



# ANNUAL REPORT AND ACCOUNTS 2020

ANACOM



AUTORIDADE  
NACIONAL  
DE COMUNICAÇÕES

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# STATEMENT OF THE BOARD OF DIRECTORS

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## Statement of the Board of Directors

The Autoridade Nacional de Comunicações (ANACOM) [National Communications Authority] presents its Annual Report and Accounts for 2020, which include the main activities developed throughout the year, the balance sheet and income statement, and the Statutory Auditor's report.

During the year under review, in addition to the planned activity in its different areas of intervention: defence of consumer rights and interests; analyses of markets and access to networks, infrastructures and services; spectrum management; market supervision and oversight; sanctioning activity; and international representation, ANACOM's action had to include measures derived from the situations of state of emergency and of calamity arising from pandemic caused by the Covid-19 disease, which forced the inclusion of supplementary interventions in its multiannual activity plan for 2020-2022, without prejudice to its fulfilment as explained in this report.

In addition to the reinforcement of the protection of the rights and interests of the consumers and other end users aimed at attenuating the enormous economic and social impact of Covid-19, ANACOM's action was also marked by the 5th generation mobile (5G) auction, the migration of digital terrestrial television (DTT) and measures taken for the universal postal service.

Thus, in 2020, in view of the state of emergency and state of calamity situations arising from the epidemiological scenario caused by Covid-19, ANACOM proposed a series of exceptional measures to protect the clients of electronic communication services, in particular with respect to: flexibility in notice of termination of contract or contractual amendment; prevention of the interruption of electronic communications services due to failure to ensure payment; exemption from late payment interest and other penalties and forbearance in debt settlement; application of a legal framework of exceptional and temporary nature.

ANACOM also submitted to Parliament a proposal that sought to amend Law 7/2020 of 10 April, in order to strengthen the protection of users of electronic communications services. This proposal envisages exceptional and temporary measures to assure access to essential public services, and among them, electronic communications services, in response to the difficulties caused by Covid-19.

Special reference is also made to ANACOM's launch of a practical guide to answer the main doubts of communication consumers, aimed at helping the users to know their rights, supporting them in the current scenario. The guide provides answers to an extensive set of questions that have become known to ANACOM through the complaints and requests for information.

The Covid-19 disease has also, indirectly, demonstrated how access to quality is determinant for students, lecturers and other school professionals to access digital platforms, school and professional contents. Through its NET.mede service, ANACOM participated in the government initiative to characterise Mobile Broadband (BLM) at schools.

In order to make it easier to diagnose the quality of internet connections and measure internet speed, the NET.mede application and the My NET.mede reserved area were upgraded, which now enable the users to benefit from a more intuitive user experience with new functionalities and a new graphic environment.

ANACOM also prohibited the unfair commercial practices that misled the consumers into believing that digital terrestrial television would come to an end – being confused with the fact that the DTT migration would be completed in 2020 – and that they would have to subscribe to paid television services if they wanted to continue to receive the free-to-air channels (RTP1, RTP2, RTP3, RTP Memória, SIC, TVI, AR TV, as well as RTP Açores and RTP Madeira).

Likewise, concerned with the consumers' interests that, on various occasions wanted to know where the operators have coverage to provide mobile “Voice, SMS and MMS” and mobile internet services, ANACOM launched the tem.REDE? Service, an application that provides information based on the network coverage reported by the mobile operators in Portugal. With tem.REDE?, now onwards it's easy to know which operators have coverage in the place where you live, at your second home or holiday destination, for example.

ANACOM also conducted its own studies to evaluate the performance of voice and data services and the GSM (2G), UMTS (3G) and LTE (4G) coverage, provided by MEO, NOS and Vodafone in the regions of the North, Lisbon Metropolitan Area,

Alentejo and Algarve (NUTS II), which are available on ANACOM's institutional website.

Another significant topic in the pursuit of nationwide broadband internet coverage, fostering the digital economy and society, as well as territorial cohesion, is the implementation of the 5th generation mobile. In early 2020 (February), ANACOM approved the Draft Regulation of the Auction for Allocation of Frequency User Rights in the 700 MHz, 900 MHz, 1800 MHz, 2.1 GHz, 2.6 GHz and 3.6 GHz bands, and for the overall development of mobile communications in Portugal. However, the Covid-19 pandemic would lead to the suspension of the public consultation process, which was resumed in the middle of the year, with the public consultation having ended on 3 July, collecting hundreds of contributions. After the consultation was closed, ANACOM approved Regulation 987-A/2020 of 5 November, establishing the conditions of the auction of 5G and other relevant bands, namely the conditions of access to the spectrum in question, the auction's procedural rules and the conditions be associated to the use of the allocated spectrum. The bidding phase for new entrants started on 22 December 2020 and ended on 11 January 2021, after the eighth day of bidding. The main bidding phase started on 14 January 2020, and is presently underway.

The primary objectives of the 5G auction are to: strengthen the network coverage, namely where they show shortcomings; promote greater competition in the electronic communications market; create conditions for new entrants, envisaging reserved spectrum and access to national roaming; ensure balance between new entrants and the existing operations, among others.

In terms of information, and considering the intense international and national debate on 5th generation mobile generation, in particular on the possible effects on health and the environment this new technology, ANACOM has published an informative guide presenting the facts, data and challenges associated to 5G. With the disclosure of the “Mobile Networks and Health – facts, data and challenges” guide, ANACOM aims to enlighten the discussion around 5G by providing transparent and neutral information based on scientific knowledge, so that its development and implementation at a later date can take place in a more confident atmosphere with respect to ecology and health.

ANACOM also provided the public with the 5G Portal ([www.portal5g.pt](http://www.portal5g.pt)), aimed at being a meeting point for those interested in the 5th generation of mobile communications. The 5G Portal is open to the contents and contributions of civil society, industrial communities, local power structures and the scientific and technological system, in a strategy of continuous improvement and inclusion of best practices. ANACOM also conducted a series of webinars directed at local authorities on the implementation of 5G in Portugal.

Continuing the intense preparatory activity undertaken in 2019, the migration of the network of digital terrestrial television (DTT) transmitters started on 7 February 2020, enabling the release of the 700 MHz band for the future development of 5G. Suspended in March and resumed on 3 August due to the pandemic, the migration covered Mainland Portugal and the autonomous regions of Madeira and Azores in a process that ran very smoothly and required a major mobilisation of ANACOM, with more than 100 of its employees having been involved. Among the activities developed by ANACOM, special references is made to the provision to the public of a call centre to support the population, with a toll free number, that received more than 110 thousand calls; the provision of assistance to the population in the field, also free of charge, through ANACOM technical teams that visited over 4840 users and travelled over 250,000 kilometres; and the widespread communication of the topic that included: meetings with city, town and parish councils, and clarification sessions with the general public; the sending of a mailing to all residences and trade establishments of the affected regions; and continuous presence in the media.

ANACOM's drive to ensure a competitive market enabling the development of electronic communications, suitably meeting the needs of diverse users, was reflected in its submission to the Government and Parliament of the preliminary draft transposing the European Electronic Communications Code (EECC) that will replace the Electronic Communications Law. ANACOM's proposal follows the provisions in the EECC, having actively participated in its discussion and drafting over the last few years. The Code establishes the new regulatory framework that will meet the growing connectivity needs of national and European citizens, in particular via measures that stimulate investment in very high-capacity networks. Thus, new market regulation mechanisms were enshrined, proposing a different approach of the universal service aimed at meeting specific connectivity needs and establishing harmonised rules on

spectrum issues with a view to creating conditions to boost the rapid implementation of 5G in Europe.

In the postal sector, ANACOM approved a package of six draft decisions on measures for the universal postal service, that were under public consultation up to 18 August 2020, covering the following: criteria for the universal service price setting; service quality parameters and performance targets associated with the universal postal service; delivery of postal items at non-residential premises; concept of unreasonable financial charge for purposes of compensation of net cost of the universal postal service; and methodology for calculation of net cost of the universal postal service.

During the year under review, CTT corrected the allocation of expenses between the postal activity and the postal bank as determined by ANACOM by decision of 2019, which led, , for the financial years of 2016 and 2017 as a whole, to , a reduction of expenses attributed to the postal activity of approximately 30 million euros – of which about 6 million euros in the provision of the universal postal service on a comparable basis – and an equivalent increase of the expenses allocated to the banking activity.

It should also be noted that, for the fourth year consecutively, CTT was unable to comply with all of the quality indicators of the universal postal service, with ANACOM having applied the compensation mechanism laid down in the law, consisting of a price reduction in benefit of the universality of the users of that service.

Finally, it should be mentioned that, despite the impact of the Covid-19 pandemic on working modes, ANACOM upheld its regular activity in monitoring the spectrum and market oversight, litigation and administrative offences, publication of statistics, as well as collaboration and dialogue, both at a domestic level with the Portuguese Parliament, Government, Regional Governments and Local Authorities, and abroad, with other regulators and groups of regulators. In this last aspect, we highlight the unanimous election of ANACOM's Chairman of the Board of Directors as Chairman of the European Mediterranean Regulators Group (EMERG). ANACOM's chairmanship aims to strengthen cooperation between all the participants and contribute to the development of electronic communications in the Mediterranean region.

ANACOM's work in 2020, a year that entailed responding to unforeseen and exceptional activities, partially entailing singular and unrepeatably expenses, while keeping up all the others comprising its mission, was only possible due to the professionalism and dedication of all the employees, whose performance and team spirit reinforced the Regulator as an independent, impartial, rigorous and transparent entity. All this in a context of in-house change, as ANACOM's new organisational model was operationalised in October 2020, aimed at making it more flexible, more integrated, multidisciplinary and better endowed to face the different sectoral challenges in electronic communications, in the postal services and in space activities.

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# HUMAN RESOURCES

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## Human Resources

In the atypical year of 2020, marked by the SARS-CoV-2 pandemic crisis, ANACOM concentrated its people management strategy in two main vectors of action: the consolidation of mechanisms aimed at creating the present and future sustainability of the organisation, based on a scenario of transformation derived from the implementation of the new organisational model from 26 October 2020 onwards, and digital acceleration with the provision of human resources solutions and instruments to endow the organisation with new forms of working, with the inherent use of technologies and promotion of the best ways to make use of them.

In the midst of the pandemic scenario and working remotely, in 2020, ANACOM maintained the continuity of the strategic people management processes by ensuring organisational serenity alongside the pursuit of its strategic priorities, through the focus on communication and collaboration in-house.

The balancing of professional, personal and family life, the renovation of the management staff and the stimulation of new approaches to access knowledge in the context of digital mobility correspond to vectors of action that received particular attention in 2020.

The initiatives launched/pursued included, in particular, the actions in the following realms:

- Accomplishment of the processes of recruitment of the new senior management team, with a view to preparing ANACOM for present and future needs, the rejuvenation and better adaptation of the human resources to the ongoing emergence of challenges.
- Development of the processes of recruitment of junior management staff under the initiatives carried out towards ANACOM's rejuvenation and future sustainability.
- Development of the process of migration of all the employees to the new organisational structure, taking into account their original function and the current duties of each department.

- Promotion of new online training and development programmes in the context of remote work and collaboration in virtual mode.
- Reinforcement of digital transformation in people management reflected in the dematerialisation of processes associated with the administrative management of the documentation and information of the employees.
- Resumption of the career development and salary progression system following the approval of Law 2/2020 of 31 March, State Budget Law for 2020, related to recognition of employee merit.
- Stimulation of ANACOM's teleworking policy, placed in the reinforcement of remote working measures that promote balance between the employees' professional, family and personal life.
- Engagement and participation of the employees in various multidisciplinary projects, of strategic impact, in a collaborative approach of sharing knowledge in the search for new ideas and solutions, and with a complete spirit of mission.
- Implementation of a technological solution for analytical exploration of data, to enable ensuring the internal production of indicators on people management and meet the requests for information by the official entities, in particular the Social Balance, the Single Report, among others.

### **1.1. Number and qualification**

At the end of 2020, ANACOM's workforce showed the following distribution:

**Table 1.1 - Human resources used**

	2020	2019	2018
1 - Permanent staff	377	382	397
2 - Requisitioned by ANACOM	0	0	0
3 - Working at other entities	11	12	12
4 - Fixed-term contracts	0	0	0
5 - Human resources used = (1)+(2)-(3)+(4)	366	370	385

In 2020, eight contracts were terminated, one of which on the employee's own initiative, one due to death and six due to retirement.

The high average age of ANACOM's staff continues to be an important factor in the definition of its human resources management strategy, expressed in the plan for hiring management personnel, particularly ranked as junior, with a view to the rejuvenation of the staff.

The recruitment recorded in the same period, three senior managers, stemmed from the needs identified in the context of the organisational restructuring currently underway at ANACOM. The pandemic scenario forced the rescheduling of all the other external recruitment processes, leading to a delay in the replacement of employees who terminated their employment contract and the reduction of the organisation's total staff number.

ANACOM's staff also recorded differences in terms of its qualification structure in 2020 in relation to previous years, showing an increase of the qualification level of its staff. The change of the organisation's staff qualification level stemmed from the implementation of measures to develop skills and redefine the functional profiles of the employees, boosting their career progression.

The system of evolution based on merit in force enabled accomplishing the change of functional group and qualification level, through the application of an exceptional type of progressions among the employees who met the functional and merit requirements established in the regulatory instrument of ANACOM's collective labour agreement, namely in Clause 5(4) of the Company Agreement.

## 1.2. Training and development

Due to the pandemic situation triggered by SARS-CoV-2, 2020 was an atypical year that raised numerous challenges to the human resources development strategy.

The suspension, for an indefinite period of time, of participation in training actions (in classroom), organised in-house or by other entities, in Portugal or abroad, worked to accelerate the capacity of adaptation and reinvention in the promotion of training programmes.

In response, mechanisms were created that not only ensured that the employees received suitable equipment for the remote working context and the opportunity of accessing platforms to enable replacing face-to-face training with online training, but also the adaptation, whenever possible, of the training programmes planned for 2020 to online format.

In this scenario, the corporate informal digital training platform (TrainingHub) played a fundamental role in the immediate continuity of the Regulator's training activity, thus enabling the updating of digital, behavioural and management skills.

With a rate of use of the platform above 95% and an engagement rate (registered users/active users) of 69%, approximately 2,600 videos were viewed throughout the year, with different contents. The most viewed videos addressed topics related to ANACOM's activity and in the sphere of soft skills, especially related to productivity and time management, personal development, communication and wellbeing. About 2500 hours of training were recorded in this regard, representing approximately 20% of the total training hours.

Despite the circumstances experienced throughout the year, the training model continued to boost its training actions, in online format, in line with its key axes of action, with priority being given to training of transversal and technical-functional nature, with a recorded a total of 3662 participations in actions and volume of 12,349 hours of training.

In the transversal sphere, which includes training aimed at developing and strengthening skills of behavioural nature and related to knowledge of the activity and organisation, as well as associated with the use of tools that support a more efficient performance of the

organisation, 100 participations were recorded with a volume of 2783 hours of training having been recorded in 2020.

The training actions with the highest percentage in terms of volume of hours were: English (51%).

In the technical-functional sphere, which involves training in knowledge areas that are critical for the regulator's performance, 1659 participations were recorded with a volume of 4769 hours of training.

Here, the following area of knowledge showed the highest percentage of volume of hours of training: regulation (20%), information systems (8%) and spectrum management (7%).

Internal training was also particularly important in 2020, with a total of 1844 participations and a volume of 1832 hours of training. This especially included training actions and webinars aimed and strengthening knowledge of the activity and organisation, as well as skills associated with the use of collaborative tools that support a more efficient operation of the organisation.

On the other hand, a bachelors in the area of information systems, two master's degrees specialising in criminal law and one post-graduation in project management were co-financed in 2020.

It should also be highlighted that, in view of the economic and social context experienced during 2020, 44% of the training hours entailed participation in webinars whose contents reflect the impact of SARS-CoV-2 in diverse areas such as remote work, innovation, cybersecurity and artificial intelligence, among others.

**Table 1.3 – Key training indicators**

	2020	2019	2018
Number of actions	504	254	146
Number of participations	3662	1863	999
Number of training hours	12 349	11 686	11 536
Number of training hours/Average number of employees	34	31	30
Training costs (thousand euros)	111	138	144
Training costs/Personnel costs	0.5%	0.6%	0.5%
Training costs/Average number of employees (euros)	303	366	369

Note: For calculation purposes, it was considered that the average number of staff in 2020 was 368.

The implementation of the training plan in 2020 represented a total investment of about 111 thousand euros, reflected in the accomplishment of 504 training actions, with 3662 participations and 12,349 hours of training. This corresponded to an average of 33 hours and an investment of 303 euros of training per employee.

Regarding the sharing of and access to knowledge, various in-house initiatives were developed that involved the transversal participation of the employees and the creation of multidisciplinary project teams to support the Board of Directors in identifying proposals to improve ANACOM's organisation and operation. The purpose of this collaborative drive was also to encourage internal, participative and transparent collaboration in resolving issues of relevance to the future of this Authority, together with the opportunity for ongoing learning that is provided by employees exchanging experiences and knowledge in an environment that simultaneously stimulates creativity and openness to change.

### **1.3. Remuneration policy**

In 2020, ANACOM resumed the career development system under Law 2/2020 of 31 March (State Budget Law 2020), which determines that employees of public legal persons endowed with independence derived from their integration in regulatory, supervision or control areas, are subject to the provisions in the respective collective labour agreements, when existent.

Accordingly, and effective in January of that year, all mandatory changes of positioning on the pay scale, career progressions and changes of level or category arising from the application of the career progression rules established in Clause 5 of the Career Regulation appended to ANACOM's Company Agreement were approved. Moreover, career

progression criteria were approved under its policies for retaining and developing human capital, reflected in the application of pay increases that are not mandatory, but foreseen in the rules established in the regulatory instrument of ANACOM's collective labour agreement, namely in Clause 5(4) of the Company Agreement.

The career progression recorded by this group of employees reflects the investment that has been made in continuous training in the development of skills and qualifications of the ANACOM population, contributing significantly to enhance the organisation's qualification structure, making it more qualified.

Likewise, concerning the recognition of the performance and productivity of the employees, ANACOM maintained its use of instruments for awarding performance bonuses as an important part of the management and motivation of its employees.

#### **1.4. Selection and recruitment**

Under the implementation of the new organisational structure of ANACOM, various recruitment processes were developed in 2020 for the hiring of professional profiles that are more suited to the new organisational model and for preparing ANACOM for future needs, in order to assure the rejuvenation of the workforce, better adequacy of the human resources to challenges and the sustainability of the organisation.

To this end, the following tendering procedures were continued:

- twelve directors (internal and external directors);
- eight deputy directors (internal and external directors);
- fifteen junior managers, through external tender, with profiles associated to critical areas of action (information system managers, economists, data scientists, telecommunication engineers, legal experts and lawyers).

It should be noted that the recruitment process for ANACOM management staff took place in 2020 for the majority of the profiles, with its full completion being expected in 2021.

Considering the total maximum limit of 423 employees and the number of recruitments arising from these recruitment processes, the outcome is a positive balance of possible entrants into the Regulator's management staff.

### **1.5. Balance between professional, personal and family life**

Aware of the need to institute more flexible forms of working at the organisation, that permit balancing professional, personal and family life, in 2020, ANACOM implemented an internal policy that, combined with the development of digital technology and the mobility of work, enables the majority of its employees to perform duties outside their workplace. This has visible impacts on the success of the activity, on professional motivation and on the development of families and society.

Due to the SARS-CoV-2 pandemic that began in early 2020, ANACOM implemented additional measures aimed at ensuring the best possible adaptation to remote working, in particular by developing collaborative platforms for access to and sharing of information.

Furthermore, work schedules were adapted for all the organisation's employees, so as to enable greater flexibility in the management of working times and a better balance between professional life and family and personal life.

### **1.6. Social and environmental responsibility**

A number of corporate initiatives were carried out throughout 2020, aimed at mobilising the employees' involvement in voluntary social and environmental participatory activities:

- The “*Banco de Equipamentos*” (Equipment Bank) campaign, which involved the collection of 1108 kg of electric equipment for recovery, contributing to environmental sustainability and to endow charitable institutions with more efficient resources, and the donation of 155 kg of school books to be reused, with both campaigns having been promoted in partnership with the Bank of Donated Goods (Banco de Bens Doados - BBD).
- The Campaign to donate school books, entailing the collection of 127 Kg, which will be reused or the raised paper converted into food products donated to social solidarity institutions.

