

Novabase

Report and Accounts

1° Half of 2006

Index

Report & Accounts

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Consolidated Results on June 30, 2006

(IFRS/IAS)

July 26, 2006

Turnover reaches 125.4 M€
(95.0 M€ in 1H05)

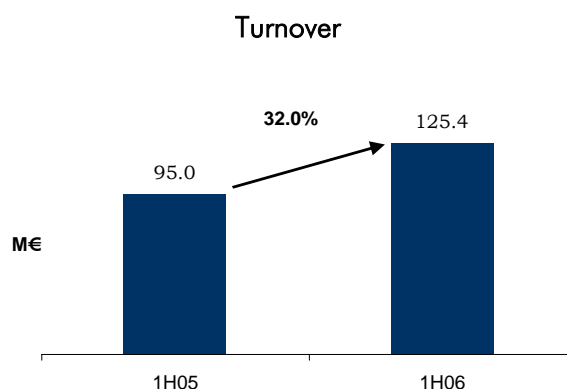
EBITDA reaches 10.0 M€
(8.5 M€ in 1H05)

Net Profit: 3.6 M€
(3.7 M€ in 1H05)

1. Key Indicators

1.1. Turnover

The Consolidated Sales and Services Volume in the 1H06 reached 125.4 M€ (million euros), which represents an increase of 32.0% vs. the 95.0 M€ in 1H 2005.

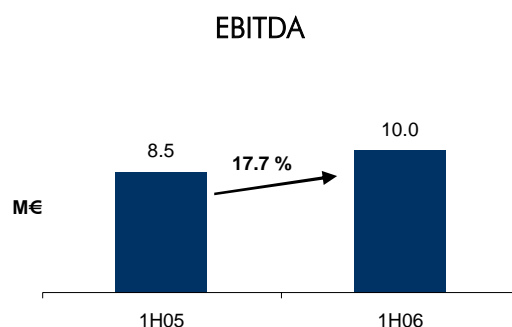


Novabase SGPS, S.A.
Public Company
Code BVL: NBA.AM
Corporate Tax Payer n° 502.280.182
Registered in the TRO of Lisbon N.º 1495
Capital: 15 700 697.00 euros
Head Office: Av. Eng.º Duarte Pacheco 15 F, 1099-078 LISBOA
PORTUGAL

Manuel Tavares Festas
Investor Relations
Tel. +351 213 836 300
Fax: +351 213 836 301
manuel.festas@novabase.pt

1.2. EBITDA

The Operational Cash Flow (EBITDA) reached 10.0 M€, representing an increase of 17.7% vs. the 8.5 M€ in 1H05.



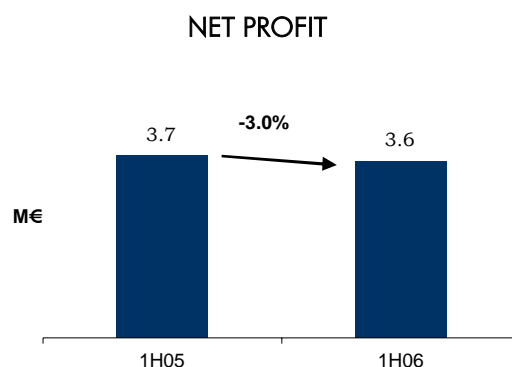
The EBITDA margin in 1H06 was 8%, compared to 8.9% in 1H05.

1.3. Net Profit

Operational Results (EBIT) reached 5.2 M€, which represents a decrease of 7.1% compared to the 5.6 M€ in 1H05.

EBTM reached 3.4 M€ in the period, registering a 21.0% decrease vs. the 4.3 M€ in 1H05. This decrease is due to the impact of non-recurring provisions for inventory in the amount of 2.2 M€. These provisions, with no cash impact in 1H06, refer to Digital TV components and equipment acquired in previous years and were already registered, in its majority, in 2005. It was on this date decided to make provisions for the remainder, on a more conservative approach, considering that after over six months it was still not possible to use up those stocks.

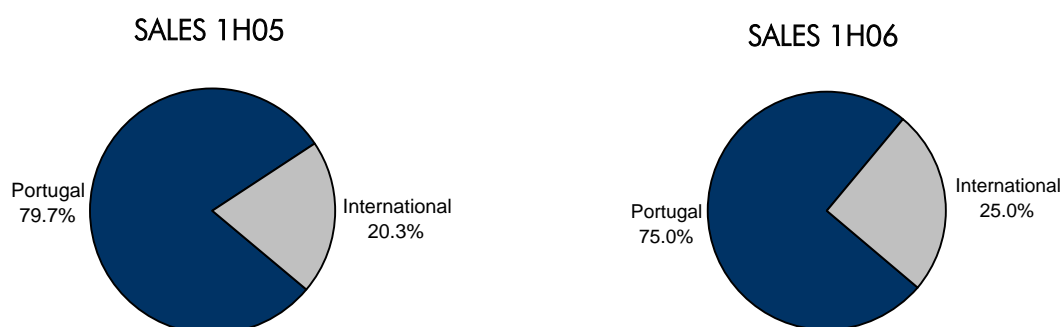
The Consolidated Net Results, after minority interests, reached 3.6 M€ in the period, showing a decrease of 3.0% vs the 3.7 M€ in 1H05.



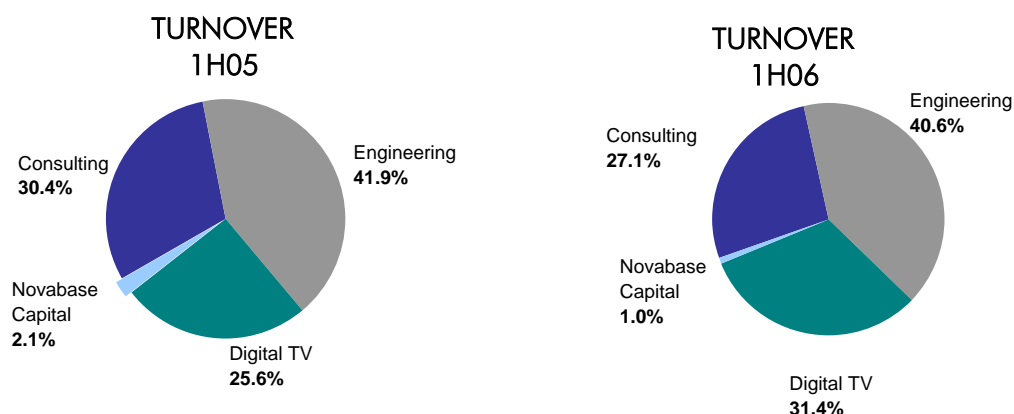
2. Short Summary of the Activity

Novabase is the largest and fastest-growing Portuguese Information Technology (IT) company. In 1H06 turnover grew 32.0% over 1H05, a value significantly igher than the market's average.

During 1H06, Novabase had an average of 1440 employees and sales of 125.4 M€, 25.0% of which originated from outside of Portugal, maintaining the growth trend in this indicator, both in absolute and relative terms.



The graph below shows turnover in 1H06 in each of the four business areas: Novabase Consulting, Novabase Engineering (resulting from the former Novabase Engineering Solutions division excluding the Digital TV area), Novabase Digital TV and Novabase Capital.



2.1. Novabase Consulting

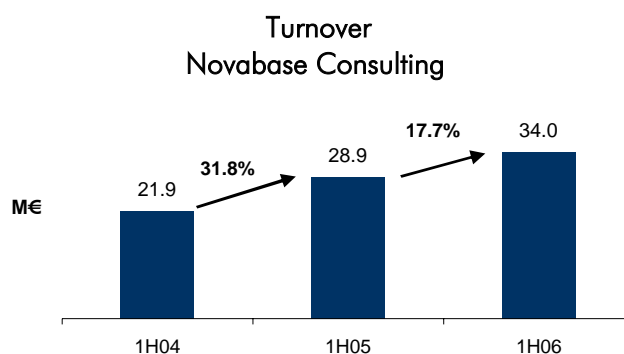
Novabase Consulting today has 839 consultants operating in four business practices:

- Advanced Custom Development: includes the development of customized and business process management (BPM) solutions, as well as Enterprise Document Management (EDM), Trustworthy Computing and Quality Assurance solutions.
- Business Intelligence: includes consultancy services in the definition and implementation of Business Intelligence strategies (Strategic and Tactical Intelligence, Customer Lifecycle Management, Balanced Scorecards, Business Intelligence Infrastructure, etc.).
- Enterprise Applications: includes solutions in Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) and Supply Chain Management (SCM).
- Outsourcing: includes service offer in Business Process Outsourcing (BPO)/Enterprise Content Management (ECM), IT Governance services & Service Management, Application Management, Infrastructure Outsourcing and IT Contracting.

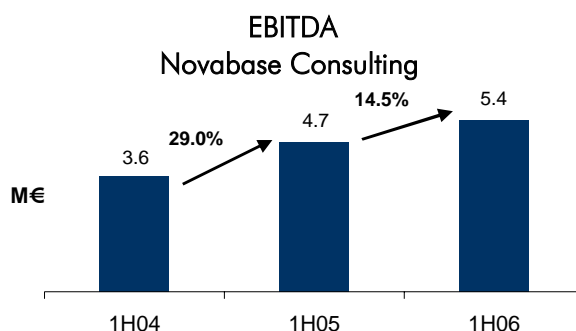
And fundamentally in three market areas:

- Banking and Financial Services, including the Banking, Insurance and Financial Services in general
- Telecommunications, including telecommunications operators as main customers
- Government, including public administration, local and regional, defense and healthcare areas

This business area continued to experience significant growth in 1H06 despite the still challenging economic environment, with a growth in turnover of 17.7% compared to 1H05.



EBITDA of Novabase Consulting increased 14.5% in 1H06 compared to 1H05, to 5.4 M€, corresponding to an EBITDA of 15.8%. This figure already includes, unlike what occurred in previous years, the cost referring to the Stock Options attributed to employees in the amount of 437 k€. If we exclude that mount, for comparison with the previous year, EBITDA would have been 17.1% in 1H06 (comparing favourably to 16.3% in 1H05).

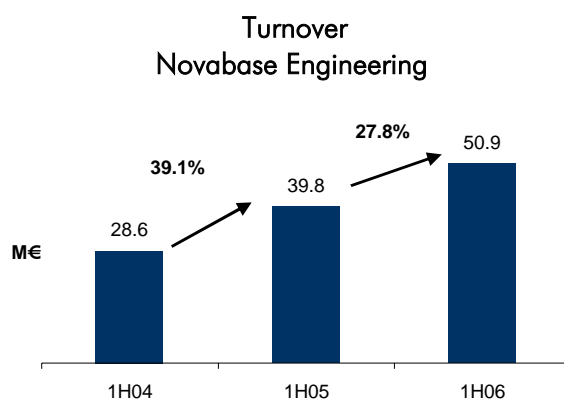


2.2. Novabase Engineering

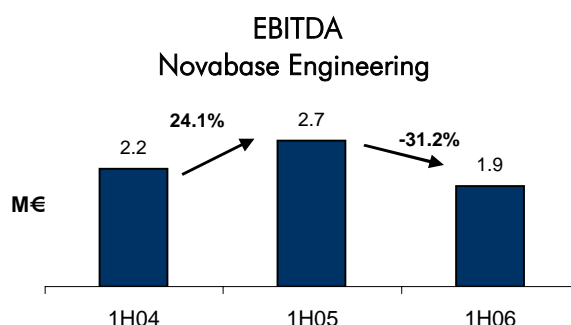
This area, with 240 employees, includes the following main business areas:

- Intelligent Information Architectures: solutions including traditional IT infrastructures spanning from physical systems (cabling) to enterprise communications services such as mobile videoconferencing and video-on-demand.
- Mobility Solutions: services, products and applications which allow Customers access to global mobility solutions.
- Ticketing and Transport Solutions: end-to-end core solutions covering devices and systems needed to complete the life cycle of a ticket, from production to back-office repercussions, also including ticketing and access control solutions to customers outside the transportation market.

Global turnover in this business area reached 50.9 M€, which represents an increase of 27.8% compared to 1H05. This increase is essentially due to a very good performance in the Mobility Solutions area.



EBITDA of Novabase Engineering decreased 31.2% in 1H06 compared to 1H05. This decrease is essentially due to two facts: i) changes in the sales mix, with greater weight from the Mobility Solutions area which operates at lower margins and ii) decrease in rentability in the Intelligent Information Architectures area, resulting from a 5% decrease in turnover comparing to the previous year, for an identical structure.



2.3. Novabase Digital TV

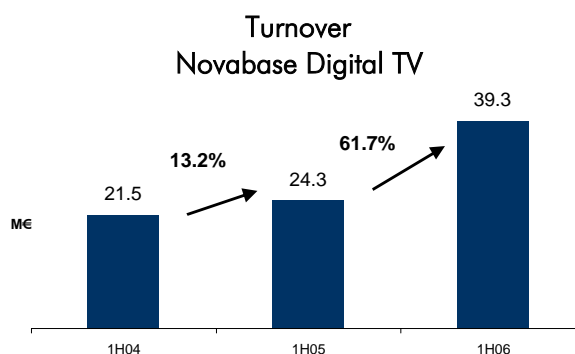
Novabase's Digital TV area is now one of the largest in Europe, currently with 250 employees.

It began in 2000 and has since seen exponential growth. Its Customers include cable and satellite TV operators, digital terrestrial TV operators, individual companies (Corporate TV solutions) and OEM customers abroad.

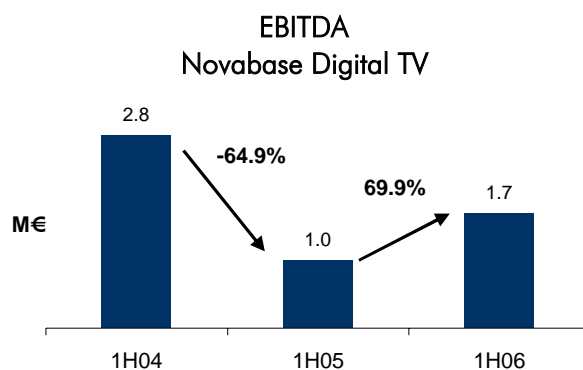
There are abundant challenges and opportunities for growth in this area, particularly in high-definition TV and accessing TV content via mobile/handheld devices. Consumers are keen to access TV content of their choice with above-average image quality using various support devices at any time and at any place. Novabase's noteworthy R&D investments and innovative solutions in this area give the company an extremely positive outlook for the years ahead.

