goodwill), or negative (negative goodwill) is registered under the heading Intangible Assets - Goodwill arising on consolidation.

According with the equity method, financial investments in associate companies are annually adjusted by the value correspondent to the participation in the equity of the associate companies. The counterpart of this value is accounted under Profit and Loss. In result, dividends received from this companies are recorded as a reduction to the financial investment value.

Potencial losses with permanent character are provisioned.

*Other Investments*

Investments in other companies with a percentage of capital held less than 20%, and without management control by the Group have been recorded at purchase price, and the earnings recognized when received.

*c) Accruals and Deferrals*

Revenues and expenses have been recorded in accordance with the accrual concept, regardless of the time at which they are received or paid. Differences between amounts received and paid and the corresponding receivements and expenses generated are recorded under accruals and deferrals headings.

Revenues from consulting projects, classified as "time and materials" are recognized when with services rendered.

Revenues from consulting projects, classified as "turn key" (or "closed contract") are recognized according with Accounting Directive no. 3 through the conclusion percentage method, a ratio between costs incurred, contracted billing, and calculation of costs to incur until the end of the project. This method allows to adjust the accrual and deferrals headings in order to reflect the real result of each project at the end of the financial period.

*d) Accounts receivable*

Accounts receivable have been entered at their net value, which is determined taking into account the necessary provisions for doubtful debts. These provisions are based on the assessment of estimated losses resulting from uncollected debts at the end of each year.

*e) Amounts owed for holidays and holiday subsidies*

In accordance with Portuguese current legislation, workers have annually the right to two months of salary, holidays and holidays subsidy, acquired in the previous year of the payment. The workers have also the annual right to a Christmas month, acquired during that year and paid each December. This responsibilities are registered in the respective period in witch the right as acquired, despite the payment date of that right.

*f) Marketable Securities*

Marketable securities have been recorded at its purchase price.

*g) Assets and Liabilities in Foreign Currency*

All the assets and liabilities in foreign currencies have been converted to Euros at the exchange rates on the dates of the balance sheets.

The favourable and unfavourable exchange differences between the exchange rates on the dates of the transactions and those of the date of collection, payment or balance sheet have been recorded as gains or losses in the profit and loss account for the year.

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*h) Tangible Fixed Assets*

Tangible fixed assets are recorded at purchase price. The purchase price of a good is the sum of its purchase price and all the expenses supported direct or indirectly to maintain the good at its actual state of conservation.

The costs of improving assets in order to prolong their working life are capitalized, maintenance, conservation and repairmen are recorded as costs when incurred.

Depreciation is calculated from the date on which an asset goes into operation, using the straight-line method according to its estimated useful life, which is not significantly different from the maximum annual rates allowed for tax purposes, as shown below:

	Years
• Buildings and other constructions	20 to 50
• Basic equipment	3 to 4
• Tools and utensils	4
• Transport equipment	4
• Fixtures and fittings	3 to 10

*i) Intangible fixed assets and amortisations*

Intangible fixed assets include the goodwill mentioned below, incorporation expenses, research and development costs and the costs of intellectual property and other rights. These headings are depreciated on a straight-line method over a period of three years, with the exception of goodwill, which is depreciated over a period of ten years.

*j) Work in Progress*

Current fixed assets refer to the ongoing internal development of software products and are valued on the basis of the cost of the hours spent by the employees involved, the costs directly associated thereto and outsourcing costs. As soon as the project or product is placed on the market, these values are transferred to the research and development costs heading.

*k) Leasing and Other Rentals*

Leasing contracts for tangible assets have been recorded in fixed assets accounts whenever the Group assumes all the benefits and risks associated with ownership of the assets in question. The value at which these acquisitions are capitalised is the present value of future rents. The liability to third parties for the principal sum of outstanding lease instalments is shown under liabilities; the lease assets are depreciated over their estimated useful lives (see note h) above) and the interest component of the lease payment is expensed in the period to which it relates.

As this valuation principle is not used in the individual accounts, the financial statements consolidated after 31 December 1998 have been adjusted to show a true and fair view of the financial situation and results of the companies included in the consolidation, as laid down in Accounting Directive no. 25. Adjustment detail is shown in note 2.

*l) Inventories*

The stocks of goods, raw and subsidiary materials have been recorded at cost price plus purchase expenses, which is lower than the market value.

In the case of finished and semi-finished products, the production cost includes, in addition to direct costs, general manufacturing expenses determined on the basis of the respective percentage of completion.

The amounts needed to reduce the value of stocks to their net realisable value, whenever a fall in value is estimated, are shown in the provision for inventory depreciation.

*m) Start-up Costs*

The companies in the Group currently being launched generally capitalise most of the costs of their projects and recognise only their operating expenses in the profit and loss account.

*n) Subsidies granted to finance fixed assets*

Non-repayable subsidies granted to finance fixed assets have been recorded on the balance sheet under the heading of deferred income for subsequent recognition in the statement of profit and loss of each fiscal year, in proportion to the depreciation of the subsidised assets. The part of the subsidy recognised as income is included in the consolidated extraordinary income of the year.



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*o) Income Tax*

Current taxes are calculated in a individual basis, in accordance with the current tax law, considering the amount of tax estimated to be paid. Deferred taxes are calculated at the date of the balance sheet referred to the differences in time between the fiscal and accounting basis, in accordance with IAS n° 12 and Accounting directive no 28.

The company's foreign subsidiaries are taxed according to the local laws.

*p) Comparative figures*

The consolidated financial statements are consistent with those of last year and there are no cases in which it is necessary to implement, alter or discontinue the accounting principles or policies applied, with the exception to note 43 of the Annex to the Consolidated Balance Sheet and Income Statement by Nature.

*q) Subsidies for Operations*

Subsidies for Operations aimed at cost coverage, either registered or incurred, with the development of professional training courses. This subsidies are registered simultaneously with costs, when incurred.

*r) Balance Sheet classification*

Assets and liabilities with more than one year are recorded under medium and long term assets and liabilities, respectively.

*s) Publicity Campaigns*

Expenses with publicity campaigns, when related with the launch of new products, are recorded under deferred costs. This costs are amortised over a period of three years starting at the conclusion of the campaigns.

## 2. Tangible Fixed Assets

The detail of **Tangible fixed assets** is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Buildings and other constructions	1 013	992	544	544
Basic equipment	9 556	7 633	46	46
Transport equipment	3 631	4 315	21	452
Tools and utensils	106	59	-	-
Fixtures and fittings	5 891	1 595	-	-
Other tangible fixed assets	12	12	-	-
	<b>20 209</b>	<b>14 606</b>	<b>611</b>	<b>1 042</b>
<i>Accumulated Depreciation</i>				
Amortisation of the year	(1 842)	(1 422)	(5)	(11)
Previous years amortisation	(11 192)	(6 327)	(379)	(600)
	<b>(13 034)</b>	<b>(7 749)</b>	<b>(384)</b>	<b>(611)</b>
	<b>7 175</b>	<b>6 857</b>	<b>227</b>	<b>431</b>

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On the 1st Half of 2003, the movements for the Group under the headings Tangible fixed assets were as follows:

	Opening Balance Euro'000	Acquisitions / Charges Euro'000	Disposals Euro'000	Transfers Euro'000	Variations in perimeter Euro'000	Closing Balance Euro'000
<i>Cost :</i>						
Buildings and other constructions	994	19	-	-	-	1 013
Basic equipment	7 877	497	(130)	1 312	-	9 556
Transport equipment	3 801	-	(297)	-	127	3 631
Tools and utensils	125	1	(20)	-	-	106
Fixtures and fittings	1 418	330	(164)	552	3 755	5 891
Other tangible fixed assets	12	-	-	-	-	12
	<u>14 227</u>	<u>847</u>	<u>(611)</u>	<u>1 864</u>	<u>3 882</u>	<u>20 209</u>
	Opening Balance Euro'000	Acquisitions / Charges Euro'000	Disposals Euro'000	Transfers Euro'000	Variations in perimeter Euro'000	Closing Balance Euro'000
<i>Accumulated Depreciation :</i>						
Buildings and other constructions	443	40	-	-	-	483
Basic equipment	4 348	958	(130)	-	-	5 176
Transport equipment	2 320	428	(237)	-	127	2 638
Tools and utensils	42	2	(11)	-	-	33
Fixtures and fittings	750	299	(101)	552	3 198	4 698
Other tangible fixed assets	6	-	-	-	-	6
	<u>7 909</u>	<u>1 727</u>	<u>(479)</u>	<u>552</u>	<u>3 325</u>	<u>13 034</u>

Leasing contracts on tangible assets, for the Group, have been recorded under Fixed assets - transport equipment, as prescribed by Accounting Directive no. 25 (see note I)). The accounting effects on the consolidated financial statements were as follows:

	Purchase Cost Euro'000	Accumulated depreciation Euro'000	Depreciation for the year Euro'000	Interests Euro'000	Rents Euro'000	Future Rents Euro'000
<i>Transport equipment :</i>						
- Fiscal Period 2003	2 476	1 811	313	105	477	658
- Fiscal Period 2002	2 995	1 960	329	92	364	1 255

During the 1st Half of 2003, the movements under the headings Tangible fixed assets and its depreciation for the Individual accounts were as follows:

	Opening Balance Euro'000	Acquisitions / Charges Euro'000	Disposals Euro'000	Transfers Euro'000	Variations in perimeter Euro'000	Closing Balance Euro'000
<i>Cost :</i>						
Buildings and other constructions	544	-	-	-	-	544
Basic equipment	46	-	-	-	-	46
Transport equipment	21	-	-	-	-	21
Tools and utensils	-	-	-	-	-	-
Fixtures and fittings	-	-	-	-	-	-
Other tangible fixed assets	-	-	-	-	-	-
	<u>611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>611</u>
	Opening Balance Euro'000	Acquisitions / Charges Euro'000	Disposals Euro'000	Transfers Euro'000	Variations in perimeter Euro'000	Closing Balance Euro'000
<i>Accumulated Depreciation :</i>						
Buildings and other constructions	322	4	-	-	-	326
Basic equipment	36	1	-	-	-	37
Transport equipment	21	-	-	-	-	21
Tools and utensils	-	-	-	-	-	-
Fixtures and fittings	-	-	-	-	-	-
Other tangible fixed assets	-	-	-	-	-	-
	<u>379</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384</u>

### 3. Intangible fixed assets

Intangible fixed assets are analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Establishment costs	925	1 491	258	258
Research and development costs	7 630	5 062	3	3
Industrial property and other rights	12 555	304	-	-
Business property rights	6 496	3 585	-	-
Work in progress	3 170	4 444	-	-
	<b>30 776</b>	<b>14 886</b>	<b>261</b>	<b>261</b>
<i>Accumulated Amortisation</i>				
Business property rights amortisations for the year	(371)	(128)	-	-
Intangible assets amortisations for the year	(5 411)	(842)	(1)	(38)
Previous years amortisations	(5 233)	(3 187)	(258)	(182)
	<b>(11 015)</b>	<b>(4 157)</b>	<b>(259)</b>	<b>(220)</b>
	<b>19 761</b>	<b>10 729</b>	<b>2</b>	<b>41</b>

The heading amortisations of 5 411 thousand euros includes an extraordinary amortisation of 242 thousand euros, accounted in the extraordinary expenses heading, according to the new accounting rules for the Impairment valuation of Intangible assets. The Board of Directors decided for a prudence reason, to increase the amortisation of some Fixed assets in the value identified above.

