



# ACCOUNTS

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# **REPORT AND ACCOUNTS - 1<sup>ST</sup> QUARTER 2016**

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## Consolidated Results 3M16

### Privileged Information

May 12, 2016

### Highlights:

**Turnover: 47.1 M€**  
(54.1 M€ in 3M15)

**EBITDA: 4.2 M€**  
(4.0 M€ in 3M15)

**Net Profit: 1.7 M€**  
(1.9 M€ in 3M15)

**Net Cash: 16.3 M€**  
(11.3 M€ in 12M15)

## Message from the Chairman and CEO Luís Salvado



"The 1st quarter's results reflect Novabase's goals and strategic options for 2016.

International business represents more than half of the total, 56% of which in Europe. The services were responsible for almost 90% of total activity, surpassing the 50% in the business of Infrastructures & Managed Services.

Turnover decreased by 13%, in line with the objective to limit our exposure to emerging markets and, in the domestic market, due to the discontinuation of some no differentiated offers.

As a result, and despite some contraction of the total activity, EBITDA rose in absolute terms and in margin to 8.9%. Net Profit fell 12%, penalized by non-controlling interests. The cash continued its positive trend, with 5 M€ generated in the quarter.

We'll maintain focused on internationalization and continue to limit activity in the geographies that are more exposed to the instable prices of energy raw materials. Even given the uncertainty felt in the markets where we operate, we're committed to achieve the goals set for the year."

**INVESTOR RELATIONS OFFICE:**  
Mária Gil Marín  
Tel. +351 213 836 300  
Fax: +351 213 836 301  
investor.relations@novabase.pt

Report available on website :  
[www.novabase.pt](http://www.novabase.pt)

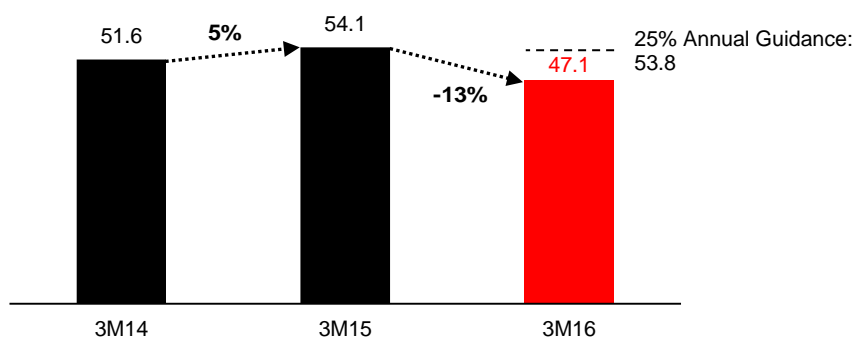
Novabase SGPS, S.A.  
Public Company - Euronext code: NBA.AM  
Registered in TRO of Lisbon and Corporate Tax Payer nº 502.280.182 - Share Capital: 15,700,697.00 €  
Head Office: Av. D. João II, 34, 1998-031 Lisbon - PORTUGAL



## 1. Key Indicators Evolution

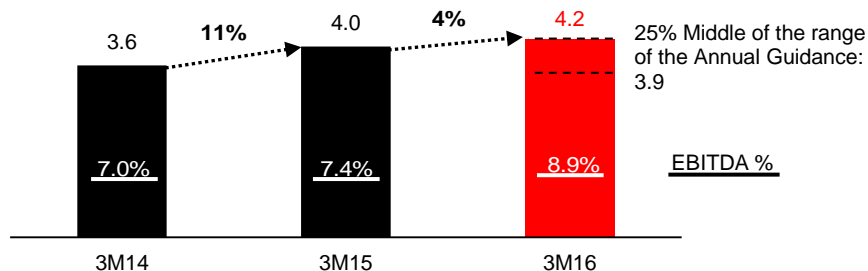
### Turnover (M€)

Turnover decreases 13% YoY, and is below the annual Guidance (-12%), with significant impact on IMS area, due to our strategy to limit the exposure to emerging markets.

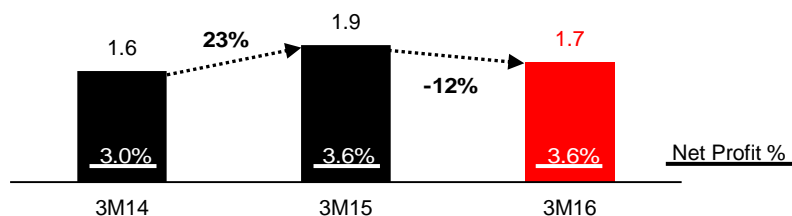


### EBITDA (M€)

EBITDA presents a 4% growth YoY and is in the upper limit of the range of the annual Guidance.



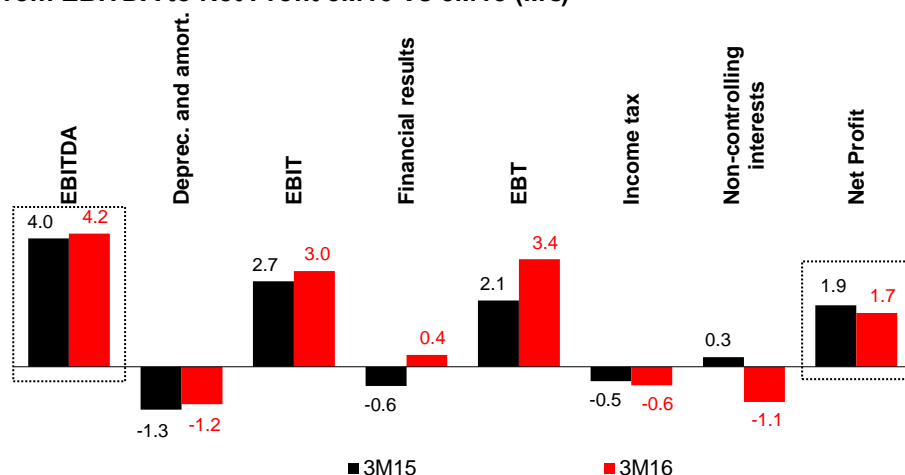
### Net Profit (M€)



Earnings per share (EPS) in 3M16 reached 0.05 euros per share, registering a decrease of 12% towards the EPS from the previous year of 0.06 euros per share.