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**TANGIBLE FIXED  
ASSETS,  
INTANGIBLE  
ASSETS AND  
INVESTMENT**

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## Tangible fixed assets, intangible assets and investment

### Tangible fixed assets and intangible assets

The evolution of ANACOM's net worth in 2020 reflected the lower investment in tangible fixed assets and intangible assets, which led to a reduction of these net assets (-2%).

**Table 2.1 - Tangible fixed assets and intangible assets**

	2020	2019	VAR 20/19	
Tangible fixed assets and intangible assets	91 535 613	89 177 570	2 358 043	3%
Accumulated depreciation and amortisation	-73 309 807	-70 667 852	-2 641 955	4%
<b>Net tangible fixed assets and intangible assets</b>	<b>18 225 806</b>	<b>18 509 718</b>	<b>-283 912</b>	<b>-2%</b>

Unit: Euros

The increases of the accumulated gross values of these assets, and their depreciation and amortisation, took place at different rates, with the increase of amortisation having been higher, which implied a 2% reduction of their net values.

Table 2.2 presents a breakdown of these net assets by main headings.

**Table 2.2 – Change in tangible fixed assets and intangible assets**

	2020	2019
Total investment for the year	2 623 386	3 804 272
Deferred costs – renovation works	-1 714	-22 652
Depreciation and amortisation for the year	-2 905 584	-2 119 025
Net divestment (write-offs)	0	-1 531
Settlements	0	0
<b>Increase/(Reduction) of net assets</b>	<b>-283 912</b>	<b>1 661 064</b>

Unit: Euros

## Investment

The structural investments of technical nature foreseen in the 2020-2022 plan were accomplished during 2020. These investments are necessary for the full implementation of the duties established in ANACOM's Statutes, in particular in the area of radio spectrum monitoring and control, through the reformulation/modernisation of the Spectrum Monitoring and Control Centres (CMCE). Viewing systems were created in the Azores and Madeira agencies, under the updating of the laboratory equipment and in information systems, focusing on measures related to the organisation's digital transformation, and in particular on means to support telework.

**Table 2.3 - Investment from 2011 to 2020**

<u>YEAR</u>	<u>VALUE</u>	<u>YEAR</u>	<u>VALUE</u>
2011	3 354 596	2016	1 745 412
2012	4 109 082	2017	2 437 459
2013	1 999 264	2018	2 520 530
2014	2 587 071	2019	3 804 272
2015	2 355 091	2020	2 623 386
<b><u>10-Year Average</u></b>	<b><u>2 753 616</u></b>		

Unit: Euros

The investment made in 2020 amounted to 2623 thousand euros, in line with the investment level observed on average over the last 10 years.

As noted above, priority was given to the accomplishment of structural investments directed at improving in-house working conditions and the technical quality of the work, under the digital transformation, always accompanying the evolution of market best practice and ensuring the highest standards of quality and technical ability, considered essential for performing the duties to which ANACOM is bound by its Statutes.

The breakdown of the investments by nature was as follows:

**Table 2.4 - Investment by nature**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Buildings and other constructions	584 050	466 159	117 891	25%
Basic equipment	333 049	1 063 776	-730 727	-69%
Transport equipment	40 318	5 482	34 836	635%
Computer equipment (hardware)	443 410	660 523	-217 113	-33%
Other tangible assets	153 787	370 304	-216 517	-58%
Intangible assets (software)	1 067 058	1 215 376	-148 318	-12%
Renovation works	1 714	22 652	-20 938	-92%
<b>Total</b>	<b><u>2 623 386</u></b>	<b><u>3 804 272</u></b>	<b><u>-1 180 886</u></b>	<b><u>-31%</u></b>

Unit: Euros

In short, the main areas of investment in 2020, by nature, were as follows:

- (i) The necessary investment in information systems (hardware and software) for the development of ANACOM's activities, both for the improvement of the services provided to the market and to the consumers, comprised the most important portion of the investment, approximately 58% of the total, compared to that recorded in 2019 (+9%).
- (ii) The investment in basic equipment was based on the acquisition of a variety of equipment supporting the technical areas of radio spectrum monitoring and control, and laboratories, accounting for about 13% of the investment made in 2020.
- (iii) The rest of the investment was directed at the reformulation/modernisation of the Spectrum Monitoring and Control Centres, not only in terms of construction works in buildings and facilities, but also in the acquisition of office support equipment. The improvement/maintaining conditions in owned and rented buildings, and the purchase of office equipment required for the smooth running of the services were also ensured, together representing close to 29% of the total investment.

The detailed analysis of the investment in each functional area shows the following:

- 1) **Area of management and control of the radio spectrum and laboratories:** the investments made in 2020 amounted to 333,049 euros (897,758 euros in 2019), applied to the following projects:
  - Project for the technological retrofitting of spectrum monitoring and control (MCE), aimed at ensuring the appropriate equipping of ANACOM's operational services for implementing spectrum monitoring and control actions within the required quality, reliability and availability. The most significant, in this regard, was the acquisition of three simple receivers for the remote stations of the islands for the Radiotask Mobile project, the equipment and a vehicle for the new mobile spectrum monitoring and control station, the updating of the DDF007 mobile radio direction finder, and three antenna selectors for the Azores.
  - Project for modernisation of the Testing and Calibration Laboratory (LEC). The Project for modernisation of the Testing and Calibration Laboratory (LEC) was pursued, directed at the technological updating of the equipment required by the laboratory areas, in particular: (i) the upgrading to 6 GHz of the radiated immunity testing system of the anechoic chamber as the current system was limited to 1GHz while the new regulatory framework, in particular established in the Radio Equipment Directive, requires immunity testing above 1GHz, thanks to the recent technological evolution (WiFi, DECT, GSM 1800, UMTS and LTE); (ii) the developments aimed at enabling the integration of the test pursuant to standard IEC/EN 61000-4-5 Surge Combination Wave 1,2/50µs - 8/20µs. For conducting electrostatic discharge (ESD) immunity tests, it was necessary to upgrade the Haefely AXOS 5 generator, due to the detection of signs of failure in the PSurge 4.1 generator; (iii) the adjustment of cables, various adaptors and GPIB module.
  - Project for major repairs to the SINCRER, designed to modernise the remote stations of the National System for Remote Control of Radio Broadcasting Stations (SINCRER). Although interventions have been made over the years for the upgrade, repair and modernisation of the existing components at the remote stations, new interventions are necessary every year to repair and forestall the effects of corrosion among others. Thus, rehabilitation work was carried out within the SINCRER,

intervening in various minor components of the system, so that its operability would not be jeopardised.

- Project for reformulation/modernisation of the MCE Centres (CMCE), aimed at giving the spectrum monitoring and control centres a more updated and modern image, through intervention at the level of buildings, improvements were made in terms of the viewing system and furniture of the Azores Agency, and of the viewing, technical furniture and civil construction contract of the Madeira Agency.

Other current investment corresponds to one-off acquisitions and various repairs not related to specific projects, and occasional requests from spectrum monitoring and control centres, aimed at endowing the operational services with better tools for carrying out their missions, and acquisitions associated with repairs that are considered investment.

In this regard, the following acquisitions were important in 2020: two portable digital frequency meters and a variety of radiofrequency accessories.

2) **Area of information systems and technology (IS/IT):** solutions were developed with an overall value of 1,510,468 euros in 2020 (1,875,899 euros in 2019), in particular;

- Continued strong investment in the organisation's digital transformation, specifically driven towards means to support telework, in terms of infrastructure, software instruments and devices to support mobility.
- Considerable effort was made to boost the adoption of the new working paradigm, namely the digital fast-tracking derived from the Covid-19 pandemic.
- A noteworthy effort was also made towards the digital improvement of the organisation's work processes and the necessary cultural change inherent to the new reality of full adoption of telework.

Various initiatives were developed in the area of solutions designed to improve the services provided to the market and to consumers:

- continuity of initiatives to improve the services provided electronically by ANACOM;

- development of various improvements in the Information System of Suitable infrastructures (SIIA) solution, tem.REDE? and NET.mede to bolster support to the external stakeholders and consumers;
- extension of the implementation of data analysis software in a transversal context, with the adoption of the PowerBI tool in the handling of complaints, with the production of new indicator control panels;
- implementation of technological means to support the 5G Auction and development of a new resource for information disclosure on the topic – the 5G Portal;
- provision of a new ANACOM contact centre to support the customer in retuning television receivers inherent to the national DTT migration process;
- creation of a new network of interaction between regulatory entities (RegulationX) based on comprehensive, active and technologically readjusted principles of collaboration.

In the area of solutions designed for the internal improvement and efficiency of services, the following initiatives are highlighted:

- continued dematerialisation, with improved work processes supported by ANACOM's documental management and workflow solution to boost productivity and speed of services provided and administrative support procedures;
- evolution of various software sub-systems to extend functionalities and adapt the different application platforms to current needs;
- fast extension to the entire organisation, following the pandemic outbreak, of the general productivity and collaboration platform – Office365 (Office, Teams, Sharepoint, etc);
- creation of a platform to support innovation focused, at a first stage, on assisting the use of means collaboration in telework and ensuing change management, and solution for active sharing of knowledge involving the entire organisation;
- support to the process of thorough organisational restructuring carried out in 2020;
- upgrade of the organisation's ERP (GIAF);

- accomplishment of the investment and implementation of the new platform transversally supporting the organisation, namely in its relations with external stakeholders, named Dynamics365;
- continued investment in the means of communication and management underpinning the digital transformation and adoption of new forms of work;
- study and planning of continued telework at ANACOM (WorkForce 4.0 Project);
- study and planning of the readjustment and better use of the organisation's physical sites in a balanced workplace perspective.

In the field of infrastructure architecture technology, the investment made it possible to develop the following projects:

- continued implementation of the Integrated Plan for Application Consolidation, with a new hybrid cloud approach being included at the application level, in infrastructural terms and concerning Data Centres;
- stronger investment in mobility equipment (tablet and smartphone type devices), extending their use to the entire organisation to support the widespread telework;
- strengthening of remote means of access and authentication (VPN);
- strengthening of the means to update the "organisation" and "work processes" layers in the context of the Corporate Architecture.

3) **Area of infrastructure, administrative and other equipment**, with a total investment of 779,869 euros in 2020 (864,597 euros in 2019), covering the following areas:

In the field of infrastructure and repairs to own buildings and facilities, the investment was made in interventions related to:

- works at the buildings of Azores and Madeira agencies, aimed at creating conditions for the modernisation and/or reformulation of the required spaces to install viewing systems in the spectrum monitoring and control centres;

- a variety of works to improve the facilities at the Azores Agency building, namely the redesign of the building's entrance and outer wall/fencing, car park, and consolidation of the base support of the outdoor masts;
- a variety of works to improve the operationality of the facilities at of Madeira Agency building, namely the painting of the building and construction work on the infrastructure supporting the assembly and supply of an elevator;
- replacement of the fencing and painting of SINCRER Monte Serves remote station.

Concerning transport equipment, the investment was made in interventions related to:

- the acquisition of a vehicle for Barcarena mobile spectrum monitoring and control centre.

Regarding the administrative area, we highlight the:

- acquisition of a variety of furniture and equipment for sound reproduction and image projection for the new viewing systems under the remodelling of the spectrum monitoring and control centres of the Azores and Madeira;
- the renovation works in rented buildings include, in particular, the installation of wiring in the space created for the call centre for resolving issues related to the DTT switchover.

2020

ANNUAL REPORT AND ACCOUNTS

# ECONOMIC AND FINANCIAL REVIEW

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## Economic and financial review

Table 3.1 presents the aggregate values of the key financial components for the ascertainment of the net income for 2020 and 2019.

**Table 3.1 - Results**

	<u>2020</u>		<u>2019</u>		<u>VAR20/19</u>	
Income	97 396 229	100%	95 082 209	100%	2 314 020	2%
Expenses	-62 835 232	65%	-55 475 375	58%	-7 359 857	13%
<b>Net income</b>	<b><u>34 560 997</u></b>	<b>35%</b>	<b><u>39 606 834</u></b>	<b>42%</b>	<b><u>-5 045 837</u></b>	<b>-13%</b>

Unit: Euros

The combination of the most marking developments observed in the income and expenses components led to the net income recorded at the end of 2020, of the value of 34,561 thousand euros, having been 13% lower than that observed in 2019.

Generally speaking, the following variations are of particular importance:

- In income, the variation (+2%) is explained by the following reasons: (i) Increase of the charged value of electronic communications activity fees (+2061 thousand euros); (ii) Increase of the value of other services rendered (+325 thousand euros); and (iii) miscellaneous variations (-72 thousand euros).
- In expenses, the variation (+13%) is due to the following evolutions: (i) increased expenses related to external supplies and services (+1411 thousand euros); (ii) increased personnel costs (+1197 thousand euros); (iii) decreased other expenses (-184 thousand euros); (iv) increased depreciation and amortisation for the year (+787 thousand euros); and (v) increased provisions and impairments (+4149 thousand euros).

The details of these variations are indicated below.

### Breakdown of income

Table 3.2 presents the total values and variations in ANACOM's "Income" from 2019 to 2020.

**Table 3.2 – Income**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Electronic communications (EC)	<b>94 234 570</b>	<b>92 173 971</b>	<b>2 060 599</b>	<b>2%</b>
* Annual fees for EC activity	34 349 713	32 705 549	1 644 164	5%
* Fees for use of frequencies	58 215 038	57 802 375	412 663	1%
* Fees for use of numbers	1 657 119	1 655 447	1 672	0%
* Issue of declarations and allocation of rights	12 700	10 600	2 100	20%
Other services rendered	<b>2 980 286</b>	<b>2 655 501</b>	<b>324 785</b>	<b>12%</b>
* Annual fees for postal services activity	2 520 129	2 164 678	355 451	16%
* Fines paid-up	353 764	380 402	-26 638	-7%
* Other fees	106 393	110 421	-4 028	-4%
Impairment reversals	<b>100 158</b>		<b>100 158</b>	
Other income	<b>26 770</b>	<b>214 767</b>	<b>-187 997</b>	<b>-88%</b>
* Imputation of investment grants (Note 13)	3 891	3 891	0	0%
* Operating grants	12 949	104 444	-91 495	-88%
* Other	9 930	106 432	-96 502	-91%
Interest and similar income	<b>54 445</b>	<b>37 970</b>	<b>16 475</b>	<b>43%</b>
<b>TOTAL</b>	<b><u>97 396 229</u></b>	<b><u>95 082 209</u></b>	<b><u>2 314 020</u></b>	<b>2%</b>

Unit: Euros

**Analysis of the main variations relative to the previous year****Increases:**

- Annual fees for electronic communications activity – include the values charged during the year to the electronic communications operators, with the variation in relation to 2019 essentially being due to the increase observed in the average costs of provisions paid in the last five years (+1644 thousand euros).
- Annual fees for postal service activity – include the values charged during the year to the postal service operators, with the variation in relation to 2019 being the result of (i) the increase occurred in the average costs of provisions paid in the last five years (+50 thousand euros); and (ii) the increased average costs paid for regulation in the last three years (+305 thousand euros).

The increase in the average provisions in 2020 was entirely due to proceedings filed by the service providers contesting the regulatory fees charged by ANACOM under the current legislation. The constitution of provisions has increased each year not only due to the emergence of new proceedings filed by the providers objecting against fees, but

also due to the reinforcement of the coverage of lawsuits of previous years. More than a year has elapsed since the initial date of objection and the provision has been increased by a further 25%, until reaching 100% coverage after four years, following ANACOM's provisions policy.

**Decreases:**

- Fines paid – show a reduction in the amount settled (-27 thousand euros) arising from the market oversight activities and the application of the penalties established in the law for unauthorised practice, which, depending on the number and severity of the infringements stemming from the oversight activities, can determine increases or decreases in each financial year.
- Other income (operating grant) – shows a reduction (-91 thousand euros) derived from the reduction of the value of reimbursements obtained from travel abroad, carried out in the context of the European Union in representation of the Portuguese State, as there was practically no travel in 2020 due to the pandemic.
- Other income (Other) – declined (-97 thousand euros), primarily due to the adjustment made in 2019 in the accounting statement of income derived from the difference between the compensation made to MEO to cover the costs incurred in 2011 related to the switchover of the radio channels of the DTT network that belonged to the 800 MHz sub-band and the estimated value that had been accrued and recorded as an expense in 2012 (+88 thousand euros), as established in Ordinance 587/2019 of 6 September.

**Applicable legislation**

- (i) Annual fees for electronic communications activity

The Electronic Communications Law establishes the legal framework governing electronic communications networks and services and associated facilities and services, while Decree-Law 264/2009 of 28 September establishes the rules applicable to the licensing of radiocommunications networks and stations, the inspection of the infrastructure of those stations and use of the radio spectrum, as well as the sharing of radiocommunications infrastructure.

The legislation that supports the collection of fees due in this context is Ordinance 1473-B/2008 of 17 December, which institutes the new fee model established in Article 105 of the Electronic Communications Law, as amended by Ordinance 296-A/2013 of 2 October, Ordinance 378-D/2013 of 31 December, and Ordinance 157/2017 of 10 May, amended by Ordinance 270-A/2020 of 23 November.

The fees established in Article 105 of the Electronic Communications Law are as follows: (a) issue of statements supporting rights assigned by ANACOM for pursuit of the activity of supplier of publicly available electronic communications networks and services, allocation of rights of use of frequencies and allocation of numbers; (b) pursuit of the activity of supplier of publicly available electronic communications networks and services; (c) use of frequencies; and (d) use of numbers.

(ii) Annual fees for postal service activity

Law 17/2012 of 26 April establishes the regime of access to and pursuit of the activity of provider of postal services operated under competition, and Ordinance 1473-B/2008 of 17 December, as amended by Ordinance 296-A/2013 of 2 October, support the collection of fees in this context, which should be cost-driven.

(iii) Fees for providing audiotext services

Decree-Law 177/1999 of 21 May establishes the regime of access to and pursuit of the activity of provider of audiotext services, the fees of which were approved by Ordinance 567/2009 of 27 May.

(iv) Laboratory services provided

Equipment testing and calibrations performed at the laboratories are services provided by ANACOM as part of its duties and subject to the application of a specific tariff scheme set by the Board of Directors.

(v) Penalties

In the course of its oversight activities, ANACOM can apply penalties of the values set by the Board of Directors, pursuant to the applicable law. ANACOM's Statutes, approved by Decree-Law 39/2015 of 16 March, establish in Article 9(1)(p), ANACOM's powers to carry out all the acts required for the processing and punishment of any infringements of the laws and

regulations of which the implementation or oversight are incumbent upon it, as well as the outcomes of non-compliance with its decisions, including, when applicable, taking precautionary measures, imposing penalties, namely penalty payments, and collecting fines.

## **Electronic communications**

### **i) Annual regulatory fees**

As stipulated in Ordinance 1473-B/2008 of 17 December, as amended by Ordinance 296-A/2013 of 2 October, the annual fee for pursuing the activity of electronic communications services operator should be borne by the providers, based on the costs arising from the activities of regulation, monitoring and inspection of the electronic communications services.

The method for calculation of the regulatory fees is based on the real administrative costs incurred by ANACOM from regulation activities, using three-year moving averages, excluding the costs arising from the change in the provision for ongoing lawsuits, for which a five-year moving average is used. These costs, accounted for in ANACOM's activity-based costing (ABC) system, do not include any sum related to this Authority's activities other than the regulation of electronic communications networks and services. The allocation of these costs to electronic communications network and service providers is proportional to the respective relevant income linked to the activity for the year preceding that in which the fees are paid. This method does not apply to operators with a relevant income below 250 thousand euros, to which a zero fee applies, or to operators with a relevant income below 1500 thousand euros, that pay a fixed fee of 2.5 thousand euros/year.

The annual report of the regulation costs and the total fees charged, referred to in Article 105(1)(a) to (d) of the Electronic Communications Law, is published annually on ANACOM's website.

Table 3.3 presents the details of the calculation of regulation costs, underlying the regulatory administrative fees payable to ANACOM by providers of electronic communications networks and services, and which, according to the breakdown, amounted to 33,820 thousand euros in 2020.