During the 1st Half of 2003, movements under Intangible fixed assets heading and its amortisation for the Group accounts were as follows:

	Opening Balance Euro'000	Acquisitions / Charges Euro'000	Disposals Euro'000	Transfers Euro'000	Variations in perimeter Euro'000	Closing Balance Euro'000
<i>Cost :</i>						
Establishment costs	2 009	-	(2 065)	(552)	1 533	925
Research and development costs	7 131	593	(785)	691	-	7 630
Industrial property and other rights	5 844	1 932	-	-	4 779	12 555
Business property rights	6 415	81	-	-	-	6 496
Work in progress	4 022	1 151	-	(2 003)	-	3 170
	<b>25 421</b>	<b>3 757</b>	<b>(2 850)</b>	<b>(1 864)</b>	<b>6 312</b>	<b>30 776</b>
<i>Accumulated Amortisation :</i>						
Establishment costs	1 480	230	(2 038)	(552)	1 533	653
Research and development costs	3 043	1 066	-	(1)	-	4 108
Industrial property and other rights	229	393	-	-	4 779	5 401
Business property rights	481	371	-	1	-	853
	<b>5 233</b>	<b>2 060</b>	<b>(2 038)</b>	<b>(552)</b>	<b>6 312</b>	<b>11 015</b>

The main increases in Industrial property and other rights values concern to the acquisition process of the software Siglo XXI licence rights, and the value paid to General Electric for the non competition clause in the Novabase IIS participation acquisition process.

In line with its information technology investment policy, in 2001, the company acquired some business areas, namely:

- Document management system
- Interactive TV market with special emphasis on sports
- Health services through web systems

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**Business property rights** heading is analysed as follows:

Business	Amortization Years	Novabase Company	Investment cost Euro'000	Accumulated amortization Euro'000	Net value Euro'000
ATX Projects	10 years	Novabase Consulting	2 759	138	2 621
Health Web Site	3 years	Novabase Consulting	400	144	256
RH Outsourcing	10 years	NBO Recursos em TI	1 678	204	1 474
Document Management System	10 years	Novabase Int. Processos	1 245	280	965
Interactive TV	10 years	TV Lab	414	87	327
			<u>6 496</u>	<u>853</u>	<u>5 643</u>

The heading **Research and development** costs includes the cost of projects for developing internal computer systems and research projects in specific areas, sometimes with foreign partners. Some of these projects are being co-funded under strategic EU programs.

On 30 June 2003, the main projects accounting under this heading were the following:

	Company	Investment Cost Euro'000	Accumulated amortization Euro'000	Net Value Euro'000
<b>Services and Products Development Projects</b>				
ASP	Novabase Outsourcing	1 144	746	398
Template SAP	Novabase ERP	149	79	70
Implementation in Brazil	Novabase ERP	220	53	167
IED	Novabase Porto	233	135	98
Intercare	Novabase Porto	153	122	31
Lusa	Novabase Consulting	174	126	48
Oracle	Novabase Consulting	88	71	17
Interactive TV	Octal, S.A.	495	495	-
MAVB	Octal, S.A.	515	272	243
BILLAB	Octal, S.A.	232	45	187
SIGMA	Octal, S.A.	315	315	-
Eunice	Octal, S.A.	168	168	-
Software NB Brasil	Novabase Brasil	465	248	217
CSI	Novabase Saúde	718	361	357
Innovation and Technology	Novabase Desen. Medida	498	214	284
New Concept	Deltafor	623	35	588
Others	-	860	507	353
<b>Internal Improvement Projects</b>				
Arco Íris	Novabase Consulting	224	43	181
Internationalisation	Novabase Consulting	332	64	268
EPM	Novabase Consulting	24	9	15
		<u>7 630</u>	<u>4 108</u>	<u>3 522</u>

Novabase ASP is the first "Quality of Service ASP" to be launched in Portugal. The main features of this type of ASP are its exclusive focus on corporate applications (e.g., ERP, CRM) and the provision of a high-quality service both in its implementation and operating phases. This package of services includes application accommodation or rental services or even making these applications available in a telecommunications network.

The Template SAP – AP project consists of developing the SAP template for public financial administration. This template is designed to meet the needs of public agencies with regard to the sectorial accounting plans.

The implementation project in Brazil consists of the creation of skills in Brazil in the implementation of ERPs, especially SAP.

The IED application is a software solution to be implemented simultaneously in several physical locations of the same company, or different companies with the purpose of structuring and improving the information management system. The improvement in the information sharing through several business processes reduces costs and logistics inefficiencies, and allows a higher quality information

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MAVB was developed under the project MAVB 2000 and is a machine designed specifically to respond to several needs of the transport operators. Includes sales central managing and supplies tickets with electronic format and without contact, offering also several payment solutions.

With the BILLAB project, Octals objective was to endow the company of development means, in a real environment of all the ticketing solutions offered by the company. This solution, composed by all the product components allows the company to test and develop the behaviour of new elements and to integrate new solutions. The constant innovation with this solution enables the company to be always ready to face new requests by the transport operators.

The "CSI – Cuidados de Saúde Integrados" project offers a line of health products oriented towards the administrative and clinical areas of public and private health facilities. CSI covers the sophisticated processes of business management, scheduling, information flows, billing, fees, records, nursing and a top-management solution providing support for decision making.

Innovation and Technology projects are focused in the Quality Control area, with the development of tools for testing software and performance, and also with the development of prototypes related to emerging new technologies by creating libraries and code generators incorporated in future projects.

The project New Concept oriented to the Learning market, consists on the development of a e-learning base software, and it is in reality a new concept of learning, applied to several subjects, namely software, in a multilanguage version.

The two Internal improvement projects, "Arco Íris" and "EPM" concentrate efforts in the definition of new internal procedures, with the clear objective of improving the organizational structure. This will be accomplished by the development of internal competences in the Project Management process, through the definition of templates and management tools, to be used internally in the organisation and also to commercialise this solution.

Internationalisation project intends to establish an organizational structure and know how, of a technical, commercial and business prospect support for the Internacionalisation project of Novabase Consulting.

Under the heading **Work in progress / Ongoing projects** most of the detailed projects below are directly connected with Research and development costs.

On 30 June 2003, the company's main ongoing projects are:

Company		Opening Balance Euro'000	Increases Euro'000	Transfers Euro'000	Closing Balance Euro'000
<b>Services and Products Development Projects</b>					
Innovation and Technology	Novabase Desen. Medida	150	-	-	150
Validoctor	Novabase Data Quality	80	55	-	135
SAP BW	Novabase Sup. Decisão	88	-	-	88
New Concept	Deltafor	623	-	(623)	-
Industry	MIND	237	85	-	322
Libraries	MIND	94	35	-	129
POSI	MIND	75	-	(38)	37
New Media	MIND	19	17	-	36
Smart Sketch	MIND	33	-	(16)	17
Ecodrive	MIND	33	-	(16)	17
Technical Training	Flag	123	-	-	123
Development Brazil	Novabase Brasil	534	1	(1)	534
Outsourcing Project	Novabase Consulting	379	342	-	721
Web TV	Octal TV	-	63	-	63
Corporate Audio on TV	ONTV	-	60	-	60
Corporate Audio on TV	TV LAB	-	53	-	53
API - "Walking card"	OCTAL SA	41	14	-	55
UBA2004	OCTAL SA	56	-	-	56
Other	-	154	222	(6)	370
<b>Internal Improvement Projects</b>					
SAP	Novabase Serviços	1 303	-	(1 303)	-
SAP - Improvements	Novabase Serviços	-	80	-	80
Quality 2003	Novabase Consulting	-	124	-	124
		4 022	1 151	(2 003)	3 170

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On going projects are mainly focused in tailor made development of software and products, intended to fulfill several economic activities needs :

Classified as Innovation and Technology projects we find a tailor-made development tool to achieve a greater efficiency in database management.

Industry - This tailor made ongoing project consists on a specific software development to be used by the shoe industry.

Under this heading we can also find other investment projects of qualification development in new business areas and models, in Outsourcing and Development Brazil projects respectively.

Under Internal improvement projects we have ongoing a development and implementation project of software platforms, that are the support to the Decision Making process of the company, with the objective of increasing the internal efficacy of the information management system.

During 2003, the movements occurred in Intangible fixed assets for the individual accounts were as follows:

	<b>Opening Balance Euro'000</b>	<b>Acquisitions / Charges Euro'000</b>	<b>Disposals Euro'000</b>	<b>Transfers Euro'000</b>	<b>Variations in perimeter Euro'000</b>	<b>Closing Balance Euro'000</b>
<i>Cost :</i>						
Establishment costs	258	-	-	-	-	258
Research and development costs	3	-	-	-	-	3
	<u>261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>261</u>
<i>Accumulated Depreciation :</i>						
Establishment costs	257	-	-	-	-	257
Research and development costs	1	1	-	-	-	2
	<u>258</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259</u>

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**4. Goodwill arising on consolidation**

On 30 June 2003, the headging Goodwill arising on consolidation, resulting from the difference between the book value of shares and the value of the proportion of the equity that they represent, is analysed as follows:

	<b>Group</b>			<b>Individual</b>		
	<b>Net value Euro'000</b>	<b>Accumulated amortisation Euro'000</b>	<b>Gross differences Euro'000</b>	<b>Net value Euro'000</b>	<b>Accumulated amortisation Euro'000</b>	<b>Gross differences Euro'000</b>
<b><i>Division Novabase Consulting :</i></b>						
Novabase Porto	507	(644)	1 151	507	(644)	1 151
NBO Recursos em TI	1 182	(696)	1 878	1 182	(696)	1 878
Novabase Desenvolvimento à Medida	606	(107)	713	606	(107)	713
Novabase Data Quality	722	(127)	849	722	(127)	849
Novabase Suporte à Decisão	1 500	(843)	2 343	1 500	(843)	2 343
CFOCUS	622	(110)	732	622	(110)	732
Mentor.it	29	(2)	31	29	(2)	31
Praetor II	410	(209)	619	-	-	-
Praetor III	117	(76)	193	-	-	-
	<b>5 695</b>	<b>(2 814)</b>	<b>8 509</b>	<b>5 168</b>	<b>(2 529)</b>	<b>7 697</b>
<b><i>Division Engineering Solutions:</i></b>						
Novabase IIS	557	(29)	586	-	-	-
Novabase IIS - negative goodwill	(1 684)	450	(2 134)	-	-	-
Octal - Engenharia de Sistemas	289	(177)	466	289	(177)	466
OnTV	200	(107)	307	200	(107)	307
	<b>(638)</b>	<b>137</b>	<b>(775)</b>	<b>489</b>	<b>(284)</b>	<b>773</b>
<b><i>Division Novabase Capital:</i></b>						
Novabase Capital S.G.P.S.	759	(491)	1 250	759	(491)	1 250
Flag	597	(94)	691	-	-	-
Flag Beat	77	(10)	87	-	-	-
MIND	395	(213)	608	395	(213)	608
Sapi 2 ci	301	(623)	924	301	(623)	924
Manchete	56	(29)	85	-	-	-
Clipanúncios	2	(1)	3	-	-	-
Dinamo	2	(1)	3	-	-	-
	<b>2 189</b>	<b>(1 462)</b>	<b>3 651</b>	<b>1 455</b>	<b>(1 327)</b>	<b>2 782</b>
	<b>7 246</b>	<b>(4 139)</b>	<b>11 385</b>	<b>7 112</b>	<b>(4 140)</b>	<b>11 252</b>
<i>Amortisations for the year</i>		(227)			(563)	
<i>Extraordinary amortisations</i>		(795)			(488)	

Following the new IAS requirements / demandings on Impairment of Intangible fixed assets valuation, and in a prudent management position, the Board of Directors decided to account the total extraordinary amortisation of the Goodwill arising from the acquisition of Novabase Gestão Empresarial and Novabase Saúde and a half of SAPI2 net goodwill. This decision was made taking into account the current needs imposed by the restructuring business lines process that is taking place in Novabase Group.