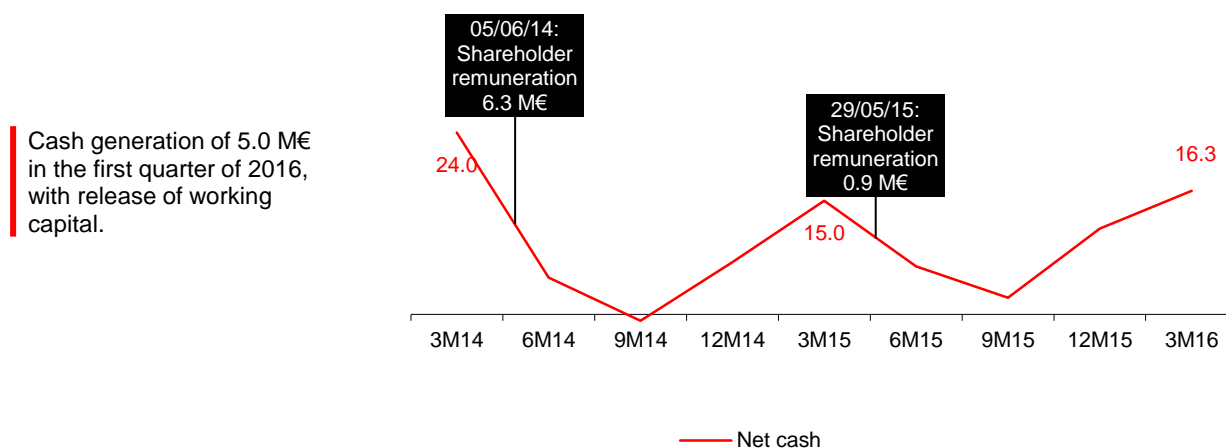
### From EBITDA to Net Profit 3M16 Vs 3M15 (M€)



The Financial Results were positive in 0.4 M€, an increase of 1.0 M€, fundamentally based on the evolution of the financial instruments used to reduce the exposure to exchange rate risk.

Non-controlling interests in 3M16 amounted to -1.1 M€, which compares to 0.3 M€ in 3M15. This variation is mainly due to evolution of the results of international subsidiaries.

### Net Cash (M€)



In the 3M16, Novabase shows a positive evolution in cash generation. Novabase ended the 3M16 with 16.3 M€ in net cash, which compares to 11.3 M€ in the 12M15.



## 2. Short Summary of the Activity

International activity exceeds domestic business and services rise to 86% of the total.

The first quarter of 2016 was marked by the good results in terms of internationalization and specialization of the offerings, with the weight of the international activity accounting for 52% of the total, above the annual goal of 45%, and with the growth in the weight of services, which now represents 86% of the total business.

Compared to the same period of last year, Turnover decreased by 13%, due to the limitation of our exposure to some emerging markets where we operate, in line with the strategic options anticipated in the end of last year, however achieving an operating improvement, with the EBITDA rising 4%. Towards the Guidance, the results of the first quarter of 2016 were below on Turnover, and in the upper limit of the EBITDA range.

Novabase opens First Case Management Competency Centre in Portugal.

Highlights include the opening of the first Case Management Competency Centre in Portugal, in the first quarter of 2016. All of the work in Novabase's Case Management Competency Centre will be done using Design Thinking, an innovative methodology that Novabase uses in its projects, and within 5 years, is expected this space to have more than 100 dedicated employees. This Centre brings to the market a streamlined case management solution, and is aligned with Novabase's internationalization and specialization of the offerings strategic options.

Novabase IMS receives international certifications.

To highlight also that Novabase IMS has successfully completed the certification process for its IT Service Management (ISO 20000) and Information Security Management (ISO 27001) Systems for the domestic and international markets. These recently-acquired certifications are part of Novabase's service quality standards policy, and open new doors for the company, positioning it among the world's biggest players in the sector.



With regard to distinctions, highlight the Winner's Circle Excellence award, which was given by Cisco to Novabase IMS, in Miami. Likewise, Novabase IMS received the distinction of Cisco Commercial Partner of the Year, at the Cisco Partner Summit 2016 held in San Diego, USA. The IMS is thus recognized as the largest partner in Portugal and in the region of southern Europe as well in the Commercial segment, one of the leading sectors for Cisco.

Novabase enters US market with the Watson of IBM.

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

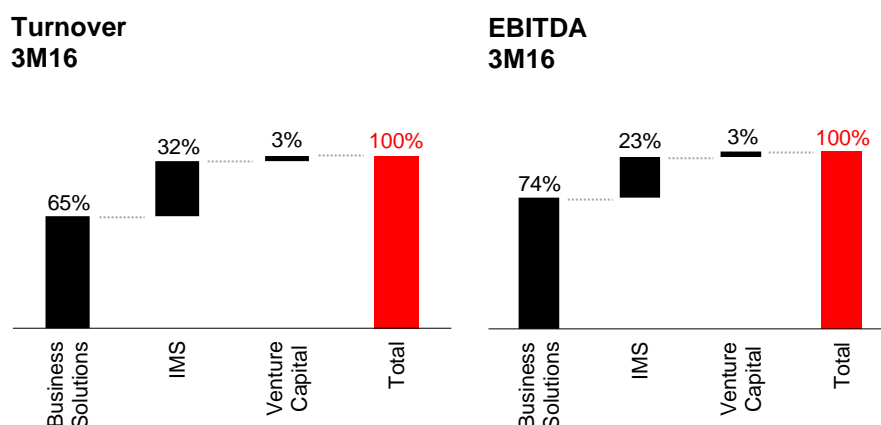
In the Venture Capital area, Collab has been mentioned in the "Magic Quadrant for Customer Engagement Centre 2015" of Gartner, the world's foremost opinion-maker in market analysis and research in the area of technology, being the only company who successfully moved up in the areas of "execution capacity" and "future vision".



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

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

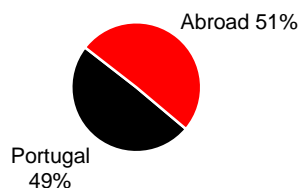
The percentage breakdown of Turnover and EBITDA by the different businesses, in the 3M16, is as follows:



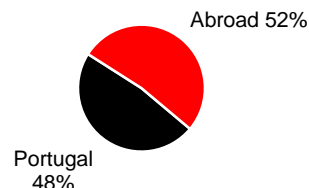
The weight of services in 3M16 rose to up 5/6 of the total, one of the greatest values recorded in the last years, in line with Novabase strategic goal to increase the added value of its offerings.

From the total Turnover, 24.5 M€ were generated outside Portugal, which compares to 27.4 M€ registered in 3M15.

**Turnover by geography 3M15**



**Turnover by geography 3M16**



Europe was the continent with greater expression in 3M16, representing 56% of international business.