This area grew significantly in 2005. In addition to set-top box sales, OEM customers (license sales) quadrupled compared to the previous year. The combined sales of devices and licenses also doubled in relation to the previous year. In 1H06 this business continues to show expressive growth rates, recording a turnover of 39.3 M€, which represents a 61.7% increase over 1H05.

A slowdown in growth for these operations in Portugal was expected since the beginning of the year, as well as a simultaneous sales increase in the international market. In 1H06 this slowdown still has not occurred although it is expected to take place in 2H06 resulting from the TV Cabo digitalisation process in course. This business area is exploring alternative growth initiatives in and outside of Portugal. It is to be noted that while in 1H05 29.9% of business in this area originated from the international market, in 1H06 that figure increased to 36.3%, tending to further increase.

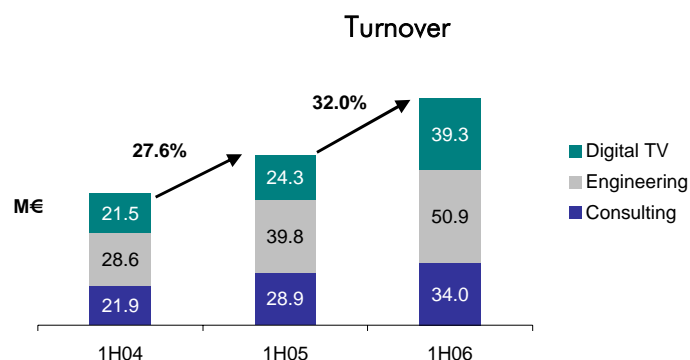


EBITDA of Novabase Digital TV in 1H06 increased 69.9% compared to 1H05.



3. Economical-Financial Analysis

In 1H06, Turnover reached 125.4 M€, representing a growth of 32.0% compared to the same period of the previous year.



In terms of activity compared to the same period last year:

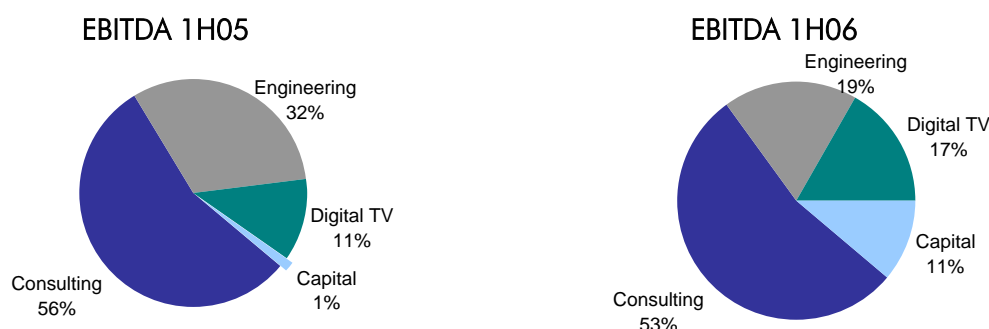
- Novabase Consulting business grew 17.7% compared to 1H05 from 28.9M€ to 34.0M€.
- Novabase Engineering business grew 27.8% compared to 1H05 from 39.8 M€ to 50.9 M€.
- Digital TV business grew 61.7% compared to 1H05 from 24.3 M€ to 39.3M€.
- Novabase Capital business decreased by 38.8% over 1H05, from 2.0 M€ to 1.2 M€, although organically it only decreased by 6% due to the exit of "Mind" and "Manchete" from the consolidation perimeter.

EBITDA reached 10.0 M€, increasing 17.7% compared to 8.5 M€ in 1H05.

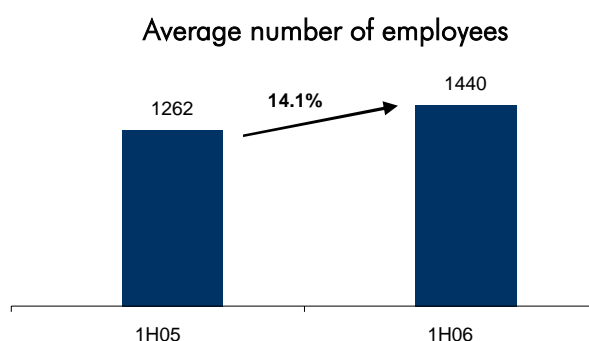
In a percentage basis of the Turnover, EBITDA in this period represents a total margin of 8.0%.

In 1H06, the margin breakdown per business area is analyzed as follows:

- Novabase Consulting business reported an EBITDA of 5.4 M€ which corresponds to a margin of 15.8%. This figure already includes, unlike what occurred in previous years, the cost related to the Stock Options attributed to employees in the amount of 437 k€. If we exclude that amount, for comparison with the previous year, EBITDA would have been 17.1% (comparing favourably to 16.3% in 1H05).
- Novabase Engineering business reported an EBITDA of 1.9 M€ which corresponds to a margin of 3.7%.
- Novabase Digital TV business reported an EBITDA of 1.7 M€ which corresponds to a margin of 4.2%.
- The business of Novabase Capital reported an EBITDA of 1.1M€ corresponding to a margin of 91.2%. This figure includes the gain from the above referred sale of one company.



The Average Number of Employees, 1262 at 1H05, increased by 14.1% to 1440 in 1H06.



In 1H06 a reinforcement of Non Recurring Provisions in the amount of 2.2 M€ was carried out. These provisions, which have no cash impact in 1H06, refer to Digital TV components and equipment acquired in previous years and provisions for these were already registered, in part, in 2005.

Operational Results (EBIT) reached 5.2 M€ in this period, representing a decrease of 7.1% compared to 1H05 (5.6 M€).

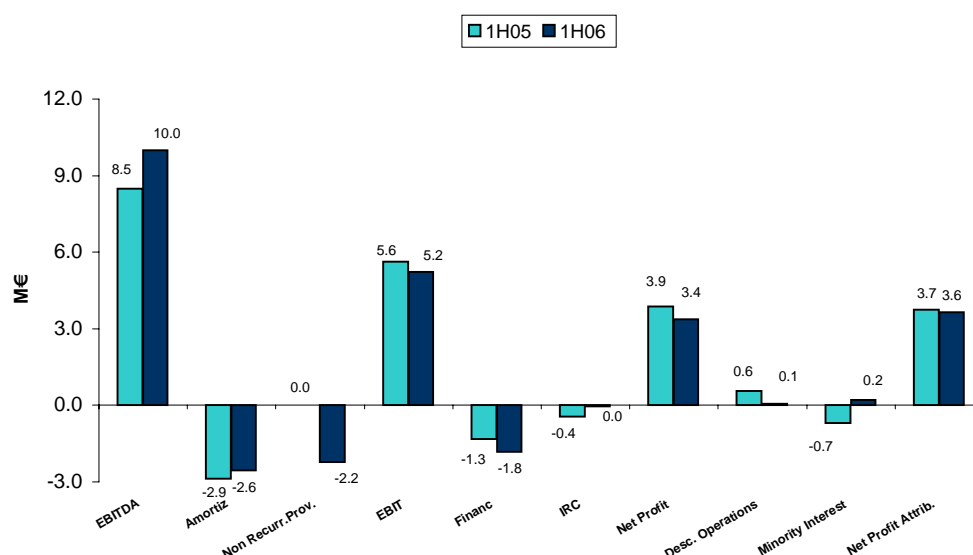
The Financial Results registered a net negative value of 1.8 M€ compared to a negative value of 1.3 M€ in 1H05. Financial Results in 1H06 suffered the impact of the 399 k€ cost of the write-off of a company participation of Novabase Capital, excluding which would be identical to the previous year.

Earnings Before Taxes (EBT) in 1H06 with the net value of 3.4 M€, reflect a decrease compared to the same period of 2005 (4.3 M€).

The value of attributable Net Profit, after Minority and Discontinued Operations, of 3.6 M€ represent a slight 3.0% decrease towards 1H05 (3.7 M€).

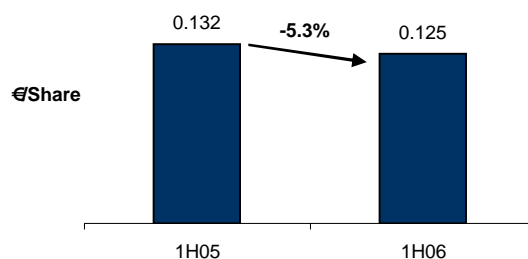
The reconciliation between EBITDA and Net Profit is as follows:

Ebitda to Net Profit: 1H06 vs 1H05



The Earnings per Share presented a slight decrease from 0.132 to 0.125 euros per share, following the Net Profit trend, considering the average number of shares in the period.

Earnings per Share (EPS)



The Consolidated Balance Sheet on June 2006 kept a positive 'Global Net-Cash' situation of 19.1 M€, reflecting an increase comparing to the 11.0 M€ on June 2005. This indicator includes short term and long term bank deposits, investment securities and own shares, deducting short term and medium term bank loans.

Inventories went from 17.5 M€ on 1H05 to 13.4 M€ in 1H06. Due to the significant increase in the sales volume in 1H06 to 74.2 M€, the coverage of inventories over sales decreased from 32.6% to 18.1% in the period.

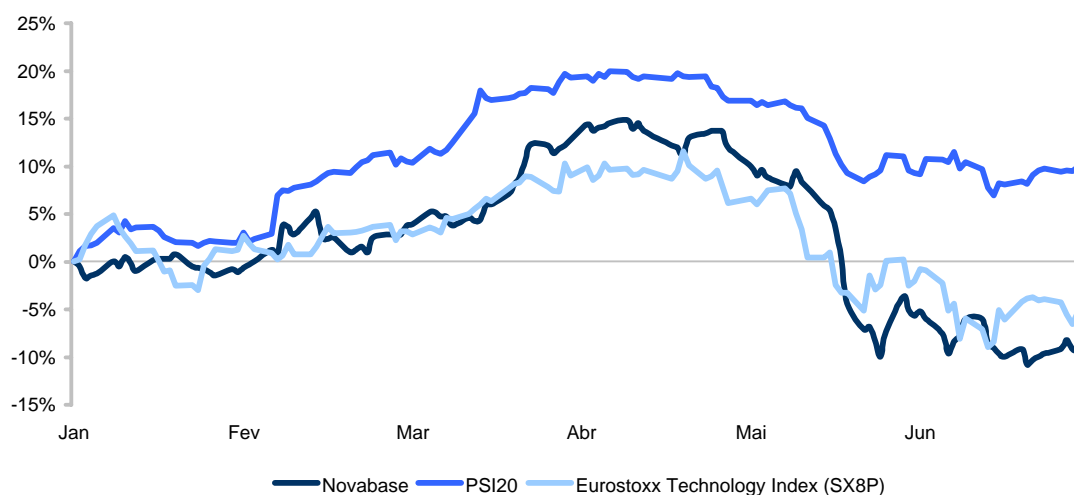
The Trade debtors and accrued income balance at the end of June 2006 amounted to 82.4 M€, compared to 57.1 M€ in the prior period. The average collection period increased to 97.7 days (in 2005 – 91 days).

4. Stock Performance

The 1H06 was marked by recovery in the PSI20 Index. Its 10.5% valuation in the period was fuelled by some hostile take-overs occurred in Euronext Lisbon. The Novabase share lost 8.9% in the period, more than the 3.2% decrease in the EuroStoxx Technology.

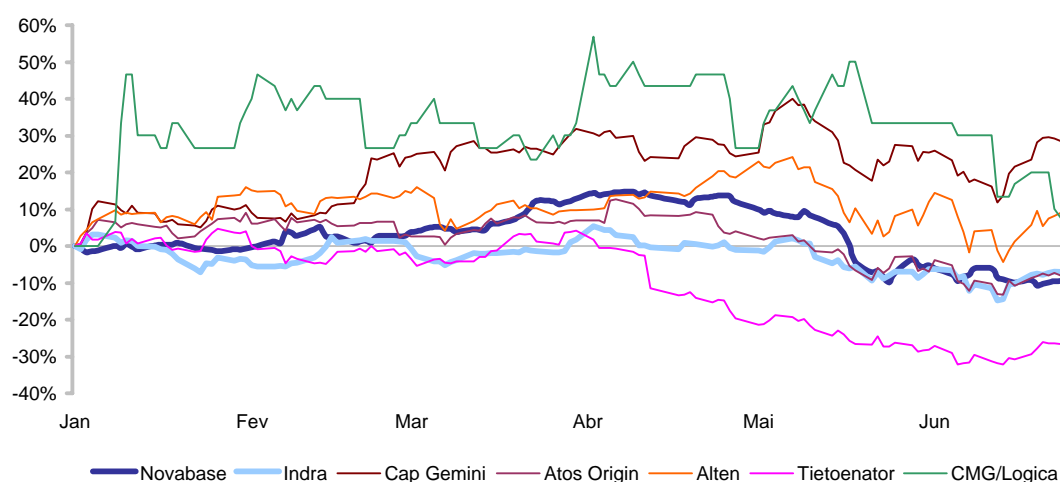
The 1H06 showed a strong increase in liquidity. Rotation in this quarter represented 38.1% of the capital and 11.1 million shares were traded, while in the entire year of 2005 rotation reached 30% of Novabase capital (vs. 20% of the share capital in 2004).

Novabase and the Market



When comparing Novabase share prices with other companies in the IT sector in Europe, we verify that Novabase share performance at the end of 1H06 is within the average performance of other IT, showing a lower volatility.

Novabase and other TMT



The average price, weighted by volume, of Novabase shares during 1H06, was 6.47 euros per share. Approximately 11.1 million shares were traded in all the Stock Exchange sessions in the 1H06, corresponding to a transaction value of 71.9 M€. The average daily number of shares traded was approximately 87 thousand shares, corresponding to a daily average value of approximately 0.6 M€.

The price in the stock Exchange in the last tradable day of 1H06, 30 June 2006, was 5.77 euros, which represents a loss of approximately 9.1% compared to the 6.35 euros which was Novabase's share price at the end of 2005.

The maximum closing price which took place during 1H06 was 7.27 euros, while the minimum price registered was 5.65 euros. The market capitalization at the end of 1H06 was 181.2 M€.