The value of the extraordinary amortisation of 795 thousands of euros is registered under Extraordinary results, note 26.

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On 30 June 2003, the return on investments made by Novabase Group (impairment review) is analysed as follows:

	% Stake Group	Goodwill value	Accumulated amortisation	Accumulated attributable results	Net return	Coverage factor %
			(A)	(B)		(C)=(B)/(A)
<b>Division Novabase Consulting :</b>						
Novabase Porto	70.00%	1 151	(644)	869	225	135%
NBO Recursos em TI	100.00%	1 878	(696)	5 293	4 597	760%
Novabase Desenvolvimento à Medida	94.95%	713	(107)	3 805	3 698	3 556%
Novabase Data Quality	96.00%	849	(127)	1 900	1 773	1 496%
Novabase S. Decisão / PraetorII / PraetorIII	96.52%	3 155	(1 128)	3 554	2 426	315%
CFOCUS	86.00%	732	(110)	1 964	1 854	1 785%
<b>Division Engineering Solutions:</b>						
Octal - Engenharia de Sistemas	100.00%	466	(177)	3 501	3 324	1 978%
Novabase IIS	83.40%	586	(29)	1 128	1 099	3 890%
Novabase IIS - negative goodwill	83.40%	(2 134)	450	-	-	(i)
OnTV	51.00%	307	(107)	600	493	561%
<b>Division Novabase Capital:</b>						
Novabase Capital S.G.P.S.	100.00%	1 250	(491)	824	333	168%
MIND	50.00%	608	(213)	189	(24)	(ii)
Sapi 2 ci	50.00%	924	(623)	116	(507)	(iii)
Flag	100.00%	778	(104)	596	492	573%
Others		122	(33)	-	(33)	-
		11 385	(4 139)	24 339	19 750	

- (i) Nobavase Gruop recognizes the profit related with this 'negative goodwill', simultaneously with the fiscal results that are being generated by Novabase IIS, in order to use the accumulated fiscal losses existent at the date of acquisition of this company.
- (ii) The company Mind is passing through a stabilisation process of its the economic life cycle, a sustained growth is predicted for their results during the next years.
- (iii) In a prudent management position, the Board of Directors decided to account the extraordinary amortisation of half of SAPI2 Goodwill, as referred in note 26.

## 5. Financial investments

This heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
<b>Investments :</b>				
Subsidiary companies	-	-	52 460	33 503
Associated companies	777	388	-	-
Other companies	18	18	-	-
	795	406	52 460	33 503
<b>Bonds and Shares :</b>				
Subsidiary companies	-	-	-	-
Other companies	8	8	2	2
	8	8	2	2
<b>Financing Loans :</b>				
Subsidiary companies	-	-	5 697	-
	-	-	5 697	-
<b>Provisions for financial investments :</b>				
Investments	-	-	-	-
Other	(2)	-	-	-
	(2)	-	-	-
	801	414	58 159	33 505



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The detail of the values under the heading **Investments** is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Subsidiary Companies :</b>				
<b><i>Division 'Novabase Consulting' :</i></b>				
Novabase Consulting	-	-	10 387	2 841
Novabase Suporte à Decisão	-	-	1 573	1 306
Novabase Data Quality	-	-	2 819	2 781
Novabase Saúde	-	-	632	956
Novabase Porto	-	-	625	864
NBO Recursos em TI	-	-	4 445	3 386
Novabase Integração de Processos	-	-	150	164
Novabase Desenvolvimento à Medida	-	-	4 763	4 151
Novabase Geoinformação	-	-	127	65
Novabase Outsourcing (ASP)	-	-	2 130	2 311
Novabase ERP - Gestão Empresarial	-	-	-	(76)
Novabase Brasil	-	-	-	-
Novabase Consulting Spain	-	-	485	950
Novabase Gestão de Activos	-	-	48	50
Mentor.it	-	-	-	(35)
SAF	-	-	323	204
CFOCUS	-	-	1 975	841
Other	-	-	1	-
<b><i>Division 'Novabase Engineering Solutions' :</i></b>				
Octal - Engenharia de Sistemas	-	-	9 508	5 924
Octal TV	-	-	5 475	1 348
OnTV	-	-	540	337
TVLab	-	-	354	270
<b><i>Division 'Novabase Capital' :</i></b>				
Novabase Capital S.G.P.S.	-	-	4 011	3 968
Sapi 2 ci, Consultadoria Informática	-	-	36	84
MIND	-	-	221	115
<b><i>Novabase Shared Services:</i></b>				
Novabase Serviços	-	-	1 832	698
	-	-	52 460	33 503
<b>Associated Companies and Other:</b>				
Manchete	-	11	-	-
ATX - Software SA	500	-	-	-
Clipanúncios	27	68	-	-
Dínamo	191	190	-	-
Setcom	-	88	-	-
SAF Spain	10	10	-	-
WRC	15	15	-	-
Tape	4	4	-	-
Intelcart	2	2	-	-
Plano B	9	9	-	-
Octal gmbH	6	6	-	-
Gedotecom	3	-	-	-
Octal Germany	21	-	-	-
Other	7	3	-	-
	795	406	-	-
	795	406	52 460	33 503

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The following changes on the Novabase Group consolidated perimeter occurred during 1st Half of 2003:

- Novabase IIS and Novabase Infraestruturas SGPS were acquired in the first half of 2003, and included in the consolidation by the full consolidation method.

The companies included by the full consolidation method on 30 June 2003 were the following:

Holding company, Subsidiaries and Associates	Head Office and country	Share Capital Dec 2002 Euros	Equity Dec 2002 Euro'000	Results Dec 2002 Euro'000	Shareholding % Group	Shareholding % Individual
<b>Parent company - Group holding :</b>						
Novabase S.G.P.S., S.A.	Lisbon - Portugal	14 127 982	69 185	751	-	-
<b>Division 'Novabase Consulting' :</b>						
Novabase Consulting	Lisbon - Portugal	750 000	11 455	(356)	74.81%	74.81%
Novabase Suporte à Decisão	Lisbon - Portugal	199 520	1 788	16	96.52%	96.52%
Novabase Data Quality	Lisbon - Portugal	250 000	2 942	32	96.00%	96.00%
Novabase Saúde	Lisbon - Portugal	2 500 000	857	(285)	100.00%	100.00%
Novabase Porto	Oporto - Portugal	100 000	580	(142)	70.00%	70.00%
NBO Recursos em TI	Lisbon - Portugal	50 000	4 586	457	100.00%	100.00%
Novabase Integração de Processos	Lisbon - Portugal	150 000	171	(130)	90.00%	90.00%
Novabase Desenvolvimento à Medida	Lisbon - Portugal	750 000	5 277	184	94.95%	94.95%
Novabase Geoinformação	Lisbon - Portugal	50 000	156	11	100.00%	100.00%
Novabase Outsourcing (ASP)	Lisbon - Portugal	2 500 000	2 483	(100)	92.50%	92.50%
Novabase ERP - Gestão Empresarial	Lisbon - Portugal	450 000	(142)	(199)	100.00%	100.00%
(i) Novabase Brasil	Sº Paulo - Brazil	10 150 000	1 127	(523)	59.84%	-
Novabase Consulting Spain	Madrid - Spain	1 000 000	99	(407)	95.00%	95.00%
Novabase Gestão de Activos	Lisbon - Portugal	50 000	48	(1)	100.00%	100.00%
CFOCUS	Lisbon - Portugal	150 000	2 347	496	86.00%	86.00%
(ii) CelFOCUS	Lisbon - Portugal	100 000	1 780	438	47.30%	(ii)
Mentor.it	Lisbon - Portugal	50 000	(184)	(47)	80.00%	80.00%
(iii) Praetor II	Lisbon - Portugal	6 235	15	5	96.52%	(iii)
(iii) Praetor III	Lisbon - Portugal	5 487	47	(3)	96.52%	-
SAF	Lisbon - Portugal	325 000	326	5	51.00%	51.00%
<b>Division 'Novabase Engineering Solutions' :</b>						
(iv) Novabase Infraestruturas SGPS	Oeiras - Portugal	16 959	14 942	(11)	83.40%	-
(v) Novabase IIS	Oeiras - Portugal	70 500	3 163	1 363	83.40%	-
Octal - Engenharia de Sistemas	Lisbon - Portugal	3 000 000	8 337	82	100.00%	100.00%
(vi) Octal Ingeniería de Sistemas	Madrid - Spain	120 202	93	(15)	75.00%	-
(vii) Octal TV	Lisbon - Portugal	250 000	7 261	910	60.67%	51.00%
OnTV	Lisbon - Portugal	100 000	1 015	174	51.00%	51.00%
TVLab	Lisbon - Portugal	525 000	725	96	50.00%	50.00%
<b>Division 'Novabase Capital' :</b>						
Novabase Capital S.G.P.S.	Lisbon - Portugal	2 500 000	4 096	(105)	100.00%	100.00%
(viii) Deltafor	Lisbon - Portugal	200 000	1 005	14	100.00%	-
(ix) Flag	Lisbon - Portugal	240 000	(389)	27	100.00%	-
(x) Flag Beat	Lisbon - Portugal	5 000	473	115	100.00%	-
Sapi 2 ci, Consultadoria Informática	Oporto - Portugal	60 100	153	(15)	50.00%	50.00%
(xi) Sapi 2 pi, Projectos Informáticos	Oporto - Portugal	5 000	(32)	(50)	50.00%	-
<b>Novabase Shared Services:</b>						
Novabase Serviços	Lisbon - Portugal	250 000	2 021	1 049	100.00%	100.00%

(i) Novabase Brasil is held by Novabase Consulting in 80%. Novabase Consulting also holds, transitionally, an additional 19% stake of this company accounted under the heading 'Other Assets' to be transferred to the local management.

(ii) 55% of the shares are held by Cfocus.

(iii) The shares are held entirely by Novabase Suporte à Decisão.

(iv) 100% of the shares are held by Novabase IIS

(v) 83.4% of the shares are held by Octal.

(vi) 75% of the shares are held by Octal.

(vii) 51% of the shares are held by Novabase SGPS and 9.67% by Octal.

(viii) The shares are held entirely by Novabase Capital.

(ix) The shares are held entirely by Deltafor.

(x) The shares are held entirely by Flag.

(xi) The shares are held entirely by SAPI2 CI.