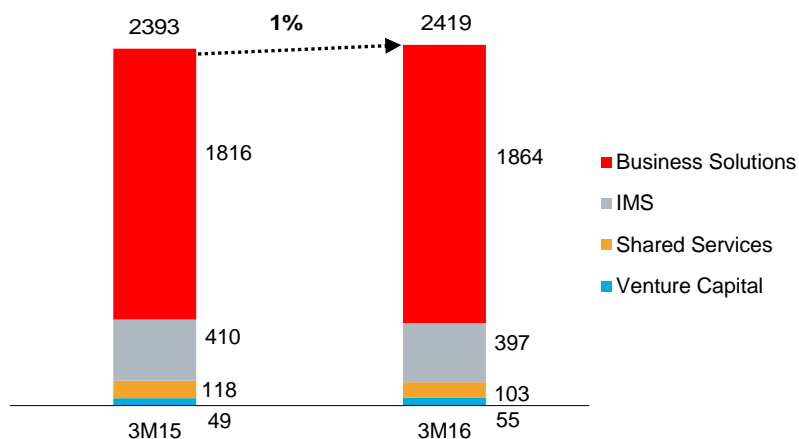
Business outside Portugal generated in the Business Solutions area increased to 60% of the respective Turnover (57% in 3M15). In the IMS business area, the international business in 3M16 decreased to 37% (42% in 3M15) and in the Venture Capital area decreased to 38% (64% in 3M15).

Novabase had on average, in the 3M16, 2419 employees, which represents an increase of 1% compared to the 3M15 (2393).



Employee breakdown by business area, in 3M16, is as follows:

### Average Number of Employees



11% growth in the average number of international employees, in line with Novabase' focus on markets outside Portugal.

### Average Number of Employees by geography 3M15

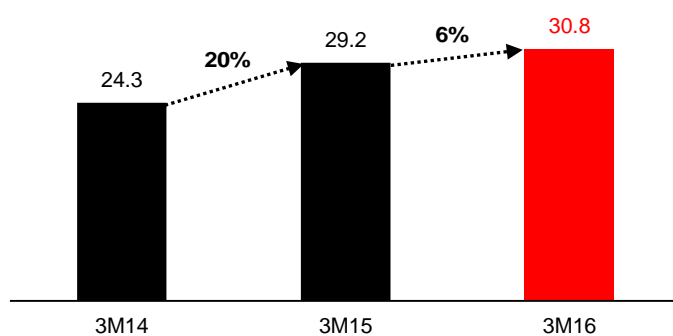


### Average Number of Employees by geography 3M16



## 2.1. Business Solutions

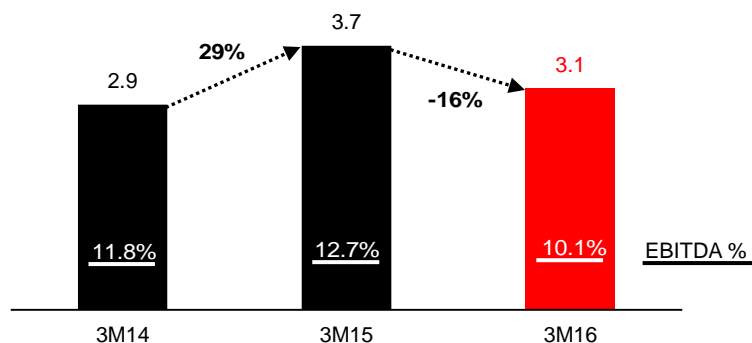
### Turnover Business Solutions (M€)



BS evolution reflects the continuation of international growth (+10%).

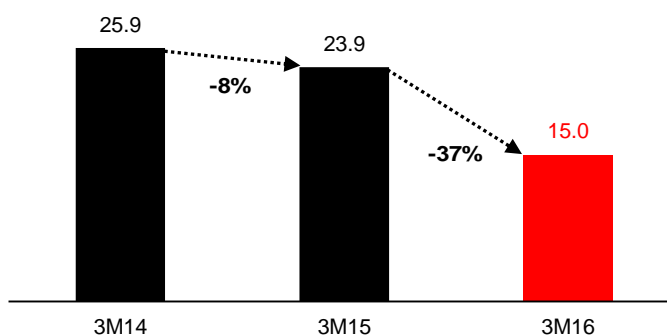


### EBITDA Business Solutions (M€)



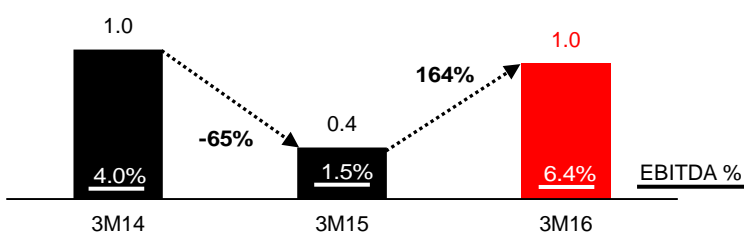
## 2.2. Infrastructures & Managed Services

### Turnover IMS (M€)



IMS evolution results from the strategy to limit the exposure to emerging markets and, in Portugal, from the exit of lower value added projects. However, this area should be analysed for longer time periods.

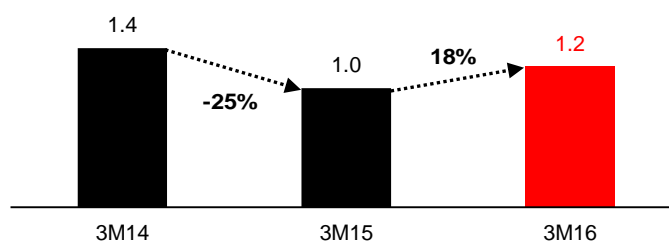
### EBITDA IMS (M€)





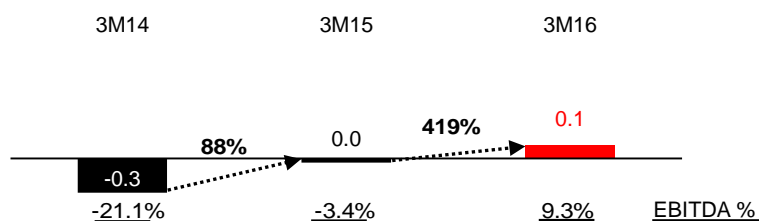
## 2.3. Venture Capital

### Turnover Venture Capital (M€)



VC area with marginal significance. However, this area should be analysed for longer time periods.