Summary	2Q06	1Q06	4Q05	3Q05	2Q05
Minimum price (€)	5.65	6.22	6.22	5.65	5.45
Máximum price (€)	7.27	7.14	6.96	6.65	6.33
Volume weighted average price (€)	6.4	6.53	6.46	6.05	5.99
Nr. of shares traded	5.486.682	5.620.963	2.343.978	3.627.403	1.655.939
Market cap in the last day of the period (M€)	181.2	205.1	182.4	191	163.2

Novabase

Consolidated Financial Statements

Prepared in accordance with the **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Consolidated Balance Sheet as at June 30, 2006 and 2005

Consolidated Income Statement for the six months ended June 30, 2006 and 2005

	30.06.06	30.06.05		30.06.06	30.06.05	Var. %
	(Thousands of Euros)			(Thousands of Euros)		
Assets			CONTINUING OPERATIONS			
Tangible assets	5 869	6 875	Sale of goods	74 189	53 684	
Intangible assets	36 895	37 790	Cost of goods sold	(60 475)	(41 684)	
Financial investments	2 040	1 732				
Deferred tax assets	9 719	8 404	Gross margin	13 714	12 000	14.3 %
Total Non-Current Assets	54 523	54 801	Other income			
Inventories	13 411	17 487	Services rendered	51 239	41 336	
Trade debtors and accrued income	82 374	57 145	Supplementary income	138	87	
Other debtors and prepaid expenses	20 737	17 110	Other operating income	1 228	327	
Marketable securities	797	691		52 605	41 750	
Cash and deposits	36 887	22 560		66 319	53 750	
Total Current Assets	154 206	114 993	Other expenses			
Assets for continuing operations	208 729	169 794	External suppliers and services	(29 484)	(21 621)	
Assets for discontinued operations	-	560	Personnel expenses	(25 591)	(22 955)	
Total Assets	208 729	170 354	Provisions	(838)	(213)	
			Other operating expenses	(405)	(463)	
Shareholders' Equity				(56 318)	(45 252)	
Share capital	15 701	14 363	Gross Net Profit (EBITDA)	10 001	8 498	17.7 %
Treasury stock	(170)	(82)	Non recurring costs	(2 211)	-	
Share premium	49 213	37 252	Operating Gross Net Profit	7 790	8 498	-8.3 %
Reserves and retained earnings	25 681	21 229	Depreciation and amortization	(2 556)	(2 863)	
Consolidated net income	3 635	3 746		5 234	5 635	-7.1 %
Total Shareholders' Equity	94 060	76 508	Operating Profit (EBIT)	5 234	5 635	-7.1 %
Minority interests	11 621	13 857	Financial Gains / (Losses)	(1 827)	(1 324)	
Total Equity	105 681	90 365	Net Profit / (Loss) before Taxes	3 407	4 311	-21.0 %
			Income taxes	(585)	(1 147)	
Liabilities			Deferred Income taxes	543	708	
Long term borrowings	8 250	6 982	Net Profit from continuing operations	3 365	3 872	-13.1 %
Creditors of fixed assets	1 840	1 512	DISCONTINUED OPERATIONS			
Provisions	432	577	Net Profit from discontinued operations	68	560	-87.9 %
Deferred tax liabilities	136	100	Minority interests	202	(686)	
Total Non-Current Liabilities	10 658	9 171	Attributable Net Profit / (Loss)	3 635	3 746	-3.0 %
Short term borrowings	12 571	6 218	Other information:			
Trade creditors	42 855	24 070	Turnover	125 428	95 020	32.0 %
Other creditors and accruals	28 866	30 925	EBITDA margin	8.0 %	8.9 %	
Deferred income	8 098	9 605	Net profit % on Turnover	2.7 %	4.5 %	
Total Current Liabilities	92 390	70 818	Net Cash	19 065	11 044	
Total Liabilities for cont. operations	103 048	79 989				
Total Liabilities for descont. operations	-	-				
Total Liabilities	103 048	79 989				
	208 729	170 354				

Novabase

Consolidated Financial Statements by BUSINESS SEGMENT
Prepared in accordance with the INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

	Consulting Division Euro'000	Engineering Division Euro'000	Digital TV Division Euro'000	Capital Division Euro'000	TOTAL Group Novabase Euro'000
CONTINUING OPERATIONS					
Sale of goods	21	41 186	32 982	-	74 189
Cost of goods sold	(10)	(38 174)	(22 291)	-	(60 475)
Gross margin	11	3 012	10 691	-	13 714
Other income					
Services rendered	33 954	9 717	6 356	1 212	51 239
Supplementary income and subsidies	57	-	80	1	138
Other operating expenses	70	5	66	1 087	1 228
	34 081	9 722	6 502	2 300	52 605
	34 092	12 734	17 193	2 300	66 319
Other expenses					
External suppliers and services	(10 721)	(6 227)	(11 841)	(695)	(29 484)
Personnel expenses	(17 689)	(4 480)	(2 948)	(474)	(25 591)
Provisions	(199)	(102)	(537)	-	(838)
Other operating expenses	(106)	(66)	(207)	(26)	(405)
	(28 715)	(10 875)	(15 533)	(1 195)	(56 318)
Gross Net Profit (EBITDA)	5 377	1 859	1 660	1 105	10 001
Non recurring costs	-	-	(2 211)	-	(2 211)
Operating Gross Net Profit	5 377	1 859	(551)	1 105	7 790
Depreciation and amortization	(1 549)	(482)	(462)	(63)	(2 556)
Operating Profit (EBIT)	3 828	1 377	(1 013)	1 042	5 234
Financial Gains / (Losses)	(255)	(540)	(639)	(393)	(1 827)
Net Profit before Taxes	3 573	837	(1 652)	649	3 407
Income Taxes	(523)	(31)	(5)	(26)	(585)
Deferred Income taxes	88	19	382	54	543
Net Profit from continuing operations	3 138	825	(1 275)	677	3 365
DISCONTINUED OPERATIONS					
Net Profit from discontinued operations	68	-	-	-	68
Minority interests	(521)	(162)	888	(3)	202
Attributable Net Profit	2 685	663	(387)	674	3 635
Other information :					
Turnover	33 975	50 903	39 338	1 212	125 428
EBITDA	5 377	1 859	1 660	1 105	10 001
EBITDA % on Turnover	15.8%	3.7%	4.2%	91.2%	8.0%
Income before taxes % on Turnover	10.5%	1.6%	-4.2%	53.5%	2.7%

NOVABASE SGPS, S.A.

Public Company - Code BVL: NBA.IN

Corporate Tax Payer n° 502.280.182

Capital: 15.700.697,00 euros

Head Office: Av. Eng° Duarte Pacheco, Amoreiras, 15F 1099-078 Lisboa

Annex to the Board of Directors' Report

Publication of Shareholding of Members os the Corporate Boards (point 5 of Article 447 of the Company Code)

Shareholders	N° of Shares	% Capital	% Voting Rights
José Afonso Oom Ferreira de Sousa	2 498 746	7.96%	7.97%
Pedro Miguel Quinteiro Marques de Carvalho	2 498 697	7.96%	7.97%
Rogério dos Santos Carapuça	1 884 787	6.00%	6.01%
Luís Paulo Cardoso Salvado	1 786 790	5.69%	5.70%
João Nuno da Silva Bento	1 783 563	5.68%	5.69%
Álvaro José da Silva Ferreira	804 866	2.56%	2.57%
João Vasco Tavares da Mota Ranito	492 628	1.57%	1.57%
José Carlos de Almeida Pedro de Jesus	368 875	1.17%	1.18%
Manuel Saldanha Fortes Tavares Festas	74 946	0.24%	0.24%
Total	12 193 898	38.83%	38.89%

Publication of Shareholding (point 4 of Article 448 of the Company Code)

Shareholders	Partial N°	N° of Shares	% Capital	% Voting Rights
ES TECH VENTURES, SGPS, SA	1 792 144			
Outras Sociedades em relação de domínio ou do grupo	1 568 977			
Elementos dos Órgãos Sociais	150			
Grupo Banco Espírito Santo, SA (termos do n°1 do artº20 do CVM)		3 361 271	10.70%	10.72%
José Afonso Oom Ferreira de Sousa		2 498 746	7.96%	7.97%
Pedro Miguel Quinteiro Marques de Carvalho		2 498 697	7.96%	7.97%
Rogério dos Santos Carapuça		1 884 787	6.00%	6.01%
Luís Paulo Cardoso Salvado		1 786 790	5.69%	5.70%
João Nuno da Silva Bento		1 783 563	5.68%	5.69%
Caixagest - Técnicas de Gestão de Fundos, SA		1 465 828	4.67%	4.68%
Millenniumbcp-Gestão de Fundos, SA		1 463 165	4.66%	4.67%
Álvaro José da Silva Ferreira		804 866	2.56%	2.57%
Santander Gestão de Activos - S.G.F.I.M., SA		947 950	3.02%	3.02%
Banco BPI, SA		895 504	2.85%	2.86%
Threadneedle Asset Management Limited		598 303	1.91%	1.91%
João Vasco Tavares da Mota Ranito		492 628	1.57%	1.57%
José Carlos de Almeida Pedro de Jesus		368 875	1.17%	1.18%
Manuel Saldanha Fortes Tavares Festas		74 946	0.24%	0.24%
Total		20 925 919	66.64%	66.74%

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

Financial Statements

**for the
six months ended
30 June 2006**

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**I. CONSOLIDATED FINANCIAL
STATEMENTS
for the six Months Ended 30 June 2006**

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

Consolidated Balance Sheet as at 30 June 2006

(Amounts expressed in thousands of Euros)

	Notes	30.06.06	31.12.05
Non current assets			
Property plant and equipment	7	5 869	6 776
Intangible assets	8	36 895	38 633
Investments in associates	9	2 040	1 735
Deferred income tax assets and liabilities	10	9 719	9 053
Total Non current assets		54 523	56 197
Current assets			
Inventories	11	13 411	12 966
Trade and other receivables	12	80 358	78 916
Income tax receivable		877	619
Accrued income	13	17 811	14 287
Other current assets	14	4 065	3 781
Available-for-sale financial assets	15	797	757
Cash and cash equivalents	16	36 887	33 800
Total Current assets		154 206	145 126
Non-current assets classified as held for sale	17	-	-
Total assets		208 729	201 323
Equity			
Share capital	18	15 701	14 363
Treasury shares	18	(170)	(14)
Share premium	18	49 213	37 252
Reserves and retained earnings	19	25 681	21 932
Profit for the period attributable to equity holders		3 635	5 084
Total Equity attributable to the company's equity holders		94 060	78 617
Minority interest	20	11 621	12 018
Total equity		105 681	90 635
Liabilities			
Borrowings	21	10 090	12 156
Provisions	23	432	591
Deferred income tax liabilities	10	136	136
Total non Current liabilities		10 658	12 883
Current liabilities			
Borrowings	21	13 289	6 540
Trade and other payables	24	70 203	78 105
Income tax payable		800	958
Deferred income and other current liabilities	25	8 098	12 202
Total Current liabilities		92 390	97 805
Total liabilities of continuing operations		103 048	110 688
Liabilities directly associated with non current assets classified as held for sale		-	-
Total equity and liabilities	17	208 729	201 323

Lisbon, September 28, 2006

The Accountant

The accompanying notes are an integral part of these financial statements

The Board of Directors

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

Consolidated Income Statement for the six Months Ended 30 June 2006

(Amounts expressed in thousands of Euros)

		6 M * 30.06.06	6 M * 30.06.05
Continuing Operations			
Sales	5	74 189	53 684
Services rendered	5	51 239	41 336
Cost of goods sold		(60 475)	(41 684)
External supplies and services	26	(29 484)	(21 621)
Employee benefit expense	27	(25 591)	(22 955)
Other losses - net	28	(2 088)	(262)
		7 790	8 498
Depreciation and amortisation	29	(2 556)	(2 863)
Operating profit		5 234	5 635
Finance costs - net	30	(1 401)	(1 324)
Share of losses of associates	31	(426)	-
Profit before income tax		3 407	4 311
Income tax expense	32	(42)	(439)
Profit for the period from continuing operations		3 365	3 872
Discontinued operations			
Profit for the period from discontinued operations	17	68	560
Profit for the period		3 433	4 432
Attributable to:			
Equity holders of the Company		3 635	3 746
Minority interest	20	(202)	686
		3 433	4 432
Earnings per share for profit from continuing operations attributable to the equity holders of the Company during the period (expressed in EUR per share) - basic	33	0.12 euros	0.11 euros
Earnings per share for profit from discontinued operations attributable to the equity holders of the Company during the period (expressed in EUR per share) - basic	33	Zero euros	0.02 euros

6 M * - 6 months ended

The Accountant

The Board of Directors

The accompanying notes are an integral part of these financial statements

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

Consolidated Cash Flow Statement for the six Months Ended 30 June 2006

(Amounts expressed in thousands of Euros)

	Notes	30.06.06	30.06.05
<i>Cash flows from operating activities</i>			
Cash receipts from customers		124 340	89 809
Cash paid to suppliers		(105 060)	(71 513)
Cash paid to employees		(31 073)	(26 068)
Cash Generated from Operations		(11 793)	(7 772)
Income taxes paid		(664)	(646)
Other operating proceeds		(3 758)	(1 107)
		(4 422)	(1 753)
Net Cash used in operating activities		(16 215)	(9 525)
<i>Cash flows from investing activities</i>			
Receipts:			
Interest received		212	208
		212	208
Payments:			
Acquisition of subsidiary		(54)	(1 370)
Purchases of Property plant and equipment		(764)	(1 783)
Purchases of Intangible assets		(1 070)	(131)
		(1 888)	(3 284)
Net Cash used in investment activities		(1 676)	(3 076)
<i>Cash flows from financing activities</i>			
Receipts:			
Proceeds from borrowings	21	7 051	1 248
Proceeds from issuance ordinary shares	18	13 299	1 587
Proceeds from sale of treasury shares	18	757	188
		21 107	3 023
Payments:			
Repayments of borrowings	21	(2 341)	(3 851)
Interests and similar costs		(1 279)	(1 379)
Purchase of treasury shares	18	(2 767)	(1 104)
		(6 387)	(6 334)
Net Cash generated / (used) from financing activities		14 720	(3 311)
Cash and bank overdrafts - net decrease		(3 171)	(15 912)
Cash and bank overdrafts at the beginning of the period		31 633	36 042
Cash and bank overdrafts at the end of the period		28 462	20 130