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The following company was included in the consolidation using the proportional method on 30 June 2003:

<b>Holding company, Subsidiaries and Associates</b>	<b>Head Office and country</b>	<b>Share Capital Dec 2002 Euros</b>	<b>Equity Dec 2002 Euro'000</b>	<b>Results Dec 2002 Euro'000</b>	<b>Shareholding % Group</b>	<b>Shareholding % Individual</b>
MIND	Lisbon - Portugal	300 000	583	92	50.00%	50.00%

The companies consolidated using the equity method on 30 June 2003 were as follows:

<b>Holding company, Subsidiaries and Associates</b>	<b>Head Office and country</b>	<b>Share Capital Dec 2002 Euros</b>	<b>Equity Dec 2002 Euro'000</b>	<b>Results Dec 2002 Euro'000</b>	<b>Shareholding % Group</b>	<b>Shareholding % Individual</b>
Superemprego	Lisbon - Portugal	500 000	(93)	-	36.25%	-
Manchete	Lisbon - Portugal	150 000	174	11	25.00%	-
Clipanúncios	Lisbon - Portugal	450 000	64	(123)	25.00%	-
Dinamo	Lisbon - Portugal	300 000	478	12	40.00%	-

The following companies have been entered at purchase cost:

	<b>Shareholding % Group</b>	<b>Shareholding % Individual</b>
Tape	1%	0%
Intelcart	10%	0%
Octal GMBH (Dormant) (i)	50%	0%
Plano B (Dormant) (i)	75%	0%
SAF Spain (Dormant) (i)	45%	0%
WRC	5%	0%
Gedotcom (i)	70%	0%
ATX Software (ii)	51%	0%

(i) This companies were considered not materially relevant, and therefore were not included in the consolidation.

(ii) ATX Software was excluded from consolidation and accounted at its purchase cost, by the value defined for its sales option to be exercised in January 2004, of 500 thousand euros.

ATX Projects activity included in this company related with the program contract established with BES Group, is currently being transferred to the company Novabase Porto.

Financial Investments movements occurred in 1st Half of 2003 are analysed as follows:

#### 1. Acquisitions

During 1st Half of 2003, the major acquisitions are analysed as follows :

<b>Purchased company</b>	<b>% shareholding</b>	<b>Purchaser company</b>
Novabase Saúde	45.00%	Novabase SGPS
Novabase Infraestruturas SGPS	83.40%	Octal
Novabase IIS	83.40%	Octal
Mentor.it	2.50%	Novabase SGPS
Gedotecom	70.00%	Octal

#### 2. Disposals

During 1st Half of 2003, the major disposals are analysed as follows :

<b>Sold company</b>	<b>% shareholding</b>	<b>Vendor company</b>
Novabase Porto	30.00%	Novabase SGPS

## 6. Deferred Tax - Assets and Liabilities

Novabase Group recognises the tax effects on timing differences that arose from the time of recognition for accounting and tax purposes, in accordance with the International Accounting Standard no.28.

Deferred tax assets and liabilities breakdown by company is as follows:

	Tax Assets		Tax Liabilities	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Novabase SGPS	27	-	75	-
Novabase Consulting	297	42	-	-
Novabase Suporte à Decisão	377	165	-	-
Novabase Data Quality	215	-	-	-
Novabase Saúde	-	269	-	-
Novabase Porto	278	68	-	-
NBO Recursos em TI	1	-	-	-
Novabase Integração de Processos	-	38	-	-
Novabase Desenvolvimento à Medida	229	-	-	-
Novabase Geoinformação	65	-	-	-
Novabase Outsourcing (ASP)	196	26	-	-
Novabase ERP - Gestão Empresarial	304	289	-	-
Novabase Brasil	-	-	-	-
Novabase Consulting Espanha	-	-	-	-
Novabase Gestão de Activos	1	-	-	-
CFOCUS	224	229	-	-
CelFOCUS	-	-	-	-
Mentor.it	150	92	-	-
Praetor II	-	1	-	-
Praetor III	17	-	-	-
Novabase Infraestruturas SGPS	-	-	-	-
Octal - Engenharia de Sistemas	101	-	-	-
Octal Ingeniería de Sistemas	-	-	-	-
Octal TV	-	-	-	-
OnTV	619	-	-	-
TVLab	256	-	-	-
Novabase IIS	1 684	-	-	-
Deltafor	40	2	-	-
SAF	216	-	-	-
Flag	14	-	-	-
Flag Beat	-	-	-	-
Novabase Capital	182	30	-	-
Sapi 2 ci, Consultadoria Informáticos	-	-	-	-
Sapi 2 pi, Projectos Informáticos	-	-	-	-
Novabase Serviços	132	201	-	-
Other	-	-	-	-
	5 625	1 452	75	-

Movements on Deferred tax assets and liabilities are analysed as follows:

	Tax Assets		Tax Liabilities	
	Grupo Euro '000	Individual Euro '000	Grupo Euro '000	Individual Euro '000
Opening balance	3 465	-	50	50
<i>Increases due to:</i>				
Fiscal losses	(313)	-	-	-
Fiscal benefits:				
- Jobs (Net Creation)	310	-	-	-
- Investments in I&D	84	-	-	-
Provisions	-	27	25	25
Accelerated amortisations	-	-	-	-
Consolidation perimeter variations	2 134	-	-	-
Other	(55)	-	-	-
Change for the year	2 160	27	25	25
Closing balance	5 625	27	75	75

## 7. Inventories

This heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Merchandise	1 998	390	-	-
Finished products	2 148	1 918	-	-
Semi-finished products and work	133	184	-	-
Raw materials, subsidiary goods and consumables	6 479	6 327	-	-
	10 758	8 819	-	-
Provision for inventory depreciation	(466)	(20)	-	-
	10 292	8 799	-	-

Movements in Provision for inventory depreciation are analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Opening balance	30	20	-	-
Consolidation perimeter variations	389	-	-	-
Change for the year	58	-	-	-
Utilizations	(11)	-	-	-
	466	20	-	-

## 8. Accounts receivable

On 30 June 2003, Accounts receivable analysis by activity sector is the following:

	Group 2003 Euro'000	Individual 2003 Euro'000
<b>Portuguese Customers :</b>		
Public administration and public service companies	6 736	3
Hospitals and other health services	1 906	3
Banks and insurance	7 294	-
Industry and services	8 914	9 791
Transport and mailing	2 962	-
Telecommunications and media	6 228	3
Other entities	260	-
	34 300	9 800
<b>Foreign Customers :</b>		
Public administration and public service companies	27	-
Hospitals and other health services	7	-
Banks and insurance	142	-
Industry and services	697	-
Transport and mailing	-	-
Telecommunications and media	186	-
Other entities	22	-
	1 081	-
	35 381	9 800
Doubtful debts	2 281	434
Provision for doubtful debts	(2 281)	(434)
	35 381	9 800

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The movements on **Doubtful debts provision** are analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Opening balance	1 870	1 173	434	463
Consolidation perimeter variations	526	-	-	-
Change for the year	323	378	-	(29)
Write-offs	(438)	-	-	-
	<b>2 281</b>	<b>1 551</b>	<b>434</b>	<b>434</b>

Until June 2003 were delivered to factoring companies with contracts in a form of full factor (or Without recourse), some client debts in a total amount of 27 582 euros. The values are detailed as follows:

	Factor Company	Type	Value (Euro '000)
NBO Recursos em TI	Eurogés	Full Factoring	103
NBO Recursos em TI	Lusofactor	Full Factoring	867
Novabase Porto	Eurogés	Full Factoring	292
Novabase Desenvolvimento à Medida	Lusofactor	Full Factoring	337
Novabase Suporte à Decisão	Eurogés	Full Factoring	216
Novabase Suporte à Decisão	Lusofactor	Full Factoring	532
Novabase Consulting	Eurogés	Full Factoring	433
Novabase Consulting	Lusofactor	Full Factoring	2 520
Octal - Engenharia de Sistemas	BCP Factor	Full Factoring	976
Octal TV	BCP Factor	Full Factoring	1 022
Octal TV	BBVA	Full Factoring	14 694
Novabase IIS	Lusofactor	Full Factoring	5 590
			<b>27 582</b>

## 9. Other debtors and Other creditors

The value under **Other debtors** is detailed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
State and other public entities				
- Corporate income tax - IRC	1 408	495	86	163
- Value added tax	690	122	-	-
- Other taxes	178	107	1	-
Associated companies	274	161	3	-
Other shareholders	235	-	-	-
Other Debtors				
- Advances to suppliers	1 441	295	924	8
- Employees	284	199	-	-
- Advances to board members	318	29	318	29
- Financial investments disposals	1 300	-	-	-
- Subsidies receivable	2 616	-	-	-
- Receiving values from full factoring operations	273	-	-	-
- Cash-pooling intra-group	-	-	15 173	18 743
- Other debtors and operations	278	2 350	3 307	497
	<b>9 295</b>	<b>3 758</b>	<b>19 812</b>	<b>19 440</b>
Provision for other debtors	(197)	(197)	-	-
	<b>9 098</b>	<b>3 561</b>	<b>19 812</b>	<b>19 440</b>

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Movements on Doubtful debts provision are analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Opening balance	197	-	-	-
Change for the year	-	197	-	-
	197	197	-	-

The value under **Other creditors** is detailed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
State and other public entities				
- Corporate income tax - IRC	881	2 314	236	-
- Personal income tax - withhold at source	1 105	991	53	57
- Social Security contributions	1 145	950	23	20
- Value added tax	2 426	2 317	248	47
- Other taxes	3	9	-	-
Other shareholders in group companies	485	288	396	-
Advances on sales	211	-	-	-
Other creditors				
- Employees	772	1 712	-	76
- Creditors from encumbered subscriptions	-	-	2 071	1 976
- Cash-pooling intra-group	-	-	13 524	9 667
- Payable values from factoring operations	-	-	-	-
- Other creditors and operations	1 892	1 752	1 614	730
	8 920	10 333	18 165	12 573

## 10. Accruals and Deferrals - Assets and Liabilities

**Accruals and deferrals - assets** are analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Accrued income :				
- Receiving interests	113	15	111	13
- Ongoing projects	4 090	5 685	-	-
- Other accrued income	812	728	-	313
	5 015	6 428	111	326
Deferred costs :				
- Software maintenance	251	-	-	-
- Rents	55	-	-	-
- Insurance	344	8	9	-
- Pluri-annual maintenance	71	-	-	-
- Publicity	1 909	-	-	-
- Other deferred costs	1 322	1 157	-	22
	3 952	1 165	9	22
	8 967	7 593	120	348

The interests from financial applications to be received in the respective liberation date were registered this year.

Software maintenance contracts have been licensed by third parties. In order to account for these services correctly, costs and profits were accrued and deferred and will be shown in the next period results.

