



accounts

NOVABASE

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REPORT AND ACCOUNTS - 1ST HALF 2019

I - Management Report

II - Consolidated Financial Statements

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Disclaimer

- This presentation includes sector and forward-looking statements involving uncertainties that could cause actual data to differ materially from those indicated.

- These statements relate only to this date of presentation, and Novabase assumes no obligation to update the information or to notify in the event that any question changes or is identified as incorrect, except when required by law or specific regulation.

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- Financial reporting terms used in this Report are mostly in accordance with International Financial Reporting Standards (IFRS) but will include certain non-IFRS financial measures of our performance. Reconciliation of each of these non-IFRS financial measures to its most directly comparable IFRS financial measure can be found in the earnings release which is posted on the investor relations section of our website.

- This presentation is provided for informational purposes only and does not constitute a document for the offer of securities, and its distribution or use by any person or entity is forbidden without prior authorization from Novabase.

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Agenda

- **Strategy Update Novabase 2019+**
- **Highlights 6M2019**

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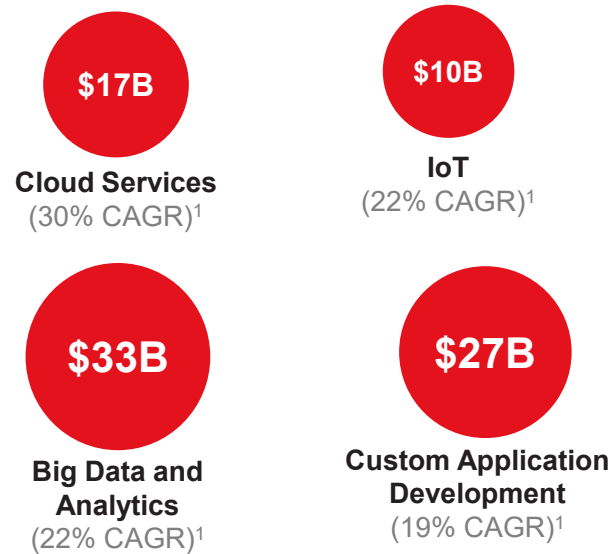
NEXT-GEN
IT SERVICES
COMPANY

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Great potential in the Next-Gen IT space

Next-Gen IT opportunities in Digital and Cognitive ...

Total spend in technologies 2018



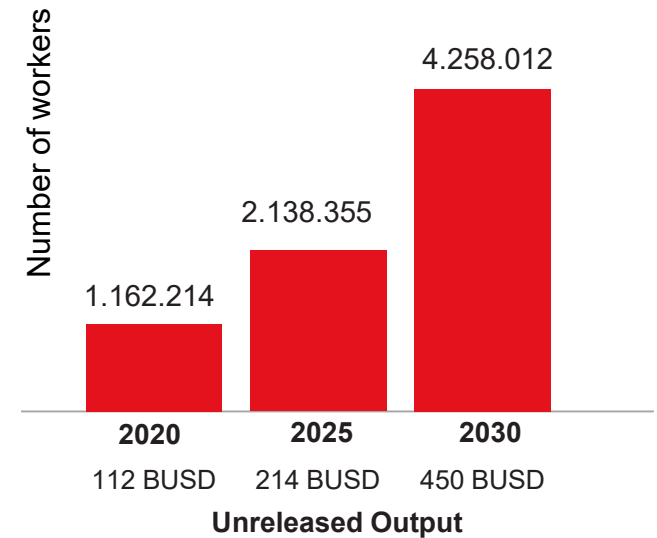
High growth in Next-Gen IT creating huge opportunities worldwide

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... stalled by talent shortages

Unrealized business potential due to workforce shortage in the most developed economies (2020-2030)

Technology Labour Deficit



(1) CAGR 2018-2013
Sources: Leading Strategic Consultant analysis through IDC, Gartner and Expert Interviews. 2018 State of European Tech Report - Atomico

The opportunity is for those who can deliver

The lack of IT resources in the market is a great opportunity for those who know how to attract, retain and train IT talent and master emerging technologies.

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NOVABASE Leverage points



Talent pool

Portugal is a great source that doesn't absorb all the available talent for domestic IT needs



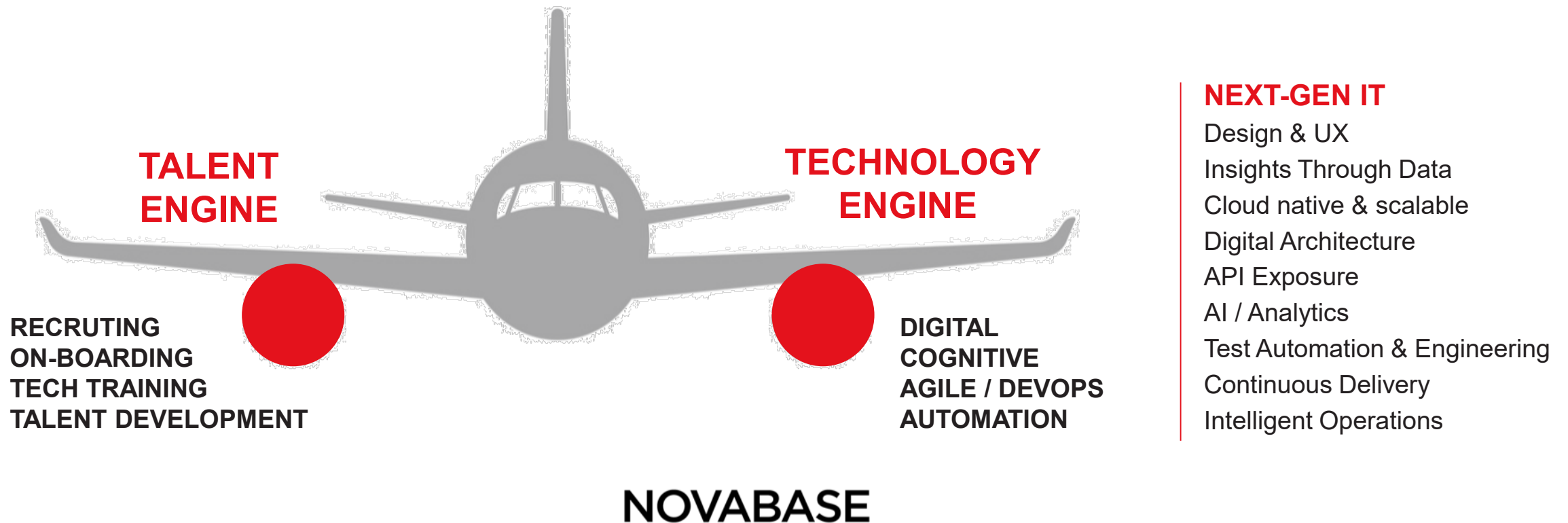
+2000

Already a leader

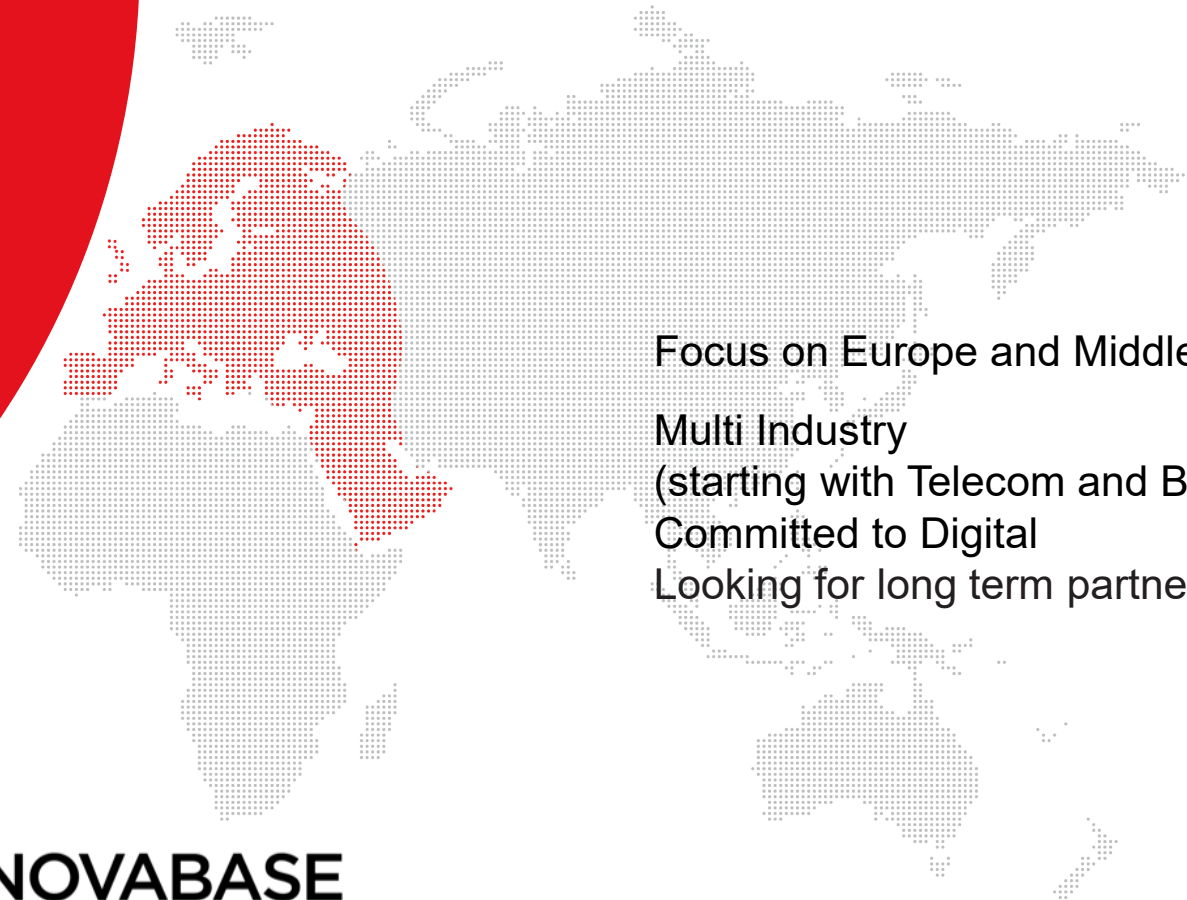
Novabase is the domestic leader – highly capable of attracting and retaining the most valuable IT talent

A new positioning to capture the future

Novabase is propelled by great talent and technology



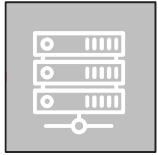
**We target
clients with
ambition to
transform**



Focus on Europe and Middle East
Multi Industry
(starting with Telecom and Banking)
Committed to Digital
Looking for long term partnerships

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Our transformation already started



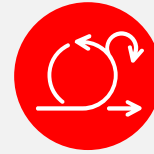
Divestment of non core Business

HW & related services



Wave of new digital products

Creation of digital focused, customer centric solutions



Adoption of new delivery models

Use of Agile development in project implementations



Accelerate International Expansion

Exposure to international clients on high value markets



wizzio
by NOVABASE

>10% of business delivered in Agile

>50% of Revenue outside of Portugal
(of which 69% in Europe)

Where we are⁽¹⁾

Initiate reporting with two operating segments

Turnover: **148.7 M€**

International: **54.4%**

EBITDA: **10.3 M€** (6.9%)

NET Cash: **62 M€**

Turnover: **76.6 M€**
72.4 % International
EBITDA: **3.5 M€**
4.5%

Next-Gen

**Value
Portfolio**

Turnover: **72.1 M€**
35.5% International
EBITDA: **6.8 M€**
9.5%

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NEXT-GEN SEGMENT

To become a relevant player in a fast growing and sizable space

- Leading position to **source scarce talent in Portugal** and deploy in **advanced projects focused in Europe & Middle East**
- Strong track record in Nearshore Agile, already active in **Telco and Financial Services**.

VALUE PORTFOLIO SEGMENT

To fund growth in Next-Gen

- **Hands-on management** approach with proactive analyses of **strategic partnerships**
- **Consolidated businesses** with IT offers for **Government, Healthcare, Transportation and Energy sectors, IT Staffing and Venture Capital**.

(1) 12M2018 accounts. Include the transition to IFRS 15 with a one-time impact on Turnover and EBITDA (+6.5 MEur in Turnover 12M18 and +2.1MEur in EBITDA 12M18).