**Table 3.3 – Calculation of costs to determine the electronic communication (EC) regulation fee and the postal services (PS) fee**

	Breakdown of ANACOM costs (excluding provisions for EC and PS)				Provisions for EC and PS (5-year average)	Breakdown of costs (including provisions for EC and PS)
	Real			Average (3 years)		
	2019	2018	2017			
<b>1. Regulation and spectrum management costs</b>	<b>37 661 494</b>	<b>38 227 888</b>	<b>39 641 433</b>	<b>38 510 272</b>	<b>11 689 854</b>	<b>50 200 125</b>
1.1 Costs related to EC	30 034 955	31 172 134	32 936 223	31 381 104	11 470 612	42 851 716
1.1.1 Administrative costs	22 390 737	22 422 537	23 217 438	22 676 904	11 470 612	34 147 516
a) Declarations supporting rights	135 908	51 496	62 254	83 219		83 219
b) Pursuit of EC network and service provider activity	21 901 600	22 137 224	23 009 048	22 349 291	11 470 612	33 819 903
c) Allocation of rights of use of frequencies	336 843	183 415	112 585	210 948		210 948
d) Allocation of rights of use of numbers	16 386	50 402	33 551	33 446		33 446
1.1.2 Frequency management costs	7 560 986	8 658 302	9 575 789	8 598 359		8 598 359
1.1.3 Number management costs	83 232	91 295	142 996	105 841		105 841
<b>1.2 Postal regulation costs</b>	<b>2 619 779</b>	<b>2 065 697</b>	<b>2 321 077</b>	<b>2 335 518</b>	<b>219 242</b>	<b>2 554 760</b>
1.2.1 Pursuit of postal service provider activity	2 584 870	2 042 428	2 308 473	2 311 924	219 242	2 531 166
1.2.2 Permits and licenses	34 909	23 269	12 604	23 594		23 594
1.3 Other regulation costs	5 006 759	4 990 057	4 384 132	4 793 649		4 793 649
<b>2. Other costs</b>	<b>2 374 563</b>	<b>2 216 658</b>	<b>2 537 927</b>	<b>2 376 383</b>		<b>2 376 383</b>
<b>Total costs</b>	<b>40 036 057</b>	<b>40 444 546</b>	<b>42 179 360</b>	<b>40 886 655</b>	<b>11 689 854</b>	<b>52 576 508</b>

Unit: Euros

ii) Fees for use of frequencies

Table 3.4 presents the values and comparison of the fees paid for the use of frequencies, by type of service, in 2020 and 2019.

**Table 3.4 - Fees for use of frequencies**

	2020		2019		VAR 20/19	
Mobile service (SCET)	44 376 964	76%	44 297 388	77%	79 576	0%
Land mobile service	2 110 282	4%	2 165 026	4%	-54 744	-3%
Fixed service	9 583 406	16%	9 184 133	15%	399 273	4%
Satellite fixed service	613 227	1%	459 844	1%	153 383	33%
Wireless fixed service (FWA)	0	0%	36 500	0%	-36 500	-100%
Radio broadcasting service	1 001 588	2%	1 001 888	2%	-300	0%
Other services	529 571	1%	657 596	1%	-128 025	-19%
<b>Total</b>	<b>58 215 038</b>	<b>100%</b>	<b>57 802 375</b>	<b>100%</b>	<b>412 663</b>	<b>1%</b>

Unit: Euros

The value of the variation occurred in this type of fees, between 2020 and 2019, stood at 413 thousand euros, primarily explained by the increase values of fees charged for the fixed service, reflecting the licensing of fixed connections and fixed service via satellite requested by the electronic telecommunications service operators.

There was also an inexistence of income from fees related to the fixed service via radio, as this service has been progressively replaced by alternative services that are more efficient and less expensive for the users.

ii) Fees for use of numbers

The value of the fees for the use of numbers charged in 2020 remained unchanged in percentage terms in relation to the value charged in 2019.

**Postal services**

The table with the calculation of the expenses related to the activity of regulation of postal services provider is the same as that presented for calculating the expenses related to pursuit of the activity of supplier of publicly available electronic communications networks and services (Table 3.3, line 1.2).

As stipulated in Ordinance 1473-B/2008 of 17 December, as amended by Ordinance 296-A/2013 of 2 October, the annual fee for pursuing the activity of electronic communications services provider should be borne by the providers, based on the costs arising from the activities of regulation, monitoring and inspection of the electronic communications services. This fee is based on the total value of costs that are eligible each year, which correspond to the average value of the three years preceding that in which the fees are paid (excluding provisions for legal proceedings), in addition to the average value of the provisions for legal actions associated with the postal sector filed in the last five years. This method makes it possible to avoid major fluctuations in fees through changes in costs, thereby preserving the principles of foreseeability and transparency.

Considering the principles of cost orientation and proportionality underlying the regime established by Law 17/2012 of 26 April, and aimed at harmonisation with the fee model already in force for providers of electronic communications networks and services, the aforesaid Ordinance establishes the three contributory levels related to pursuit of the activity of postal services provider, according to relevant income. In this context, providers included in bracket 0, with relevant income up to 250 thousand euros, are exempt from paying the fee, and providers included in bracket 1, with relevant income between 250 thousand euros and 1500 thousand euros, pay a fixed fee of 2500 euros. Providers included in bracket 2, with relevant income above 1500 thousand euros, pay a fee calculated according to their relevant income.

### **Breakdown of expenses**

Table 3.5 presents the total values and variations in ANACOM's "Expenses" from 2019 to 2020.

**Table 3.5 – Expenses**

		<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
<b>External supplies and services</b>		<b>9 886 697</b>	<b>8 475 311</b>	<b>1 411 386</b>	<b>17%</b>
* Specialised work	i)	2 829 546	2 035 821	793 725	39%
* Advertising and publicity	ii)	1 071 109	64 120	1 006 989	1570%
* Surveillance and security	iii)	546 115	491 079	55 036	11%
* Maintenance and repair	iv)	1 874 111	1 982 402	-108 291	-5%
* Books and technical documentation	v)	137 127	94 964	42 163	44%
* Energy and fluids	vi)	333 403	451 826	-118 423	-26%
* Travel and accommodation	vii)	132 259	552 424	-420 165	-76%
* Rents and leases	viii)	1 577 915	1 569 430	8 485	1%
* Communication	ix)	445 596	289 346	156 250	54%
* Insurance	x)	83 465	81 086	2 379	3%
* Cleaning, hygiene and comfort	xi)	319 174	296 194	22 980	8%
* Other supplies and services	xii)	536 877	566 619	-29 742	-5%
<b>Personnel costs</b>		<b>24 342 903</b>	<b>23 146 077</b>	<b>1 196 826</b>	<b>5%</b>
* Remuneration and charges	xiii)	22 681 561	21 498 039	1 183 522	6%
* Other personnel costs	xiv)	1 661 342	1 648 038	13 304	1%
<b>Other costs</b>		<b>7 513 549</b>	<b>7 697 672</b>	<b>-184 123</b>	<b>-2%</b>
* Subscriptions	xv)	636 407	748 279	-111 872	-15%
* Meetings and conferences	xvi)	50 415	281 691	-231 276	-82%
* Sponsorships	xvii)	47 789	51 039	-3 250	-6%
* Contribution to external entities	xviii)	6 756 915	6 481 674	275 241	4%
* Cooperation	xix)	271	14 509	-14 238	-98%
* Other	xx)	21 752	120 480	-98 728	-82%
<b>Depreciation and amortisation costs</b>		<b>2 906 044</b>	<b>2 119 025</b>	<b>787 019</b>	<b>37%</b>
<b>Impairment losses</b>			<b>116 071</b>	<b>-116 071</b>	<b>-100%</b>
<b>Provisions</b>		<b>18 186 039</b>	<b>13 921 219</b>	<b>4 264 820</b>	<b>31%</b>
<b>TOTAL</b>		<b><u>62 835 232</u></b>	<b><u>55 475 375</u></b>	<b><u>7 359 857</u></b>	<b>13.3%</b>

Unit: Euros

## Analysis of the main variations relative to the previous year

### Increases:

- “External supplies and services” (+17%) – the variations occurred in the headings of “Specialised work” (+794 thousand euros) and “Advertising and publicity” (+1007 thousand euros) were primarily responsible for the increase, due to the DTT project, an initiative with unique and exceptional features that started in 2019 and was fully implemented and completed in 2020. However, there were variations in other headings that attenuated this increase, such as: “Maintenance and repair” (-108 thousand euros); “Energy and fluids” (-118 thousand euros); and “Travel and accommodation” (-420 thousand euros).
- “Personnel costs” (+5%) – The increased “Remuneration and charges” (+1184 thousand euros) stems from the career progression, the salary scale increases and the award of productivity bonuses, as legally stipulated and pursuant to the provisions in the State Budget, and additionally due to the increased overtime and assignment of exemption from fixed working hours, due to the DTT project. These increases were offset by the reduction of the average number of staff.
- “Depreciation and amortisation costs” (+37%) – despite the lower investment in relation to 2019, the fact that the investment underway in 2019 was mostly finalised and transferred to the corresponding asset categories, with the assets starting their useful life period in 2020, implied a significant increase in amortisation, both in terms of tangible fixed assets and intangibles.
- “Provision for the year” (+31%) – was due to the application of the criteria for constitution of provisions for legal objections to settlements of regulatory activity fees, as well as the fact that in 2019 there had been a reduction derived from the closing of two lawsuits related to radio spectrum fees (-1518 thousand euros).

### Decreases:

- “Other costs (-2%) – The reductions of “Subscriptions” and “Meetings and conferences”, due to the pandemic, and “Other” explain the most part of the negative variation, that was offset by the increased “Contribution to external entities” stemming from the contributions to consumer conflict arbitration centres.

- “Impairment losses” (-100%) – the analysis of the seniority of client accounts showed a reversal, year-on-year.

The breakdown of the values and the evolution of the components of each cost heading, from 2019 to 2020, is presented below.

### External supplies and services

- i) Specialised work (+39%): corresponds to expenses incurred in preparing studies and opinions, legal advice, audits and other provisions of service required to support the activities of ANACOM in specific areas where it is necessary to supplement the existing competences and expertise within ANACOM.

**Table 3.6 – Specialised work**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Studies	123 525	90 577	32 948	36%
Legal consulting	540 973	580 485	-39 512	-7%
Audits	199 535	175 108	24 427	14%
Computer services	504 327	401 161	103 166	26%
Translations	72 495	83 764	-11 269	-13%
Publications	22 900	21 731	1 169	5%
Other	1 365 791	682 995	682 796	100%
<b>Total</b>	<b><u>2 829 546</u></b>	<b><u>2 035 821</u></b>	<b><u>793 725</u></b>	<b><u>39%</u></b>

Unit: Euros

The increase observed in this heading (+39%) was fundamentally due to the positive variations occurred in the headings of “Studies” (+33 thousand euros), “Computer services” (+103 thousand euros) and “Other” (+683 thousand euros).

The increase in “Studies” was essentially due to the “Frequency band relative to the 700 MHz band” study conducted in 2020, while the variation in “Computer services” is related to the costs of specific computer projects, namely the Integration management of the electronic complaints book (LRE) platform. The heading of “Other” primarily refers to costs of the DTT frequency switchover project and in particular the costs related to the call centre service.

In the opposite direction, we highlight the reduction observed in the heading of “Legal consulting” (-40 thousand euros), as the need to resort to external lawyers specialised in the defence of lawsuits varies according to the needs and complexity of the lawsuits.

- ii) Advertising and publicity (+1570%): correspond to expenditure related to advertising campaigns and other advertising costs.

The value of this heading varies every year according to the advertising campaigns that are required. In 2020, it was necessary to promote various advertising actions under the process of DTT migration and release of the 700 MHz band, namely television and radio campaigns, which explains the variation, as no significant advertising campaigns were conducted in 2019.

- iii) Surveillance and security (+11%): correspond to services provided by specialised security companies at the head office premises of Barcarena, Porto facilities and agencies of the Autonomous Regions of Madeira and the Azores.

The year-on-year increase reflects the 9% updating of the value of the majority of the existing contracts, by virtue of the negotiation of the collective labour agreements of the security and surveillance service companies, following the increase of the guaranteed monthly minimum remuneration (RMMG) from 600 to 635 euros, and other variables stemming from that negotiation.

The remaining 2% of variation are explained by the conclusion of a new contract at the Azores Agency at the end of 2019, whose value was fully reflected in 2020.

- iv) Maintenance and repair (-5%): correspond to the necessary services for the operational maintenance of ANACOM's assets, including technical assistance contracts concluded for the purpose, particularly in relation to information systems, radio spectrum monitoring and laboratories.

**Table 3.7 – Maintenance and repair**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
<i>Software</i>	1 342 350	1 274 388	67 962	5%
<i>Hardware</i>	56 544	207 681	-151 137	-73%
Basic equipment	201 873	226 542	-24 669	-11%
Buildings	80 148	113 924	-33 776	-30%
Vehicles	39 699	18 840	20 859	111%
Elevators	18 430	16 969	1 461	9%
Air conditioning	53 128	49 266	3 862	8%
Other	81 940	74 792	7 148	10%
<b>Total</b>	<b><u>1 874 111</u></b>	<b><u>1 982 402</u></b>	<b><u>-108 291</u></b>	<b><u>-5%</u></b>

Unit: Euros

The expenses observed in 2020 were lower as a whole than those recorded in the same period of the previous year, with increases and decreases having occurred in the different headings.

In the increases, we highlight the heading of “Vehicles”, which reflects the reconditioning of various vehicles whose long-term lease contracts ended in 2020.

In the decreases, the highest variation occurred in the heading of “Hardware”, due to the entire replacement of ANACOM's servers in 2019, reflected in a substantial reduction of these expenses in 2020.

In the heading of building maintenance, following the policy of large-scale intervention in 2019, which implied major maintenance work in most of the buildings owned by ANACOM, namely in terms of the maintenance of air conditioning appliances, the conclusion of maintenance contracts for the telephone exchanges acquired in 2019, and the dismantlement and maintenance of the outdoor area of the ten stations of the National System for Remote Control of Radio Broadcasting Stations (SINCRER), there was a reduction of expenses, as the charges were much lower in 2020.

- v) Books and technical documentation (+44%): correspond to technical books (hard copy or electronic format), technical documentation, journals and other specialised publications, needed for ANACOM's technical activities.

During this year, new subscriptions were made that are responsible for this increase, namely the digital economy and consumer protection service.

- vi) Energy and fluids (-26%): correspond to expenses related to consumption of electricity, fuel and water.

**Table 3.8 – Energy and fluids**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Electricity	251 396	328 578	-77 182	-23%
Fuel	46 998	76 920	-29 922	-39%
Water	33 088	42 189	-9 101	-22%
Other	<u>1 920</u>	<u>4 139</u>	<u>-2 219</u>	<u>-54%</u>
<b>Total</b>	<b><u>333 403</u></b>	<b><u>451 826</u></b>	<b><u>-118 423</u></b>	<b><u>-26%</u></b>

Unit: Euros

Negative variations occurred in all the headings, due to lower consumption, partly stemming from the effect of the lockdown as a result of the pandemic caused by the Covid-19 virus.

- vii) Travel, accommodation and transport (-76%): correspond to expenses related to travel abroad for international meetings, some in representation of the Portuguese Government, and within the country, notably for radio spectrum and market inspection and monitoring activities.

**Table 3.9 – Travel and accommodation**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Travel abroad	41 347	242 017	-200 670	-83%
Meals and accommodation abroad	<u>23 951</u>	<u>127 596</u>	<u>-103 645</u>	<u>-81%</u>
Sub-total abroad	65 298	369 613	-304 315	-82%
Travel in-country	57 975	143 895	-85 920	-60%
Meals and accommodation in-country	<u>8 986</u>	<u>38 916</u>	<u>-29 930</u>	<u>-77%</u>
Sub-total in-country	66 961	182 811	-115 850	-63%
<b>Total</b>	<b><u>132 259</u></b>	<b><u>552 424</u></b>	<b><u>-420 165</u></b>	<b><u>-76%</u></b>

Unit: Euros

Overall, travel expenses fell substantially in 2020 compared to 2019, both for travel within the country (-63%) and travel abroad (-82%).

This reduction is explained by the pandemic, caused by the Covid-19 virus, which prevented travel, both at a national and international level, since the beginning of April 2020.

Thus, practically all the supervision actions for radio spectrum monitoring and control and market supervision were suspended, as well as travel in the context of international actions.

Travel within the country made for radio spectrum monitoring and control and market supervision represented the majority of this type of travel in 2020, as illustrated in the table below.

**Table 3.10 - Travel and accommodation within the country (spectrum + markets)**

	2020	2019	VAR 20/19	
Number of trips	1 942	3 673	-1 731	-47%
Number of days involved	3 535	5 143	-1 608	-31%
Total cost (Transport+Accommodation+Meals)	66 961	182 811	-115 850	-63%
Average cost per day of travel	19	36	-17	-47%

Regarding travel abroad, Table 3.11 presented below, demonstrates the origin of this reduction.

**Table 3.11 – Travel and accommodation abroad**

	2020	2019	VAR 20/19	
Number of trips	55	327	-272	-83%
Number of days involved	201	1 114	-913	-82%
Total cost (Travel+Accommodation+Meals)	65 298	369 613	-304 315	-82%
Average cost of transportation per trip (euros)	752	740	12	2%
Average cost per day of travel	325	332	-7	-2%

This table demonstrates that the number of trips and the number of days involved decreased in 2020, which led to a reduction of the costs related to travel.<sup>1</sup>

- viii) Rents and leases (+1%): correspond to the rents of ANACOM's head office buildings, operating leases and other miscellaneous hire and rental charges.

<sup>1</sup>It should be stressed that part of the expenses related to travel abroad are refunded by the Body of European Regulators for Electronic Communications (BEREC), European Union (EU) and other entities. The travel heading under review only records gross expenses, not net of these refunds, which are recorded as income, in conformity with the accounting rules in force.

**Table 3.12 – Rents and leases**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Building rents	1 295 592	1 259 349	36 243	3%
Operating leases	204 927	259 055	-54 128	-21%
Other	<u>77 396</u>	<u>51 026</u>	<u>26 370</u>	<u>52%</u>
<b>Total</b>	<b><u>1 577 915</u></b>	<b><u>1 569 430</u></b>	<b><u>8 485</u></b>	<b><u>1%</u></b>

Unit: Euros

The 3% increase in the heading of “Building rents” reflects the renegotiation of the Head Office Building rental agreement, whose impact in terms of rents was embodied in an increase of approximately 20% in relation to the previous rent in 2020. However, this increase was offset by the rent three-month grace period of the “Malhoa 14” building, due to works in that building, embodied in a reduction of close to 9%, in relation to the values paid in 2019, as well as by the settlement of a rent that was transferred to collateral, embodied in a reduction of approximately 8%.

Reference is also made to the reduction of the costs related to vehicle operating leases, due to the replacement of vehicles in 2020, leading to a reduction of total vehicle leases.

The increase observed in the heading of “Other” rental and hire charges is related to the hiring of various vehicles for travel under the DTT project.

- ix) Communication (+54%): corresponds to expenses related to telephones, mobile phones, postal services, data circuit hire, among others, incurred at the head office, in Barcarena, Porto and at the Madeira and Azores agencies.

In 2020, there was an inversion of the trend that had been observed over the last few years, of successive reductions of these expenses at ANACOM.

This increase, compared to 2019, was primarily related to due to “Fixed and Mobile Phones”, due to the higher consumption related to the call centre to support the DTT band switchover and the establishment of a rental agreement with a mobile service operator with a view to providing equipment and services for use by ANACOM employees, under the full application of telework, arising from the contingency measures due to the Covid-19 virus.

- x) Insurance (+3%): corresponds to expenditure on insurance (multi-risk property insurance for buildings, vehicles, travel in Portugal and abroad, civil liability, transport of goods, and others).

**Table 3.13 – Insurance**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
Vehicles	14 650	13 893	757	5%
Travel	7 688	7 688	0	0%
Premises and facilities	51 617	50 805	812	2%
Civil liability	6 000	6 000	0	0%
Other	3 510	2 700	810	30%
<b>Total</b>	<b><u>83 465</u></b>	<b><u>81 086</u></b>	<b><u>2 379</u></b>	<b>3%</b>

Unit: Euros

In 2019, an international public tender was launched for the award of most of ANACOM's insurance, to be enforced in 2020-2021. Thus, the premiums paid in 2020 reflect the result of this public tender.

However, there is a positive variation in relation to 2019, the explanation of which, by heading, is as follows: (i) more vehicles with insurance taken out by ANACOM; and, (ii) various adjustments made to other insurance policies.