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Accruals and deferrals - **liabilities** are analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Accrued costs :				
- Holidays and holiday subsidies and other personnel costs	5 582	4 218	223	152
- Interest payable	48	35	-	-
- Software licences	306	-	-	-
- Marketing campaigns	-	-	-	210
- Other accrued costs	1 741	2 298	75	-
	<b>7 677</b>	<b>6 551</b>	<b>298</b>	<b>362</b>
Deferred income :				
- Subsidies	2 558	331	-	31
- Deferred billing	2 706	676	-	-
- Software maintenance	300	645	-	-
- Other deferred income	224	610	-	-
	<b>5 788</b>	<b>2 262</b>	<b>-</b>	<b>31</b>
	<b>13 465</b>	<b>8 813</b>	<b>298</b>	<b>393</b>

#### 11. Cash, Deposits in Banks and Marketable Securities

**Cash and cash equivalents** heading is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Cash Items :				
- Cash	47	59	-	1
	<b>47</b>	<b>59</b>	<b>-</b>	<b>1</b>
Deposits in Banks :				
- Short term bank deposits	6 555	4 318	534	300
- Long term bank deposits	14 693	8 016	-	-
- Other deposits	-	-	-	-
	<b>21 248</b>	<b>12 334</b>	<b>534</b>	<b>300</b>
	<b>21 295</b>	<b>12 393</b>	<b>534</b>	<b>301</b>

**Marketable Securities** heading is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Investment securities :				
- Portugal Telecom shares	585	585	585	585
- PT Multimédia shares	27	27	27	27
- Other bonds	24	41	-	-
	<b>636</b>	<b>653</b>	<b>612</b>	<b>612</b>
Other Cash Investments :				
- Finance investments in Portuguese banks	1 200	11 867	-	11 267
- Finance investments in foreign banks	-	-	-	-
	<b>1 200</b>	<b>11 867</b>	<b>-</b>	<b>11 267</b>
	<b>1 836</b>	<b>12 520</b>	<b>612</b>	<b>11 879</b>



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Regarding the consolidate and Individual Cash Flow Statements, the detail and description of **Cash items and Cash equivalents** is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Cash Items :				
- Cash	47	59	-	1
- Deposits in banks	21 248	12 334	534	300
- Investment securities	636	653	612	612
	<b>21 931</b>	<b>13 046</b>	<b>1 146</b>	<b>913</b>
Cash Equivalents :				
- Other cash investments	1 200	11 867	-	11 267
- Overdrafts	(3 678)	(414)	(4)	(36)
	<b>(2 478)</b>	<b>11 453</b>	<b>(4)</b>	<b>11 231</b>
Cash and Cash Equivalents	<b>19 453</b>	<b>24 499</b>	<b>1 142</b>	<b>12 144</b>

## 12. Share Capital

The Share Capital, fully subscribed, of Euro 14 127 982, is represented by 28 255 964 shares with a face value of Euro 0.5 each.

In June 2001, the company increased its Share Capital. The amount was fully subscribed and paid up to the value of EUR 27 982, by the issue of 55 964 new ordinary shares with a face value of EUR 0.50 each. Thus, on 31 December 2001, the company's share capital of EUR 14 128 thousand was represented by 28 255 964 shares with a face value of EUR 0.50 each.

Earning per share is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Net profit for the year (in euros)	751 424.62	2 819 639.38	751 424.62	2 819 639.36
Average number of shares	28 255 964	28 255 964	28 255 964	28 255 964
Yearnings per share - average (in euros)	0.03 euros	0.10 euros	0.03 euros	0.10 euros

## 13. Legal Reserve

Portuguese companies are obliged / required by law to transfer at least 5% of its annual net profit to legal reserves until it reaches 20% of the share capital. This reserve cannot be distributed to shareholders though it may be used to absorb losses after all other reserves have been exhausted.

#### 14. Treasury Stock (Own shares)

This heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Nominal / Book value of Novabase S.G.P.S., S.A. shares	17	508	17	508
Number of shares	33 508 shares	146 874 shares	33 508 shares	146 874 shares
Valor de mercado das acções da Novabase S.G.P.S., S.A.	209	916	209	916

The number of own shares held by Novabase S.G.P.S. on 30 June 2003 are under the limits established by its statutory rules and in accordance with the Commercial Company Code.

During 1st Half of 2003, the company purchased on the stock market 282 068 shares at the average price of 5.73 Euros, and sold 134 568 shares at the average price of 5.79 Euros.

The net increase in Novabase S.G.P.S portfolio of 147 000 shares allowed the company to trade out of the stock market 138 958 shares. The 138 958 shares were valued at the average price of 5.65 Euros per share, and delivered as payment of part of the agreed value for ATX Software S.A. shares purchase. This transaction is closely connected with the Outsourcing Information Technology services contract, signed with the Portuguese Financial Group BES.

#### 15. Reserves, Retained Earnings and Net Profit

This heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Legal reserve	1 225	752	1 225	752
Other reserves and retained earnings	2 851	859	2 851	853
Net profit	751	2 820	751	2 820
Consolidation exchange differences	(2 337)	(50)	(2 337)	(50)
Other consolidation reserves	17 431	11 096	17 431	11 102
	<b>19 921</b>	<b>15 477</b>	<b>19 921</b>	<b>15 477</b>

The Group includes a company located in Brazil, whose accounts are expressed in Brazilian currency. In accordance with the accounting practice described in Note 1 of Accounting Policies, these accounts were converted to the currency in which the consolidated accounts are expressed, generating a reserve for exchange conversion.

Novabase S.G.P.S., since it was founded, and although it has always shown a Consolidated Net Profit, its Shareholders General Assembly has decided not to distribute dividends to the shareholders ensuring that the company has the financial resources needed for its

#### 16. Minority interests

This heading is analysed as follows:

	Group	
	2003 Euro'000	2002 Euro'000
Opening balance	5 007	3 677
Consolidation perimeter variations	337	119
Minority interests attributable to results	415	379
	<b>5 759</b>	<b>4 175</b>

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**Minority interests** detailed by company is analysed as follows:

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<i>Division 'Novabase Consulting' :</i>		
Novabase Consulting	230	230
Novabase Suporte à Decisão	69	57
Novabase Data Quality	118	116
Novabase Saúde	-	782
Novabase Integração de Processos	21	20
Novabase Desenvolvimento à Medida	253	222
Novabase Geoinformação	-	25
Novabase Outsourcing (ASP)	173	188
Novabase ERP - Gestão Empresarial	-	14
Novabase Brasil	453	-
Novabase Consulting Spain	5	-
CFOCUS	194	104
CelFOCUS	926	550
Praetor II	1	-
Praetor III	-	2
SAF	156	196
<i>Division 'Novabase Engineering Solutions' :</i>		
Novabase IIS	497	-
Octal - Spain	23	39
Octal TV	1 731	874
OnTV	476	323
TVLab	354	270
<i>Division 'Novabase Capital' :</i>		
Milenar	-	20
Sapi 2 ci, Consultadoria Informáticos	79	142
Other subsidiary	-	1
	<b>5 759</b>	<b>4 175</b>

**17. Amounts owed to Financial Institutions**

This heading is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Current</b> bank liabilities - Short term	3 767	3 432	4	1 336
<b>Non current</b> bank liabilities - Medium / long term	8 500	-	8 500	-
	<b>12 267</b>	<b>3 432</b>	<b>8 504</b>	<b>1 336</b>

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The heading **Current** bank liabilities - Short term, by company, is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
- Novabase S.G.P.S.	4	1 336	4	1 336
- Novabase IIS	846	-	-	-
- Novabase Suporte à Decisão	12	-	-	-
- TVLab	80	-	-	-
- Octal	2 047	1 450	-	-
- Octal TV	79	469	-	-
- Sapi 2, ci	89	100	-	-
- NBO Recursos em TI	69	-	-	-
- Flag	242	30	-	-
- Other companies	299	47	-	-
	<b>3 767</b>	<b>3 432</b>	<b>4</b>	<b>1 336</b>

The heading **Non Current** bank liabilities - Medium / Long term, by company, is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Loans and credit lines :				
- Novabase S.G.P.S.	8 500	-	8 500	-
- Other companies	-	-	-	-
	<b>8 500</b>	<b>-</b>	<b>8 500</b>	<b>-</b>

## 18. Fixed Assets Suppliers

Under this heading there are accounted mainly values related with leasing contracts for tangible assets that have been recorded in fixed assets accounts whenever the Group assumes all the benefits and risks associated with ownership of the assets in question. The value at which these acquisitions are capitalised is the present value of future rents. The liability to third parties for the principal sum of outstanding lease instalments is shown in liabilities under this heading; the lease assets are depreciated over their estimated useful lives and the interest component of the lease payment is expensed in the period to which it relates, see note I above.

As this accounting issued is not used in the individual accounts, the financial statements consolidated after 31 December 1998 have been adjusted to show a true and fair view of the financial situation and results of the companies included in the consolidation, as laid down in Accounting Directive no. 25.

On 30 June 2003, under the heading Fixed Assets - Transport Equipment are accounted the leasing contracts for veichles, in accordance with Accounting Directive no.25. The accounting effect of the adjstments made are analysed in note 2 to the financial statements.

## 19. Provisions for liabilities and charges

Movements on Provisions for liabilities and charges are analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Opening balance	-	-	-	-
Change for the year	50	-	-	-
	<b>50</b>	<b>-</b>	<b>-</b>	<b>-</b>

The amount increased in 2003 is a liability provision concerning a lawsuit pending before the Lisbon Labour Courts of law, of which the outcome is unknown yet.

## 20. Turnover

Turnover analysis by activity sector is as follows:

	Group	Individual
	2003	2003
	Euro'000	Euro'000
<b>Sales by activity sector :</b>		
Public administration and public service companies	2 869	-
Hospitals and other health services	225	-
Banks and insurance	2 696	-
Industry and services	11 822	-
Transport and mailing	916	-
Telecommunications and media	12 159	-
Other entities	264	-
	<b>30 951</b>	<b>-</b>
<b>Services rendered by activity sector :</b>		
Public administration and public service companies	6 720	-
Hospitals and other health services	550	-
Banks and insurance	8 246	-
Industry and services	6 305	1 930
Transport and mailing	2 327	-
Telecommunications and media	9 530	-
Other entities	97	-
	<b>33 775</b>	<b>1 930</b>
<b>TOTAL Turnover :</b>		
Public administration and public service companies	9 589	-
Hospitals and other health services	775	-
Banks and insurance	10 942	-
Industry and services	18 127	1 930
Transport and mailing	3 243	-
Telecommunications and media	21 689	-
Other entities	361	-
	<b>64 726</b>	<b>1 930</b>

Turnover by Geographical markets is analysed as follows:

	Group		Individual	
	2003	2002	2003	2002
	Euro'000	Euro'000	Euro'000	Euro'000
Portugal	62 831	49 755	1 930	843
Spain	553	400	-	-
Other	1 342	589	-	-
	<b>64 726</b>	<b>50 744</b>	<b>1 930</b>	<b>843</b>

**Services rendered** heading is analysed as follows:

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Software development	3 734	6 543	-	-
Software maintenance	1 225	1 876	-	-
Software licenses	862	848	-	-
Consulting services	15 280	16 480	95	-
Recruiting, training and resources granted	4 501	4 130	-	-
Hardware maintenance	2 175	-	-	-
Infrastructures	1 710	-	-	-
Other services rendered	4 288	1 542	1 835	843
	<b>33 775</b>	<b>31 419</b>	<b>1 930</b>	<b>843</b>