### EBITDA Venture Capital (M€)



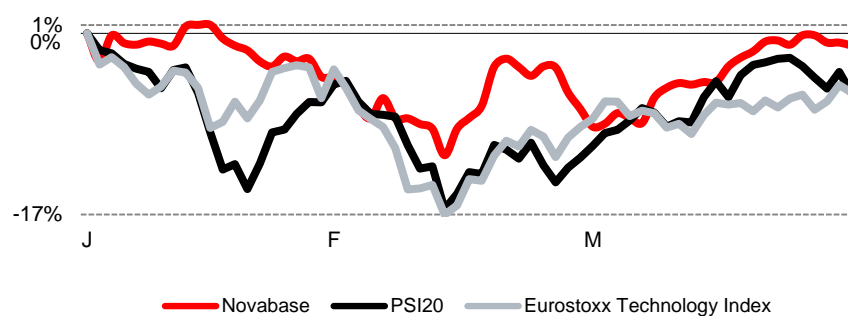
## 3. Stock Performance

Novabase share price in 3M16 lost 1%, comparing to a 6% loss in the PSI20 Index and a 5% loss in the EuroStoxx Technology Index.

Up to the date of issue of this report, it was approved in the General Meeting of Shareholders held on May 3, 2016, the distribution of dividends to the shareholders in the amount of 3.8 M€, corresponding to 0.12€ per share. The payment of these dividends will occur on May 16, 2016.



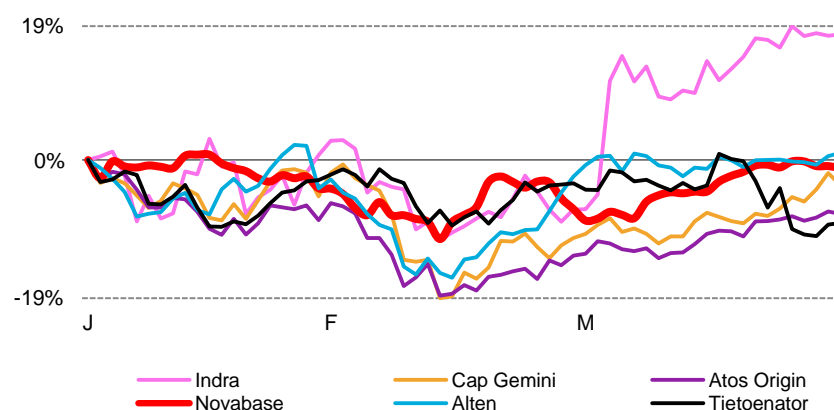
## Novabase and the Market



The evolution of Novabase share prices compared to other companies in the IT sector in Europe, in 3M16, was as follows:

## Novabase and other TMT

In the end of the first quarter of 2016, Novabase presented a Price to Sales multiple of 0.28x and a Price to Earnings multiple of 8.63x, which represents a discount of 72% and 50%, respectively, compared to the average of other companies in the sector in Europe (source: Reuters, ttm values at 31/03).



Average upside of 38%, according to the analysts who cover Novabase.

The average price target disclosed by the analysts who cover Novabase is 2.88 euros.

Rotation in 3M16 represented 2% of the capital and 0.7 million shares were traded, below the values in 3M15 (rotation of 4% of the capital and 1.3 million shares traded).

Summary	1Q16	4Q15	3Q15	2Q15	1Q15
Minimum price (€)	1.879	2.070	2.100	2.310	2.170
Maximum price (€)	2.130	2.319	2.535	2.619	2.580
Volume weighted average price (€)	2.000	2.190	2.329	2.414	2.337
Closing price at the end of the Quarter (€)	2.090	2.114	2.148	2.500	2.360
Nr. of shares traded	651,101	958,535	573,164	2,848,400	1,344,259
Market cap in the last day (M€)	65.6	66.4	67.5	78.5	74.1



## 4. Outlook 2016

The 1st quarter's results reflect our strategic options for 2016: focus on internationalization, adjusted to the specific risks of the several geographies where we operate.

International business accounts for 52% of total Turnover, 56% of which in Europe, and the weight of services increased to 86%. EBITDA margin rose to 8.9%, given the target for specialized offerings with greater added value.

For this year, we reaffirm the goal of sustainable international growth. Despite the uncertainty in some of the markets where we operate and the continuing challenging conditions in the domestic market, we are committed to compliance with the Guidance for FY16:

- Turnover of 215 M€, more than 45% of which outside Portugal
- EBITDA between 14 and 17 M€

## Consolidated Statement of Financial Position as at 31 March 2016

	31.03.16	31.12.15
	(Thousands of Euros)	
<b>Assets</b>		
Tangible assets	9,611	9,704
Intangible assets	28,655	29,304
Financial investments	3,749	3,786
Held-to-maturity investments	6,247	4,554
Deferred income tax assets	15,859	16,352
Other non-current assets	7,478	7,478
<b>Total Non-Current Assets</b>	<b>71,599</b>	<b>71,178</b>
Inventories	4,274	2,824
Trade debtors and accrued income	91,790	109,332
Other debtors and prepaid expenses	14,553	14,001
Derivative financial instruments	105	168
Held-to-maturity investments	1,804	845
Cash and cash equivalents	26,120	24,293
<b>Total Current Assets</b>	<b>138,646</b>	<b>151,463</b>
<b>Total Assets</b>	<b>210,245</b>	<b>222,641</b>
<b>Equity</b>		
Share capital	15,701	15,701
Treasury shares	(16)	(6)
Share premium	43,560	43,560
Reserves and retained earnings	20,996	14,792
Net profit	1,691	7,425
<b>Total Shareholders' Equity</b>	<b>81,932</b>	<b>81,472</b>
Non-controlling interests	8,368	8,194
<b>Total Equity</b>	<b>90,300</b>	<b>89,666</b>
<b>Liabilities</b>		
Bank borrowings	13,511	14,387
Finance lease liabilities	4,994	5,247
Provisions	10,486	11,497
Other non-current liabilities	271	271
<b>Total Non-Current Liabilities</b>	<b>29,262</b>	<b>31,402</b>
Bank borrowings	4,416	3,992
Finance lease liabilities	1,564	1,576
Trade payables	11,871	17,038
Other creditors and accruals	38,673	41,186
Derivative financial instruments	203	160
Deferred income	33,956	37,621
<b>Total Current Liabilities</b>	<b>90,683</b>	<b>101,573</b>
<b>Total Liabilities</b>	<b>119,945</b>	<b>132,975</b>
<b>Total Equity and Liabilities</b>	<b>210,245</b>	<b>222,641</b>
Net Cash	16,311	11,338