Our ambition in big numbers

Bulk of Transformation until 2021

Next-Gen

x2 Turnover 2023 vs. 2018

- Through M&A and organic growth
- >90% international business in 2023
- Long term client relationships with few large accounts

Double-digit EBITDA margin in 2023

Value Portfolio

Generate funds to
support Next-Gen
growth

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Board of Directors to be extended with new executive member focused on Next-Gen

Executive
Board Members



João Nuno Bento
Chief Executive Officer



Francisco Antunes
*Chief Financial Officer &
Chief Legal Officer*



Álvaro Ferreira
Chief Operating Officer Value Portfolio



María Gil
*Chief Operating Officer Value Portfolio
Chief Investors Officer &
Chief Information Security Officer*



Paulo Trigo
(subject to proposal and approval @
Shareholders General Meeting)
Chief Operating Officer Next-Gen

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Commitment to NBA Stock value creation

Focused on increasing visibility

Full disclosed half year reports enhanced with **quarterly trading updates**, with **two P&L segments** (Value Portfolio and Next-Gen)

Open webcasts to communicate relevant information

Proactive relation with capital market stakeholders (sell-side, buy-side,...)

Driven through value alignment

Management alignment through **stock option plan** supported by **share buyback** programme to be proposed and approved @ Shareholders General Meeting

Committed to shareholder remuneration

Dividends-policy cancelled by the Board in order **to support growth in the Next-Gen segment...**

But expected shareholder remuneration of 1.5 €/sh in 2019-2023⁽¹⁾ due to **initial cash position** and the rationale of **sustainable growth & risk - return** for this transformation

Compelling Equity Story

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(1) Including values paid from 01.01.2019 (0.15 €/sh paid in 03.06.2019 and 0.50 €/sh to be proposed to the Shareholders General Meeting in 2019).

Investment Highlights

- **NOVABASE TO BECOME NEXT-GEN IT SERVICES COMPANY**
 - PRIMARY GOAL IS ACCELERATING GROWTH IN NEXT-GEN TO DOUBLE TURNOVER WITH DOUBLE DIGIT OPERATING MARGINS BY 2023
 - VALUE CAPTURE THROUGH SOURCING SCARCE TALENT IN PORTUGAL AND DEPLOYING IT IN ADVANCED PROJECTS IN EUROPE & MIDDLE EAST
 - ACTIVE M&A STRATEGY TO ENHANCE CLIENT ACCESS
- **BULK OF TRANSFORMATION WILL OCCUR UNTIL 2021**
- **PROFITABLE VALUE PORTFOLIO TO FUND TRANSFORMATION**
- **INCREASED VISIBILITY WITH INVESTORS**
- **RETURN OF ANY EXCESS FUNDS TO SHAREHOLDERS**


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AGENDA

- Strategy Update Novabase 2019+
- **Highlights 6M2019**

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RELEVANT INDICATIONS



In the context of the new strategy for 2019+, Novabase reorganised its activities in 2019 in **two new operating segments (Next-Gen and Value Portfolio)**. Therefore, the YoY information was restated for reporting and comparability purposes.

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

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HIGHLIGHTS

6M19 positive performance: solid starting point for strategy 2019+

- **Total Turnover** with **8% growth** YoY led by **Next-Gen segment (+14% YoY)**

- **66% of Next-Gen** Turnover generated **outside Portugal**

- **EBITDA increased** 52% YoY, **13%** excluding the positive effect of IFRS16

- **Net Profit** increased **16%** YoY

- **Net Cash** of **55.7 M€**

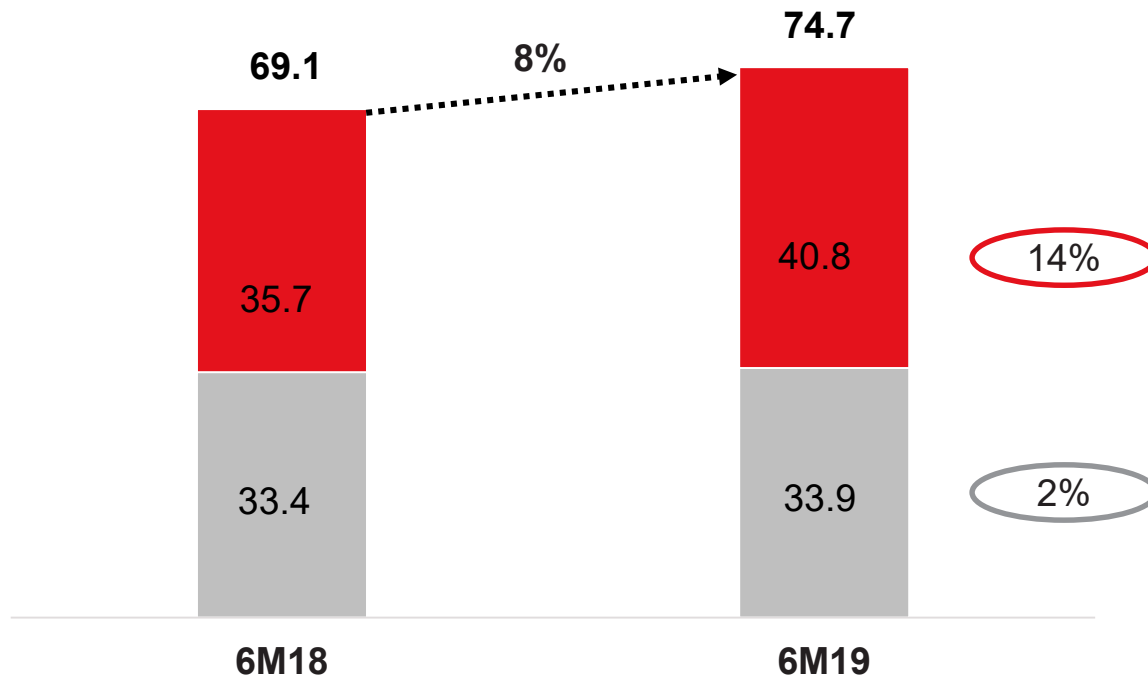
- **Talent pool** of **2247** employees

- **Market capitalization** at the end of 6M19 of **75.4 M€** implying a **ttm Price to Sales** of **0.48x**

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TURNOVER (M€)

8% growth YoY led by Next-Gen segment (+14% YoY)



- Next-Gen Segment
- Value Portfolio Segment
- Segment growth rate 6M19 vs. 6M18

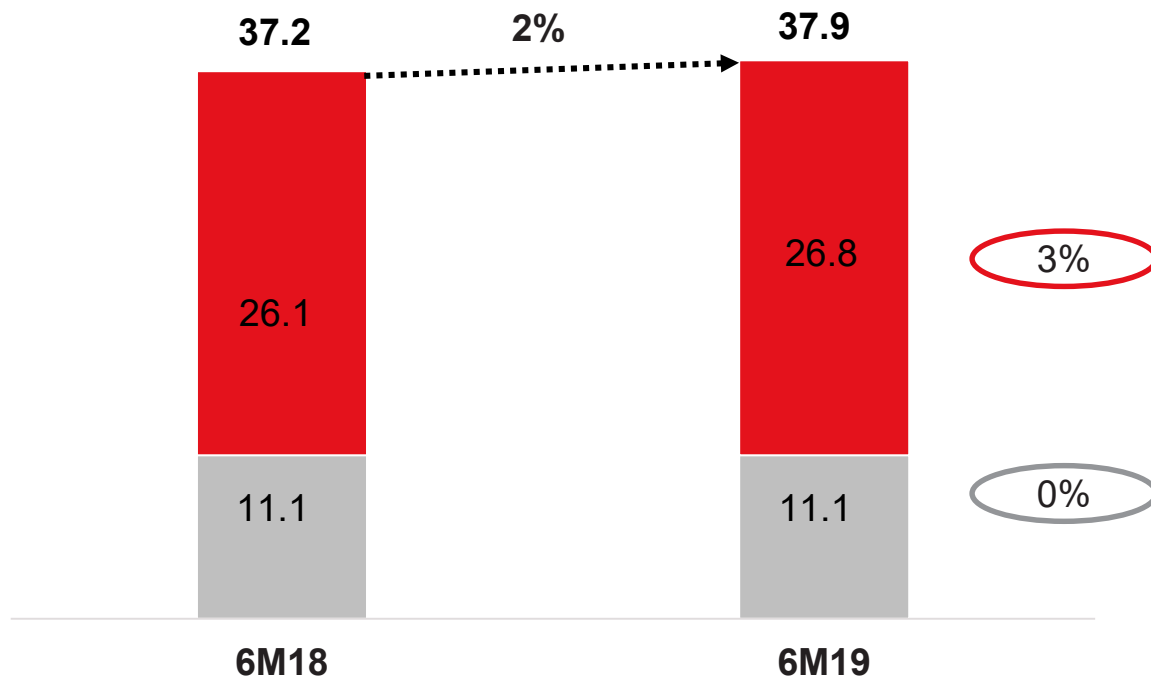
Next-Gen representing 55% of Total Turnover in 6M19 vs. 52% in 6M18.

Domestic Turnover registered a 15% growth YoY.

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INTERNATIONAL TURNOVER (M€)

2% growth YoY led by Next-Gen segment (+3% YoY)



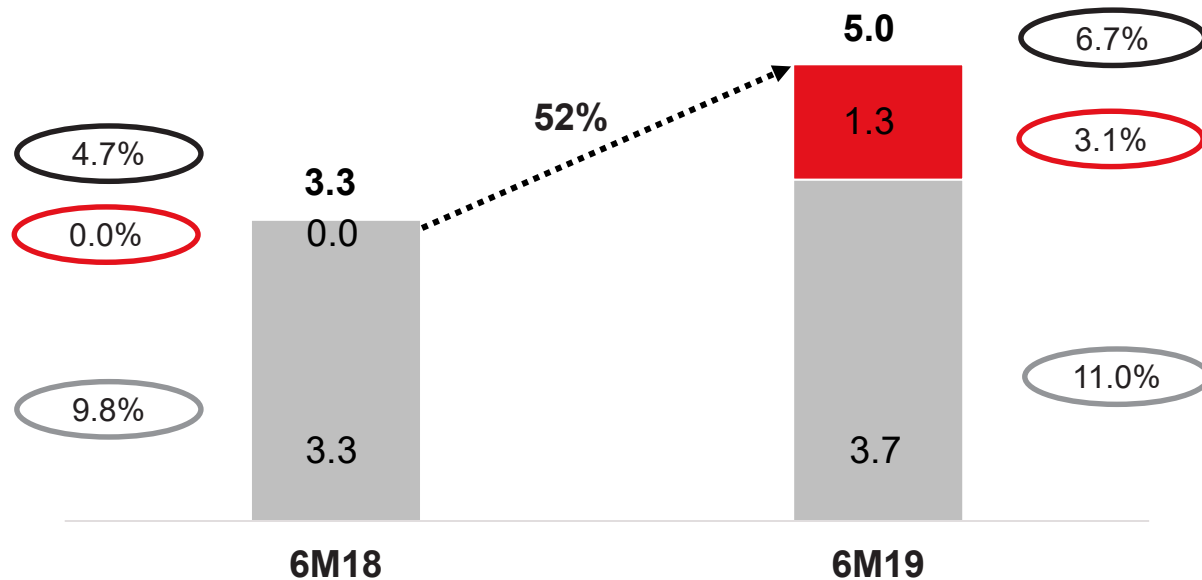
- Next-Gen Segment
- Value Portfolio Segment
- Segment growth rate 6M19 vs. 6M18

66% of Next-Gen Turnover is generated outside Portugal, while in the Value Portfolio segment the international Turnover represents 33% of its total Turnover.

Europe & ME accounting for 92% of Next-Gen international business vs. 82% in 6M18.

EBITDA (M€)

EBITDA increased 13%, excluding the positive effect of IFRS16⁽¹⁾



■ Next-Gen Segment
■ Value Portfolio Segment
○ EBITDA %

EBITDA margin increased 30 BPS, excluding IFRS16⁽¹⁾.