- xi) Cleaning, hygiene and comfort (+8%): corresponds to the services provided by specialised companies at the head office, Barcarena, Porto, and the Madeira and Azores agencies.

Part of the increase stems from the updating of the minimum monthly guaranteed remuneration (RMMG), from 600 euros to 650 euros (+5%), reflected in the contracts of the companies providing the service.

Furthermore, there was an increase in the costs of cleaning material (+3%), due to the higher consumption of these products as a result of the pandemic caused by the Covid-19 virus.

- xii) Other supplies and services (-5%): correspond to the supplies and services not covered in the previous headings, including tools and utensils, office supplies, condominium charges of the building on Avenida José Malhoa number 14, temporary staff recruitment, cafeteria supplies, newspapers, journals, technical journals and publications, representation expenses, litigation, and so forth.

**Table 3.14 – Other supplies and services**

	<u>2020</u>	<u>2019</u>	<u>VAR20/19</u>	
Journals and other publications	23 642	20 293	3 349	17%
Malhoa 14 condominium	76 298	76 298	0	0%
Office supplies	28 713	37 026	-8 313	-22%
Personnel assignment	107 473	61 153	46 320	76%
Transportation of goods and moves	6 890	15 275	-8 385	-55%
Archive custody	31 303	31 619	-316	-1%
Cafeteria and gift articles	25 321	67 989	-42 668	-63%
Other supplies and services	237 237	256 966	-19 729	-8%
<b>Total</b>	<b><u>536 877</u></b>	<b><u>566 619</u></b>	<b><u>-29 742</u></b>	<b><u>-5%</u></b>

Unit: Euros

In this type of heading of varied nature, we highlight (i) the increase in the heading of “Personnel assignment” (+46 thousand euros); and (ii) the reduction of “Cafeteria and gift articles” (-43 thousand euros).

The expenditure under “Personnel assignment” was due to the greater need to hire temporary staff from specialised companies to meet ad hoc requirements.

The reduction in “Cafeteria and gift articles” is related to the lower number of employees at ANACOM premises due to the implementation of telework arising from the Covid-19 pandemic.

### Personnel costs

xiii) Remuneration and charges (+6%): cover spending on the remuneration paid to the governing bodies and staff of ANACOM, and the corresponding remuneration charges (social security).

**Table 3.15 – Remuneration and charges**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>
<b>Remunerations</b>			
Governing bodies	795 187	815 947	-20 760 -3%
Personnel	<u>18 145 328</u>	<u>17 272 841</u>	<u>872 487 5%</u>
	<b>18 940 514</b>	<b>18 088 788</b>	<b>851 726 5%</b>
<b>Remuneration charges</b>	<b>3 741 047</b>	<b>3 409 251</b>	<b>331 796 10%</b>
<b>Total</b>	<u><b>22 681 561</b></u>	<u><b>21 498 039</b></u>	<u><b>1 183 522 6%</b></u>

Unit: Euros

The remunerations and charges were 5% higher than in 2019, for the following reasons:

Governing bodies – expenses fell by 3%, due to the decrease recorded in mission daily allowances, that were residual in 2020, due to the pandemic caused by the Covid-19 virus, and due to the lower remuneration of the Statutory Auditor who took office, pursuant to the legal terms, in detriment of the Audit Committee, whose remuneration was higher. However, the full impact in terms of remuneration only occurred in 2020, as the Audit Committee was still partially in office in 2019.

Personnel – the expenses were 5% higher than in 2019, due to the career progression, the salary scale increases and the award of productivity bonuses, as legally stipulated and pursuant to the provisions in the State Budget, and additionally due to the increased overtime and assignment of exemption from fixed working hours, due to the DTT project. These increases were offset by the reduction of the average number of staff.

- xiv) Other personnel costs (+1%): includes the cost of post-retirement benefits, social welfare costs, notably those arising from agreements and contracts concluded with private entities, in the area of illness prevention, hygiene and safety at work, accidents at work (insurance), and all expenses related to employment contract terminations by mutual agreement, training and miscellaneous costs such as those established in the collective labour bargaining regulation (ARCT).

**Table 3.16 – Other personnel costs**

	<u>2020</u>	<u>2019</u>	<u>VAR 20/19</u>	
<b>Post-retirement benefits</b>				
Pension costs (Note 15)	697 981	699 335	-1 354	0%
Healthcare costs (Note 15)	45 153	56 394	-11 241	-20%
	<u>743 134</u>	<u>755 729</u>	<u>-12 595</u>	<u>-2%</u>
<b>Social welfare costs</b>	<b>687 568</b>	<b>637 532</b>	<b>50 036</b>	<b>8%</b>
<b>Contract terminations by mutual agreement</b>	<b>47 585</b>	<b>3 250</b>	<b>44 335</b>	<b>1364%</b>
<b>Work accident insurance</b>	<b>71 590</b>	<b>83 132</b>	<b>-11 542</b>	<b>-14%</b>
<b>Training</b>	<b>111 465</b>	<b>137 794</b>	<b>-26 329</b>	<b>-19%</b>
<b>Other personnel costs</b>	<b>-</b>	<b>30 601</b>	<b>-30 601</b>	<b>-100%</b>
<b>Total</b>	<u><b>1 661 342</b></u>	<u><b>1 648 038</b></u>	<u><b>13 304</b></u>	<u><b>1%</b></u>

Unit: Euros

The headings with larger reductions, in particular, include:

(i) “Post-retirement benefits (healthcare)” – the variations that occurred reflect the results if the actuarial studies conducted every year by independent specialised companies; (ii) “Training” – the reduction of costs related to training actions stem from the fact that some training actions planned for 2020 were not carried out due to the pandemic caused by the Covid-19 virus, and the reduction of costs with certain training actions was due to their having been shifted to remote ministrations; (iii) “Other personnel costs” – the ANACOM meeting was not held in 2020.

The headings with increases, in particular, include:

(i) “Terminations by mutual agreement” – corresponding to the compensation relative to the allowance for exemption from fixed working hours paid to employees who completed service commissions, in compliance with the provisions in the “Labour Code”.

### Other costs

- xv) Subscriptions (-15%): corresponds to spending on subscriptions payable to national and international postal and telecommunications bodies, mostly in representation of the Portuguese Government.

**Table 3.17 – National subscriptions**

	<b>2020</b>	<b>2019</b>	<b>VAR 20/19</b>	
Associação Portuguesa para o Desenvolvimento das Comunicações (APDC)	2 500	2 500	0	0%
Associação para as Comunicações, Eletrónica, Informações e Sistemas de Informação para Profissionais (AFCEA Portugal)	800	800	0	0%
Associação de Laboratórios Acreditados de Portugal (RELACRE)	690	659	31	5%
Associação para a Promoção e Desenvolvimento da Sociedade de Informação (APDSI)	250	250	0	0%
Associação Portuguesa dos Bibliotecários (BAD)		180	-180	-100%
Associação Portuguesa para a Qualidade (APQ)	500	500	0	0%
The IT Service Management Forum (ITSMF)		150	-150	-100%
<b>Total</b>	<b>4 740</b>	<b>5 039</b>	<b>-299</b>	<b>-6%</b>

Unit: Euros

In 2020, ANACOM maintained a number of institutional partnerships with national bodies of sectoral relevance, as listed in the previous table, with a view to promoting the communications sector.

**Table 3.18 – International subscriptions**

	<b>2020</b>	<b>2019</b>	<b>VAR 20/19</b>	
Association of Communications and Telecommunications Regulators of the Community of Portuguese-Speaking Countries (ARCTEL)	12 000	10 000	2 000	20%
International Telecommunication Union (ITU)	284 870	411 704	-126 834	-31%
Universal Postal Union (UPU)	150 301	140 014	10 287	7%
Gabinete Europeu de Comunicações (ECO/CEPT)	87 427	87 698	-271	0%
Postal Union of the Americas, Spain and Portugal (UPAEP)	81 319	78 094	3 225	4%
Independent Regulators Group (IRG)	13 000	13 000	0	0%
International Union of Radio Sciences (URSI)	2 150	2 130	20	1%
Red Compliance Association (REDCA)	600	600	0	0%
<b>Total</b>	<b>631 667</b>	<b>743 240</b>	<b>-111 573</b>	<b>-15%</b>

Unit: Euros

These subscriptions are required for ANACOM's international activity, mostly in the areas of regulation and advising the Government. One of its aims is to actively participate in the development of the European Union (EU) internal market, and in the coordination and defence of positions in different forums.

The activities derived from ANACOM's presence in these organisations are quite broad, and are further detailed in the "Report on Regulation, Supervision and Other Activities" produced every year and available on the ANACOM website.

In terms of payments, there was only a decrease of the values of the contributions to the ITU following the renegotiation of the amounts of participation units allocated to Portugal.

- xvi) Meetings, conferences and exhibitions (-82%): corresponds to expenses related to the organisation of national and international events, promoted by ANACOM or by international organisations. Examples include meetings of working groups, and conferences and seminars organised in the communications sector.

The ANACOM conference, the UPAEP and ERPG workshops, the URSI Congress various initiatives around the commemoration of the 30th anniversary of ANACOM took place in 2019, none of which were held in 2020, explaining the variation. Moreover, the pandemic caused by the Covid-19 virus meant that the events planned for 2020 were not held, except for ANACOM's participation in the XVII ANAFRE Congress, which took place in February 2020.

- xvii) Sponsorships (-6%): corresponds to costs related to sponsorships awarded as part of ANACOM's sectoral activities, through various quid pro quos, including publicising the sector and its activity, and training.

The value of the expenses under this heading includes various sponsorships, in particular those granted to the APDC, ACIST and in the context of the Meeting of the Portuguese Committee of the URSI ("ANACOM-URSI (Best Student Paper Award)).

- xviii) Contribution to external entities (+4%):

Fundação Portuguesa das Comunicações (0%): the value of ANACOM's annual contribution to the Portuguese Communications Foundation is limited to a maximum amount corresponding to the average of the values transferred in 2008, 2009 and 2010, pursuant to the applicable legislation- This maximum also includes the assignment of ANACOM employees. In 2020, the value authorised by the Secretary of State for the Budget (SEO) enabled the annual contribution to be slightly higher than in 2019, also due to the fact that the remunerations of ANACOM staff assigned to the foundation were higher.

Competition Authority (0%): the recorded costs stem from the calculation of the value of contribution in accordance with Article 35 of Decree-Law 125/2014 of 18 August (Statutes of the Competition Authority). This Decree-Law establishes that the rate corresponding to the average value of the range referred to in the aforesaid article (between 5.5% and 7%), which is 6.25%, is applicable, during the following calendar year, to ANACOM's eligible income for the previous year, and comprises ANACOM's annual contribution to the Competition Authority.

Thus, the value paid to the Competition Authority in 2020 stemmed from the application of 6.25% to the income of 2019, and the value paid in 2019 from the application of 6.25% to the income of 2018. As ANACOM's eligible income remained practically unchanged between 2019 and 2018, this fact was reflected in the value of the transfers made.

Consumer conflict arbitration centres (+4%): In 2020, as established in the agreements concluded between ANACOM and the consumer conflict arbitration centres, ANACOM contributed to these arbitration centres, via a fixed and variable component amounting to 312 thousand euros, in contrast to what happened in 2019, when ANACOM contributed 40 thousand euros, for the fixed component, as defined in Order 6871/2019 of 1 August 2019, of the Office of the Secretary of State for Justice and the Office of the Secretary of State for Consumer Defence.

- xix) Cooperation (-98%): corresponds to expenses related to cooperation initiatives with Portuguese-speaking countries, notably traineeships of representatives of those countries.

In 2020, expenditure related to cooperation actions was residual, as the number of requests received by the Association of Communications and Telecommunications Regulators of the Community of Portuguese-Speaking Countries (ARCTEL) and by the Community of Portuguese Speaking Countries (CPLP) was practically zero, very largely as a result of the pandemic caused by the Covid-19 virus.

- xx) Other (-82%): consist of expenses not covered by previous headings, in particular unfavourable exchange rate differences and other costs.

The reduction in other costs is primarily due to the fact that ANACOM had an additional cost from February onwards, because, following the change of the composition of the Board of Directors, one of the Board members who left office opted for the prerogative

established in Article 19(2) of Law 67/2013 of 28 August (Framework Law of Regulatory Entities), transposed to Article 23(4) of the Statutes of ANACOM. This prerogative establishes the possibility of receiving half of the monthly salary that had been paid to this person, during the period of impediment of performance of duties in entities receiving ANACOM's activities (two years), which ended in February 2020.

### **Depreciation and amortisation costs for the year**

The heading of "Depreciation and amortisation costs for the year" increased by 787 thousand euros (+37%) in 2020, due to the fact that the investment underway in 2019 was mostly finalised and transferred to the corresponding asset categories, with the assets starting their useful life period in 2020.

### **Impairment losses**

The analysis of customer account balances, according to the criteria referred to in point 4.7 of the Notes to the Financial Statements of 2020, established a reversal of impairments (-100 thousand euros), largely offsetting the reinforcement recorded in 2019 (+116 thousand euros).

The reversal recorded in 2020 was mainly due to the settlement of balances by foreign debtors.

### **Provisions for ongoing lawsuits**

Legal actions have been brought against ANACOM, mainly challenging regulation activity fees, but also challenging decisions taken as part of the market regulation activity and the charging of radio service fees. In this context, almost all the legal actions brought against ANACOM in recent years refer to objections to decisions on payment of regulatory fees.

The claims for compensation in these actions are quite high, with suitable provisions being made pursuant to the current accounting rules.

The criteria followed in recent years were maintained in 2020 to establish provisions, which are, in brief:

- i) regarding the amounts sought in legal proceedings challenging regulatory acts, the provision is estimated according to the greater or lesser assessment of risk;

- ii) regarding legal proceedings involving claims concerning the amounts of fees for use of frequencies, the provision corresponds to 100% of the amount claimed and/or owed;
- iii) with regard to the amounts sought in actions for the settlement of regulation administration fees, given the particular nature of these challenges it is considered that the provision should cover the entire sum claimed over a period of 4 years, corresponding to the legal period to file an objection.

Based on the events recorded in 2020 and the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing their value by 18,186 thousand euros. This value of provisions was reflected in an increase of 4265 thousand euros (+31%), compared to the reinforcement of the value of the provision in 2019, broken down as follows.

- new contestations of regulatory fees: 5,319,504 euros;
- increase due to contestations of regulatory fees of previous years: 12,866,535 euros.

### **Financial situation**

During the present financial year, the totals of both the “Assets”, and the “Equity + Liabilities” increased by approximately 13 million euros.

In the “Assets”, the headings of “Fixed assets” and “Intangible assets”, in both cases net, decreased by 285 million euros as the value of the investment (2.6 million euros) was lower than the value of the depreciation and amortisation for the year (2.9 million euros) and “Cash and bank deposits” increased by 13 million euros.

The “Liabilities” increased by 21 million euros, primarily due to the constitution of provisions for ongoing lawsuits (+18 million euros). “Equity” fell by around 7 million euros, as the net income for the year, of the value of 34.5 million euros, was lower than the application of the net income for 2018 and the adjustments in reserves (40.5 million euros).

The combination of these variations led to the “Assets” structure maintaining its proportions, while the “Equity + Liabilities” structure showed a slight change in proportionality, of five percentage points, albeit without compromising the balance between them.

**Table 3.19 – Balance sheet structure**

	<u>2020</u>	<u>2019</u>
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>
Non-current assets	6%	7%
Current assets	<u>94%</u>	<u>93%</u>
<b>Total Equity + Liabilities</b>	<b>100%</b>	<b>100%</b>
Equity	48%	53%
Liabilities	<u>52%</u>	<u>47%</u>

Despite the changes referred to above in ANACOM's balance sheet, it has upheld a solid and consistent financial structure achieved throughout the last few years, enabling the financial autonomy established in its Statutes, a basic condition to ensure the independence of the regulator.

2020

ANNUAL REPORT AND ACCOUNTS

**PROPOSED  
APPLICATION OF  
NET INCOME**

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## Proposed application of net income

As in previous years, it is proposed that the net income for the year ended on 31 December 2020, of the value of 34,560,997.05 euros, should be transferred as follows:

- “Delivery to the State” of the sum of 15,884,234.39 euros, which represents the increase in the fees for use of frequency set out in Ordinance 378-D/2013 of 31 December (+10,732,572.58 euros) and in Ordinance 157/2017 of 10 May amended by Ordinance 270-A/2020 of 23 November (+5,151,661.81 euros), as the increase in fees was determined by the Government for that purpose.
- Distribution of the remaining amount of 18,676,762.66 euros, as follows:
  - “Investment reserves” of the value of 1,875,645.02 euros (interest received at the *Agência de Gestão da Tesouraria e da Dívida Pública* (IGCP – Treasury and Public Debt Management Agency) + 10% of the remaining amount), to be used for the constitution of statutory capital, pursuant to Ordinance 1534-A/2002 of 23 December.
  - “Delivery to the State” of the value of 16,801,117.64 euros (90% of the remaining amount), which will be recorded under the heading of “Retained earnings” until effectively transferred.

ANACOM recommends that the portion to be delivered to the State, amounting to 32.7 million euros, should preferably be used to develop communications in Portugal for the benefit of end users.

2020

ANNUAL REPORT AND ACCOUNTS

# FINANCIAL STATEMENTS

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## Financial Statements

### Individual balance sheet as at 31 December 2020 (euros)

Description	Notes	31.12.2020	31.12.2019
<b>ASSETS</b>			
<b><u>Non-current assets</u></b>			
Tangible fixed assets	8	15 373 405	15 711 567
Intangible assets	7	2 852 401	2 798 151
Receivables	10	0	865
		<b>18 225 806</b>	<b>18 510 583</b>
<b><u>Current assets</u></b>			
Customers	9	848 642	1 373 860
Other receivables	10	666 780	220 725
Deferrals	11	1 421 526	1 173 265
Other financial assets	5	180 000 000	170 000 000
Cash and bank deposits	5	80 497 552	77 174 309
		<b>263 434 500</b>	<b>249 942 159</b>
<b>Total assets</b>		<b>281 660 306</b>	<b>268 452 742</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Other reserves	13	51 605 908	50 160 135
Retained earnings	13	42 641 849	46 564 574
Other changes in equity	13	6 452 990	6 456 880
		<b>100 700 747</b>	<b>103 181 589</b>
Net income for the period		34 560 997	39 606 834
<b>Total equity</b>		<b>135 261 744</b>	<b>142 788 423</b>
<b>LIABILITIES</b>			
<b><u>Non-current liabilities</u></b>			
Provisions	14	128 126 308	109 940 269
Liabilities due to post-employment benefits	15	11 048 744	9 445 845
		<b>139 175 052</b>	<b>119 386 114</b>
<b><u>Current liabilities</u></b>			
Suppliers		2 778 019	912 928
State and other public entities	16	883 027	784 148
Other payables	17	3 562 464	4 581 129
		<b>7 223 510</b>	<b>6 278 205</b>
<b>Total liabilities</b>		<b>146 398 562</b>	<b>125 664 319</b>
<b>Total equity and liabilities</b>		<b>281 660 306</b>	<b>268 452 742</b>

The notes presented below are an integral part of the financial statements presented above.

The chartered accountant

The Board of Directors

**Individual income statement by nature for the period ended on 31 December 2020  
(euros)**

Description	Notes	2020	2019
<b>INCOME AND EXPENSES</b>			
Services rendered		97 214 857	94 829 472
Operating grants		12 949	104 444
External supplies and services		-9 886 697	-8 475 311
Personnel costs		-24 342 903	-23 146 077
Impairment of receivables (losses/reversals)	12	100 158	-116 071
Provisions (increases/reductions)	14	-18 186 039	-13 921 219
Other income		13 820	110 323
Other costs		<u>-7 513 549</u>	<u>-7 697 672</u>
<b>Earnings before interest, taxes, depreciation, and amortisation</b>		<b>37 412 596</b>	<b>41 687 889</b>
Depreciation and amortisation costs/reversals	18	<u>-2 906 044</u>	<u>-2 119 025</u>
<b>Operating income (earnings before interest and taxes)</b>		<b>34 506 552</b>	<b>39 568 864</b>
Interest and similar income	20	<u>54 445</u>	<u>37 970</u>
<b>Net income for the period</b>		<b><u>34 560 997</u></b>	<b><u>39 606 834</u></b>

The notes presented below are an integral part of the financial statements presented above.