The accompanying notes are an integral part of these financial statements

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

Consolidated Statement of Changes in Equity for the six Months Ended 30 June 2006

(Amounts expressed in thousands of Euros)

	Attributable to equity holders of the Company						Minority Interest	Stock Options reserves	Total Equity
	Share Capital	Share premium	Treasury shares	Legal (*) reserves	Fair value gains net and other reserves	Retained earnings			
Balance at January 1, 2005	14 203	35 825	(4)	1 254	194	20 711	12 248	-	84 431
Fair value gains	-	-	-	-	(113)	-	-	-	(113)
Other	-	-	-	-	-	21	-	-	21
Net income/ (expense) recognised directly in equity	-	-	-	-	(113)	21	-	-	(92)
Profit for the period	-	-	-	-	-	3 746	686	-	4 432
Total recognised income / (expense)	-	-	-	-	(113)	3 767	686	-	4 340
Issue of share capital	160	1 427	-	-	-	-	-	-	1 587
Treasury shares movements	-	-	(78)	-	-	(838)	-	-	(916)
Changes in consolidation universe	-	-	-	-	-	-	923	-	923
Balance at 30 June 2005	14 363	37 252	(82)	1 254	81	23 640	13 857	-	90 365
Balance at January 1, 2006	14 363	37 252	(14)	1 254	147	25 615	12 018	-	90 635
Fair value gains	-	-	-	-	40	-	-	-	40
Net income recognised directly in equity	-	-	-	-	40	-	-	-	40
Profit for the period	-	-	-	-	-	3 635	(202)	-	3 433
Total recognised income / (expense)	-	-	-	-	40	3 635	(202)	-	3 473
Issue of share capital	1 338	11 961	-	-	-	-	-	-	13 299
Legal reserve	-	-	-	22	-	(22)	-	-	-
Treasury shares movements	-	-	(156)	-	-	(1 853)	-	-	(2 009)
Stock Options	-	-	-	-	-	-	-	478	478
Changes in consolidation universe	-	-	-	-	-	-	(195)	-	(195)
Balance at 30 June 2006	15 701	49 213	(170)	1 276	187	27 375	11 621	478	105 681

(*) This reserve cannot be distributed to equity holders

The accompanying notes are an integral part of these financial statements

NOVABASE S.G.P.S., S.A.
Notes to the Consolidated Financial Statements
30 June 2006

1. General Information

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 Bases 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 incorporated on 11 May 1989 and its main activity until 1999 was the development and marketing of 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.

Novabase is organized in three business divisions, operating in three different areas:

(i) **Novabase Consulting** - Includes areas such as IT Consulting, system implementation, outsourcing, recruiting and contracting of human resources within the Information Technology industry.

(ii) **Novabase Engineering** - Includes engineering solutions based on own hardware and is focused on areas like ticketing and access control, and telecommunication solutions.

(iii) **Novabase Digital TV** - Includes Digital TV business, namely development and commercialization of set-top-boxes to cable operators, satellite and business sector.

Novabase Capital, not considered as a division, is a support structure for the Novabase business development. It focus mainly on "Corporate Venture" functions and Mergers and Acquisitions, and is able to support the divisions' needs in these areas.

The Group is seeded in Portugal and presently has operations in Portugal, Spain and Germany.

Novabase is listed on the Euronext Lisbon.

This consolidated interim financial statements were authorized by the Board of Directors on September 28, 2006.

2. Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

a) Basis of Preparation

The consolidated interim financial statements for the 1st Half of 2006 were prepared in accordance with IAS 34 - Interim Financial reporting and with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board (IASB). These interim financial statements were also prepared in accordance with all the interpretation of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU), until the date of authorization of these financial

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting for periods ending at December 2006:

IAS 19 (Amendment) - Employee benefits (effective as of January 1, 2006)

The group decided to maintain the previous accounting policy, regarding the recognition of actuarial gains and losses.

IAS 39 (Amendment) - Financial Instruments Recognition and measurement using the fair value (effective as of January 1, 2006)

We consider that the effect of this amendment is not material for group operations.

IAS 21 (Amendment) - Effect of the exchange rate - Net investment in foreign operational units (effective as of January 1, 2006)

We consider that the effect of this amendment is not material for group operations.

IAS 39 Financial Instruments recognition and measurement and IFRS 4 (Amendment) - Financial guarantee contracts (effective as of January 1, 2006)

We consider that the effect of this amendment is not material for group operations.

IFRS 6 - Exploration for and Evaluation of Mineral Resources (effective as of January 1, 2006)

We consider that the effect of this standard is not material for group operations.

IFRIC 4 - Determining whether an arrangement contains a lease (effective as of January 1, 2006)

We consider that the effect of this interpretation is not material for group operations.

IFRIC 5 - Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective as of January 1, 2006)

We consider that the effect of this interpretation is not material for group operations.

IFRIC 6 - Liabilities arising from the participation in specific markets - Waste electrical and electronic equipment (effective from December 1, 2005).

We consider that the effect of this interpretation is not material for group operations.

The following new standards, amendments and interpretations to existing standards have been published but are not mandatory for the Group's accounting year of 2006, therefore the Group has not decided its early adoption:

IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective as of March 1, 2006)

We consider that the effect of this interpretation is not material for group operations.

IFRS 7 - Financial Instruments: Disclosures (effective as of January 1, 2007)

IFRS 7 introduces new disclosures to improve the financial reporting standards on financial instruments disclosures. New qualitative and quantitative disclosures on group risk associated with financial instruments will be necessary.

We consider that the effect of this standard is not material for group operations.

IAS 1 (Amendment) - Presentation of Financial Statements- Capital information's (effective as of January 1, 2006)

We consider that the effect of this amendment is not material for group operations.

The consolidated financial statements have been prepared under the historical cost convention, except for the available-for-sale assets and derivatives which are stated at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions which impact on the reported values for assets and liabilities, and for income and expenses presented for the period. Nevertheless the management usage of its best judgement at the time of the decision, the final results can differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The Board of directors is convinced that the estimates and assumptions adopted avoid significant risks, result of the impact from material adjustments to assets and liabilities value.

b) Consolidation**(1) Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(2) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Novabase Group discloses business and geographic segments, information that goes beyond the mandatory requirements of IAS 14. These additional disclosures are made due to the impact that the segments had or still have as group strategic investments.

For the preparation of this information, the companies Novabase S.G.P.S. and Novabase Serviços, S.A. are both presented as part of the Consulting Division business segment.

Geographical segment result are calculated based on selling destination markets, which includes export and the activity of companies located outside of Portugal. Geographic segment assets and liabilities are calculated based on selling origin markets, referring to companies outside of Portugal.

d) Foreign currency translation**(1) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousand euros, which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(3) Group companies

The functional currency of all the Group entities is identical to the presentation currency in the consolidated financial statements.

e) **Property plant and equipment**

Property, plant and equipment comprise mainly basic and transport equipment, and are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items (purchase price and all the expenses supported direct or indirectly to bring the asset to its current condition).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method, during the useful estimated life as follows:

	<u>N.º of Years</u>
• Buildings and other constructions	3 to 50
• Basic equipment	3 to 4
• Transport equipment	4
• Tools and utensils	4
• Furniture, fittings and equipment	3 to 10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the income statement.

f) **Intangible assets**

(1) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each business segment in which Novabase operates in namely, Novabase Consulting, Novabase Engineering and Novabase Digital TV. Additionally, for the purpose of impairment testing of goodwill not allocated to those two cash-generating units, the group defined cash generating units at the level of each subsidiary acquired.

(2) Internally generated intangible assets

Investigation expenses in the search of new technical and scientific knowledge are recorded in the income statement as and when incurred. Development expenses are accounted for as fixed assets when: i) the technical development process is proven to be executable; ii) group is able to conclude it's development and intends to do so ; iii) commercialization is assured, and iv) it's possible to estimate it's total cost with accuracy.

These assets are recorded and presented in terms of development or acquisition value, on the basis of the cost of the hours spent by the employees involved, and costs directly associated thereto as well as any outsourcing costs.

Amortisation is calculated using the straight-line method, for periods between 3 to 5 years. Impairment of internally generated assets is tested at the reporting date.

(3) Industrial Property and other rights

Trademarks and licences are shown at historical cost. Trademarks and licences have a definite useful life and are recognized at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives.

(4) Work in progress

Intangible assets in progress refer to the ongoing internal development of software and hardware products.

g) **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of impairment test, assets are allocated by segment, given that it is at this level that management monitors its return on investment.

h) Investments

Novabase Group classifies its investments in the following categories: (i) loans and receivables and (ii) available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables and accrued income headings in the balance sheet.

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative type assets that are either designated in this category or not classified in any of the other categories. They are presented in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets at fair value through equity are subsequently carried at fair value.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

i) Inventories

Merchandise and raw materials are stated at the lower of cost and net realisable value, cost is determined using the weighted average cost method.

The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the related receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

l) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

When a Group company purchases the Holding Company's equity share capital (Treasury shares), the consideration paid is deducted from the equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the Company's equity holders.

m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Cost incurred with interest on loans are included in the profit and loss as Finance costs.

n) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

o) Employee benefits

Bonus

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's employees after certain adjustments.

Defined benefit - Pension plan

The subsidiary TechnoTrend AG is responsible for a defined benefit plan.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, when exceeding the highest value between 10% of the plan assets or 10% of the defined benefit responsibilities, are charged or credited to income over the remaining of employees' expected average working lives.

Obligations for vacation and Christmas subsidies

In accordance with Portuguese legislation, workers annually earn the right to two months of salary, namely for a vacation period and a vacation subsidy, which is accrued in the previous year to its settlement. The workers also have the annual right to a Christmas subsidy, accrued during that year and paid each December. These obligations are recorded in the respective year in which the right is earned, despite the payment date of that right.

Stock options

The group rewards the services rendered by some workers through a stock option plan. The fair value of the services received is recognized as cost, and registered under the equity account during the vesting period. The amount registered as cost represents the fair value of the stock option attributed, estimated based on market conditions. Acquisition conditions different from market conditions were used to estimate the number of options vested at the end of acquisition period. The number of options expected to become exercisable is reviewed for each reporting period, and the difference from the previous estimate is reviewed and registered in the profit and loss.

p) Provisions

Provisions are recognised when: i) the Group has a present legal or constructive obligation as a result of past events; ii) it is more likely than not that an outflow of resources will be required to settle the obligation and iii) the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required on settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

q) Revenue recognition

Revenue comprises of the fair value of the sale of goods and services, net of value-added tax, (VAT) rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

Software products are usually sold without a right of return. However, if there is any chance of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

(b) Sales of services

Revenues from consulting projects, classified as “time and materials” are recognized in the accounting period in which the services are rendered.

Revenues from consulting projects, classified as “turn key” (or “fixed contract”) are recognized using the percentage of completion method based on sales of services, a ratio between costs incurred, contracted price, and estimated costs to be incurred until the end of the project. This method allows adjusting the accrued income and deferred revenue headings in order to reflect the accurate result of each project at the end of each financial period.

(c) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

r) Subsidies

Government subsidies are recognised at fair value, when there is high likelihood that the subsidy will be received and the Group fulfils all the requirements to receive it.

Non-refundable subsidies to finance development projects are recorded in the balance sheet as deferred income and are recognized in the income statement for each period, in proportion to the corresponding amortisation changes.

Operational subsidies are aimed at recovering the costs incurred and recorded with training initiatives and are recorded in the income statement as the expenses are incurred, regardless of when the subsidy is received.

s) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as operating leases. Payments made under operating leases (net of any incentives received from the lesser) are charged to the income statement on a straight-line basis over the period of the lease.

Lease contracts for tangible assets have been recorded in fixed assets whenever the Group assumes all the benefits and risks associated with ownership of the assets in question. The value at which these contracts are capitalised is the present value of future rentals. 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 and the interest component of the lease payment is expensed in the period to which it relates.

Fixed assets acquired by way of Leases are depreciated during the shortest of the following two periods, namely useful life and lease contract period (4 years).

t) Comparatives

The consolidated financial statements for the 1st Half of 2006 are considered comparable in all material aspects with those presented for the 1st Half of 2005.

u) Derivative financial instruments

Derivatives are initially recognized at its fair value at the contract starting date, and subsequently revaluated at its fair value.

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk.

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

a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from exposure to the U. S. Dollar, since some of the subsidiaries (TechnoTrend, Celfocus and Octal TV) perform transactions in this currency.

The finance department is responsible for the tracking of the exchange rate mentioned above, to reduce the impact of the fluctuation in consolidated results.

There are two simple forward contracts to buy USD 30.06.06, to support the rate impact of debts to suppliers:

- Novabase buys 1.000.000 USD to 10/07/2006 at the exchange rate of 1.2775
- Novabase buys 1.000.000 USD to 24/07/2006 at the exchange rate of 1.2785

b) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash in flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Due to the immateriality of the borrowing issued at variable rates the Board of Directors does not consider necessary the implementation of an interest rate risk management policy.

With the intention to stabilize its cash flows, the group uses full factoring. In 30.06.06, the amount delivered to factoring companies was 26 373m€.

c) Credit Risk

Novabase's policy towards financial operations counterpart risk is based on the assessment of their technical capacity, competitiveness, credit worthiness and counterpart exposure, avoiding hereby significant concentrations of credit risk. Full factoring operations are used to minimize this risk. (see previous note).

d) Liquidity risk

Liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

4. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates by the board of directors, that affect assets, liabilities, income and expenses and the disclosure of this items at the financial statements disclosure date. Actual results can therefore differ from the estimated.

a) Estimated impairment of goodwill

The Group tests annually on the second half of the year whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 8).

No additional impairment would be registered if the expected gross margins of this cash generating units were 10% lower than the management estimates or the discount rate 10% higher.

b) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due.

When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c) Revenue recognition

Revenue recognition is made by management recurring to analysis and estimates of the actual and future risks of consulting projects in place. These projections could have a different development in the future, from the present estimates performed by management. Eventual changes in the estimates would be reflected under income accrual and deferred income on the Balance Sheet and under services rendered on the Income Statement.

5. Segment information**Primary reporting format – business segments**

As at 30 June 2006, for business segment report, the Group is organised as follows:

- Consulting
- Engineering
- Digital TV
- Other

The companies considered in each business segment are presented in note 6. For the preparation of this information, the companies Novabase S.G.P.S. and Novabase Serviços, S.A. are both presented as part of the Consulting Division business segment.