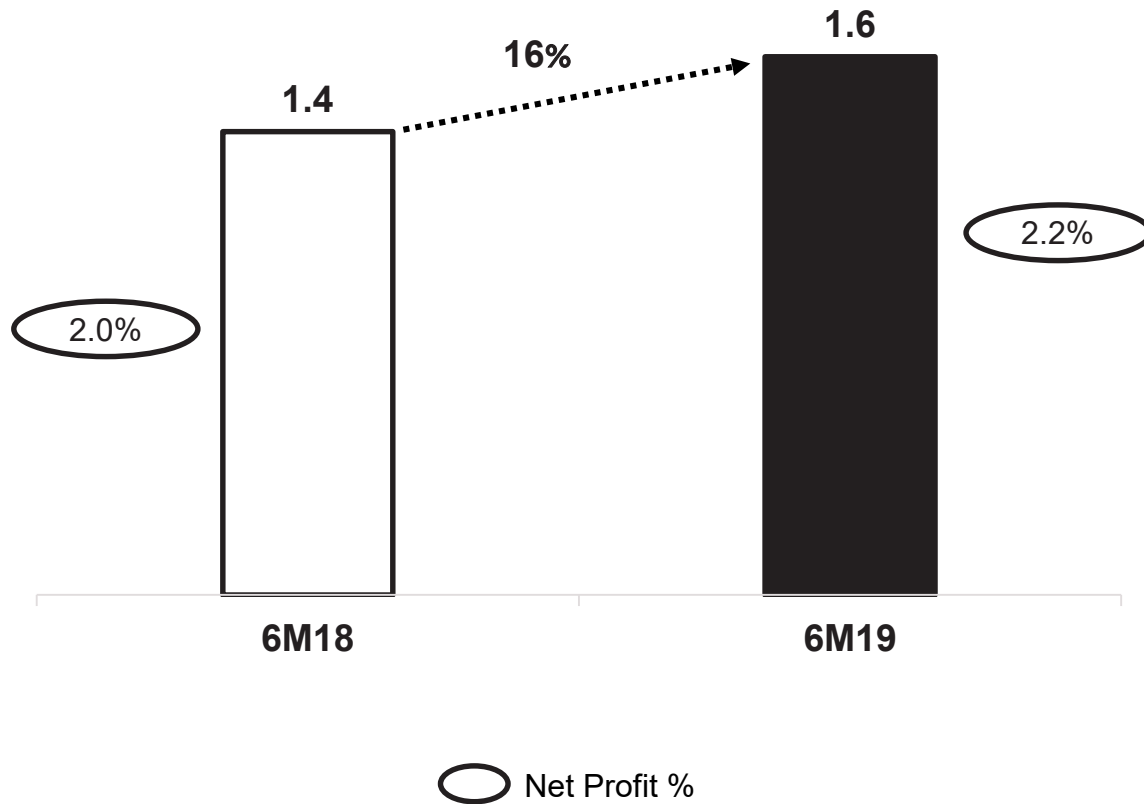
Positive evolution of Next-Gen performance YoY, with 2.1% EBITDA margin in 6M19 excluding IFRS16.

Resilient performance in Portfolio Value Segment with 8.5% EBITDA margin excluding IFRS16.

(1) Positive effect of IFRS16 in 6M19 EBITDA of 1.3 M€ (0.4 M€ in Next-Gen and 0.9 M€ in Value Portfolio).

NET PROFIT (M€)

Net Profit increased 16% YoY



From **EBITDA to Net Profit**, to highlight:

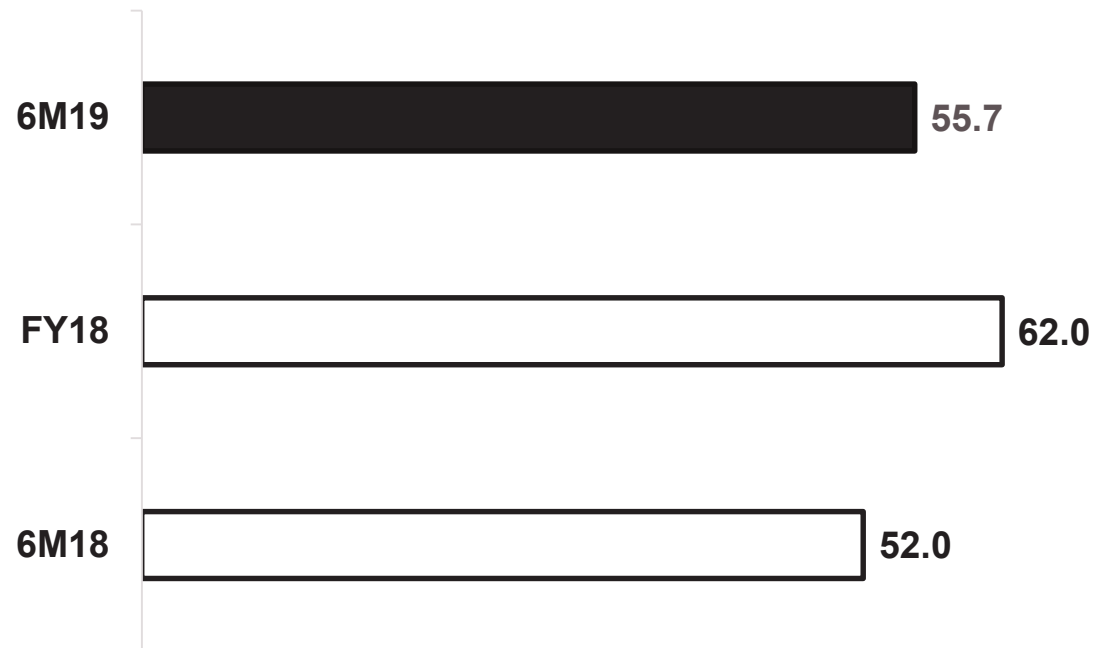
- **Depreciation expense increasing 57% YoY**, due to the entry into force of IFRS16⁽¹⁾;
- **Financial results⁽¹⁾ evolving favourably** (+0.8 M€ compared to 6M18), especially due to the improvement in foreign exchange differences;
- **Non-controlling interests** of -0.6 M€ (Vs. 0.5 M€ in 6M18), revealing a **positive evolution** of the results of subsidiaries focused on **Next-Gen international expansion**.

Earnings per share (**EPS**) in 6M19 reached **0.05 euros per share**.

(1) Negative effect of IFRS16 in 6M19 of 1.1 M€ in depreciation expense and 0.1 M€ in financial results.

NET CASH (M€)

Net Cash of 55.7 M€



Net Cash generation of 9.2 M€ in the last twelve months excluding shareholders remuneration and the payment of dividends to Non-controlling interests:

On June 3, 2019, Novabase **paid** its shareholders a total amount of **4.7 M€** (0.15 €/share) and **0.8 M€** to Non-controlling interests on December 2018.

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Average Number of Employees

Talent pool of 2247 employees in 6M19



■ Next-Gen Segment
■ Value Portfolio Segment (1)

● Talent pool increased **10% YoY** (2044 in 6M18).

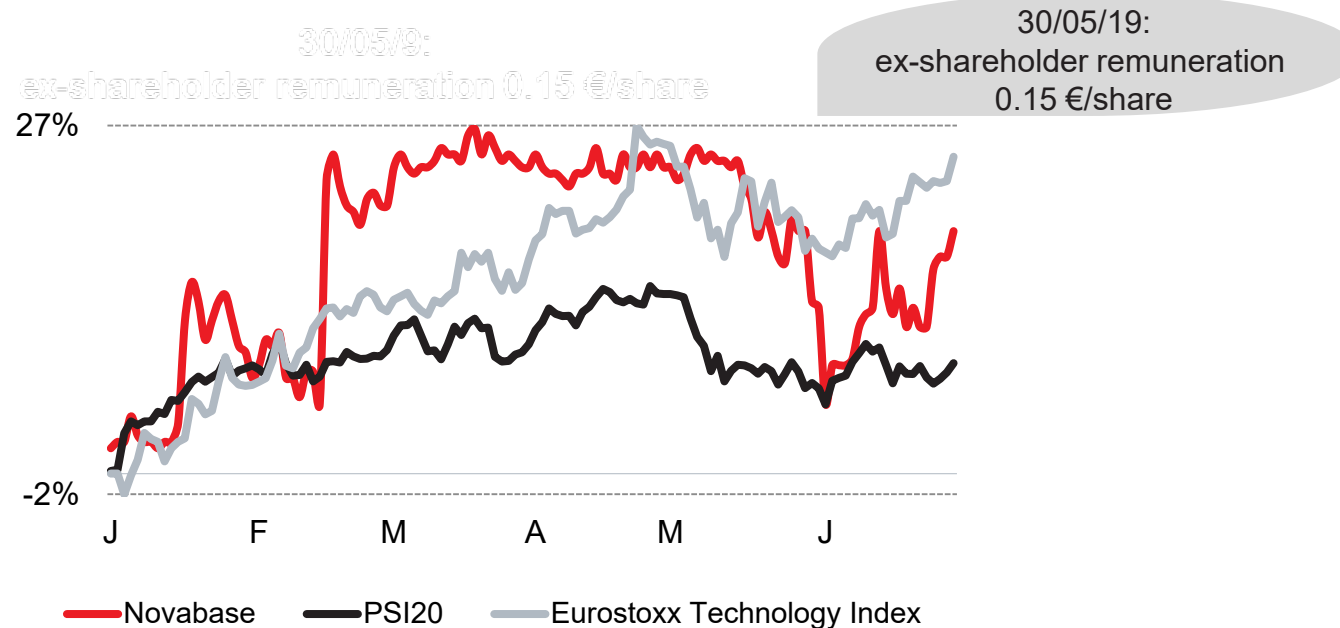
● **Novabase Academy** Program, the company's initiative focused on selecting and developing **best talent from universities**, contributed with 70 recent graduates in 6M19.

(1) Including holding / shared services representing 89 employees in 6M19

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NBA STOCK PERFORMANCE

Novabase share price increased 19% during 6M19



PSI20 Index increased 9% and **EuroStoxx Technology** Index 25%.

Market capitalization at the end of 6M19 of **75.4 M€** implying a ttm **Price to Sales** of **0.48x**.

Rotation in 6M19 represented **5%** of the share capital with 1.6 million shares traded (vs. 9% in 6M18).

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Alternative Performance Measures (APMs)

In compliance with ESMA/2015/141en issued by European Securities and Markets Authority.

APMs used by Novabase are intended to provide additional information, more comprehensive and relevant to users, regarding the position and financial performance of the company. These APMs are applied consistently in all periods reflected in this release.

Net Cash

Net Cash provides information on the level of cash and other bank deposits and marketable securities, after discounting the debts to financial institutions, assisting in the analysis of the company's liquidity and ability to meet its non-bank commitments.

The caption "Cash and cash equivalents" is simultaneously the item of the consolidated statement of financial position more directly reconcilable and more relevant to this APM.

The detail and breakdown of Net Cash, as well as the reconciliation in 6M19 and prior period, is analysed as follows:

	6M18	6M19
Cash and cash equivalents	50,786	55,281
Investment securities - Non-current	11,841	7,742
Investment securities - Current	1,907	1,233
Treasury shares held by the Company (*)	1,024	904
Bank borrowings - Non-current	(8,429)	(4,156)
Bank borrowings - Current	(5,166)	(5,273)
Net Cash	51,963	55,731

(*) Is determined by multiplying the number of treasury shares held by the Company at the end of the period by the share price on the last tradable day:

	6M18	6M19
Treasury shares held by the Company (thousands)	376.611	376.611
Closing price on the last tradable day (€)	2.720	2.400
Treasury shares held by the Company (EUR thousand)	1,024	904

This APM and all its components contain no estimates or judgments made by Management.

EBITDA

EBITDA provides information on the company's ability to generate resources through its operations, without taking into account the financial effects, taxes and other non-operational items, assisting in the analysis of the business performance.

Operating profit (EBIT) is simultaneously the item of the consolidated income statement more directly reconcilable and more relevant to this APM. Given that EBITDA is directly identifiable from the referred financial statement, no reconciliation is presented here.

The detail and breakdown of EBITDA is analysed as follows: EBIT - Depreciation and amortization - Restructuring costs

This APM includes a component that may require the use of estimates and judgments made by Management on future results ("Restructuring costs"). For the periods presented in this release, this item is null.

APMs used by Novabase are Net Cash and EBITDA.