The chartered accountant

The Board of Directors

**Individual statement changes in equity for the period ended on 31 December 2020  
(euros)**

	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Other changes in equity</u>	<u>Net income for the period</u>	<u>Total</u>
<b>As at 31 December 2018</b>	<b>48 169 909</b>	<b>39 148 692</b>	<b>6 460 770</b>	<b>43 529 559</b>	<b>137 308 930</b>
<b>Changes in the period</b>					
Other changes recognised in equity					
- Employee benefits (Note 15)	-540 622				-540 622
- Grants (Note 13)			-3 890		-3 890
	-540 622	-	-3 890	-	-544 512
Net income for the period				39 606 834	39 606 834
<b>Comprehensive net income</b>	-540 622	-	-3 890	39 606 834	39 062 322
<b>Capital operations in period</b>					
Application of the net income 2017	2 530 848	-36 113 677			-33 582 829
Other operations					
- Transfer of net income of the previous year		43 529 559		-43 529 559	-
	2 530 848	7 415 882	-	-43 529 559	-33 582 829
<b>As at 31 December 2019</b>	<b><u>50 160 135</u></b>	<b><u>46 564 574</u></b>	<b><u>6 456 880</u></b>	<b><u>39 606 834</u></b>	<b><u>142 788 423</u></b>
<b>Changes in the period</b>					
Other changes recognised in equity					
- Employee benefits (Note 15)	-1 540 399				-1 540 399
- Grants (Note 13)			-3 890		-3 890
	-1 540 399	-	-3 890	-	-1 544 289
Net income for the period				34 560 997	34 560 997
<b>Comprehensive net income</b>	-1 540 399	-	-3 890	34 560 997	33 016 708
<b>Capital operations in period</b>					
Application of the net income 2018	2 986 171	-43 529 559			-40 543 388
Other operations					
- Transfer of net income of the previous year		39 606 834		-39 606 834	-
	2 986 171	-3 922 725	-	-39 606 834	-40 543 388
<b>As at 31 December 2020</b>	<b><u>51 605 908</u></b>	<b><u>42 641 849</u></b>	<b><u>6 452 990</u></b>	<b><u>34 560 997</u></b>	<b><u>135 261 744</u></b>

The notes presented below are an integral part of the financial statements presented above.

The chartered accountant

The Board of Directors

**Individual statement of cash flows for the period ended on 31 December 2020 (euros)**

Description	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Revenue from customers		97 440 709	94 646 556
Payments to suppliers		-8 404 363	-8 305 404
Payments to personnel		-24 443 527	-22 560 902
<b>Cash generated from operations</b>		<b>64 592 819</b>	<b>63 780 250</b>
Other revenue		12 868 099	11 405 408
Other payments		-20 223 304	-20 600 308
<b>Other receivables/payments</b>		<b>-7 355 205</b>	<b>-9 194 900</b>
<b>Net cash flows from operating activities</b>		<b>57 237 614</b>	<b>54 585 350</b>
<b>Cash flows from investment activities</b>			
Payments related to:			
Tangible fixed assets		-2 117 611	-2 268 846
Intangible assets		-1 312 149	-994 704
Revenue derived from:			
Tangible fixed assets		-	-
Interest and similar income		58 777	31 596
<b>Net cash flows from investment activities</b>		<b>-3 370 983</b>	<b>-3 231 954</b>
<b>Cash flows from investment activities</b>			
Payments related to:			
Application of net income		-40 543 388	-33 582 829
<b>Net cash flows from financing activities</b>		<b>-40 543 388</b>	<b>-33 582 829</b>
<b>Change in cash and cash equivalents</b>		<b>13 323 243</b>	<b>17 770 567</b>
Cash and cash equivalents at the beginning of the period	5	247 174 309	229 403 742
Cash and cash equivalents at the end of the period	5	<b>260 497 552</b>	<b>247 174 309</b>

The notes presented below are an integral part of the financial statements presented above.

The chartered accountant

The Board of Directors

## Notes to the financial statements

### 1. Identification of the entity and reporting period

The *Autoridade Nacional de Comunicações* (National Communications Authority – ANACOM) has its head office at Av. José Malhoa, number 12, in Lisbon.

The Statutes of ANACOM, approved by Decree-Law 39/2015 of 16 March, became effective on 1 April 2015. Thus, ANACOM's Statutes were adapted to the Framework Law of Regulatory Authorities (Law 67/2013 of 28 August), incorporating powers attributed to this authority through sundry legislation, in particular the Electronic Communications Law and the Postal Law. The Statutes now explicitly state that ANACOM is the national regulatory authority (ARN) for the field of communications, for the purposes stated in EU and national legislation.

Pursuant to its Statutes, ANACOM is a legal person under public law, an independent administrative entity by nature, endowed with administrative, financial and management autonomy, with its own assets (Article 1); it is not subject to government superintendence or oversight in the performance of its duties (Article 5), and its mission is to regulate, supervise and represent the communications sector under the terms of the aforesaid Statutes and all applicable legislation.

In addition, it is responsible for advising the Portuguese Parliament upon request, and assisting the Government, upon request or on its own initiative, regarding the definition of strategic guidelines and general communications policies, suggesting or proposing policy or legislative measures, and also for representing the Portuguese Government, in coordination with the Ministry of Foreign Affairs, at relevant national and international bodies (Article 8(2)).

It is ANACOM's mission to regulate, supervise and inspect the communications market in order to ensure that all citizens are provided with a diverse choice of and universal access to (electronic and postal) communications services, in a market whose conditions foster innovation, investment, and efficient service provision, ensuring quality at affordable prices for end consumers, and contributing to the development of the European Union internal market.

ANACOM is also responsible for assuring compliance with the rules that are applicable to the sector, as well as the obligations to which electronic and postal communications operators are subject, and the efficient management of use of the radio spectrum.

ANACOM provides technical participation and sectoral representation of the Portuguese Government in international organisations, keeps abreast of experiences abroad in the regulation of communications and establishes relations with other regulatory entities.

It is also the regulator's duty to cooperate with other public and private entities in promoting scientific research applied to communications. Furthermore, it should raise awareness about the sector nationally and internationally, promoting technical standardisation in cooperation with other entities in the communications sector and associated fields, and cooperate in the definition of public emergency planning policies for the communications sector, technically supporting the organisations and services which are responsible for the establishment and management of the integrated emergency communications network.

ANACOM's legal system was adapted to its mission and duties, being a mixed arrangement that combines the public law prerogatives that are indispensable for the performance of its duties of authority, with the flexibility and efficiency of private law.

ANACOM must respect the following management principles (Article 7(1) of the Statutes):

- pursuit of its activity according to high quality standards;
- assurance of economic efficiency in its management and in the solutions adopted in its activities;
- management by determined and quantified objectives, and periodic evaluation according to results;
- transparency in its action;
- respect for the principles of previous budget establishment and programming of the expenditure underlying commitments and payments in arrears of public entities. These financial statements were approved by the Board of Directors at its meeting on 31 March 2021. Is the opinion of the Board of Directors that these financial statements provide a true and appropriate reflection of the operations of ANACOM, as well as its position, financial assessment and cash flows.

## 2. Accounting principles for the preparation of the financial statements

### 2.1 Basis of preparation

The financial statements were prepared in the context of the legal provisions in force in Portugal, in conformity with the Accounting Standardisation System (SNC), approved by Decree-Law 158/2009 of 13 July, republished by Decree-Law 98/2015 of 2 June, and its subsequent amendments. The conceptual framework, accounting and financial reporting standards (NCRF) and interpretative standards were also followed, with suppletive application of the International Financial Reporting Standards (IAS/IFRS) and their Technical Interpretations (IFRIC), endorsed in the European Union.

The adoption of the Accounting Standardisation System stems from the provisions in Article 35(2) of the Statutes of ANACOM (approved by Law 39/2015 of 16 March) which determines that «ANACOM's accounting and budget are drawn up in accordance with the Accounting Standardisation System».

ANACOM is aware of the amendment introduced to Article 38(1) of the Framework Law of Regulatory Authorities (approved by Law 67/2013 of 28 August) by Article 329 of the State Budget Law for 2019, which henceforth establishes that “regulatory entities should apply the Accounting Standardisation System for Public Administrations (SNC-AP)”.

However, it is believed that this amendment should not be immediately effective in ANACOM's legal sphere as this first requires the necessary statutory modification in order to ensure the effectiveness of the amendments to the Framework Law of Regulatory Authorities in the legal sphere of each regulatory entity (see Article 3(1), (2) and (5) of Law 67/2013).

Consequently, the subjection of ANACOM to the amendment to the Framework Law of Regulatory Authorities by Article 329 of the State Budget Law for 2019 requires the review of the Statutes, implying a clear and explicit decision on the part of the legislator as to which accounting benchmark is applicable to this regulatory entity.

Until this statutory modification actually takes place, it is believed that the provisions laid down in Article 35(2) of the Statutes of ANACOM should continue in force with the Accounting Standardisation System continuing to be being applicable to this regulatory entity.

The financial statements were prepared on a going concern basis, maintaining an appropriate presentation through the application of and conformity with the applicable accounting and financial reporting standards (NCRF), including the accounting policies, in order to provide relevant, reliable, comparable and comprehensible information. Additional disclosures are provided whenever the standards contained in the NCRF might be insufficient to enable their full understanding.

The financial statements cover a reporting period that coincides with the calendar year, in accordance with accrual basis accounting.

The Accounting Standardisation System requires the use of estimates, assumptions and critical judgements in the process of determining the accounting policies to be adopted by ANACOM, with significant impact on the book value of assets and liabilities, and on income and expenses in the reporting period. Although these estimates were based on the best expectations with respect to future and current events and actions, and on studies conducted by companies with expertise in certain specific subject matters, the current and future results may differ from these estimates. The areas involving a greater element of judgement or complexity, and areas in which assumptions and estimates are significant for the financial statements are presented in Note 4.17.

## **2.2 Exemption from the provisions of the Accounting Standardisation System**

During the course of the financial year to which these financial statements relate, no exceptional circumstances occurred that would directly imply an exemption from any provision of the Accounting Standardisation System.

## **2.3 Comparability of the financial statements**

The information contained in these financial statements is entirely comparable with the previous financial year, which is presented for comparative purposes in these financial statements.

## **3. Accounting policies, changes in accounting estimates and errors**

During the present financial year, it was not necessary to change estimates or record errors related to previous years.

## 4. Main accounting policies

The main account policies applied in the preparation of the financial statements are described below. These policies were consistently applied to all years presented, unless indicated otherwise.

### 4.1 Currency conversion

#### 4.1.1 Functional and presentation currency

The financial statements of ANACOM and these Notes are presented in euros, unless explicitly stated otherwise.

#### 4.1.2 Transactions and balances

Transactions in currencies other than the euro are converted into the functional currency at the exchange rates on the date of the transaction. Currency conversion gains or losses resulting from transaction payment/revenue and from conversion at the exchange rate on the reporting date, of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### 4.1.3 Exchange rates used

The foreign exchange rates used to convert balances expressed in foreign currency were as follows:

**Table 6.1 – Currency**

	<u>31.12.2020</u>	<u>31.12.2019</u>
US dollar	1.2246	1.1212
Swiss franc		1.0832
Danish krone		7.4566

Note: The values presented in the table represent the value of 1 euro in currency unit.

## 4.2 Intangible assets

Intangible assets are entirely made up of software for ANACOM's use (see Note 7) and are recognised and measured: (i) at purchase price, including costs related to intellectual property rights and non-refundable taxes on purchases, after deducting trade discounts and

rebates; and (ii) any expenses directly attributable to the preparation of the asset for its intended use.

ANACOM values its intangible assets after initial recognition using the cost model, as established in NCRF 6 – Intangible assets, which requires that an intangible asset should be recorded at its cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with a defined useful life are amortised on a systematic basis from the date on which they are available for use over their estimated useful life. ANACOM has no intangible assets with indefinite useful life. Software is amortised over 3 years.

#### **4.3 Tangible fixed assets**

Tangible assets are valued at acquisition cost, in accordance with number 29 of NCRF 7 – Tangible fixed assets, which enables the option of using acquisition cost as the valuation method, less accumulated depreciation and any impairment losses.

Tangible assets transferred from the former CTT and acquired directly by ANACOM up to 31 December 1992 were revalued prior to the date of transition to the SNC (1 January 2009) according to the legal provisions and official monetary depreciation coefficients (Note 8).

The acquisition cost includes the purchase price of the asset, costs directly attributable to its acquisition, including non-deductible taxes, and charges incurred in preparing the asset so that it is in proper condition for use.

Subsequent expenses incurred as a result of renovations and major repairs which increase the useful life or productive capacity of the asset are recognised in the cost of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated to it will flow into the entity, and when the cost can be measured reliably. The book value of the replaced part is derecognised from the balance sheet.

Expenses related to repairs and maintenance of current nature that are not likely to generate additional future economic benefits are recognised as an expense of the period in which they are incurred.

Expenses arising from renovation works in rented buildings are recognised as an expense of the period according to the rental period established in the respective contracts.

Philatelic property, the value of which was determined based on an assessment made before the date of transition to the SNC, is not subject to depreciation but it is subject to impairment tests. An inventory of the philatelic property was drawn up in 2015 and recorded at fair value (on the date of the inventory) by an independent qualified valuator, with the conclusion having been that there were no impairments to be recorded (see Note 8). From that date onwards, and every year, the property is inventoried by sampling, whenever requested by independent auditing firms.

Land is not depreciated. The depreciation of other assets is calculated using the straight-line method from the date on which they become available for use. The estimated useful life of the most significant tangible assets is shown in the table below.

**Table 6.2 – Useful live of tangible assets**

	<u>Years</u>
Buildings and other constructions	10 to 50 years
Basic equipment	5 to 10 years
Transport equipment	4 to 7 years
Tools and utensils	4 years
Administrative equipment	4 to 10 years
Other tangible assets	<u>1 to 10 years</u>

The useful life of the assets is reviewed on each financial reporting date so that the depreciation that is applied is in conformity with the consumption patterns of the assets. Changes to the useful life are treated as an accounting estimate alteration and are applied prospectively.

Gains or losses in disposal of assets are determined by the difference between the realisation value and book value of the asset, and are recognised in the income statement.

#### **4.4 Leases**

Leases are classified according to their substance and not the type of contract.

Leases are classified as finance when all the risks and expenses related to the ownership of the asset are transferred to the lessee, and there is compliance with the provisions in NCRF 9 – Leases.

All other leases are classified as operating, also pursuant to the provisions in this NCRF.

ANACOM only has operating leases, with the payments being recognised as expenses on a straight-line basis over the lease period.

#### **4.5 Impairment of assets**

Assets with a defined useful life are tested for impairment whenever events or changes in surrounding conditions indicate that the value at which they are recorded in the financial statements is not recoverable.

When impairment is recorded or reversed, the amortisation and depreciation of the assets are recalculated prospectively in accordance with the recoverable value.

#### **4.6 Financial assets and financial liabilities**

ANACOM determines the classification of financial assets and liabilities on the date of initial recognition, in accordance with NCRF 27 – Financial instruments.

#### **4.7 Customers and Other receivables**

The headings of “Customers” and “Other receivables” constitute rights receivable for the fees paid by ANACOM and other miscellaneous income. They are initially recognised at cost minus any impairment loss (Notes 9 and 10).

Impairment losses of customers and receivables are recorded whenever there is objective evidence that they are not recoverable. The usual collection proceedings include sending a notice (usually an e-mail), three days before the deadline for payment, to all customers with invoicing above 5,000 euros; the sending of a first warning letter to all customers after the non-payment of the invoice on the specified date; and the sending a final warning letter after the legally demandable surcharge has been generated (only for radio spectrum customers), if payment has still not been made after 90 days. For customers domiciled in Portugal, after the recovery proceedings mentioned above have been fully run without achieving payment, the outstanding debts are analysed and if there are no reasons to justify the failure to pay, then these outstanding debts are sent to the respective local Government Finance Departments with a debt certificate for enforced recovery.

For impairment calculation, three separate situations should be distinguished:

- (i) Natural persons domiciled in Portugal

Impairment is established right after the failure to pay on the date stipulated in the invoice, as the collection rate for these debts is very low.

(ii) Legal persons domiciled in Portugal

Impairment is established after the customer's failure to respond to the final warning letter, as the collection rate is much higher than in the case of natural persons.

(iii) Natural and legal persons domiciled abroad

Impairment is established after lack of payment on the date specified in the invoice, as ANACOM has no access to effective means of enforcing payment, whereas it does with customers domiciled in Portugal, where there are local Government Finance Departments. Therefore, failure to pay on the date stipulated in the invoice is deemed sufficient reason to consider the debt as non-recoverable, regardless of whether steps are taken to effectively collect it.

In all cases, debts that are in litigation, contested, under appeal, corporate bankruptcy and other situations where there is strong probability that debts will not be recovered are always subject to the determination of impairment.

Identified impairment losses are recorded in the income statement under "Impairment of receivables", and are subsequently reversed through profit or loss if the indication of impairment no longer exists (Note 12).

#### **4.8 Cash and cash equivalents**

At ANACOM, cash and cash equivalents include cash, bank deposits and financial assets (Note 5). These are recorded as current assets if they mature in less than one year. Otherwise, and/or if it is not possible to mobilise them, they are recorded under non-current assets.

#### **4.9 Suppliers and Other payables**

The headings of "Suppliers" and "Other payables" are obligations to pay for acquired goods or services, and are initially recognised at fair value or at their amortised cost, less impairment losses (Note 17).

#### 4.10 Post-employment benefits

ANACOM employees requisitioned from former CTT were covered by that company's defined retirement benefits and survivor pension plan on the date of their transfer, which correspond to the plan of the *Caixa Geral de Aposentações* (CGA) [a pension scheme for civil servants], and continued to benefit from this right at the time of their requisition. After the integration of these employees in its permanent staff, ANACOM took on this liability (Note 15.1).

On 23 October 2003, ANACOM approved the creation of a fixed contribution supplementary pension plan for all the staff covered by Social Security, having decided in 2008 to extend this to the rest of the workers with open-ended contracts, taking effect on 1 January 2008. Both plans are managed by pension fund management entities (Note 15.2).

The employees who came from former CTT (the company CTT in its previous form, which included postal service and telecommunications) are not covered by Social Security assistance and benefits; instead, they are insured by CTT's *Instituto das Obras Sociais* (IOS - Institute for Social Works), with ANACOM having taken on the healthcare liabilities inherent to this situation (Note 15.3).

##### 4.10.1 Defined benefits plan - Retirement and survivor pension plan and healthcare

The retirement and survivor pension plan attributed to the ANACOM employees who were transferred from the former CTT is the current CGA plan. This is a defined benefits plan, not included in the balance sheet, with an autonomous fund having been constituted to finance the liabilities. The balance sheet only reflects the funding surplus/deficit (see Note 15, Table 6.17).

The healthcare plan for retired employees who are covered by the IOS is a defined benefit plan without a constituted fund, with its liabilities being reported on the balance sheet.

The liabilities related to the payment of these benefits are estimated annually by independent actuaries and are calculated using the projected unit credit method. The present value of the defined benefit liability was determined by discounting the future payment of benefits, using the interest rate for high-rating bonds, denominated in the same currency in which the benefits would be paid, close to the maturity of the actual liability.

The liabilities/assets to be recognised in the balance sheet relative to healthcare liabilities during retirement and to the retirement and survival pension plan correspond to the present value of the liability of the defined benefit determined on the reporting date, less the fair value of the plan's assets.

#### Recognition of actuarial deviations

Actuarial deviations arise from adjustments due to experience and changes of actuarial assumptions.

ANACOM recognises all the actuarial gains and losses calculated for all plans in force directly in equity, as reported in the "Statement of changes in equity". Gains and losses arising from costs or gains of the current services of a defined benefit plan are recognised through profit or loss in the period in which they occur.

#### **4.10.2 Defined contribution retirement pension plan**

The defined contribution plan established by ANACOM for its entire staff is financed by ANACOM and by the employees. ANACOM has no additional responsibilities beyond the contributions to be made in respect of past services. The contributions are recognised under "Personnel costs" in the period to which they refer.

#### **4.11 Grants from the European Union or other entities**

Non-refundable investment grants are initially recognised under the Equity heading of "Other changes in equity", and are subsequently credited in the income statement according to the depreciation of the assets to which they are associated (Note 13).

Operating grants from the EU or other entities are recognised as income at the value received in the income statement in the period in which the associated expenses are incurred and recorded, provided they are known in due time.