## Consolidated Income Statement for the period of 3 months ended 31 March 2016

	31.03.16	31.03.15	Var. %
	(Thousands of Euros)		
<b>CONTINUING OPERATIONS</b>			
Sale of goods	6,673	12,217	
Cost of goods sold	(5,338)	(11,411)	
<b>Gross margin</b>	<b>1,335</b>	<b>806</b>	<b>65.6 %</b>
<i>Other income</i>			
Services rendered	40,391	41,906	
Supplementary income and subsidies	127	130	
Other operating income	335	302	
	<b>40,853</b>	<b>42,338</b>	
	<b>42,188</b>	<b>43,144</b>	
<i>Other expenses</i>			
External supplies and services	(14,809)	(16,257)	
Employee benefit expense	(23,848)	(23,243)	
Provisions reversal	946	562	
Other operating expenses	(299)	(178)	
	<b>(38,010)</b>	<b>(39,116)</b>	
<b>Gross Net Profit (EBITDA)</b>	<b>4,178</b>	<b>4,028</b>	<b>3.7 %</b>
Restructuring costs	-	-	
<b>Operating Gross Net Profit</b>	<b>4,178</b>	<b>4,028</b>	<b>3.7 %</b>
Depreciation and amortization	(1,177)	(1,349)	
<b>Operating Profit (EBIT)</b>	<b>3,001</b>	<b>2,679</b>	<b>12.0 %</b>
Financial results	376	(604)	
<b>Net Profit before taxes (EBT)</b>	<b>3,377</b>	<b>2,075</b>	<b>62.7 %</b>
Income tax expense	(583)	(454)	
<b>Net Profit from continuing operations</b>	<b>2,794</b>	<b>1,621</b>	<b>72.4 %</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>Net Profit from discont. operations</b>	<b>-</b>	<b>-</b>	
Non-controlling interests	(1,103)	306	
<b>Attributable Net Profit</b>	<b>1,691</b>	<b>1,927</b>	<b>-12.2 %</b>
<b>Other information:</b>			
Turnover	47,064	54,123	-13.0 %
Gross margin from sales %	20.0 %	6.6 %	
EBITDA margin	8.9 %	7.4 %	
EBT % on Turnover	7.2 %	3.8 %	
Net profit % on Turnover	3.6 %	3.6 %	



## Consolidated Income Statement by SEGMENTS for the period of 3 months ended 31 March 2016

(Thousands of Euros)

	Business Solutions	IMS	Venture Capital	NOVABASE
Sale of goods	-	6,673	-	6,673
Cost of goods sold	-	(5,338)	-	(5,338)
<b>Gross margin</b>	<b>-</b>	<b>1,335</b>	<b>-</b>	<b>1,335</b>
<b>Other income</b>				
Services rendered	30,848	8,308	1,235	40,391
Supplementary income and subsidies	86	41	-	127
Other operating income	158	147	30	335
	<b>31,092</b>	<b>8,496</b>	<b>1,265</b>	<b>40,853</b>
	<b>31,092</b>	<b>9,831</b>	<b>1,265</b>	<b>42,188</b>
<b>Other expenses</b>				
External supplies and services	(9,174)	(5,120)	(515)	(14,809)
Employee benefit expense	(18,976)	(4,249)	(623)	(23,848)
(Provisions) / Provisions reversal	350	600	(4)	946
Other operating expenses	(183)	(108)	(8)	(299)
	<b>(27,983)</b>	<b>(8,877)</b>	<b>(1,150)</b>	<b>(38,010)</b>
<b>Gross Net Profit (EBITDA)</b>	<b>3,109</b>	<b>954</b>	<b>115</b>	<b>4,178</b>
Depreciation and amortization	(791)	(235)	(151)	(1,177)
<b>Operating Profit (EBIT)</b>	<b>2,318</b>	<b>719</b>	<b>(36)</b>	<b>3,001</b>
Financial results	(686)	1,081	(19)	376
<b>Net Profit / (Loss) before Taxes (EBT)</b>	<b>1,632</b>	<b>1,800</b>	<b>(55)</b>	<b>3,377</b>
Income tax expense	(177)	(457)	51	(583)
Non-controlling interests	(419)	(682)	(2)	(1,103)
<b>Attributable Net Profit / (Loss)</b>	<b>1,036</b>	<b>661</b>	<b>(6)</b>	<b>1,691</b>
Other information :				
<b>Turnover</b>	30,848	14,981	1,235	47,064
<b>EBITDA</b>	3,109	954	115	4,178
<b>EBITDA % on Turnover</b>	10.1%	6.4%	9.3%	8.9%
<b>EBT % on Turnover</b>	5.3%	12.0%	-4.5%	7.2%



**Condensed Consolidated Accounts**  
**1st quarter 2016**  
(Unaudited)

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

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**for the period of 3 months ended 31 March 2016**

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

## Condensed Consolidated Interim Statement of Financial Position as at 31 March 2016

(Amounts expressed in thousands of Euros)

	Note	31.03.16	31.12.15
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	6	9,611	9,704
Intangible assets	6	28,655	29,304
Investments in associates		602	621
Financial assets at fair value through profit or loss		3,147	3,165
Held-to-maturity investments		6,247	4,554
Deferred income tax assets	7	15,859	16,352
Other non-current assets	17	7,478	7,478
<b>Total Non-Current Assets</b>		<b>71,599</b>	<b>71,178</b>
<b>Current Assets</b>			
Inventories		4,274	2,824
Trade and other receivables	8	71,358	94,519
Accrued income		26,575	21,592
Income tax receivable		2,628	2,479
Derivative financial instruments		105	168
Other current assets		5,782	4,743
Held-to-maturity investments		1,804	845
Cash and cash equivalents	9	26,120	24,293
<b>Total Current Assets</b>		<b>138,646</b>	<b>151,463</b>
<b>Total Assets</b>		<b>210,245</b>	<b>222,641</b>
<b>Equity</b>			
Share capital		15,701	15,701
Treasury shares		(16)	(6)
Share premium		43,560	43,560
Reserves and retained earnings		20,996	14,792
Profit for the period		1,691	7,425
Total Equity attributable to owners of the parent		81,932	81,472
Non-controlling interests	10	8,368	8,194
<b>Total Equity</b>		<b>90,300</b>	<b>89,666</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	11	18,505	19,634
Provisions	12	10,486	11,497
Other non-current liabilities		271	271
<b>Total Non-Current Liabilities</b>		<b>29,262</b>	<b>31,402</b>
<b>Current Liabilities</b>			
Borrowings	11	5,980	5,568
Trade and other payables	13	50,414	58,200
Income tax payable		130	24
Derivative financial instruments		203	160
Deferred income and other current liabilities		33,956	37,621
<b>Total Current Liabilities</b>		<b>90,683</b>	<b>101,573</b>
<b>Total Liabilities</b>		<b>119,945</b>	<b>132,975</b>
<b>Total Equity and Liabilities</b>		<b>210,245</b>	<b>222,641</b>