**Consolidated Statement of Financial Position
as at 30 June 2019**

	30.06.19	31.12.18
	(Thousands of Euros)	
ASSETS		
Tangible assets	2,069	10,235
Intangible assets	16,102	16,065
Right-of-use assets	9,127	-
Financial investments	4,536	4,120
Investment securities	7,742	7,680
Deferred income tax assets	10,037	10,048
Other non-current assets	1,743	1,644
Total Non-Current Assets	51,356	49,792
Inventories	30	33
Trade debtors and accrued income	41,529	45,727
Other debtors and prepaid expenses	12,803	11,865
Derivative financial instruments	20	26
Investment securities	1,233	1,198
Cash and cash equivalents	55,281	63,614
Total Current Assets	110,896	122,463
Assets for continuing operations	162,252	172,255
Assets for discontinued operations	-	-
Total Assets	162,252	172,255
EQUITY		
Share capital	15,701	15,701
Treasury shares	(188)	(188)
Share premium	43,560	43,560
Reserves and retained earnings	1,983	3,016
Net profit	1,644	4,737
Total Shareholders' Equity	62,700	66,826
Non-controlling interests	14,297	13,754
Total Equity	76,997	80,580
LIABILITIES		
Bank borrowings	4,156	6,294
Finance lease liabilities	-	7,066
Lease liabilities	7,634	-
Provisions	7,852	8,252
Other non-current liabilities	1,317	990
Total Non-Current Liabilities	20,959	22,602
Bank borrowings	5,273	4,959
Finance lease liabilities	-	1,361
Lease liabilities	3,175	-
Trade payables	4,876	5,469
Other creditors and accruals	32,091	34,930
Derivative financial instruments	7	24
Deferred income	18,811	22,267
Total Current Liabilities	64,233	69,010
Total Liabilities for cont. operations	85,192	91,612
Total Liabilities for discont. operations	63	63
Total Liabilities	85,255	91,675
Total Equity and Liabilities	162,252	172,255
Net Cash	55,731	62,000

**Consolidated Income Statement
for the period of 6 months ended 30 June 2019**

	30.06.19	30.06.18	Var. %
	(Thousands of Euros)		
CONTINUING OPERATIONS			
Sale of goods	320	115	
Cost of goods sold	(255)	(83)	
Gross margin	65	32	103.1 %
Other income			
Services rendered	74,415	68,960	
Supplementary income and subsidies	85	189	
Other operating income	213	398	
	74,713	69,547	
	74,778	69,579	
Other expenses			
External supplies and services	(23,740)	(26,112)	
Employee benefit expense	(46,239)	(40,562)	
(Provisions) / Provisions reversal	397	250	
Net impairm. losses on financ. assets	143	428	
Other operating expenses	(356)	(315)	
	(69,795)	(66,311)	
Gross Net Profit (EBITDA)	4,983	3,268	52.5 %
Restructuring costs	-	-	
Operating Gross Net Profit	4,983	3,268	52.5 %
Depreciation and amortisation	(2,039)	(1,299)	
Operating Profit (EBIT)	2,944	1,969	49.5 %
Financial results	(150)	(924)	
Gain on net monetary position	127	172	
Net Profit before taxes (EBT)	2,921	1,217	140.0 %
Income tax expense	(655)	(277)	
Net Profit from continuing operations	2,266	940	141.1 %
DISCONTINUED OPERATIONS			
Net Profit from discont. operations	-	-	
Non-controlling interests	(622)	475	
Attributable Net Profit	1,644	1,415	16.2 %
Other information:			
Turnover	74,735	69,075	8.2 %
EBITDA margin	6.7 %	4.7 %	
EBT % on Turnover	3.9 %	1.8 %	
Net profit % on Turnover	2.2 %	2.0 %	

Consolidated Income Statement by SEGMENTS for the period of 6 months ended 30 June 2019

(Thousands of Euros)

	Value Portfolio	Next-Gen	NOVABASE
Sale of goods	125	195	320
Cost of goods sold	(124)	(131)	(255)
Gross margin	1	64	65
Other income			
Services rendered	33,804	40,611	74,415
Supplementary income and subsidies	85	-	85
Other operating income	174	39	213
	34,063	40,650	74,713
	34,064	40,714	74,778
Other expenses			
External supplies and services	(5,507)	(18,233)	(23,740)
Employee benefit expense	(25,156)	(21,083)	(46,239)
(Provisions) / Provisions reversal	397	-	397
Net impairm. losses on financ. assets	138	5	143
Other operating expenses	(208)	(148)	(356)
	(30,336)	(39,459)	(69,795)
Gross Net Profit (EBITDA)	3,728	1,255	4,983
Depreciation and amortisation	(1,482)	(557)	(2,039)
Operating Profit (EBIT)	2,246	698	2,944
Financial results	(28)	(122)	(150)
Gain on net monetary position	127	-	127
Net Profit / (Loss) before Taxes (EBT)	2,345	576	2,921
Income tax expense	(665)	10	(655)
Non-controlling interests	68	(690)	(622)
Attributable Net Profit / (Loss)	1,748	(104)	1,644
Other information :			
Turnover	33,929	40,806	74,735
EBITDA	3,728	1,255	4,983
EBITDA % on Turnover	11.0%	3.1%	6.7%
EBT % on Turnover	6.9%	1.4%	3.9%

Annexes to the Management Report

1st half 2019

List of Shareholders with Qualifying Stakes

Pursuant to the terms and for the purposes of paragraph 1 c) of article 9.º of the Portuguese Securities Commission Regulation no. 5/2008, Novabase informs about Qualifying Stakes as at 30 June 2019 (with the detail of the number of shares held and the corresponding percentage of voting rights, computed under the terms of paragraph 1 of article 20.º of the Portuguese Securities Code):

Shareholder	Number of Shares	% Share capital and voting rights
HNB - S.G.P.S., S.A. ¹	10,501,589	33.44%
Pedro Miguel Quinteiro Marques de Carvalho	2,097,613	6.68%
Luís Paulo Cardoso Salvado ¹	1	0.00%
João Nuno da Silva Bento ¹	1	0.00%
Álvaro José da Silva Ferreira ¹	1	0.00%
José Afonso Oom Ferreira de Sousa ¹	1	0.00%
Holding under the Shareholders Agreement Concerning Novabase ²	12,599,206	40.12%
Partbleu, Sociedade Gestora de Participações Sociais, S.A. ³	3,180,444	10.13%
IBIM2 Limited	3,144,217	10.01%
Lazard Frères Gestion SAS	1,570,870	5.00%
Fundo de Investimento Mobiliário Aberto Santander Ações Portugal	1,476,905	4.70%
Fundo de Investimento Mobiliário Aberto Poupança Ações Santander PPA	34,537	0.11%
Santander Asset Management - Soc. Gestora de Fundos de Investimento Mobiliário, S.A. ⁴	1,511,442	4.81%
Maria Manuela de Oliveira Marques	1,043,924	3.32%
Total	23,050,103	73.40%

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

² The total holding is attributed to José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira, João Nuno da Silva Bento and Pedro Miguel Quinteiro Marques de Carvalho, under the terms of the Shareholders Agreement concerning Novabase.

³ When Novabase was notified of this holding, it was informed that Partbleu, Sociedade Gestora de Participações Sociais, S.A. was indirectly held in 72% by Mr. Miguel Pais do Amaral, and therefore the corresponding voting rights were attributed to him.

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

The holdings identified above correspond to the last positions notified to the Company with reference to 30 June 2019 or a previous date.

There are no categories of shares with special rights.

Information concerning stakes held in the company by members of the Board of Directors and Supervisory Bodies

Pursuant to the terms and for the purposes of paragraph 5 of article 447.º of the Portuguese Commercial Companies Code, Novabase informs about the stakes held by members of the Board of Directors and Supervisory Bodies in the company's capital as at 30 June 2019:

Holder ¹	Number of Shares ¹	% Share capital and voting rights
Pedro Miguel Quinteiro Marques de Carvalho (Non-Executive member of the Board of Directors)	2,097,613	6.68%
Manuel Saldanha Tavares Festas (Deputy member of the Audit Board)	74,986	0.24%
Francisco Paulo de Figueiredo Morais Antunes (Executive member of the Board of Directors and CFO)	30,335	0.10%
María del Carmen Gil Marín (Executive member of the Board of Directors)	23,001	0.07%
Luís Paulo Cardoso Salvado ² (Chairman of the Board of Directors)	1	0.00%
João Nuno da Silva Bento ² (Executive member of the Board of Directors and CEO)	1	0.00%
Álvaro José da Silva Ferreira ² (Executive member of the Board of Directors)	1	0.00%
José Afonso Oom Ferreira de Sousa ² (Non-Executive member of the Board of Directors)	1	0.00%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento (Non-Executive member of the Board of Directors)	0	0.00%
Álvaro José Barrigas do Nascimento (Chairman of the Audit Board)	0	0.00%
Fátima do Rosário Piteira Patinha Farinha (Effective member of the Audit Board)	0	0.00%
Miguel Tiago Perestrelo Ribeiro Ferreira (Effective Member of the Audit Board)	0	0.00%
KPMG & Associados – S.R.O.C., represented by Paulo Alexandre Martins Quintas Paixão (Effective Chartered Accountant)	0	0.00%
Maria Cristina Santos Ferreira (Deputy Chartered Accountant)	0	0.00%
Total	2,225,939	7.09%

¹ The shareholding of each of these members of the corporate and supervisory board corresponds to the last position notified to the Company in reference to 30 June 2019 or a previous date.

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

Management Transactions

Pursuant to the terms and for the purposes of article 248.º-B of the Portuguese Securities Code, Novabase informs that:

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

Own Shares Transactions

Pursuant to the terms and for the purposes of paragraph 5 d) of article 66.º of the Portuguese Commercial Companies Code, Novabase informs that:

- At 31 December 2018, Novabase S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.
- During the first half of 2019, there were no own shares transactions. Thus, at 30 June 2019, Novabase S.G.P.S. held 376,611 own shares, representing 1.20% of its share capital.
- During the period, Novabase S.G.P.S. shares always had a nominal value of € 0.5.

Condensed Consolidated Accounts
1st half 2019
(Unaudited)

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

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I. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the period of 6 months ended 30 June 2019

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

Condensed Consolidated Interim Statement of Financial Position as at 30 June 2019

(Amounts expressed in thousands of Euros)

	Note	30.06.19	31.12.18
Assets			
Non-Current Assets			
Property, plant and equipment	6	11,196	10,235
Intangible assets	6	16,102	16,065
Investments in associates		224	252
Financial assets at fair value through profit or loss	7	4,312	3,868
Investment securities		7,742	7,680
Deferred tax assets	8	10,037	10,048
Other non-current assets	21 iii)	1,743	1,644
Total Non-Current Assets		51,356	49,792
Current Assets			
Inventories		30	33
Trade and other receivables	9	38,406	45,658
Accrued income		9,594	5,464
Income tax receivable		2,841	2,619
Derivative financial instruments		20	26
Other current assets		3,491	3,851
Investment securities		1,233	1,198
Cash and cash equivalents	10	55,281	63,614
Total Current Assets		110,896	122,463
Assets from discontinued operations	22	-	-
Total Assets		162,252	172,255
Equity			
Share capital		15,701	15,701
Treasury shares		(188)	(188)
Share premium		43,560	43,560
Reserves and retained earnings		1,983	3,016
Profit for the period		1,644	4,737
Total Equity attributable to owners of the parent		62,700	66,826
Non-controlling interests	12	14,297	13,754
Total Equity		76,997	80,580
Liabilities			
Non-Current Liabilities			
Borrowings	13	11,790	13,360
Provisions	14	7,852	8,252
Other non-current liabilities		1,317	990
Total Non-Current Liabilities		20,959	22,602
Current Liabilities			
Borrowings	13	8,448	6,320
Trade and other payables	15	36,950	40,399
Income tax payable		17	-
Derivative financial instruments		7	24
Deferred income and other current liabilities		18,811	22,267
Total Current Liabilities		64,233	69,010
Liabilities from discontinued operations	22	63	63
Total Liabilities		85,255	91,675
Total Equity and Liabilities		162,252	172,255

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 6 months ended 30 June 2019

(Amounts expressed in thousands of Euros)