The business segment results for the period ended 30 June 2005, are as follows:

	Consulting	Engineering	Digital TV	Other	Novabase Group
Sales and Services rendered	28 875	39 833	24 330	1 982	95 020
Operating profit / (loss)	3 004	2 196	517	(82)	5 635
Finance costs – net	(191)	(487)	(614)	(32)	(1 324)
Profit before income tax	2 813	1 709	(97)	(114)	4 311
Income tax expense	(644)	(555)	138	622	(439)
Profit for the period from continuing operations	2 169	1 154	41	508	3 872
Profit for the period from discontinued operations	560	-	-	-	560
Other information's:					
Depreciation / amortisation	(1 692)	(506)	(460)	(205)	(2 863)
Impairment of trade receivables	(151)	(19)	-	-	(170)

The business segment results for the period ended 30 June 2006, are as follows:

	Consulting	Engineering	Digital TV	Other	Novabase Group
Sales and Services rendered	33 975	50 903	39 338	1 212	125 428
Operating profit / (loss)	3 828	1 377	(1 013)	1 042	5 234
Finance costs – net	(255)	(507)	(639)	-	(1 401)
Share of losses of associates (note 31)	-	(33)	-	(393)	(426)
Profit before income tax	3 573	837	(1 652)	649	3 407
Income tax expense	(435)	(12)	377	28	(42)
Profit for the period from continuing operations	3 138	825	(1 275)	677	3 365
Profit for the period from discontinued operations	68	-	-	-	68
Other information's:					
Depreciation / amortisation	(1 549)	(482)	(462)	(63)	(2 556)
Impairment of trade receivables	(199)	(32)	(22)	-	(253)
Impairment of stocks	-	(71)	(2 251)	-	(2 322)

The business segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Consulting	Engineering	Digital TV	Other	Novabase Group
Assets	62 412	56 029	75 373	5 774	199 588
Associates	24	55	-	1 656	1 735
Total assets	62 436	56 084	75 373	7 430	201 323
Total Liabilities	28 772	40 506	39 515	1 895	110 688
Capital expenditure (12 Months)	1 861	1 670	2 247	172	5 950

The business segment assets and liabilities at 30 June 2006 and capital expenditure for the period then ended are as follows:

	Consulting	Engineering	Digital TV	Other	Novabase Group
Assets	72 691	63 851	67 980	2 167	206 689
Associates	24	55	-	1 961	2 040
Total assets	72 715	63 906	67 980	4 128	208 729
Total Liabilities	27 913	41 820	32 319	996	103 048
Capital expenditure (6 Months)	662	581	619	20	1 882

Business segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. It exclude mainly investments and derivatives held for trading.

Capital expenditure comprises additions to property plant and equipment (Note 7) and intangible assets (Note 8).

Secondary reporting format – geographical segments

At 30 June 2006, the Group operates in the following geographical areas:

- Portugal
- Germany
- Other

The geographical segment results for the period ended 30 June 2005, are as follows:

	Portugal	Germany	Other	Novabase Group
Sales and Services rendered	75 758	11 805	7 457	95 020
Operating profit / (loss)	5 134	527	(26)	5 635
Finance costs – net	(943)	(379)	(2)	(1 324)
Profit before income tax	4 191	148	(28)	4 311
Income tax expense	(601)	26	136	(439)
Profit for the period from continuing operations	3 590	174	108	3 872
Profit for the period from discontinued operations	560	-	-	560
Other information's:				
Depreciation / amortisation	(2 638)	(166)	(59)	(2 863)
Impairment of trade receivables	(78)	(92)	-	(170)

The geographical segment results for the period ended 30 June 2006, are as follows:

	Portugal	Germany	Other	Novabase Group
Sales and Services rendered	94 064	11 680	19 684	125 428
Operating profit	4 557	468	209	5 234
Finance costs – net	(1 115)	(273)	(13)	(1 401)
Share of losses of associates	(426)	-	-	(426)
Profit before income tax	3 016	195	196	3 407
Income tax expense	17	(1)	(58)	(42)
Profit for the period from continuing operations	3 033	194	138	3 365
Profit for the period from discontinued operations	68	-	-	68

Other information's:

Depreciation / amortisation	(2 340)	(152)	(64)	(2 556)
Impairment of trade receivables	(253)	-	-	(253)
Impairment of stocks	(2 322)	-	-	(2 322)

The geographical segment assets and liabilities at 31 December 2005 and capital expenditure for the period then ended are as follows:

	Portugal	Germany	Other	Novabase Group
Assets	171 660	22 618	5 310	199 588
Associates	1 735	-	-	1 735
Total assets	173 395	22 618	5 310	201 323
Capital expenditure (12 Months)	5 118	674	158	5 950

The geographical segment assets and liabilities at 30 June 2006 and capital expenditure for the period then ended are as follows:

	Portugal	Germany	Other	Novabase Group
Assets	179 484	13 410	13 795	206 689
Associates	2 040	-	-	2 040
Total assets	181 524	13 410	13 795	208 729
Capital expenditure (6 Months)	1 634	122	126	1 882

6. Companies included in consolidation

The companies consolidated by full method on 30 June 2006 were the following:

Holding company, Subsidiaries and Associates	Head Office and country	Share Capital	Equity	Results	Shareholding %	
		30.06.06	30.06.06	30.06.06	30.06.06	31.12.05
		Euros	Euro'000	Euro'000		
Parent company - Group holding :						
Novabase S.G.P.S.	Lisbon - Portugal	€ 15 700 697	61 817	(720)	-	-
Novabase Consulting Division :						
Novabase Consulting, S.A.	Lisbon - Portugal	€ 2 041 000	12 397	(175)	96.3%	96.3%
Novabase B. I., S.A.	Lisbon - Portugal	€ 250 000	6 025	497	96.3%	96.3%
Novabase Saúde, S.A.	Lisbon - Portugal	€ 2 500 000	(48)	(7)	100.0%	100.0%
Novabase Core Fin. Software Sol., S.A.	Lisbon - Portugal	€ 100 000	44	98	100.0%	70.0%
NBO Recursos em TI	Lisbon - Portugal	€ 50 000	5 904	181	96.3%	96.3%
Novabase A. C. D., S.A.	Lisbon - Portugal	€ 750 000	6 744	283	93.4%	92.7%
Novabase Consulting SGPS, S.A.	Lisbon - Portugal	€ 10 675 498	18 803	(100)	96.3%	96.3%
Novabase Consulting Espanha, S.A.	Madrid - Spain	€ 1 000 000	(322)	(45)	100.0%	100.0%
Novabase E. A., S.A.	Lisbon - Portugal	€ 150 000	3 155	522	96.3%	96.3%
CelFocus, S.A.	Lisbon - Portugal	€ 100 000	4 656	1 048	53.0%	53.0%
Mentor, S.A.	Lisbon - Portugal	€ 50 000	(241)	(1)	100.0%	100.0%
COLLAB – Sol. I. Com. e Colab., S.A.	Lisbon - Portugal	€ 50 000	411	(228)	55.4%	55.4%
SAF, S.A.	Lisbon - Portugal	€ 325 000	801	61	53.9%	53.9%
Nbase International Investments B.V.	Amsterd. - Netherl	€ 1 220 800	857	(11)	100.0%	100.0%
Novabase Engineering Division :						
Novabase Infraestruturas, SGPS, S.A.	Oeiras - Portugal	€ 50 000	14 927	(4)	87.3%	87.3%
Novabase IIS, S.A.	Oeiras - Portugal	€ 70 500	11 009	557	87.3%	87.3%
Octal - Engenharia de Sistemas, S.A.	Lisbon - Portugal	€ 3 000 000	7 594	(470)	100.0%	100.0%
Novabase Infr. Integracion S. Inf., S. A.	Madrid - Spain	€ 120 202	(204)	107	100.0%	100.0%
Gedotecome, Lda.	Lisbon - Portugal	€ 25 000	(237)	(71)	100.0%	100.0%
ES IT International Trade & Services	Fribourg - Switzerl	CHF200 000	85	(7)	99.9%	99.9%
Octal 2 Mobile	Lisbon - Portugal	€ 50 000	866	327	80.0%	80.0%
Novabase Digital TV Division :						
Techno Trend Holding	Amsterd. - Netherl	€ 70 000	46 040	21	50.0%	50.0%
Techno Trend AG	Erfurt - Germany	€ 5 263 320	5 311	248	44.1%	44.1%
Novabase Interactive TV	Lisbon - Portugal	€ 278 125	266	(5)	38.3%	38.3%
Octal TV , S.A.	Lisbon - Portugal	€ 250 000	5 179	(27)	30.7%	30.7%
OnTV, S.A.	Lisbon - Portugal	€ 100 000	1 644	70	19.5%	19.5%
Novabase Capital :						
Novabase Capital SGCR, S.A.	Lisbon - Portugal	€ 2 500 000	3 943	1 118	100.0%	100.0%
(*) Sapi 2 ci, Consultadoria Informática, S.A.	Oporto - Portugal	€ 60 100	291	56	50.0%	50.0%
(*) Sapi 2 pi, Projectos Informáticos, Lda.	Oporto - Portugal	€ 5 000	67	5	50.0%	50.0%
Manchete, S.A.	Lisbon - Portugal	-	-	-	-	50.0%
Fundo Capital Risco	Lisbon - Portugal	€ 7 142 857	7 069	(54)	30.0%	30.0%
Novabase Shared Services:						
Novabase Servicos, S.A.	Lisbon - Portugal	€ 250 000	(347)	(186)	100.0%	100.0%

Equity and results presented exclude equity accounting effect.

The companies consolidated using the equity method on 30 June 2006 were the following:

Holding company	Head Office and country	Share Capital	Equity	Results	Shareholding %	
		30.06.06 Euros	30.06.06 Euro'000	30.06.06 Euro'000	30.06.06	31.12.05
(*) Superemprego, S. A.	Lisbon - Portugal	€ 500 000	258	(15)	36.25%	36.25%
(*) Mind, S.A. (i)	Lisbon - Portugal	€ 370 000	800	40	50.0%	50.0%
(*) Key Lab	Lisbon - Portugal	€ 500 000	858	(218)	15.0%	15.0%

(*) These companies accounts were not completely closed by the consolidated accounts closing date

(i) Mind was included in the consolidated accounts by the proportional method in December 2005.

7. Property plant and equipment

The detail of Property plant and equipment is analysed as follows:

	30.06.06			31.12.05		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Buildings and other constructions	1 361	356	1 005	1 328	286	1 042
Basic equipment	4 167	2 331	1 836	5 967	3 663	2 304
Transport equipment	4 654	2 325	2 329	4 643	2 021	2 622
Tools and utensils	421	340	81	406	321	85
Furniture, fittings and equipment	1 647	1 037	610	1 670	956	714
Other tangible fixed assets	12	4	8	12	3	9
	<u>12 262</u>	<u>6 393</u>	<u>5 869</u>	<u>14 026</u>	<u>7 250</u>	<u>6 776</u>

During 2005, movements on Property plant and equipment were as follows:

	01.01.05 Balance	Acquisitions / Increases	Disposals	Transfers	Change in Consolidation Universe	31.12.05 Balance
<i>Cost :</i>						
Buildings and other constructions	970	675	(317)	-	-	1 328
Basic equipment	9 106	1 068	(4 140)	-	(67)	5 967
Transport equipment	4 039	1 839	(1 235)	-	-	4 643
Tools and utensils	391	53	(38)	-	-	406
Furniture, fittings and equipment	5 378	340	(4 048)	-	-	1 670
Other tangible fixed assets	56	7	(51)	-	-	12
	<u>19 940</u>	<u>3 982</u>	<u>(9 829)</u>	<u>-</u>	<u>(67)</u>	<u>14 026</u>
<i>Accumulated Depreciation :</i>						
Buildings and other constructions	487	101	(302)	-	-	286
Basic equipment	6 513	1 323	(4 127)	-	(46)	3 663
Transport equipment	1 983	1 247	(1 209)	-	-	2 021
Tools and utensils	308	51	(38)	-	-	321
Furniture, fittings and equipment	4 698	286	(4 028)	-	-	956
Other tangible fixed assets	13	9	(19)	-	-	3
	<u>14 002</u>	<u>3 017</u>	<u>(9 723)</u>	<u>-</u>	<u>(46)</u>	<u>7 250</u>

During 1st Half of 2006, movements on Property plant and equipment were as follows:

	01.01.06 Balance	Acquisitions / Increases	Disposals	Transfers	Change in Consolidation Universe	30.06.06 Balance
<i>Cost :</i>						
Buildings and other constructions	1 328	33	-	-	-	1 361
Basic equipment	5 967	287	(1 771)	1	(317)	4 167
Transport equipment	4 643	436	(359)	-	(66)	4 654
Tools and utensils	406	19	(4)	-	-	421
Furniture, fittings and equipment	1 670	36	(25)	(1)	(33)	1 647
Other tangible fixed assets	12	-	-	-	-	12
	<u>14 026</u>	<u>811</u>	<u>(2 159)</u>	<u>-</u>	<u>(416)</u>	<u>12 262</u>
<i>Accumulated Depreciation :</i>						
Buildings and other constructions	286	70	-	-	-	356
Basic equipment	3 663	575	(1 690)	-	(217)	2 331
Transport equipment	2 021	589	(215)	-	(70)	2 325
Tools and utensils	321	23	(4)	-	-	340
Furniture, fittings and equipment	956	124	(20)	-	(23)	1 037
Other tangible fixed assets	3	1	-	-	-	4
	<u>7 250</u>	<u>1 382</u>	<u>(1 929)</u>	<u>-</u>	<u>(310)</u>	<u>6 393</u>

Buildings and other constructions includes assets in the amount of EUR 805 thousand installed on third party premises.
Depreciation is included in 'Depreciation and amortisation' item in the income statement (note 29).