#### **4.12 Revenue**

ANACOM's revenue corresponds to the fair value of the amount received or receivable in respect of the settlement of different fees arising from legislation related to the regulation of the communications sector, postal sector, and other applicable legislation.

The different fees applied by ANACOM essentially correspond to: (i) fees arising from the Electronic Communications Law; (ii) fees related to the activity of providing postal services; (iii) administrative fees and fees for use of the amateur radio service; and (iv) other registration and subscription fees.

The revenue from these fees is recognised in the period to which it refers, regardless of the date when it is received.

#### **4.13 Revenue from financial investments**

Revenue from interest or other income to be recognised in each period, related to assets, is determined according to the effective interest rate method.

#### **4.14 Accrual basis**

ANACOM's income and expenses are recorded in accordance with the principle of accruals, whereby they are recognised as they are generated, regardless of when they are received or paid. The differences between the amounts received and paid, and the corresponding generated income and expenses are reported under the headings of "Other accounts payable/receivable" and "Deferrals".

#### **4.15 Surcharges and late-payment interest**

Failure to pay fees which are due under the Electronic Communications Law and other applicable legislation by the stipulated deadlines, determines the charging of late-payment interest and surcharges, where applicable, by legal imposition which is binding to ANACOM. These values are recognised by ANACOM only when effectively received, always in an attitude of prudence, considering the risks of non-collection.

#### **4.16 Fines receivable**

The duties of ANACOM include inspection of compliance with laws, regulations, standards and technical requirements applicable to the communications sector, the breach of which is often deemed an administrative offence. In this context, it is incumbent upon ANACOM to instigate, investigate and decide on infraction proceedings within its jurisdiction and impose the respective fines.

In most cases, 40 % of the value of the fines is retained by ANACOM and 60% is transferred to the State.

These values are also recognised by ANACOM when they have actually been received.

#### **4.17 Critical estimates and judgements**

Estimates and judgements of impact on ANACOM's financial statements are continuously evaluated and represent the best estimated, on each reporting date, taking into account the historical performance, cumulative experience and expectations about future events that are believed to be reasonable under the circumstances.

The intrinsic nature of the estimates may lead to a difference between the real reflection of the situation analysed for purposes of financial reporting, and the estimated amounts. The estimates and judgements that involve significant risk of material adjustment to the book value of assets and liabilities during the next financial year are as follows:

##### **4.17.1 Provisions, contingent liabilities and assets**

ANACOM periodically examines any obligations arising from past events that warrant recognition or disclosure.

The subjectivity inherent to determining the likelihood and the value of the resources required to settle obligations may lead to significant adjustments, particularly in relation to the ongoing lawsuits and contingencies referred to in Notes 14 and 23.

Provisions are recognised when all of the following conditions are met: i) there is a legal or constructive obligation arising from past events; ii) there is a high probability that an expenditure of internal resources will be required to settle this obligation; and iii) the amount can be reasonably estimated (Note 14).

If one of the criteria is not met, the provision is not constituted, but ANACOM discloses the fact as a contingent liability, unless it is considered there is only a remote possibility of the outflow of funds for its payment.

Provisions are reviewed on the reporting date and are adjusted to reflect the best estimate on that date.

Contingent assets are not recognised in the financial statements but are disclosed in the Notes when it is probable that there will be a future economic benefit.

#### **4.17.2 Actuarial assumptions**

The determination of the liabilities related to retirement pensions and healthcare requires the use of assumptions and estimates of a demographic and financial nature, which may significantly influence the amount of liabilities ascertained on each reporting date. The most sensitive variables refer to the discount rate used to update the liabilities, the rate of wage increase, and the mortality tables.

Additionally, the liability for the defined benefit retirement and survivor pension plan is subject to legislation related to the Statutes of *Caixa Geral de Aposentações* (CGA) and the General Social Security Scheme. Therefore, any amendments to this legislation could lead to a relevant variation in that liability.

#### **4.17.3 Amortisation and depreciation**

The determination of the useful life of the assets and the method of depreciation/amortisation to be applied are essential to ascertain the amount of depreciation/amortisation to be recognised in the income statement of each financial year.

These two parameters are defined according to the best judgement that is made with respect to the assets in question.

#### **4.17.4 Impairment**

The determination of any impairment loss can be prompted by the occurrence of numerous events, any of which are beyond ANACOM's control.

The identification of impairment indicators, estimated future cash flows and the determination of the fair value of assets implies a high degree of judgement by ANACOM regarding the identification and evaluation of the different impairment indicators, the expected cash flows, applicable discount rates, useful lives and residual values.

In particular, the periodic analysis of the accounts receivable balances may give rise to the need to record impairment losses, which are determined based on the available information and estimates made by ANACOM of the cash flows that are expected to be received.

#### 4.17.5 Events after the reporting date

Events which are considered material and occur after the reporting date that refer to situations presented in the balance sheet are recognised and/or disclosed in the financial statements.

### 5. Cash flows

#### 5.1 Cash and cash equivalents not available for use

ANACOM does not have any balance of cash or cash equivalents subject to restricted use for the financial years presented.

#### 5.2 Breakdown of the values reported in the heading of cash and bank deposits

In 2019 and 2020, the values for cash and bank deposits were as follows:

**Table 6.3 – Cash flows**

	<u>2020</u>	<u>2019</u>
<b>Cash</b>		
- Cash	28 102	36 297
<b>Bank deposits</b>	<b>80 469 450</b>	<b>77 138 013</b>
- Demand deposits		
Agência Gestão Tesouraria Dívida Pública (IGCP)	80 468 420	77 136 323
Other banks (commercial banking)	1 030	1 690
<b>Other financial assets</b>		
- CEDIC	180 000 000	170 000 000
<b>Net financial resources</b>	<b><u>260 497 552</u></b>	<b><u>247 174 310</u></b>

Unit: Euros

Following a recommendation of the Court of Auditors, from 2014 onwards, the management of available funds entailed keeping almost all the cash balances at the *Agência de Gestão da Tesouraria e da Dívida Pública* (IGCP – Treasury and Public Debt Management Agency), both in demand deposits and financial investments provided by this credit institution, particularly in *Certificados Especiais de Dívida de Curto Prazo* (CEDIC – Special Short-Term Debt Certificates). These investments are recorded under the heading of “Other financial assets”.

Private banking is only used for operations that are not provided by IGCP and require prior authorisation of the competent authorities.

It should also be noted that the IGCP has progressively applied a zero-interest rate to investments in CEDIC, which is why ANACOM stopped making this type of investment. Instead, ANACOM decided to keep these available funds in the current account, except for a one-off situation at the end of the year, where, under a proposal of the IGCP, ANACOM agreed to make an investment in CEDIC of the value of 180 million euros, for a short period of time.

It should be noted that cash and deposits essentially have two objectives:

- (i) to deliver to the State part of the net income of previous years, in cases where the ordinances have not yet been published that determine the appropriation of the net income and/or determine the allocations of the distributed sums;
- (ii) to deal with predictable and contingent commitments, in particular those related to ANACOM's operation and investment cycle and those arising from compensation sought in legal actions brought against ANACOM for which suitable provisions have been made for ongoing lawsuits.

## **6. Tax**

Under the terms of number 1 of article 1 of its Statutes, ANACOM is a legal person governed by public law, an independent administrative body endowed with administrative, financial and management autonomy and its own assets.

Accordingly, ANACOM is exempt from paying corporate income tax (IRC) due to belonging to the group of entities established in number 1, subparagraph a) of article 9 of the IRC Code. ANACOM is also exempt from stamp duty pursuant to sub-paragraph a) of article 6 of the Stamp Duty Code. As regards value added tax (VAT), because ANACOM has activities that are both subject and not subject to VAT, the pro rata regime established in article 23 of the Code is applicable. The value added tax paid by ANACOM in the acquisition of goods and services, which is not recoverable, is recorded

under the respective headings of costs, tangible fixed assets and intangible assets in the income statement and in the balance sheet.

## 7. Intangible assets

In 2019 and 2020, the movements recorded under the intangible asset headings were as follows:

**Table 6.4 – Intangible assets**

	<u>Software</u>	<u>In progress</u>	<u>Total</u>
<b>Acquisition cost</b>			
<b>Balance as at 1 January 2019</b>	<b>21 932 115</b>	<b>1 165 711</b>	<b>23 097 826</b>
Increases	1 033 422	186 430	1 219 852
Disposals	-	-	-
Transfers	506 227	-506 227	-
<b>Balance as at 31 December 2019</b>	<b>23 471 764</b>	<b>845 914</b>	<b>24 317 678</b>
Increases	800 301	266 756	1 067 057
Disposals	-	-	-
Transfers	183 602	-183 602	-
<b>Balance as at 31 December 2020</b>	<b>24 455 668</b>	<b>929 068</b>	<b>25 384 736</b>
<b>Accumulated amortisation</b>			
<b>Balance as at 1 January 2019</b>	<b>20 863 719</b>	-	<b>20 863 719</b>
Amortisation for the year (Note 18)	655 808	-	655 808
Disposals	-	-	-
Transfers	-	-	-
<b>Balance as at 31 December 2019</b>	<b>21 519 527</b>	-	<b>21 519 527</b>
Amortisation for the year (Note 18)	1 012 807	-	1 012 807
Disposals	-	-	-
Transfers	-	-	-
<b>Balance as at 31 December 2020</b>	<b>22 532 334</b>	-	<b>22 532 334</b>
<b>Net value as at 31 December 2019</b>	<b>1 952 237</b>	<b>845 914</b>	<b>2 798 151</b>
<b>Net value as at 31 December 2020</b>	<b>1 923 333</b>	<b>929 068</b>	<b>2 852 401</b>

Unit: Euros

The heading of “Intangible assets” includes the investment made over the years in software.

The transfers of assets in progress to the heading of most significant intangible assets, occurred in 2020, refer to software projects that were completed, namely the “Asi Portal”, the “Mapping of mobile networks” and “SIIA - Information System of Suitable infrastructures”.

In 2019 and 2020, the projects in progress were detailed as follows:

**Table 6.5 – Projects in progress**

Description	2020	2019
Market Information System projects (SIM-DOC)	557 317	557 317
Projects for internal improvement of services (GIAF, Plage, BDE, Public accounting, billing, MyWs, SAAS, ITED)	252 729	200 926
Other	119 022	87 671
<b>Total</b>	<b>929 068</b>	<b>845 914</b>

Unit: Euros

## 8. Tangible fixed assets

In 2019 and 2020, the movements in the tangible fixed asset headings were as follows:

**Table 6.6 – Tangible assets**

	Land	Buildings and other constructions	Basic equipment	Transport equipment	Administrative equipment	Other	Assets in progress	Total
<b>Acquisition cost</b>								
Balance as at 1 January 2019	1 325 259	14 780 304	29 021 209	1 004 230	6 544 138	8 448 992	1 850 191	62 974 323
Increases	-	379 698	555 733	5 482	772 716	169 606	678 534	2 561 769
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-15 690	-599 748	-	(48,620)	-12 142	-	-676 200
Transfers	-	-	295 437	-	1 434 001	-	-1 729 438	-
Balance as at 31 December 2019	1 325 259	15 144 312	29 272 631	1 009 712	8 702 235	8 606 456	799 287	64 859 892
Increases	-	584 049	329 732	40 318	510 249	86 948	3 317	1 554 614
Disposals	-	-	-	-	-	-	-	0
Write-offs	-	-	-	-	-263 629	-	-	-263 629
Transfers	-	86 462	202 100	-	170 900	-	-459 461	0
Balance as at 31 December 2020	1 325 259	15 814 823	29 804 463	1 050 030	9 119 756	8 693 404	343 143	66 150 877
<b>Accumulated depreciation</b>								
Balance as at 1 January 2019	-	12 258 248	26 894 682	944 056	6 231 780	2 031 010	-	48 359 776
Depreciation for the year (Note 18)	-	223 172	846 176	17 153	333 957	42 759	-	1 403 217
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-15 690	-598 217	-	-48 619	-12 142	-	-674 668
Transfers	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	-	12 465 730	27 142 641	961 209	6 517 118	2 061 627	-	49 148 325
Depreciation for the year (Note 18)	-	225 710	693 336	28 067	879 364	66 299	-	1 892 776
Disposals	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-263 629	-	-	-263 629
Transfers	-	-	-	-	-	-	-	-
Balance as at 31 December 2020	-	12 691 440	27 835 977	989 276	7 132 853	2 127 926	-	50 777 472
<b>Net value as at 31 December 2019</b>	<b>1 325 259</b>	<b>2 678 582</b>	<b>2 129 990</b>	<b>48 503</b>	<b>2 185 117</b>	<b>6 544 829</b>	<b>799 287</b>	<b>15 711 567</b>
<b>Net value as at 31 December 2020</b>	<b>1 325 259</b>	<b>3 123 383</b>	<b>1 968 485</b>	<b>60 754</b>	<b>1 986 902</b>	<b>6 565 478</b>	<b>343 143</b>	<b>15 373 405</b>

Unit: Euros

The headings of “Land and Buildings” record the infrastructure belonging to ANACOM located in Barcarena, Porto, Pinheirinhos da Azóia, and the Autonomous Regions of Madeira and the Azores.

The heading of “Basic equipment” records all the equipment which is indispensable for the duties of oversight of the communications sector to which ANACOM is bound by its Statutes, whether conducted centrally (fixed) or in the field (mobile), including spectrum monitoring and laboratory equipment required for testing its own equipment or that of external entities.

The heading of “Transport equipment” includes the vehicles that belong ANACOM’s fleet, which are needed for outdoor inspection actions.

The main component of the heading of “Administrative equipment” is information technology equipment (hardware) although it also records all the equipment and devices of administrative nature used at ANACOM, namely miscellaneous furniture, receivers, sound and image devices, etc.

“Other tangible fixed assets” include the philately collection from Portugal’s former overseas colonies (Ultramar) which was removed from the State’s private domain and incorporate in ANACOM’s assets in 1998, pursuant to number 2 of Joint Ministerial Order 325/97 of 18 September 1997, of the Minister for Equipment, Planning and Territorial Administration and the deputy minister, published in *Diário da República* (the official gazette) number 226, 2nd Series, of 30 September 1997. This Order prohibits the disposals of this asset without prior permission from the government minister responsible for the communications sector. The initial value of the philatelic property was established on the date of that Order and recorded as a reserve in equity (Note 13). Later, in 2005, the value was updated to 6,820,414 euros. The philatelic property was revalued again in 2015, by a qualified independent valuator, with the conclusion having been drawn that these assets were not impaired, as their current value at that time, arising from the valuation, exceeded its book value. As at 31 December 2016, the value of the philatelic property was reduced to 6,249,144 euros, after the occurrence of an accident in 2010, and has been kept at this value since then. The collection has been reappraised several times since that date, by sampling, with no reason having been found to change the existing situation.

The philatelic property is not depreciated but it is subject to periodic impairment tests. With the adoption of the Accounting Standardisation System (SNC), the reserve related to this asset was reclassified to the heading of “Other changes in equity”.

Therefore, and considering that ANACOM values tangible fixed assets at acquisition cost, a valuation method that it has used over the years, based on number 9 of NCRF 7, and in accordance with the principle of consistency, the accounting value of the philatelic property has remained unchanged.

“Assets in progress” record all the assets that, although existing at ANACOM, are not yet in condition to become operational due to being at a test or acceptance stage. As at 31 December 2020, the “Assets in progress” are as follows:

**Table 6.7 – Projects in progress**

Description	2020	2019
Mobile station for spectrum control	309 260	305 943
NET.MEDE connection	-	87 361
Mobility equipment	-	17 207
CMCE modernisation/renovation	-	354 894
Other	33 883	33 883
<b>Total</b>	<b>343 143</b>	<b>799 288</b>

Unit: Euros

Transfers of assets in progress to other tangible fixed asset headings occurred in 2020 primarily refer to the investments made in remodelling the spectrum monitoring and control centres (CMCE).

The depreciation of tangible fixed assets is reported in its entirety under the heading “Depreciation and amortisation costs/reversals” in the income statement.

It is also important to mention that, as at 31 December 2020, the value of tangible fixed assets that were in the hands of third parties amounted to 8,689,555 euros (6,949,930 euros of Net Assets), including 6,249,144 euros related to the philatelic property from the former Portuguese overseas colonies (Ultramar), in the custody of the *Fundação Portuguesa das Comunicações* (Portuguese Communications Foundation).

## 9. Customers

In 2019 and 2020, the heading of “Customers” was detailed as follows:

**Table 6.8 – Customers**

	2020	2019
	Current	Current
<b>Customers</b>	<b>1 129 803</b>	<b>1 820 009</b>
Use of frequencies	230 582	224 101
Regulation and numbering	858 952	1 552 234
Other	40 269	43 674
<b>Customers – bad debt</b>	<b>3 416 217</b>	<b>3 378 203</b>
Use of frequencies	1 623 029	1 615 428
Regulation and numbering	298 923	267 740
Other	1 494 264	1 495 035
<b>Customers – Total</b>	<b>4 546 020</b>	<b>5 198 212</b>
Impairment losses (Note 12)	-3 697 377	-3 824 352
<b>Net Value</b>	<b>848 642</b>	<b>1 373 860</b>

Unit: Euros

For the periods presented, there are no differences between the book values and their fair value.

## 10. Other receivables

In 2019 and 2020, the heading of “Other receivables” was detailed as follows:

**Table 6.9 – Other receivables**

	2020			2019		
	Current	Non-current	Total	Current	Non-current	Total
<b>Accrued income</b>						
Interest receivable	4 125	-	4 125	8 146	-	8 146
Other	383 979	-	383 979	2 998	-	2 998
	388 104	-	388 104	11 144	-	11 144
<b>Other values due</b>						
Values to be settled	136 503	-	136 503	165 890	-	165 890
Other	142 173	-	142 173	43 691	865	44 556
	278 676	0	278 676	209 581	865	210 446
<b>Total</b>	<b>666 780</b>	<b>0</b>	<b>666 780</b>	<b>220 725</b>	<b>865</b>	<b>221 590</b>

Unit: Euros

The heading of “Other” accrued income refers to income to be recognised in the year that have not yet been settled. In 2020, the positive variation in this heading, compared to 2019,

stems from the fact that the cost component of provisions for ongoing lawsuits, associated with the electronic communications sector and the postal services sector, whose value corresponds to the average of the last 5 years, was incorrectly calculated, which was reflected in additional regulatory costs for purposes of payment of electronic communications fees and postal services fees for 2020. This implies the need to make an additional settlement of fees payable to the providers of electronic communications networks and services and by the providers of postal services, in proportion to the relevant income, that shall take place in 2021.

The heading of “Interest receivable” includes the amount of interest due from ANACOM’s financial investments, which will be received in a future period.

The heading of “Values to be settled” records the amounts to be settled by employees with respect to healthcare situations, as ANACOM ensures the management of the receipts and payments in this context, and other situations to be settled with employees.

The heading of “Other” records all other existing residual situations.

## 11. Deferrals

In 2019 and 2020, ANACOM recorded the following balances in the heading of “Deferrals”:

**Table 6.10 – Deferrals**

	<u>2020</u>	<u>2019</u>
<b>Expenses do be recognised</b>		
Meal allowance	87 536	100 804
Rents and leases	160 428	130 426
Insurance premiums	85 858	107 153
Renovation of facilities	11 044	19 441
Subscriptions	636 484	618 590
Publications	128 720	50 347
Other services	311 456	146 504
<b>Total</b>	<b><u>1 421 526</u></b>	<b><u>1 173 265</u></b>

Unit: Euros

The value recorded in the heading of “Meal allowances” reflects the allowance paid in advance in December but related to the next year.

The heading “Rents and leases” includes the rental values for 2021, paid in advance in 2020.

“Insurance premiums” are, as a rule, also invoiced and paid in advance. In the current year, not all policy premium receipts were issued in advance by the insurer, namely vehicle insurance; hence, the lower deferral in relation to the previous year for this insurance.

The details of this heading, as at 31 December 2020 and 2019, are as follows:

**Table 6.11 – Insurance premiums**

	<u>2020</u>	<u>2019</u>
Personal travel accidents	7 688	7 688
Premises and facilities	47 651	47 661
Accidents at work	20 507	21 361
Vehicles	-	20 430
Health	503	503
Civil liability	6 000	6 000
Other	3 510	3 510
<b>Total</b>	<b><u>85 858</u></b>	<b><u>107 153</u></b>

Unit: Euros

The heading of “Renovation of facilities” records expenses deferred to subsequent years related to renovation works in rented buildings. These costs were broken down based on the period established in the corresponding rental agreement.