## 21. External supplies and services

**External supplies and services** heading is analysed as follows :

	<b>Group</b>		<b>Individual</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Subcontracts :</b>				
Software development	-	-	-	-
Software maintenance	847	811	-	-
Software licenses	798	494	-	-
Consulting services	160	1 069	-	37
Recruiting, training and resources granted	1 086	260	-	-
Other services rendered	1 543	763	-	-
<b>Supplies and Services :</b>				
Water, electricity and fuel	215	175	9	6
Utility expenses	193	135	2	1
Rentals	1 836	1 250	96	94
Communications	537	378	-	1
Insurance coverage	317	365	31	25
Transportation and travel expenses	1 006	1 209	36	55
Commissions and consultancy	4 180	4 255	-	-
Advertising and promotion	423	1 100	5	7
Specialised services	2 005	596	22	70
Other services	591	409	25	-
	<b>15 737</b>	<b>13 269</b>	<b>226</b>	<b>296</b>

## 22. Personnel expenses

Personnel expenses heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Board members expenses	1 332	1 028	599	610
Personnel expenses	13 847	12 645	82	-
Social security charges	2 611	2 558	62	64
Other personnel expenses	243	727	3	5
	<b>18 033</b>	<b>16 958</b>	<b>746</b>	<b>679</b>

Average number of personnel by class is detailed as follows:

	Group		Individual	
	2003	2003	2003	2003
Board members	48	44	11	11
Management	94	86	-	-
Project managers	101	92	-	-
Consultants	746	680	-	-
Staff and other categories	72	65	-	-
	<b>1 061</b>	<b>967</b>	<b>11</b>	<b>11</b>

## 23. Provisions

Provision heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Provisions for inventories	58	-	-	-
Provisions for doubtful debts	231	397	-	-
Provisions of other liabilities and charges	50	-	-	-
	<b>339</b>	<b>397</b>	<b>-</b>	<b>-</b>

## 24. Depreciation and amortization

Depreciation and amortization heading is analysed as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
<b>Fixed Assets Depreciation / amortization</b>				
<i>Tangible fixed assets Depreciation:</i>				
Buildings and other constructions	22	13	3	5
Basic equipment	1 091	863	2	6
Transport equipment	428	475	-	-
Fixtures and fittings	299	65	-	-
Other tangible fixed assets	2	6	-	-
	<b>1 842</b>	<b>1 422</b>	<b>5</b>	<b>11</b>
<i>Intangible fixed assets Amortisation :</i>				
Establishment costs	84	225	-	39
Research and development costs	889	537	1	1
Contract and other rights	383	30	-	-
	<b>1 356</b>	<b>792</b>	<b>1</b>	<b>82</b>
	<b>3 198</b>	<b>2 214</b>	<b>6</b>	<b>93</b>

## 25. Financial Gains / (Losses)

Financial Gains / (Losses) are analysed as follows:

	Group		Individual	
	2003	2002	2003	2002
	Euro'000	Euro'000	Euro'000	Euro'000
<b>Financial Gains :</b>				
Interest	346	438	283	585
Gains from equity method application	11	-	3 774	4 907
Exchange differences	170	79	-	-
Other financial gains	6	1	-	-
	533	518	4 057	5 492
<b>Financial Losses :</b>				
Interests	687	115	193	229
Interests on leasing contracts	105	92	-	-
Bank services	61	79	10	7
Losses from equity method application	21	70	2 802	1 636
Exchange differences	267	187	-	1
Other financial losses	38	31	1	-
	1 179	574	3 006	1 873
	(646)	(56)	1 051	3 619
<b>Financial Investments amortisation</b>				
Goodwill				
- Full consolidation method	672	664	-	-
- Equity method	5	5	563	597
Negative Goodwill				
- Full consolidation method	-450	-	-	-
- Equity method	-	-	-	-
Business property rights	371	128	-	-
	598	797	563	597
	(1 244)	(853)	488	3 022

## 26. Extraordinary Gains / (Losses)

The detail analysis of this heading is the following:

	Group		Individual	
	2003	2002	2003	2002
	Euro'000	Euro'000	Euro'000	Euro'000
<b>Extraordinary Gains :</b>				
Fixed assets operations	39	121	23	36
Provision and amortisation reductions	-	62	-	5
Prior year operations	354	118	28	39
Other extraordinary gains	31	271	-	11
	424	572	51	91
<b>Extraordinary Losses :</b>				
Fixed assets operations	5	8	-	-
Prior year operations	1 051	82	-	1
Accelerated amortisation				
- Goodwill	795	-	488	-
- Intangible fixed assets	242	-	-	-
Restructuring costs	285	-	-	-
Other extraordinary losses	81	92	9	9
	2 459	182	497	10
	(2 035)	390	(446)	81



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Extraordinary Results were affected by the implementation of the Restructuring plan approved by Board of Directors, with the following action lines: (i) to optimise its operational efficacy adjusting personnel to market needs and focus towards the client, (ii) reduce the number of participated companies in order to reduce costs and increase operational efficacy, (iii) reinforce a conservative accounting policy. The following non recurrent costs are reflected under Extraordinary Results:

- Personnel organisation restructure (functional and commercial) – amounting 285 thousand euros.
- Acceleration of some Intangible assets' amortisation period, in the amount of 242 thousand euros.
- Full amortisation of SAF Goodwill, in the amount of 795 thousand euros.

**27. Extraordinary Results heading - Reconciliation between Income Statement by Function and by Nature**

The Consolidated and Individual Income Statement by Function was prepared in accordance with Accounting Directive nr. 20, which presents a concept of extraordinary income and expenses that differs from that defined in the Portuguese Plan of Accounts for the preparation of the Income Statement by Nature.

On 30 June 2003, the value of extraordinary expenses shown in the Income Statement by Nature has been reclassified under other operating profits and earnings, which results in the following differences in the types of results:

	Group			Individual		
	By Nature Euro'000	Reclassi- fications Euro'000	By Function Euro'000	By Nature Euro'000	Reclassi- fications Euro'000	By Function Euro'000
Operating results	5 106	(2 161)	2 945	953	(468)	485
Financial results	(1 244)	126	(1 118)	488	22	510
Current results	3 862	(2 035)	1 827	1 441	(446)	995
Extraordinary results	(2 035)	2 035	-	(446)	446	-
Net profit for the year	1 166	-	1 166	751	-	751

**28. Income Tax**

The companies included in the consolidation are taxed individually, each one calculating its own corporate tax (IRC). In accordance with prevailing legislation, these companies' tax returns are subject to review and adjustment by the tax authorities for a period of four years, and for a period of ten years years for Social Security.

Tax losses, also subjected to tax inspections, may be deducted to future net profits within the next six year period.

The companies' tax returns from 2000 to 2003 are still awaiting eventual revision by the tax authorities. The managements of the companies included in the consolidation believe that any adjustment arising from the tax authorities' reviews and or inspections of those tax returns are unlikely to have a material effect on the consolidated financial statements.

Income tax provision analysis is as follows:

	Group		Individual	
	2003 Euro'000	2002 Euro'000	2003 Euro'000	2002 Euro'000
Income tax provision	1 681	2 076	219	56
Deferred tax assets provision	(1 045)	(711)	-	-
Other foreign companies tax provision	-	-	-	-
Deferred tax liabilities provision (see note 6)	25	-	-	-
	<u>661</u>	<u>1 365</u>	<u>219</u>	<u>56</u>

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Reconciliation between the Group's effective and nominal tax rate for the years 2003 and 2002 is analysed as follows:

	2002		2001	
	Income tax Euro '000	Tax rate %	Income tax Euro '000	Tax rate %
Nominal tax rate and income tax	603	33.00%	1 506	33.00%
- <i>Main effects on taxation</i> :				
Jobs (net creation)	(154)	-8.43%	(758)	-16.61%
Research & development and Investment	(118)	-6.46%	(237)	-5.19%
Foreign Branches	288	15.76%	446	9.77%
Extraordinary amortizations / goodwill	459	25.12%	475	
Portuguese Branches	94	5.15%	-	
Other adjustments to taxable amount	509	27.86%	644	14.11%
Effective tax rate and Income tax	<b>1 681</b>	<b>92.00%</b>	<b>2 076</b>	<b>35.08%</b>

## 29. Guarantees made to third parties

The financial commitments not included in the balance sheet are bank guarantees given to third parties to act as guarantees for ongoing projects, are detailed as follows:

	Group	Individual
	2003 Euro'000	2003 Euro'000
<b><i>Customer / On going project:</i></b>		
IIES	719	719
TMN	438	438
CTT	488	488
ISQ	195	195
DGSP	100	100
CP	20	20
Alcatel	6	6
ARS - Norte	8	8
Carris	1 085	1 085
CCRA	25	25
CCRN	29	29
Codipor	40	40
DGV	40	40
Hospital Santa Maria	29	29
INPI	97	97
POSTLOG	509	509
PT Prime	48	48
Silcoge	664	664
Other	968	968
	<b>5 506</b>	<b>5 506</b>

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The responsibility for guarantees given, by company and financial institution is detailed as follows:

		<u>Group</u> <u>2003</u>	<u>Individual</u> <u>2003</u>
	<u>Banco</u>	<u>Euro'000</u>	<u>Euro'000</u>
Novabase S.G.P.S.	BPI	102	102
Novabase S.G.P.S.	CGD	40	40
Novabase Consulting	BPI	1 239	1 239
Novabase Consulting	BES	1 233	1 233
Novabase Suporte à Decisão	BPI	438	438
Novabase Suporte à Decisão	BES	32	32
Novabase Data Quality	BES	131	131
Novabase Data Quality	BPI	74	74
Novabase Saúde	BCP	32	32
Novabase Integração de Processos	BPI	17	17
NBO Recursos em TI	BPI	4	4
Novabase Serviços	BPI	2	2
Novabase Serviços	BES	664	664
Novabase Desenvolvimento à Medida	BPI	515	515
Novabase Porto	BPI	82	82
Octal - Engenharia de Sistemas	BES	901	901
		<u>5 506</u>	<u>5 506</u>

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### 30. Novabase Group Segmental Reporting

Novabase Group's activity detailed by business segment is analysed as follows:

	Division Novabase Consulting Euro'000	Division Engineering Solutions Euro'000	Division Novabase Capital Euro'000	TOTAL Group Novabase Euro'000
Sales	68	30 779	104	30 951
Cost of goods sold	42	24 044	56	24 142
Gross margin	26	6 735	48	6 809
<i>Other Operating Income</i>				
Services rendered	23 208	7 889	2 678	33 775
Own work	211	278	151	640
Supplementary income and subsidies for operations	1 157	-	-	1 157
Other exploration income	153	12	-	165
	24 729	8 179	2 829	35 737
<i>Other Operating Costs</i>				
External services and supplies	7 691	6 168	1 878	15 737
Personnel expenses	12 226	4 993	814	18 033
Provisions	306	33	-	339
Other exploration costs	69	52	12	133
	20 292	11 246	2 704	34 242
Gross Operating Results (EBITDA)	4 463	3 668	173	8 304
Depreciation / amortisation	2 034	1 141	23	3 198
Operating Results (EBIT)	2 429	2 527	150	5 106
Financial Gains / (Losses)	(392)	(356)	102	(646)
Financial investments amortisation	(776)	382	(204)	(598)
Current Results	1 261	2 553	48	3 862
Extraordinary Gains / (Losses)	(189)	91	305	207
Non recurrent Costs	(1 872)	-	(370)	(2 242)
Income before taxes	(800)	2 644	(17)	1 827
Income taxes				661
Minority interests				415
<b>Attributable net income</b>				<b>751</b>
<b>Other Information :</b>				
Turnover	23 276	38 668	2 782	64 726
EBITDA	4 463	3 668	173	8 304
EBITDA % on Turnover	19.17 %	9.49 %	6.22 %	12.83 %
Structure costs / Income %	90.04 %	31.80 %	92.98 %	56.14 %
Income before taxes % on Turnover	-3.44 %	6.84 %	-0.61 %	2.82 %

### 31. Stock Options Plan

The employees and members of the Board of Directors of the Novabase Group were given the right to subscribe to and/or purchase shares under a stock option plan. Stock options are a type of incentive scheme based on purchase options for the company's shares. These include two components: the basic admission component and the annual performance component.