Transport Equipment includes the following finance lease contracts:

	30.06.06	31.12.05
Acquisition cost	4 117	4 052
Accumulated depreciation	(1 937)	(1 618)
Net book value	2 180	2 434
	30.06.06	30.06.05
Depreciation charge	546	473

8. Intangible assets

Intangible assets are analysed as follows:

	30.06.06			31.12.05		
	Cost	Accumulated Amortisation	Net book value	Cost	Accumulated Amortisation	Net book value
Internally generated intangibles	2 513	1 467	1 046	3 423	824	2 599
Industrial property and other rights	11 732	4 826	6 906	11 682	4 117	7 565
Work in progress	2 193	-	2 193	1 305	-	1 305
Goodwill	26 750	-	26 750	27 164	-	27 164
	43 188	6 293	36 895	43 574	4 941	38 633

During 2005, movements were as follows:

	01.01.05 Balance	Acquisitions / Increases	Impairment ch. Disposals	Transfers	Change in Consolidation Universe	31.12.05 Balance
<i>Cost :</i>						
Internally generated intangibles	5 420	130	(2 414)	396	(109)	3 423
Industrial property and other rights	10 078	80	(1 270)	2 794	-	11 682
Work in progress	328	1 373	-	(396)	-	1 305
Goodwill	29 294	385	-	(2 515)	-	27 164
	45 120	1 968	(3 684)	279	(109)	43 574
<i>Accumulated Amortisation</i>						
Internally generated intangibles	2 776	1 196	(2 306)	(781)	(61)	824
Industrial property and other rights	3 613	1 764	(1 539)	279	-	4 117
	6 389	2 960	(3 845)	(502)	(61)	4 941

During 1st Half of 2006, movements were as follows:

	01.01.06 Balance	Acquisitions / Increases	Impairment ch. Disposals	Transfers	Change in Consolidation Universe	30.06.06 Balance
<i>Cost :</i>						
Internally generated intangibles	3 423	1	(57)	65	(919)	2 513
Industrial property and other rights	11 682	95	(43)	-	(2)	11 732
Work in progress	1 305	975	-	(65)	(22)	2 193
Goodwill	27 164	-	(213)	-	(201)	26 750
	43 574	1 071	(313)	-	(1 144)	43 188
<i>Accumulated Amortisation</i>						
Internally generated intangibles	824	422	(56)	781	(504)	1 467
Industrial property and other rights	4 117	752	(43)	-	-	4 826
	4 941	1 174	(99)	781	(504)	6 293

Industrial property and other rights is analysed as follows:

Business	Amortisation Period	Company	Investment cost	Accumulated amortisation	Net book value
(i) ATX Projects	10 years	Novabase Consulting	8 295	2 344	5 951
(ii) SAP and Meta4	5 years	Novabase Serviços	2 194	1 411	783
Other			1 243	1 071	172
			<u>11 732</u>	<u>4 826</u>	<u>6 906</u>

(i) Amount paid to Espírito Santo group, for the acquisition of a service contract, over a period between 6 to 10 years.

(ii) Human resources and management information systems based respectively on META4 and mySAP platforms, for the Group internal use.

Internally generated intangibles includes the cost of projects for the developing of software in specific areas, sometimes with foreign partners.

Movements in goodwill were as follows:

	30.06.06	31.12.05
Balance At 1 January	28 570	30 700
(i) Changes in consolidation universe	(201)	-
(ii) Goodwill from increase of holdings in subsidiaries	-	168
(iii) Goodwill from the acquisition of new subsidiary	-	217
(iv) Transfers	-	(2 515)
Balance at the end of the period	<u>28 369</u>	<u>28 570</u>

Movements in goodwill impairment charges were as follows:

	30.06.06	31.12.05
Balance At 1 January	(1 406)	(1 406)
(v) Impairment losses	(213)	-
Balance at the end of the period	<u>(1 619)</u>	<u>(1 406)</u>

(i) In 2006: Disposal of Manchete participation

(ii) In 2005: Geodotcome, SAF and NBO (see note 6).

(iii) In 2005: GT Informatics business.

(v) An impairment loss was registered in this period, related with the remaining value of the Goodwill associated with the subsidiary Mind. The impairment loss is related with the uncertainty associated with the commercial value of some intangible assets of this company.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to the business segments.

	30.06.06	31.12.05
Novabase Consulting division	14 155	14 155
Novabase Engineering division	731	731
Novabase Digital TV division	11 517	11 517
(*) Novabase Capital	347	761
	<u>26 750</u>	<u>27 164</u>

(*) Cash generating units were defined at the level of each company acquired.

With the objective of analysing the goodwill impairment, on the second half of 2005 evaluations using the discounted cash flow method were performed, which support the recoverable value of the goodwill.

Discounted cash flow method was used for impairment analysis, using a pre income tax discount rate of 10% based on a 5 year period. The rate used in the cash flow growth estimate is considered conservative, and was used a perpetual grow rate of 3%.

EBITDA margins were estimated based on 2005 margins. For 2006, a 10% growth on sales and services rendered was considered.

Application of the previously described method generates a recoverable value of assets superior to the carrying value of the related assets, concluding therefore that no need for an impairment charge to the goodwill allocated to each cash generating units.

9. Investments in associates

This heading is analysed as follows:

	Shareholding %		Acquisition Cost	
	30.06.06	31.12.05	30.06.06	31.12.05
<i>Novabase Consulting division:</i>				
(i) Plano B	75%	75%	9	9
(ii) WRC	4%	4%	15	15
<i>Novabase Engineering division:</i>				
(ii) Tape	1%	1%	4	4
(ii) Intelcart	10%	10%	2	2
(iv) TV Lab	45%	45%	49	49
<i>Novabase Capital :</i>				
(iii) Key Lab (see note 6)	15%	15%	1 307	1 340
(ii) Forward	20%	20%	100	100
(ii) Dosapac	40%	40%	513	200
(ii) Segthor	-	-	25	-
(v) Mind (see note 6)	50%	50%	-	-
Superemrego (see note 6)	36.25%	36.25%	-	-
Other			16	16
			<u>2 040</u>	<u>1 735</u>

- (i) These companies are dormant and therefore were excluded from consolidation.
- (ii) These companies were considered not materially relevant, and therefore were not included in the consolidation.
- (iii) Includes the amount of EUR 1 270 thousand of the goodwill arising from the acquisition of this equity holding.
- (iv) TV Lab left the consolidation perimeter, as the group lost significant influence in the company management.
- (v) The group decided to make a provision for the value of this participation and the respective goodwill due to the uncertainty of this intangible asset value recoverability.

10. Deferred income tax assets and liabilities

Novabase Group recognises the tax effects on timing differences that arose between the time of recognition for accounting and tax purposes, in accordance with the International Accounting Standard 12 - Income Taxes.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts can be presented as follows:

	30.06.06	31.12.05
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	2 308	2 255
Deferred tax asset to be recovered after more than 12 months	7 411	6 798
	<u>9 719</u>	<u>9 053</u>
Deferred tax liabilities:		
Deferred tax liability to be recovered within 12 months	-	-
Deferred tax liability to be recovered after more than 12 months	136	136
	<u>136</u>	<u>136</u>

The movement in the deferred income tax is as follows:

	30.06.06	31.12.05
Balance At 1 January	9 053	7 979
Change in consolidation universe	(74)	(251)
Transfers	197	(48)
Income statement charge	543	1 373
Balance at the end of the period	<u>9 719</u>	<u>9 053</u>

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

	Tax losses	Accelerated Amortisation	Tax incentives	Provisions	Total
Balance At 1 January	4 857	496	1 990	636	7 979
Charged to the income statement	1 357	(166)	182	-	1 373
Transfers	(48)	-	-	-	(48)
Change in consolidation universe	(251)	-	-	-	(251)
Balance at 31 December 2005	5 915	330	2 172	636	9 053
Charged to the income statement	854	(124)	(187)	-	543
Transfers	197	-	-	-	197
Change in consolidation universe	(74)	-	-	-	(74)
Balance at the end of the period	<u>6 892</u>	<u>206</u>	<u>1 985</u>	<u>636</u>	<u>9 719</u>

11. Inventories

This heading is analysed as follows:

	30.06.06	31.12.05
Merchandise	11 922	11 362
Finished products	358	2 510
Raw materials, subsidiary goods and consumables	8 894	5 011
	<u>21 174</u>	<u>18 883</u>
Provision for inventory depreciation	<u>(7 763)</u>	<u>(5 917)</u>
	<u>13 411</u>	<u>12 966</u>

A provision in the amount of EUR 2 322 thousand for inventory depreciation was recorded under 'other gains and (losses) - net' (note 28) in the 1st Half of 2006.

During 1st Half of 2006 the provision for inventory depreciation was used in the amount of EUR 166 thousand.

12. Trade and other receivables

This heading is analysed as follows:

	30.06.06	31.12.05
Clients current accounts	64 739	70 178
Clients - trade bills	317	723
Clients - doubtful debts	2 134	2 403
Provision for doubtful debts	<u>(2 627)</u>	<u>(2 471)</u>
	<u>64 563</u>	<u>70 833</u>
Prepayments	9 843	3 706
Employees	548	240
Taxes	589	673
Subsidies from European Social Fund	355	346
Related parties debtors	1 639	1 563
Financial investments disposals	1 880	380
Other	941	1 175
	<u>15 795</u>	<u>8 083</u>
	<u>80 358</u>	<u>78 916</u>

The Group has recognised a loss of EUR 253 thousand (2005: EUR 390 thousand), for impairment of its trade and other receivables. This expense was recorded under 'other gains and (losses) - net' heading in the income statement.

13. Accrued income

Accrued income is analysed as follows:

	30.06.06	31.12.05
- Ongoing projects	17 334	14 013
- Other income accrual	477	274
	<u>17 811</u>	<u>14 287</u>

14. Other current assets

This heading is analysed as follows:

	30.06.06	31.12.05
- Hardware and software maintenance	1 823	2 258
- Subcontracts	730	688
- Other deferred costs	1 512	835
	<u>4 065</u>	<u>3 781</u>

In order to assure cut off of operations for these services, costs were deferred and will be taken to the income statement in next periods.

15. Available-for-sale financial assets

Movements in this heading are analysed as follows:

	30.06.06	31.12.05
Balance At 1 January	757	807
Disposals	-	(3)
Fair value adjustments	40	(47)
Balance at the end of the period	<u>797</u>	<u>757</u>

This heading is analysed as follows:

	30.06.06	31.12.05
Ordinary shares		
- Portugal Telecom	578	523
- PT Multimédia	219	234
	<u>797</u>	<u>757</u>

16. Cash and cash equivalents

With reference to the consolidated Cash Flow Statement, the detail and description of Cash and bank overdrafts is analysed as follows:

	30.06.06	31.12.05
- Cash	28	31
- Short term bank deposits	36 841	12 080
- Other Cash Investments:		
- Finance investments in Portuguese banks	18	21 689
Cash and cash equivalents	<u>36 887</u>	<u>33 800</u>
- 'Overdrafts'	<u>(8 425)</u>	<u>(2 167)</u>
	<u>28 462</u>	<u>31 633</u>

17. Non-current assets classified as held for sale

Novabase decided in 2004 to discontinue its operations in Novabase Brazil. This company's activity was not profitable and demanded significant management resources and cash requirements. Also in 2004, the Training activity has been exposed to a similar process, and the companies' operating in this area were disposed.

The costs related with this two decisions were provided in 2004, in the amount of EUR 1.8 and 2.2 million respectively.

The disposal of 80% of Novabase Brazil in 2005 generated an income of EUR 560 thousand. The remaining 20% held by Novabase Consulting were disposed in the 1st Half of 2006 generating an income of EUR 68 thousand.

The result of the discontinued operations, as well as assets and liabilities of these activities are analysed as follows:

	30.06.06		30.06.05	
	Training	Brazil	Training	Brazil
Income	-	68	-	560
Expenses	-	-	-	-
Result before taxes of discontinued operations	-	68	-	560
Taxes	-	-	-	-
Result after taxes of discontinued operations	-	68	-	560

	30.06.06		31.12.05	
	Training	Brazil	Training	Brazil
Non-current assets classified as held for sale				
Amount to receive for the disposal	2 915	-	2 915	68
Provisions	(2 915)	-	(2 915)	(68)
	-	-	-	-

18. Share capital, share premium, treasury shares and share options

The Share Capital, fully subscribed and paid of EUR 15 700 697.00 is represented by 31 401 394 shares with a nominal value of EUR 0.5 each.

In 1 June 2006, the company increased its Share Capital. The amount was fully subscribed and paid up to the value of EUR 1 337 815, with the issue of 2 675 629 new ordinary shares with a nominal value of EUR 0.50 each. 2 634 308 shares were subscribed and realized at a unit price of EUR 4.96, 38 755 shares at EUR 5.87, and 2 566 shares at EUR 6.1. Thus, since 1 June 2006, the company's share capital was represented by 31 401 394 shares.

	Number of shares (thousands)	Ordinary shares	Share premium	Treasury shares	Total
Balance at 1 January 2005	28 407	14 203	35 825	(4)	50 024
Shares issued	319	160	1 427	-	1 587
Treasury shares purchased	-	-	-	(178)	(178)
Treasury shares disposed	-	-	-	168	168
Balance at 31 December 2005	28 726	14 363	37 252	(14)	51 601
Shares issued	2 675	1 338	11 961	-	13 299
Treasury shares purchased	-	-	-	(213)	(213)
Treasury shares disposed	-	-	-	57	57
Balance at 30 June 2006	31 401	15 701	49 213	(170)	64 744

The number of treasury shares held by Novabase S.G.P.S. on 30.06.06 is under the limits established by its statutory rules (10% of share capital) and in accordance with the Portuguese commercial law.

At 31 December 2005 Novabase S.G.P.S. held 27 358 treasury shares, representing 0.1% of its share capital.

During 1st Half of 2006 the company purchased on the stock market 428 049 shares at the average price of EUR 6.46 and sold 114 484 shares at the average price of EUR 6.61.

At 30 June 2006 Novabase S.G.P.S. held 340 923 treasury shares, representing 1.09% of total share capital.

Stock Options Plan

A Stock Option Plan for the years 2003 to 2005 was approved at the General Meeting of Shareholders of April 19, 2003 following the former stock option plan for the period 2000-2002.

In the previous plan both components of admission and/or performance in respect of the years of 2000, 2001 and 2002, while in the plan for the years 2003 to 2005, admission and/or performance options for the years 2003, 2004 and 2005 may be attributed.

In order to approximate the date of positive performance in a given year and its corresponding reward. The plan for the years 2003 to 2005 does not involve a one-year waiting period. In this way each option may be exercised without delay in the year following that of performance evaluation. The period for exercising options went to three years in this plan as opposed to four years in the previous plan.