The heading of “Subscriptions” records, as at 31 December 2020 and 2019, the contributions paid or invoiced in the year, but related to the following year, detailed as follows:

**Table 6.12 – Subscriptions**

	<u>2020</u>	<u>2019</u>
International Telecommunication Union (ITU)	298 844	284 870
Universal Postal Union (UPU)	154 105	149 524
Gabinete Europeu de Comunicações (ECO/CEPT)	87 651	87 427
Postal Union of the Americas, Spain and Portugal (UPAEP)	80 414	81 319
International Union of Radio Sciences (URSI)	2 170	2 150
Independent Regulators Group (IRG)	13 000	13 000
Other	300	300
<b>Total</b>	<b><u>636 484</u></b>	<b><u>618 590</u></b>

Unit: Euros

## 12. Impairments

The variation recorded during 2020 and 2019 in the balances of impairment losses are detailed as follows:

**Table 6.13 – Impairments**

	<u>Customers (Note 9)</u>
<b>As at 1 January 2019</b>	<b><u>3 713 777</u></b>
Increases	116 071
Uses	<u>-5 496</u>
<b>As at 31 December 2019</b>	<b><u>3 824 352</u></b>
Reversal	-100 158
Uses	<u>-26 817</u>
<b>As at 31 December 2020</b>	<b><u><u>3 697 377</u></u></b>

Unit: Euros

## 13. Equity

In 2020 and 2019, the balances of the equity headings are detailed as follows:

**Table 6.14 – Reserves and other equity headings**

	<u>2020</u>	<u>2019</u>
<b>Other reserves</b>		
Investment reserves	61 063 457	58 077 286
Retirement benefits (Note 15)	-11 199 477	-9 659 079
Other reserves	<u>1 741 928</u>	<u>1 741 928</u>
	51 605 908	50 160 135
<b>Retained earnings</b>		
1st time adoption of the SNC	3 035 015	3 035 015
Transfer of net income	<u>39 606 834</u>	<u>43 529 559</u>
	42 641 849	46 564 574
<b>Other changes in equity</b>		
Reserve - philatelic collection	6 249 144	6 249 144
Donations	109 780	109 780
Grants	<u>94 066</u>	<u>97 956</u>
	6 452 990	6 456 880
<b>Net income for the year</b>	34 560 997	39 606 834
<b>Total</b>	<b><u><u>135 261 744</u></u></b>	<b><u><u>142 788 423</u></u></b>

Unit: Euros

The heading of “Other reserves” includes the heading of “Investment reserves”, which reflects the accumulated value of the retained earnings recorded over the years. Following the

publication of Ordinance 77/2020 of 19 March, these reserves were reinforced by 2,986,171 euros. It also incorporates heading of “Retirement benefits”, where the actuarial studies of the defined benefit plans reported as at 31 December 2020 determined the recording of adjustments both to the retirement and survivor pension plan (-1498,398 euros) and the healthcare plan (-42,000 euros). This accumulated variation reduced equity (-1,540,398 euros), as explained in Notes 15.1 and 15.3.

In 2020, the heading of “Retained earnings” reflects the accounting movements performed as a result of the adoption of the Accounting Standardisation System (SNC) and the net income of previous years that was not applied.

The main change recorded in this item derives from the distribution of the net income for 2018, in accordance with the Ordinance referred to above, which involved transfers of 40,543,388 euros. Of these transfers, 31,739,184 euros were delivered to the State, 1,500,000 euros to the European Space Agency (ESA), 500,000 euros to the Portuguese Space Agency, and 6,804,204 to the *Instituto do Cinema e Audiovisual* (ICA – Cinema and Audiovisual Institute).

The heading of “Other changes in equity” corresponds to non-refundable investment grants for tangible fixed assets (Note 4.11), to a donation stated at market value, and to the philatelic property from the former Portuguese overseas colonies (Ultramar), incorporated in ANACOM's assets under the heading of “Tangible fixed assets” (Note 8).

The variation in investment grants observed during 2020 and 2019 is detailed below:

**Table 6.15 – Investment grants**

<b>As at 1 January 2019</b>	<b>101 846</b>
Increases	-
Recognition through profit or loss	-3 890
<b>As at 31 December 2019</b>	<b>97 956</b>
Increases	-
Recognition through profit or loss	-3 890
<b>As at 31 December 2020</b>	<b>94 066</b>

Unit: Euros

Grants are recognised annually through profit or loss under the heading of “Other income and gains”.

## 14. Provisions

The evolution of the heading of “Provisions” in 2020 and 2019 was as follows:

**Table 6.16 – Provisions**

	<u>Provisions for ongoing lawsuits</u>
<b>As at 1 December 2019</b>	<b>96 019 050</b>
Increases/Additions	13 921 219
<b>As at 31 December 2019</b>	<b>109 940 269</b>
Increases (regulatory fees)	18 016 961
Increases (other)	<u>169 078</u>
Net addition	18 186 039
<b>As at 31 December 2020</b>	<b><u>128 126 308</u></b>

Unit: Euros

The provision corresponds to the estimated liability arising from the risk inherent to lawsuits filed by various entities against ANACOM (Note 4.17). As at 31 December 2020, there were 182 ongoing lawsuits, most of which were brought against ANACOM challenging acts undertaken as part of the regulatory activity in the area of electronic communications, acts undertaken as part of the regulatory activity in the area of postal communications, and acts contesting fee settlement. Of these lawsuits, 119 include claims for compensation.

The following variations were recorded in 2020:

- i) the instigation of 24 new actions, 12 of which with claims mainly involving disagreement with the settlement of fees for regulation of electronic communications and postal services, issued by ANACOM, from 2016 a 2019;
- ii) continuation of the other lawsuits carried over from 2019 with claims requested.

In sum, based on the events recorded in 2020 and the criteria mentioned above, ANACOM has updated the value of the accumulated provision for ongoing lawsuits, increasing its value by 18,186,039 euros.

It should be noted that the value of this reinforcement aims to cover new and existing lawsuits objecting to regulatory fees, in cases that are not yet fully covered.

Based on the opinion of its legal advisors, the Board of Directors considers that the criteria and amounts of the provisions are sufficient to deal with the risk and expected outcome of the legal proceedings in progress.

## 15. Retirement and healthcare benefit obligations

As mentioned in Note 4.10, ANACOM has undertaken liabilities related to a retirement and survivor pension plan for the employees that came from the former CTT and to a healthcare plan for employees not covered by Social Security, both being defined benefit plans. In addition to these plans, a defined contribution pension plan is also in force.

At 31 December 2020 and 2019 and in the years ended on those dates, the balances and expenses and income related to these plans presented in the financial statements are as follows:

**Table 6.17 – Liabilities in the balance sheet (+ or -)**

	<u>2020</u>	<u>2019</u>
Defined benefit pension plan (Note 4.10)	8 911 744	7 304 845
Defined benefit healthcare plan	2 137 000	2 141 000
<b>Total</b>	<b><u>11 048 744</u></b>	<b><u>9 445 845</u></b>

Unit: Euros

**Table 6.18 – Expenses / (Income) in the income statement**

	<u>2020</u>	<u>2019</u>
Defined benefit pension plan	364 299	399 920
Defined contribution pension plan	336 733	314 007
Defined benefit healthcare plan	45 153	56 394
<b>Total</b>	<b><u>746 185</u></b>	<b><u>770 321</u></b>

Unit: Euros

**Table 6.19 – Actuarial (gains) and losses recognised in equity**

	<u>2020</u>	<u>2019</u>
Defined benefit pension plan	-1 498 399	-534 622
Defined benefit healthcare plan	-42 000	-6 000
<b>Total</b>	<b><u>-1 540 399</u></b>	<b><u>-540 622</u></b>

Unit: Euros

## 15.1 Defined benefit pension plan

ANACOM employees transferred from the former CTT were covered, on the date of their transfer, by the retirement and survivor pension plan in force at that company, which corresponds to the CGA plan [pension scheme for civil servants], and they still benefit from this right in accordance with article 28 of Decree-Law 283/89 of 23 August. As such, ANACOM undertook the responsibility for the payment of retirement pensions of the personnel transferred from the former CTT, most of whom joined its workforce in August 1991. On 1 October 1996, ANACOM established an autonomous Pension Fund to cover and fund the liabilities for pension payments.

Under this plan, the employees who are covered are entitled to a retirement pension determined according to the Social Security rules for the period after 31 December 2005 and, for the previous period, according to the rules of the Statutes of the CGA, stipulated in a formula that considers the average earnings of the last 3 years. The plan includes the following conditions:

- Normal retirement age – the age established in the general social security scheme.
- Maximum pensionable time of service – 40 years.
- Pensionable salary – average monthly wage subject to discount earned over the last 3 years (basic salary, seniority payments, flexible work allowance and shift allowance).
- Social Security pension – scheme in force up to 31 December 1993.
- Retirement pension –  $P = TS/40 \times SP \times 80\% + PSS$ , where:

P = Monthly retirement pension;

SP = Pensionable salary in 2005 revalued pursuant to number 1 of article 27 of Decree-Law 187/2007 of 10 May, with the maximum limit of 12 times the social support index (IAS);

TS = Number of years of effective service in addition to service recognised up to 31/12/2005;

PSS = Pension calculated according to the rules of the general social security scheme, considering time of service after 31 December 2005 up to retirement.

- Number of payments – pensions are paid 14 times per year.

The liabilities related defined benefits and the corresponding annual costs were determined through actuarial calculations, using the projected unit credit method, carried out by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions prevailing at the time of calculation.

According to the actuarial study conducted by the holding company of this Pension Fund, BPI Vida e Pensões, Companhia de Seguros S.A., the present value of liabilities for past service of active and retired staff, transferred from the former CTT and integrated into ANACOM was estimated at 33,226,850 euros as at 31 December 2020.

The actuarial study was based on the following assumptions:

**Table 6.20 – Assumptions in actuarial study**

	2020	2019
Annual discount rate	0,80%	1,00%
Annual growth rate of salaries		1,50%
Annual growth rate of pensions		1,00%
Growth rate of the social support index (IAS)		1,25%
Salary revaluation rate		1,50%
Calculation of Social Security pensions	Decree-Law 187/2007 of 10 May and Decree-Law 167- E/2013 of 31 December were considered applicable	
Social Security normal retirement age	66 years old and five months/six months in 2019 and 2020, respectively. In the following years the Eurostat projections for the Portuguese population were considered	
Salary growth rate for calculating social security pensions		0,50%
Seniority bonuses	Projected for the normal retirement age	

Staff turnover rate	In the absence of any reliable statistics, in a prudent perspective, a 0% turnover rate was considered
Active life decrements	Due to death or disability
Disability table	Swiss EKV80 table
Mortality table	French TV 88/90 table

The effect on the liabilities of the change to the discount rate in 2020 was an increase of this value by 783,574 euros, which was directly recorded under equity.

In 2019 and 2020, the value of the liabilities recognised in the balance sheet is as follows:

**Table 6.21 – Recognised liabilities**

	<u>2020</u>	<u>2019</u>
Present value of the liabilities	33 226 850	32 208 268
Fair value of the Fund's assets	<u>24 315 106</u>	<u>24 903 423</u>
<b>Surplus/(Deficit)</b>	<b><u>-8 911 744</u></b>	<b><u>-7 304 845</u></b>

Unit: Euros

The movement occurred in 2019 and 2020, in the present value of the liabilities underlying the pension plan was as follows:

**Table 6.22 – Present value of the liabilities**

	<u>2020</u>	<u>2019</u>
<b>As at 1 January</b>	<b>32 208 268</b>	<b>30 269 523</b>
Cost of current services	435 170	442 115
Cost of interest	321 001	453 706
Expected payment of benefits	-1 086 675	-929 149
Changes in assumptions	783 574	1 899 323
Other actuarial (gains)/losses	<u>565 512</u>	<u>72 750</u>
<b>As at 31 December</b>	<b><u>33 226 850</u></b>	<b><u>32 208 268</u></b>

Unit: Euros

In 2020 and 2019, the value of the fund linked to this plan evolved as follows:

**Table 6.23 – Value of the fund**

	<u>2020</u>	<u>2019</u>
<b>As at 1 January</b>	<b>24 903 423</b>	<b>23 676 111</b>
ANACOM contributions	255 789	223 109
Employee contributions	143 919	141 096
Benefits paid	-1 083 950	-1 040 408
Real return on the Fund's assets	<u>95 925</u>	<u>1 903 515</u>
<b>As at 31 December</b>	<b><u>24 315 106</u></b>	<b><u>24 903 423</u></b>

Unit: Euros

The effect on the income statements for 2020 and 2019 arising from this plan is as follows:

**Table 6.24 – Effect on the income statement**

	<u>2020</u>	<u>2019</u>
Cost of current services	435 170	442 115
Cost of interest	321 001	453 706
Employee contributions	-143 919	-141 096
Expected return on the Fund's assets	<u>-247 953</u>	<u>-354 805</u>
<b>Total included in personnel costs and/or (other income and gains)</b>	<b><u>364 299</u></b>	<b><u>399 920</u></b>

Unit: Euros

The effect of the actuarial gains and losses recorded directly in equity for 2020 and 2019 is as follows:

**Table 6.25 – Effect on equity**

	<u>2020</u>	<u>2019</u>
Changes in the discount rate	783 574	1 899 323
Difference between the real and estimated return on the Fund's assets	152 028	-1 548 710
Other actuarial (gains)/losses	<u>562 787</u>	<u>184 009</u>
<b>Total reduction (increase)</b>	<b><u>1 498 389</u></b>	<b><u>534 622</u></b>

Unit: Euros

It is also important to highlight the fact that the real yield of the Fund was positive, by approximately 1.05%, which, combined with the negative effect arising from the change of the discount rate and the effect of the other impacts arising from the differences between the initial estimates of the study and the actual results, meant that the funding gap widened from 7,304,845 euros in 2019 to 8,911,744 euros in 2020 (+1,606,899 euros). This corresponds to a 73% coverage of the liabilities, which is still 14% above the minimum required by the *Autoridade de Supervisão de Seguros e Fundos de Pensões* (ASF – Insurance and Pension Funds Supervisory Authority).

In 2020 and 2019, the relative weight of the assets comprising the pension plan fund, by nature, was as follows:

**Table 6.26 – Assets by nature**

	<u>2020</u>	<u>2019</u>
Bonds	61.8%	59.3%
Liquidity	5.0%	1.2%
Shares	28.6%	31.2%
Real estate properties	0.3%	0.5%
Absolute return	4.3%	7.8%
<b>Total</b>	<b><u>100%</u></b>	<b><u>100%</u></b>

## 15.2 Defined contribution plan

As mentioned in Note 4.10.2, all staff on permanent contracts are covered by a retirement plan with defined contributions. Under this plan, a fund was established that was initially managed by the Sociedade Gestora de Fundos de Pensões (Banif Açor Pensões), subsequently by Sociedade Gestora de Fundos de Pensões (CGD Pensões), and after 14 August 2014 by BPI-Vida e Pensões, Companhia de Seguros, S.A.

Pursuant to the terms and conditions of the plan, ANACOM is committed to making contributions ranging from 1% (fixed monthly contribution) to 2% of the payroll, with the 2% contribution depending on the employee also contributing at least 1%.

Upon termination of the contract, the contributions made by each employee up to that date revert in their favour, plus the respective yield in each year. However, participation units that were acquired with contributions from ANACOM only revert in benefit of the employee whose contract was terminated in conformity with their active service time and based on six seniority levels.

In 2020 and 2019, the value of the defined contributions of ANACOM to the Retirement Pension Plan in question amounted to 336,733 euros and 314,007 euros, respectively, being recorded in Personnel costs.

## 15.3 Defined benefit healthcare plan

As at 31 December 2020, there were 75 ANACOM employees (active and retired) who were not covered by Social Security healthcare or benefits schemes. Instead, their health scheme is covered by the Instituto de Obras Sociais dos CTT (CTT's Institute for Social Works – IOS)

and by PT-ACS. This namely includes medical care, medication, hospital admission, auxiliary diagnostic tests and nursing services, in addition to other social benefits, under an agreement between IOS and ANACOM.

The liabilities related defined benefits and the corresponding annual costs were determined through actuarial calculations, using the projected unit credit method, carried out by an independent actuary based on assumptions that reflect the demographic conditions of the population covered by the plan and the economic and financial conditions prevailing at the time of calculation.

According to the actuarial study by the consultant Willis Towers Watson, the present value of the liabilities related to healthcare, as at 31 December 2020 and 31 December 2019, stood at 2,137,000 euros and 2,141,000 euros, respectively.

The main actuarial assumptions used in the actuarial calculation are indicated below:

**Table 6.27 – Actuarial assumptions**

	<u>2020</u>	<u>2019</u>
Annual discount rate	0.80%	1.00%
Monthly payment per participant		€ 156.62
Disability table		50% EKV 80
Mortality table		TV 88/90
Retirement age	66 years old + number of months in force	

Furthermore, the following assumptions were also considered:

- Percentage of married employees – on the date of retirement, disability or death, it was assumed that 55% of male participants and 15% of female participants will include their respective spouse in the scheme. It was also assumed that male spouses are on average three years older than their wives.
- Number of children – on the date of retirement, disability or death, the average of 1.5 children per married participant was assumed, with each child being assumed to be 30 years younger than the respective participant.

In this financial year, the actuarial assumption of the discount rate used was adjusted from 1% to 0.8%, reflected in the liabilities having increased by 50,000 euros.

In 2019 and 2020, the value of the liabilities recognised in the balance sheet was as follows:

**Table 6.28 – Recognised liabilities**

	<u>2020</u>	<u>2019</u>
Present value of the liabilities		
Active and dependant	888 000	1 017 000
Retired and dependant	<u>1 249 000</u>	<u>1 124 000</u>
<b>Total</b>	<b><u>2 137 000</u></b>	<b><u>2 141 000</u></b>

Unit: Euros

The movement occurred in 2019 and 2020, in the present value of the liabilities underlying the healthcare plan was as follows:

**Table 6.29 – Present value of the liabilities**

	<u>2020</u>	<u>2019</u>
<b>As at 1 January 2019</b>	<b>2 141 000</b>	<b>2 166 000</b>
Cost of current services	24 153	24 394
Cost of interest	21 000	32 000
Payment of benefits by ANACOM	-91 153	-87 394
Change in plan	0	0
Change in assumptions	50 000	123 000
Other actuarial (gains)/losses	<u>-8 000</u>	<u>-117 000</u>
<b>As at 31 December 2019</b>	<b><u>2 137 000</u></b>	<b><u>2 141 000</u></b>

Unit: Euros

The effect on the income statements for 2020 and 2019 arising from this plan was as follows:

**Table 6.30 – Effect on the income statement**

	<u>2020</u>	<u>2019</u>
Cost of current services	24 153	24 394
Cost of interest	21 000	32 000
Change in plan	<u>0</u>	<u>0</u>
<b>Total included in Personnel costs</b>	<b><u>45 153</u></b>	<b><u>56 394</u></b>

Unit: Euros

The cost of current services represents the increased liability of each employee due to the fact that yet another year of service has elapsed.

The cost of interest represents the expected increase in liabilities at the beginning of the accounting period under study due to the fact that the benefits are closer to settlement as yet another year has gone by. The cost of interest reflects the discount rate used in calculating the liabilities.

The change to the plan is derived from the change in the method of calculating the liabilities with respect to the growth rate of health costs. The liabilities for past services henceforth reflect the payment in 2018 of the fixed monthly value per participant of ANACOM to the Institute of Social Works (IOS), under the terms of the existing agreement. This replaces the claims curves used in previous years, as this method reflects existing practice more accurately.