	Note	6 M *	
		30.06.19	30.06.18
Continuing operations			
Sales	4	320	115
Services rendered	4	74,415	68,960
Cost of sales		(255)	(83)
External supplies and services		(23,740)	(26,112)
Employee benefit expense		(46,239)	(40,562)
Net impairment losses on trade and other receivables	9	143	428
Other gains/(losses) - net	16	339	522
Depreciation and amortisation		(2,039)	(1,299)
Operating Profit		2,944	1,969
Finance income	17	851	820
Finance costs	18	(973)	(1,715)
Share of loss of associates		(28)	(29)
Gain on net monetary position		127	172
Earnings Before Taxes (EBT)		2,921	1,217
Income tax expense	19	(655)	(277)
Profit from continuing operations		2,266	940
Discontinued operations			
Profit from discontinued operations	22	-	-
Profit for the period		2,266	940
Profit attributable to:			
Owners of the parent		1,644	1,415
Non-controlling interests	12	622	(475)
		2,266	940
Earnings per share			
attributable to owners of the parent (Euros per share)			
Basic earnings per share			
From continuing operations	20	0.05 Euros	0.05 Euros
From discontinued operations	20	Zero Euros	Zero Euros
Basic earnings per share	20	0.05 Euros	0.05 Euros
Diluted earnings per share			
From continuing operations	20	0.05 Euros	0.05 Euros
From discontinued operations	20	Zero Euros	Zero Euros
Diluted earnings per share	20	0.05 Euros	0.05 Euros

6 M * - period of 6 months ended

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

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

Condensed Consolidated Interim Statement of Comprehensive Income for the period of 6 months ended 30 June 2019

(Amounts expressed in thousands of Euros)

Note	6 M *	
	30.06.19	30.06.18
Profit for the period	2,266	940
Other comprehensive income for the period		
Items that may be reclassified to profit or loss		
Exchange differences on foreign operations, net of tax	(64)	916
Other comprehensive income for the period	(64)	916
Total comprehensive income for the period	2,202	1,856
Total comprehensive income attributable to:		
Owners of the parent	1,612	1,883
Non-controlling interests	590	(27)
	2,202	1,856
6 M * - period of 6 months ended		

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

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

Condensed Consolidated Interim Statement of Changes in Equity for the period of 6 months ended 30 June 2019

(Amounts expressed in thousands of Euros)

Note	Attributable to owners of the parent					Reserves on foreign and retained earnings	Non- controlling interests	Total Equity
	Share capital	Treasury shares	Share premium	Legal reserves	Exchange dif. on foreign operations			
Balance at 1 January 2018	15,701	(188)	43,560	3,140	(8,897)	14,253	13,597	81,166
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	-	-	-	-	(1,460)	(830)	(2,290)
Restated balance at 1 January 2018	15,701	(188)	43,560	3,140	(8,897)	12,793	12,767	78,876
Profit for the period	-	-	-	-	-	1,415	(475)	940
Other comprehensive income for the period	-	-	-	-	503	(35)	448	916
Total comprehensive income for the period	-	-	-	-	503	1,380	(27)	1,856
Transactions with owners								
Dividends	11	-	-	-	-	(4,654)	-	(4,654)
Treasury shares movements		-	-	-	-	-	-	-
Transactions with owners		-	-	-	-	(4,654)	-	(4,654)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		-	-	-	-	-	-	-
Balance at 30 June 2018	15,701	(188)	43,560	3,140	(8,394)	9,519	12,740	76,078
Balance at 1 January 2019	15,701	(188)	43,560	3,140	(7,830)	12,443	13,754	80,580
Adjustment on initial application of IFRS 16 (net of tax)	2.2.	-	-	-	-	(1,084)	(47)	(1,131)
Restated balance at 1 January 2019		15,701	(188)	43,560	3,140	(7,830)	11,359	79,449
Profit for the period		-	-	-	-	1,644	622	2,266
Other comprehensive income for the period	12	-	-	-	(159)	127	(32)	(64)
Total comprehensive income for the period		-	-	-	(159)	1,771	590	2,202
Transactions with owners								
Dividends	11	-	-	-	-	(4,654)	-	(4,654)
Treasury shares movements		-	-	-	-	-	-	-
Transactions with owners		-	-	-	-	(4,654)	-	(4,654)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Transactions with non-controlling interests		-	-	-	-	-	-	-
Balance at 30 June 2019		15,701	(188)	43,560	3,140	(7,989)	14,297	76,997

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

NOVABASE S.G.P.S., S.A.
Condensed Consolidated Interim Statement of Cash Flows
for the period of 6 months ended 30 June 2019

(Amounts expressed in thousands of Euros)

	Note	6 M *	
		30.06.19	30.06.18
Cash flows from operating activities			
Net cash flows from operating activities		1,350	1,789
Cash flows from investing activities			
Proceeds:			
Sale of subsidiaries, associates and other partic. companies		4	4
Loans granted to associates and participated companies		-	165
Disposal of investment securities		-	5,824
Sale of property, plant and equipment		2	54
Interest received		482	624
		<u>488</u>	<u>6,671</u>
Payments:			
Acquisition of subsidiaries, assoc. and other partic. companies	7	(381)	-
Loans granted to associates and participated companies	21 iii)	(99)	-
Purchases of investment securities		-	(4,680)
Purchases of property, plant and equipment		(336)	(382)
Purchases of intangible assets		(257)	(29)
		<u>(1,073)</u>	<u>(5,091)</u>
Net cash flows from investing activities		(585)	1,580
Cash flows from financing activities			
Proceeds:			
Proceeds from borrowings	13 (a)	310	200
Capital contribution by non-controlling interests		-	(60)
Transactions with non-controlling interests	9	12	-
		<u>322</u>	<u>140</u>
Payments:			
Repayments of borrowings	13 (a)	(2,134)	(2,131)
Dividends paid	11	(4,654)	(4,654)
Payment of lease liabilities (i)	13 (a)	(1,495)	(384)
Interest paid		(485)	(461)
		<u>(8,768)</u>	<u>(7,630)</u>
Net cash flows from financing activities		(8,446)	(7,490)
Cash and cash equivalents at 1 January	10	63,643	56,136
Net increase / (decrease) of cash and cash equivalents		(7,681)	(4,121)
Effects of exchange rate changes on cash and cash equiv.		(656)	(1,229)
Cash and cash equivalents at the end of period	10	55,306	50,786

6 M * - period of 6 months ended

(i) With reference to 1 January 2019, the Group adopted IFRS 16, whereby the amounts presented under 'Payment of lease liabilities' caption corresponded, in 2018, only to finance lease liabilities (see note 2.2.).

THE CERTIFIED ACCOUNTANT

THE BOARD OF DIRECTORS

NOVABASE S.G.P.S., S.A.
Selected Notes to the Condensed Consolidated Interim Financial Statements
for the period of 6 months ended 30 June 2019

1. General information

Novabase, Sociedade Gestora de Participações Sociais, SA (hereinafter referred to as Novabase, Novabase Group 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.

The first half of 2019 was marked by the culmination of a period of strategic reflection by Novabase and the consequent update of the strategic plan for the 2019-2023 horizon. Therefore, the Executive Committee reorganised the operating segments in order to be aligned with this new view, with effect from 1 January 2019. Novabase's activity is now aggregated into 2 operating segments:

(i) Next-Gen (NG) - This area of Novabase develops an activity of IT consulting and services with technology offerings that tend to be more advanced and targeted mainly to the Financial Services (Banks, Insurance and Capital Markets) and Telecommunications (Operators) industries.

(ii) Value Portfolio (VP) - This area of Novabase develops an activity of IT consulting and services with offerings targeted to the Government, Transportation and Energy industries, and IT Staffing. This segment also develops a venture capital activity through Novabase Capital, S.C.R., S.A..

Despite of this change in the composition of the segments, Novabase Group has not identified any significant changes in key assumptions used in impairment tests performed in the end of 2018, which could indicate that an asset may be impaired.

These condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on September 19, 2019. 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

2.1. Basis of preparation

The condensed consolidated interim financial statements for the period of six months ended 30 June 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS's, as adopted by the European Union (EU).

These financial statements are presented in thousands of euros (EUR thousand) and have not been audited.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those financial statements, except for the adoption of new standards, amendments and interpretations, effective as of 1 January 2019, and including an explanation of the events and relevant changes for the understanding of variations in the financial position and Group performance since the last annual report. Thus, some of the notes from the 2018 annual report are omitted because no changes occurred, or they are not materially relevant for the understanding of the interim financial statements.

Novabase Group's activity does not have, on a biannual basis, any significant seasonality.

Although there are indicators that Angola economy will no longer be considered a hyperinflationary economy, Novabase has opted to continue to apply IAS 29 in its 2019 half-year accounts. This matter will be revaluated at the end of the 2019 financial year with the actual data from the Angolan economy.

As mentioned in the Consolidated Financial Statements of the 2018 Annual Report, note 3 - Financial risk management policy, the Group, as a result of its normal activity, is exposed to several risks which are monitored and mitigated throughout the year. During the first six months of 2019, there was no material changes in addition to the notes detailed below, that could significantly change the assessment of the risks that the Group is exposed to.

New standards, amendments and interpretations that became effective as of 1 January 2019

IASB Standard or IFRIC Interpretation endorsed by EU	Issued in	EU Regulat.
IFRS 9 (amendment) , 'Prepayment features with negative compensation'	12/oct/17	N.º 498/2018
IFRS 16 (new) , 'Leases'	13/jan/16	N.º 1986/2017
IAS 19 (amendment) , 'Employee benefits: plan amendment, curtailment or settlement'	07/feb/18	N.º 402/2019
IAS 28 (amendment) , 'Long-term interests in associates and joint ventures'	12/oct/17	N.º 237/2019
2015 – 2017 Annual cycle of improvements (amendments) to IFRS's: IFRS 3 'Business combinations'; IFRS 11 'Joint arrangements'; IAS 12 'Income Taxes' and IAS 23 'Borrowing costs'	12/dec/17	N.º 412/2019
IFRIC 23 (new) , 'Uncertainty over income tax treatments'	07/jun/17	N.º 1595/2018

Except for the changes described in note 2.2., no other standard, amendment or interpretation applied by the Group for the first time in this period had a significant impact on its financial statements.

2.2. Changes in significant accounting policies

At 1 January 2019, IFRS 16 – 'Leases' came into force, being adopted by Novabase in these condensed consolidated interim financial statements.

IFRS 16 supersedes IAS 17 'Leases' and its associated interpretative guidance. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17.

As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. The Group has no contracts in which acts as a lessor.

Novabase adopted IFRS 16 on the required effective date, i.e. 1 January 2019, using the modified retrospective approach, with the cumulative effect of the initial application of the standard recognised in Equity, and has not restated comparative information, as provided by the standard.

The adoption of this standard led to several changes in the Group accounting policies, detailed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - 'Determining whether an arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to use an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether a lease exists. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

(b) Summary of new accounting policies

The Group leases many assets, including properties and transport equipment. According to the previous standard, property leases were classified as operating leases and transport equipment leases as finance leases. This classification was based on the Group's assessment of whether the lease transferred substantially all of the risks and rewards of ownership of the underlying asset.

Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. However, the Group has elected not to recognise right-of-use assets and lease liabilities for some short-term leases (properties). In such cases, the Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Novabase presents right-of-use assets in 'Property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. Lease liabilities are presented under 'Borrowings' in the statement of financial position. The carrying amounts of right-of-use assets and lease liabilities, as well as movements during the period, are as follows:

	Right-of-use assets			Lease
	Buildings	Transp. equip.	Total	Liabilities
Balance at 31 December 2018	-	-	-	-
Recognition of operating leases	7,968	-	7,968	9,400
Reassignment of finance leases	-	8,084	8,084	8,427
Restated balance at 1 January 2019	7,968	8,084	16,052	17,827
Acquisitions	1,040	412	1,452	1,452
Write-offs	-	(68)	(68)	(68)
Changes in estimates of residual value guarantees	-	(6,907)	(6,907)	(6,907)
Depreciation	(1,112)	(290)	(1,402)	-
Interest expense	-	-	-	250
Lease payments	-	-	-	(1,745)
Balance at 30 June 2019	7,896	1,231	9,127	10,809

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

- *Right-of-use assets*

The Group recognises a right-of-use asset at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

- **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase or renewal options reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Subsequently, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, the revised lease payments are discounted using an unchanged discount rate, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

If there is a lease modification that do not qualifies to be accounted as a separate lease, Novabase remeasures the liability (and adjusts the corresponding right-of-use assets) by discounting the revised lease payments, using a revised discount rate at the effective date of the modification.