The options attributed in the different components by December 31st of each year can be exercised in three stages. The first stage can be exercised on May 25th of the year following that in which the first annual performance component is attributed and the other two on the same day (or on the first subsequent working day) in the following months of May and in blocks corresponding to 1/3 of the number of Options attributed.

The Stock Option Plan for the years 2003 to 2005, like the previous one, includes all employees and members of the Board of Directors of Novabase and other companies in the group (any companies in which Novabase directly or indirectly holds or acquires a majority holding in the share capital, or holds less than 50% of the capital but has management control are considered to be group companies for this purpose).

In 2002 and 2003, due to the performance of the capital markets, none of the options provided for in the Stock Option Plan were exercised.

The shares corresponding to the options attributed but not yet exercised under the Stock Option Plan referring to 2000 to 2002 and the Plan referring to 2003 to 2005 should not at any time exceed the maximum accumulated limit of 25%, corresponding to 12.5% per plan in relation to the total number of shares of Novabase's at that time.

The subscription and/or purchase price of the shares in the options attributed in each component under the plan for 2003 to 2005 is defined before the attribution date. It should, as a rule, be the arithmetical average of the prices of transactions of Novabase shares on the Euronext Lisbon market between October 1st and December 31st of the year before that in which the options were attributed, calculated based on the weighted average of the share volumes.

The take-up price of options attributed under annual performance components in the Plan for 2003 to 2005 should as a rule correspond to the aforementioned arithmetical average of market sessions between 1 October and 31 December of the year prior to that of the performance component.

On June 2005, 319 058 subscription options for Novabase shares were exercised under the Stock Option Plan and the Stock Subscription and/or Purchase Option Plan, corresponding to 8.9% of the options attributed and exercisable on that date. Of this total amount: 314 971 shares were subscribed and paid up at a unit price of 4.96 €, and 4 087 were subscribed and paid up at a unit price of 5.87 €.

On June 2006, 2 675 629 options for Novabase shares were exercised under the Stock Option Plan and the Stock Subscription and/or Purchase Option Plan, corresponding to 48.% of the options attributed and exercisable on that date. Of this total amount: 2 634 308 shares were subscribed and paid up at a unit price of EUR 4.96, 38 755 were subscribed and paid up at a unit price of EUR 5.87, and 2 566 were subscribed and paid up at a unit price of EUR 6.1.

All plans as at 1st Half of 2006 will be settled with shares of the company.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	30.06.06		31.12.05	
	Average exercise price in EUR per share	Options (thousands)	Average exercise price in EUR per share	Options (thousands)
Balance At 1 January		5 886		6 298
Granted	6.10	1 008		-
Exercised	4.97	(2 676)	4.96	(319)
Lapsed	6.58	(1 473)		(93)
Balance at the end of the period		2 745		5 886

Share options outstanding (in thousands) at the end of the period have the following expiry date and exercise prices:

Expiry date	Exercise price	Shares (thousands)	
		30.06.06	31.12.05
2006	8.23	-	718
2007	4.96	455	3 798
2007	5.87	1 285	1 370
2008	6.10	1 005	-
		2 745	5 886

In the 1st Half of 2006 1 008 options were attributed under the 2003-2005 plan. These rights become fully vested by a decision from the Board of Directors, and should be liquidated by shares.

The fair value of the attributed options in the period using the Black-Scholes method was Eur 478 thousand, (2005:0). The main inputs for the model were the following:

- (i) Spot 6.47 - average of daily prices since the beginning until the year of attribution.
- (ii) Exercise price 6.1
- (iii) Volatility: 14,24% - price based on the 2005 12 month prices (approximation to the expected maturity) , considering than the exercise price was defined based on 2005 share prices .
- (iv) Expected maturity: 1.17 years - weighted average between 2,14 and 26 months
- (v) Risk free interest rate: 3,14% - Euribor 12 months at attribution date.

In order to foster liquidity of Novabase Shares in the stock exchange, the group entered into two liquidity contracts during 2004 with Banco de Investimento Global (BIG) and Caixa Banco de Investimento, S.A.(Caixa).

Both financial institutions celebrate "Liquidity Provider" contracts with Euronext Lisbon, S.A. (Euronext) over Novabase shares. These contracts oblige the institutions to present selling and buying offers over the stock exchange session, with minimum quantities and a maximum spread between buying and selling. Euronext establishes favourable conditions to this business, guaranteeing permanent analysis and control.

Market making activity is allowed in the Portuguese stock market since March 2004, following Portuguese stock exchange integration in Euronext. Novabase was the second Euronext stock to initiate this type of activity.

The liquidity Provider tool was implemented by Euronext with the following objectives:

1. Foster liquidity of underlying stocks;
2. Guarantee prices, quantities and shares spreads.

Contracts are drawn up between Euronext and a financial institution and the latter is obliged to:

- a) Undertake selling and purchase of shares during stock exchange sessions;
- b) Undertake share transactions with minimum quantities;
- c) Undertake transactions with a maximum spread between buying and selling (previously defined in contract).

In return, Euronext provides special conditions on pricing charged to its members when acting as a Liquidity Provider, not charging commissions over business made under this activity. Euronext monitors and analyses this activity.

Novabase activity in this field is clearly an important step in the effort developed to foster stock liquidity, and the consequent increase in share visibility.

Closing date	BIG	Caixa
Share maximum limit	300 000 shares	400 000 shares
Firm offer obligations for sale and purchase	5000 in purchase and selling	2000 in purchase and selling
Maximum spread	5 ticks (1%)	0.05 (~0,8%)
Period	Quarterly, renewable for equal periods	Quarterly, semester renewable

19. Reserves and retained earnings

Portuguese companies are obliged / required by law to transfer at least 5% of annual net profit to legal reserves until this balance 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.

	Legal reserve	Other reserves and retained earnings	Fair value reserve	Stock Options reserve	TOTAL
Balance at 1 January 2005	1 254	20 711	194	-	22 159
Increase in reserves	-	4 904	(47)	-	4 857
Balance at 31 December 2005	1 254	25 615	147	-	27 016
Increase in reserves	22	1 760	40	478	2 300
Balance at 30 June 2006	1 276	27 375	187	478	29 316

Novabase S.G.P.S. has since its incorporation decided not to distribute dividends to the shareholders, ensuring that the company has adequate financial resources needed for its continued development.

20. Minority interest

This heading is analysed as follows:

	30.06.06	31.12.05
Balance At 1 January	12 018	12 248
Actuarial Gains and Losses	-	(58)
Change in consolidation universe	(195)	993
Minority interests in profit / (loss) for the year	(202)	(1 165)
	11 621	12 018

21. Borrowings

This heading is analysed as follows:

	30.06.06	31.12.05
Non-current		
Bank borrowings	8 250	10 604
Finance lease liabilities	1 840	1 552
	10 090	12 156
Current		
Bank borrowings	12 571	5 147
Finance lease liabilities	718	1 393
	13 289	6 540
Total borrowings	23 379	18 696

The exposure of the Group's current borrowings to the contractual repricing dates are as follows:

	6 months or less	6-12 months	Total
At 31 December 2005	3 773	1 374	5 147
At 30 June 2006	10 958	1 613	12 571

The maturity of non-current borrowings is as follows:

	30.06.06	31.12.05
Between 1 and 2 years	2 700	5 162
Between 2 and 5 years	5 550	4 942
Over 5 years	-	500
	<u>8 250</u>	<u>10 604</u>

The effective interest rates at the balance sheet date were as follows:

	30.06.06	31.12.05
Bank borrowings	4.000%	3.600%
Bank overdrafts	3.750%	3.785%

	30.06.06	31.12.05
Finance lease liabilities – minimum lease payments:		
Not later than 1 year	718	1 393
Between 1 and 5 years	1 840	1 552
	<u>2 558</u>	<u>2 945</u>

22. Retirement benefit obligations

TechnoTrend AG has a pension plan for board management. This obligation is recorded under liabilities accrual. Yearly costs incurred with this plan are recorded in the income statement.

This item is analysed as follows:

Balance sheet obligations related with:

	30.06.06	31.12.05
Retirement benefit obligations	436	434
	<u>436</u>	<u>434</u>

Profit and loss related with:

	30.06.06	31.12.05
Retirement benefit obligations	39	65
	<u>39</u>	<u>65</u>

Retirement benefit obligations recorded under assets and liabilities is analysed as follows:

	30.06.06	31.12.05
Present value of defined benefits obligation	593	591
Fair value of plan assets	(157)	(157)
	<u>436</u>	<u>434</u>

Retirement benefit obligations recorded under profit and loss is analysed as follows:

	30.06.06	31.12.05
Actual cost of service	30	49
Interest paid	9	23
Asset expected return	-	(7)
Total, accounted under staff costs	<u>39</u>	<u>65</u>

Movement in balance sheet is analysed as follows:

	30.06.06	31.12.05
Balance At 1 January	434	271
Total costs recognized in balance sheet	-	169
Total costs recognized in profit and loss	39	65
Contributions paid	(37)	(71)
Balance at the end of the period	436	434

Main actuarial assumptions used are the following:

	30.06.06	31.12.05
Discount Rate	5.25%	4.60%
Expected return of plan assets	5.25%	4.60%
Future wage increase	2.00%	0.00%
Predicted plan increases	2.00%	2.00%

23. Provisions

Movements on Provisions are analysed as follows:

	30.06.06	31.12.05
Balance At 1 January	591	168
Charged to income statement:		
Additional provisions	-	100
Used during year	-	(31)
Transfers	(158)	354
Changes in consolidation universe	(1)	-
Balance at the end of the period	432	591

Provisions balance includes the following matters:

Warranties - Liabilities related with third parties subcontracts in the supply of hardware for the TV business, to cover the client's warrantee period (275m€).

Court Actions - Responsibilities with indemnities to third parties related with the court actions in progress (100m €). The payment of this liability depends on the conclusion of the mentioned court procedures.

24. Trade and other payables

This heading is analysed as follows:

	30.06.06	31.12.05
Trade payables	42 137	41 458
Marketing	2 178	7 214
Personnel - Holiday pay and christmas subsidies	7 758	6 169
Projects in progress	5 052	5 497
VAT	3 791	7 251
Social security contributions	697	1 429
Personnel - Income tax withholding	575	940
Employees	1 256	1 675
Subscribers of share capital in subsidiaries	537	537
Retirement benefit obligations	436	434
Prepayments from clients	637	208
Other accruals	2 535	2 375
Other payables	2 614	2 918
	70 203	78 105

25. Deferred income and other current liabilities

This item is analysed as follows:

	30.06.06	31.12.05
Subsidies		
- Investment subsidies	293	492
- Training subsidies	572	482
Consulting Projects	7 233	11 228
	8 098	12 202

26. External supplies and services

External supplies and services heading is analysed as follows:

	30.06.06	30.06.05
<i>Subcontracts</i>	9 154	7 187
<i>Supplies and Services :</i>		
Water, electricity and fuel	309	274
Utility expenses	190	277
Rentals	1 026	1 031
Communications	329	351
Merchandise transport	854	1 064
Insurance	446	337
Transportation and travel expenses	2 423	2 018
Commissions and consultancy fees	3 552	2 747
Advertising and promotion	8 300	3 651
Specialised services	1 349	1 263
Other services	1 552	1 421
	<u>20 330</u>	<u>14 434</u>
	<u>29 484</u>	<u>21 621</u>

27. Employee benefit expense

This heading is analysed as follows:

	30.06.06	30.06.05
Board members remuneration	2 693	1 858
Salaries and wages	18 365	16 938
Social security charges	3 638	3 333
Stock options attributed	478	-
Other personnel expenses	417	826
	<u>25 591</u>	<u>22 955</u>

Average number of personnel by division is detailed as follows:

Division	30.06.06			30.06.05		
	Total	Consultants	Other	Total	Consultants	Other
'Novabase Consulting'	839	839	-	733	733	-
'Novabase Engineering'	240	240	-	206	206	-
'Digital TV'	250	250	-	199	199	-
'Novabase Capital' :	21	21	-	33	33	-
General	90	-	90	91	-	91
	<u>1 440</u>	<u>1 350</u>	<u>90</u>	<u>1 262</u>	<u>1 171</u>	<u>91</u>

28. Other losses - net

	30.06.06	30.06.05
(i) Profit on financial participation disposals	1 085	-
Client impairment	(220)	208
Stock impairment	(2 322)	(224)
Warranties provisions	(507)	-
Employee lawsuit provisions	-	(100)
Other Provisions	-	(97)
Other	(124)	(49)
	<u>(2 088)</u>	<u>(262)</u>

(i) Disposal of Manchete.

In the 1st Half of 2006 the 50.01% financial holding on Manchete was sold by the group, by a total amount of Eur 1 500m thousand, this amount remains unpaid until 30.06.06

The following subsidiary assets and liabilities were disposed:

	Manchete
Cash and cash equivalents	68
Tangible fixed assets	117
Intangible fixed assets	10
Trade, other receivables and income accrual	475
Other current assets	17
Borrowings	(62)
Provisions for other risk and charges	(1)
Trade, other payables and deferred income	(214)
Expense accruals	(74)
Net assets	<u>336</u>

29. Depreciation and amortisation

Depreciation and amortisation heading is analysed as follows:

	30.06.06	30.06.05
<i>Property plant and equipment Depreciation:</i>		
Buildings and other constructions	70	27
Basic equipment	575	662
Transport equipment	589	499
Tools and utensils	23	24
Furniture, fittings and equipment	124	139
Other tangible fixed assets	1	14
	<u>1 382</u>	<u>1 365</u>
<i>Intangible fixed assets Amortisation :</i>		
Internally generated intangibles	422	603
Industrial property and other rights	752	895
	<u>1 174</u>	<u>1 498</u>
	<u><u>2 556</u></u>	<u><u>2 863</u></u>

30. Finance costs - net

This heading is analysed as follows:

	30.06.06	30.06.05
Interest received	230	179
Positive exchange differences	627	358
Other financial gains	17	31
Interest paid		
- Loans	(406)	(305)
- Interest on leasing contracts	(228)	(201)
- Factoring interest	(370)	(225)
- Other interest	(24)	(12)
Bank guarantees charges	(76)	(75)
Bank services	(91)	(163)
Negative exchange differences	(988)	(908)
Other financial losses	(92)	(3)
	<u><u>(1 401)</u></u>	<u><u>(1 324)</u></u>

31. Share of losses of associates

This heading is analysed as follows:

	Profit / (Loss)	
	30.06.06	30.06.05
<i>'Novabase Capital' :</i>		
Mind, S.A.	(398)	-
Foward - Dividend Distribution	5	-
<i>'Novabase Engineering' :</i>		
Key Lab	(33)	-
	(426)	-

32. Income tax expense

This heading is analysed as follows:

	30.06.06	30.06.05
Current tax	585	1 147
Deferred tax due to timing differences	(543)	(708)
	42	439

Group income tax for the year differs from that obtained when using the holding company's country average tax rate as a result of:

	30.06.06	30.06.05
Profit before tax	3 407	4 311
Income tax at nominal rate	937	1 186
Fiscal benefits from work creation	(349)	(409)
Provisions and amortisations not considered for fiscal purposes	89	63
Deferred tax recognition on provisions from previous periods	(458)	(556)
Subsidiary disposals	(298)	(100)
Autonomous taxation	149	127
Losses from companies without deferred liabilities taxes	45	16
Expenses not deductible for tax purposes	55	-
R&D fiscal benefits	(122)	-
Other	(6)	112
Income tax	42	439

33. Earnings per share**Basic**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company (Note 18).

Diluted

Each share diluted result is calculated by adjusting the average weighted number of ordinary shares, in order to consider the conversion of all the potentials dilutive ordinary shares. Novabase has just one type of potential ordinary dilutive shares: stock options. It was decided that the number of shares to be acquired at its fair value (by the weighted average of the Novabase shares market price). This number os shares was compared with the number os shares that would be issued if all the options were exercised.