The effects of the actuarial gains and losses recorded directly in equity for 2020 and 2019 were as follows:

**Table 6.31 – Effect on equity**

	<u>2020</u>	<u>2019</u>
Change in discount rate	50 000	123 000
Demographic changes	-5 000	-111 000
Changes in estimates	<u>-3 000</u>	<u>-6 000</u>
<b>Total included in the Equity heading</b>	<b><u>42 000</u></b>	<b><u>6 000</u></b>

Unit: Euros

## 16. State and other public entities

In 2020 and 2019, the balances payables to the “State and other public entities” were detailed as follows:

**Table 6.32 – State and other public entities**

	<u>2020</u>	<u>2019</u>
Personal income tax	423 970	381 778
Value added tax	19 601	12 075
Social security	<u>439 456</u>	<u>390 294</u>
<b>Total</b>	<b><u>883 027</u></b>	<b><u>784 147</u></b>

Unit: Euros

## 17. Other payables

In 2019 and 2020, the heading of “Other payables” was detailed as follows:

**Table 6.33 – Other payables**

	<u>2020</u>	<u>2019</u>
	<u>Current</u>	<u>Current</u>
<b>Investment suppliers</b>		
General suppliers	187 133	1 081 860
<b>Accrued costs</b>		
Remunerations	3 224 495	3 420 554
Insurance payable	6 537	3 106
Other	79 138	27 251
<b>Other payables</b>		
Regulatory fees to be refunded	6 594	6 594
Miscellaneous payables	58 567	41 764
<b>Total</b>	<b><u>3 562 464</u></b>	<b><u>4 581 129</u></b>

Unit: Euros

The heading of “Investment suppliers” mainly refers to the acquisition of equipment and materials incorporated in the tangible fixed assets and intangible assets in progress, with the reduction of having been primarily driven by the fact that most of the acquisitions made in December 2020 were paid, in contrast to what happened in 2019, whose payments took place in 2020.

The heading of “Remunerations” includes the liability undertaken by ANACOM in relation to holidays and holiday allowances, which were calculated based on the remuneration received in the last month of 2020 and the projected growth of wages and career progression in 2021.

The heading of “Insurance” includes the amount payable for insurance policies taken out by ANACOM related to the annuity of 2020, the payment of which will take place subsequently.

The heading of “Regulatory fees to be refunded” concerns adjustments to the regulatory fees pursuant to number 5 of article 105 of the Electronic Communications Law.

The heading of “Miscellaneous payables” is primarily composed of minor adjustments to accounts with customers, suppliers, and employees regarding the management of insurance for accidents at work and occupational disease.

## 18. Depreciation and amortisation costs/reversals

In 2019 and 2020, this heading was broken down as follows (Notes 7 and 8):

**Table 6.34 – Depreciation and amortisation costs**

	2020	2019
<b>Depreciation of tangible fixed assets</b>		
Buildings and other constructions	225 711	223 172
Basic equipment	693 766	846 177
Transport equipment	28 067	17 153
Administrative equipment	880 043	333 957
Other tangible fixed assets	65 650	42 758
	1 893 236	1 463 217
<b>Amortisation of intangible assets</b>		
Software	1 012 807	655 808
<b>Total</b>	<b>2 906 044</b>	<b>2 119 025</b>

Unit: Euros

## 19. Sponsorships

ANACOM granted the following sponsorships in 2020, for the amounts shown:

**Table 6.35 – Sponsorships**

Entity	Initiative	Cost with attributed value
		2020
Associação Empresarial de Comunicações de Portugal (ACIST)	Sponsorship and Cooperation Agreement	15 346
Associação Portuguesa para o Desenvolvimento das Comunicações (APDC)	Sponsorship and Cooperation Agreement	30 693
Portuguese Committee of the International Union of Radio Science (URSI)	Best Student Paper Award	1 750
		<b>47 789</b>

Unit: Euros

Pursuant to its Statutes, it is incumbent upon ANACOM to pursue purposes of public interest, where the award of grants is an indirect form of achieving this aim. This is likewise the case of collaborating with other public and private bodies to promote applied scientific research in communications. Furthermore, ANACOM encourages the dissemination of the regulatory framework in force and its powers, duties and initiatives, as well as the rights and obligations of the entities that benefit from its activity and of the end users [Article 8(1)(r) and (s), and Article 14 of the Statutes]. Pursuant to Law 64/2013 of 27 August, which regulates the mandatory publicising of the benefits granted to individuals, ANACOM disclosed on its

website and sent the Inspectorate-General for Finance (IGF) the list of disbursements made in this regard in 2020 under its powers and duties.

ANACOM has awarded sponsorships since 1996, which are currently subject to the guidelines approved by resolution of the Board of Directors of 28 September 2018 (guidelines for the allocation of sponsorships and the establishment of partnerships), which repealed the previous ones, approved on 18 August 2006.

ANACOM received 16 requests for sponsorship during 2020, with 3 having been granted, 10 having been rejected, 2 having missed the opportunity, and 5 having been carried over to 2021.

In this context, the partnerships were continued between ANACOM and the Associação Empresarial de Comunicações de Portugal (ACIST – Portuguese Communications Business Association) and the Associação Portuguesa para o Desenvolvimento das Comunicações (APDC – Portuguese Association for the Development of Communications), through sponsorship and cooperation agreements concluded in 2018 that are effective until 31 December 2020.

The value of the sponsorship awarded by ANACOM to the ACIST was allocated to various activities, amounting to 15,346 euros (including VAT), partially covering their implementation costs. In exchange, this offered ANACOM visibility, participation and disclosure of information about telecommunications infrastructure in buildings (ITED), telecommunications infrastructure in housing developments, urban settlements and concentrations of buildings (ITUR), digital terrestrial television (DTT) and 5G, in conformity with the aims underlying the granting of the sponsorship:

- DTT Technical Roadshow (2 actions).
- Webinar on “*ITED 4/ITUR 3 – A regulação como orientadora da cadeia de valor*” (ITED 4/ITUR 3 – Regulation as guiding the value chain).
- Webinar 1 on “*Questões Frequentes ITED 4/ITUR 3*” (ITED 4/ITUR 3 Frequently Asked Questions).
- XXIV National Meeting of SME: Technical Guide for builders and work owners.
- Technical publication: “*Dossier ITED 4 e redes 5G*” (ITED 4 and 5G Networks Dossier).

The value of the sponsorship awarded by ANACOM to the ACIST was allocated to various activities, amounting to 30,693 euros (including VAT), partially covering their implementation costs. In exchange, this offered ANACOM visibility, participation, advertising and disclosure of contents, in conformity with the aims underlying the granting of the sponsorship:

- *Conferência do Fórum Permanente para as Competências Digitais* (Permanent Forum Conference for Digital Skills), with 23 having been held.
- Journals, website, newsletters: 30th Digital Business Congress (which was postponed to May 2022).

The sum of sponsorships granted also included a related event: the Best Student Paper Award, granted through the Portuguese Committee of the International Union of Radio Science (URSI).

Finally, the topics covered by sponsored initiatives focus on electronic communications and radiocommunications.

## 20. Interest and similar income

In 2019 and 2020, this heading is detailed as follows:

**Table 6.36 – Interest and similar income**

	<u>2020</u>	<u>2019</u>
Late payment interest	49 612	25 658
Interest on financial investments	4 833	12 312
<b>Total</b>	<b><u>54 445</u></b>	<b><u>37 970</u></b>

Unit: Euros

The product made available by the *Instituto de Gestão do Crédito Público* (Public Credit Management Institute - IGCP), the special short-term debt certificates (CEDIC), had a remuneration rate 0% during the entire year of 2020, which is why ANACOM decided to keep the existing surplus cash in a current account. The increase occurred in the heading of “Interest on financial investments” is explained by the fact that, just as in the previous year, on an exceptional basis and under remunerated proposal of the IGCP, a financial investment was made during the last days of the year, covering a lesser number of days than in 2019.

## 21. Commitments

### Commitments regarding the purchase of assets

As at 31 December 2020, approximately 412,905 euros were under contracts, including VAT (2019: 585,265 euros), for the acquisition of tangible fixed assets and intangible assets, of which 229,798 euros (2019: 69,270 euros) have already been paid.

### Commitments regarding operating leases

In 2020 and 2019, the minimum value of future rents payable under non-cancellable operating leases was as follows:

**Table 6.37 – Operating lease commitments**

	<u>2020</u>	<u>2019</u>
Up to 1 year	1 758 759	1 561 078
1 to 5 years	6 015 877	4 728 312
<b>Total</b>	<b><u>7 774 636</u></b>	<b><u>6 289 390</u></b>

In 2020 these rents refer to: (i) the lease of a building and part of another on Av. José Malhoa where ANACOM's head office is located, with the amount payable being 7,258,453 euros; (ii) the lease of nine plots of land where the SINCRER remote stations are installed, with the amount payable being 67,319 euros; (iii) the lease of 25 vehicles, under vehicle operating lease contracts for periods ranging between 48, 66 and 72 months, whose amount payable stands at 379,476 euros, not including the option to purchase; and (iv) the operating lease of printing and copying equipment, whose amount payable is 63,960 euros.

In 2020, the heading of “External supplies and services” records expenses incurred in relation to the aforesaid operating leases amounting to 1,500,519 euros (of which 1,268,493 euros refer to the rental of buildings, 27,099 euros refer to the rental of land, 126,148 euros refer to vehicle operating leases, and 78,779 euros refer to the operating lease of printing and copying equipment). In 2019 the value recorded was 1,518,404 euros.

## 23. Contingencies

### 23.1 Guarantees

ANACOM has no bank guarantees issued in favour of third parties.

## 23.2 Contingent liabilities

### Judicial proceedings

As at 31 December 2020, ANACOM faced legal proceedings filed by various entities, in the context of its regulatory activity, for which the Board of Directors considered that it was unnecessary to constitute provisions, as the amounts sought were not indicated in the lawsuits and there were no credible estimates to support their constitution.

## 23.3 Contingent assets

As at 31 December 2020, legal proceedings for compensation were underway following an incident that occurred some years previously that affected the philatelic property, as mentioned in Note 8. ANACOM estimates that the compensation payment will be around 377,273 euros. However, as at the reporting date there is still no confirmation that ANACOM will actually receive this sum.

## 24. Related parties

### 24.1. Remuneration of the governing bodies

Pursuant to NCRF 5, the members of ANACOM's Board of Directors are related parties by virtue of their key role in its management.

During 2019 and 2020, the remuneration of the Board of Directors and Audit Committee was as follows:

**Table 6.38 – Remuneration of the governing bodies**

	<u>2020</u>	<u>2019</u>
Board of Directors	777 548	777 548
Statutory Auditor	<u>38 400</u>	<u>38 399</u>
<b>Total</b>	<b><u>815 947</u></b>	<b><u>815 947</u></b>

Unit: Euros

The current Chairman of the Board of Directors took office on 15 August 2017, having been appointed under the terms of Council of Ministers Resolution 120/2017 of 4 September.

Pursuant to Council of Ministers Resolution 16/2018 of 23 February, three new members of the Board of Directors were appointed, who took office on 9 February 2018 and continue in office. A further member of the Board of Directors was appointed in 2015 for a term of office of six years (Council of Ministers Resolution 38-B/2015 of 23 July).

The new rules for setting the remuneration of the members of the Board of Directors were changed in 2017.

Thus, pursuant to article 25 of the Framework Law of Independent Administrative Entities (Law 67/2013 of 28 August, as amended by Law 12/2017 of 2 May), the remuneration committee stipulated the remuneration of the (four) new members of the Board of Directors which, according to the report approved on 28 June 2017, established the monthly salary and the monthly allowance for representation expenses at the following values:

- Chairman of the Board of Directors: 8255 euros (paid 14 times) + 40% of the respective salary (paid 12 times) as an allowance for representation expenses.
- Vice-Chairman and Members of the Board of Directors: 7249.5 euros (paid 14 times) +40% of the respective salary (paid 12 times) as an allowance for representation expenses.

No retirement pension liabilities are incurred for members of the bodies indicated above.

Regarding the supervisory body, Order 5723/2019 of 18 June 2019, issued by the Minister of Finance and the Undersecretary of State and of Communications, pursuant to Article 33(1) of the Statutes of ANACOM, appointed the Statutory Auditor of ANACOM for a period of four years, effective on 1 May 2019. Up to then, ANACOM had been supervised by an Audit Committee which remained in office up to that date.

## **24.2. Universal Service Compensation Fund (FCSU)**

Law 35/2012 of 23 August created the electronic communications universal service compensation fund (FCSU) referred to in Article 97(2) of the Electronic Communications Law, and established the criterion for sharing the universal service net costs between the companies that are required to contribute to it. The compensation fund aims to finance the net costs arising from the provision of the universal service of electronic communications.

The operation of the FCSU observes the principles of transparency, non-discrimination, proportionality and minimum market distortion. The financing of the net costs of the universal

service is based on their distribution among the companies that offer public communications networks and/or electronic communications and services accessible to the public, in Portugal. For this purpose, the compensation fund incorporates the contributions of these companies.

The compensation fund is an autonomous public asset, without legal personality, under the administration of ANACOM, which, as the managing body, is responsible for its legal representation. The compensation fund is not liable for any debts of the managing body, nor is this managing body liable for amounts payable for the fund. The accounting of the compensation fund is autonomous and separate from ANACOM's accounting. As the managing entity, ANACOM is responsible for organising the accounting of the compensation fund in conformity with the accounting standardisation system (SNC). The compensation fund's report and accounts are subject to an opinion prepared by a chartered accountant, as an individual or a firm, and are published and sent to the government minister in charge of the area of communications.

It is incumbent on ANACOM to do whatever is necessary to ensure the sound management of the compensation fund, namely:

- (i) manage and ensure the effective collection of the contributions of the companies that offer public communications networks and/or electronic communications and services accessible to the public, in Portugal;
- (ii) manage the transfers and payments to be made to the universal service provider(s);
- (iii) administer the financial resources of the compensation fund;
- (iv) prepare and publish an annual report presenting the calculated cost of the universal service obligations, indicating the contributions made to the compensation fund by all the companies involved.

ANACOM can, at any time, carry out all the acts required to perform the duties established by law, in particular request and obtain relevant information from the companies that offer public communications networks and/or electronic communications services available to the public, and instigate audit activities.

### **24.3. Fundação Portuguesa das Comunicações (FPC)**

On 6 October 1997, ANACOM, Portugal Telecom, S.A. and CTT – Correios de Portugal, S.A., founded the Fundação Portuguesa das Comunicações (FPC – Portuguese Communications Foundation) and approved its Statutes, which have subsequently been amended.

The purpose of FPC is to promote the study, conservation and dissemination of the historic, scientific and technological heritage in the communications area. It also carries out activities involving research and cooperation, making its assets available for research and spreading information on the sector's historic evolution and new technologies and services, and contributing to the socioeconomic development of the country and community, in the past, present and future.

The FPC is a non-profit private foundation, and annually receives from its founders the assets and economic support needed to pursue its purposes of social interest.

The current FPC bodies are: (i) the Board of Directors; (ii) the Executive Board; and (iii) the Statutory Auditor.

The Board of Directors is composed of an odd number of members, with at least one representative from each of its founders, and five members at the most. The responsibilities of the Board of Directors include, in particular: (i) the definition of the Foundation's general operating policies; (ii) approval of the budgets and annual or multiannual activity plans proposed by the Executive Board; (iii) the annual appraisal, discussion and approval of the report on the activities, balance sheets and accounts, and the report on the inventory of assets prepared by the Executive Board, after the opinion of the Statutory Auditor has been obtained; (iv) the establishment of the remuneration of the members of the governing bodies; (v) representation of the Foundation.

On 13 August 2015, the founders partially amended the Statutes of the FPC, establishing its current nature as a private and non-profit institution. Article 1 of the Statutes states that each institutor should annually endow the Foundation with the necessary support for the pursuit of its purposes of social interest, with article 21, point 2 establishing that this endowment is made by delivery of a value, during the month of January, aimed at supporting the operating expenses. This provision (point 2, paragraph 1) also states that 'the operating expenses related to the personnel, who may be seconded or assigned by the Founders at the express

request of the Foundation, will be included each year in the Foundation's budget, to be approved by the Board of Directors". Article 22 concludes that "the operating expenses of the Foundation, including the provision of employees as mentioned in the previous article, will be shared by the Founders, in accordance with the annual budget to be approved (...)".

An amendment was published on 10 September 2015 to the Framework-Law of Foundations (Law 150/2015 of 10 September), approved by Law 24/2012 of 9 July, to which the FPC is bound.

ANACOM, as a founding member, has borne part of FPC's operating costs, recording the following sums in the financial statements of the years ended on 31 December 2020 and 31 December 2019:

**Table 6.39 – FPC costs**

	<u>2020</u>	<u>2019</u>
Contribution	160 000	158 084
Costs related to assigned personnel	294 353	278 835
Accrued costs (holidays, holiday allowances and pensions)	14 511	25 323
Other supplies and services	-	
<b>Total FPC costs</b>	<b><u>468 864</u></b>	<b><u>462 242</u></b>

Unit: Euros

The annual contribution made in 2020 followed the procedure established in Article 12 of the State Budget Law for 2020 (Law 2/2020 of 31 March) and in Ordinance 260/2018 of 14 September (no Ordinance was published for this effect in 2020), with this value being limited by order of the Secretary of State for the Budget (SEO).

Pursuant to this Ordinance and the order of the Secretary of State for the Budget, the Inspectorate-General for Finance (IGF), at ANACOM's request, issued a favourable opinion on 29 December 2020 regarding the transfer to be made, having established a ceiling for overall costs incurred in relation to the Foundation.

Having complied with the legal formalities, ANACOM's Board of Directors decided on 30 December 2020 to authorize the transfer of 160 thousand euros to the Foundation.

## 25. Other relevant information

### 25.1 *Autoridade da Concorrência (AdC)*

Decree-Law 125/2014 of 18 August, which approves the Statutes of the AdC (Competition Authority), established that it is financed by the fees charged under this Authority's specific activity, as well as by payments from sectoral regulatory entities, namely ANACOM, by application of a fee based on the total revenues of these regulatory entities and charged in the last financial year closed, defined by the annual publication of an ordinance.

Article 35 specifies that this fee is established by 31 July of each year, by ordinance issued by the Government members in charge of the area of finance and the main area of economic activity of the regulatory authority, and shall take effect during the following calendar year. It also establishes that if this ordinance is not published by the stipulated deadline, the applicable fee for the next calendar year will be the average value of the period referred to in this article (between 5.5% and 7%), which is 6.25%

In view of the above, ANACOM transferred, on a monthly basis, the values arising from the application of the exceptional system foreseen in the Statutes of the AdC, i.e., 6.25% of the previous year's revenue, as the foreseen ordinance was not published.

In 2019, ANACOM recorded the value of 5,976,012 euros under "Other costs" (2019: 5,979,432 euros), which was transferred to the AdC, on a monthly basis.

## 26. Information required by law

Pursuant to Article 21(1) of Decree-Law 411/91 of 17 October, ANACOM confirms that it does not owe any contributions to Social Security and that it has no outstanding debt to the National Exchequer.

The Chartered Accountant

*Rui Ferreira*

The Board of Directors

*João António Cadete de Matos*

*João Miguel André Monteiro Coelho*

*Isabel Maria Guimarães de Oliveira Rodrigues Areia*

*Paula Cristina Meira Lourenço*

*Sandro Miguel Ferreira Mendonça*

2020

ANNUAL REPORT AND ACCOUNTS

**REPORT OF THE  
STATUTORY  
AUDITOR**

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## STATUTORY AUDITOR'S REPORT

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

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the accompanying financial statements of **ANACOM – AUTORIDADE NACIONAL DE COMUNICAÇÕES** (the Entity), which comprise the balance sheet as at 31 December 2020 (showing a total of 281.660.306 euros and a total net equity of 135.261.744 euros, including a net profit of 34.560.997 euros), and the income statement by nature, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of the Entity as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System.

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and other technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section below. We are independent of the Entity in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

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

#### OTHER MATTER

The current pandemic situation resulting from the proliferation of the SARS-CoV-2 coronavirus, responsible for the Covid-19 disease, has generated a significant impact on the economy in general and on the various entities that make up the economic fabric. As disclosed in the Management Report and in the notes to the financial statements, the Entity adopted a set of measures aimed at minimizing the risks of contamination, to ensure the continuity of its activities, which were not significantly affected by this reality, which also did not affect, either in terms of identified risks or in terms of the procedures adopted, the audit work that we developed.

#### **RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS**

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with Accounting and Financial Reporting Standards adopted in Portugal under the Portuguese Accounting System;
- the preparation of the management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

#### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
  - conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the
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financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **ON THE MANAGEMENT REPORT**

In compliance with the applicable legal requirements, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatements.

Lisbon, 26 April 2021

**VITOR ALMEIDA & ASSOCIADOS, SROC, Lda.**

Represented By:

*Vitor Manuel Batista de Almeida*

(Registered in the OROC under number 691 and in the list of auditors of the CMVM under number 20160331)

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# ANNUAL REPORT AND ACCOUNTS 2020

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