The options given under the basic admission component and the annual performance component consist of rights to subscribe to and/or purchase shares during special increases in the company's share capital or by purchasing shares in the company, under the terms laid down for each participant.

Participants can exercise options given as part of each annual performance component on four different occasions. The first occasion falls on 25 May of the year following the beginning of the annual performance component and the others on 25 May (or first subsequent working day) of the next three years in blocks of 25% of the number of options assigned. Options not exercised partially or totally when they fall due can be exercised on subsequent due dates. The last options in the current plan will be distributed in 2003.

About 470 000 options have already been distributed under this plan in the first admission components and 25% of these i.e. 117 500 have already been exercised, generating a share capital increase of 27 982 euros, with the issue of 55 964 new shares.

### 32. Other Relevant Information

The company was subject to a lawsuit over the rental contract of its former head office for the amount of 1 012 thousand euros. This suit is being contested and the company has counter-sued for possible damages should the legal action prove unfounded. Management considers that the risk of this suit is very small and should not therefore have any significant effect on the consolidated financial

Presently, March 2003, court of first instance decision was favourable to Novabase and the company was completely absolved, this decision was appealed by the author.

The company was subject to a lawsuit from a former employee of one participate company, demanding a compensation in the amount of 904 thousand euros. This suit is being contested and the company has counter-sued, requiring a fine and compensation on pretence of contention in bad faith. Management considers that the risk of this suit is very small and should not therefore have any significant effect on the consolidated financial statements.

Three employees sued the company before the Lisbon Labor Courts of law, demanding compensations in the global amount of 129 thousand euros.

### 33. Subsequent Events

Consulting Division is under a reorganization process, in view of the concentration by means of amalgamation of some companies, namely the following:

- Merger of Cfocus and Novabase Gestão Empresarial
- Merger of Novabase Desenvolvimento à Medida and Novabase Integração de Processos
- Merger of Novabase Data Quality, Novabase Suporte à Decisão and Praetor III
- Merger of Flag and Flag Beat

**III. FINANCIAL STATEMENTS**  
**PRO FORMA IAS (Not Audited)**  
**for the Six Months Ended June 30, 2003 and 2002**

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NOVABASE S.G.P.S., S.A.  
Financial Statements - Pro forma IAS  
31 December, 2002 and 2001

FINANCIAL STATEMENTS PRO FORMA IAS (Not Audited)

**Pro forma IAS consolidated financial information prepared in accordance with International Accounting Standards**

Although only mandatory to prepare annual financial statements for a listed company with effect from 1 January 2005, in accordance with International Accounting Standards ("IAS"), the Board of Directors of Novabase SGPS decided to anticipate the disclosure of some IAS consolidated pro forma indicators and to present the reconciliation between IAS and Portuguese GAAP for both Net Profit and ordinary Shareholders' Equity. The disclosure provided is for information purposes only and includes significant IAS adjustments.

The transition to IAS adjustments, were based on ED1-First Time Application of IFRS. The Board of Directors does not expect that there will be material changes applicable to Novabase S.G.P.S. when the respective International Financial reporting Standard ("IFRS") is issued.

In summary, the Consolidated Pro forma Net Profit - IAS is analysed as follows:

	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Consolidated Net Profit - Portuguese GAAP</b>	<b>751</b>	<b>2 820</b>
Adjustments to IAS :		
- Start up costs	74	57
- Expenses on publicity campaigns	(1 783)	130
- Research and development costs	(2 731)	(302)
- Bonus to employees	(95)	(478)
- Deferred income taxes	1 422	15
<b>Consolidated Net Profit - IAS PRO FORMA</b>	<b>(2 362)</b>	<b>2 242</b>

In summary, the Consolidated Pro forma Shareholders' Equity is analysed as follows:

	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Shareholders' Equity - Portuguese GAAP</b>	<b>69 185</b>	<b>64 250</b>
Adjustments to IAS :		
- Start up costs	(404)	(416)
- Expenses on publicity campaigns	(1 795)	(159)
- Research and development costs	(3 827)	(1 164)
- Bonus to employees	(300)	(478)
- Deferred income taxes	2 039	643
- Fair-value of Investment Bonds	(25)	(57)
<b>Shareholders' Equity - IAS PRO FORMA</b>	<b>64 873</b>	<b>62 619</b>

A Pro forma Consolidated Balance Sheet and Pro forma Consolidated Income Statement prepared in accordance with International Accounting Standards are presented in next pages.



NOVABASE S.G.P.S., S.A.  
Financial Statements - Pro forma IAS  
31 December, 2002 and 2001

FINANCIAL STATEMENTS PRO FORMA IAS (Not Audited)

**Consolidated Balance Sheet - PRO FORMA IAS**

**as at June 30, 2003 and 2002**

*Prepared in accordance with the International Accounting Standards*

	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Assets</b>		
<i>Non Current</i>		
Tangible assets	7 035	6 857
Intangible assets	13 379	8 600
Goodwill	7 246	10 267
Financial investments	801	414
Deferred tax assets	7 664	2 095
Total non Current Assets	<u>36 125</u>	<u>28 233</u>
<i>Current</i>		
Inventories	10 292	8 799
Trade debtors and Accrued income	40 396	33 710
Other debtors and Prepaid expenses	13 067	4 813
Marketable securities	1 812	12 463
Cash and cash equivalents	21 295	12 393
Total current assets	<u>86 862</u>	<u>72 178</u>
Total assets	<u><u>122 987</u></u>	<u><u>100 411</u></u>
<b>Shareholders' Equity</b>		
Share capital	14 128	14 128
Treasury stock	(17)	(508)
Share premium	35 153	35 153
Reserves and retained earnings	17 971	11 604
Consolidated net profit	(2 362)	2 242
Total Shareholders' Equity	<u>64 873</u>	<u>62 619</u>
Minority Interests	<u>5 281</u>	<u>3 872</u>
<b>Liabilities</b>		
<i>Non Current</i>		
Borrowings	8 500	-
	589	340
Provision for liabilities and charges	50	-
Deferred Tax Liabilities	75	-
Total Non Current Liabilities	<u>9 214</u>	<u>340</u>
<i>Current</i>		
Borrowings	3 767	3 432
Trade Creditors	17 167	10 524
Other creditors and accruals	16 897	17 362
Deferred Income	5 788	2 262
Total Current Liabilities	<u>43 619</u>	<u>33 580</u>
Total Liabilities	<u>52 833</u>	<u>33 920</u>
Total Equity and Liabilities	<u><u>122 987</u></u>	<u><u>100 411</u></u>

NOVABASE S.G.P.S., S.A.  
Financial Statements - Pro forma IAS  
31 December, 2002 and 2001

FINANCIAL STATEMENTS PRO FORMA IAS (Not Audited)

**Consolidated Statement of Income - PRO FORMA IAS**  
**for the Six Months Ended June 30, 2003 and 2002**  
*Prepared in accordance with the International Accounting Standards*

	<b>2003</b>	<b>2002</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Sales	30 951	19 325
Cost of sales	24 142	13 893
Gross margin	6 809	5 432
<i>Other operating income</i>		
Services rendered	33 775	31 419
Supplementary income and subsidies	1 157	170
Other operating income	589	584
	35 521	32 173
	42 330	37 605
<i>Other operating costs</i>		
External services and supplies	18 429	13 979
Staff costs	17 488	16 531
Provisions	339	397
Restructuring costs	4 793	-
Other operating expenses	353	321
	41 402	31 228
Operating profit before depreciation and amortisation (EBITDA)	928	6 377
Depreciation	2 460	1 670
Operating profit (EBIT)	(1 532)	4 707
Net finance costs	(646)	(56)
Goodwill, Business property rights amortisation	(598)	(797)
Profit before income tax	(2 776)	3 854
Provisão para impostos sobre lucros	1 681	2 076
Provisão para impostos diferidos	(2 442)	(726)
Profit after Tax	(2 015)	2 504
Minority Interest	347	262
<b>Net Profit</b>	<b>(2 362)</b>	<b>2 242</b>
<b>Basic earnings per share (expressed in euros)</b>	<b>(0.08) euros</b>	<b>0.08</b>

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**IV. REGISTERED AUDITOR IN THE PORTUGUESE  
STOCK EXCHANGE AUTHORITY AND  
EXTERNAL AUDITORS DOCUMENTS**

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& Associados, SROC, Lda.  
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1269 - 035 Lisboa  
Portugal  
Tel +351 21319 70 00  
Fax +351 21316 11 12

## Limited Review Report Prepared by an Auditor Registered at the CMVM on the Consolidated Half Year Information

(Free Translation from the original in Portuguese)

### Introduction

1 Pursuant to article 246 of the Securities Market Code (“Código dos Valores Mobiliários”), we hereby present our Limited Review Report on the consolidated information for the period of six months ended 30 June 2003, of **Novabase – Sociedade Gestora de Participações Sociais, S.A.**, included in: the Directors’ Report, consolidated balance sheet (which shows a total of euro 127.477 thousand, total minority interests of euro 5.759 thousand and a total shareholders’ equity of euro 69.185 thousand, including a profit for the period of euro 751 thousand), consolidated statement of income by nature and by functions, and consolidated cash flow statements for the period then ended and in the respective notes.

2 The amounts in the consolidated financial statements, as well as the financial information, were obtained from the accounting records of the Company and its subsidiaries, subsequently adjusted with amounts, not yet registered, which were part of our work.

### Responsibilities

3 The Company’s board of Directors is responsible for: (a) the preparation of consolidated financial information that present a true and fair view of the financial position of the companies included in the consolidation and the consolidated results of their operations; (b) the preparation of historical financial information in accordance with generally accepted accounting principles that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code (“Código dos Valores Mobiliários”); (c) adopting adequate accounting policies and criteria; (d) the maintenance of appropriate systems of internal control; and (e) informing on any significant facts that have influenced their activity, financial position or results.

4 Our responsibility is to verify the financial information included in the above mentioned documents, namely if, it is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code (“Código dos Valores Mobiliários”), and to issue a professional and independent report based on our work.

### Scope

5 Our work was performed, with the objective of obtaining moderate assurance about whether the financial information referred to above is free of material misstatement. Our work, which was based on the Technical Rules and Directives of the Portuguese Institute of Statutory Auditors (“Normas Técnicas e Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas”), was planned in accordance with that objective, and consisted: (a) mainly of enquiries and analytical procedures to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted considering the circumstances and their consistent application; (iii) the applicability, or otherwise, of the going concern concept; (iv) the presentation of the financial information; and (v) if, the consolidated financial information is complete, true, up-to-date, clear, objective and licit; and (b) substantive test of unusual and significant transactions.