This item is analysed as follows:

	30.06.06	30.06.05
Weighted average number of ordinary shares in issue	29 171 703	28 459 883
Stock options adjustment	291 017	545 752
Adjusted weighted average number of ordinary shares in issue	29 462 720	29 005 635

Profit from continuing operations attributable to equity holders of the Company	3 567 544	3 186 145
Basic earnings per share (euro per share)	0.12 euros	0.11 euros
Diluted earnings per share (euro per share)	0.12 euros	0.11 euros
Profit from discontinued operations attributable to equity holders of the Company	67 775	560 000
Basic earnings per share (euro per share)	-	0.02 euros
Diluted earnings per share (euro per share)	-	0.02 euros

34. Commitments

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

	Bank	30.06.06	31.12.05
Novabase S.G.P.S.	BPI	102	102
Novabase S.G.P.S.	CGD	-	40
Novabase S.G.P.S.	BES	3 000	3 000
Novabase Consulting, S.A.	BPI	1 228	1 054
Novabase Consulting, S.A.	BES	4 956	4 956
Novabase B. I., S.A.	BPI	100	132
Novabase B. I., S.A.	BES	131	131
Novabase A. C. D., S.A.	BPI	13	13
NBO Recursos em TI	BPI	-	7
Novabase Serviços, S.A.	BPI	399	7
Novabase Serviços, S.A.	BES	-	428
Manchete, S.A.	BPN	-	9
SAF, S.A.	BPI	5	9
Novabase Core Fin. Software Sol., S.A.	BPI	2	2
CelFocus, S.A.	BPI	417	417
Octal - Engenharia de Sistemas, S.A.	BCP	910	910
Octal - Engenharia de Sistemas, S.A.	BES	21	21
Octal - Engenharia de Sistemas, S.A.	COSEC	98	98
Novabase IIS, S.A.	BNP PARIBAS	10	10
Novabase IIS, S.A.	BES	1 290	1 003
Novabase IIS, S.A.	BCP	10	10
Novabase Infr. Integracion S. Inf., S. A.	LA CAIXA	-	14
Novabase Infr. Integracion S. Inf., S. A.	BES	79	75
Gedotecome, Lda.	BCP	35	35
Octal TV, S.A.	BCP	18	-
Octal TV, S.A.	BBVA	237	237
		13 061	12 720

Novabase S.G.P.S. issued a confort letter to the associated TT AG guaranteeing the loans done to this company.

35. Related-party transactions

For this report purposes, related party consider subsidiaries, associated companies, shareholders with management influence and key elements in the Group management.

i) Sales of goods and services

	30.06.06	30.06.05
BES group	3 855	4 248
	3 855	4 248

The above identified transactions were performed at arms length.

ii) Purchases of goods and services

	30.06.06	30.06.05
BES group	-	33
	-	33

iii) Key management compensation

	30.06.06	30.06.05
Salaries and other short-term employee benefits	2 654	1 829
Post-employment benefits	39	29
	<u>2 693</u>	<u>1 858</u>

iv) Balances arising from sales/purchases of goods/services

	30.06.06	31.12.05
Receivables from related parties:		
BES group	3 464	5 606
	<u>3 464</u>	<u>5 606</u>

At 30 June 2006 and 31 December 2005, no provisions for loans provided to associates were considered necessary.

v) Loans to related parties

	30.06.06	31.12.05
BES group	5 950	6 800

36. Other Information

On 30 June 2006 the group was part intervenient in the following processes:

- (i) There is a Court procedure brought by the company Drink In – Companhia de Indústria de bebidas e Alimentação, S.A. against one of Novabase's subsidiary, under which the plaintiff claims payment of approximately 716 thousand euros allegedly on account of penalty for delay in implementing and installing a computer system. Under the same proceedings, Novabase's subsidiary filled a reply and a claim for 297 thousand euros concerning unpaid invoices. The procedure is currently suspended for the parties to try to reach an agreement. This action presents no grounds on the part of the plaintiff and is a clear case of abuse of rights.
- (ii) A subsidiary of Novabase is plaintiff in an action brought against Air Luxor, S.A. and Air Luxor Tours-Operadores Turísticos, S.A. for non-payment of the price due for the rendering of professional services and damages for breach of contract. This lawsuit is presently under the hearing stage. The claim amounts to 708 thousand euros, 410 thousand euros of which concerns unpaid price and damages for breach of contract. Air Luxor, S.A. and Air Luxor Tours-Operadores Turísticos, S.A. counterclaim payment of 2.8 million euros allegedly on account of damages incurred as a result of problems in the performance and implementation of the software system. At this stage it is not possible to estimate what the Court decision will be, but in what the counterclaim is concerned, there are good chances of the counterclaim being overruled.
- (iii) There are 3 labour Court actions and 1 civil actions pending against 2 subsidiaries of Novabase, brought against by professionals formerly hired by the referred companies, the amount of potential liability under the aggregate of these actions amounting to approximately 96 thousand euros, added of interests accrued and to be accrued until full payment; within 2 of the referred actions, a decision against the defendants implies payment of salaries accrued and to be accrued until the decision (res judicata) and compensation to be decided by the Judge (between 15 and 45 days of salary for each year of seniority). The majority of the referred cases await final hearing.
- (iv) A Novabase, Sociedade Gestora de Participações Sociais, S. A. e a Novabase Capital, Gestão e Participação em Iniciativas Empresariais na Nova Economia, SGPS, S. A. are defendants in a civil action where the plaintiff, Carlos António Pinto Eliseu Baptista Lopes, claim's payment of € 904.627,07 (nine hundred and four hundred thousand and six hundred and twenty seven euros and seven cents) plus interests accrued until full payment and damages in a value yet to be established within the procedure. This lawsuit is at the hearing stage. In the event of an unfavourable decision Novabase, Sociedade Gestora de Participações Sociais, S. A. e a Novabase Capital, Gestão e Participação em Iniciativas Empresariais na Nova Economia, SGPS, S. A. may have to support payment of € 904.627,07 plus interests accrued until full payment and damages in a value yet to be established.

37. Subsequent events

No other events worthy of note happened until the date of conclusion of this report.

**II. Limited Review Report on the Consolidated Half
Year Information**

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Limited Review Report on the Half Consolidated Yearly Financial Information

(Free Translation from the original in Portuguese)

Introduction

1 Pursuant to 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 2006, of Novabase SGPS, S.A., included in: the Directors’ Report, consolidated balance sheet (which shows a total of euro 208.729 thousand, total minority interests of euro 11.621 thousand and a total shareholders’ equity including minority interests of euro 105.681 thousand, including a profit for the period of euro 3.635 thousand), consolidated statement of income, consolidated statement of changes in equity and consolidated cash flow statements for the period then ended and the respective notes to the accounts.

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.

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 International Accounting Standard 34 – Interim Financial Reporting as adopted by the EU that is complete, true, timely, clear, objective and licit, as required by the Securities Market Code (“Código dos Valores Mobiliários”); (c) to adopt adequate accounting policies and criteria; (d) to maintain appropriate systems of internal control; and (e) to disclose any relevant matters which 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, timely, 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.

Novabase SGPS, SA

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 performed in accordance with the Standard and Technical Recommendations approved by the Portuguese Institute of Statutory Auditors, was planned in accordance with that objective, and consisted 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 basis of accounting; (iv) the presentation of the financial information; and (v) if, the consolidated financial information is complete, true, timely, clear, objective and licit.

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 yearly consolidated 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 2006 is not free of material misstatements that affects its conformity with IAS 34 – Interim Financial Reporting as adopted by the EU and that it is not complete, true, timely, clear, objective and licit.

Lisbon, 29 September 2006

PricewaterhouseCoopers & Associados, SROC, Lda.
represented by:

Abdul Nasser Abdul Sattar, R.O.C.

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

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Detail on securities issued by the company and other group companies, held by board members at 30.06.06

	Share Capital	Total n° of shares	Shares held by board members at 31.12.05	Transactions	Shares held by board members at 30.06.06	% of shares held by board members
Novabase SGPS, S.A.	15 700 697	31 401 394	12 899 023	(705 125)	12 193 898	38.8%
José Afonso Oom Ferreira de Sousa			2 498 746	0	2 498 746	8.0%
Pedro Miguel Quinteiro M. de Carvalho			2 498 697	0	2 498 697	8.0%
Rogério dos Santos Carapuça			1 884 787	0	1 884 787	6.0%
Luís Paulo Cardoso Salvado			1 786 790	0	1 786 790	5.7%
João Nuno da Silva Bento			1 783 563	0	1 783 563	5.7%
Álvaro José da Silva Ferreira			809 872	(5 006)	804 866	2.6%
João Filipe dos Santos Teixeira Neto			492 628	(492 628)	0	0.0%
João Vasco Tavares da Mota Ranito			492 628	0	492 628	1.6%
José Carlos de Almeida Pedro de Jesus			368 875	0	368 875	1.2%
Nuno Miguel Isidoro Duarte			207 491	(207 491)	0	0.0%
Manuel Saldanha Fortes Tavares Festas			74 946	0	74 946	0.2%
CelFocus	100 000	100 000	3	0	3	0.0%
Paulo Jorge Barros Pires Trigo			1	0	1	0.0%
Francisco Manuel Martins Pereira do Valle			1	0	1	0.0%
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
COLLAB - Sol. I. Com. e Colab., S.A.	50 000	50 000	18 750	0	18 750	37.5%
Álvaro José da Silva Ferreira			7 500	0	7 500	15.0%
João Nuno da Silva Bento			7 500	0	7 500	15.0%
Pedro Cabrita Quintas			3 750	0	3 750	7.5%
ES IT International Trade & Services, S.A.	200 000	2 000	1	0	1	0.1%
José Afonso Oom Ferreira de Sousa			1	0	1	0.1%
Manchete, S.A.	150 000	150 000	74 999	0	74 999	50.0%
Luis Carlos Feliciano da Mota			37 399	0	37 399	24.9%
Mª de Fátima da Silva Rebelo			37 400	0	37 400	24.9%
José Afonso Oom Ferreira de Sousa			100	0	100	0.1%
Manuel Tavares Festas			100	0	100	0.1%
Mind, S.A.	370 000	74 000	26 400	0	26 400	35.7%
João Carlos Martins Bernardo			10 980	0	10 980	14.8%
Rui Pedro Silva Casteleiro			10 980	0	10 980	14.8%
Bruno Cardoso Mendes			4 440	0	4 440	6.0%
NB Advanced Custom Development, S.A.	750 000	750 000	8 753	0	8 753	1.2%
João Pedro Silva			8 753	0	8 753	1.2%
Novabase Consulting SGPS, S.A.	10 675 498	10 675 498	394 117	0	394 117	3.7%
João Rafael Leitão Ivo da Silva			105 687	0	105 687	1.0%
Luís Miguel Mota da Cunha Lobo			107 299	0	107 299	1.0%
Nuno Carlos Dias Santos Fórneas			67 362	0	67 362	0.6%
Pedro Miguel Correia Vala Chagas			113 769	0	113 769	1.1%
NB Core Financial Software Solutions, S.A.	100 000	100 000	30 000	(30 000)	0	0.0%
Paulo Jorge Botelho Xardoné			15 000	(15 000)	0	0.0%
Fernando Miguel Figueira Tareco			15 000	(15 000)	0	0.0%
Novabase Infraestruturas, SGPS, S.A.	50 000	5 000 000	419 993	0	419 993	8.4%
Miguel Vicente			381 812	0	381 812	7.6%
Luís Dias			38 181	0	38 181	0.8%
Novabase Interactive TV	278 125	278 125	33 542	0	33 542	12.1%
José Carlos de Almeida Pedro de Jesus			33 542	0	33 542	12.1%
Octal2Mobile, S.A.	50 000	50 000	10 000	0	10 000	20.0%
Eduardo Carqueja			10 000	0	10 000	20.0%
OnTV	100 000	100 000	28 250	0	28 250	28.3%
Pedro Casqueiro			28 250	0	28 250	28.3%
SAF	325 000	325 000	24 375	0	24 375	7.5%
Mário Jacinto S. Oliveira L. Figueira			24 375	0	24 375	7.5%
SAPi2, S.A.	60 100	60 100	22 500	0	22 500	37.4%
Paulo Eduardo Simões de Abreu Cascais			7 500	0	7 500	12.5%
Jorge Humberto Ferreira Moreira			7 500	0	7 500	12.5%
José Manuel Gomes de Vasconcelos Diniz			7 500	0	7 500	12.5%
Tecnhotrend Holding, B.V.	70 000	7 000 000	3 500 000	0	3 500 000	50.0%
Heiko Kieser			3 110 300	0	3 110 300	44.4%
Michael Pauli			389 700	0	389 700	5.6%
TV Lab, S.A.	525 000	525 000	26 250	0	26 250	5.0%
António Precatado			26 250	0	26 250	5.0%

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