- **Short-term leases and leases of low-value assets**

Novabase applies the short-term lease recognition exemption to its short-term leases of facilities that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense under the straight-line method over the lease term. The Group has no low-value assets leases.

(c) Transition

Previously, the Group classified property leases as operating leases under IAS 17. These leases refer mainly to the lease of the Company's headquarter and to lease agreements of other facilities where Novabase operates. The initial term of these contracts is between 1 and 5 years, with renewal options after this period. Payments are updated annually, reflecting inflation and/or market valuation.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application.

Novabase used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discounted rate to a portfolio of leases with reasonably similar characteristics.
- Relied on previous assessments on whether leases are onerous according to IAS 37.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term at the date of initial application.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group also leases several items of transport equipment. These leases were classified as finance leases under IAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

(d) Impacts on financial statements

- **Impacts on transition**

On transition to IFRS 16, the Group recognised additional right-of-use assets and lease liabilities, recognising the difference in Equity. The impact on transition can be analysed as follows:

	1 January 2019
Right-of-use assets (included in 'Property, plant and equipment')	7,968
Deferred tax assets	301
Lease liabilities (included in 'Borrowings')	9,400
Equity attributable to owners of the parent	(1,084)
Non-controlling interests	(47)

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied was 2.48%.

	1 January 2019
Operating lease commitments at 31 December 2018, as disclosed in the Group's consolidated financial statements	9,261
Discounted using the incremental borrowing rate at 1 January 2019	8,752
Finance lease liabilities recognised as at 31 December 2018	8,427
- Recognition exemption for short-term leases	(41)
- Extension options reasonably certain to be exercised	689
Lease liabilities recognised at 1 January 2019	17,827
From which:	
Non-current	14,141
Current	3,686

• *Impacts for the period*

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised EUR 6,917 thousand of right-of-use assets and EUR 8,279 thousand of lease liabilities as at 30 June 2019.

Still in relation to those leases, under IFRS 16, the Group has recognised depreciation and interest costs, instead of rent expense. The impact on the Condensed Consolidated Interim Statement of Profit and Loss, as well as on segment information, for the period of 6 months ended 30 June 2019, can be analysed as follows:

	Value Portfolio	Next-Gen	NOVABASE
Rent expense (included in 'External supplies and services')	(812)	(417)	(1,229)
Depreciation expense of right-of-use assets (included in 'Depreciation and amortisation')	677	374	1,051
Operating Profit	(135)	(43)	(178)
Interest expense on lease liabilities (included in 'Finance costs')	93	15	108
Income tax expense	9	6	15
Profit for the period	(33)	(22)	(55)
Profit attributable to:			
Owners of the parent	(33)	(12)	(45)
Non-controlling interests	-	(10)	(10)

For leases considered in the short-term exemption at the date of initial application, the Group recognised in this period the amount of EUR 42 thousand under 'External supplies and services' caption.

Lastly, regarding cash flows, the Group registered an increase in cash flows from operating activities and a decline in cash flows from financing activities, as repayments of the principal and interest of the lease liabilities are now classified as cash flows from financing activities. The impact can be analysed as follows:

	30 June 2019
Net cash flows from operating activities	1,229
Net cash flows from financing activities	(1,229)

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 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which are described below.

a) *Leases*

The Group applies judgement to determine the lease term for some lease contracts that include renewal options, that is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The Group also applies judgement to determine the incremental borrowing rate to apply to each portfolio of leases identified and to measure residual value guarantees, which forms part of lease payments. In this case, according to IFRS 16, the Management considers in the measurement of the lease liabilities the amount that it expects to pay under a residual value guarantee, instead of the maximum amount of the residual value guaranteed, which had to be included in the minimum lease payments under IAS 17.

4. Segment information

In the 1st half of 2019, Novabase reorganised its activity into two new segments, which were identified based on the main guidelines of the future strategy: becoming a "Next-Gen IT Services Company". Therefore, as at 30 June 2019, in what concerns to operating segments, the Group is organised as follows:

- Next-Gen
- Value Portfolio

The "Next-Gen" segment comprise the assets held in Financial Services and Telecommunications. This segment aims to achieve an accelerated growth through focus on Next-Gen IT (Design & UX, Insights Through Data, Cloud native & scalable, Digital Architecture, API Exposure, AI / Analytics, Test Automation & Engineering, Continuous Delivery, Intelligent Operations) for the Telco and Financial Services industries and in Europe and Middle East geographies. This segment derives its revenues from time and materials consulting projects, turn-key consulting projects and outsourcing and maintenance projects, and may also include a small component of sales.

"Value Portfolio" segment comprise the assets held in Government, Transportation and Energy sectors, as well as IT Staffing, Novabase Capital and Collab. The main goal of this segment is to maximise its operating profitability in order to generate the necessary funds to support the focus on "Next-Gen" growth. This segment derives its revenues from time and materials consulting projects, turn-key consulting projects and outsourcing and maintenance projects, and may also include a small component of sales. Regarding the venture capital activity, this segment revenues also derives from the valuation and sale of Venture Capital Fund's investees and advisory services in purchase and sale and M&A processes.

Operating segments are reported consistently with the internal reporting that is provided to the Management, based on which it evaluates the performance of each segment and allocates the available resources.

The companies considered in each operating segment are presented in note 5. Novabase S.G.P.S., S.A. and Novabase Serviços, S.A. appear isolated in the referred note, to highlight the Parent Company which includes the top management of the Group and the company that includes the Group's shared services, respectively. However, for the purposes of preparing segment information, both belong to "Value Portfolio" segment.

Revenues from operating segments below presented, as well as other measures of profit or loss and material items within the consolidated statement of profit and loss, consider the new internal reporting organisation, with the comparatives restated.

	Value Portfolio	Next-Gen	NOVABASE
At 30 June 2018			
Total segment sales and services rendered	44,546	48,945	93,491
Inter-segment sales and services rendered	11,182	13,234	24,416
Sales and services rendered	33,364	35,711	69,075
Depreciation and amortisation	(931)	(368)	(1,299)
Operating Profit / (Loss)	2,354	(385)	1,969
Finance results	(699)	(196)	(895)
Share of loss of associates	(29)	-	(29)
Gain on net monetary position	172	-	172
Income tax expense	165	(442)	(277)
Profit / (loss) for the period	1,963	(1,023)	940

Other information:

(Provisions) / Provisions reversal	159	91	250
Net impairment losses on trade and other receivables	331	97	428

	Value Portfolio	Next-Gen	NOVABASE
At 30 June 2019			
Total segment sales and services rendered	46,971	50,450	97,421
Inter-segment sales and services rendered	13,042	9,644	22,686
Sales and services rendered	33,929	40,806	74,735
Depreciation and amortisation	(1,482)	(557)	(2,039)
Operating Profit / (Loss) *	2,246	698	2,944
Finance results	-	(122)	(122)
Share of loss of associates	(28)	-	(28)
Gain on net monetary position	127	-	127
Income tax expense	(665)	10	(655)
Profit / (loss) for the period *	1,680	586	2,266

Other information:

(Provisions) / Provisions reversal	397	-	397
Net impairment losses on trade and other receivables	138	5	143

* As of 1 January 2019, Novabase adopted IFRS 16 – 'Leases', and has not restated comparative information, as provided by the standard. The impact of IFRS 16 on segment information, during this period, is detailed in note 2.2. (d).

Management monitors Turnover in countries outside Portugal. These amounts are generally obtained through Portugal-based subsidiaries.

Sales and services rendered to external clients, by destination geography, in 1st half of 2018, are analysed as follows:

	Portugal	Europe & Middle East	Others	NOVABASE
Sales and services rendered	31,894	26,943	10,238	69,075

Sales and services rendered to external clients, by destination geography, in 1st half of 2019, are analysed as follows:

	Portugal	Europe & Middle East	Others	NOVABASE
Sales and services rendered	36,808	31,770	6,157	74,735

5. Companies included in consolidation

The companies consolidated by the full method, as at 30 June 2019, were the following:

Holding company and Subsidiaries	Principal place of business	Share capital 30.06.19	% Interest held	
			30.06.19	31.12.18
Parent company:				
Novabase S.G.P.S., S.A.	Portugal	15,700,697 €	-	-
Next-Gen:				
Novabase E.A., S.A.	Portugal	150,000 €	100.0%	100.0%
CelFocus, S.A.	Portugal	100,000 €	55.0%	55.0%
Novabase Solutions Middle East FZ-LLC	Dubai	699,670 €	100.0%	100.0%
Celfocus B. T. T. H. T. Limited Ş.	Turkey	100,000 TRY	55.0%	55.0%
Celfocus LTD	UK	15,000 GBP	55.0%	55.0%
(i) Celfocus B.V.	The Netherlands	20,000 €	55.0%	-
Novabase Business Solutions, S.A.	Portugal	3,366,000 €	100.0%	100.0%
Binómio, Lda.	Portugal	2,626 €	100.0%	100.0%
Value Portfolio:				
Novabase Digital, S.A.	Portugal	500,000 €	90.1%	90.1%
NBMSIT, Sist. de Inf. e Tecnol., S.A.	Mozambique	8,235,000 MZN	74.0%	74.0%
Novabase Neotalent, S.A.	Portugal	52,630 €	95.0%	95.0%
Novabase Sistemas de Informacion, S.A.	Spain	1,000,000 €	95.0%	95.0%
NBASIT-Sist. de Inf. e Telecomunic., S.A.	Angola	47,500,000 AOA	49.4%	49.4%
Novabase Capital S.C.R., S.A.	Portugal	2,500,000 €	100.0%	100.0%
FCR NB Capital Inovação e Internacionalização	-	11,360,000 €	51.6%	51.6%
FCR Novabase Capital +Inovação	-	7,021,278 €	53.1%	53.1%
COLLAB – Sol. I. Com. e Colab., S.A.	Portugal	63,833 €	77.8%	77.8%
Novabase Consulting S.G.P.S., S.A.	Portugal	11,629,475 €	100.0%	100.0%
NBASE S.G.P.S., S.A.	Portugal	328,125 €	100.0%	100.0%
NOVABASE IMS 2, S.A.	Portugal	220,500 €	100.0%	100.0%
TVLab, S.A.	Portugal	52,517 €	70.0%	70.0%
Nbase International Investments B.V.	The Netherlands	1,220,800 €	100.0%	100.0%
Evolvespace Solutions, Lda.	Portugal	5,000 €	100.0%	100.0%
Novabase Shared Services:				
Novabase Serviços, S.A.	Portugal	50,000 €	100.0%	100.0%

In the 1st half of 2019, the following changes occurred in the consolidation perimeter:

- (i) Celfocus, B.V., with official seat in Amsterdam, The Netherlands, was incorporated. This company is dedicated to develop, to commercialize and to give training in the field of information systems for the Telecommunications industry.

The company included in the consolidation using the equity method, as at 30 June 2019, under the Value Portfolio segment, was the following:

Associates	Principal place of business	Share capital 30.06.19	% Interest held		Equity 30.06.19	Net Profit 30.06.19
			30.06.19	31.12.18		
Fundo Capital Risco NB Capital	Portugal	7,142,857 €	30.0%	30.0%	784	(95)

6. Property, plant and equipment and intangible assets

During the periods ended at 30 June 2019 and 30 June 2018, the movements in the net book value of property, plant and equipment and intangible assets, were as follows:

	Property, plant and equipment	Intangible assets
Net book value at 1 January 2018	10,019	17,162
Acquisitions / increases	2,169	29
Write-offs / disposals	(2,168)	-
Application of IAS 29	1	-
Exchange differences	(3)	-
Depreciation and amortisation	(686)	(613)
Net book value at 30 June 2018	9,332	16,578
Net book value at 1 January 2019	10,235	16,065
Adjustment on initial application of IFRS 16 (see note 2.2.)	7,968	-
Acquisitions / increases	1,788	257
Write-offs / disposals	(69)	-
Change in estimates under IFRS 16	(6,907)	-
Application of IAS 29	1	-
Exchange differences	(1)	-
Depreciation and amortisation	(1,819)	(220)
Net book value at 30 June 2019	11,196	16,102

With reference to 1 January 2019, the Group adopted IFRS 16 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period were not restated (see note 2.2.). Accordingly, the amounts presented in 'Property, plant and equipment' comprise, as of 1 January 2019, owned and leased assets.

The carrying amounts of right-of-use assets included in 'Property, plant and equipment' by class of underlying asset, as well as movements during the period, are detailed in note 2.2. (b).