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

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

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

## Condensed Consolidated Interim Statement of Profit and Loss for the period of 3 months ended 31 March 2016

(Amounts expressed in thousands of Euros)

		3 M *	
	Note	31.03.16	31.03.15
<b>Continuing Operations</b>			
Sales	5	6,673	12,217
Services rendered	5	40,391	41,906
Cost of sales		(5,338)	(11,411)
External supplies and services		(14,809)	(16,257)
Employee benefit expense		(23,848)	(23,243)
Other gains/(losses) - net	14	1,109	816
Depreciation and amortisation		(1,177)	(1,349)
<b>Operating Profit</b>		<b>3,001</b>	<b>2,679</b>
Finance income		1,345	1,564
Finance costs		(950)	(2,149)
Share of loss of associates		(19)	(19)
<b>Profit Before Income Tax</b>		<b>3,377</b>	<b>2,075</b>
Income tax expense	15	(583)	(454)
Profit from continuing operations		2,794	1,621
<b>Discontinued operations</b>			
Profit from discontinued operations	5	-	-
<b>Profit for the period</b>		<b>2,794</b>	<b>1,621</b>
<b>Profit attributable to:</b>			
Owners of the parent		1,691	1,927
Non-controlling interests	10	1,103	(306)
		2,794	1,621
<b>Earnings per share</b>			
<b>attributable to owners of the parent (Euros per share)</b>			
<b>Basic earnings per share</b>			
From continuing operations	16	0.05 Euros	0.06 Euros
From discontinued operations	16	Zero Euros	Zero Euros
<b>Basic earnings per share</b>	16	<b>0.05 Euros</b>	<b>0.06 Euros</b>
<b>Diluted earnings per share</b>			
From continuing operations	16	0.05 Euros	0.06 Euros
From discontinued operations	16	Zero Euros	Zero Euros
<b>Diluted earnings per share</b>	16	<b>0.05 Euros</b>	<b>0.06 Euros</b>

**3 M \* - period of 3 months ended**

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**NOVABASE S.G.P.S., S.A.**  
**Condensed Consolidated Interim Statement of Comprehensive Income**  
**for the period of 3 months ended 31 March 2016**

(Amounts expressed in thousands of Euros)

	Note	<b>3 M *</b>	
		<b>31.03.16</b>	<b>31.03.15</b>
<b>Profit for the Year</b>		2,794	1,621
<b>Other comprehensive income for the period</b>			
Exchange differences on foreign operations		(2,120)	187
<b>Other comprehensive income for the period</b>		(2,120)	187
<b>Total comprehensive income for the period</b>		<b>674</b>	<b>1,808</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		500	1,349
Non-controlling interests		174	459
		<b>674</b>	<b>1,808</b>

**3 M \* - period of 3 months ended**

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

## Condensed Consolidated Interim Statement of Changes in Equity for the period of 3 months ended 31 March 2016

(Amounts expressed in thousands of Euros)

	Note	Attributable to owners of the parent					Non-controlling interests	Total Equity
		Share capital	Treasury shares	Share premium	Legal reserves	Stock options reserves	Reserves and retained earnings	
<b>Balance at 1 January, 2015</b>		15,701	(29)	43,560	3,140	154	24,311	99,268
Restatement accordingly IAS 8	2	-	-	-	-	-	(5,680)	(6,256)
<b>Restated Balance at 1 January, 2015</b>		15,701	(29)	43,560	3,140	154	18,631	93,012
Profit for the period		-	-	-	-	-	1,927	1,621
Other comprehensive income for the period		-	-	-	-	-	(578)	187
Total comprehensive income for the period		-	-	-	-	-	1,349	1,808
<b>Transactions with owners</b>								
Share-based payments	17	-	-	-	-	12	-	12
Transactions with owners		-	-	-	-	12	-	12
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Transactions with non-controlling interests		-	-	-	-	-	-	-
<b>Balance at 31 March, 2015</b>		15,701	(29)	43,560	3,140	166	19,980	94,832
<b>Balance at 1 January, 2016</b>		15,701	(6)	43,560	3,140	-	19,077	89,666
Profit for the period		-	-	-	-	-	1,691	2,794
Other comprehensive income for the period		-	-	-	-	-	(1,191)	(2,120)
Total comprehensive income for the period		-	-	-	-	-	500	674
<b>Transactions with owners</b>								
Treasury shares movements		-	(10)	-	-	-	(30)	(40)
Transactions with owners		-	(10)	-	-	-	(30)	(40)
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Transactions with non-controlling interests		-	-	-	-	-	-	-
<b>Balance at 31 March, 2016</b>		15,701	(16)	43,560	3,140	-	19,547	90,300

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

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

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

## Condensed Consolidated Interim Statement of Cash Flows for the period of 3 months ended 31 March 2016

(Amounts expressed in thousands of Euros)

	Note	3 M *	
		31.03.16	31.03.15
<b>Cash flows from operating activities</b>			
Net Cash generated from operating activities		<b>5,944</b>	<b>9,067</b>
<b>Cash flows from investing activities</b>			
Receipts:			
Proceeds on disposal of subsidiaries and associates		17	-
Proceeds on disposal of property, plant and equipment		1	6
Interest received		122	98
		<u>140</u>	<u>104</u>
Payments:			
Purchases of financial assets held for trading		(2,166)	(4,230)
Purchases of property, plant and equipment		(386)	(319)
Purchases of intangible assets		(4)	(196)
		<u>(2,556)</u>	<u>(4,745)</u>
Net Cash used in investing activities		<b>(2,416)</b>	<b>(4,641)</b>
<b>Cash flows from financing activities</b>			
Receipts:			
Proceeds from borrowings		995	-
		<u>995</u>	<u>-</u>
Payments:			
Repayments of borrowings		(1,392)	(2,026)
Payment of finance lease liabilities		(258)	(267)
Interest paid		(262)	(257)
Purchase of treasury shares		(40)	-
		<u>(1,952)</u>	<u>(2,550)</u>
Net Cash used in financing activities		<b>(957)</b>	<b>(2,550)</b>
Cash, cash equivalents and bank overdrafts at beg. of period	9	<b>24,293</b>	<b>20,714</b>
Net increase / (decrease) of cash, cash equivalents and bank overdrafts		<b>2,571</b>	<b>1,876</b>
Effect from exchange rate fluctuations on cash held		<b>(744)</b>	<b>-</b>
Cash, cash equivalents and bank overdrafts at end of period	9	<b>26,120</b>	<b>22,590</b>
<b>3 M * - period of 3 months ended</b>			

THE CERTIFIED ACCOUNTANT

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**NOVABASE S.G.P.S., S.A.**  
**Selected Notes to the Condensed Consolidated Interim Financial Statements**  
**for the period of 3 months ended 31 March 2016**

**1. General information**

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

Novabase is listed on the Euronext Lisbon.