6 Our work also covered verification of the consistency of the consolidated financial information included in the Directors’ Report with the remaining documents referred to above.

7 We believe that our work provides a reasonable basis for issuing this report on the half year financial information.

### Conclusion

8 Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the consolidated financial information for the period of six months ended 30 June 2003 is not free of material misstatements that affects its conformity with generally accepted accounting principles in Portugal and that it is not complete, true, up-to-date, clear, objective and licit.

Lisbon, 30 July 2003

Belarmino Martins, Eugénio Ferreira & Associados,  
Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

Belarmino Martins, Eugénio Ferreira  
& Associados, SROC, Lda.  
Avenida da Liberdade, 245 - 8º C  
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Portugal  
Tel +351 21319 70 00  
Fax +351 21316 11 12

## Limited Review Report Prepared by an Auditor Registered at the CMVM on the Half Year Information

(Free Translation from the original in Portuguese)

### Introduction

1 Pursuant to article 246 of the Securities Market Code ("Código dos Valores Mobiliários") we hereby present our Limited Review Report on the information for the period of six months ended 30 June 2003, of **Novabase – Sociedade Gestora de Participações Sociais, S.A.**, included in: the Directors' Report, balance sheet (which shows a total of euro 96.405 thousand and a total shareholders' equity of euro 69.185 thousand, including a profit for the period of euro 751 thousand), the statement of income by nature and by functions, and cash flow statements for the period then ended and in the respective notes.

2 The amounts in the financial statements, as well as the financial information, were obtained from the accounting records of the Company, subsequently adjusted with amounts, not yet registered, which were part of our work.

### Responsibilities

3 The Company's board of Directors is responsible for: (a) the preparation of historical financial information in accordance with generally accepted accounting principles that is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code ("Código dos Valores Mobiliários"); (b) adopting adequate accounting policies and criteria; (c) the maintenance of an appropriate system of internal control; and (d) informing on any significant facts that have influenced its activity, financial position or results.

4 Our responsibility is to verify the financial information included in the above mentioned documents, namely if, it is complete, true, up-to-date, clear, objective and licit, as required by the Securities Market Code ("Código dos Valores Mobiliários"), and to issue a professional and independent report based on our work.

### Scope

5 Our work was performed, with the objective of obtaining moderate assurance about whether the financial information referred to above is free of material misstatement. Our work, which was based on the Technical Rules and Directives of the Portuguese Institute of Statutory Auditors ("Normas Técnicas e Directrizes de Revisão/Auditoria da Ordem dos Revisores Oficiais de Contas"), was planned in accordance with that objective, and consisted: (a) mainly of enquiries and analytical procedures to review: (i) the reliability of the assertions included in the financial information; (ii) the adequacy of the accounting policies adopted considering the circumstances and their consistent application; (iii) the applicability, or otherwise, of the going concern concept; (iv) the presentation of the financial information; and (v) if the financial information is complete, true, up-to-date, clear, objective and licit; and (b) substantive test of unusual and significant transactions.

6 Our work also covered verification of the consistency of the financial information included in the Directors' Report with the remaining documents referred to above.

7 We believe that our work provides a reasonable basis for issuing this report on the half year financial information.

### Conclusion

8 Based on our work, which was performed with the objective of obtaining moderate assurance, nothing came to our attention that leads us to believe that the financial information for the period of six months ended 30 June 2003 is not free of material misstatements that affects its conformity with generally accepted accounting principles in Portugal and that it is not complete, true, up-to-date, clear, objective and licit.

Lisbon, 30 July 2003

Belarmino Martins, Eugénio Ferreira & Associados,  
Sociedade de Revisores Oficiais de Contas, Lda.  
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

To the shareholders of  
**Novabase – Sociedade Gestora de Participações Sociais, S.A.**

## Review Report

(Free Translation from the original in Portuguese)

1 We have reviewed the accompanying consolidated balance sheet of **Novabase – Sociedade Gestora de Participações Sociais, S.A.** and its subsidiaries as of June 30, 2003, the related consolidated statement of income by nature and by functions and the consolidated cash flow statements for the period of six months then ended and the corresponding notes to the accounts. These financial statements are the responsibility of the company's Management. Our responsibility is to issue a report on these financial statements based on our review.

2 We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement.

3 A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

4 Based on our review nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles in Portugal.

Lisbon, July 30, 2003

**V. SECURITIES ISSUED BY THE COMPANY  
AND OTHER GROUP COMPANIES,  
HELD BY THE BOARD MEMBERS**



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**SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY THE BOARD MEMBERS**

	Share Capital	Total N° of Shares	Shares held by board members at December 31, 2002	Tansactions	Shares held by board members at June 30, 2003	% of shares held by board members
<b>Novabase SGPS, S.A.</b>	<b>14 127 982</b>	<b>28 255 964</b>	<b>16 074 697</b>		<b>16 074 697</b>	<b>56.89%</b>
José Afonso Oom Ferreira de Sousa			3 137 936		3 137 936	11.11%
Pedro Miguel Quinteiro Marques de Carvalho			3 137 756		3 137 756	11.10%
Rogério dos Santos Carapuça			2 352 195		2 352 195	8.32%
Luis Paulo Cardoso Salvado			2 239 846		2 239 846	7.93%
João Nuno da Silva Bento			2 239 746		2 239 746	7.93%
Álvaro José da Silva Ferreira			1 010 676		1 010 676	3.58%
João Filipe dos Santos Teixeira Neto			618 621		618 621	2.19%
João Vasco Tavares da Mota Ranito			618 621		618 621	2.19%
José Carlos de Almeida Pedro de Jesus			460 353		460 353	1.63%
Nuno Miguel Isidoro Duarte			258 947		258 947	0.92%
<b>Novabase Suporte à Decisão, S.A.</b>	<b>199 520</b>	<b>199 520</b>	<b>6 946</b>		<b>6 946</b>	<b>3.48%</b>
João Rafael Leitão Ivo da Silva			6 946		6 946	3.48%
<b>NB Consulting S.A.</b>	<b>750 000</b>	<b>750 000</b>	<b>188 962</b>		<b>188 962</b>	<b>25.19%</b>
Pedro Miguel Correia Vala Chagas			24 616		24 616	3.28%
João Rafael Leitão Ivo da Silva			35 653		35 653	4.75%
Luis Miguel Forjaz de Campos Henriques			34 328		34 328	4.58%
José Paulo Ribeiro Trigo Delgado			30 000		30 000	4.00%
Nuno Carlos Dias Santos Fornéas			30 000		30 000	4.00%
Luis Miguel Mota da Cunha Lobo			27 503		27 503	3.67%
Jorge Manuel Antunes			6 862		6 862	0.91%
<b>NB Consulting S.L.(Espanha)</b>	<b>1 000 000</b>	<b>1 000 000</b>	<b>5 000</b>		<b>5 000</b>	<b>5.00%</b>
Roberto Haig Junior			5 000		5 000	5.00%
<b>CFocus, S.A.</b>	<b>150 000</b>	<b>150 000</b>	<b>21 000</b>		<b>21 000</b>	<b>14.00%</b>
João Nuno da Silva Bento			15 000		15 000	10.00%
Luis Miguel Mota da Cunha Lobo			6 000		6 000	4.00%
<b>MentorIT, S.A.</b>	<b>50 000</b>	<b>50 000</b>	<b>10 000</b>		<b>10 000</b>	<b>20.00%</b>
Mário Rui Cardoso Gaspar			10 000		10 000	20.00%
<b>Novabase Desenvolv. à Medida, S.A.</b>	<b>750 000</b>	<b>750 000</b>	<b>15 769</b>		<b>15 769</b>	<b>2.10%</b>
Pedro Miguel Correia Vala Chagas			15 769		15 769	2.10%
<b>Novabase Data Quality, S.A.</b>	<b>250 000</b>	<b>250 000</b>	<b>10 000</b>		<b>10 000</b>	<b>4.00%</b>
Luis Miguel Forjaz de Campos Henriques			10 000		10 000	4.00%
<b>SAPi2, S.A.</b>	<b>60 100</b>	<b>60 100</b>	<b>30 000</b>		<b>30 000</b>	<b>49.92%</b>
Paulo Eduardo Simões de Abreu Cascais			7 500		7 500	12.48%
Jorge Humberto Ferreira Moreira			7 500		7 500	12.48%
Carlos Manuel dos Santos Russo			7 500		7 500	12.48%
José Manuel Gomes de Vasconcelos Diniz			7 500		7 500	12.48%
<b>Mind, S.A.</b>	<b>500 000</b>	<b>500 000</b>	<b>26 400</b>		<b>26 400</b>	<b>3.52%</b>
João Carlos Martins Bernardo			8 800		8 800	1.76%
Rui Pedro Silva Casteleiro			8 800		8 800	1.76%
Fernando Manuel Hourtiguat de Vasconcelos			8 800		8 800	1.76%
<b>Novabase Integração Processos, S.A.</b>	<b>150 000</b>	<b>150 000</b>	<b>15 000</b>		<b>15 000</b>	<b>10.00%</b>
João Pedro Silva			15 000		15 000	10.00%
<b>Novabase Outsourcing, S.A.</b>	<b>2 500 000</b>	<b>2 500 000</b>	<b>187 500</b>		<b>187 500</b>	<b>7.50%</b>
Miguel Rolo			187 500		187 500	7.50%
<b>Novabase Porto</b>	<b>100 000</b>	<b>100 000</b>	<b>30 000</b>		<b>30 000</b>	<b>30.00%</b>
Paulo Jorge Botelho Xardóné			15 000		15 000	15.00%
Fernando Miguel Figueira Tareco			15 000		15 000	15.00%
<b>CelFocus</b>	<b>100 000</b>	<b>100 000</b>	<b>3</b>		<b>3</b>	<b>0.00%</b>
Paulo Jorge Barros Pires Trigo			1		1	0.00%
Francisco Manuel Martins Pereira do Valle			1		1	0.00%
José Afonso Oom Ferreira de Sousa			1		1	0.00%
<b>Octal TV</b>	<b>250 000</b>	<b>250 000</b>	<b>48 332</b>		<b>48 332</b>	<b>19.33%</b>
José Carlos de Almeida Pedro de Jesus			24 166		24 166	9.67%
Nuno Miguel Isidoro Duarte			24 166		24 166	9.67%
<b>SAF</b>	<b>325 000</b>	<b>325 000</b>	<b>34 125</b>		<b>34 125</b>	<b>10.50%</b>
José Maria Dias Miranda			4 875		4 875	1.50%
José Oliveira Santos			4 875		4 875	1.50%
Mário Jacinto S. Oliveira L. Figueira			24 375		24 375	7.50%
<b>OnTV</b>	<b>100 000</b>	<b>100 000</b>	<b>22 050</b>		<b>44 100</b>	<b>44.10%</b>
Nuno Guimarães			22 050		22 050	22.05%
<b>FlagBeat, Lda</b>	<b>5 000</b>	<b>5 000</b>	<b>200</b>		<b>200</b>	<b>0.08%</b>
João Vaz Fernandes			100		100	0.04%
Joaquim Alberto da Silveira R. Bandeira			100		100	0.04%