In the 1st half of 2019, the acquisitions / increases of 'Property, plant and equipment' include right-of-use assets of 'Buildings', in the amount of EUU 1,040 thousand, which refers to a new facility lease agreement with a lease term of 5 years. Still in this period, the Management reviewed its estimate of residual value guarantees relating to car leases (which were previously classified as finance leases under IAS 17), given that one of the factors that determined this classification was the existence of a residual value guaranteed, which was accumulated by its maximum amount. Consequently, that amount was reduced in EUR 6,907 thousand to reflect the Group's reasonable expectation of the amount that will be paid, causing a corresponding decrease in right-of-use assets (see also note 13).

7. Financial assets at fair value through profit or loss

	% Interest held directly		Amount	
	30.06.19	31.12.18	30.06.19	31.12.18
Feedzai, S.A.	1.7%	1.7%	1,926	1,926
Globaleda, S.A.	25.1%	25.1%	598	598
FCR IStart I	11.6%	11.6%	432	459
CB Talents Global, S.A.	13.3%	13.3%	200	200
Aixtel Technologies, S.A.	5.7%	5.7%	188	188
Probely, Lda.	3.3%	3.3%	75	75
Bright Innovation, Lda. ("BI")	90.0%	90.0%	-	-
Powergrid, Lda.	88.9%	88.9%	-	-
(i) Glarevision, S.A.	3.3%	-	60	-
(ii) Habit Analytics PT, Lda.	4.6%	-	321	-
Other			512	422
			4,312	3,868

- (i) Company, held by Fundo de Capital de Risco Novabase Capital +Inovação, focused on developing solutions based on augmented reality for industrial maintenance.
- (ii) Company, held by Fundo de Capital de Risco Novabase Capital +Inovação, focused on developing a real-time data platform that aggregates and analyses multiple sources of data, from Internet of Things ('IoT') devices.

Movements in this caption were as follows:

	30.06.19	31.12.18
Balance at 1 January	3,868	2,796
Acquisitions / share capital increase	459	531
Net fair value adjustments (see notes 17 and 18)	(15)	541
Balance at the end of the period	<u>4,312</u>	<u>3,868</u>

In the 1st half of 2019, the change in this caption is mainly due to the investments made by 'FCR Novabase Capital +Inovação' in the companies Glarevision, S.A. and Habit Analytics PT, Lda., in the total amount of EUR 381 thousand. This amount was fully paid in this period.

8. Deferred tax assets

Movements in the deferred tax assets were as follows:

	30.06.19	31.12.18
Balance at 1 January	10,048	10,448
Adjustment on initial application of IFRS 9 and IFRS 15	-	662
Adjustment on initial application of IFRS 16 (see note 2.2.)	301	-
Exchange differences	(4)	(4)
Other comprehensive income charge	42	(147)
Profit or loss charge	(350)	(911)
Balance at the end of the period	<u>10,037</u>	<u>10,048</u>

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 / Other	Tax Incentives	Provisions / Adjustments	Total
Balance at 1 January 2018	(823)	9,754	1,517	10,448
Adjustment on initial application of IFRS 9 and IFRS 15	662	-	-	662
Profit or loss charge	(1,069)	362	(204)	(911)
Other comprehensive income charge	(147)	-	-	(147)
Reclassifications	600	(600)	-	-
Exchange differences	(4)	-	-	(4)
Balance at 31 December 2018	(781)	9,516	1,313	10,048
Adjustment on initial application of IFRS 16	301	-	-	301
Profit or loss charge	(805)	226	229	(350)
Other comprehensive income charge	42	-	-	42
Exchange differences	(4)	-	-	(4)
Balance at 30 June 2019	<u>(1,247)</u>	<u>9,742</u>	<u>1,542</u>	<u>10,037</u>

9. Trade and other receivables

	30.06.19	31.12.18
Trade receivables	33,962	42,475
Impairment allowance of trade receivables	(2,027)	(2,212)
	<u>31,935</u>	<u>40,263</u>
Prepayments to suppliers	352	167
Employees	106	87
Value added tax	1,994	1,298
Amount receivable from non-controlling interests	-	12
Receivables from financed projects	2,114	1,946
Capital subscribers of 'Fundo de Capital de Risco NB Capital +Inovação'	2,469	2,469
Other receivables	568	558
Impairment allowance of other receivables	(1,132)	(1,142)
	<u>6,471</u>	<u>5,395</u>
	<u>38,406</u>	<u>45,658</u>

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

	Trade receivables		Other receivables		Total	
	30.06.19	31.12.18	30.06.19	31.12.18	30.06.19	31.12.18
Balance at 1 January	2,212	2,802	1,142	1,205	3,354	4,007
Adjustment on initial application of IFRS 9	-	542	-	-	-	542
Impairment	466	490	-	-	466	490
Impairment reversal	(605)	(1,267)	(4)	(8)	(609)	(1,275)
Recovery of bad debts	-	12	-	-	-	12
Exchange differences	(32)	(361)	(6)	(55)	(38)	(416)
Write-offs	(14)	(6)	-	-	(14)	(6)
Balance at the end of the period	<u>2,027</u>	<u>2,212</u>	<u>1,132</u>	<u>1,142</u>	<u>3,159</u>	<u>3,354</u>

10. Cash and cash equivalents

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

	30.06.19	31.12.18
- Cash	29	35
- Short-term bank deposits	55,277	63,608
Cash and cash equivalents at the end of period	55,306	63,643
- Impairment allowance of short-term bank deposits	(25)	(29)
Cash and cash equivalents	<u>55,281</u>	<u>63,614</u>

Movements in impairment allowance of short-term bank deposits are analysed as follows:

	30.06.19	31.12.18
Balance at 1 January	29	-
Adjustment on initial application of IFRS 9	-	36
Impairment (note 18)	4	7
Impairment reversal (note 17)	(8)	(14)
Balance at the end of the period	<u>25</u>	<u>29</u>

11. Reserves and retained earnings

In the General Meeting of Shareholders held on May 2019, it was approved the payment to shareholders of an amount of EUR 4,710 thousand, corresponding to 0.15 Euros per share. The payment occurred in June 2019.

	30.06.19	30.06.18
Payment to shareholders	4,654	4,654
Remuneration of the treasury shares held by the Company	56	56
	<u>4,710</u>	<u>4,710</u>

12. Non-controlling interests

	30.06.19	31.12.18
Balance at 1 January	13,754	13,597
Adjustment on initial application of IFRS 9 and IFRS 15 (net of tax)	-	(736)
Adjustment on initial application of IFRS 16 (net of tax) - see note 2.2.	(47)	-
Transactions with non-controlling interests	-	629
(*) Distribution of dividends to non-controlling interests	-	(821)
Exchange differences on foreign operations	(32)	808
Profit attributable to non-controlling interests	622	277
Balance at the end of the period	<u>14,297</u>	<u>13,754</u>

(*) In 2018, CelFocus, S.A. approved dividends to its shareholders. These dividends were paid in the year of their attribution.

13. Borrowings

	30.06.19	31.12.18
Non-current		
Bank borrowings	4,156	6,294
Finance lease liabilities	-	7,066
Lease liabilities	7,634	-
	<u>11,790</u>	<u>13,360</u>
Current		
Bank borrowings	5,273	4,959
Finance lease liabilities	-	1,361
Lease liabilities	3,175	-
	<u>8,448</u>	<u>6,320</u>
Total borrowings	<u><u>20,238</u></u>	<u><u>19,680</u></u>

With reference to 1 January 2019, the Group adopted IFRS 16 in accordance with the modified retrospective approach, and therefore the amounts of the comparative period were not restated (see note 2.2.). Accordingly, Novabase recognised additional lease liabilities in the amount of EUR 9,400 thousand regarding the leases that were previously classified as operating leases under IAS 17.

Additionally, for leases that were previously classified as finance leases under IAS 17, Novabase recognised lease liabilities at the date of initial application by the carrying amount of the lease liabilities immediately before that date, having transferred the amounts from 'Finance lease liabilities' caption to 'Lease liabilities' caption, in the total amount of EUR 8,427 thousand. The measurement principles in IFRS 16 are only applied after that date. This resulted in measurement adjustments of EUR -6,907 thousand for residual value guarantees. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application (see note 6).

Movements during the period in lease liabilities are detailed in note 2.2. (b).

The maturity of 'Borrowings' is as follows:

	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
Bank borrowings	2,824	2,135	3,594	2,700	-	11,253
Finance lease liabilities	633	728	1,221	5,845	-	8,427
Balance at 31 December 2018	<u>3,457</u>	<u>2,863</u>	<u>4,815</u>	<u>8,545</u>	<u>-</u>	<u>19,680</u>
Bank borrowings	3,136	2,137	2,856	1,300	-	9,429
Lease liabilities	1,614	1,561	2,518	5,108	8	10,809
Balance at 30 June 2019	<u><u>4,750</u></u>	<u><u>3,698</u></u>	<u><u>5,374</u></u>	<u><u>6,408</u></u>	<u><u>8</u></u>	<u><u>20,238</u></u>

The weighted average effective interest rate of bank borrowings at the reporting date is 2.101% (31.12.18: 2.112%). In what concerns to the responsibilities associated with leases, these are presented above discounted of the future finance charges, amounting to EUR 1,084 thousand as at 30 June 2019 (31.12.18: EUR 593 thousand).

(a) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	30.06.19	31.12.18
Cash and cash equivalents (amount before impairment losses)	55,306	63,643
Borrowings - repayable within one year (including overdrafts)	(8,448)	(6,320)
Borrowings - repayable after one year	<u>(11,790)</u>	<u>(13,360)</u>
Net debt	<u><u>35,068</u></u>	<u><u>43,963</u></u>

	Cash and cash equivalents	Bank borrow. due within 1 year	Bank borrow. due after 1 year	Resp. assoc. with leases due within 1 year	Resp. assoc. with leases due after 1 year	Net debt
Balance at 1 January 2018	56,136	(4,963)	(10,563)	(1,944)	(6,274)	32,392
Cash flows	9,560	4,273	-	805	-	14,638
Acquisitions - finance lease liabilities	-	-	-	-	(3,478)	(3,478)
Exchange rate changes	(2,053)	-	-	-	-	(2,053)
Other non-cash movements	-	(4,269)	4,269	(222)	2,686	2,464
Balance at 31 December 2018	63,643	(4,959)	(6,294)	(1,361)	(7,066)	43,963
Cash flows	(7,681)	1,824	-	1,495	-	(4,362)
Acquisitions - lease liabilities	-	-	-	(371)	(1,081)	(1,452)
Exchange rate changes	(656)	-	-	-	-	(656)
Other non-cash movements	-	(2,138)	2,138	(2,938)	513	(2,425)
Balance at 30 June 2019	55,306	(5,273)	(4,156)	(3,175)	(7,634)	35,068

14. Provisions

Movements in provisions for other risks and charges are analysed as follows:

	30.06.19	31.12.18
Balance at 1 January	8,252	10,369
Additional provisions (note 16)	-	1,464
Reversals / utilisations (note 16)	(397)	(3,581)
Exchange differences	(3)	-
Balance at the end of the period	7,852	8,252

15. Trade and other payables

	30.06.19	31.12.18
Trade payables	4,876	5,469
Remunerations, holiday and holiday and Christmas allowances	13,186	8,997
Bonus	5,219	8,256
Ongoing projects	3,885	4,551
Value added tax	1,414	3,106
Social security contributions	1,467	2,389
Income tax withholding	1,057	1,518
Employees	50	130
Amount to be paid to non-controlling interests	2	2
Prepayments from trade receivables	12	2
Other accrued expenses	5,694	5,748
Other payables	88	231
	36,950	40,399

16. Other gains/(losses) - net

	30.06.19	30.06.18
Provisions for other risks and charges (note 14)	397	250
Other operating income and expense	(58)	272
	339	522

17. Finance income

	30.06.19	30.06.18
Interest received	162	51
Foreign exchange gains	626	764
Fair value of financial assets adjustment (note 7)	15	-
Reversal of impairment losses on bank balances (note 10)	8	-
Reversal of impairment losses on debt securities	40	-
Other financial gains	-	5
	851	820

18. Finance costs

	30.06.19	30.06.18
Interest expenses		
- Borrowings	(111)	(157)
- Lease liabilities (*)	(250)	(137)
- Other interest	(2)	-
Bank guarantees charges	(47)	(55)
Bank services	(76)	(119)
Foreign exchange losses	(453)	(1,247)
Fair value of financial assets adjustment (note 7)	(30)	-
Impairment losses on bank balances (note 10)	(4)	-
	(973)	(1,715)

(*) The increase of this caption in 2019 relates to the adoption of IFRS 16, which started to include the interest expenses (unwinding of discount) calculated on the liabilities regarding the rents due from lease contracts measured at present value (see note 2.2.).