These condensed consolidated interim financial statements were approved for issue by the Board of Directors on May 5, 2016. In the opinion of the Board of Directors these financial statements fairly present the Group operations, as well as its financial position, financial performance and cash flows.

**2. Significant accounting policies**

These condensed consolidated interim financial statements for the period of three months ended 31 March 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRSs, as adopted by the European Union (EU).

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

These financial statements have not been audited.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements. No standard or interpretation that became effective in this period is material for the Group.

Taxes on income in this interim period were accrued using the tax rate that would be applicable to expected total annual earnings for the year 2016.

**3. Critical accounting estimates and judgements**

The preparation of interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant estimates and judgments made are the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

**4. Seasonality**

The activity of Business Solutions and IMS is usually lower in 3rd quarter due to holiday period.

## 5. Segment information

	<b>Business Solutions</b>	<b>IMS</b>	<b>Venture Capital</b>	<b>NOVABASE</b>
<b>At 31 March 2015</b>				
Total segment Sales and services rendered	43,043	28,547	1,173	72,763
Inter-segment Sales and services rendered	13,865	4,649	126	18,640
Sales and services rendered	29,178	23,898	1,047	54,123
Depreciation and amortisation	(944)	(335)	(70)	(1,349)
Operating profit/(loss)	2,758	27	(106)	2,679
Finance costs – net	(750)	148	17	(585)
Share of loss of associates	-	-	(19)	(19)
Income tax expense	(397)	(51)	(6)	(454)
Profit/(Loss) from operations	1,611	124	(114)	1,621
<b>Other information:</b>				
(Provisions) / Provisions reversal	617	(62)	7	562
<b>At 31 March 2016</b>				
Total segment Sales and services rendered	43,305	16,935	1,349	61,589
Inter-segment Sales and services rendered	12,457	1,954	114	14,525
Sales and services rendered	30,848	14,981	1,235	47,064
Depreciation and amortisation	(791)	(235)	(151)	(1,177)
Operating profit/(loss)	2,318	719	(36)	3,001
Finance costs – net	(686)	1,081	-	395
Share of loss of associates	-	-	(19)	(19)
Income tax expense	(177)	(457)	51	(583)
Profit/(Loss) from operations	1,455	1,343	(4)	2,794
<b>Other information:</b>				
(Provisions) / Provisions reversal	350	600	(4)	946

## 6. Property, plant and equipment and intangible assets

During the periods ended at 31 March 2016 and 31 March 2015, the movements in the net book value of property, plant and equipment and intangible assets, were as follows:

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>
<b>Net book value at 1 January 2015</b>	5,570	30,663
Acquisitions / increases	477	196
Write-offs / disposals	(98)	-
Exchange differences	22	-
Depreciation and amortisation	(543)	(806)
<b>Net book value at 31 March 2015</b>	<b>5,428</b>	<b>30,053</b>
<b>Net book value at 1 January 2016</b>	9,704	29,304
Acquisitions / increases	552	4
Write-offs / disposals	(104)	-
Exchange differences	(17)	-
Depreciation and amortisation	(524)	(653)
<b>Net book value at 31 March 2016</b>	<b>9,611</b>	<b>28,655</b>

**7. Deferred income tax assets and liabilities**

The movement in the deferred income tax assets was as follows:

	31.03.16	31.12.15
<b>Balance at 1 January</b>	16,352	17,228
Exchange differences	(228)	(833)
Profit or loss charge	(265)	(43)
<b>Balance at the end of the period</b>	15,859	16,352

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

	Tax Losses	Tax Incentives	Provisions / Adjustments	Total
<b>Balance at 1 January 2015</b>	2,371	12,570	2,287	17,228
Profit or loss charge	2,455	(2,703)	205	(43)
Exchange differences	(833)	-	-	(833)
<b>Balance at 31 December 2015</b>	3,993	9,867	2,492	16,352
Profit or loss charge	(301)	(46)	82	(265)
Exchange differences	(228)	-	-	(228)
<b>Balance at 31 March 2016</b>	3,464	9,821	2,574	15,859

**8. Trade and other receivables**

	31.03.16	31.12.15
Trade receivables	70,887	93,503
Allowance for impairment of trade receivables	(5,672)	(5,763)
	65,215	87,740
Prepayments to suppliers	793	982
Employees	143	128
Value added tax	3,093	3,240
Receivables from related parties (note 17)	15	15
Financial investments disposal	67	67
Receivables from financed projects	1,346	1,537
Other receivables	4,030	4,166
Allowance for impairment of other receivables	(3,344)	(3,356)
	6,143	6,779
	71,358	94,519

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

	Trade receivables		Other receivables		Total	
	31.03.16	31.12.15	31.03.16	31.12.15	31.03.16	31.12.15
<b>Balance at 1 January</b>	5,763	4,488	3,356	4,059	9,119	8,547
Impairment	171	2,296	-	67	171	2,363
Impairment reversal	(170)	(851)	-	(716)	(170)	(1,567)
Exchange differences	(85)	(170)	(12)	(54)	(97)	(224)
Write-offs	(7)	-	-	-	(7)	-
<b>Balance at the end of the period</b>	5,672	5,763	3,344	3,356	9,016	9,119

**9. Cash and cash equivalents**

With reference to the consolidated statement of cash flows, the detail and description of **Cash, cash equivalents and bank overdrafts** is analysed as follows:

	31.03.16	31.12.15
- Cash	20	18
- Short term bank deposits	26,100	24,275
Cash and cash equivalents	26,120	24,293
- Overdrafts	-	-
	26,120	24,293

**10. Non-controlling interests**

	31.03.16	31.12.15
<b>Balance at 1 January</b>	8,194	11,855
(*) Change in consolidation universe	-	9
(**) Distribution of dividends to non-controlling interests	-	(1,036)
Exchange differences on foreign operations	(929)	(3,615)
Profit attributable to non-controlling interests	1,103	981
<b>Balance at the end of the period</b>	8,368	8,194

(\*) In 2015, Celfocus UK was established.

(\*\*) In 2015, NBASIT (Angola) and Celfocus distributed dividends to its shareholders, from which EUR 629 thousand are still to be settled - see note 13.