19. Income tax expense

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

	30.06.19	30.06.18
Earnings before taxes	2,921	1,217
Income tax expense at nominal rate (21% in 2019 and 2018)	613	256
Tax benefit on the net creation of employment for young and long term unemployed people	-	(137)
Recognition of tax on the events of previous years	6	-
Associates' results reported net of tax	6	6
Autonomous taxation	289	268
Losses in companies where no deferred tax is recognised	193	120
Expenses not deductible for tax purposes	304	341
Differential tax rate on companies located abroad	(14)	44
Research & Development tax benefit	(1,169)	(706)
Municipal surcharge and State surcharge	92	36
Impairment of SIFIDE R&D	200	-
Impairment of Special Payment on Account, tax losses and withholding taxes	135	49
Income tax expense	655	277
Effective tax rate	22.4%	22.8%

20. Earnings per share

	30.06.19	30.06.18
Weighted average number of ordinary shares in issue	31,024,783	31,024,783
Profit attributable to owners of the parent	1,644	1,415
Basic earnings per share (Euros per share)	0.05 Euros	0.05 Euros
Diluted earnings per share (Euros per share)	0.05 Euros	0.05 Euros
Profit from continuing operations attributable to owners of the parent	1,644	1,415
Basic earnings per share (Euros per share)	0.05 Euros	0.05 Euros
Diluted earnings per share (Euros per share)	0.05 Euros	0.05 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)	-	-

21. Related parties

For reporting purposes, related parties include subsidiaries and associates, other participated companies classified as financial assets at fair value through profit or loss, shareholders and key elements in the management of the Group, and companies related to them that provide management services to the Group (Autonomy Mastery and Purpose, S.A. and Groovesnore Investimentos Imobiliários, Lda.).

i) Key management personnel compensation

Remuneration assigned to the Board of Directors, other key management personnel and related companies providing management services to the Group, during the periods ended 30 June 2019 and 30 June 2018, are as follows:

	30.06.19	30.06.18
Short-term employee benefits	1,428	337
Other long-term benefits	423	980
	1,851	1,317

From the total amount of key management personnel compensation, which includes remuneration, social security charges and other costs, EUR 1,851 thousand were recognised in 'Employee benefit expense' (30.06.18: EUR 445 thousand) and EUR 345 thousand in 'External supplies and services' (30.06.18: EUR 872 thousand).

The total variable remuneration assigned to the Board of Directors of Novabase S.G.P.S. and other key management elements of the Group, regardless the year of allocation, which payment is deferred, amounts to EUR 1,633 thousand (31.12.18: EUR 1,751 thousand).

In addition, there are outstanding current account balances with key management personnel in the amount of EUR 25 thousand at 30 June 2019 (31.12.18: EUR 14 thousand).

ii) Balances and transactions with related parties

Group companies have commercial relations with each other that qualify as related parties transactions. All of these transactions are performed on an arm's length basis, meaning, the transaction value corresponds to prices that would be applicable between non-related parties.

In consolidation, all of these transactions are eliminated, since the consolidated financial statements disclose information regarding the holding company and its subsidiaries as if they were a single entity.

Balances and transactions with related parties are as follows:

	Trade and other receivables		Trade and other payables	
	30.06.19	31.12.18	30.06.19	31.12.18
Associates	-	-	-	-
Other participated companies	166	489	218	95
Shareholders and other entities	-	-	-	-
	166	489	218	95
Provision for impairment of trade and other receivables	-	(31)		
	166	458		

	Services rendered		Supplementary income		Purchases (*)	
	30.06.19	30.06.18	30.06.19	30.06.18	30.06.19	30.06.18
Associates	45	91	-	-	-	-
Other participated companies	165	183	6	3	635	1,293
Shareholders and other entities	-	-	-	-	-	-
	<u>210</u>	<u>274</u>	<u>6</u>	<u>3</u>	<u>635</u>	<u>1,293</u>

(*) In the 1st half of 2018, purchases included EUR 1,034 thousand of passing-through invoicing on behalf of Globaleda S.A. to external client. Once the Group acted as an agent on behalf of the principal, the purchases (and the associated turnover) were eliminated in the consolidated financial statements. In the 1st half of 2019 this situation ceased to exist.

In addition to the balances and transactions described in the tables above and below, no other balances or transactions exist with the Group's related parties.

Outstanding balances of accounts receivable and payable between Group Companies and related parties will be cash settled and are not covered by any guarantees.

iii) Other balances with related parties

	Non-current	
	30.06.19	31.12.18
Associates	-	-
Other participated companies		
Loan to Powergrid, Lda.	2,050	2,050
Loan to Bright Innovation, Lda.	1,477	1,477
Loan to Radical Innovation, Lda.	994	994
Loan to Power Data, Lda.	248	248
Loan to Glarevision, S.A.	90	-
Loan to Habit Analytics, Inc.	9	-
Shareholders and other entities		
Loans to other shareholders	-	-
	<u>4,868</u>	<u>4,769</u>
Provisions for impairment of loans to related parties	<u>(3,125)</u>	<u>(3,125)</u>
	<u>1,743</u>	<u>1,644</u>

22. Discontinued operations

Towards 31 December 2018, there were no changes to the information disclosed about discontinued operations.

23. Contingencies

Towards 31 December 2018, there were no significant changes in the judicial processes.

24. Events after the reporting period

In the second half of 2019, until the issuance of this report, have occurred the following material events:

▪ Novabase executes a liquidity contract

Novabase has executed, on July 2019, a liquidity contract with CAIXA – Banco de Investimento, S.A., aiming at increasing the liquidity of Novabase's shares traded in the regulated market of Euronext Lisbon. The transactions are limited to a daily net limit of 5,000 shares and to a global net cap of 10,000 shares of Novabase or 20,000.00 Euros. For the purposes of the contract, no shares representing Novabase's share capital or cash were placed at the financial intermediary's disposal.

▪ Cancellation of the shareholder remuneration policy currently in force and proposals to resolve at the Shareholders' General Meeting scheduled for September 26

Following the disclosure to the market, on July 2019, of the strategic update for 2019 and following years ("Strategic Update 2019+"), Novabase informed that it was decided by its Board of Directors to cease to apply the shareholder remuneration policy currently in force, of yearly distribution of an amount corresponding to, at least, 30% of Novabase's Group consolidated net income recorded in each fiscal year, with the aim of ensuring the flexibility to optimize the allocation of the available financial resources, at the service of the 2019+ Strategic Update's initiatives.

Novabase also informed that it was resolved by the Board of Directors to request to the Chairman of the General Meeting the convening of a Shareholders' General Meeting to resolve, notably, on the following:

- A proposal to distribute to the shareholders reserves and retained earnings in the total amount of 11,304,501.84 Euros, corresponding to 0.36 Euros per share;
- A proposal to reduce the capital in the amount of 4,396,195.16 Euros, with the attribution of 0.14 Euros per share to the shareholders, followed by a capital increase by incorporation of share issuance premiums in the amount of 43,333,923.72 Euros. After these operations, the share capital of Novabase will be set at 54,638,425.56 Euros, represented by shares with the nominal value of 1.74 Euros each;
- A proposal of a Stock Options Plan to the members of the Board of Directors of Novabase and employees of Novabase or other companies of the Novabase Group, concerning up to 10% of the Company's current share capital;
- A proposal for a Own Shares Buyback Programme for the purposes of complying with the settlement obligations of the options to be granted under the aforementioned Stock Options Plan, in case it is approved, under which shares may be purchased up to an amount of 10,000,000 Euros.

▪ **Request for insertion of item on the agenda of the Extraordinary General Meeting**

IBIM2 Limited, as a shareholder holding a qualifying holding of more than 10% in Novabase's share capital, requested the inclusion of a new item on the agenda of the extraordinary general meeting scheduled for September 26, to deliberate on the election of a new member to Novabase's Board of Directors. Accordingly, the shareholders will vote at the extraordinary GM the appointment of Jose Sancho García, chairman of Altitude Software and Bkool, to the Board of Directors.

25. 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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II. SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS

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DETAIL ON SECURITIES ISSUED BY THE COMPANY AND OTHER GROUP COMPANIES, HELD BY BOARD MEMBERS OF NOVABASE S.G.P.S.

	Share Capital	Total Number of Shares / Quotas	Number of Shares / Quotas held by Board Members at 31.12.18	Transactions	Number of Shares / Quotas held by Board Members at 30.06.19	% held by Board Members at 30.06.19
Novabase S.G.P.S., S.A.	15,700,697 €	31,401,394	12,652,542	0	12,652,542	40.3%
HNB - S.G.P.S., S.A. (a)			10,501,589	0	10,501,589	33.4%
Pedro Miguel Quinteiro Marques de Carvalho			2,097,613	0	2,097,613	6.7%
Francisco Paulo Figueiredo Morais Antunes			30,335	0	30,335	0.1%
María del Carmen Gil Marín			23,001	0	23,001	0.1%
Luís Paulo Cardoso Salvado			1	0	1	0.0%
João Nuno da Silva Bento			1	0	1	0.0%
Álvaro José da Silva Ferreira			1	0	1	0.0%
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
Marta Isabel dos Reis da Graça Rodrigues do Nascimento			0	0	0	0.0%
NBASIT - Sist. Inf e Telecomunicações, S.A.	47,500,000 AOA	100,000	800	0	800	0.8%
Álvaro José da Silva Ferreira			400	0	400	0.4%
Luís Paulo Cardoso Salvado			200	0	200	0.2%
Francisco Paulo Figueiredo Morais Antunes			200	0	200	0.2%
CelFocus, S.A.	100,000 €	100,000	1	0	1	0.0%
José Afonso Oom Ferreira de Sousa			1	0	1	0.0%
FeedZai, S.A.	170,154 €	21,768,183	112,500	0	112,500	0.5%
Pedro Miguel Quinteiro Marques de Carvalho			112,500	0	112,500	0.5%

(a) José Afonso Oom Ferreira de Sousa, Luís Paulo Cardoso Salvado, Álvaro José da Silva Ferreira and João Nuno da Silva Bento are the only shareholders of HNB - S.G.P.S., S.A., where they hold management positions.

Novabase reports as directors the company HNB - S.G.P.S., S.A. and the members of the board of directors of the Company.

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STATEMENT OF COMPLIANCE

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

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Statement of the Board of Directors
(Free translation from the original version in Portuguese)
SIGNED ON THE ORIGINAL

Pursuant to the terms of sub-paragraph c), paragraph 1 of article 246 of the Portuguese Securities Code, the members of the Board of Directors of Novabase, Sociedade Gestora de Participações Sociais, S.A., below identified declare, in the quality and scope of their duties as referred to therein, that, to the best of their knowledge and based on the information to which they had access within the Board of Directors:

(i) the information contained in the condensed consolidated interim financial statements and all other accounting documentation required by law or regulation, regarding the period of six months ended 30 June 2019, was prepared in compliance with the applicable accounting standards and gives a true and fair view of the assets and liabilities, financial position and results of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter; and

(ii) the interim management report faithfully states the evolution of the businesses, of the performance and of the position of Novabase S.G.P.S., S.A. and the companies included in the consolidation perimeter, containing namely an accurate description of the main risks and uncertainties which they face.

Lisbon, September 19, 2019

Luís Paulo Cardoso Salvado
Chairman of the Board of Directors

João Nuno Bento
Executive member of the Board of Directors and CEO

Álvaro José da Silva Ferreira
Executive member of the Board of Directors

Francisco Paulo Figueiredo Morais Antunes
Executive member of the Board of Directors and CFO

María del Carmen Gil Marín
Executive member of the Board of Directors

José Afonso Oom Ferreira de Sousa
Non-Executive member of the Board of Directors

Pedro Miguel Quinteiro Marques de Carvalho
Non-Executive member of the Board of Directors

Marta Isabel dos Reis da Graça Rodrigues do Nascimento
Non-Executive member of the Board of Directors

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