**11. Borrowings**

	31.03.16	31.12.15
<b>Non-current</b>		
Bank borrowings	13,511	14,387
Finance lease liabilities	4,994	5,247
	18,505	19,634
<b>Current</b>		
Bank borrowings	4,416	3,992
Finance lease liabilities	1,564	1,576
	5,980	5,568
<b>Total borrowings</b>	24,485	25,202

The periods in which the current bank borrowings will be paid are as follows:

	31.03.16	31.12.15
6 months or less	1,458	1,744
6 to 12 months	2,958	2,248
	4,416	3,992

The maturity of non-current bank borrowings is as follows:

	31.03.16	31.12.15
Between 1 and 2 years	3,940	4,079
Between 2 and 5 years	8,321	8,808
Over 5 years	1,250	1,500
	13,511	14,387

The effective interest rates at the reporting date were as follows:

	31.03.16	31.12.15
Bank borrowings	3.339%	3.080%

Gross finance lease liabilities – minimum lease payments:

	31.03.16	31.12.15
No later than 1 year	1,850	1,865
Between 1 and 5 years	5,306	5,563
	7,156	7,428
Future finance charges on finance leases	(598)	(605)
Present value of finance lease liabilities	6,558	6,823

The present value of finance lease liabilities is analysed as follows:

	31.03.16	31.12.15
No later than 1 year	1,564	1,576
Between 1 and 5 years	4,994	5,247
	6,558	6,823

## 12. Provisions

Movements in provisions are analysed as follows:

	Warranties	Legal Claims	Restructuring	Other Risks and Charges	Total
<b>Balance at 1 January 2015</b>	166	65	1,403	8,260	9,894
Additional provisions	237	-	-	5,807	6,044
Reversals / utilisations	(204)	(15)	(1,343)	(2,878)	(4,440)
Exchange differences	-	-	-	(1)	(1)
<b>Balance at 31 December 2015</b>	199	50	60	11,188	11,497
Additional provisions	-	-	-	8	8
Reversals / utilisations	(50)	-	(44)	(924)	(1,018)
Exchange differences	-	-	-	(1)	(1)
<b>Balance at 31 March 2016</b>	149	50	16	10,271	10,486

## 13. Trade and other payables

	31.03.16	31.12.15
Trade payables	11,871	17,038
Remunerations, vacations and vacation and Christmas subsidies	11,016	9,522
Bonus	8,443	8,691
Ongoing projects	5,128	5,088
Value added tax	1,771	5,910
Social security contributions	1,472	2,067
Income tax withholding	2,203	1,571
Amount to be paid to non-controlling interests - see note 10	629	630
Employees	164	217
Prepayments from trade receivables	14	72
Other accrued expenses	7,435	7,273
Other payables	268	121
	50,414	58,200

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

	<b>31.03.16</b>	<b>31.03.15</b>
Impairment and impairment reversal of trade and other receivables	(1)	587
Impairment and impairment reversal of inventories	(19)	3
Warranties provision	50	(86)
Legal claims provision	-	15
Provisions for other risks and charges	916	43
Other operating income and expense	163	254
	<b>1,109</b>	<b>816</b>

**15. Income tax expense**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the consolidated entities as follows:

	<b>31.03.16</b>	<b>31.03.15</b>
Profit before income tax	3,377	2,075
<b>Income tax expense at nominal rate (21% in 2016 and 2015)</b>	<b>709</b>	<b>436</b>
Tax benefit on the net creation of employment for young and long term unemployed people	(82)	(69)
Recognition of tax on the events of previous years	(12)	(111)
Associates' results reported net of tax	4	4
Autonomous taxation	185	184
Losses in companies where no deferred tax is recognised	(85)	61
Expenses not deductible for tax purposes	70	(28)
Differential tax rate on companies located abroad	29	(89)
Research & Development tax benefit	(262)	-
Municipal surcharge and State surcharge	27	49
Impairment of Special Payment on Account, tax losses and withholding taxes	-	17
<b>Income tax expense</b>	<b>583</b>	<b>454</b>
<b>Effective tax rate</b>	<b>17.3%</b>	<b>21.9%</b>

**16. Earnings per share**

	<b>31.03.16</b>	<b>31.03.15</b>
Weighted average number of ordinary shares in issue	31,382,770	31,344,388
Stock options adjustment	-	46,795
Adjusted weighted average number of ordinary shares in issue	31,382,770	31,391,183
Profit attributable to owners of the parent	1,691	1,927
Basic earnings per share (Euros per share)	0.05 Euros	0.06 Euros
Diluted earnings per share (Euros per share)	0.05 Euros	0.06 Euros
Profit from continuing operations attributable to owners of the parent	1,691	1,927
Basic earnings per share (Euros per share)	0.05 Euros	0.06 Euros
Diluted earnings per share (Euros per share)	0.05 Euros	0.06 Euros
Profit from discontinued operations attributable to owners of the parent	-	-
Basic earnings per share (Euros per share)	-	-
Diluted earnings per share (Euros per share)	-	-



**17. Related-party transactions**

For reporting purposes, related-party considers subsidiaries, associates, shareholders with management influence and key elements in the Group management.

## i) Key management compensation

	31.03.16	31.03.15
Wages and other short-term employee benefits	1,158	1,193
Stock options granted	-	12
	<u>1,158</u>	<u>1,205</u>

## ii) Other balances with related parties

	Non-current		Current (note 8)	
	31.03.16	31.12.15	31.03.16	31.12.15
Loan to Powergrid, Lda	2,050	2,050	-	-
Loan to Bright Innovation, Lda	1,477	1,477	-	-
Loan to SmartGeo Solutions, Lda	99	99	-	-
Loan to Radical Innovation, Lda	994	994	-	-
Loan to Power Data, Lda	248	248	-	-
Loan to City Pulse, Lda	2,410	2,410	-	-
Loan to Livian Technologies, Lda	2,492	2,492	-	-
Loans to other shareholders	-	-	15	15
	<u>9,770</u>	<u>9,770</u>	<u>15</u>	<u>15</u>
Provisions for loans granted to related parties	(2,292)	(2,292)	-	-
	<u>7,478</u>	<u>7,478</u>	<u>15</u>	<u>15</u>

**18. Contingencies**

Given the disclosed in the annual financial statements for the year 2015, the significant changes in the judicial processes are the following:

The plaintiff Digisat Lda was liquidated and closed whereby was terminated the procedure procedure which Novabase Digital TV was co-Defendant.

**19. Events after the reporting period**

Novabase informed at the beginning of May, that the amounts concerning the allocation of the 2015 financial year profits would be paid on 16 May 2016, in the following value per share: 0.12 Euros (gross amount).

**20. Note added for translation**

These financial statements are a translation of financial statements originally issued in Portuguese. In the event of discrepancies, the Portuguese language version prevails.

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